

Trust Board paper F1

UNIVERSITY HOSPITALS OF LEICESTER NHS TRUST

REPORT BY TRUST BOARD COMMITTEE TO TRUST BOARD

DATE OF TRUST BOARD MEETING: 3 December 2020

COMMITTEE: Audit Committee (QOC)

CHAIR: Mr M Williams, Non-Executive Director and Audit Committee Chair

DATE OF COMMITTEE MEETING: 16 November 2020

RECOMMENDATIONS MADE BY THE COMMITTEE FOR PUBLIC CONSIDERATION BY THE TRUST BOARD:

- **None.**

OTHER KEY ISSUES IDENTIFIED BY THE COMMITTEE FOR NOTING BY THE PUBLIC TRUST BOARD:

- **Minute 38/230/1: Integrated Risk Report and Board Assurance Framework 2020/21**
The Committee's assurance regarding the operation of the Board Assurance Framework.
The suggestion that Trust Board discussion be held regarding the need to strike an appropriate balance between achieving financial sustainability and maintaining and improving quality.

DATE OF NEXT COMMITTEE MEETING: 2 December 2020

Mr M Williams, Non-Executive Director and Audit Committee Chair

UNIVERSITY HOSPITALS OF LEICESTER NHS TRUST

MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD ON MONDAY 16 NOVEMBER 2020

(Virtual Meeting via Microsoft Teams, 9.00am)

- Present:** Mr M Williams – Non-Executive Director (Chair)
Ms V Bailey – Non-Executive Director
Col (Ret'd) I Crowe – Non-Executive Director (until 9.30am)
Mr A Johnson – Non-Executive Director
- In Attendance:** Ms A Breadon – Head of Internal Audit, PwC (the Trust's Internal Auditor)
Mr M Brice - Deputy Director of Financial Improvement
Mr J Brown - Partner, KPMG (the Trust's External Auditor 2020/21 onwards)
Mr A Carruthers - Chief Information Officer (for Minute 37/20/1)
Ms A Clarke - Local Counter-Fraud Specialist, PwC (for 37/20/4)
Ms P Hunt - Manager, KPMG (the Trust's External auditor 2020/21 onwards)
Mr R Manton - Head of Risk and Assurance (for Minutes 38/20/01 and 38/20/2)
Ms E Mayne - Grant Thornton (the Trust's current External Auditor)
Ms A Moss - Corporate and Committee Services Officer
Ms B O'Brien - Deputy Director of Quality Assurance (for Minute 38/20/01)
Mr J Shutter - Director of Operational Finance
Mr S Ward - Director of Corporate and Legal Affairs
Ms C Wood - Manager, PwC (the Trust's Internal Auditor)

RESOLVED ITEMS

33/20 APOLOGIES FOR ABSENCE AND WELCOME

An apology for absence was received from Mr S Lazarus – Interim Chief Financial Officer. The Chair welcomed Mr M Brice, Deputy Director of Financial Improvement. .

34/20 DECLARATIONS OF INTERESTS

Mr A Johnson, Non-Executive Director, declared his interest as Non-Executive Chair of Trust Group Holdings Ltd and Fight4Rutland. Ms V Bailey, Non-Executive Director, declared her interest as her son had been offered a post by PWC to start September 2021. Col (Rt'd) I Crowe, Non-Executive Director, declared his interest as Non-Executive Director of Trust Group Holdings Ltd. With the agreement of the Committee, these individuals remained present.

Resolved – that the position be noted.

35/20 MINUTES

Resolved – that the Minutes of the 19 June 2020 Audit Committee (papers A1 and A2) be confirmed as correct records.

36/20 MATTERS ARISING REPORT

Minute Ref: 28/20/3 Internal Audit Plan 2020-21. Ms V Bailey, Non-Executive Director, reported that action 3 was complete. With respect to 3a, the Director of Corporate and Legal Affairs and the Interim Chief Financial Officer would complete the template for circulation to the Audit Committee.

**DCLA,
ICFO**

Resolved – that the report be received and action log updated accordingly.

CCSO

37/20 KEY ISSUES FOR DISCUSSION/DECISION

37/20/1 Report from the Chief Information Officer

Resolved - that this minute be classed as confidential and taken in private accordingly.

Ms Breadon, PwC, Internal Audit presented the Internal Audit progress report (paper D) which updated the Audit Committee on the work of Internal Audit since its last meeting in June 2020. It noted that the final version of the Internal Audit Plan 2020/21 had been updated and circulated to Audit Committee members in August 2020; the final report on cyber-security had been issued; fieldwork had commenced on three reviews; and terms of reference for five reviews had been issued.

Referring to an appendix to paper D, Ms Breadon noted that there were 18 management actions overdue and outstanding; 15 actions had no progress updates provided. For two actions the Internal Audit team had requested additional evidence and one action required a revised implementation date. This position, it was noted, showed deterioration in performance.

It was noted that the revised Internal Audit Plan 2020/21 meant there was significant work pushed back to the last quarter of 2020/21. Most of the work related to financial systems and the Internal Auditors were constrained due to the amount of work the Trust was currently undertaking with respect to financial reporting and related systems. In addition, the Chief Nurse had requested a delay in relation to the Quality Impact assessment process review as the process was presently being revised.

Ms Breadon noted that, in order to meet the deadlines for the current year, the Internal Auditors would need the full cooperation of the Trust.

Mr M Williams, Non-Executive Director, Audit Committee Chair, asked what activity in relation to the financial systems review could be initiated sooner rather than later. The Director of Operational Finance thought it might be possible to expedite the review of journal authorisation and inputting but that it was a question of timing as it related to financial reporting. It was noted that 45 audit days had been allocated to financial systems. The Director of Operational Finance thought there were constraints in using these days effectively and some work was best delayed. However, there was some work that could be undertaken including in relation to accounts payable, payroll and fixed assets.

Mr M Williams, Non-Executive Director, Audit Committee Chair, asked whether other pieces of work in the Plan could be brought forward. It was agreed to revisit the long-list of potential areas for review to see whether any areas could be added and included in the Internal Audit Plan 2020/21.

**Chair and
ICFO**

Mr A Johnson, Non-Executive Director, reported that the Finance and Investment Committee, (FIC) at its meeting on 27 August 2020 (FIC Minute 40/20/1 refers) had proposed an Internal Audit review of UHL's contact management process. He noted that there were a number of large contacts being considered for extension far too close to the deadline which limited the contractual options and there were specific weaknesses for Estates and Facilities contracts which were outside the central framework. Mr A Johnson, Non-Executive Director, also suggested a review of the bed management contract. He proposed that a Forward Procurement Plan should be developed and used.

**Chair and
ICFO**

The Committee agreed that an Internal Audit of the UHL's contracts management process be considered and scoped accordingly.

Ms V Bailey, Non-Executive Director, expressed concern regarding the volume of work required for Internal Audit in quarter 4 2020/21. She asked what risks arose from the lack of implementation of Internal Audit recommendations and how they fed into the Board Assurance Framework. Ms V Bailey added that the Internal Audit plan should address the most relevant issues and current risks. The Director of Corporate and Legal Affairs outlined the process for monitoring implementation of actions arising from Internal Audit reviews and noted that the Executive Directors received a monthly report on outstanding actions enabling the Chief Executive to hold Executive Directors to account. The Director of Corporate and Legal Affairs referred to page 4 on the report which listed the outstanding actions noting that many had fallen due on 31 October 2020. These had yet to be followed

up and would be discussed at the next Executive Planning Meeting, following which he expected a number of them would be closed. Mr M Williams, Non-Executive Director, Audit Committee Chair, asked if there were any specific actions that the Committee should be concerned about. The Director of Corporate and Legal Affairs noted that each action was given a risk rating by the Internal Auditor and that the question would be considered at the Executive Planning Meeting the following week. Mr M Williams, Non-Executive Director, Audit Committee Chair, asked that an update be provided to Committee members following that meeting.

DCLA

Resolved – that (A) the report be received and noted, and (B) the Interim Chief Financial Officer be requested to liaise with Internal Audit in order to review the scope to add and include in the Internal Audit Plan 2020/21 additional items not originally included (given the time now available), including a review of UHL’s contract management process. (C) the Director of Corporate and Legal Affairs provide an update on the outstanding audit actions.

ICFO/IA

DCLA

37/20/3 Potential Internal Audit Review of UHL’s Contract Management Process (as requested by the Finance and Investment Committee on 27 August 2020)

This item had been discussed as part of the discussion above (Minute 37/20/2 refers).

37/20/4 Local Counter Fraud Specialist Progress Report

Ms A Clarke, Local Counter-Fraud Specialist PwC, introduced the report which set out the progress of counter fraud activity against the Annual Counter Fraud Work Plan 2020/21. The report included a summary of progress against the plan, a brief summary of referrals received, and the communications shared with the Trust. Page 4 of the report summarised the work undertaken.

Ms Clarke highlighted the increased risks of fraud posed by the COVID-19 pandemic which included mandate fraud or payment diversion fraud, recruitment fraud, payroll fraud and procurement fraud. As a consequence, the Trust’s fraud risk assessment was being updated and would consider the increased risk of theft of PPE and procurements risks.

The report set out the referrals the Local Counter Fraud Service had recently received. Mr Williams, Non-Executive Director, Audit Committee Chair, asked whether the number of referrals was in line with that expected and how this compared with the national picture. Ms Clarke considered that the number of referrals was as expected and thought there was a need to raise awareness of the Local Counter Fraud Service and encourage more referrals. Ms Breadon, Head of Internal Audit noted that the referrals relating to staff working whilst on sick leave and small level thefts were in line with the numbers reported in previous years. Ms V Bailey, Non-Executive Director, asked where there had been any referrals for the Alliance or Trust Group Holdings. Ms Clarke noted that the service took referrals from any service and, if and as necessary, redirected them appropriately.

Ms V Bailey, Non-Executive Director, asked whether, with reference to the case no. UHL 1906 the police had taken action. Ms Clarke reported that she had not yet received an update from the police regarding this case but would pursue this matter.

The Director of Operational Finance undertook to flag to the Interim Chief Financial Officer the need to progress the two cases now identified on his return from annual leave.

Resolved - that (A) the report be received and noted. (B) the Director Operational Finance flag to the Interim Chief Financial Officer the need to progress the two cases identified.

DOF

38/20 **ITEMS FOR ASSURANCE**

38/20/1 Integrated Risk Report and Board Assurance Framework 2020/21

The Director of Corporate and Legal Affairs introduced paper F, which set out the Integrated Risk Report and Board Assurance Framework (BAF) 2020/21. The Head of Risk and Assurance noted that the BAF had been reviewed at Quarter 2 by the Trust Board and all Principal Risks updated in October 2020 and ratified at the Executive Board. It was noted that the COVID-19 assurance framework was now embedded in the BAF and reviewed weekly at the COVID-19 Strategy Group.

The Head of Risk and Assurance reported that work was underway with the Internal Auditors to identify Key Risk Indicators (KRI) linked to the Principal Risks on the BAF as part of the risk appetite refresh programme. The KRIs were measures of how risky an activity was and the metrics would be used to provide an early signal of increasing risk exposure. The plan was to work with Executive Leads to develop KRIs for all the Principal Risks, starting with PR3 (workforce sustainability), PR4 (financial sustainability) and PR5 (IT), and not PR2 (Operational Performance) as stated in the paper). The work would be undertaken in the next quarter. The Deputy Director of Quality Assurance observed that this piece of work was innovative for the NHS.

The Head of Risk and Assurance noted that in respect of the organisational risk register there were 313 open risks and performance relating to the review of risks had improved; the vast majority had been reviewed. Work was underway to create a web version of the risk register which would make it easier to maintain.

The Head of Risk and Assurance noted that the Audit Committee had previously undertaken deep dives for Principal Risks on the BAF and asked whether it wanted to continue with the process. Ms V Bailey, Non-Executive Director, considered that the deep dives were useful and that there was a need to address the culture to ensure that quality, people and financial issues were kept in balance against a backdrop of COVID-19 and financial recovery. She believed there had previously been an acceptance of overspending and there was a need to create a new discipline of spending only what could be afforded. Mr M Williams, Audit Committee Non-Executive Director Chair, agreed and proposed that operational performance be considered for the next deep dive. There was a need, in his view, to align the BAF to the strategic priorities.

DCLA

The Audit Committee Chair considered that there was a read across between the Trust's strategic priorities and the BAF but that increased focus on the Trust's Chairman's priorities and especially health inequalities was necessary as this was not articulated well and needed a greater profile within both the Risk Register and BAF.

Mr M Williams Non-Executive Director, Audit Committee Chair, asked the Head of Risk and Assurance whether he felt that there were particular gaps in assurance which caused him concern. The Head of Risk and Assurance considered that finance was a key area which was under review and development and he noted that key issues were being escalated through the Executive Finance and Performance Board and the Finance and Investment Committee of the Trust Board.

Mr M Williams, Non-Executive Director, Audit Committee Chair, asked about Principal Risk 5 (IT) and the fact that the Business Continuity Plan was incomplete. The Head of Risk and Assurance replied that it was down to resources being temporarily diverted to deal with COVID-19 and that it was a large piece of work being led by the Emergency Preparedness Resilience and Response (EPRR) Team to look in depth at the processes at CMG level. The work would take 12-18 months. The Director of Corporate and Legal Affairs added that the quarterly reports for EPRR were submitted to the People, Process and Performance Committee which provided assurance on the process.

Mr A Johnson, Non- Executive Director, added that the main Board Committees, by virtue of their terms of reference, had a limited focus and there was a need for the Trust Board to achieve a balance of risks having assessed the risk appetite. To achieve financial sustainability there was a need to re-engineer the services. There was a natural tension between quality and financial sustainability, which he thought needed to be addressed. The Director of Corporate and Legal Affairs commended the approach taken to create the Phase 3 Restoration and Recovery Plan for months 7-12 of 2020/21, noting that the plan had been reviewed by each Board Committee in turn before consideration and approval by the Trust

Board.

The Committee considered that it was assured regarding the processes for risk management but that there needed to be a strategic discussion by the Trust Board regarding the cultural changes that were needed for transformation and financial sustainability.

**DCLA/Trust
Chairman**

Resolve - that (A) the report be received and noted, and

(B) a deep dive be held on BAF Principal Risk PR2 – Operational Performance, and

(C) the Trust Board be recommended to consider holding a discussion on how to best achieve a balance between quality and financial recovery.

ACOO

**DCLA/UHL
Chairman**

38/20/2 Reconfiguration Programme Strategic Risks

The Director of Estates and Facilities presented paper G, which set out the strategic risks for the Reconfiguration Programme which had been received and reviewed by the Trust Board at its monthly meetings which focussed on the Reconfiguration Programme.

The Director of Estates and Facilities noted that risks were reported at every level of the Programme. Each Project Committee received its risk register; the Reconfiguration Programme Committee received an update of all the risk registers and the strategic risk register. The Executive Strategy Board received the strategic risk register which was then submitted to the Trust Board.

The Director of Estates and Facilities asked the Committee with what frequency would it like to receive the reports and what level of detail was required. He reported he was working with PwC on reporting arrangements to provide an additional independent report to inform Trust Board and Committee oversight. These reports would cover: stocktake review of project controls; ongoing programme reporting; including risks, financial projections and schedule and a gateway review; if required prior to the commencement of detailed design work. A paper was scheduled for the December 2020 Reconfiguration Programme Trust Board meeting for agreement setting out the scope and timetable for these activities.

The Head of Risk and Assurance noted that the risks relating to reconfiguration were included on the Board Assurance Framework and reported to the Trust Board.

Ms V Bailey, Non- Executive Director, asked about the strategic links regarding financial risk as the programme developed. The Director of Estates and Facilities noted that once the Outline Business Case had evolved into the Full Business Case, the question of how the Programme would address the Trust's structural deficit would come to the fore. There would be a need to review how it was reflected in the BAF, and the Reconfiguration Programme Risk no.14 would need to clearly articulate the risk as it emerged.

Mr M Williams, Non-Executive Director, Audit Committee Chair, referred to risk no. 11 and the Department of Health and Social Care's announcement regarding the central procurement of Tier 1 contractors. The Director of Estates and Facilities noted that clarification was being sought as to the scope and timescales. It was suggested that the approach could create a delay but this needed to be explored. Should the Tier 1 contractors be engaged centrally this would propose a different set of issue for UHL which would be need to be referred to the Trust Board.

Resolved - that the report be received and noted.

38/20/3 Discretionary Procurement Actions

The Director of Operational Finance presented the report (paper H) which, in accordance the Trust's Standing Orders, informed the Audit Committee of the occasions when waivers had been authorised with respect to procurement processes. The Director of Operational Finance noted that the list was quite long which was mostly due to COVID-19 and the need for urgent procurement. Whilst all the waivers were deemed appropriate there was a need to review the waivers in light of the wider piece of work to ensure appropriate financial grip and control. He

added that the length of the list did not indicate a lack of control but there was something to consider regarding procurement policies and policy.

Ms V Bailey, Non-Executive Director, asked whether, in respect of waivers related to clinical services, checks were undertaken in relation to the 'fit and proper' process. The Director of Operational Finance agreed to check and confirm. Mr A Johnson, Non-Executive Director, considered there was a need to review the mechanisms for procurement and highlighting those departments which were higher risk.

DOF

The Director of Corporate and Legal Affairs noted that the Audit Committee had not met in September 2020 and that the list was longer than usual as the interval between meetings was greater. He reiterated that many of the waivers were in respect of urgent procurement necessitated by the pandemic.

It was reported that the Deputy Director of Financial Improvement, the Director of Corporate and Legal Affairs, Financial Controller and Head of Procurement and Supplies were reviewing the Standing Orders and Standing Financial Instructions which would include consideration of the respective thresholds and authorities. Proposals for change would be presented at the end of the 2020/1 financial year.

**Resolved - that (A) the report be received and noted, and
(B) the Director of Operational Finance confirm the checks
undertaken regarding waivers relating to clinical services.**

38/20/4 Review of Losses and Special Payments

The Director of Operational Finance presented the report which set out the register of losses and special payments for six months up until September 2020. The two largest payments were for £38k and £32k, respectively, and related to employer's liability payments made with the benefit of legal advice.

The Director of Operational Finance noted that the procedures for private patient payments had yet to be reviewed in depth. Mr M Williams, Non-Executive Audit Committee Chair, asked whether the Committee should be aware of issues relating to the employment liability payments. The Director of Operational Finance thought not but undertook to check. The Chair asked for more information relating to the claims and whether the claims would be covered by insurance. The Director of Corporate and Legal Affairs noted that the Trust subscribed to the NHS Resolution insurance scheme which had an excess of £5k for such cases and there was a process to establish lessons learned from such claims.

DOF

**Resolved - that (A) the report be received and noted, and
(B) the Director Operational Finance to confirm whether
there were any issues pertaining to the employment claims.**

39/20 **ITEMS FOR NOTING**

In receiving the Minutes of the Charitable Funds Committee, Mr M Williams, Non-Executive Director, Audit Committee Chair, raised the issue of the Charity annual accounts for 2019/20. It was noted that the delay in auditing the accounts could potentially create problems for the Charity. There was a risk that it would not meet its obligation to file its accounts with the Charity Commission by the end of January 2021. The Director of Corporate and Legal Affairs noted that he was working with the Deputy Director of Financial Improvement and considering alternative arrangements. The Deputy Director of Financial Improvement reported that discussions were being held with KPMG with respect to the audit of the Charity's accounts and those of Trust Group Holdings Ltd. Ms Hunt, KPMG, noted that, it would be possible for the Charity's accounts to be audited separately (subject to independence checks with Grant Thornton); the issues relating to Trust Group Holdings Ltd, however, required further consideration.

Resolved – that the Minutes/Summaries from the following meetings be noted for information, at papers J1 – M3 respectively:

- (1) Quality and Outcomes Committee 25.6.20, 30.7.20, 27.8.20 and 24.9.20;
- (2) People, Process and Performance Committee 25.6.20, 30.7.20, 27.8.20 and 24.9.20
- (3) Finance and Investment Committee 25.6.20, 30.7.20, 27.8.20 and 24.9.20 and
- (4) Charitable Funds Committee 24.6.20 and 9.10.20.

40/20 ANY OTHER BUSINESS

There were no items of any other business.

41/20 IDENTIFICATION OF ANY KEY ISSUES FOR THE ATTENTION OF THE TRUST BOARD

Resolved – that the following items be brought to the attention of the Trust Board:-

- (1) Report from the Chief Information Officer (Confidential Minute 37/20/1 refers) to be highlighted in the private Trust Board meeting.
- (2) The suggestion that Trust Board discussion be held regarding the need to strike an appropriate balance between achieving financial sustainability and maintaining and improving quality
- (3) The Committee’s assurance regarding the operation of the Board Assurance Framework.

42/20 DATE OF NEXT MEETING

The next meeting of the Audit Committee to be confirmed.

The meeting closed at 11.00am

Alison Moss

Corporate and Committee Services Officer

Audit Committee Cumulative Record of Members’ Attendance (2020-21 to date):

Members:

Name	Possible	Actual	%
M Williams	1	1	100
V Bailey	2	2	100
I Crowe	2	2	100
A Johnson	2	2	100
K Jenkins (Until July 2020)	1	1	100

In attendance:

Name	Possible	Actual	%
S Lazarus	2	1	50
N Sone	1	1	100
J Shuter	2	2	100
S Ward	2	2	100