

Trust Board paper F1

UNIVERSITY HOSPITALS OF LEICESTER NHS TRUST
REPORT BY TRUST BOARD COMMITTEE TO TRUST BOARD

DATE OF TRUST BOARD MEETING: 1 April 2021

COMMITTEE: Audit Committee

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

DATE OF COMMITTEE MEETING: 5 March 2021

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

- None

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

- Board Assurance Framework (Minutes 19/21/1 and 19/21/2)
- Capacity constraints within the People Services Directorate (Minute 18/21/8)
- Fixed Asset Module (Minute 18/21/6)
- Internal Audit Reviews (Minute 18/21/5 and 18/21/6)
- Finance Directorate Structure (Minute 18/21/3)
- Arrangements for notification of staff leaving UHL (Minute 18/21/2)
- IM&T Resources and infrastructure risks (Minute 18/21/8)

DATE OF NEXT COMMITTEE MEETING: 19 April 2021

Mr M Williams
Non-Executive Director and Audit Committee Chair

UNIVERSITY HOSPITALS OF LEICESTER NHS TRUST

MINUTES OF AN AUDIT COMMITTEE MEETING HELD ON FRIDAY 5 MARCH 2021 AT 9.00AM

(held virtually via Microsoft Teams)

- Present:** Mr M Williams – Non-Executive Director (Chair)
Ms V Bailey – Non-Executive Director, and Chair of the Quality and Outcomes Committee
Col (Ret'd) I Crowe – Non-Executive Director, and Chair of the People, Process and Performance Committee
Mr A Johnson – Non-Executive Director, and Chair of the Finance and Investment Committee
- In Attendance:** Ms A Breadon – PwC (the Trust's Internal Auditor) (excluding Minutes 24/21/1 to 24/21/3)
Mr M Brice – Deputy Financial Improvement Director (excluding Minutes 24/21/1 to 24/21/3)
Ms A Clarke – Local Counter-Fraud Specialist, PwC (excluding Minutes 24/21/1 to 24/21/3)
Mr R Cooper – Financial Improvement Director (excluding Minute 24/21/1 to 24/21/3)
Mr S Lazarus – Chief Financial Officer (up to and including part of Minute 19/21/2)
Mr S Linthwaite – Deputy Director of Finance (Financial Services) (excluding Minutes 24/21/1 to 24/21/3)
Mr R Manton – Head of Risk and Assurance (for Minutes 19/21/1 and 19/21/2)
Ms E Mayne – Grant Thornton (the Trust's External Auditor) (excluding Minutes 24/21/1 to 24/21/3)
Ms D Mitchell – Acting Chief Operating Officer (for Minute 19/21/2)
Mr J Murray – Director, Risk Advisory, Deloitte (observing)
Ms K Rayns – Corporate and Committee Services Officer
Mr M Stocks – Grant Thornton (the Trust's External Auditor) (excluding Minutes 24/21/1 to 24/21/3)
Mr J Shuter – Director of Operational Finance (excluding Minutes 24/21/1 to 24/21/3)
Mr S Ward – Director of Corporate and Legal Affairs
Ms C Wood – PwC (the Trust's Internal Auditor) (excluding Minutes 24/21/1 to 24/21/3)

RESOLVED ITEMS

ACTION

14/21 APOLOGIES FOR ABSENCE AND WELCOME

There were no apologies for absence. The Audit Committee Non-Executive Chair welcomed everyone to the meeting, including Mr J Murray from Deloitte who was observing today's meeting as part of UHL's Board Development Programme. He commented on the positive progress being made with finalising the 2019/20 Accounts, advising that the Audit Committee would be making (or endorsing) some key decisions at today's meeting which it was hoped would support the timely delivery of the audited 2019/20 and 2020/21 Accounts by August 2021.

15/21 DECLARATIONS OF INTERESTS

Mr A Johnson, Non-Executive Director declared his role as Non-Executive Director Chair of Trust Group Holdings Ltd (TGH), Mr S Lazarus, Chief Financial Officer declared his role as Non-Executive Director of TGH and Mr J Shuter, Director of Operational Finance declared his role as Finance Director and Company Secretary of TGH. With the agreement of the Audit Committee, these individuals remained present.

Resolved – that the position be noted.

16/21 MINUTES

Resolved – that the Minutes of the 27 January 2021 Audit Committee (papers A and A1) be confirmed as correct records.

17/21 MATTERS ARISING REPORT

Paper B provided a summary of the matters arising from the 27 January 2021 Audit Committee and outstanding matters arising from previous Audit Committee meetings. In respect of item 3b (Minute 1/21/3 of 27 January 2021 refers), the Director of Corporate and Legal Affairs

provided some additional contextual information advising that this action and arisen from the discussion on UHL's action plan to respond to the Draft Statutory Recommendations and the arrangements for monitoring whether tangible practice and culture changes had been embedded. The Audit Committee Non-Executive Director Chair welcomed this explanation, noting that success would be challenging to measure.

Resolved – that the matters arising report be noted.

18/21 KEY ISSUES FOR DISCUSSION/DECISION

18/21/1 Plans/Timetable to Revise the 2019/20 Accounts and to Re-Audit the 2019/20 Accounts – Progress Update

Resolved – that this Minute be classed as confidential and taken in private accordingly.

18/21/2 Response to draft Audit Findings Report 2019/20 – Progress Update

Further to Minute 1/21/4 of 27 January 2021, the Deputy Financial Improvement Director introduced paper D, updating the Audit Committee on the actions underway to address the control weaknesses highlighted by Grant Thornton's draft Audit Findings Report (AFR). Taking the report as read, he highlighted the key achievements in respect of financial journal controls, improvements in the quality and access to working papers with appropriate feedback being provided to the production teams. The stocktake guidance had been improved and updated and close working arrangements were in place with the relevant managers to review their stocktake plans. Section 5 of paper D identified the specific focus over the next six to eight weeks on any areas which might impede progress with production of the Accounts. These included compliance with the revised journal approval procedures, implementation of a fixed asset module, validating the inventory assets to ensure that they matched the physical stock, accounts preparation and agreement of balances. The action log provided at appendix A provided the detail beneath each high level control issue, together with the current status of each action and the expected completion date. Appendix B also provided an update against each of Grant Thornton's prior year recommendations. Section 5 of paper D set out the priority tasks. In discussion on the report, the following comments and queries were noted:-

- (a) Ms V Bailey, Non-Executive Director welcomed the clarity of the monitoring processes, suggesting that it would also be helpful to include a focus on the relative priorities of each workstream alongside the risks and potential impact of any delays to inform the Audit Committee's discussion at future meetings. She also noted the need for future discussion on how to embed changes in culture arising from the Financial Special Measures (FSM) programme to make them sustainable within the 'business as usual' culture of the organisation;
- (b) the Audit Committee Non-Executive Chair highlighted item 5 within appendix A (relating to changes and approval of accounting estimates) and he queried the intended role of the Audit Committee in this area. In response, the Deputy Financial Improvement Director advised that he would provide a briefing to a future Audit Committee meeting on this issue. Mr M Stocks, External Auditor noted that the standard for accounting estimates had changed for the 2020/21 financial year and this had resulted in a three-fold increase in the amount of external audit work to be completed. Mr Stocks noted the importance of understanding the Non-Executive Director role in challenging, approving and reviewing alternative options and he requested the Deputy Financial Improvement Director to start work in this area at the earliest opportunity, recommending that a paper including all accounting estimates be presented to a future Audit Committee for approval;
- (c) the Audit Committee Non-Executive Chair sought and received additional information about the steps taken to address issues with the unauthorised invoice register, noting in response that these historical issues had now been addressed and that there was an improved level of confidence surrounding the new rigorous process where the arrangements for accruals no longer relied upon one key individual, and
- (d) responding to further queries from the Audit Committee Non-Executive Chair, the Deputy Financial Improvement Director reported verbally on the arrangements for payroll

DFID

reconciliation and the process for timely notification of leavers, advising that the Trust's processes and procedures had been updated to ensure that all CMGs and Corporate Directorates notified Payroll Services of any leavers in a timely manner. The Audit Committee Non-Executive Chair highlighted the organisational impact of salary overpayments in terms of the time and effort required to recover overpayments. He also commented upon the need for improved discipline surrounding removal of access to IT systems and buildings for ex-staff members. The Deputy Financial Improvement Director noted potential issues for patient confidentiality in respect of access to IT systems and he queried whether an Internal Audit review of these arrangements had been undertaken recently. Ms C Wood, Internal Auditor advised that a review had been undertaken in the previous year as part of UHL's Fraud Risk Assessment. This review had flagged a high risk finding in relation to access of buildings and IT systems and the Trust's People Services and IM&T Directorates were leading on the response to these recommendations. She undertook to provide a copy of the Internal Audit review report to the Audit Committee Non-Executive Chair (outside the meeting). Col (Ret'd) I Crowe, Non-Executive Director advised that the relevant Executive Directors were aware of the issues surrounding leavers' access to IT systems and delayed notification to Payroll and this remained a 'live' issue currently. Mr A Johnson, Non-Executive Director added that some 3,000 Estates and Facilities staff currently were paid via a separate payroll system.

CW, IA

Resolved – that (A) the update on the Management Response to the Audit Findings Report 2019/20 be received and noted as paper D;

(B) the Deputy Financial Improvement Director be requested to provide a report to a future Audit Committee meeting on the process surrounding changes and approval of accounting estimates, and

DFID

(C) Ms C Wood, Internal Auditor be requested to send copy of the Internal Audit review of Leavers to the Audit Committee Non-Executive Chair (outside the meeting).

CW, IA

18/21/3

Actions Taken and Planned to Strengthen UHL's Finance Department and Key Financial Controls – Progress Update

The Chief Financial Officer introduced paper E, briefing the Audit Committee on the proposed re-structure of the Finance Directorate following a detailed review by the Deputy Director of Finance (Financial Services) and the Director of Operational Finance. A task and finish group had been established as a sub-group of the Financial Recovery Board to oversee this work and benchmarking comparisons had been undertaken looking at the Finance Directorate structure of 12 well-performing peer group Trusts (using the Model Hospital data). Mr S Linthwaite, Deputy Director of Finance (Financial Services) had been appointed to lead the Financial Services function, which was responsible for providing technical finance support, producing the statutory accounts and delivering transaction services. Mr J Shuter, Director of Operational Finance would be leading the Financial Management function which related to financial performance, financial planning and analysis and providing business partnering support. The Chief Financial Officer noted that progress of the actions to improve key financial controls had been provided within paper D which had featured earlier in today's agenda. He advised that he was not seeking formal approval of the draft Finance Directorate structure at today's Audit Committee, but he welcomed members' comments and queries on the proposals:-

- (a) the Financial Improvement Director commented upon the thorough process that had been followed in developing the proposals over the last two to three months. In the meantime, the gaps in organisational capability and capacity had been filled using high quality interim professionals and arrangements were now being made to address these gaps on a substantive basis;
- (b) the Deputy Financial Improvement Director commented upon the importance of robust and transparent recruitment processes, underpinned by a strong learning and development culture, and identification of future leaders with succession planning in mind. In parallel it was also important to focus on investment in service efficiency opportunities, such as 'procurement-to-pay' systems;
- (c) Mr A Johnson, Non-Executive Director was pleased to note that the gaps in balance sheet management, capital accounting and asset management roles were being addressed within the new structure. He commented upon a potential conflict within the reporting route

between the balance sheet and financial accounting roles and the operational accounting role, noting that they all reported to the Deputy Director of Finance (Financial Services). Re-iterating his earlier declaration of interest as Non-Executive Director Chair of TGH, he queried the rationale for removing the band 6 TGH Finance Business Partner from the existing structure, given that TGH was paying UHL an agreed SLA for this service. In response, it was confirmed that this post was being replaced by a band 7 post, and

- (d) the Audit Committee Non-Executive Chair requested some assurance that existing members of staff would be provided with a fair opportunity to apply for any new roles (supported by appropriate personal development opportunities where required). The Chief Financial Officer responded that Ms J Tyler-Fantom, Deputy Director of Human Resources would be involved in designing the recruitment process going forwards to ensure that equitable and transparent arrangements were in place whilst ensuring that the skill set requirements for each role were met.

Resolved – that (A) the update on proposals to strengthen UHL’s Finance Directorate be received and noted as paper E, and

(B) a further update on the Finance Directorate restructure be presented to the Audit Committee on 19 April 2021.

CFO

18/21/4 Review of UHL Accounting Policies and Financial Reporting Changes

The Deputy Director of Finance (Financial Services) introduced paper F, setting out the Trust’s policies which would apply to the preparation of the 2020/21 Accounts in accordance with the Department of Health and Social Care (DHSC) Group Accounting Manual and International Financial Reporting Standards to ensure that the Annual Accounts would represent a true and fair financial view of the Trust’s operating activities. A summary of the Trust’s Accounting Policies was provided at appendix 1. There were no significant changes to the national Accounting Standards to be implemented in 2020/21, given that the Leasing Standards had been deferred for implementation with effect from 1 April 2022. The Deputy Director of Finance (Financial Services) highlighted the key areas of audit risk applicable to NHS Trusts generally, which were noted to include (a) valuation of land and assets, (b) revenue recognition, (c) expenditure recognition, (d) accounting for stock, (e) going concern, and (f) management override of controls. A full property valuation had been commissioned and the initial site visit had taken place. Revised stocktake guidance had been distributed and the proposed dates for physical stock takes were being validated. Discussion had taken place earlier in the meeting in respect of accounting estimates and models (Minute 18/21/2 above refers) and a section on page 5 of the report described how this would be achieved in compliance with the provisions of IAS 37.

The Audit Committee Non-Executive Chair commended this report and he thanked the Deputy Director of Finance (Financial Services) for preparing and presenting it. Mr M Stocks, External Auditor concurred with this view, noting the significance of the information it contained and recommending that the Non-Executive Directors took some time to familiarise themselves with some of the technical issues, given that discussions were likely to focus on these matters at future meetings. On his first reading, there were no issues to flag to the Audit Committee at this time, but he highlighted the key section relating to significant judgements, estimates and uncertainties which would require a detailed sensitivity analysis to determine any disclosure requirements. Mr Stocks also highlighted some of the DHSC guidance in relation to stock and donated assets which would be discussed in depth with the Deputy Director of Finance (Financial Services) outside the meeting.

**MS, EA/
DFID**

Ms V Bailey, Non-Executive Director commented upon staff culture, including some of the efforts that some staff would use to work around established policies, suggesting that it would be helpful for UHL to set and embed clear expectations at all levels surrounding compliance with policies. She also suggested that this report should become a regular agenda item for the Audit Committee and that appropriate arrangements be implemented for tracking key changes in accounting policies going forwards.

**AC
CHAIR**

Mr M Stocks, External Auditor also drew the Committee’s attention to page 8 of paper F which set out the new approach to auditors’ work on value for money (VFM) arrangements. He noted that this was a substantial change for 2020/21 as the National Audit Office had rewritten the

Code of Practice for all public sector organisations. Previously, External Audit would focus on any key VFM risks on the basis of exception, but now they would be required to review all areas and produce a VFM report which would be published in the public domain. The Audit Committee Non-Executive Chair re-iterated his thanks to the Deputy Director of Finance (Financial Services), noting the importance of maintaining adherence to robust accounting disciplines.

Resolved – that (A) the Review of UHL Accounting Policies and Financial Reporting Changes be received and noted as paper F;

(B) Mr M Stocks, External Auditor be requested to discuss the DHSC guidance in relation to stock and donated assets with the Deputy Financial Improvement Director outside the meeting, and

**MS, EA/
DFID**

(C) consideration be given to including a report on UHL Accounting Policies and Financial Reporting Changes as a regular agenda item for the Audit Committee.

**AC
CHAIR**

18/21/5 Internal Audit Progress Report

Paper G advised Audit Committee members that progress on elements of the Internal Audit plan remained slow due to the impact of current pandemic pressures on the NHS, although progress had improved in respect of the financial elements. Delays were noted in respect of agreeing the terms or reference for the reviews of UHL's Sustainability and Contract Management arrangements, and the Director of Corporate and Legal Affairs was requested to contact the Director of Estates and Facilities to expedite these matters. Two final reports had been issued as per Minutes 18/21/6 and 18/21/7 below. Ms C Wood, Internal Audit also advised the Audit Committee that the Internal Audit review of the Quality Impact Assessment process had been deferred to allow this process more time to become embedded. In light of changes to the rules and guidance relating to Salary Sacrifice, an Internal Audit review of this area had been agreed in the previous year, but this had been deferred as the Payroll Services Manager did not have sufficient capacity to support an Internal Audit review of Salary Sacrifice at that time.

DCLA

In discussion on the number of unused days left within the Internal Audit Plan, the Audit Committee Non-Executive Chair sought and received assurance that Internal Audit would be able to deliver these days between now and early May 2021, although there was some concern about overlap between reviews for some of UHL's lead officers. In respect of following-up the 10 outstanding audit actions (3 of which were high risk findings) particular discussion took place regarding item 4 (re: recovery of monies owed by private patients). Whilst the Chief Financial Officer confirmed that the strengthened resources within the Finance Directorate would have more capacity to complete the identified work relating to broader engagement with PLICS and SLM, he queried the relative priority of this work stream in the context of the 2019/20 and 2020/21 Accounts processes. The Audit Committee Non-Executive Chair requested an update report on this outstanding audit action for the April 2021 Audit Committee. At a later point in the meeting, the Deputy Financial Improvement Director highlighted that a detailed progress report on this outstanding audit action had been provided under item 9 of the Audit Committee matters arising report which featured as paper B on today's agenda. However, this information had not yet been shared with Internal Audit.

CFO

Col (Ret'd) I Crowe, Non-Executive Director added that he would soon be meeting with the Chief Information Officer and he would seek an update on item 9 (re: Data Centre single points of failure).

IC, NED

Resolved – that (A) the Internal Audit progress report be received and noted as paper G;

(B) the Director of Corporate and Legal Affairs be requested to liaise with the Director of Estates and Facilities to expedite the arrangements for commencing the Internal Audit reviews of Sustainability and Contract Management;

DCLA

(C) the Chief Financial Officer be requested to provide a progress update to the April 2021 Audit Committee in respect of the outstanding high risk audit action relating to private patient debts, and

CFO

(D) Col (Ret'd) I Crowe, Non-Executive Director be requested to discuss progress with the outstanding high risk audit action relating to Data Centre single points of failure with the Chief Information Officer (outside the meeting).

IC, NED

18/21/6 Internal Audit Review of Financial Systems

Paper H1 detailed the final report of Internal Audit's review of Financial Systems, which had an overall 'critical' risk classification. Ms A Breadon, Internal Audit advised that the last UHL review to be classed as 'critical' had been the review of Business Continuity some years earlier. She highlighted the four high risk findings, which related to (i) lack of a fixed asset module and dependency upon a key individual, (ii) asset valuations, (iii) capital additions, and (iv) capital disposals. The Chief Financial Officer accepted the findings of the review, providing his view that it was unusual for a Trust of UHL's size not to have a fixed asset module and being reliant upon spreadsheets which were fraught with lack of controls and heavily reliant upon the individual concerned. The Trust had extended asset lives in prior years and the process of reverting asset lives back to plan had caused some technical issues. Whilst this system would not be replaced in time to complete the 2019/20 audit, this risk was being mitigated with the use of high calibre resources. Once the 2019/20 and 2020/21 Accounts had been finalised and submitted in August 2021, one of the key priorities would be to implement a new fixed asset module.

Mr M Stocks, External Auditor commented upon the following current year findings:-

- (a) finding 7 (low risk) – relating to incorrect accounting policies, suggesting that the asset lives should be amended to reflect the policy rather than the policy being amended to reflect the asset lives, and
- (b) finding 8 (medium risk) – relating to variations of income against the block contract, advising that it would be helpful if the finance team could collate more information on this issue to inform the audit process going forwards.

CFO

CFO

Resolved – that (A) the Internal Audit review of Financial Systems be received and noted as paper H1, and

(B) the Chief Financial Officer be requested to arrange for the suggestions raised by External Audit in respect of findings 7 and 8 (detailed above) to be followed up.

CFO

18/21/7 Internal Audit Review of National Institute for Health Research (NIHR) – Local Clinical Research Network (LCRN): East Midlands

Ms C Wood, Internal Audit introduced paper H2 providing the final report of Internal Audit's review of Research, which had an overall 'low' risk classification. As UHL was the host Trust for the East Midlands branch of the NIHR LCRN, there was a requirement for this Internal Audit review to be completed at least once every three years. The review had been conducted remotely through video meetings with key members of the LCRN team, using the standard scope. One medium risk finding had been identified relating to discrepancies in the authorisation limits between the LCRN scheme of delegation and the Trust's authorised signatory list. Three other low risk findings were set out in paper H2. The Audit Committee Non-Executive Chair requested that this finding be fed into the review of UHL's Standing Financial Instructions.

CFO

Resolved – that (A) the Internal Audit review of the NIHR Clinical Research Network be received and noted as paper H2, and

(B) the Chief Financial Officer be requested to arrange for the medium risk finding relating to the Trust's authorised signatory list to be addressed as part of the review of UHL's Standing Financial Instructions.

CFO

18/21/8 Local Counter-Fraud Specialist Report

Ms A Clarke, Local Counter-Fraud Specialist, PwC, introduced her progress report at paper I, confirming the communications materials that had been shared with the Trust and a staff quiz

which had been developed to increase staff awareness of counter-fraud good practice. Particular discussion took place regarding the fraud risks surrounding the Covid-19 pandemic which included fraudulent and malicious texts and emails relating to the vaccination programme. These risks had been communicated with the Trust via a newsletter, fraud awareness communication material and a fraud prevention notice. In respect of the fraud referrals received in 2020/21 and prior years, three of the cases had been closed since the report was prepared (case reference numbers UHL2007, UHL2012 and UHL2015). Audit Committee members noted that case reference UHL1906 had remained open for almost two years, but the Local Counter Fraud Specialist provided assurance that this case was now being actively progressed following a period of sickness absence. She also provided assurance that regular meetings were being held with the Deputy Director of Finance (Financial Services) and the People Services Directorate and that she was receiving the required support from UHL to progress referrals.

Following a comment made by Ms V Bailey, Non-Executive Director the Audit Committee considered capacity constraints within the People Services Directorate and the need to ensure that appropriate focus was maintained on key areas of risk such as Counter-Fraud case referrals and Internal Audit reviews with the aim of avoiding over-reliance upon a small number of individuals. Col (Ret'd) I Crowe, Non-Executive Director voiced his concern regarding the capacity of Corporate teams to deliver all of their competing priorities, noting that the Finance Directorate resourcing issues were now being addressed but there were continued concerns in respect of delivering complex workforce and IM&T related projects. He observed that on several occasions, both the Chief People Officer and the Chief Information Officer had appealed for support with prioritising their constrained resources. The Audit Committee Non-Executive Chair supported this point, particularly in relation to Payroll Services and agreed to highlight this matter to the Trust Board on 1 April 2021. The Chief Financial Officer advised that the Chief People Officer was currently preparing proposals for additional investment in her team for consideration by the Financial Recovery Board, given the significance of the workforce efficiency saving programme, and the need for modernisation of UHL's Payroll Service.

The Audit Committee Non-Executive Chair sought additional information in respect of Covid-19 counter-fraud risks and whether any of the issues raised in the report represented a particular risk to the Trust. In response, the Local Counter-Fraud Specialist advised that staff awareness of vaccination-related fraud would be key to ensuring that staff did not fall victim to such fraud. Ms A Breadon, Internal Audit clarified that whilst the Trust had a responsibility to advise patients and staff of any risks, there was little risk to the Trust itself in this area. A short discussion also took place regarding the extenuating circumstances which were permitted for vaccination teams to administer appropriately any vaccine from already opened vials to avoid a small amount of vaccine being wasted at the end of a vaccination session.

Finally, the Local Counter-Fraud Specialist briefed the Audit Committee on the new NHS Counter-Fraud Functional Standard which had been published in January 2021, requiring Trusts to complete an annual counter-fraud self-assessment against 12 key standards (instead of the usual 4). Appropriate training and guidance was being provided and the original standards had been mapped across to the new standards. It was expected that few NHS Trusts would achieve full compliance in 2020/21, but the aim would be to establish the baseline for compliance in 2021/22. The key differences included a greater focus on the fraud risk assessment which would be carried out in line with new the methodology. An overarching UHL Counter-Fraud Strategy would be required and a focus on increased use of targets/metrics to evaluate proactive work. The 2021/22 Counter-Fraud work programme was also being aligned to the new requirements. Noting that the annual self-assessment return was due to be completed by the end of May 2021, the Audit Committee Non-Executive Chair requested that the draft return be presented to the Audit Committee for prior approval.

LCFS

Resolved – that (A) the Local Counter-Fraud progress report be received and noted as paper I, and

(B) a draft version of the Annual Counter Fraud Self-Assessment return be presented to the Audit Committee for approval In April 2021 or May 2021, prior to submission at the end of May 2021.

LCFS

18/21/9 Discretionary Procurement Actions

Paper J provided a report on the occasions when the Trust's regular procurement processes had been waived under Section 9.5 of the Trust's Standing Orders. Appendix 1 detailed the 52 occasions where procurement waivers had been approved and the Audit Committee noted that there were a further 23 waivers awaiting approval in the register. The Audit Committee Non-Executive Director Chair commented on the length of this list and he invited any comments or queries on the report. In the absence of any queries or discussion on the report, the Audit Committee Non-Executive Director Chair undertook to select a sample entry for his own detailed review (outside the meeting), advising that he would request the associated paperwork via the Director of Corporate and Legal Affairs once he had selected a sample entry.

DCLA

Resolved – that (A) the report on Discretionary Procurement Actions be received and noted as paper J, and

(B) the Director of Corporate and Legal Affairs be requested to provide the Audit Committee Non-Executive Director Chair with the paperwork to inform his review of a sample procurement waiver selected from paper J.

DCLA

19/21 **ITEMS FOR ASSURANCE**

19/21/1 Integrated Risk Report and Board Assurance Framework 2020/21

Mr R Manton, Head of Risk and Assurance attended the virtual meeting to introduce paper K, detailing the arrangements in place to manage UHL's risk control and assurance environment. Appendix 1 provided the detailed 2020/21 Board Assurance Framework (BAF) and appendix 2 provided a dashboard of the organisational risk register entries currently scoring 15 and above. The Head of Risk and Assurance provided a short overview of the arrangements for the BAF to be reviewed and updated on a monthly basis via the Executive Boards, confirming that the Trust Board had received its latest quarterly update on 4 February 2021. Section 2.3 of paper K summarised the highest scoring Principal Risks on the BAF.

Particular discussion took place in respect of the arrangements for the annual review of the BAF for 2021/22 (section 2.6 of paper K refers). Initial meetings with the lead officers had highlighted that the Principal Risks relating to workforce sustainability (PR3), IM&T infrastructure (PR5) and financial sustainability (PR4) were too broad (as they covered multiple areas of risk) making it difficult to define and capture the strategic causal factor of each Principal Risk. Consequently, the work programme would be focused upon working with the Internal Auditors and the Principal Risk leads to refine their risk descriptions, and linking with the relevant Executive and Non-Executive Directors to inform the re-refresh process. At the organisation risk register level, much work had taken place to review the existing risks (including those with lapsed mitigating actions or review dates) and scrutinise new risks at the Clinical Management Group (CMG) Boards, CMG Performance Review Meetings and Executive Boards.

Ms V Bailey, Non-Executive Director raised some detailed queries regarding the current BAF entry for PR4 (financial sustainability), suggesting that the target risk rating of 15 at the end of March 2021 did not fully reflect the following areas of risk: (i) financial governance controls, (ii) Covid-19 expenditure levels, and (iii) the longer term position relating to recurrent financial sustainability. The BAF appeared to contain a huge amount of detail, but it did not properly describe the activity being undertaken or the underlying risks. The Audit Committee Non-Executive Director Chair accepted this point, noting the need for the Audit Committee to review the arrangements for refreshing the 2021/22 BAF in more detail at its next meeting. The Head of Risk and Assurance supported this suggestion, noting that additional granularity was required to focus on the key risk indicators surrounding financial sustainability, noting that the multiple risks made it difficult to amend the risk rating when progress was made in a specific area. The Director of Operational Finance highlighted the importance of interdependencies with longer-term financial planning and workforce plans.

HRA

Resolved – that (A) the Integrated Risk and Assurance report be received and noted as paper K, and

(B) a further report on the development of the 2021/22 BAF be presented at the April 2021 Audit Committee meeting.

HRA

19/21/2 Deep Dive Review of Principal Risk 2 – Operational Performance

Ms D Mitchell, Acting Chief Operating Officer and the Head of Risk and Assurance attended the virtual meeting for a deep dive review of PR2. Paper K1 provided the current BAF entry for PR2 and some relevant guidance on the type of questions and issues which the Audit Committee might like to consider during this review.

The Acting Chief Operating Officer advised that PR2 had been drawn together to encompass three previously separate risks (relating to emergency care, planned care and cancer care). These risks had similar (but not identical) drivers and it had become very challenging to reduce the overall combined risk score as a result of an improved risk position in a single area. She briefed the Audit Committee on the impact of the Covid-19 pandemic and the restoration and recovery plans and she sought a view on whether the existing risk descriptor currently provided everything that was required from an Audit Committee and a Trust Board member's perspective.

A wider discussion then ensued about the areas of overlap and interdependencies between PR1 (clinical quality and patient safety), PR2 (operational performance) and PR4 (financial sustainability) and the importance of finding a balance between including all of the mitigating actions underway to address each risk, whilst maintaining a high level strategic focus. Members also considered the arrangements for ensuring that the BAF remained a useful document which linked to the Trust's Strategic Priorities and the additional priorities which the Trust Chairman had reported to the public Trust Board on 3 September 2020. The Director of Corporate and Legal Affairs advised that the Trust's Strategic Objectives were due to be reviewed and presented to the Trust Board for approval in the coming weeks, but the supporting quality priorities were currently documented within UHL's Quality Improvement Strategy.

The Acting Chief Operating Officer drew members' attention to the BAF entry for PR8 (Covid-19 recovery and restoration/renewal) noting that this risk was more contained and easier to describe with good alignment to the mitigating actions, evidencing the progress that was being made. In contrast, the risk score was not moving much for PR2 (operational performance) which made it appear that no progress was being achieved. She provided assurance that much work was taking place, but the movements in risk were too small to amend the overall combined risk rating.

Mr A Johnson, Non-Executive Director provided his views on the 2020/21 BAF, noting that he was less anxious about it now than he had been previously when the financial governance issues had been emerging. He suggested that the risk scoring mechanism (likelihood score multiplied by the impact score) was too crude to capture subtle changes to risks, noting that a minimum movement of 20% would be required to amend the overall risk score and that there was a human tendency to be overly positive when calculating risk. In his view, the target score for PR4 (financial sustainability) was completely unobtainable. The Audit Committee Non-Executive Director Chair commented upon the importance of risk appetite, advising that some organisations chose not to use any scoring mechanism in considering their key risks. Mr A Johnson, Non-Executive Director added that some charities used a heat-map approach to monitor their key risks.

Resolved – that the deep dive review of Principal Risk 2 and the wider discussion on the review of the 2021/22 BAF be noted.

20/21 **ITEMS FOR NOTING**

Resolved – that the following reports be received and noted at papers L-O respectively:
(A) Minutes of the Quality and Outcomes Committee meeting held on 28 January 2021;
(B) Minutes of the People, Process and Performance Committee meeting held on 28 January 2021;
(C) Minutes of the Finance and Investment Committee meeting held on 28 January 2021, and
(D) Minutes of the Charitable Funds Committee meeting held on 19 February 2021.

21/21 **ANY OTHER BUSINESS**

There were no items of any other business.

22/21 IDENTIFICATION OF ANY KEY ISSUES FOR THE ATTENTION OF THE TRUST BOARD

Resolved – that the Audit Committee’s discussion on the following items be brought to the attention of the Trust Board on 1 April 2021:-

**AC
CHAIR**

- Board Assurance Framework (Minutes 19/21/1 and 19/21/2)
- Capacity constraints within the People Services Directorate (Minute 18/21/8)
- Fixed Asset Module (Minute 18/21/6)
- Internal Audit Reviews (Minute 18/21/5 and 18/21/6)
- Finance Directorate Structure (Minute 18/21/3)
- Arrangements for notification of staff leaving UHL (Minute 18/21/2)
- IM&T Resources and infrastructure risks (Minute 18/21/8)

23/21 DATE OF NEXT MEETING AND MEETING DATES 2021/22

Resolved – that (A) the next Audit Committee meeting be held on **Monday 19 April 2021 from 9am – 12noon** (held virtually via MS Teams), and

(B) monthly meetings be held from April to August 2021 as follows (9am to 12noon):-

- Monday 17 May 2021;
- Monday 21 June 2021;
- Friday 23 July 2021, and
- Friday 20 August 2021.

24/21 DISCUSSIONS IN THE ABSENCE OF EXTERNAL AUDIT AND INTERNAL AUDIT REPRESENTATIVES

24/21/1 Minutes

Resolved – that the confidential Minutes of the Audit Committee meeting held on 27 January 2021 be confirmed as a correct record.

24/21/2 Matters Arising

Resolved – that this Minute be classed as confidential and taken in private accordingly.

24/21/3 Verbal Feedback from Non-Executive Directors

Resolved – that this Minute be classed as confidential and taken in private accordingly.

The meeting closed at 11.31am

Kate Rayns, Corporate and Committee Services Officer

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

Members:

Name	Possible	Actual	%
M Williams	4	4	100
V Bailey	5	5	100
I Crowe	5	5	100
A Johnson	5	5	100
K Jenkins (until July 2020)	1	1	100

In attendance:

Name	Possible	Actual	%
S Lazarus	5	4	80
N Sone	1	1	100
J Shuter	5	4	80
S Ward	5	5	100