

UNIVERSITY HOSPITALS OF LEICESTER NHS TRUST**MINUTES OF A VIRTUAL AUDIT COMMITTEE MEETING HELD ON WEDNESDAY 31 AUGUST 2022****AT 10AM***(held virtually via Microsoft Teams)*

Present: Mr M Williams – Non-Executive Director (Chair)
 Ms V Bailey – Non-Executive Director, and Chair of the Quality Committee
 Mr S Harris – Non-Executive Director, and Chair of the Finance and Investment Committee
 Mr B Patel – Non-Executive Director, and Chair of the People and Culture Committee

In Attendance: Ms A Breadon – Internal Audit (PwC)
 Mr M Brice – Deputy Financial Improvement Director
 Mr J Brown – External Audit (KPMG)
 Ms B Cassidy – Director of Corporate and Legal Affairs
 Ms L Hooper – Incoming Chief Financial Officer
 Mr S Linthwaite – Deputy Director of Finance (Financial Services)
 Mr R Manton – Head of Risk Assurance (for Minute 45/22)
 Ms E Mayne – External Audit (Grant Thornton)
 Ms K Meats – Internal Audit (360 Assurance)
 Mr M Stocks – External Audit (Grant Thornton)
 Ms H Stokes – Corporate and Committee Services Manager
 Mr D Streets – Head of Procurement and Supplies (for Minute 52/22/2 and 52/22/3)
 Mr R Walton – External Audit (KPMG) (up to and including Minute 51/22/2)
 Ms C Wood – Internal Audit (PwC)

	<u>RECOMMENDED ITEMS</u>	ACTION
44/22	2020/21 ANNUAL ACCOUNTS	
	<p>Through its consideration of itemised papers C1-C9, the Audit Committee scrutinised and endorsed a suite of detailed reports relating to the 2020/21 annual accounts as follows:-</p> <ul style="list-style-type: none"> • 2020/21 annual accounts (completed subject to some outstanding testing re: payroll); • 2020/21 annual report including the Annual Governance Statement (this report met all statutory requirements and was also supported by External Audit); • Statutory Recommendations progress report; • Going Concern report; • 'informing the audit risk assessment' report; • draft Audit Findings Report (AFR) including the Letter of Representation; • Audit opinion; • Annual audit report including value-for-money work, and • Section 30 Referral Letter. <p>It was proposed to hold an extraordinary Trust Board on 9 September 2022 to approve the annual accounts, annual report, and Annual Governance Statement (AGS) 2020/21.</p>	
	<p>With regard to the 2020/21 annual accounts, the Trust had achieved its financial duties with the exception of the break-even requirement. An appendix to paper C1 showed the in-year movements. The Deputy Director of Finance (Financial Services) noted the improved position since the 2019/20 annual accounts disclaimer opinion, and provided assurance to the Audit Committee that the Trust was clear on what further improvement actions were needed. With regard to the 2020/21 Annual Report and AGS, the Audit Committee Non-Executive Director Chair advised that he would provide some factual amendments re: dates etc to the Director of Corporate and Legal Affairs outside the meeting.</p> <p>Although taking assurance from the progress on the actions arising from the Statutory Recommendations report at paper C3 – the majority of which had now been closed – the</p>	AC NED CHAIR

	<p>Audit Committee emphasised its awareness that there was further work to be done in some areas, including financial grip and culture across the Trust as a whole. An update on work to review the Trust's Standing Orders, Standing Financial Instructions and Scheme of Delegation was scheduled for the next Audit Committee, and the Deputy Director of Finance (Financial Services) confirmed that an update on the Medium Term Financial Plan would be provided to the September 2022 FIC. In terms of paper C5 ('informing the audit risk assessment' report), and recognising that journals had been a key risk in the previous year, the Deputy Director of Finance (Financial Services) highlighted the internal journals review undertaken by UHL and he provided assurance to the Audit Committee that there were no current concerns re: management override. The Audit Committee Non-Executive Director Chair noted the need to correct the stated title of the Audit Committee in paper C5.</p>	<p>DDF(FS)</p> <p>DDF(FS)</p>
	<p>Mr M Stocks Grant Thornton then presented a very thorough breakdown of External Audit's Audit Findings Report and Audit Opinion, describing the testing undertaken on the accounts, the areas identified as requiring further work/improvement and any instances of material error (primarily non-pay expenditure; capital expenditure, and plant and equipment), and setting out in detail the reasons for the proposed 'adverse opinion' being issued on UHL's 2020/21 annual accounts, which (as noted above) was an improvement on the position for the 2019/20 annual accounts. At the request of the Audit Committee Non-Executive Director Chair, External Audit also explained the 4 levels of audit opinion available. External Audit confirmed that their testing was now substantially complete, with a small number of queries remaining, and advised that (subject to NAO requirements) they agreed that a date of 9 September 2022 for Trust Board approval of the 2020/21 accounts was therefore reasonable. A UHL management response was also needed on the draft AFR at paper C6. The Audit Committee took assurance from External Audit's comments that their 2020/21 testing of journals had identified nothing needing to be highlighted, as journal controls had been a key concern in the 2019/20 accounts. External Audit also commented positively on the leadership culture shown by UHL's current Board.</p> <p>In further discussion on the draft Audit Findings Report, the Audit Committee Non-Executive Director Chair requested (and received) further detail on External Audit's concerns re: non-pay expenditure, and queried the likely impact of the Trust's 'no Purchase Order no Pay' policy. External Audit reiterated their comments that purchase orders should not be used to accrue, and emphasised the need to cease that practice for the 2022/23 annual accounts audit. The Chief Financial Officer provided assurance to the Audit Committee that this was already a key part of the Trust's financial improvement plan. The Audit Committee Non-Executive Director Chair also noted that payroll issues were a key focus for UHL's new Chief People Officer, and took assurance from the Chief Financial Officer's confirmation that payroll assurance was now resolved for 2021/22.</p> <p>In noting and endorsing the reports presented as part of the 2020/21 annual accounts work, the Audit Committee took further assurance from the Chief Financial Officer's intention to develop a comprehensive 'finance improvement action plan' for UHL, progress on which would be reported to each Audit Committee meeting. The Audit Committee welcomed the development of this plan, which would require engagement and ownership across all Executive portfolios.</p> <p>Following due consideration, the Audit Committee endorsed the 2020/21 annual accounts and related documents (subject to completion of the outstanding payroll testing), and recommended them for Trust Board approval. The Audit Committee Non-Executive Director Chair thanked UHL's finance team, and both Financial Improvement and External Audit colleagues for their work on the 2020/21 annual accounts audit.</p>	<p>CFO</p> <p>DDF(FS)</p> <p>AC NED CHAIR</p>
	<p>Recommended – that (A) the following items be endorsed and recommended for Trust Board approval: (1) 20/21 annual accounts;</p>	<p>AC NED CHAIR/ CFO/DCLA</p>

	<p>(2) 20/21 annual report and AGS (subject to some clarifications/comments to be sent to the DCLA by the Audit Committee Non-Executive Director Chair);</p> <p>(3) Statutory Recommendations progress report:-</p> <ul style="list-style-type: none"> o subject to correction of the title of the “Audit Committee”; o noting that there was further work to do on the actions, including the Trust-wide grip on finance and culture issues in the context of future financial volatility; o noting that a high-level MTFP would be submitted to the September 2022 FIC; <p>(4) draft Letter of Representation (UHL management response to be provided to External Audit on the draft Audit Findings Report [AFR]);</p> <p>(5) AAR for the VFM work, the Audit opinion, and the Section 30 referral letter as presented, for Trust Board approval as part of the annual accounts 2020/21</p> <p>(B) an update on the ‘finance improvement action plan’ be provided to each Audit Committee, and</p> <p>(C) the Audit Committee Non-Executive Director Chair’s thanks be passed to the UHL Finance Department, Grant Thornton colleagues and the NHSE/I financial improvement team for their work on the 2020/21 annual accounts audit.</p>	<p>DDF(FS)</p> <p>AC NED CHAIR</p>
45/22	BOARD ASSURANCE FRAMEWORK (BAF)	
	The Audit Committee reviewed and endorsed the refreshed 2022/23 BAF as per paper H, and recommended it for Trust Board approval. Once the currently-in-development Trust Strategy was finalised, the BAF would be aligned to that Strategy. The new BAF comprised 6 strategic themes covering 9 risks, and the terms of reference and workplans for all Board Committees were being reviewed to ensure appropriate alignment with the key items on the BAF. In response to a query from the Audit Committee Non-Executive Director Chair, the Chief Financial Officer confirmed that she was the appropriate Executive Director lead for BAF risk 4 but she recognised the need for Trust-wide input.	DCLA
	<u>Recommended</u> – that the refreshed 2022/23 BAF be endorsed and recommended for Trust Board approval.	DCLA
	<u>RESOLVED ITEMS</u>	
46/22	APOLOGIES FOR ABSENCE	
	There were no apologies for absence.	
47/22	DECLARATIONS OF INTERESTS	
	Mr S Harris Non-Executive Director declared his role as Director of Trust Group Holdings Ltd. As this was judged to be a non-pecuniary interest, the Audit Committee agreed that he should remain present.	
48/22	MINUTES	
	<u>Resolved</u> – that the Minutes of the 9 May 2022 Audit Committee be confirmed as a correct record.	
49/22	MATTERS ARISING REPORT	
	Paper B provided a summary of the matters arising from the 9 May 2022 Audit Committee and outstanding matters arising from previous Audit Committee meetings. An update on Minute 39/22/7 of 9 May 2022 was now reported verbally, and the Audit Committee agreed that the action could therefore be closed. The Audit Committee Non-Executive Director Chair requested that an update on Minute 86/21/2 of 8 October 2021 be provided to a future Audit Committee.	<p>CCSM</p> <p>CPO</p>

	<u>Resolved</u> – that any updates provided at this meeting be reflected in the next iteration, and any required actions be taken by the appropriate named leads.	CCSM/ NAMED LEADS
50/22	2021/22 ANNUAL ACCOUNTS	
	The Audit Committee received assurance verbally that 2021/22 accounts audit planning work had begun (and was progressing appropriately) with the Trust's incoming External Auditor (KPMG). A more detailed plan would be available once the finalised position was known re: the 2020/21 annual accounts audit. The Audit Committee Non-Executive Director noted the need to recognise that some issues from the 2020/21 audit might persist through 2021/22 and possibly into the following financial year, and Audit Committee members noted the need for an appropriately-realistic assessment of the likely Audit Opinion on the 2021/22 accounts. The Chief Financial Officer provided assurance that the Deputy Director of Finance (Financial Services) was proactively reviewing the 2021/22 position re: plant and equipment, and non-pay expenditure, as key issues from the 2020/21 accounts audit.	
	<u>Resolved</u> – that the position be noted.	
51/22	INTERNAL AUDIT AND COUNTER-FRAUD	
51/22/1	<u>360 Assurance: Internal Audit Progress Report 2022/23</u>	
	As per paper D, the Audit Committee discussed the positive progress report presented by Internal Audit (360 Assurance) re: their 2022/23 programme of work, and approved a requested reallocation of days within that plan to support a review of UHL's position against the Healthcare Financial Management Association Improving Financial Sustainability Checklist. Any resulting impact on stated quarter 3 workplan timescales would be highlighted to the Chief Financial Officer. In response to a query from the Audit Committee Non-Executive Director Chair, the Chief Financial Officer noted audit work underway to review certain specific elements re: Trust Group Holdings Ltd. The Audit Committee was also notified of the terms of reference for the Head of Internal Audit Opinion work (3 stages), with a Stage 1 progress report to come to the next meeting. Internal Audit also confirmed that they would be tracking the progress of actions from the previous PwC Internal Audit reports, with a dedicated electronic tracker system being launched for UHL leads on 7 September 2022 (Minute 52/22/1 below also refers).	AC NED CHAIR/ IA IA
	<u>Resolved</u> – that (A) the proposed reallocation of days within the 2022/23 Internal Audit annual plan from the financial system and financial improvement reviews to support the HFMA Improving NHS financial sustainability checklist review be approved, and (B) a progress report on stage 1 of the Head of Internal Audit Opinion work be provided to the next Audit Committee.	AC NED CHAIR/IA IA
51/22/2	<u>360 Assurance: Counter-Fraud Progress Report 2022/23</u>	
	Paper E from the 360 Assurance Principal Counter-Fraud Specialist provided assurance on work completed within the 2022/23 counter-fraud work plan to date, including a full re-write with the Trust of UHL's Counter Fraud and Corruption Policy. The report also showed UHL's current position against the national counter-fraud Functional Standard. The Audit Committee Non-Executive Director queried whether the Trust was providing an appropriate level of support/engagement in counter-fraud work, and in response received positive assurance to that effect from the Principal Counter-Fraud Specialist.	
	<u>Resolved</u> – that the position be noted.	
51/22/3	<u>PwC: Internal Audit Annual Report 2021/22 and Head of Internal Audit Opinion</u>	
	As detailed in paper F, the Audit Committee received the 2021/22 annual report from the Trust's outgoing Internal Auditors (PwC), noting 33 risk rated findings and including the Head of Internal Audit Opinion; although recognising the progress made on accounts issues, Internal Audit considered that major improvements were still required in certain areas. The	

	Audit Committee noted this Opinion, and reiterated the pivotal role of the intended financial improvement action plan mentioned above.	
	Resolved – that the PwC Internal Audit annual report 2021/22 including their Internal Audit Head of Audit Opinion, be noted.	
51/22/4	<u>PwC: Internal Audit Finalised Reviews</u>	
	<p>The Audit Committee received and discussed 3 finalised reports from Internal Audit, relating to their review of (i) the e-Hospital programme; (ii) on the day cancellations, and (iii) financial systems 2021/22. The first 2 of those reports were medium risk while the third was rated as high risk. With regard to the e-Hospital programme review and the specific risk areas highlighted therein, the Audit Committee Non-Executive Director Chair advised that IM&T was now within the remit of the Finance and Investment Committee, which would receive regular updates on issues such as the e-Hospital programme and the EPR, noting Internal Audit’s comments on the need for the programme to be appropriately resourced for delivery.</p> <p>With regard to the review of on the day cancelled operations (data quality), the QC Non-Executive Director Chair advised that she would consider outside the meeting whether the findings from that report were best progressed through the Quality Committee or the Operations and Performance Committee. The Audit Committee noted that the report had not covered any clinical follow-up aspects. With regard to the financial systems review, Internal Audit emphasised the need to further embed processes and controls, particularly re: consistent compliance with the required purchase to pay processes (use of purchase orders). The Audit Committee Non-Executive Director Chair advised that he would highlight the Audit Committee’s discussion on these reports to the Trust Board for information.</p>	<p>CIO</p> <p>QC NED CHAIR</p>
	Resolved – that (A) regular updates on the EPR programme be provided to FIC, and (B) consideration be given as to whether the findings from the Internal Audit report re: on the day cancellations would be best progressed through the Quality Committee or the Operations and Performance Committee.	<p>CIO</p> <p>QC NED CHAIR</p>
52/22	OVERSIGHT AND RISK	
52/22/1	<u>Internal Audit Overdue Actions</u>	
	In considering paper I, the Audit Committee strongly reiterated previous comments on the key need to implement actions from Internal Audit reviews, and for Executive Leads to ensure therefore that the actions contained in such reports were both appropriate and had a realistic, deliverable timescale. This was a key governance and compliance issue, and the Audit Committee Non-Executive Director members strongly emphasised the need to comply with the actions and embed a culture of doing so. Compliance levels would also inform the Head of Internal Audit Opinion. Given the passage of time in some cases, the Audit Committee Non-Executive Director Chair sought (and received) assurance that the actions listed were still appropriate and relevant. Noting her discussions with both the outgoing and incoming Internal Audit leads, the Director of Corporate and Legal Affairs outlined the process to manage these actions going forward, and provided assurance that she would work closely with 360 Assurance to clarify what evidence was needed to close actions appropriately and ensure that UHL leads were aware of those requirements. Overdue actions would also be discussed at UHL’s Executive Planning Meetings, and the Chief Financial Officer advised that specific work was also underway within the Finance Department to review any overdue actions sitting with Finance. The Audit Committee approved a requested extension date of 31 October 2022 for any actions which were currently past their implementation date, to enable Executive Leads to undertake a focused piece of work to resolve the actions in the report. A further update would be provided to the next Audit Committee meeting. The Audit Committee Non-Executive Director Chair advised that he would highlight the Audit Committee’s	DCLA

	discussion on this item to the Trust Board for information.	
	Resolved – that an extension until 31 October 2022 be approved for any actions which were currently past their implementation date (further update on the position to be provided to the next Audit Committee).	DCLA
52/22/2	<u>Contract Management Action Plan Progress Update</u>	
	As set out in paper J, the Audit Committee received assurance from the Head of Procurement and Supplies re: progress against the contract management action plan (including the training requirements), noting that additional dedicated interim resource would also be in place from 1 September 2022. The Audit Committee Non-Executive Director Chair sought assurance on the level of organisational engagement, and on whether the new processes being put in place would result in greater efficiency, and received assurance on both issues. The Audit Committee Non-Executive Director Chair also received further assurance that a reconciliation exercise planned for September 2022 would review contract management alignment to the 'no purchase order no pay' requirement, to ensure appropriate alignment going forwards. The Audit Committee Non-Executive Director Chair welcomed the work on contract management (as evidenced by the report), and requested that regular updates on this key piece of work continue to be provided to the Audit Committee.	CFO/ HoPS
	Resolved – that regular updates continue to be provided to the Audit Committee re: progress on the contract management improvement actions.	CFO/ HoPS
52/22/3	<u>Discretionary Procurement Actions</u>	
	The Audit Committee noted the update on the number of procurement waivers approved between April – July 2022, and the reason for those waivers (paper K). The Head of Procurement and Supplies provided assurance that all such requests were appropriately challenged by the Finance team, and that approvals were in line with the Trust's governance processes and SFIs/Standing Orders requirements. There were no particular requests he considered needed to be highlighted to the Audit Committee.	
	Resolved – that the position be noted.	
53/22	ITEMS FOR NOTING	
53/22/1	<u>Minutes of Board Committee Meetings</u>	
	Resolved – that the Minutes of the following Board Committee meetings be received and noted at papers L1 - L20 inclusive: <ul style="list-style-type: none"> • Charitable Funds Committee 8 April and 17 June 2022; • Quality Committee 28 April, 26 May, 30 June, and 28 July 2022; • Operations and Performance Committee 27 April, 25 May, 29 June, and 27 July 2022; • Finance and Investment Committee 27 April, 28 April, 26 May, 14 June, 30 June, and 28 July 2022; • Reconfiguration and Transformation Committee 31 March and 26 May 2022, and • People and Culture Committee 28 April and 30 June 2022. 	
54/22	ANY OTHER BUSINESS	
54/22/1	<u>Deputy Financial Improvement Director</u>	
	The Chief Financial Officer noted that this was the final Audit Committee meeting for Mr M Brice Deputy Financial Improvement Director, and she thanked him for his support of the Trust's financial improvement journey.	
	Resolved – that the position be noted.	

55/22	IDENTIFICATION OF ANY KEY ISSUES FOR THE ATTENTION OF THE TRUST BOARD	
	Resolved – that (A) the item in Minutes 44/22 and 45/22 above be recommended for Trust Board approval, and (B) the items in Minute 51/22/4 and 52/22/1 above be highlighted to the Trust Board for information.	AC NED CHAIR AC NED CHAIR
56/22	DATE OF NEXT MEETING	
	Resolved – that the next Audit Committee meeting be held on Friday 28 October 2022 from 9am – 12noon (virtually via MS Teams).	

The meeting closed at 12.03pm

Helen Stokes **Corporate and Committee Services Manager**

Audit Committee Cumulative Record of Members' Attendance (2022/23 to date):

Members:

Name	Possible	Actual	%
M Williams	2	2	100
V Bailey	2	2	100
S Harris	2	2	100
B Patel	2	2	100

In attendance:

Name	Possible	Actual	%
M Brice	2	2	100
B Cassidy	2	2	100
L Hooper	2	2	100
S Linthwaite	2	2	100