

Cover report to the Trust Board meeting to be held on 6 October 2022

Trust Board paper T public

Report Title:	Audit Committee – Committee Chair’s Report
Author:	Helen Stokes – Corporate and Committee Services Manager

Reporting Committee:	Audit Committee
Chaired by:	Mike Williams – Non-Executive Director
Lead Executive Director(s):	Lorraine Hooper – Chief Financial Officer
Date of meeting:	31 August 2022

Account of key public matters considered by the Committee and any related decisions made:

This report provides a summary of the key public issues considered at the Audit Committee on 31 August 2022 (involving Mr M Williams Audit Committee Non-Executive Director Chair; Ms V Bailey QC Non-Executive Director Chair; Mr M Brice Deputy Financial Improvement Director; Ms B Cassidy Director of Corporate and Legal Affairs; Mr S Harris FIC Non-Executive Director Chair; Ms L Hooper Chief Financial Officer; Mr S Linthwaite Deputy Director of Finance (Financial Services); Mr R Manton Head of Risk Assurance (part); Mr B Patel PCC Non-Executive Director Chair; Mr D Streets Head of Procurement and Supplies (part), and representatives from External Audit, Internal Audit, and Counter-Fraud). Full Minutes will be submitted to the October 2022 Audit Committee.

Recommended items

- **2020/21 annual accounts papers** – the Audit Committee scrutinised and endorsed a suite of detailed reports relating to the 2020/21 annual accounts as follows:-
 - 2020/21 annual accounts (completed subject to some outstanding testing re: payroll)
 - 2020/21 annual report including the Annual Governance Statement (this report 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
 - Section 30 Referral Letter

It was proposed to hold an extraordinary Trust Board on 9 September 2022 to approve the annual accounts and annual report/AGS 2020/21.

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 the report showed the in-year movements. The Audit Committee endorsed the accounts (subject to completion of the outstanding payroll testing) and recommended them for Trust Board approval. Although taking assurance from the progress on the actions arising from the Statutory Recommendations report – the majority of which had now been closed – the Audit Committee recognised that there was further work to be done in some areas, including financial grip and culture across the Trust as a whole.

External Audit presented a very thorough breakdown of their Audit Findings Report and Audit Opinion, describing the testing undertaken on the accounts, the areas identified as requiring further work/improvement (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 was an improvement on the position for the 2019/20 annual accounts. External Audit confirmed that their testing was now substantially complete, with a small number of queries remaining. 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.

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.

The draft annual accounts and annual report 2020/21 and required supporting papers are endorsed and recommended for Trust Board approval. This will be a standalone item on the 6 October 2022 Trust Board agenda.

- **Board Assurance Framework (BAF) 2022/23** – the Audit Committee reviewed and endorsed the refreshed 2022/23 BAF, 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 BAF.

The draft 2022/23 BAF is endorsed and recommended for Trust Board approval. This was a standalone item on the 1 September 2022 Trust Board agenda.

Discussion items

- **2021/22 annual accounts** – the Audit Committee received assurance verbally that 2021/22 accounts audit planning work had begun 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.
- **360 Assurance – Internal Audit progress report 2022/23** – the Audit Committee discussed the progress report presented by Internal Audit 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. The Audit Committee was also notified of the terms of reference for the Head of Internal Audit Opinion work, with a Stage 1 progress report to come to the next meeting.
- **360 Assurance – Counter-Fraud progress report 2022/23** – the Audit Committee Non-Executive Director queried – and received positive assurance in response – whether the Trust was providing an appropriate level of support/engagement in counter-fraud work.
- **PwC – Internal Audit annual report 2021/22** – the Audit Committee received the 2021/22 annual report from the Trust's outgoing Internal Auditors; 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.
- **PwC – Internal Audit finalised reviews** – the Audit Committee received 3 finalised reports from Internal Audit, relating to their review of (i) on the day cancellations; (ii) the e-Hospital programme, and (iii) financial systems 2021/22. The first 2 of those reports were medium risk while the third was rated as high risk. 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, noting Internal Audit's comments on the need for that programme to be appropriately resourced for delivery. The QC Non-Executive Director Chair advised that she would consider outside the meeting whether the findings from the on the day cancellations review were best progressed through the Quality Committee or the Operations and Performance Committee. With regard to the financial systems review, Internal Audit emphasised the need to further embed processes and controls, particularly re: purchase to pay processes (use of purchase orders).
This discussion is highlighted to the Trust Board for information.
- **Overdue actions from Internal Audit reviews** – the Audit Committee 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. 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. 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.

This discussion is highlighted to the Trust Board for information.

- **Contract management: action plan update** – the Audit Committee received assurance from the Head of Procurement and Supplies re: progress against the contract management action plan (including the training requirements). 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 continue to be provided to the Audit Committee.
- **Discretionary procurement actions** – the Audit Committee noted the update on the number of procurement waivers approved between April – July 2022, and the reason for those waivers. 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.

Items for noting:

- **Charitable Funds Committee Minutes April and June 2022;**
- **Quality Committee Minutes April, May, June, and July 2022;**
- **Reconfiguration and Transformation Committee Minutes March and May 2022;**
- **Finance and Investment Committee Minutes April, May, June, and July 2022;**
- **Operations and Performance Committee Minutes April, May, June, and July 2022;**
- **People and Culture Committee Minutes April and June 2022.**

Public matters requiring Trust Board consideration and/or approval:

Recommendations for approval:-

- annual accounts, annual report, and associated reports 2020/21 including progress on the Statutory Recommendations;
- Board Assurance Framework 2022/23.

Public items highlighted to the Trust Board from this meeting:-

- future FIC oversight of the e-Hospital programme, and referral of the on the day cancellations Internal Audit review to either the Quality Committee or the Operations and Performance Committee;
- continued concern over the number of actions overdue from Internal Audit reports.

Public matters referred to other Committees:

- see above (FIC and QC/OPC)

Date of next meeting:

28 October 2022