

Cover report to the Trust Board meeting to be held on 7 April 2022

Trust Board paper K1

Report Title:	Audit Committee – Committee Chair’s Report (formal Minutes will be presented to the next Trust Board meeting)
Author:	Kate Rayns – Corporate and Committee Services Officer

Reporting Committee:	Audit Committee
Chaired by:	Mike Williams – Non-Executive Director
Lead Executive Director(s):	Lorraine Hooper – Chief Financial Officer Richard Mitchell – Chief Executive (in attendance)
Date of meeting:	25 March 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 25 March 2022:-

- **Matters arising report** – the Non-Executive Director Audit Committee Chair undertook a detailed review of the outstanding matters arising from previous Audit Committee meetings and it was agreed that the updated version would be presented to the next meeting.

- **2019/20 Annual Report and Accounts** – the Chief Financial Officer presented paper C1, re-iterating the events that had resulted in the Interim Chief Financial Officer being unable to recommend the 2019/20 Accounts to the Trust Board in February 2021 and describing the comprehensive work that had since been undertaken (with the assistance of external consultancy support) to re-state the closing balance sheet as at 31 March 2020 and create a robust basis for the 2020/21 Accounts moving forwards. The finalised 2019/20 Accounts were provided at appendix A for the Committee’s approval. The Chief Financial Officer briefed the Audit Committee on the detailed considerations that had been undertaken in relation to the principles of going concern, cash flow forecasts, the Trust’s arrangements to secure economy, efficiency and effectiveness in the use of resources, progress against the statutory recommendations, governance and risk management arrangements. The External Auditors had since increased the level of materiality within the 2020/21 Accounts and confirmed that there was no further work the Trust could reasonably undertake to increase the level of confidence in the 2019/20 Accounts.
The Audit Committee endorsed the 2019/20 Accounts as presented in appendix A and recommended them for Trust Board approval on 31 March 2022.

- **2019/20 Annual Report (including the Annual Governance Statement)** – the Director of Corporate and Legal Affairs introduced papers C2 and C3 providing the final draft of the 2019/20 Annual Report and AGS. Appendix 1 detailed the ‘tracked changes’ that had been made since February 2022 when the Audit Committee had last reviewed this key document, and appendix 2 provided the ‘clean’ final version. Ms V Bailey, Non-Executive Director commented upon the helpful nature of the ‘tracked changes’ version, but there were no further comments.
The 2019 Annual Report and AGS were endorsed for Trust Board approval on 31 March 2022.

- **2019/20 Audit Findings Report, Draft External Audit Opinion, Letter of Representation, and Annual Audit Letter** – taking papers C4, C5, C6 and C7 together, the External Auditor expressed his delight that the 2019/20 audit was now complete, confirming that the rationale for the disclaimer opinion had been well discussed previously and that it had not changed. He confirmed his view that the Trust’s management had made every effort to improve the available assurance surrounding management override of controls, use of journals, inventories, errors and misstatements and that (following a pause in October 2020) they had focused on the restated balance sheet rather than the detailed income and expenditure accounts which had formed a limitation of scope within the review process. Other significant issues had included valuations of stock, comparator data, and property valuations for the new build estate. The latter issue had taken some time to resolve, but there was now sufficient

documentary evidence to support and close down these valuations. The property qualification relating to the use of indices would now be removed and a revised version of the Audit Findings Report would be issued accordingly. He also commented that the property valuations might change in future years as the business case for the reconfiguration programme continued to be developed. The opinion on value for money considerations had not changed, despite the significant progress that had been made and the Auditors still considered that the Trust had inadequate arrangements in place to secure economy, efficiency and effectiveness in the use of resources. External Audit confirmed that they were happy with the contents of the Annual Report and AGS (as presented in papers C2 and C3) and that they were consistent with the information provided in the 2019/20 Accounts. The Audit Committee Non-Executive Director Chair sought and received a brief update on the Trust's plans for implementing an automated process for maintaining the asset registers and producing asset valuations, noting that this system was currently being tested and would be implemented by the end of June 2022. In addition, it was noted that the Trust would be looking to the Internal Audit function to provide independent assurance regarding the functionality of this system once it had been fully implemented.

The Letter of Representation was endorsed for Trust Board approval on 31 March 2022 (as paper C6) and the Audit Findings Report and Annual Audit Letter were received and noted (papers C4 and C7 refer).

The Audit Committee Non-Executive Director Chair expressed his sincere thanks to everyone who had been involved in producing and auditing the re-stated 2019/20 Accounts, recognising the incredible efforts that had gone into this work.

- **Statutory Recommendations Progress update** – the Deputy Financial Improvement Director introduced paper D, detailing the status of the Statutory Recommendations relating to Financial Reporting, Governance and Financial Sustainability (as at 16 March 2022). Taking the report as read, he advised that there was a detailed action plan underlying each of the 9 statutory recommendations and he particularly highlighted the following areas of progress:-
 - progress with appointing to the final Non-Executive Director vacancy – following interviews held on 16 March 2022, a preferred candidate had been identified;
 - the Board Development Programme had resumed on 10 March 2022 (focusing on Board Chemistry) and further sessions were in the calendar on a monthly basis going forwards;
 - a review of the Committee Chairs had taken place and the updated governance structure was scheduled to be presented to the Trust Board in June 2020;
 - the restructuring of the Finance Directorate was complete and no further vacancies had arisen from the management of change exercise. NHSE/I had confirmed their support to extend the existing interim resources for the core Finance Team;
 - budget holder training compliance stood at 97.7% and ethics training was being rolled out for the Finance Directorate and would be completed by the end of March 2022;
 - an interim review of the Standing Financial Instructions, Standing Orders and Scheme of Delegation was underway and an update on this issue would be presented to the Trust Board in May 2022, and
 - overall system alignment of the medium term financial planning process had been discussed by the Trust Board on 3 March 2022.
- **Implementation of a 'No Purchase Order, No Payment' Policy (No PO-No Pay)** the Deputy Director of Finance (Financial Services) introduced paper F, providing an update on progress being made by the Purchase to Pay Improvement Group on the arrangements to implement the No PO-No Pay policy with effect from 1 April 2022. The paper also sought the support of the Audit Committee in securing compliance in the context of potential challenges associated with withholding payment or processing non-compliant invoices. Section 4 of paper F set out the implementation plan and the rolling 8 week transition period which would enable suppliers to adjust to the new requirements. Further improvements were planned to complement and support the roll-out which included (a) electronic invoice reception; (b) automated supplier statement matching; (c) implementation of payment data forensics, and (d) standardisation of good receipt processing by system automation, training and education. Discussion took place regarding the arrangements to ensure that small and medium sized local businesses were treated equitably, appropriate communications with suppliers and staff, the need for Executive-level support and opportunities to shorten the timescale for achieving full compliance ahead of the target date.
- **Any Other Business** – the Director of Corporate and Legal Affairs provided a verbal update following the inaugural meeting of the new UHL Risk Committee (held on 24 March 2022), confirming that the Audit Committee Non-Executive Director Chair had a standing invitation to attend all meetings and that all key developments would

be reported to the Audit Committee going forwards.

Items for noting:

- **Quality Committee Minutes 27 January 2022** – received and noted as paper G;
- **Reconfiguration and Transformation Committee Minutes 27 January 2022** – received and noted as paper H;
- **Finance and Investment Committee Minutes 27 January 2022** – received and noted as paper I, and
- **Operations and Performance Committee 26 January 2022** – received and noted as paper J.

Public matters requiring Trust Board consideration and/or approval:

Recommendations for approval:-

- **2019/20 Annual Accounts, Annual Report, Annual Governance Statement and Letter of Representation.**

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

- **Continued progress against the Statutory Recommendations, and**
- **Implementation of a ‘No Purchase Order No Payment’ Policy.**

Public matters referred to other Committees:

- None.

Date of next meeting:

29 April 2022 (provisional date)