

UNIVERSITY HOSPITALS OF LEICESTER NHS TRUST**MINUTES OF A VIRTUAL AUDIT COMMITTEE MEETING HELD ON FRIDAY 28 OCTOBER 2022****AT 9 AM***(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: Mr J Brown - External Audit (KPMG)
 Ms B Cassidy - Director of Corporate and Legal Affairs
 Ms J Clarke - Local Counter Fraud Specialist (360 Assurance)
 Ms L Hawkes - Internal Audit (360 Assurance)
 Ms L Hooper - Chief Financial Officer
 Mr S Linthwaite - Deputy Director of Finance (Financial Services)
 Ms A Moss - Corporate and Committee Services Manager
 Mr R Walton - External Audit (KPMG)

	<u>RECOMMENDED ITEMS</u>	ACTION
57/22	UPDATE ON UHL'S SFIs, STANDING ORDERS AND SCHEME OF DELEGATION	
	<p>The Audit Committee received a report on the Trust's Standing Financial Instructions (SFI) and Scheme of Delegation. The Director of Corporate and Legal Affairs reported that there were additions to the SFIs and Scheme Of Delegation to enable non-recurrent investments up to £100k to be approved by the Chief Executive and Chief Financial Officer (or deputies); to provide clear approval routes up to Trust Board for revenue, pay and capital expenditure; set levels of authority aligned to generic job titles; and set losses and write-off levels which had been benchmarked against similar sized Trusts.</p> <p>It was noted that further work was needed over the coming months to update the SFIs particularly in areas relating to People Services, Research, land, buildings and leases.</p> <p>It was noted that the first two paragraphs of 5.5.2 were contradictory. It was agreed that the <i>Chief Financial Officer</i> (and not the Medical Director and Director of Research and Development as stated in the second paragraph) would be responsible for approving and regularly reviewing the level of all fees and charges other than those determined by the Department of Health or by Statute.</p> <p>The level of redundancy payment, non-contractual payments, and compromise agreements, that could be approved by the Chief People Officer and Chief Financial Officer, noted at 5.7.4, was queried. The Director Corporate and Legal Affairs noted that the Chief People Officer wanted to review the whole of this section and the next iteration would be presented to the Audit Committee in December 2022.</p> <p>The External Auditor noted, in the chat function, the need to consider money laundering regulations and the general risk pertaining to fees and charges by reference to '<i>Under no circumstances will the Trust accept cash payments in any currency in excess of £15,000 in respect of any single transaction or series of transactions which appear to be linked.</i>'</p> <p>The statement at 5.9.2 that 'The Trust should normally test for PFI (Private Finance Initiative) when considering capital procurement' was queried. It was noted that much of the document was based on the standard NHS template and that it was in context of the section titled 'Private and External Finance' and outside of the usual procurement routes. The Chief Financial Officer added that PFI funding would be part of an options appraisal.</p> <p>A correction was made to the Scheme of Delegation at Section 10 to note that, for the cancellation of NHS debtors, the Chief Financial Officer had authority to write off debts up to £249,999 and the Audit Committee above £250,000 (and not the other way round as drafted).</p>	

	<p>The QC Non-Executive Director Chair asked whether TG Holdings had its own SFIs. This was confirmed and the Chief Financial Officer added that there was a separate piece of work to review the governance of the subsidiary and ensure the SFIs were aligned. The outcome of this work would be presented to the next meeting of the Audit Committee.</p> <p>It was reported that the Trust's Standing Orders were being rewritten and would be presented to the next meeting of the Audit Committee.</p>	
	<u>Resolved</u> – that the Standing Financial Instructions and Scheme of Delegation be presented to the Trust Board, as amended for approval.	
58/22	PERFORMANCE AND ACCOUNTABILITY FRAMEWORK	
	The Audit Committee received a report on the Performance and Accountability Framework. The Framework had been revised to reflect the current position . It would be subject to a further review over the coming months to continue to improve the grip, challenge and oversight of performance and accountability across the organisation.	
	<u>Resolved</u> – that the Performance and Accountability Framework be presented to the Trust Board for approval.	
59/22	REVISED UHL COUNTER-FRAUD, BRIBERY AND CORRUPTION POLICY	
	The Audit Committee received an updated version of the policy which provided a framework for responding to suspicions of fraud. The policy had been updated to reflect the latest guidance and standards.	
	<u>Resolved</u> – that the Counter-Fraud, Bribery And Corruption Policy be presented to the Trust Board for approval.	
	<u>RESOLVED ITEMS</u>	
60/22	APOLOGIES FOR ABSENCE	
	There were no apologies for absence.	
61/22	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.	
62/22	MINUTES	
	<u>Resolved</u> – that the Minutes of the 31 August 2022 Audit Committee be confirmed as a correct record.	
63/22	MATTERS ARISING REPORT	
	The Committee received a summary of the matters arising from the 31 August 2022 Audit Committee meeting and outstanding matters arising from previous meetings.	
	<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.	
64/22	2021/22 ANNUAL ACCOUNTS	
64/22/1	<u>2021/22 Annual Accounts – Progress Update</u>	
	The Audit Committee received an update on the audit of the 2021/22 draft accounts	

	<p>It was noted that the draft 2021/22 draft accounts were submitted to NHSI in April 2022. The Trust was given the opportunity to resubmit in October 2022, which allowed it to restate the position in respect of the final property valuation, and to correct a manual reversal of goods received notification which enabled the transaction to be accounted for in the correct accounting period. The effect of these changes was to reduce the reported surplus (and not deficit as stated in the report) from £10.7M to £9.882M. Taking into account the Prior Period Adjustments of £6.564M from the finalising of the 2020/21 audit, previously reported, the in-year 2021/22 reported position of surplus of £9.892M had reduced to £3.328M.</p> <p>The Deputy Director of Finance reported that the focus was improving financial controls and an improved audit opinion for 2021/22. The formal audit process commenced on 24 October 2022. The plan was to complete the audit field work by 31 December 2022 and for an audit opinion to be recommended to the Trust Board at the end of January – mid February 2023.</p> <p>The Audit Committee was advised that a number accounting issues which had resulted in an adverse audit opinion in 2020/21 would be prevalent in 2021/22 due to the timing of the audits and restatement of accounts for previous year. However, the Trust would be able to demonstrate significant improvement on financial controls and would hope to obtain an improved (qualified) audit opinion on 2021/22.</p> <p>The Trust would be able to meet the normal cycle for audit for the Annual Accounts for 2022/23 should the 2021/ 22 audit be completed in the timescales.</p>	
	Resolved – that the latest position on the 2021/22 accounts and the timeline for overall completion of these workstreams be noted.	
64/22/2	<u>2021/22 Annual Report and Annual Governance Statement</u>	
	<p>The Audit Committee received the first draft of the 2021/22 Annual Report and Annual Governance Statement. The Director of Corporate and Legal Affairs reported that significant progress had been made and noted the elements which were outstanding, most of which related to financial data.</p> <p>The Audit Committee Non-Executive Director Chair asked for the final draft to be circulated.</p>	DCLA
	<p>Resolved – that (A) the first draft of the 2021/22 Annual Report and Annual Governance Statement, be received and</p> <p>(B) the final draft be circulated to the Committee.</p>	DCLA
64/22/3	<u>Progress of Management Response to Statutory Recommendations</u>	
	<p>The Audit Committee noted the latest progress in relation to the Statutory Recommendations 'Audit of Accounts 2019/20 - Financial Reporting, Governance and Financial Sustainability'.</p> <p>The Committee reviewed each action in turn. It was noted that some actions would be carried forward in the Financial Improvement Action Plan and that Internal Audit would provide on-going monitoring of some actions.</p>	
	Resolved – that the Progress of Management Response to Statutory Recommendations be noted.	
64/22/4	<u>Losses And Compensation Report 2021/22</u>	
	<p>The Audit Committee received the annual report noting that in 2021/22 the Trust had written off individual debts totalling £118k.</p> <p>Following settlement of an employment claim (known as the Flowers case) the Trust was required to pay staff, under the Working Time Directive, for additional work carried out in 2021/22. This amounted to £2.7M which, although nationally funded, had to be accounted for as a special payment.</p>	

	The Audit Committee Non-Executive Director Chair commented that the amounts seemed low given the size of the Trust. The Deputy Director of Finance noted that a more granular report would be presented on a quarterly basis going forward.	
	<u>Resolved</u> – that the value of losses and special payments incurred in 2021/22 be noted.	
65/22	EXTERNAL AUDIT	
65/22/1	<p><u>External Audit Progress Report 2022/23</u></p> <p>The Audit Committee received a high-level plan from the External Auditors for the audit of the 2021/22 Annual Accounts. It was noted that, given the change in external auditor, there would be additional work to meet international accounting standards for opening balances and comparable figures and financial statements. The Committee was informed there would be additional quality assurance oversight from the External Auditors given the circumstances pertaining to the Trust. It was noted that the annual accounts would be accompanied by a Value for Money Statement.</p> <p>It was noted that the subsidiary company, Trust Group Holdings Ltd., was working to a different timeframe and its audit had commenced.</p> <p>The External Auditor observed that, whilst it was early days, it was anticipated that there would be an understanding of the likely qualifications by December 2022. These were likely to be with reference to operational expenditure and fixed assets. The report set out the key elements on the adverse opinion for the accounts 2020/21 and the likely impact on the audit for 2021/22. It was hoped that there would be no qualifications for the 2022/23 Annual Accounts.</p> <p>The QC Non-Executive Director Chair asked about the capacity within the Finance Team and the risk of vacancies in key roles. The Chief Financial Officer considered that the departmental structure was more robust than previously, with one vacancy to be filled internally. Two interim post holders were assisting with the Financial Improvement Action Plan and the Purchase to Pay process. Whilst the workload was challenging in the lead up to Christmas, there was a balance to be struck by bringing in additional resources and ensuring the right knowledge base. She added that the Team was working exceptionally hard, and at pace.</p> <p>The External Auditor noted that the audited accounts would be accompanied by a Value For Money statement. This would be a separate process running in parallel to the audit of the accounts.</p> <p>The FIC Non-Executive Director Chair asked about the level of materiality. The External Auditor noted that it was driven by underlying risk and the Trust scored highly on the risk criteria, for example, there had been high staff turnover. It was anticipated that the level of materiality would be similar to that of the previous External Auditor although arrived at using a different formula.</p> <p>The detailed audit plan would be presented to the Committee at its next meeting in December 2022.</p>	
	<u>Resolved</u> – that the External Audit Progress Report 2022/23 be noted.	
66/22	OVERSIGHT AND RISK	
66/22/1	<u>Financial Improvement Action Plan</u>	
	The Audit Committee received a report on the progress made in developing and implementing the Trust's Financial Improvement Action Plan. The aspiration was to achieve an improved audit finding for 2021/22 and 2022/23. There had been 108 actions which were risk rated. There were 23 high risk actions. A Senior Responsible Officer was providing weekly oversight and a dashboard used to track progress. A number of high-risk actions had been closed recently which related to fixed assets.	

	<p>It was noted that the same team was working on the 2021/22 audit as well as the Financial Improvement Action Plan and there was a peak in workload up until Christmas 2022.</p> <p>The Audit Non-Executive Director Chair noted many aspects were also covered by the Healthcare Financial Management Association self-assessment and aspects would be covered by the programme of work for internal audit.</p> <p>The QC Non-Executive Director Chair asked whether the actions had been completed and the issues resolved or merely the risks mitigated. One example related to the fixed asset register which having been implemented, completed a high-risk action and considered 'business as usual'. However, its use and effectiveness would need to be monitored. The Deputy Director of Finance noted that there would be an internal audit of financial systems to give independent assurance and internally there would be checks to make sure controls were in place.</p> <p>The Chief Financial Officer noted that the focus was on the audit of the annual accounts and even if the actions in the Financial Improvement Action Plan were not all completed the risks would have been mitigated and tolerable. The Action Plan would inform the Internal Audit programme of work.</p> <p>The Committee discussed the risks to delivery as it was the same pool of staff working on the plan to that supporting the 2021/22 accounts audit. The importance of addressing the actions to achieving an improved audit opinion was noted.</p>	
	<p><u>Resolved</u> – that the report on the Financial Improvement Action Plan was noted.</p>	
66/22/2	<p><u>Internal Audit Overdue Actions</u></p>	
	<p>The Audit Committee received a report which set out the progress on actions from Internal Audit reports and noted the assurance levels to be applied by the Head of Internal Audit Opinion.</p> <p>The Director of Corporate and Legal Affairs noted that the deadline for many actions was the following week, and she was confident that a significant number would be closed at that point.</p> <p>There were 73 open actions; 32 of which were historic (that is, prior to 1 April 2022). the Head of Internal Auditor's Opinion would be based on current actions from audits finalised in the 2022/23 rather than the historic ones.</p> <p>It was noted that significant work was in train to improve the position before the end of the calendar year. The Chief Financial Officer noted that many of the actions related to the Financial Improvement Action Plan which was a key focus for the Finance Directorate. Of the 10 actions for the Directorate, she expected at least 7 to be closed by the next working day.</p> <p>The Internal Auditor provided assurance that, having met with the Senior Responsible Officer, she considered that the Internal Audit action and the Financial Improvement Action plan were aligned and that she was aware of the work in progress. A process had been put in place to provide her with a monthly update. The Internal Auditor noted that there had been a delay in transferring the actions from Price Waterhouse Coopers' (PwC) system to that used by 360 Assurance. Some of the updates had not been carried over which had created additional work and delay.</p> <p>The Audit Committee Non-Executive Director Chair asked that the report delineate those actions included in the Financial Improvement Action Plan.</p> <p>The QC Non-Executive Director Chair cautioned against the approach of closing down actions to tick a box rather than achieve the intrinsic outcome. She cited payroll as an example, as the actions previously agreed may not reflect the current issues and underlying problem. The actions may need to be reconsidered in order to achieve a more sustainable improvement. It was thought that, on occasion, it might be easier to accept a recommendation from Internal Audit rather than negotiate a more meaningful action and realistic and timescale.</p>	<p>DCLA</p>

	<p>The Director of Corporate and Legal Affairs agreed with the points made, noting that it was only recently that the underlying issues in relation to payroll had come to light. She felt confident there was a greater understanding of what was needed and how long it would take to bring about effective change. The Internal Auditor added that there was the option to agree actions had been superseded and Internal Audit would be open to discussions about whether actions were appropriate and timescales realistic.</p>	
	<p><u>Resolved</u> – that (A) the report on Internal Audit Overdue Actions be noted, and (B) that the next report delineates those actions included in the Financial Improvement Action Plan.</p>	DCLA
66/22/3	<p><u>Healthcare Financial Management Association (HFMA) Self-Assessment</u></p>	
	<p>The Audit Committee received the Trust's self-assessment for the HFMA checklist – Improving NHS Financial Sustainability: Are You Getting the Basics Right? .</p> <p>The Chief Financial Officer noted that NHS Trusts had been asked to complete the self-assessment by answering 72 questions and providing a score to indicate the level of compliance. Actions arising would be included in the Financial Improvement Action Plan.</p> <p>The Audit Committee Non-Executive Director Chair asked the Chief Financial Officer to outline the process used for the self-assessment. In response, she noted a Senior Responsible Officer was identified for each area and worked with the Finance Teams and the Transformation Team to assess the evidence. There followed a confirm and challenge process by the Senior Management Team which led to several scores being changed. She considered that the assessment was reflective of the current position.</p> <p>It was assessed that there was room for improvement with respect to cost improvement/ efficiency plans and board reporting. In addition, there was work to do on business and financial planning; budget setting; budget reporting and monitoring; forecasting; financial governance framework; and culture, training and development. The Chief Financial Officer noted that this work had been identified as part of the Recovery Support Programme.</p> <p>The evidence had been submitted to the Internal Auditor at the end of September 2022 and their findings would be presented to the next meeting.</p>	
	<p><u>Resolved</u> – that the HFMA self-assessment be noted.</p>	
66/22/4	<p><u>Estates and Facilities Response to the Local Proactive Exercise 2021 -22 (PwC Report)</u></p>	
	<p>The Head of Contracts, Estates and Facilities, presented a report on actions to address the recommendations made by PwC regarding contractor payments. PwC had undertaken a review following an allegation to the NHS Counter Fraud Authority regarding payments for work that had not been completed. The review had been published in June 2022 and the report set out the actions taken as a result.</p> <p>The Audit Committee Non-Executive Director Chair noted that the original report from PwC had not been submitted to the Audit Committee. The Head of Contracts Estates and Facilities agreed to forward the report to the Chair for reference.</p> <p>The PwC review focussed on the invoicing processes for work orders and work order certifications, and recommended additional checks be made and evidence recorded of work being completed. The Chief Financial Officer noted that considerable work had been undertaken to tighten procedures and that it linked to the Finance Team's work on the Purchase to Pay Process.</p> <p>The External Auditor noted that the issue was connected to the requirement to account for the work undertaken in the correct accounting period.</p> <p>The QC Non-Executive Director Chair noted that the processes required manual interventions and a number of workarounds. She asked whether the Directorate had the right software</p>	HoC, E&F

	<p>systems. The Head of Contracts acknowledged the point and note that work was underway to develop an interface between the two software systems. In addition, they were reviewing the model for administrative support to provide greater resilience.</p> <p>The Audit Committee asked about the investigation into the allegation of fraud. It was thought that no evidence had been found. The Committee asked for confirmation of the outcome.</p>	IA
	<p>Resolved – that (A) the report Estates and Facilities Response to the Local Proactive Exercise 2021-22, be noted, and</p> <p>(B) that the original PWC report be circulated to the Chair and CFO, and</p> <p>(C) the outcome of the counter fraud investigation be reported to a future meeting.</p>	HoC, E&F IA
66/22/5	<u>Contract Management</u>	
	<p>The Audit Committee received an update on the actions to improve contract management. Internal Audit had conducted a review into contract management in the summer 2021. That review highlighted several key risk areas with actions to mitigate risks. The report set out the progress against each action and next steps.</p> <p>The Audit Committee Non-Executive Director Chair asked about the biannual reconciliation of spend against contract. The Chief Financial Officer committed to address the point in the next report.</p> <p>The QC Non-Executive Director Chair thought it would be useful to set out what standard the Trust was seeking to achieve and articulate ‘what good looked like’.</p>	CFO
	<p>Resolved – that (A) the Contract Management Action Plan Progress Report be noted, and</p> <p>(B) the next report address the biannual reconciliation of spend against contract.</p>	CFO
66/22/6	<u>Discretionary Procurement Actions</u>	
	The Audit Committee noted the procurement waivers approved for the period August 2022 to October 2022 and the reasons for the waiver.	
	Resolved – that the Discretionary Procurement Actions report be noted.	
67/22	INTERNAL AUDIT AND COUNTER-FRAUD	
67/22/1	<u>Internal Audit Progress Report 2022/23</u>	
	<p>The Audit Committee received a report from Internal Audit detailing the progress on the Trust’s 2022/23 Internal Audit Plan.</p> <p>The Internal Auditor noted that since the last meeting, two audits had been progressed which were agreed outside of the plan. These related to Estates and Facilities and subsidiary governance and would be reported to the December 2022 meeting. Two reviews were nearing completion: these related to cyber phishing and the Maternity Incentive Scheme.</p>	
	Resolved - that Internal Audit Progress Report 2022/23 be noted.	
67/22/2	<u>Head of Internal Audit Opinion (HoIAO)</u>	
	The Audit Committee received the Stage 1 HoIAO memo. The Internal Auditor noted that as part of the stage 1 work, they had focused on reviewing the opening 2022/23 Board Assurance Framework (BAF) and programme of review for the year. The report highlighted two medium risks concerning the review of the BAF by the committees and the content of the BAF.	

	Changes to the workplan had been agreed regarding workforce planning and to include recruitment and selection and pre-employment checks.	
	Resolved – that Head of Internal Audit Opinion report be received.	
67/22/3	<u>360 Assurance: Counter Fraud Progress Report</u>	
	<p>The Audit Committee received a report on progress on the Counter Fraud Plan for 2022/2023. It was noted that considerable work had been undertaken since the report had been written. It was anticipated that Component 3: Fraud, bribery and corruption risk assessment would be marked as green by the end of the financial year.</p> <p>The QC Non-Executive Director Chair noted that significant issues had emerged regarding payroll processes and wondered if that increased the risk for counter fraud. The number of issues raised was considered to be low and it was queried how the Trust compared to others. The Counter Fraud Specialist noted that she was meeting regularly with the Payroll Team and increasing the visibility of the service, to ensure staff were aware of how to report issues. The Audit Committee Non-Executive Chair requested comparative data for other trusts in relation to the number of concerns reported.</p>	CFS
	Resolved – that (A) the position be noted, and (B) the Chair and CFO receive comparative data on the number of concerns raised.	CFS
53/22	ITEMS FOR NOTING	
53/22/1	<u>Minutes of Board Committee Meetings</u>	
	<p>Resolved – that the Minutes of the following Board Committee meetings be received and noted at papers L1 - L20 inclusive:</p> <ul style="list-style-type: none"> • Charitable Funds Committee 12 August 2022 • Quality Committee 25 August 2022 • Operations and Performance Committee 24 August 2022 • Finance and Investment Committee 25 August 2022 and • People and Culture Committee 25 August 2022. 	
54/22	ANY OTHER BUSINESS	
	There was no other business.	
55/22	IDENTIFICATION OF ANY KEY ISSUES FOR THE ATTENTION OF THE TRUST BOARD	
	<p>Resolved – that (A) the item in Minutes 57/22, 58/22 and 59/22 above be recommended for Trust Board approval, and</p> <p>(B) the items in Minutes 66/22/1, 66/22/2 and 67/22/1 above be highlighted to the Trust Board for information.</p>	AC NED CHAIR AC NED CHAIR
56/22	DATE OF NEXT MEETING	
	Resolved – that the next Audit Committee meeting be held on Friday 23 December 2022 from 9 am. (virtually via MS Teams).	

The meeting closed at 10.55am

Alison Moss **Corporate and Committee Services Officer**

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

Members:

Name	Possible	Actual	%
M Williams	3	3	100
V Bailey	3	3	100
S Harris	3	3	100
B Patel	3	3	100

In attendance:

Name	Possible	Actual	%
M Brice (until Sep 2022)	2	2	100
B Cassidy	3	3	100
L Hooper	3	3	100
S Linthwaite	3	3	100