

**Minutes of the Extraordinary Audit Committee meeting  
held on the 15 June 2020 at 10.30 am via digital platform**

**Members present:**

Mr M Wright, Non-executive Director (Chair of the Audit Committee)  
Miss H Grantham, Non-executive Director  
Mr Cleveland Henry, Non-executive Director

**In Attendance:**

Mr R Khangura, Director – Public Sector Audit, KPMG  
Mrs J Motala, Audit Manager  
Mrs H Kemp Taylor, Managing Director and Head of Internal Audit, NHS Audit Yorkshire  
Mrs S Blackburn, Deputy Head of Internal Audit, NHS Audit Yorkshire  
Dr S Munro, Chief Executive  
Mrs D Hanwell, Chief Financial Officer and Deputy Chief Executive  
Mrs C Hill, Associate Director for Corporate Governance

	<b>Action</b>
<b>20/033 Apologies for absence (agenda item 1)</b>  Mr Wright opened the meeting and welcomed everyone.  No apologies were received by any members of the committee.	
<b>20/034 Declaration of any conflicts of interest in respect of agenda items (agenda item 2)</b>  No member or attendee of the meeting declared a conflict of interest in respect of any item on the agenda.	
<b>20/035 Annual Accounts 2019/20 (agenda item 3)</b>  Mrs Hanwell presented the Annual Accounts 2019/20. She reported that the team had delivered the accounts to a very high standard regardless of the difficult circumstances and remote working. She also reported that this year the accounts look different to the previous year due to there being a number of exceptional items of income shown in last year's accounts.  She informed the Committee that despite there being a surplus shown in the accounts of £4.4 million, the true underlying position was around £600k when various elements are taken into account including income from hosted services, Provider Sustainability Funding (PSF) and a revaluation gain.  In terms of Non-NHS Income for Social Care Clients, Mrs Hanwell clarified	

that this represented the supported living contract with Leeds City Council. She also informed the Committee that the £5.172 million represented the national increase in employers' pension contribution, noting that this had to be presented in the accounts as if it has been paid for.

Finally, Mrs Hanwell explained that accrued income had decreased due to last years' £18m PSF.

The Committee **received** the annual accounts and scrutinised these in detail. Based on the discussions and the assurances received it **agreed** to recommend that the Board adopts the annual accounts.

#### **20/036 ISA 260 Report on the Annual Accounts and Annual Report (agenda item 4)**

Mr Khangura informed the Audit Committee that there had been no requirement to assure the Quality Accounts. He introduced the ISA 260; the year-end report on the 2019/20 annual accounts. He explained that this report provided an update on the audit of the accounts as well as the position on all core responsibilities for the auditors. He then outlined the key points as set out in the document. He noted that subject to receiving the final signed copies of the year-end documents, as adopted by the Board, the auditors would be issuing a clean audit opinion and a clean value for money conclusion. He also noted that there were no fundamental causes for significant concern to report to those charged with governance, i.e. the Audit Committee.

Mr Khangura also paid tribute to the finance team and the way in which the accounts and working papers had been produced and also the way in which the team had responded to any questions posed by the auditor team.

Mrs Motala then provided a detailed report on the each of the significant risks which the auditors had looked at including what work was carried out, the findings and the overall assessment for each of these, noting that there was nothing of significance to report.

Mr Khangura then outlined the key points in the other sections in the report. With regard to the audit of the Annual Report, he reported that it was consistent with what the auditors knew of the Trust, that the Remuneration Report had been audited in detail and was found to be accurate, and that it met the requirements of NHS Improvement's guidance.

In relation to the Value for Money audit, Mr Khangura gave an overview of the work carried out. He reported that whilst elements of the financial plan had changed due to COVID-19 the Trust still had strong financial management components in place, cost improvement plans were being developed, the Trust had made the necessary changes to financial governance arrangements due to COVID-19, and the Trust was still able to

demonstrate financial sustainability. Taking account of the findings, Mr Khangura reported that the auditors were able to provide a clean Value for Money conclusion.

Mr Khangura then outlined the findings from the other sections in the report and noted that there were no significant issues to report to the Committee.

The Audit Committee **received** the ISA 260 report and **noted** the main points and assurances provided by external audit.

**20/037 Long Form Audit Report** (agenda item 4.1)

Mr Khangura informed the Committee that the Long Form Audit Report was the report that would be signed off by the auditors in order to issue the opinion and contained much of the information set out in the ISA 260, again noting that the opinion would be a clean opinion on all matters.

The Committee **reviewed** the Long Form Audit Report.

**20/038 The Letter of Representation for the Annual Accounts** (agenda item 4.2)

Mr Khangura noted that this was the letter from the trust to the auditors, but that the auditors had provided the wording that should be used. The committee considered the wording and agreed to recommend to the Board that this is signed and presented to the auditors.

Mr Wright thanked the finance team for their performance in producing the accounts and working with the auditors during the COVID-19 pandemic.

Mrs Grantham raised a point regarding the Council of Governors and it was noted that Mr Khangura had been invited to July's Council of Governors meeting to present and explain the findings from the audit.

Mrs Hanwell then spoke about the two management recommendations within the ISA 260. She noted that she accepted the issues around the Oracle user review and that arrangements were in place to address this. With regard to the recommendation about segregation of duties for journal posting, it was agreed that the controls and assurances required around this would be discussed at a future Audit Committee meeting. Mr Marston agreed to add this to the forward plan.

The Committee **reviewed** the Letter of Representation for the Annual Accounts. It **noted** that this was standard wording and **agreed** to recommend that this be signed by the Chair on behalf of the Board.

**CM**

**20/039 Internal Audit Annual Report 2019/20 and Head of Internal Audit Opinion 2019/20** (agenda item 5)

Mr Wright informed the Committee that he had been in contact over email with Mrs Blackburn, Mrs Grantham and Mr Henry regarding questions he had about the Internal Audit Annual Report and the Head of Internal Audit Opinion, and was happy with the responses that he had received.

Mrs Blackburn explained that the Internal Audit Annual Report summarised the outcome of the audit work completed against the internal audit plan for 2019/20 and included the overall final Head of Audit Opinion for the year. She explained that the work on the 2019/20 Internal Audit Plan had been completed with the exception of audits deferred in agreement with the Audit Committee and three audits that have been hibernated as a result of COVID-19. She informed the Committee that all assurance reports, with the exception of one, had been agreed with management and action plans agreed, and that a total of 20 assurance reports had been issued in 2019/2020. Of these, 16 provided Significant Assurance, with four receiving Limited Assurance.

Mrs Kemp Taylor reiterated that the Head of Audit Opinion consolidated the work that had been undertaken during the year. She presented a summary of the work carried out and reported that following the completion of this work a rating of 'significant assurance' was provided overall.

Mr Wright thanked the Internal Audit team on behalf of the Audit Committee for their efforts.

The committee **received** the internal audit annual report and Head of Internal Audit Opinion and was **assured** of the work undertaken during the year, the findings and the overall opinion of 'significant assurance'.

**20/040 Annual Governance Statement** (agenda item 6)

Dr Munro presented the Annual Governance Statement noting that this had been co-ordinated by Mrs Hill and that where necessary contributions and updates had been provided by senior managers.

The Committee **received** the Annual Governance Statement. It was **assured** of the content and agreed to recommend that this is signed on behalf of the Board.

**20/041 Annual Report 2019/20** (agenda item 7)

Dr Munro presented the Annual Report and outlined some of the information contained in the document. She then invited Mrs Hill to explain some of changes that had been made to the requirements for the content of the Annual Report due to COVID-19 and NHS Improvement (NHSI) wanting to make the production of the report simpler during this period.

Mrs Hill informed the Committee that NHSI had agreed to reduce the burden on managers in producing information, and that they would remove the performance analysis section and the requirement for the quality account to be included in Annual Report. She explained that the content of the report had been reviewed by the executive directors to ensure that it represented a fair picture of the organisation.

The committee considered the information in the report. Mrs Grantham suggested that the equality section should also include information on the organisation's investment in equality and diversity, and its support for the workforce race equality scheme. Mrs Hill agreed to insert more narrative around this. Dr Munro added that it was important to recognise the focus on equality and diversity and the work carried out in the Trust.

CH

The Committee **received** the narrative for the Annual Report and **agreed** to recommend that it was adopted by the Board, subject to the minor amendments listed above.

20/042

**Compliance with NHS Improvement's NHS Foundation Trust Code of Governance** (agenda item 8)

Mrs Hill presented a report which assured the Committee on the process for compiling the statement of compliance with the Code of Governance. She explained the comply or explain element of the Code and noted that having considered each of these principles she was recommending that the Board state that it is complying with all the principles with the exception of D.2.2 specifically in relation to the role of the Remuneration Committee for determining the pay for senior managers on the next level down from the Board, all of whom were paid through Agenda for Change. The Committee noted that the exception of D.2.2 was consistent with previous years and agreed that this should be included in the Annual Report and a matter to 'explain'.

The Committee suggested some areas which could be strengthened in terms of evidence of how the Trust complies with the conditions of the licence. Mrs Hill agreed to include this additional information.

CH

The Committee **considered** the statement of compliance with the Code of Governance and **agreed** to recommend to the Board that it states compliance with the principles with the exception of D.2.2 for which it states partial compliance.

**20/043 Assurance on the process for the declarations required by the NHS Improvement Provider Licence Conditions** (agenda item 9)

The Committee **received** and noted the process for declaration compliance with the conditions of the Provider Licence, and **agreed** to recommend to the Board that it signs off those declarations.

**20/044 Key Messages and Any Matters to be Escalated to the Board** (agenda item 10)

Mr Wright noted that he would be reporting that:

- On behalf of the Audit Committee, members are grateful for the work that has been undertaken
- The Annual Accounts had received an unqualified opinion and the Committee would recommend that these were adopted
- Internal Audit had provided significant assurance within the Head of Internal Audit Opinion
- The Annual Governance Statement provided a fair view of the systems of internal controls in place in the organisation
- The narrative for the Annual Report be adopted
- That it would recommend the statements to be made in relation to compliance with the Code of Governance, the provider Licence.

Mr Wright reflected on the wider governance arrangements during the circumstances of the pandemic. He noted that Audit Yorkshire had sent out questionnaires to provider organisations to consider reviewing, so that they could answer whether their response in terms of governance was complete and consistent. He proposed that it might be helpful to look at these questionnaires to confirm that executives were satisfied that the questions had been addressed satisfactorily.

He also suggested that whilst risks may not have changed, the dates for key priorities had been. Therefore, he recommended scheduling a further review of the Board Assurance Framework (BAF).

Finally, Mr Wright informed the Committee that a document prepared by the Good Governance Institute had suggested three priorities, one of which was useful for executives to consider in terms of their response to COVID-

**MW**

19 and reflect if there are lessons that they can learn from it.

**20/045 Any Other Business** (agenda item 11)

The Committee did not discuss any other business.

The Chair of the Committee thanked everyone for attending and closed the meeting at 12.00pm.

**Date and time of next meeting:**

Tuesday 21<sup>st</sup> July 2020 at 9.30am until 12.30pm via Zoom.