

**Minutes of the Audit Committee
held on 20 April 2021 at 10.30am via Zoom**

Present:

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

In Attendance:

Mrs S Blackburn, Deputy Head of Internal Audit, NHS Audit Yorkshire
Mrs D Hanwell, Chief Financial Officer and Deputy Chief Executive
Mrs H Kemp-Taylor, Head of Internal Audit, NHS Audit Yorkshire
Mr R Khangura, Director – Public Sector Audit, KPMG
Miss B King, Corporate Governance Assistant (Secretariat of the Committee)
Miss K McMann, Acting Head of Corporate Governance
Mr L Swift, Local Counter Fraud Specialist, NHS Audit Yorkshire

		Action
	Mr Wright opened the meeting at 10:30am and welcomed everyone.	
21/019	Apologies for absence (agenda item 1) No apologies were received from any members of the Committee. Apologies were received from Mrs C Hill, Associate Director for Corporate Governance, who is an attendee of the Committee.	
	The meeting was quorate.	
21/020	Declaration of any conflict of interest in respect of agenda items (agenda item 2) No member or attendee of the Committee declared a conflict of interest in respect of any item on the agenda.	
21/021	Minutes of the meeting held on the 19 January 2021 (agenda item 3) Mr Wright noted a number of typing errors from the minutes of the meeting held on 19 January 2021. Miss King agreed to make all the necessary changes after the meeting.	BK
	The minutes of the meeting held on the 19 January 2021, subject to the changes were accepted as a true record.	

21/022 Approval for the minutes above to be uploaded to the Trust's external website (agenda item 3.1)

The Committee **agreed** that the minutes of the Audit Committee meeting held on the 19 January 2021 were suitable to be uploaded to the Trust's external website.

21/023 Matters arising (agenda item 4)

Miss Grantham informed the Committee that the Good Governance Institute had published a number of useful briefings around provider collaboratives. She also drew attention to minute number 21/015 in relation to the work taking place around clinical leadership.

The Committee **discussed** the briefings that had been published by the Good Governance Institute.

21/024 Cumulative Action Log (agenda item 5)

The Committee agreed to close the actions on the cumulative action log that had been completed. Mr Wright highlighted that the minute number 20/008 in log number 73 should be changed to reflect 21/008. Ms King agreed to make the necessary change after the meeting.

The Committee asked Mrs Hanwell to provide an update on log number 36 regarding the IFRS16 implementation. Mrs Hanwell explained that the IFRS16 implementation had been deferred from 2021 until 2022. It was agreed that log number 65, 18, 71, 72 would be picked up later on the agenda.

The Committee was **assured** on the progress made on the actions on the cumulative log and **agreed** on which actions should be closed.

21/025 Local Counter Fraud Progress Report (agenda item 6)

Mr Swift presented the progress report regarding the counter fraud work undertaken at the Trust since the last meeting of the Audit Committee in January 2021. Mr Swift reported that the Trust had received a number of fraud alerts which were related to phishing, in particular COVID vaccination scams. He assured the Committee that the matter had been dealt with through internal routes.

Mr Swift outlined the counter fraud standards that the Trust would not meet in 2021/22. These were; the NHS Counter Fraud Strategy, the risk assessment, and the standards in relation to metrics. He confirmed that a plan to address these standards would be presented at the next Audit Committee meeting in July 2021. Mrs Hanwell questioned whether there would be any implications to the days assigned to counter fraud in relation to the counter frauds standards. Mr Swift confirmed that the work around the risk assessments would utilise a number of

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the assigned days. Mrs Blackburn assured the Committee that Audit Yorkshire had addressed the implications with a piece of benchmarking work and confirmed that she would provide an update at the next Audit Committee meeting in July 2021. Mr Wright pointed out that the deadline for meeting the standards was March 2022. He questioned whether there would be any issues in meeting this deadline. Mr Swift assured the Committee that the NHS Counter Fraud Strategy and standards in relation to metrics would be met by March 2022 and he agreed to keep the Committee updated on the progress made with this.

SB

The Committee **received** and **noted** the progress report.

Mr Swift left the meeting.

21/026

Internal Audit Progress Report (agenda item 7.1)

Mrs Blackburn presented the Internal Audit Progress Report and noted that the draft Risk Management Audit was complete. She explained that the audit timing had been adjusted to accommodate the Data Security and Protection Toolkit Audit. Mrs Blackburn highlighted the three final reports issued which had provided significant assurance, these were; Medicines Management Electronic Prescribing and Medicines Administration (EPMA) System, Serious Incident Investigations, and Board Assurance Framework. Mrs Blackburn agreed to include the members of the Committee in the circulation email of the final reports.

SB

Mrs Blackburn drew the Committees attention to page six of the report which stated that no evidence had been received to confirm that the internal audit recommendations had been implemented. She confirmed that evidence had since been provided. The Committee noted this. The Committee discussed the Financial Systems audit and noted that it had been deferred until Deloitte had completed a Covid-19 audit.

Mr Wright drew the Committee's attention to the EPMA System audit report. He asked Mrs Blackburn to provide assurance in relation to the EPMA system recommendation that hadn't been accepted and questioned whether the action proposed was appropriate. Mrs Blackburn supported the rationale provided. Miss Grantham suggested that the timings of the delayed audits should be reviewed again at a later date when the Interim Director of Human Resources has been appointed.

The Committee considered a number of concerns regarding the ongoing fieldwork on audits which were significant to the Head of Internal Audit Opinion. Mrs Blackburn assured the Committee that there were no significant concerns.

Mrs Blackburn **presented** the Internal Audit Progress Report. The Committee **acknowledged** the audits that had provided significant assurance and were **assured** with the progress made.

21/027 Draft Head of Internal Audit Opinion (agenda item 7.2)

Mrs Kemp-Taylor presented the Draft Head of Internal Audit Opinion and outlined the key areas of the report that had been finalised. She assured the Committee that the audits which hadn't been completed in 2020/21 due to the pandemic had been risk assessed, and would be included in the 2021/22 audit.

Mrs Kemp-Taylor informed the Committee that an opinion of 'significant assurance' had been issued. She informed the Committee that **there** were four audits that needed to be followed up. These were; Liaison Psychiatry, Contract Management, Service Users Money and Property, and The Management of the Capital Programme. Mr Wright pointed out the Internal Audit Charter and asked Mrs Blackburn and Mrs Kemp-Taylor to clarify if there were any missed areas. Mrs Kemp-Taylor assured the Committee that there were no gaps. Mrs Blackburn added that the operational and workforce workstreams had been impacted but confirmed that these had been considered in the 2021/22 plan.

The Committee **received** the draft Head of Internal Audit opinion.

Mrs Kemp-Taylor left the meeting.

21/028 Draft Internal Audit Plan 2021/2022 (agenda item 7.3)

Mrs Blackburn presented the draft internal audit plan for 2021/22. She explained that the plan had been reviewed against the Strategic Risks as captured on the Board Assurance Framework as at December 2020. Miss Grantham pointed out strategic risk three on the Board Assurance Framework, particularly regarding resetting the priorities in relation to the changes in workforce.

The Committee acknowledged that the Quality Committee had suggested a number of areas for future internal audits. These were: Physical Health monitoring across the Trust, how CareDirector was being used for risk assessments, and clinical supervision, specifically the new ways of carrying out clinical supervision due to the pandemic. Mrs Blackburn summarised the risks of these audits. Mr Henry questioned whether the CareDirector audit could be picked up as part of the Data Quality Audit. Mrs Hanwell agreed to liaise with Mrs Blackburn about this. The Committee asked Mrs Blackburn to discuss with the executive directors, appropriate revisions to the future internal audit plan to accommodate the Quality Committee requests.

**DH /
SB**

The Committee **reviewed** and **approved** the internal audit plan for 2020/21.

21/029 Outstanding Audit Actions (agenda item 8)

The Committee noted that since the last report in January 2021 there had been a decrease in the number of outstanding audit actions and noted that none of them posed a major risk. Mrs Blackburn explained that the Contract Management

training had been cancelled due to Covid-19, but assured the Committee that the session was to be rearranged. Mrs Blackburn went on to highlight that the policy within the Data Security and Protection Toolkit needed updating, but confirmed that this did not create a significant risk.

The Committee **received** the outstanding audit actions report and was **assured** that progress was being made with audit actions.

21/030 External Audit Progress Report / Sector Updates (agenda item 9.1)

Mr Khangura presented the External Audit Progress Report and the Sector Updates and clarified that there had been some accounting issues within the report but assured the Committee that there no matters to raise.

The Committee **received** and **noted** the progress report and sector updates.

21/031 Risk Assessment Update (agenda item 9.2)

Mr Khangura updated the Committee on the progress of the external audit and the risk assessments. He outlined the control observations that were raised including the segregation of duties of journals, but clarified that this was considered low risk. Mr Khangura went on to explain the issues regarding members of staff being taken off the system after they had left. He highlighted that the process could be accelerated but assured the Committee that there was no risk as those individuals had not accessed the system.

Mr Khangura presented the updated risk assessment and drew the Committee's attention to ~~expenditure~~ recognition posing a risk in the ISA 260. He explained that the external audit plan addressed the risk of potential overstatement of expenditure at the end of 2020/21. He explained to the Committee that the External Auditors would alter their audit procedures to address the existence of risk under expenditure.

Mr Khangura noted that the National Audit Office had withdrawn the requirement for the long form audit report. He assured the Committee that the information missing from the report would be detailed in the ISA 260. Mr Khangura provided an update on the progress of the Value for Money (VFM) aspect of the audit. He explained that the work had been delayed due to the release of the guidance regarding the VFM risk assessment. He highlighted an inherent risk regarding the lack of a financial regime for second half 2021/22.

The Committee **acknowledged** the contents of the Risk Assessment Update and were **assured** with the progress made.

21/032 Assurance on Previous Sector Updates (agenda item 9.3)

The Committee **received** the Assurance on Previous Sector Updates and **noted** its content.

21/033 Health and Safety Update (agenda item 10)

Mrs Hanwell presented an update around health and safety. She informed the Committee that the Health and Safety Manager would start their post on 4 May 2021 and explained that a Head of Wellbeing post had also been appointed too. The Committee discussed the health and safety benchmarking report. Mrs Hanwell agreed to report back to the Audit Committee in July 2021 with the updates having had a chance to consider the learning offered by the benchmarking report.

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The Committee **received** and **noted** the Health and Safety Update.

21/034 Annual Checklist for Managers (agenda item 11)

Mr Wright suggested that, once appointed, the Interim Director of Human Resources should review the annual checklist for managers. The Committee agreed to defer the item until the July 2021 meeting.

The Committee **agreed** to defer the annual checklist for managers until the next meeting on the 20 July 2021 meeting.

21/035 Draft Annual Governance Statement (agenda item 12)

The Committee discussed the draft Annual Governance Statement. Mr Wright proposed that there could be further detail on diversity. He went on to add that the Trust was engaged in a reciprocal mentoring programme. Miss Grantham referred to paragraph 2.7.3.4 which described a newly developed strategy. She questioned whether the Trust strategy was still considered to be newly developed. Mr Wright pointed out a number of text formatting errors in the same paragraph. Miss McMann agreed to amend these.

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Miss Grantham drew the Committee's attention to point 2.7.4.8 and questioned how the Trust's work around the Equality Act 2010 and public sector duties regarding equality could be incorporated into the statement. She pointed out that Professor Sue Proctor, Chair of the Trust, was the Equality and Diversity Champion for the Trust and that the Board of Directors had oversight of equality, diversity, and inclusion.

The Committee **acknowledged** the contents of the draft Annual Governance Statement and **suggested** a number of amendments.

21/036 Tender and Quotation Report (agenda item 13)

The Committee **received** the Tender and Quotation Exception Report and **noted** the content.

21/037 Losses and Special Payments (agenda item 14)

The Committee **received** the losses and special payments register and **noted** the content.

21/038 Sponsorship Register (agenda item 15)

The Committee **received** the sponsorship register and **noted** the content.

21/039 Hospitality Register (agenda item 16)

The Committee **received** the hospitality register and **noted** the content.

21/040 Gifts Register (agenda item 17)

The Committee **received** the gifts register and **noted** the content.

21/041 Future Areas for Internal Audit as Proposed by Board Sub-Committees (agenda item 18)

This item was **discussed** under the draft Internal Audit Plan 2021/22 (21/028).

21/042 Going Concern and the Use of Specialist Advisors (agenda item 19)

The Committee was informed that auditing standards for going concern had been amended and a requirement had been introduced for a formal self-assessment to be completed by management of whether the Trust was a going concern. The Committee discussed and approved the approach to key judgements in relation to going concern assessments and the use of specialist advisors for 2021/22.

The Committee **discussed** and **approved** the approach to key judgements in relation to going concern assessments and the use of specialist advisors for 2021/22.

21/043 Board Assurance Framework (agenda item 20)

Miss McMann presented the Board Assurance Framework (BAF) and informed the Committee that a recent internal audit on the BAF had provided significant assurance. She explained that the Quality Committee and the Workforce Committee had recently reviewed the BAF and it had been agreed strategic risk three would be reviewed. The Committee reviewed the BAF and agreed that the risks to achieving the strategic objectives were being sufficiently mitigated and managed.

The Committee **reviewed** the BAF and **agreed** that the risks to achieving the strategic objectives were being sufficiently mitigated and managed.

21/044 Audit Committee Annual Report 2020/21 (agenda item 21)

The Committee discussed the Audit Committee Annual Report 2020/21. Mr Wright pointed out a number of typing errors within the report. Miss McMann agreed to amend these. Miss Grantham suggested that a reference could be added to the Audit Committees request of other Board sub-committees to review and consider the Internal Audit Plan.

Mr Khangura drew the Committee's attention to the section of the report around the Quality Account and pointed out that it referenced 2021 as the guidance outstanding. He explained that there were now no assurance requirements to the quality accounts.

Mr Khangura drew the Committee's attention to a section of the report which stated that guidance for the 2021/22 Quality Account was outstanding. He confirmed that guidance had since been released and that there were no assurance requirements for the Quality Account.

The Committee **reviewed** the Audit Committee Annual Report 2021 and **agreed** to approve the report subject to a number of minor changes.

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21/045 Key Messages and Any Matters to be Escalated to the Board (agenda item 22)

Mr Wright noted that he would be raising the following points to the next Board meeting:

- **Introduction of the Government Functional Counter Fraud Standards** – due to a change in the timing of the introduction of the new Functional Counter Fraud Standards it was reported that the Trust would need to declare non-compliance against three components relating to:
 - (Component 2) Counter Fraud Bribery and Corruption Strategy;
 - (Component 3) Fraud, Bribery and Corruption Risk Assessment;
 - (Component 6) Outcome Based metrics. The committee was assured of the actions being taken to ensure these components would be met in the future.
- **Internal audit progress report** – the committee received the report and noted that since the last meeting there had been three reports finalised had all been given significant assurance: Medicines Management Electronic Prescribing and Medicines Administration (EPMA) System ; Serious Incident Investigations; and Board Assurance Framework. The committee also noted the benchmarking work that had been undertaken by the Audit Team and acknowledged the importance of this supportive work in helping to support the ongoing development of the Trust's governance arrangements.
- **Draft Head of Internal Audit Opinion 2020/21** – the committee received the draft opinion noting that this was based on the work completed as at 12 April 2021 and that it was expected that the overall opinion would be Significant Assurance relating to the Trust's systems of internal control. The committee noted that the final opinion would be presented to the Audit Committee on 8 June 2021.
- **Internal Audit work-plan for 2021/22** – the committee received the work-plan for Internal Audit. It agreed the plan noting that the three further areas which had been identified by other Board sub-committees (physical health monitoring; the use of CareDirector and risk assessments; and clinical supervision) would be considered by Internal Audit in conjunction with the Executive Management Team for inclusion in the plan. The committee also recognised that the plan might need to be updated in light of the Board discussions relating to the key priorities for the Trust and the emerging workforce agenda.
- **Board Assurance Framework** – the committee reviewed the BAF and was assured of the content.
- **Health and Safety update** – the committee received an update from the Chief Financial Officer. It was noted that the Health and Safety Manager would be stating with the Trust on 4 May and would be attending the Audit Committee at some point following that. It was also noted that the Trust's Head of Wellbeing had already commenced and that there were

interdependencies around this post and the Health and Safety Manager in relation to 'safe people /safe place'. The committee noted that there had been some benchmarking work carried out by Internal Audit which had been reviewed by the Chief Financial Officer and that there would be a further update to the committee setting out any changes that needed to be made to the governance arrangement relating to Health and Safety.

- **Going concern and the use of specialist advisors** – the committee was advised of the key judgements relating to going concern including where specialist advisors were used. It considered and was assured that the Trust had been assessed as a going concern.
- **University Hospitals of Leicester (UHL) briefing** – following concerns about financial management at UHL the committee received a briefing from the Internal Auditors setting out the key themes and areas for consideration. The committee reviewed the briefing against its knowledge of the controls in place within the Trust. It concluded that it was comfortable that given the reports and assurances the committee receives it was confident that the Trust was not in the same position as UHL. It felt that the briefing was a useful document which provided a learning opportunity allowing the Trust to reflect on its own arrangements and make any changes to strengthen those arrangements.

The Committee **agreed** the key messages and any matters to be escalated to the Board.

21/047 Any Other Business: Financial Control Briefing (agenda item 23.1)

The Committee discussed the Financial Control Briefing. Mr Khangura outlined some impacts and issues relating to cultural and financial judgements and the potential sources for assurance. The Committee considered the contents of the report and agreed that the issues identified posed no risk to the Trust.

The Committee **acknowledged** the Financial Control Briefing and **noted** the content.

The Chair of the Committee thanked everyone for attending and closed the meeting at 12.30pm.

Date and time of next meeting:
Tuesday 8 June 2021 at 2.00pm until 3.00pm