

**Minutes of the Extraordinary Audit Committee
Tuesday 18 June 2024 at 10:30am until 11:30am
Via Microsoft Teams**

Present:

Mr Martin Wright, Non-executive Director (Chair of the Audit Committee)
Dr Frances Healey, Non-executive Director
Mr Cleveland Henry, Non-executive Director

In Attendance:

Mr Kieran Betts, Corporate Governance Officer (meeting support)
Mr Chris Boyne, Deputy Head of Audit Yorkshire
Mrs Clare Edwards, Associate Director for Corporate Governance
Mr Gerard Enright, Financial Controller
Mrs Dawn Hanwell, Chief Financial Officer, and Deputy Chief Executive
Mr Jonathan Hodgson, Internal Audit Manager
Ms Rosie Kelly, External Audit Manager for KPMG
Dr Sara Munro, Chief Executive
Ms Salma Younis, Audit Director for KPMG

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	<p>Welcome and Introduction</p> <p>Mr Wright opened the meeting at 10.30am and welcomed everyone.</p>	
24/047	<p>Apologies for absence (agenda item 1)</p> <p>No apologies were received from members of the Committee.</p> <p>Apologies were received from Ms Helen Higgs, Managing Director and Head of Internal Audit for NHS Audit Yorkshire who was invited to attend the meeting. The Committee noted that Mr Boyne was attending the meeting on behalf of Ms Higgs.</p> <p>The Committee was quorate.</p>	
22/048	<p>Declarations of any conflict of interest in respect of agenda items (agenda item 2)</p> <p>No one present declared a conflict of interest in respect of agenda items.</p>	
24/049	<p>Draft Audited Annual Accounts 2023/24 (agenda item 3)</p> <p>Mrs Hanwell introduced the draft audited annual accounts 2023/24 to the Committee and reported that the Trust had achieved its intended financial position of a presentational deficit of £0.5 million. She highlighted to the Committee the main material elements of the report which included:</p>	

- Due to a change in International Financial Reporting Standards (IFRS) to comply with IFRS 16, the report contained an additional note on changes to Private Finance Initiative (PFI) lease obligations. Mrs Hanwell reassured the Committee that this had no material impact on the Trust's income and expenditure for the year.
- A reduction in cash throughout the year to a total of £116.7 million. Mrs Hanwell noted that this was in part due to capital investment undertaken by the Trust. She additionally noted that while there had been a positive movement for overall income and expenditure in Provisions, that this change did not generate any additional cash flow for the Trust.

The Committee noted the contents of the report and agreed to approve the annual accounts ahead of them being presented to the Board of Directors on the 20 June 2024 for adoption.

The Committee **received** the Annual Accounts 2023/24 and was **assured** on the main components of the accounts. On that basis it **agreed** to recommend to the Board that these be adopted.

24/050 ISA 260 Report (agenda item 4.1)

Ms Younis provided the Committee with an overview of the International Standard on Auditing (ISA) 260 Report. The Committee heard that KPMG had performed assessments in three audit risk areas which consisted of: valuation of land and buildings; expenditure recognition; and management override of controls and that no significant control deficiencies had been found. Ms Younis confirmed that there had been no changes in the audit work from the plan which had been presented to the Committee in April 2023, and that the work was now nearing completion. She added that some misstatements had been identified and corrected, but that these mistakes were presentational only and that no uncorrected audit misstatements had been identified. She added that the auditors had also assessed the management judgement of the Trust in its estimation of the value of its land and buildings and confirmed that this judgement was reasonable and appropriate and that no issues had been identified.

Next, Ms Younis drew the Committee's attention to the Value for Money report. She explained that this would be discussed in further detail later in the meeting, but that work on this had been completed and that no significant risks had been identified by the auditors. She explained that one recommendation had been made to the Trust regarding the monitoring of key performance indications for subcontractors. Mrs Hanwell confirmed that the Trust had concurred with this recommendation. Finally, Ms Younis confirmed that KPMG did not undertake any additional non-audit work for the Trust and that it remained independent from the Trust.

The Committee noted that the report included detail of approximately £40,000 in payments which had been incorrectly made to individuals who worked for the Trust. Mr Enright confirmed that the vast majority of incorrect payments were recovered internally, or through a separate process in the case where the

individual had left employment, and that all overpayments were regularly reported to the Committee throughout the year. The Committee noted this update. The Committee noted the content of the report and was assured that there were no significant control issues identified.

The Audit Committee **received** the ISA 260 Report and was **assured** that there were no significant control issues identified by the report.

24/051 **Letter of Representation** (agenda item 4.2)

Ms Younis presented the letter of representation to the Committee. She explained that it included the mandated representations that management needed to make as part of the ISA 260. She confirmed that the representations contained in the letter were all standard. The Committee agreed to recommend to the Board that the letter of representation was signed and returned to KPMG.

The Committee **agreed** to recommend that the Board of Directors sign and return the letter of representation to KPMG.

24/052 **External Auditors Annual Report** (agenda item 4.3)

Ms Younis outlined the findings of the external auditors' annual report to the Committee which summarised the work on the audit of the accounts and the value for money risk assessment. The Committee heard that the value for money risk assessment had evaluated three risk areas which included financial sustainability; governance; and improving economy, efficiency, and effectiveness, and that no significant risks had been identified. Ms Younis explained that the report had been updated from other similar reports received by the Committee in previous years to include more national and local financial context, as well as highlighting key financial sustainability and governance metrics to make it easier to identify trends in future reports.

Ms Younis drew the Committee's attention to the financial sustainability risk assessment. This included an assessment of the development of the Trust's 2024-25 efficiency plan. Ms Younis commented that this plan was challenging in its ambitions of doubling the efficiency savings from the £8.5 million planned in 2023-24 financial year to £17 million in 2024-25, as well as to increase recurrent savings, but that this plan was in-line with the reported efficiency plans of other Trusts across the country. She added that while the cash position of the Trust had fallen in the year it was still in a good ratio compared with Trusts of a similar size.

The Committee considered the contents of the report. Mrs Hanwell highlighted the section of the report which included details of the Integrated Care System's final revenue plan for 2023-24. She explained that this section needed to be reworded as it contained sensitive information which was not suitable for publishing into the public domain. It was agreed that Ms Younis would amend this section before the report was finalised, with Mrs Hanwell providing some guidance on this. The

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Committee also reflected on the 2024-25 efficiency plan and acknowledged that while it was challenging, it was also reflective of other plans reported by similar organisations to the Trust.

The Committee thanked the external audit team for their work in producing the end of year reports and commended the finance team on the fact that there were no unadjusted items contained in the reports. Ms Younis thanked the Trust's finance team for their support throughout the auditing process.

The Committee **received** the External Auditor's Annual Report and **noted** the content of the report.

24/053 Internal Audit Annual Report and Head of Internal Audit Opinion 2023/24 (agenda item 5.1)

Mr Boyne presented the Internal Audit Annual Report to the Committee on behalf of Ms Higgs who had sent apologies ahead of the meeting. This report summarised the work conducted by the internal audit team throughout the 2023/24 financial year. He highlighted the fact that this report also contained the Head of Internal Audit Opinion which expressed an overall opinion of significant assurance. He explained that this opinion was based on the Trust's performance in three specific areas:

- Its design and processes around its Board Assurance Framework (BAF). The Committee were reminded that the BAF had been audited in the 2023/24 financial year and had received a significant assurance opinion.
- Individual assurance opinions expressed in specific audit areas throughout the year. Mr Boyne noted that 26 audits had been issued either in final or draft, of which one had a high assurance, 15 significant assurance, eight limited assurance, one low assurance, and one issued without an assurance rating.
- An assessment of the Trust's response to and ability to implement internal audit recommendations. Mr Hodgson noted that of the eight limited assurance opinions issued throughout the year, five of these areas had been reaudited with an overall opinion of significant assurance.

He noted that the report also acknowledged the challenging environment the Trust was operating in during the financial year.

Mr Hodgson next summarised the internal audit reports which were agreed with management since the April 2024 Audit Committee meeting. The Committee heard that nine reports had been issued in final, eight of which had an overall opinion of significant assurance. He reported that Cyber Security had been issued in final with an overall opinion of limited assurance, and that the Trust had already started work to address the issues identified in the report. The Committee noted that this limited assurance report would be considered in more detail at the July 2024 Audit Committee meeting.

Mr Hodgson highlighted that six reports had been issued in draft, three of which expressed an opinion of significant assurance and three of which expressed an

opinion of limited assurance (Clinical Governance, Quality of Data for Reporting Purposes, and Job Planning). The Committee noted that these reports were factored into the overall Head of Internal Audit Opinion. The Committee also acknowledged the three limited assurance opinions which had been issued in draft, in particular Clinical Governance, and noted that this would be covered in greater detail at a future Audit Committee meeting once they had been finalised.

The Committee considered the contents of the report. Mr Wright noted that all of the KPIs including the overall delivery of the revised Internal Audit plan were at 100% and commended the work of the internal audit team and management team in achieving this outcome.

The Internal Audit team thanked the management team for their engagement and openness in working with the auditors throughout the year, and in particular commended the Trust's attitude in recommending challenging areas to be audited in order for issues to be identified and addressed, as exemplified by the request for the Security Management audit to be added to the plan. Mr Hodgson noted that this was demonstrative of good governance at the Trust and that it would be worthwhile to use this as evidence as such in preparation for a CQC inspection. The Committee concurred with this view.

The Committee questioned whether any benchmarking was available to compare the overall ratio of audit opinions expressed in final reports with other similar organisations. The Committee heard that it was operating in-line with other organisations in this regard, but that this figure could potentially be misleading as an organisation's response to limited and low assurance opinions as well as their willingness for challenging areas to be examined in the first instance were all important factors in assessing the overall Head of Internal Audit Opinion.

The Committee **received** and **considered** the assurance provided by the Internal Audit Annual Report and Head of Internal Audit Opinion which gave the overall opinion of significant assurance.

24/054 Annual Governance Statement 2023/24 (agenda item 6)

The Committee **received** the Annual Governance Statement for 2023/24 and was **assured** that it presented a correct view of the governance systems in place for the control of risk and was consistent with the Head of Internal Audit Opinion and the understanding expressed by the external auditors. The Committee **agreed** that the Statement should be presented to the Board for ratification.

24/055 Annual Report 2023/24 (agenda item 7)

Dr Munro presented the Annual Report for 2023/24 to the Committee. She highlighted that both the production and the contents of the report was demonstrative of the significant amount of work done both by colleagues throughout the year in a challenging work environment. She noted that the report

was presented to the Committee for assurance that the contents of the report met the national requirements set out by NHS England in the Annual Reporting Manual. She added that a final review of the content would be conducted before it was formally signed off by the Board of Directors and laid before Parliament.

The Committee noted a couple of corrections which should be made to the final version of the report. These consisted of:

- Page 39 “the need to appoint new External Auditors in 2024/25” should be amended to “the need to appoint External Auditors in 2024/25”. It was agreed that this would be amended by Kerry McMann, Head of Corporate Governance.
- Page 51 the table demonstrating Directors and Governors expenses was marked as “£’00”. The Committee requested that Mr Enright should double-check this table to ensure that the values expressed were in the hundreds of pounds as suggested by this notation.

Subject to these amendments being made, the Committee agreed that the narrative contained within the report should be adopted by the Board of Directors.

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The Committee **received** the Annual Report 2023/24 and was **assured** of the process undertaken and the compilation of its contents. It **noted** the next steps of the report in preparation for it being laid before Parliament for public dissemination. It **agreed** to recommend that the Board of Directors adopts the narrative in the Annual Report 2023/24, subject to the identified amendments being made.

24/056 Compliance with NHS England’s NHS Foundation Trust Code of Governance (agenda item 8)

The Committee heard that the report demonstrated how the Trust was compliant with the Code of Governance or explained the rationale for any non-compliance. The Committee noted that there were eight provisions for which the Trust was non-compliant and noted the explanation provided for each of these provisions. The Committee was assured that the Trust was compliant with the Code of Governance.

The Committee noted that the report referred to the Freedom to Speak Up Guardian, but only in the context of raising performance and workforce issues. It noted that this reporting route could also be used to raise patient safety and quality issues. Mrs Edwards agreed to add this detail into the relevant sections of the report.

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The Committee **received** the statement of compliance with the Code of Governance and was **assured** that the Trust was compliant with the Code of Governance. The Committee **agreed** to recommend to the Board that correct procedures were in place and that the ‘comply or explain’ elements had been correctly shown in the Annual Report 2023/24.

24/057 Key Messages and Any Matters to be Escalated to the Board (agenda item 9)

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

- The Committee received the Audited Annual Accounts 2023/24 and agreed to recommend that the Board adopt these accounts.
- The Committee received the ISA 260 Report and was assured that no significant control issues had been identified.
- The Committee agreed to recommend to the Board that the Chief Executive signs and returns the letter of representation to the external audit team.
- The Head of Internal Audit Opinion had been received and reported an overall position of significant assurance.
- The Committee received the Annual Governance Statement and agreed to recommend to the Board that the Chief Executive signs off the statement.
- The Committee received the Annual Report 2023/24 and was assured by the process to develop it and its content and agreed that it should be adopted by the Board, subject to some small amendments.
- The Committee was assured the Trust was compliant with the Code of Governance and agreed to assure the Board that the “explain” elements of the code were included in the Annual Report.

24/058 Any Other Business (agenda item 10)

The Committee noted that the timing of the General Election scheduled for 4 July 2024 and the resulting period of purdah meant that the Trust may be limited in what it was able to report at the 2 July 2024 Council of Governors meeting, in particular the Integrated Care System’s end of year financial position. It noted that it would use what was reported at the public West Yorkshire Integrated Care Board meeting scheduled on 25 June 2024 as a guide to what was appropriate to report during this period.

The Committee **noted** that due to the pre-election period of sensitivity it may be limited in what it was able to report in upcoming public meetings. It agreed that it would look to what the ICB was able to present at its public Board of Directors meeting scheduled for 25 June 2024 for guidance.

Mr Wright thanked everyone for attending and closed the meeting at 11:20am

Date and time of next meeting:

Tuesday 16 July 2024 at 9:30am until 12:30pm