

Cover report to the Trust Board meeting to be held on 2 September 2021

Trust Board paper Q1

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):	Simon Lazarus – Interim Chief Financial Officer
Date of meeting:	20 August 2021

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 20 August 2021:

- **Statutory Recommendations Progress update** – the Deputy Financial Improvement Director reported verbally, noting that the main area of progress to respond to the External Auditor’s Statutory Recommendations related to the development of the revised Standing Orders and Standing Financial Instructions, which featured on today’s Audit Committee agenda as a separate agenda item (paper E refers).
- **Draft Annual Governance Statement (AGS)** – reporting verbally, the Interim Director of Corporate and Legal Affairs confirmed that the draft AGS would be presented to the Audit Committee on 8 October 2021. The majority of the report had now been drafted, but further discussions were being held with the Internal Auditors and the External Auditors in respect of (a) going concern; (b) the narrative surrounding 2019/20 financial performance; (c) the NHSE/I financial investigations, and (d) significant control issues in respect of financial controls and journal controls.
- **Review of UHL Standing Orders and Standing Financial Instructions Progress update** – the Deputy Financial Improvement Director introduced paper E, providing a summary of the interim review of UHL’s Standing Orders (SOs), Standing Financial Instructions (SFIs), and Scheme of Delegation (SD), noting that a full review of these key documents would be undertaken at the end of the 2021/22 financial year. The recommended changes arising from this interim review related to (a) reinforcement of a ‘No Purchase Order, No Payment Policy’ (No-PO No Pay) subject to key exemptions; (b) formation of a Purchase to Pay Improvement Group; (c) approval of tender awards and contracts with a value of £1m or more by the Trust Board; (d) changes to the thresholds for tendering; (e) arrangements for reducing the number of tender waivers; (f) an amendment to Standing Orders relating to Direct Contract Awards under a Framework Agreement; (g) maintaining the existing limits for budgetary approval for capital and revenue; (h) adoption of a new contract award process for revenue contracts; (i) a finalised Procurement Manual by October 2021 and (j) a proposal to increase the value of signing contracts underhand to over £1m and between £250k and £1m at the discretion of the Director of Estates and Facilities. The revised SOs, SFIs and SDs were due to be submitted to the Policy and Guideline Committee in October 2021 for approval.

In discussion on the proposals, Audit Committee members queried why all purchases could not be made through the CEDAR system, ie why did there have to be any exemptions and it was noted that every effort was being made to transfer expenditure through legacy systems onto CEDAR. Audit Committee members supported the proposal to retain Trust Board approval for contract awards in excess of £1m (noting that it was not appropriate to raise this threshold to £5m) and that the seal would be required for any works contracts over £1m. The Audit Committee Non-Executive Director Chair queried why there had to be different arrangements for Estates and Facilities contracts and he noted opportunities to standardise processes across the Trust. Mr A Johnson, Non-Executive Director highlighted the issue of multi-year contracts, eg £10m over 5 years where it would not be appropriate to re-tender for some specialist services. The Deputy Financial Improvement Director was requested to feed back the Committee’s comments on the proposals with a focus on opportunities to standardise the procurement processes for Estates and Facilities in line with the remainder of the Trust;

- **Grip and Control update** – the Deputy Financial Improvement Director presented paper F, setting out the initial

results of the Trust's assessment against the NHSE/I Grip and Control Checklist. The paper also set out the key areas of focus and a proposed forward plan for improving grip and control. Progress reports on this issue were scheduled to be presented to the Financial Recovery Board and the Audit Committee every two months. Appendix A detailed the actions still to be completed; appendix B recommended proposals for key performance indicators for measuring grip and control, and appendix C provided a section for completion by the Executive Team – this would be populated with the lead Executive Directors prior to the next update in October 2021. Discussion took place regarding the importance of completing this work in order to exit the Financial Special Measures Programme. Ms V Bailey, Non-Executive Director highlighted an opportunity to reduce duplication by cross-referencing some of the key actions to existing workstreams, eg action numbers 67 and 103 could potentially be progressed by the Procurement and Contracts Committee. Mr I Orrell, Associate Non-Executive Director sought and received further information about the level of organisational engagement in the grip and control checklist, noting that enhanced reporting of non-I&E issues and other KPIs would be helpful and that named responsible officers were being sought to support the Trust on this journey.

- **Internal Audit Progress report** – paper H provided a summary of progress against the 2021/22 Internal Audit Plan, noting that the final report had been published for the Financial Reporting Review, fieldwork had commenced for the reviews of Data Quality and Staff Health and Wellbeing, and scoping meetings had been held in respect of the e-Hospital Programme Review and the Review of Estates and Facilities Management. Since the report had been prepared, six of the outstanding internal audit actions had been closed down and there were now five actions outstanding with requests for date extensions being progressed. Discussion took place regarding engagement by the UHL lead officers which had been impacted by the Accounts process in some cases. The Interim Director of Corporate and Legal Affairs was requested to escalate any concerns with the lead officers where progress was behind plan. The Interim Director of Corporate and Legal Affairs provided a verbal update on the arrangements to hold monthly meetings with Internal Audit and for his team to monitor progress against the outstanding audit actions. In the absence of a Counter-Fraud report on this agenda, the Audit Committee Non-Executive Director Chair invited Internal Audit to report on any key issues. Ms A Breadon, Internal Auditor highlighted the scope to improve engagement in respect of National Counter-Fraud Investigation matches and progress of the evidence submission for the national procurement exercise relating to the Covid-19 pandemic. All of the requested evidence had now been received but a short extension had been agreed to the submission date. The Chief Financial Officer was requested to expedite UHL's arrangements for supporting the National Counter-Fraud Investigation matches.
- **Internal Audit Review of Financial Reporting Part 1** – Internal Audit presented their findings at paper I, providing suggested areas for development, recognising the work that was already taking place to improve the financial reporting arrangements at UHL. The first part of the review had focused upon the design of the report and whether this was clear, transparent and fit for purpose to enable challenge and decision making. The second part of the review (which would be conducted in quarter 3) would focus upon how the reporting was being used and challenged by members of the Finance and Investment Committee and the Trust Board. A commentary was provided alongside sample pages from the financial performance report. In general, many of the comments highlighted the scope to improve the narrative surrounding the figures in order to support the reader's interpretation of the data. The Chief Financial Officer briefed the Committee on the development work that had already taken place to bring the financial performance report into line with best practice, but he accepted that some of the data provided might be too detailed and that there was an opportunity to make the report more engaging.
- **Progress of UHL Action Plan to respond to Internal Audit Review of Contract Management** – the Director of Estates and Facilities introduced paper J, describing the actions underway to respond to this Internal Audit Review. Two of the medium risk findings identified by Internal Audit had since been closed, leaving two high risk, three medium risk and one low risk findings to be addressed. Discussion took place regarding the implementation of the Atamis system for contacts administration and the associated requirement for investment in resources. The proposal to conduct a self-assessment against the Government Commercial Standards using the Commercial Continuous Improvement Assessment Framework was supported, alongside the proposal to develop a detailed action plan to bring the Trust's performance in this area up to the 'Good' level. The newly formed Procurement and Contracts Committee was gaining traction and the quality of reports was improving. Mr A Johnson, Non-Executive Director advised that he was meeting with the Head of Procurement and Supplies on a monthly basis to support this improvement workstream. Further progress reports would be presented as a standing item on the Audit Committee agenda going forwards.
- **Discretionary procurement actions** – paper K listed thirteen instances in which regular procurement processes had been waived during the month of July 2021. The AC Non-Executive Director Chair advised that he would be selecting one of the waivers for a 'deep dive' of the supporting documentation (outside the meeting).

Items for noting:

- **Payroll Supplier Audit Assurance Position** – the Audit Committee Non-Executive Director Chair commented that the report provided at paper L1 did not offer any assurance at the current time, although it did advise that an audit of the NHS operations element of the outsourced provider was planned to be commissioned. He requested that a further report be presented to the People and Culture Committee on this issue. The Deputy Financial Improvement Director provided a short overview of the alternative assurance/controls that were in place at UHL concerning the provision of payroll services, such as the testing that was undertaken via External Audit and the review of inputs, outputs and transfers within the payroll expenditure lines.
- **Quality and Outcomes Committee Minutes 24 June 2021** – received and noted as paper L2.
- **People, Process and Performance Committee Minutes 24 June 2021** – received and noted as paper L3.
- **Finance and Investment Committee Minutes 24 June 2021** – received and noted as paper L4.

Public matters requiring Trust Board consideration and/or approval:

Recommendations for approval:-

- None

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

- Review of UHL Standing Orders and Standing Financial Instructions Progress update, and
- Progress of UHL Action Plan to respond to Internal Audit Review of Contract Management.

Public matters referred to other Committees:

- Payroll Supplier Audit Assurance Position

Date of next meeting:

8 October 2021