

Meeting title:	Public Trust Board	Public Trust Board paper N			
Date of the meeting:	11 July 2024				
Title:	Escalation Report: Audit Committee 24 June 2024				
Report presented by:	David Moon, Audit Committee, Non-Executive Director, Chair				
Report written by:	Matthew Reeves, Corporate and Committee Services Officer				
Action – this paper is for:	Decision/Approval		Assurance	x	Update
Where this report has been discussed previously	Not applicable				

To your knowledge, does the report provide assurance or mitigate any significant risks? If yes, please detail which
Yes, all.
Impact assessment
Not applicable
Acronyms used: BAF – Board Assurance Framework UHL – University Hospitals of Leicester

1. Purpose of the Report

- 1.1 To provide assurance to the Trust Board on the work of the Audit Committee and escalate any issues as required.

2. Recommendation

- 2.1 To receive the escalation report, and to note the retrospective recommendations for the Trust Board to approve items 4.1 - 4.5 which were considered at the extraordinary Trust Board meeting which took place on 24 June 2024.

3. Summary

- 3.1 The Audit Committee met on 24 June 2024. The meeting was quorate and considered the following reports.

4. Recommended Items

4.1 **2023/24 Accounts**

The Audit Committee received and considered the 2023/24 accounts. It was noted that there were few changes from the draft version previously considered by the Committee. The audit opinion had not yet been received due to an outstanding matter regarding asset verification, but it was anticipated to be received very soon as a clean audit opinion without any specific issues to address.

The Committee commended the work which had been undertaken on the accounts and positive initial feedback from external auditors. The finance team who supported work on the accounts were thanked for their efforts and it was noted that reaching the current position within the correct timescale was an improvement on previous years.

The management letter of representation was approved.

It was confirmed that the external auditors supported the assessment of the Trust as a going concern and the Audit Committee endorsed this view to the Trust Board.

The Audit Committee recommended the Trust Accounts 2023/24 for approval. The outstanding issue regarding asset verification was noted but assurance was taken that this would be resolved very soon with no issues to address. A standalone report was approved at the 24.6.24 Trust Board meeting accordingly and this recommendation is therefore made on a retrospective basis.

4.2 **2023/24 Annual Report and Annual Governance Statement**

The 2023/24 Annual Report and Annual Governance Statement was provided for consideration and recommendation. With reference to the Annual Governance Statement, it was acknowledged that whilst significant improvements had been made across the Trust to strengthen the internal control environment there was still further work to do. Assurance was provided that all comments made by external auditors in relation to the AGS and Annual Report had been considered and addressed. Some minor presentational changes would be made to the documents before publication.

The Audit Committee thanked the Director of Corporate and Legal Affairs and her team for the work to complete the report and that it was delivered in line with reporting timelines.

A minor issue regarding staff turnover detail in the report would be addressed prior to final publication.

The Chief Executive noted in relation to both the accounts and the annual report that there was clear evidence that the Trust was moving in the right direction, despite the current difficult operating environment. He paid tribute to all staff and colleagues who had played their part to make this happen.

The Audit Committee recommended the 2023/24 Annual Report and Annual Governance Statement for approval. A standalone report was approved at the 24.6.24 Trust Board meeting accordingly and this recommendation is therefore made on a retrospective basis.

4.3 **Head of Internal Audit Opinion and Annual Report**

The final Head of Internal Audit Opinion was received and supported. It was noted that the opinion of moderate assurance remained as per the interim opinion. Of the 3 outstanding audit reports noted at the interim point, one had been finished and was included within the opinion and 2 would be included with the 2024/25 Head of Internal Audit Opinion.

The progress in receiving an improved opinion from the previous year was welcomed. A minor point regarding a check on the inclusion of a reference to the audit report on the fixed asset register was noted.

The Audit Committee recommended the Head of Internal Audit Opinion and Annual Report. The Head of Internal Audit Opinion and Annual Report was included within the Annual Governance Statement on the 24.6.24 Trust Board meeting and was approved accordingly and this recommendation is made on a retrospective basis.

4.4 **Draft Audit Findings Report (ISA 260) / Draft Audit Opinion**

The Audit Committee received the draft Audit Findings Report from External Audit. The draft Audit Opinion was not provided to the meeting, due to the need to complete a final quality assurance process regarding asset verification, but it was noted that this was anticipated to be provided very soon by the External Auditor. Assurance was provided that the draft opinion would confirm an

unqualified audit opinion with no particular issues to address and the Committee was advised they could take assurance of the opinion and make recommendations to the Trust Board accordingly.

The External Auditor noted progress made by the Trust in terms of its audit report journey as outlined in the report. There had been considerable challenges addressed over recent years and recognition was given to those finance and corporate teams which had responded to the challenges faced. There had also been positive collaboration between the Trust and Audit colleagues to bring about the improved position, as well as detailed oversight by Non-Executive Directors. The work undertaken by the Trust in addressing issues regarding risks, assets and valuations were highlighted and the challenge to make the improvements a consistent approach was also noted. Other aspects of the audit such as public interest reporting and the government accounts were due to receive clean audit opinions.

Some minor issues around control deficiencies were noted and it was confirmed that these would be tracked in the current year to ensure that they were addressed.

A weakness was also noted in the audit regarding the delivery of the Cost Improvement Programme as the detail of how cost reduction schemes would be delivered was not at the optimum level. This was a key challenge for the Trust and Audit Committee members noted that this would be monitored at committee level, but were also keen to ensure that this the organisation as a whole saw delivery of the CIP as core business and that it received due focus and attention.

There was wider recognition that challenges which were more significant risks in previous years, such as access, safety, quality and recruitment had now been successfully addressed and the focus was now on developing a sound financial position.

The Committee thanked External Auditors and Trust staff for delivering a positive position and working well in collaboration. It was urged that this positive position be maintained going forward.

The Audit Committee noted and supported the position with regard to findings of the External Audit where assurance was provided that an unqualified clean audit opinion was expected, with the formal opinion to be released as soon as possible confirming this. A standalone report comprising the Audit Findings Report was approved at the 24.6.24 Trust Board meeting accordingly and this report is made on a retrospective basis.

4.5 Standing Financial Instructions / Scheme of Delegation and Standing Orders

The Audit Committee received and endorsed the updated UHL Standing Financial Instructions and Scheme of Delegation, and the Standing Orders which were presented as part of an annual review process. The updates reflected wider Trust priorities in terms of its financial position such as tightening control of workforce and changes to procurement rules.

The Committee sought an assurance that budget managers, and those in decision making positions, were fully cognisant of the rules in the various documents in order that they were followed. It was noted that work had been undertaken with the finance team and communication had taken place with budget managers. It was further noted that details were provided through the induction process. An action was taken away from the meeting to provide assurance that budget managers were aware of their responsibilities under these rules.

The Audit Committee recommended the Standing Financial Instructions, Scheme of Delegation and Standing Orders. A standalone report was approved at the 24.6.24 Trust Board meeting accordingly and this report is therefore made on a retrospective basis.

Discussion Items

5.1 **Board Assurance Framework (BAF) and Significant Risk Report & Escalation Reports from Risk Committee**

The Committee was assured the systems and processes in place to manage risks were being carried out effectively. Further, it was confirmed that significant assurance had been received through the Internal Audit review of UHL's BAF and associated risk management procedures.

A request was however made that consideration be given to the content of the risk register as some of the risks were felt to be low level and they could either be dealt with or considered for removal as the presence of low level risks could divert attention from the more serious risks.

The Committee's discussion is highlighted to the Trust Board for information.

5.2 **Email and Internet Usage Policy**

The updated email and internet usage policy was presented for approval. It had been amended to adapt to new ways of working such as where staff accessed email via personal devices, but also in regard to managing email storage capacity and improved security measures. The policy also contained advice and guidelines as well as rules.

Queries were raised regarding authentication and awareness of the policy. It was noted that the authentication rules only affected staff who used devices remotely. In terms of awareness, this was noted as a challenge, but it was a management responsibility to make staff aware of the policy, but there were also details of the policy contained within the annual mandatory training for all staff.

The Committee's approval of this policy is highlighted to the Trust Board for information.

5.3 **Discretionary Procurement Actions**

Details were provided of the 44 waivers which had been used during the past quarter, along with an analysis of the trends of waiver usage.

The trend for reduced usage of waivers was welcomed.

The need to use waivers when utilising newly available capital funding towards the end of the financial year was noted as an unfortunate consequence of receiving capital funding at that point in the cycle.

5.4 **Losses and Special Payments 2024/25 Quarter 1**

Details were provided of the losses and special payments for quarter 1 of the 2024/25 financial year. It was noted that there had been little change to the position compared to the previous quarter, but assurance was provided that there was a general downward trend.

The action discussed at the previous Audit Committee to explore whether there were any particular trends regarding areas of the Trust where the loss of personal effects were higher than others had not yet been completed, but would be done so in due course.

5.5 **Policy Management Framework**

An update was provided which confirmed the actions taken following a core audit review of how the Trust managed its policies. The actions undertaken included the separation into two separate bodies to manage clinical and non-clinical policies, with greater clinical involvement in relevant policies. Further work was ongoing to downsize the number of medical policies.

The Audit Committee were assured by the work undertaken.

5.7 **Audit Committee – Objectives**

The proposed objectives for the Audit Committee, which addressed matters that arose from the Audit Annual Committee report and subsequent conversations with the Chair, were approved, as listed below:

- Oversight of internal control issues from committees
- Review of the policy for non-audit work
- Assess performance of external audit
- Assess the independence of the internal and external auditors
- Document private pre meetings – this will be done through the Audit Committee agenda
- Review of internal audit compliance with the PSIAS
- Discussion to take place at the end of each Audit Committee to reflect on decisions made and escalations to the Board
- Wider oversight of Procurement

5.8 **Sealings Report – Q1**

Five documents had required the use of the company seal since the last report.

5.9 **Progress on overdue actions from Internal Audit reports (360 Assurance)**

Assurance was provided that good progress had been made in addressing overdue actions arising from internal audit reports. The Committee acknowledged the significantly improved position regarding completion of actions and urged that this be maintained.

5.10 **Internal Audit Progress Report**

3 final audit reports had been issued since the last Audit Committee meeting and there were a number of actions due to be completed by 30 June 2024, but overall, the Committee were assured by a positive position, particularly in terms of implementation of actions.

5.11 **Counter Fraud Progress Report**

It was reported that progress regarding all counter fraud functional standards was green, therefore progress was going well.

Discussion focussed on the valuation of patient claims / lost property policy and benchmarking information and actions were generated on these matters.

5.12 **Counter Fraud Annual Report**

The Counter Fraud Annual Report was received. Discussion focussed on how the figures for fraud and error identified and fraud and error prevented were determined. It was noted that there were standard calculations for these numbers and an action was taken away to provide further details regarding the calculations in a future report.

6. **Items for Noting**

The Minutes of Board Committees were noted.