

**LEICESTER CITY COUNCIL HEALTH AND WELLBEING  
SCRUTINY COMMISSION 3<sup>RD</sup> MARCH 2021**

**SUBJECT: UHL Audit**

**REPORT BY: THE CHAIRMAN & CHIEF  
EXECUTIVE OF UNIVERSITY HOSPITALS OF  
LEICESTER NHS TRUST**

**Purpose of the Report**

1. The purpose of this report is to ...

*Explain the events and background to the UHL Trust Board's decision not to agree the 2019/20 annual accounts as 'true and fair' and to set out the action being taken to address the issue.*

**Background**

The Trust's accounts for the financial year 2018/19 received an unqualified, ('clean') opinion, from the external auditors however the auditors did raise some concerns which although they were below the 'materiality' threshold (i.e. the level at which they would impact on the unqualified / clean audit opinion), nonetheless merited further investigation.

The then Chief Financial Officer of the Trust was therefore tasked with looking into and responding to those concerns by the then chair of the Audit Committee, he did not do that in a timely manner and subsequently left the Trust in autumn 2019.

The then chair of the Audit Committee raised this with the then Chief Executive and the Chairman who instructed the Interim Chief Financial Officer to look into the matters raised by the auditor.

This he did and in doing so found that the 2018/19 accounts had been significantly misstated to the tune of some £46m. (The Trust's annual turnover is £1.1 billion). As a consequence of this the Trust had to make a 'prior year adjustment' to the 2018/19 accounts correcting them.

That was during January 2020 and stakeholders including OSC colleagues from Leicester, Leicestershire and Rutland received a briefing on that matter at the time.

That however was not the end of the issue; detailed and forensic work to accurately assess the Trust's financial position continued throughout 2020,

led by the Trust's new Chief Financial Officer and with the support of a Financial Improvement Director appointed by NHSE/I as part of the regulator's 'Special Measures for Finance' regime. At the same time the Trust's external auditors have conducted a rigorous audit of the 2019/20 financial statements.

This work subsequently identified further significant technical accounting issues in the draft 2019/20 accounts and as a consequence the Trust Board were not prepared to sign off the 2019/20 draft accounts as 'true and fair'.

Instead, the Trust is continuing to review the financial position and will seek to prepare a new set of accurate financial statements with a view to completing the audit later this year.

The Trust Board takes this very seriously and although the Auditor General in his comments on this matter refers to the 'accounting judgements and manual intervention associated with the previous senior leadership regime', the Trust is clear that the responsibility for exposing and addressing these issues sits with the Board.

The Board were not prepared to adopt the accounts because they did not reflect a true and fair record despite the exhaustive efforts made by our external auditor. The Trust is determined to correct what has happened previously and put in place measures to make sure it cannot happen again. Due to the scale and complexity of the task this work is still on-going but a huge amount of progress has already been made. Further work is planned to enable the Trust to file restated audited accounts for 2019/20 and audited accounts for 2020/21 by August 2021.

Separately there have been a number of changes to the Board in recent months such that a third of the Board and all those who had direct professional or oversight accountability for finance and audit have left the Trust; the finance team are under new and strengthened senior management; the Trust has been placed in the Financial Special Measures, (FSM) regime and the Board are now part of an intensive development programme. Most importantly grip and control of 'run rate' and reporting has been re-established.

#### **Background Papers** *(excluding exempt items)*

5. 'None.'

#### **Circulation under the Local Issues Alert Procedure**

6. 'None.'

#### **Officer to Contact**

7. *Stephen Ward, Director of Corporate and Legal Affairs, UHL NHS Trust.*

## **List of Appendices**

8.

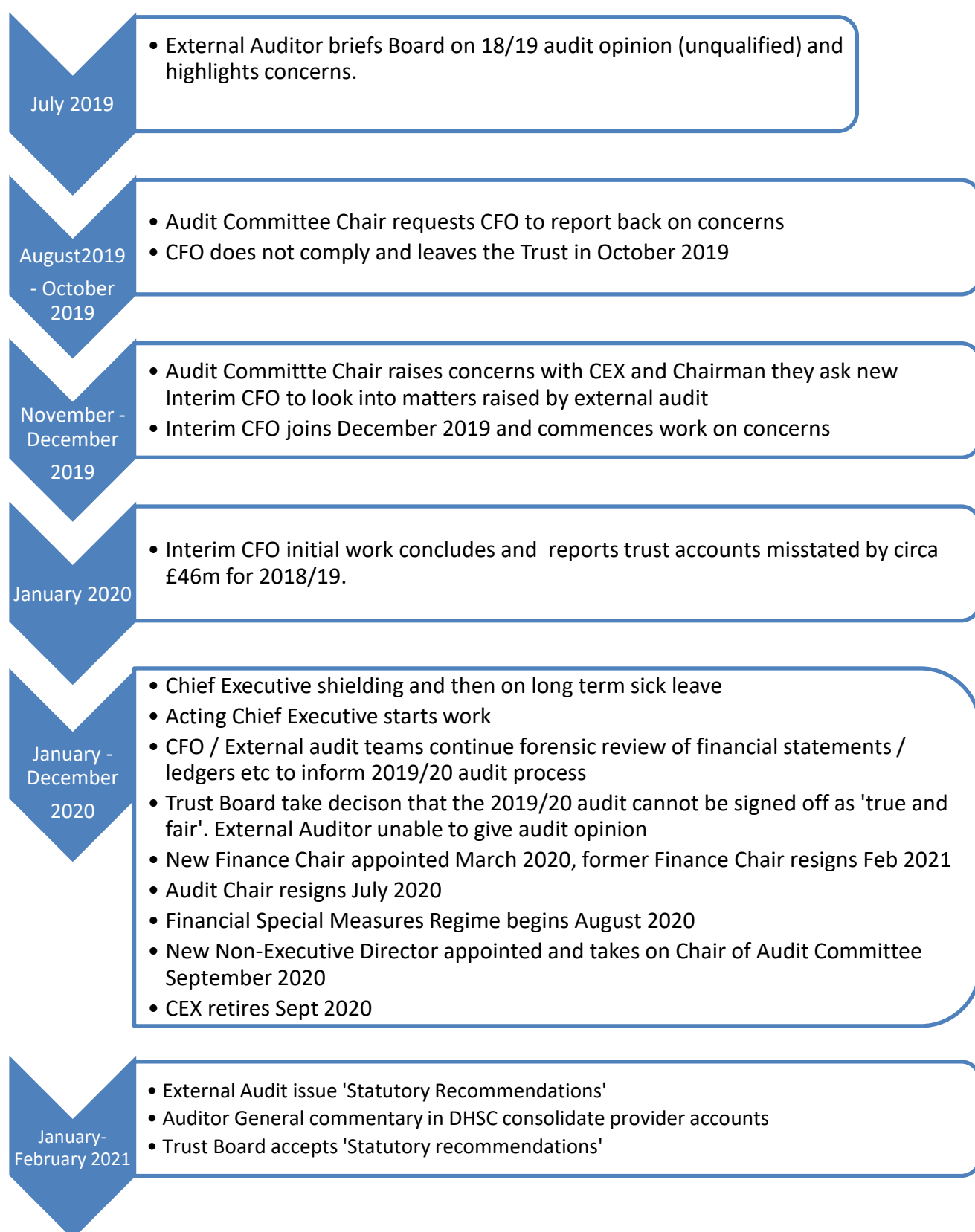
- i) Timeline
- ii) Trust Audit Committee Minutes from Public Trust Board meeting February 2021
- iii) External Auditor's Statutory Recommendations
- iv) Trust Board Development programme overview.
- v) Internal Audit Plan 2019/20

## **Equalities and Human Rights Implications** *mandatory*

9.

*The following may also be relevant:*

- Crime and Disorder Implications
- Environmental Impact
- Partnership Working and Associated Issues
- Risk Assessment



**UNIVERSITY HOSPITALS OF LEICESTER NHS TRUST**

**REPORT BY TRUST BOARD COMMITTEE TO TRUST BOARD**

**DATE OF TRUST BOARD MEETING: 4 February 2021**

**COMMITTEE: Audit Committee**

**CHAIR: Mr M Williams, Non-Executive Director and Audit Committee Chair**

**DATE OF COMMITTEE MEETING: 27 January 2021**

**RECOMMENDATIONS MADE BY THE COMMITTEE FOR CONSIDERATION BY THE PUBLIC TRUST BOARD:**

- **External Audit Section 30 Referral to the Secretary of State for Health (Minute 1/21/1) –** *report appended to these Minutes*
- **Draft Statutory Recommendations (Minute 1/21/2) –** *finalised report appended to these Minutes*
- **UHL Response to Draft Statutory Recommendations (Minute 1/21/3) –** *finalised response appended to these Minutes*
- **Update on Plans/Timetable to Revise and Re-Audit the 2019/20 Accounts (Minute 1/21/5)**
- **Update on Plans/Timetable for Preparation of the 2020/21 Accounts and External Audit (Minute 1/21/6)**

**OTHER KEY ISSUES IDENTIFIED BY THE COMMITTEE FOR NOTING BY THE PUBLIC TRUST BOARD:**

- **None**

**DATE OF NEXT COMMITTEE MEETING: 5 March 2021**

**Mr M Williams  
Non-Executive Director and Audit Committee Chair**

**UNIVERSITY HOSPITALS OF LEICESTER NHS TRUST****MINUTES OF AN AUDIT COMMITTEE MEETING HELD ON WEDNESDAY 27 JANUARY 2021 AT 1.30PM***(held virtually via Microsoft Teams)*

|                       |   |
|-----------------------|---|
| <b>Present:</b>       | Mr M Williams – Non-Executive Director (Chair)<br>Ms V Bailey – Non-Executive Director, and Chair of the Quality and Outcomes Committee<br>Col (Ret'd) I Crowe – Non-Executive Director, and Chair of the People, Process and Performance Committee<br>Mr A Johnson – Non-Executive Director, and Chair of the Finance and Investment Committee (excluding Minute 3/21/2 [part])  |
| <b>In Attendance:</b> | Ms A Breadon – PwC (the Trust's Internal Auditor) (excluding Minutes 2/21, 3/21, and 13/21)<br>Mr M Brice - Deputy Financial Improvement Director (excluding Minute 3/21)<br>Mrs R Brown – Acting Chief Executive (for Minute 3/21/1)<br>Ms A Clarke – Local Counter-Fraud Specialist, PwC (excluding Minutes 2/21, 3/21, and 13/21)<br>Mr R Cooper – Financial Improvement Director (excluding Minute 3/21)<br>Mr S Lazarus – Chief Financial Officer (excluding Minute 3/21)<br>Mr S Linthwaite – Deputy Director of Finance (Financial Services) (excluding Minute 3/21)<br>Ms E Mayne – Grant Thornton (the Trust's External Auditor) (excluding Minutes 2/21, 3/21, and 13/21)<br>Mr M Stocks – Grant Thornton (the Trust's External Auditor) (excluding Minutes 2/21, 3/21, and 13/21)<br>Ms H Stokes – Corporate and Committee Services Manager<br>Mr S Ward - Director of Corporate and Legal Affairs<br>Ms C Wood - PwC (the Trust's Internal Auditor) (excluding Minutes 2/21, 3/21, and 13/21)<br>Mrs H Wyton – Chief People Officer (for Minute 3/21/1) |

**RECOMMENDED ITEMS****ACTION****1/21 2019/20 ANNUAL ACCOUNTS AND RELATED ISSUES****1/21/1 External Audit Section 30 Referral to the Secretary of State for Health**

Paper C comprised External Audit's referral of UHL to the Secretary of State for Health under section 30 of the Local Audit and Accountability Act 2014, which had been issued to the Secretary of State for Health before Christmas 2020. The referral related to failures in the Trust's duty to break even, and in the Trust's duty to issue financial statements and an annual report 2019/20. The Audit Committee Non-Executive Director Chair noted this report, which would also be submitted to the public Trust Board on 4 February 2021.

**Recommended – that the External Audit Section 30 Referral to the Secretary of State for Health be received, and appended to these Minutes for discussion at the public session of the 4 February 2021 Trust Board.**

**AC NED  
CHAIR****1/21/2 Draft Statutory Recommendations**

Mr M Stocks, External Audit, presented his Statutory Recommendations draft report at paper D, which would be finalised and issued formally on 29 January 2021. The report would be presented to the public session of the 4 February 2021 Trust Board. These Statutory Recommendations were being made under section 24 of the Local Audit and Accountability Act 2014 (Schedule 7) due to issues with regard to the Trust's financial reporting, governance, and financial sustainability. In presenting his report, Mr M Stocks External Audit noted in particular:-

**AC NED  
CHAIR**

- (1) that his concerns re: financial reporting had been discussed in detail at the 2 December 2020 Audit Committee. He considered that the Trust's response on these points (Minute 1/21/3 below refers) was appropriate, but he noted that action was needed in some areas

to avoid future errors. He reported his feedback from UHL finance staff that they had felt under-pressure and under-resourced, and he noted his view that they had been aware of the concerns flagged by External Audit during the 2018/19 annual accounts audit and had been directed to continue reporting in the same way as before;

- (2) that governance issues had also been discussed in detail at the 2 December 2020 Audit Committee. Mr M Stocks External Audit emphasised the crucial importance of an appropriate financial tone and leadership within the Trust, and considered that the required delivery of the Control Total had become the pre-eminent focus. He considered that change had begun to address the cultural issues at UHL and the previous lack of Trust Board/Board Committee challenge of management, but that it remained early days;
- (3) his urging of UHL to engage with Commissioners and Regulators to address UHL's longterm financial position and reach financial sustainability, as detailed in the 2019/20 draft Audit Findings Report, and
- (4) his view that financial accounting, governance and ethics training was required for the finance team.

In discussion on the draft Statutory Recommendations report, the Audit Committee noted:-

- (a) a query from the Audit Committee Non-Executive Director Chair as to whether the Audit Committee needed to be specifically sighted to any issues arising from Mr M Stocks' interviews with UHL staff. In response, Mr M Stocks noted his wish to re-review the interviews (the final one of which would be held on 1 February 2021) and advised the Audit Committee that staff had been open and transparent with him about the perceived culture of the department and the pressure felt to continue with incorrect practices. Ms V Bailey Non-Executive Director considered that there was an important distinction between capability and capacity issues arising from overwork and those relating to innate ability; although this was echoed by Mr M Stocks External Audit, he considered that the general team skillset was appropriate, with capability issues relating primarily to direction and capacity. The Audit Committee Non-Executive Director Chair queried whether there were any in-house training issues;
- (b) a query from Col (Ret'd) I Crowe Non-Executive Director as to what further action UHL could take to break even in future, in addition to the numerous actions put in place through the Financial Special Measures programme. In response, Mr M Stocks External Audit considered that this was not an objective UHL could deliver in isolation; he reminded Audit Committee members that the Trust had declared deficits each year since 2013/14 and he noted his view that UHL's underlying structural deficit could not be addressed through efficiencies alone as it required a correction of the fundamental underfunding of the Trust. It was crucial, therefore, that UHL worked with Commissioners and Regulators to agree a strategy which would return the Trust to a longterm sustainable financial position. Mr A Johnson Non-Executive Director voiced significant concern that the LLR system was being asked to deliver further savings in the next financial year thus placing the Trust under further additional pressure, and he also voiced his concern that the underlying need for more funding was not being addressed (as recommended by External Audit), and
- (c) comments from the Audit Committee Non-Executive Director Chair on the expectations made clear to all NHS Trusts re: meeting their Control Totals. He considered that it was clear that meeting its Control Total had been prioritised by the Trust to the detriment of accuracy of accounting, and he noted the pressures leading to reporting in such a way as to achieve the Control Total. Although noting these points, Mr M Stocks External Audit urged the Trust not to continue to accept an undeliverable Control Total and emphasised the need for Trusts to be clear with Regulators on what was achievable.

**Recommended – that draft Statutory Recommendations report be noted, and the finalised version recommended for consideration at the public session of the 4 February 2021 Trust Board (as appended to these Minutes).**

**AC NED  
CHAIR**

1/21/3 UHL Response to Draft Statutory Recommendations

Paper D1 from the Director of Corporate and Legal Affairs and the Chief Financial Officer comprised UHL's response to the draft Statutory Recommendations report at Minute 1/21/2 above. The Director of Corporate and Legal Affairs noted the good engagement between the Trust and Mr M Stocks External Audit on this, with the latter having amended an earlier draft of his report as a result of the Trust's comments. Subject to any Audit Committee comments, the

finalised version of paper D1 would also be submitted to the public session of 4 February 2021 Trust Board, accompanying the finalised Statutory Recommendations report. Once adopted by the Trust Board, paper D1 would be translated into a formal action plan and incorporated within the overarching UHL financial governance improvement plan, resulting in a single, comprehensive action plan which would be reviewed monthly by the Trust Board and FIC, and at each Audit Committee.

Ms V Bailey Non-Executive Director particularly welcomed this assurance from the Director of Corporate and Legal Affairs on how the action plan would be aligned to appropriate governance processes, and on the fact that a single action plan would cover progress. However, Ms V Bailey Non-Executive Director advised that further clarity was still needed on how the progress of actions was described – eg to clarify the meaning of ‘on track’/‘pending’/ ‘in progress’ etc. This point was supported by the Audit Committee Non-Executive Director Chair, who also emphasised the need for more rigorous and detailed monthly challenge of the overarching financial governance improvement plan by the Trust Board and Board Committees. Col (Ret’d) I Crowe Non-Executive Director asked for assurance that any issues arising from the action plan for other Board Committees such as People, Process and Performance Committee and/or Quality and Outcomes Committee would be appropriately flagged to those Committees, as he considered that there were potential issues for those groups (eg workforce efficiency discussions at PPPC). The Director of Corporate and Legal Affairs agreed to ensure that appropriate alignment and cross-referral of items took place. Mr A Johnson Non-Executive Director also requested that detail on the monitoring of each action be included in paper D1.

**DCLA/  
CFO**

**DCLA**

Mr M Stocks External Audit also considered that UHL should request Internal Audit to review whether the actions in paper D1 resulted in subsequent, tangible change. The Chief Financial Officer advised Audit Committee members that the actions in paper D1 were already underway; he confirmed that strengthened controls had been introduced re: journals before Christmas, and he noted the key appointment of Mr S Linthwaite Deputy Director of Finance (Financial Services) to the Trust’s senior finance team and the very strong additional support currently being provided to UHL by NHSE/I in the form of high quality interims.

**CFO**

Mr A Johnson Non-Executive Director sought Mr M Stocks External Audit’s view on whether the Trust’s (draft) response to the (draft) Statutory Recommendations report was adequate – in response, Mr M Stocks considered that paper D1 was broadly adequate but that the response to point 9 (agreement with Commissioners and Regulators of a strategy to return UHL to a longterm sustainable financial position) required more detail from UHL. Given External Audit’s comments, Mr A Johnson Non-Executive Director advised that he was unwilling to endorse paper D1 for recommendation to the Trust Board without strengthened wording being included on point 9. The Audit Committee Non-Executive Director Chair considered that the issue of only agreeing a deliverable Control Total (which UHL was committed to doing) was separate to the issue of LLR-wide and NHSE/I engagement on the Trust’s fundamental underlying financial deficit position, and he noted comments from Mr M Stocks on the need for the Trust Board to take a view on accepting a deficit Control Total in future. In further discussion, the Director of Corporate and Legal Affairs outlined the commitments required of UHL as part of the Financial Special Measures programme, including development (and sharing with NHSE/I) of a longterm financial model aligned to the LLR STP longterm plan. The Financial Improvement Director emphasised the need for UHL to develop a credible route map for exiting Financial Special Measures and to be able to demonstrate a track record of financial delivery against plan. He also echoed comments on the need for any agreed Control Total to be realistic and deliverable.

Following discussion, the Audit Committee Non-Executive Director Chair advised that he would agree a strengthened form of words outside the meeting for the Trust’s response to point 9 of paper D1, ahead of the February 2021 Trust Board. \*\*

\*\* revised form of wording subsequently agreed for inclusion as follows:-

|    | <b>External Auditor Recommendation</b>  | <b>UHL Response (updated)</b>  |
|----|---|--|
| 9. | The Trust Board should agree with its commissioners, NHS England and Improvement, and the Department of Health a strategy that will | The Trust is committed to eliminating the underlying financial deficit as soon as practically possible and has commenced a |



|  |   |  |
|--|---|--|
|  | return the Trust to a long term sustainable financial position. | programme of work to identify cash and efficiency savings and to ensure the best possible value for money. If this produces a compelling case for increased funding it will work constructively with Commissioners, NHS England and Improvement and the Department of Health to secure appropriate funding levels. In the meantime it will not agree unrealistic financial targets but recognises it has an obligation to work together with partners in the local health economy to build a system that is both clinically and financially sustainable. |
|--|---|--|

**Recommended** – that (A) subject to inclusion of the revised ‘UHL response’ wording above for point 9, the Trust’s draft response to the draft Statutory Recommendations report be endorsed and recommended for Trust Board approval on 4 February 2021 (as appended to these Minutes);

**AC NED  
CHAIR**

**(B)** with regard to the action plan resulting from paper D1 for report to FIC and Trust Board monthly and each Audit Committee, the Chief Financial Officer and the Director of Corporate and Legal Affairs be requested to:-

**DCLA/  
CFO**

(1) ensure that all of the actions were incorporated within the Financial Governance Improvement Plan, identifying key action owners, dates for completion and monitoring arrangements (including at Trust Board, the Finance and Investment Committee, and Audit Committee);

(2) ensure that other Board Committees were appropriately sighted to issues requiring their discussion/monitoring, and

**(C)** consideration be given to seeking an Internal Audit view on whether the action plan measures resulting in tangible practice and culture changes.

**CFO**

1/21/4 Report from the Chief Financial Officer

**Recommended** – that this Minute be classed as confidential and taken in private accordingly.

1/21/5 Update on Plans/Timetable to Revise and Re-Audit the 2019/20 Accounts

Paper G from the Deputy Financial Improvement Director updated the Audit Committee on the plans to revise and reaudit the Trust’s 2019/20 annual accounts, and the timetable for that work. An appropriate action plan was being developed from paper G. Following a scoping exercise which had begun before Christmas 2020, it was the Trust’s ambition to restate the accounts by 31 March 2021 (unaudited position – the timescale for auditing the restated balance sheet remained to be agreed) although this was not without risk. The 2019/20 closing balance sheet would then be ‘rolled forward’ as the Trust’s 2020/21 opening balance sheet and the basis for the construction of the 2020/21 annual accounts (for completion by 31 August 2021 as detailed in Minute 1/21/6 below).

The Deputy Director of Financial Improvement emphasised the need for significant communication and coordination between the Trust and its stakeholders throughout the process. Appropriate governance was essential in awarding the contract for the ‘delivery’ phase of the work to revise and reaudit the 2019/20 accounts, and the Deputy Financial Improvement Director was working closely with the Trust’s procurement team and the Director of Corporate and Legal Affairs on that.

**Recommended** – that the proposed plan and timetable to revise and reaudit the 2019/20 accounts be endorsed and recommended for Trust Board approval.

**AC NED  
CHAIR**

|        |   |                 |
|--------|---|-----------------|
| 1/21/6 | <p><u>Update on Plans/Timetable for Preparation of the 2020/21 Accounts and External Audit</u></p> <p>Paper H from the Deputy Director of Finance (Financial Services) updated the Audit Committee on the plans to prepare the Trust's 2020/21 annual accounts, and the timetable for that work (at both draft and audited stage). He emphasised the need to align to the national accounts timetable without any delay associated with the 2019/20 restatement, and the Chief Financial Officer noted the crucial importance therefore of meeting the 31 March 2021 timescale for restating the 2019/20 accounts (unaudited position) as detailed in Minute 1/21/5 above. Although the draft accounts deadline for NHS bodies was 27 April 2021, NHSE/I was giving those provider organisations who required more time (and met the criteria) an extended date of by 11 May 2021, with a consequent deferment of the audited accounts deadline to 29 June 2021. The Audit Committee Non-Executive Director Chair confirmed the Audit Committee's agreement to seek this extension. As detailed in paper H, however, due to the likely complexities of auditing its 2020/21 accounts UHL anticipated that its final audited accounts would not be ready for submission until 31 August 2021. The ability to submit a clean true set of accounts by that date would be a significant milestone for the Trust. In response to a query from the Audit Committee Non-Executive Director Chair seeking assurance on any repercussions from missing the 29 June 2021 submission date, the Chief Financial Officer considered that NHSE/I were aware of the need for a clean set of accounts, and he noted that the reasons for the complexity of the audit process were clear to the Regulators. It would be crucial, however, to avoid any significant slippage on that 31 August 2021 date.</p> | CFO/<br>DDF(FS) |
|        | <p><b><u>Recommended</u> – that (A) an application be made to NHSE/I to seek the available 2-week extension to the submission of both the unaudited and audited accounts 2020/21, and</b></p>   | CFO/<br>DDF(FS) |
|        | <p><b>(B) the proposed plan and timetable for preparation of the 2020/21 accounts be endorsed and recommended for Trust Board approval.</b></p>   | AC NED<br>CHAIR |
| 2/21   | <p><b>REPORT FROM THE CHIEF FINANCIAL OFFICER</b></p> <p><b><u>Recommended</u> – that this Minute be classed as confidential and taken in private accordingly.</b></p>  |                 |
| 3/21   | <p><b>REPORT FROM THE ACTING CHIEF EXECUTIVE</b></p> <p><b><u>Recommended</u> – that this Minute be classed as confidential and taken in private accordingly.</b></p>   |                 |
|        | <b><u>RESOLVED ITEMS</u></b>  |                 |
| 4/21   | <p><b>APOLOGIES FOR ABSENCE AND WELCOME</b></p> <p>Apologies for absence were received from Mr J Shuter, Director of Operational Finance. The Audit Committee Non-Executive Director Chair welcomed Mr S Linthwaite, Deputy Director of Finance (Financial Services) to the meeting.</p>  |                 |
| 5/21   | <p><b>DECLARATIONS OF INTERESTS</b></p> <p>Mr A Johnson, Non-Executive Director, declared his interest as Non-Executive Chair of Trust Group Holdings Ltd and Fight4Rutland. Mr S Lazarus Chief Financial Officer declared his role as a Non-Executive Director of Trust Group Holdings Ltd. With the agreement of the Audit Committee, these individuals remained present.</p> <p><b><u>Resolved</u> – that the position be noted.</b></p>   |                 |
| 6/21   | <p><b>MINUTES</b></p> <p><b><u>Resolved</u> – that the Minutes of the 16 November 2020 Audit Committee (papers A1 and A2), and the Minutes of the 2 December 2020 Audit Committee (paper A3) be confirmed as a correct record.</b></p>  |                 |
| 7/21   | <p><b>MATTERS ARISING REPORT</b></p> <p><b><u>Resolved</u> – that the matters arising report be noted.</b></p>  |                 |

## 8/21 KEY ISSUES FOR DISCUSSION/DECISION

### 8/21/1 Actions Taken and Planned to Strengthen the UHL Finance Function and Key Financial Controls

Paper F from the Chief Financial Officer provided assurance to the Audit Committee on the actions underway to strengthen UHL's finance function, noting the very significant (and welcomed) interim support available from NHSE/I as part of the Financial Special Measures programme. Given the work required, the Chief Financial Officer considered that this high quality interim support was likely to be needed until Autumn 2021. A number of new substantive senior finance team appointments had also been made by UHL. A new finance function structure was being developed for implementation on 1 January 2022 – although recognising that this was a period of uncertainty for the existing team the Chief Financial Officer considered that this timescale was necessary to deliver the required improvements. The Audit Committee Non-Executive Director Chair emphasised the need to take as much time as required, but no more than was necessary, and requested that a more detailed update be provided to a future Audit Committee (including, eg, a proposed structure chart). The Chief Financial Officer advised that the work on key financial controls was covered in more detail elsewhere on the agenda.

CFO

**Resolved – that a detailed update on the work to strengthen the UHL financial function be provided to a future Audit Committee.**

CFO

### 8/21/2 Internal Audit Progress Report, Including the Updated 2020/21 Internal Audit Plan

Paper I advised Audit Committee members that work continued to progress on all elements of the Internal Audit plan, although impacted by the current pandemic pressures on the NHS. Two final reports had been issued as per Minutes 8/21/2 and 8/21/3 below, and the draft report on the NIHR Clinical Research Network had also now been finalised. Some delays had been experienced in receiving information for the payroll audit currently underway, which had been escalated to the appropriate Executive Director. In introducing the report, Ms A Breadon Internal Audit noted changes to the original Internal Audit plan (deferral of the financial reporting review, and use of the days originally planned for Governance to carry out a review of Contract Management, as requested by the Trust's Finance and Investment Committee).

Ms C Wood, Internal Audit also updated the Audit Committee on a number of changes to the overdue actions from previous Internal Audit reports, as detailed in paper I. Since paper I had been issued, 4 actions had been closed and extended action dates had been agreed to be appropriate for a further 3, resulting in a reduction in the number of overdue actions to 7 from the original 14. The Audit Committee Non-Executive Director Chair requested assurance on whether any of the overdue actions should be of specific concern for the Audit Committee – in response, Ms C Wood Internal Audit advised that only 1 of the remaining 7 overdue actions was rated as high risk – this related to private patient debts and the Deputy Director of Financial Improvement confirmed that work was in hand on this issue. Although noting this update, the Audit Committee Non-Executive Director Chair emphasised his wish for progress to have been made on this issue by the time of the next Audit Committee. With regard to the other 3 high risk rated actions in this section of paper I, 2 had been extended and Internal Audit had requested sight of specific evidence in order to close the remaining 1. In discussion, Ms V Bailey Non-Executive Director advised that the Quality and Outcomes Committee (which she chaired) was reviewing the ED safety checklist issues, and she requested therefore that these actions not be closed until QOC had sufficient assurance.

DFID/  
CFO

CW  
(IA)

**Resolved – that (A) the Internal Audit plan update be noted, and**

**(B) with regard to the overdue actions from previous Internal Audit reports:-  
(1) appropriate progress be made on the private patient debt high risk finding by the time of the next Audit Committee (March 2021), and  
(2) the need for QOC to be satisfied of the position before the ED safety checklist actions were closed, be noted.**

DFID/  
CFO

CW  
(IA)

### 8/21/3 Internal Audit Review of Accounts Payable – Final Report

Paper J1 detailed the final report of Internal Audit's review of Accounts Payable, which had an overall 'high' risk classification. Ms C Wood Internal Audit particularly advised the Audit Committee of the high risk finding on purchase to pay tolerances, as the 10% threshold for automatic processing was higher than would be expected, not in line with UHL policy, and higher than previously in place within the Trust. Variances greater than 10% were processed manually. Ms C Wood Internal Audit also highlighted medium-rated finding 2 on BPPC Reporting in respect of small and medium enterprises (SMEs) and purchase orders not being raised. Internal Audit intended to rerun this data analysis in March 2021. The Deputy Financial Improvement Director provided assurance to the Audit Committee that the issue of SMEs was part of the overarching financial governance improvement plan, and he voiced his own concern about the purchase order issues which was a whole-Trust issue – this was echoed by Ms V Bailey Non-Executive Director who also noted the need for appropriate governance to be in place. The Deputy Financial Improvement Director was working with UHL's Head of Procurement and Supplies and the Director of Corporate and Legal Affairs to review the Trust's Standing Orders and Standing Financial Instructions and reinforce the requirement for purchase orders. The Chief Financial Officer echoed these comments, and noted his own view that tolerances should not be used.

The Audit Committee Non-Executive Director Chair queried why the report did not mention the risk of duplicate payments if no purchase order was in place, and he emphasised the benefits of having a robust purchase to pay system in place. The Deputy Financial Improvement Director advised that the revised budget-holder training programme would also cover process issues, and he confirmed that compliance with the process would be monitored. The Deputy Director of Finance (Financial Services) commented on the need to make better use of appropriate technology and automated system controls, which was particularly welcomed by Mr A Johnson Non-Executive Director. Mr A Johnson Non-Executive Director also commented that the 10% tolerance threshold had originally been introduced with a view to being tightened up over time, which had clearly not occurred. The Deputy Financial Improvement Director also suggested a need to build a follow-up assurance review into the Internal Audit plan.

**CFO/  
CW (IA)**

**Resolved – that consideration be given to including a follow-up assurance review on accounts payable in the Internal Audit plan.**

**CFO/  
CW (IA)**

8/21/4

#### Internal Audit Review of Waiting List Management – Final Report

Paper J2 detailed the final report on Internal Audit's review of waiting list management, which had an overall 'medium' risk classification. Ms V Bailey Non-Executive Director voiced concern at the findings of this review, particularly in respect of the lack of evidence available to demonstrate that processes were taking place at specialty-level. Ms V Bailey Non-Executive Director also voiced her concern at the lack of consistency between specialties and the risk that Covid-19 pressures were disrupting process, and suggested that this issue should be reviewed further by the People, Process and Performance Committee. Although recognising the intense pressures on specialties, Ms C Wood Internal Audit agreed that an audit trail of the process was crucial, which was not currently always in place. However, she considered that the availability of evidence might have been impacted by the timing of the report. She also advised that consistency concerns related primarily to outpatients rather than inpatients. Ms C Wood Internal Audit also advised the Audit Committee that the Trust's RTT Policy did not clearly outline what was required of specialties, and she noted the need for greater clarity on expectations. Mr A Johnson Non-Executive Director echoed the Non-Executive Director concerns expressed about process inconsistencies between specialties – given that these were stated in the report to be 'significant' he emphasised the need for appropriate follow-up on those issues.

**PPPC  
NED  
CHAIR**

**Resolved – that the process consistency concerns highlighted in the Internal Audit review of waiting list management be referred to the People, Process and Performance Committee for discussion and follow-up.**

**PPPC  
NED  
CHAIR**

8/21/5

#### Local Counter-Fraud Specialist Report

Ms A Clarke, Local Counter-Fraud Specialist, PwC, introduced her progress report at paper K. She confirmed that the Deputy Director of Finance (Financial Services) had been identified as

UHL's Counter-Fraud Champion and nominated counter-fraud contact. Work was broadly in line with plan, although impacted by Covid-19 pandemic pressures on the Trust, and the Local Counter-Fraud Specialist noted the need for input from UHL on progressing certain reactive cases (as detailed in paper K). She also confirmed that she had supported UHL in making the required return in response to the NHS CFA Fraud Prevention Guidance Impact Assessment, on time (4 December 2020). National vaccination fraud alerts had also been shared with the Trust.

In respect of open fraud cases, the Local Counter-Fraud Specialist commented on the need to understand the differing level of HR sanctions applied, which she was discussing further with the Deputy Director of Finance (Financial Services). Ms V Bailey Non-Executive Director queried whether ethnicity data was collected as part of counter-fraud work (and was advised that it was not routinely collected, unless pertinent to the investigation), and requested therefore that the Local Counter-Fraud Specialist discuss that issue further with the Deputy Director of Finance (Financial Services). The Audit Committee Non-Executive Director Chair supported the collection of ethnicity data, and also voiced his concerns over the length of suspensions and the overall time to investigate cases, noting that he intended to discuss the detail of the open cases further with the Local Counter-Fraud Specialist.

LCFS

AC NED  
CHAIR

**Resolved – that (A) the issue of routine collection of ethnicity data as part of local counter-fraud investigations be discussed with the Deputy Director of Finance (Financial Services), and**

LCFS

**(B) a discussion take place outside the meeting between the Audit Committee Non-Executive Director Chair and the Local Counter-Fraud Specialist, to understand the detail of the open fraud cases.**

AC NED  
CHAIR/  
LCFS

## 9/21 ITEMS FOR NOTING

**Resolved – that the following reports be received and noted at papers L1-O respectively:**

- (A) Minutes of the Quality and Outcomes Committee meetings held on 29 October 2020, 26 November 2020, and 17 December 2020;**
- (B) Minutes of the People, Process and Performance Committee meetings held on 29 October 2020, 26 November 2020, and 17 December 2020;**
- (C) Minutes of the Finance and Investment Committee meetings held on 29 October 2020, 26 November 2020, and 17 December 2020, and**
- (D) Minutes of the Charitable Funds Committee meeting held on 18 December 2020.**

## 10/21 ANY OTHER BUSINESS

There were no items of any other business.

## 11/21 IDENTIFICATION OF ANY KEY ISSUES FOR THE ATTENTION OF THE TRUST BOARD

**Resolved – that the items recommended in Minutes 1/21-3/21 above be brought to the attention of the Trust Board.**

## 12/21 DATE OF NEXT MEETING AND MEETING DATES 2021/22

The next Audit Committee meeting will be held on **Friday 5 March 2021 from 9am – 12noon** (held virtually via MS Teams).

Remaining 2021/22 meetings will be held as follows (9am to 12noon):-

- Friday 28 May 2021;
- Friday 9 July 2021;
- Friday 10 September 2021;
- Friday 12 November 2021;
- Friday 14 January 2022, and
- Friday 11 March 2022.

## 13/21 DISCUSSIONS IN THE ABSENCE OF EXTERNAL AUDIT AND INTERNAL AUDIT

## REPRESENTATIVES

13/21/1 Minutes

**Resolved** – that the confidential Minutes of the Audit Committee meeting held on 2 December 2020 be confirmed as a correct record.

13/21/2 Matters Arising

**Resolved** – that the confidential matters arising log from the Audit Committee meeting held on 2 December 2020 be noted.

The meeting closed at 5pm

Helen Stokes  
**Corporate and Committee Services Manager**

### **Audit Committee Cumulative Record of Members' Attendance (2020-21 to date):**

#### **Members:**

| <b>Name</b>                 | <b>Possible</b> | <b>Actual</b> | <b>%</b> |
|-----------------------------|-----------------|---------------|----------|
| M Williams                  | 3               | 3             | 100      |
| V Bailey                    | 4               | 4             | 100      |
| I Crowe                     | 4               | 4             | 100      |
| A Johnson                   | 4               | 4             | 100      |
| K Jenkins (Until July 2020) | 1               | 1             | 100      |

#### **In attendance:**

| <b>Name</b> | <b>Possible</b> | <b>Actual</b> | <b>%</b> |
|-------------|-----------------|---------------|----------|
| S Lazarus   | 4               | 3             | 75       |
| N Sone      | 1               | 1             | 100      |
| J Shuter    | 4               | 3             | 75       |
| S Ward      | 4               | 4             | 100      |

**University Hospitals of Leicester NHS Trust****Audit of Accounts 2019/20****Statutory Recommendations**

|    | <b>External Auditor Recommendation</b>   | <b>UHL Response</b>  |
|----|--|--|
| 1. | The Trust Board should seek to create a culture that is focussed on accurate financial reporting. In particular, the Board should discourage the use of aggressive accounting policies and practices and should provide appropriate challenge of management. | <p>The Trust Board is to undergo a programme of development, externally-facilitated, with particular emphasis on the financial aspects of the Board's responsibilities. Specifically, the programme will focus on:</p> <ul style="list-style-type: none"> <li>• Reviewing the responsibilities of unitary Board members, emphasising that all are accountable in relation to the financial performance of the Trust;</li> <li>• The provision of specific financial analysis training, tailored to individual Board member experience and need;</li> <li>• A programme of support for Non-Executive Directors in how to effectively scrutinise and challenge within a unitary Board environment;</li> <li>• The provision of training and guidance for Executives focussing on their corporate Director role for challenging financial performance and reporting.</li> </ul> |
| 2. | The Trust Board should finalise and publish its Annual Governance Statement at the earliest opportunity.   | The annual governance statement will be finalised and published alongside the annual accounts 2019/20, once finalised.   |
| 3. | The finance and other management teams involved in finance should receive accounting, governance and ethics training to ensure that they are clear on the appropriate accounting practices and the governance standards required by the Trust Board.         | The Trust will provide organisational wide budget/financial training/governance programmes for all budget holders. This will also include specific training in relation to the upcoming restated SFIs/SOs/Scheme of Delegation. All Finance staff will undergo a capability review that will identify specific training needs and training programmes will be  |

|    |   |   |
|----|---|---|
|    |   | provided; this will be monitored on an ongoing basis through the staff appraisal process and to ensure their continual professional development.<br>All Trust staff will receive regular ethics and values training.  |
| 4. | The Trust should complete its planned review of the structure and capacity of the finance team as soon as possible. As necessary additional investment should be made in the capacity and capability of the team.     | Restructure of the Finance Department will be completed and in place for 1/1/22. In the period leading up to the implementation further interim support will be put in place to support this transitional period.<br>The current capacity of the Finance Team is also to be reviewed and benchmarked against peer level/top performing Finance Departments within the NHS.  |
| 5. | The Trust Board should undertake a review of its financial procedures and controls to ensure that they are 'fit for purpose'.   | Review of the SFIs/SO's/Scheme of Delegation is currently underway. Once finalised and adopted by the Trust, a further education and training programme for all budget holders will be rolled out and for all new starters (budget holders) to support adherence to these controls. In addition the specific internal controls that operate within the Finance Department will also be reviewed and enhanced and supported by a further training programme for Finance personnel. |
| 6. | The control of journals should be significantly enhanced. The Trust Board should ensure that the automated system recently introduced is effective and prevents the self-authorisation of journals.                   | New journal controls have been implemented wef December 2020. These will be further reviewed and will be subject to internal audit review by March 2021 to review compliance and to consider further control enhancements as appropriate.   |
| 7. | The Trust Board should undertake a detailed review of its accounts preparation processes and amend its procedures to allow accounts and supporting working papers of an appropriate quality to be prepared for audit. | The Trust is currently undertaking a systematic review of its accounts preparation processes and procedures. Actions have been identified to review and redesign the working papers to ensure adequacy, clarity, linking to accounts and file accessibility.  |
| 8. | The Trust Board should take urgent action to complete the revision and audit of its financial statements.   | The Trust has engaged with Deloitte on a scoping exercise to ultimately reconstruct the 2019/20 closing balance sheet that will allow the audit to conclude. This will then allow the Trust to build its financial statements on a recognised and robust foundation for 2020/21.  |
| 9. | The Trust Board should agree with its commissioners, NHS England and Improvement,   | The Trust is committed to eliminating the underlying financial deficit as soon as   |



|  |  |  |
|--|--|--|
|  | <p>and the Department of Health a strategy that will return the Trust to a long term sustainable financial position.</p> | <p>practically possible and has commenced a programme of work to identify cash and efficiency savings and to ensure the best possible value for money. If this produces a compelling case for increased funding it will work constructively with Commissioners, NHS England and Improvement and the Department of Health to secure appropriate funding levels. In the meantime it will not agree unrealistic financial targets but recognises it has an obligation to work together with partners in the local health economy to build a system that is both clinically and financially sustainable.</p> |
|--|--|--|

# Board development programme

## Appendix 4

### An overview of proposed activities

| Activity                         | Month | Feb  | Mar  | Apr   | May   | June   | July  | Aug  | Sept   | Oct | Nov  | Dec  |
|----------------------------------|-------|--|--|---|---|--|---|--|--|-----|--|--|
| Board programme                  |       | Confirm plan and activities  | 1.1 Role of the unitary Board & Board Members (A1) | 1.2 Board Member financial training (A3)          | 1.3 Business chemistry (styles and ways of working)             |  | 1.4 Board Committee and effective Board reporting |  | 1.5 Review of progress; Board impact & the Board's role in shaping culture |     | 1.6 Integrated system working                                | 1.7 Feedback on progress and refining future actions |
| Non-executive director programme |       |  |  | 2.1 Effective challenge & seeking assurance (A4)  | 2.2 Audit Committee Training (including role of the chair) (A4) | 2.3 Finance and Investment Committee training (including role of the chair) (A4) |   | 2.4 Revisit role of the NED in the unitary board |  |     | 2.5 Refining Board debate                                    |  |
| Executive director               |       |  |  | 3.1 Reviewing the role of corporate director (A5) |   |  | 3.2 Effective board reporting (A5)                |  | 3.3 Role of the ED in Board to Ward assurance                              |     |  |  |
|                                  |       | Board survey<br><br>Board / Committee observations<br><br>Desktop review |  | Business Chemistry survey                         |   | Board / Committee observations   |   |  | Board / Committee observation  |     | Review of progress (A2)<br><br>Board / Committee observation |  |

**UNIVERSITY HOSPITALS OF LEICESTER NHS TRUST****INTERNAL AUDIT PLAN 2019/20**

The Trust's Internal Audit plan is driven by UHL's organisational objectives and priorities, and the risks that may prevent UHL from meeting those objectives.

The following table sets out the UHL internal audit plan for 2019/20.

| Ref                  | Name of Review                             | Number of Audit Days |
|----------------------|--|----------------------|
| 1                    | Corporate Governance and Risk Management   | 20                   |
| 2                    | Information Governance                     | 10                   |
| 3                    | Compliance within IT data centres          | 20                   |
| 4                    | Financial systems                          | 25                   |
| 5                    | Data Quality review – 62 day cancer target | 10                   |
| 6                    | Emergency care priority                    | 15                   |
| 6                    | Payroll and HR review                      | 25                   |
| 7                    | Five steps to safer surgery                | 15                   |
| 8                    | Assessment and Accreditation               | 15                   |
| 9                    | Infection Prevention and control           | 15                   |
| 10                   | Safeguarding                               | 15                   |
| 11                   | Safety rounds in ED                        | 15                   |
| 12                   | Service Line Management / use of PLICs     | 20                   |
| CM.1                 | Management time                            | 25                   |
| CM.2                 | Follow up of audit actions                 | 15                   |
| CM.3                 | Contingency                                | 10                   |
| <b>2019/20 Total</b> |  | <b>270</b>           |