

minutes

Item 6.1.1b

E- Meeting of the Audit Committee

Minutes of the Audit Committee Meeting held on Friday 11th June 2021

Committee Members:	Julian Farmer Nick Brooks Bob Burgoyne Mark Jones Karen O'Hagan	Non-Executive Director-Chair Non-Executive Director Non-Executive Director Non-Executive Director Non-Executive Director
Committee Attendees:	James Bradley Karen Edge Laura Hunter-Cross Georgia Jones Lucy Lavan Michelle Moss Chris Whittingham Nigel Woodcock Jennifer O'Brien	Interim Deputy Chief Finance Officer Chief Finance Officer Head of Financial Services Key Audit Partner-Grant Thornton Director of Corporate Affairs Anti-Fraud Specialist-MIAA Senior Manager-Grant Thornton Senior Internal Audit Manager-MIAA Senior Executive Assistant (Minutes)
Apologies:	Jane Tomkinson	Chief Executive
<p>In accordance with the Trust's response to Covid-19, the meeting was conducted remotely via video conferencing to maintain social distancing.</p> <p>1. Apologies for Absence As noted above.</p> <p>2. Declarations of Interest All participants declared that they had no interests.</p> <p>3. Annual Accounts Review 3.1 Annual Governance Statement</p> <p>The Director of Corporate Affairs presented the final version of the annual governance statement and confirmed that there had been no amendments made to the previously presented draft; there had been no further risks or breaches to include.</p>		Action

It was acknowledged that there was a strong process in place at the Trust with the Audit Committee monitoring AGS risks as a matter of routine throughout the year.

The Chief Executive, as accounting officer, had reviewed the statement in detail and fully supported it, as her signature confirmed.

The Audit Committee recommended the final version of the annual governance statement for approval by the Board of Directors on 11th June 2021.

3.2 Review Audited Annual Report, Accounts and Financial Statements 2020/21

The Chief Finance Officer (CFO) presented the previously seen annual report and informed colleagues that the remuneration report had also been circulated.

As previously reported, the financial framework for the NHS changed significantly in 2020/21. For the first six months of the financial year, Payment by Results (PbR) was suspended and Trusts were paid block contracts reflective of their average 2019/20 spend. A top-up payment equivalent to the difference between the Trust's costs and the block income received was then provided by NHSE/I which ensured that all Trusts achieved a break-even position during that period.

The financial arrangement for the latter half of the year retained the simplified block arrangement for payments with English Commissioners, but without a retrospective top-up to break-even. Trusts were asked to manage their finances within the envelope provided, which LHCH managed to achieve.

The Statement of Comprehensive Income (SoCI) reported a surplus for the year of £0.251m. However, in reporting to NHSE/I, impairments and any income / depreciation relating to donated assets were removed to present an adjusted financial performance, resulting in the reported surplus of £0.421m. The Audit Committee also noted that the Trust had not been operating under a control total during 2020/21.

The CFO highlighted that the primary reason for the increased expenditure figures compared to the prior year was the hosted services the Trust had agreed in 2020/21; the Innovation Agency added a further £8m of income and expenditure.

Audit Committee colleagues were also asked to note that certain clinical supplies had moved to a zero cost model, the details of which had been discussed previously with the Board of Directors (BoD) and the Integrated Performance Committee.

The following summaries were also noted:

- The premises cost had increased as expected as a result of hosted services
- There had been a significant investment of £1.8m in IT to support the IT infrastructure.

- The reported consultancy costs largely related to the Innovation Agency and their model of operation due to a considerable amount of their project work being outsourced.
- Sizeable increases had been seen in the provision amounts, mainly relating to the Innovation Agency redundancy provision, in addition to this was the large provision for an employee tribunal that the Audit Committee were aware of.

During the 2020/21 financial year, the total capital investment in improving hospital facilities was £14,350m. The main investments were noted as:

- Stage 1 & 2 of the Cath Lab refurbishment programme - £4.2m
- Implementation of new CT Scanner in 2020/21 - £1.5m
- £3.3m on Electrical Infrastructure

Cushman and Wakefield carried out the annual evaluation of land and buildings, this was revalued using depreciated replacement cost on a modern equivalent asset basis as 31st March 2021. The resulting £2.6m impairment would be charged to the revaluation reserve and any remaining balance would be charged to the income and expenditure account.

Audit Committee members acknowledged that the reported figures aligned with what the Committee had been updated on throughout the year and recommended the accounts for approval by the Board of Directors on 11th June 2021 subject to the completion of the audit with no material audit findings.

3.3 Audit Findings Report 2020/21

The headlines of the report were provided on pages three and four of the report and Audit Committee members were informed that the Trust had taken the offer to extend the audit submission deadline and this was required to be utilised due to the increased requirements of the regulators and the impact of the global pandemic. The external auditors final audit opinion would therefore be issued by the 29th June 2021.

The Audit Committee noted that the audit work completed to date had not identified any audit adjustments. However, the anticipated audit report opinion would be qualified to reflect the limitation of scope over the Trust's opening inventory balance. The external auditors did attend the stock take this year and therefore gained assurance on the closing balance, meaning the limitation of scope should not be an issue moving forward.

The external auditors confirmed that should anything significant or material emerge from the final work, they would liaise with the Audit Committee Chair and members, following which a final audit findings report would be issued.

It was confirmed that the auditors were yet to complete the Value for Money (VFM) work, with full details on the reasons for the delay provided in the appendices to the report, however, the national audit office had

revised the submission deadline to the 20th September 2021 and the external auditors were expected to issue their annual report in this respect to the Trust by the end of July 2021. It was confirmed that no additional statutory powers or duties had been exercised thus far.

Pages 6-10 of the report provided details on the materiality, and the significant risks, one of which was the management override of controls; whilst testing was on-going, no significant matters had been identified.

The samples relating to revenue recognition were being processed, and there were no significant matters to highlight to date.

Work relating to the valuation of land and buildings was on-going as was the work relating to the recording of expenditure, as a slight raise in this risk had been identified.

The work relating to the going concern had been completed, there were no issues to report and the disclosure reported in the accounts was appropriate.

Remuneration work and that relating to the staff report was being finalised and there were a few queries regarding the annual report, although nothing significant to note.

Pages 19 and 20 of the report confirmed the VFM arrangements, together with the procedures and conclusions. The external auditors independence and ethics were also reconfirmed within the report.

The external auditors were confident that the outstanding work would be completed by the deadline as the Trust had strong arrangements and controls in place.

Audit Committee members were informed that the accounts could not be laid before parliament until the VFM work had been completed and the Audit certificate was issued at the end of July 2021.

The Audit Committee noted the anticipated qualified opinion in respect of limitation of scope. In the event that the audit findings required any material adjustment to the accounts, then an extraordinary meeting of the Audit Committee would be convened.

4. Internal Audit

4.1 Head of Internal Audit Opinion

The Senior Internal Audit Manager confirmed that a Substantial opinion had been retained following the draft opinion presented to the March 2021 Audit Committee.

4.2 Final Anti-Fraud Plan

The Anti-Fraud Specialist confirmed that there had been no change following the draft plan presented to the Audit Committee in March 2021.

4.3 Final Anti-Fraud Annual Report

The Anti-Fraud Specialist confirmed that Appendix C of the report had been updated to reflect the opening of an additional investigation in late March 2021. All other content remained the same as the draft presented to the Audit Committee in March 2021.

5. Minutes of e-Meeting held on Tuesday 23rd March 2021

It was noted that the minutes of the Audit Committee meeting held on 23rd March 2021 had been reviewed for accuracy by all meeting participants and were approved.

6. Action Log

Item 1-This action was for review at the July 2021 Audit Committee.

Item 2-The Audit Committee Annual Report had been updated accordingly and presented to the Board of Directors on 27th April 2021. This item would be marked as complete and removed from the action log.

Item 3-It was confirmed that the audit review into the variable pay audit was presented to the People Committee on 8th June 2021. This item would be marked as complete and removed from the agenda.

7. Evaluation of Meeting

The Audit Committee was content with the mechanism in place for the e-meeting, given the on-going social distancing measures.

8. Date and Time of Next Meeting:

Tuesday 13th July 2021, 8.30-10.30am