**Audit Committee**

**Minutes of the meeting held on**

**15 June 2022 at 09:30   
virtual meeting via Microsoft Teams**

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| **Present[[1]](#footnote-1):** |  |
| Lucy Weston | Non-Executive Director (the **Chair/LW**) |
| Chris Hurst | Non-Executive Director (**CMH**)  **RR-App 52/2022**  (Agenda item: 22(b)) |
| Mohinder Sawhney | Non-Executive Director (**MS**) |
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| **In attendance:** | |
| *External Audit – Grant Thornton LLP:* | |
| Iain Murray | External Audit – Engagement Lead, Grant Thornton (**IM**) – *part meeting* |
| Nicola Coombe | External Audit – Senior Manager, Grant Thornton (**NC**) – *part meeting* |
| *Internal Audit – PwC LLP:* | |
| Karen Finlayson | Internal Audit – Risk Assurance Partner and Regional Lead for Government, PwC (**KF**) – *part meeting* |
| *Oxford Health NHS FT:* | |
| Nick Broughton | Chief Executive Officer (the **CEO/NB**) |
| Charmaine De Souza | Chief People Officer (the **CPO/CDS**) – *part meeting* |
| Angie Fletcher | Head of Quality Improvement (**AF**) – *part meeting* |
| Karl Marlowe | Chief Medical Officer (**KM**) – *part meeting* |
| Mike McEnaney | Director of Finance (the **DoF/MME**) |
| Peter Milliken | Deputy Director of Finance (the **Deputy DoF/PM**) |
| Kerry Rogers | Director of Corporate Affairs and Company Secretary (the **DoCA/CoSec/KR**) |
| Atif Saeed | Capital and Financial Accountant (**AS**) |
| Michael Williams | Financial Controller (**MW**) |
| Hannah Smith | Assistant Trust Secretary (**HaS**) (Minutes) |
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| **Governors observing:** | |
| Mike Hobbs | Lead Governor (Public: Oxfordshire) |
| Tina Kenny | Governor representing Buckinghamshire Healthcare NHS Trust |

The meeting followed private pre-meetings between: (i) the Committee members; and (ii) the Committee members and External and Internal Auditors.

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| **1.**  a | **Welcome and Apologies for Absence**  There were no apologies for absence from Committee members. Apologies from non-Committee members were received from Anti-Crime/Counter Fraud services from TIAA Ltd. |  |
| **2.**  a | **Confirmation of items for Any Other Business**  No items were expected in Any Other Business. |  |
| **3.**  a  b  c  d  e  f  g  h  i  j  k | **External Audit report on the financial statement audit for the year ended 31 March 2022 (including draft letter of representation)**  Iain Murray presented the External Audit report at Paper AC 42/2022 with the draft audit findings and confirmed that the audit was substantively complete with a few areas outstanding but no matters which would require modification of the anticipated audit opinion. In previous years there had been matters of judgement to debate, such as the treatment of deferred income, but this year the most significant change to the financial statements had been the impact of Provider Collaboratives and those had been resolved early and with no issues. He commented that the process which the Trust had also put in place to document the rationale for income deferral had been very helpful in demonstrating the evidence base and thought process. In relation to one unadjusted misstatement, the Trust’s position on making an NHS bad debt provision was prudent financial management, as well as not unique within the NHS even though the NHS Accounting Manual on principle stated that there should not be any NHS bad debts; however, the amount was not material, as set out in more detail in Appendix B on audit adjustments, and it had been reported in a pragmatic way.  Iain Murray reported that the External Audit had worked through and resolved matters in relation to: pay multiples in the remuneration report (in a previous draft, bank and agency staff had not been included); and the agreement of balances exercise which had reviewed mismatches in the Audit Findings report (such as deferral of income in the current financial year but which commissioners had recognised at full value as at March 2022).  The Value for Money (**VFM**) part of the audit was still in progress. Currently there were no risks of significant weakness identified, and only minor improvement suggestions anticipated.  The Chair commented that the External Audit process appeared to have gone smoothly. The DoF agreed but noted that supporting that had been a significant amount of work from the Finance team, especially from the Financial Controller. The process had also been assisted this year by the onsite presence of the External Audit team which had facilitated discussions and questions.  In relation to the unadjusted misstatement at Appendix B, he explained that as the Trust was unlikely to receive the amount of £1.5 million and this was a credit loss from another NHS body. In standard accounting terms it was more accurate to reflect this as a bad debt, even though NHS accounting may consider it more akin to an intra-group adjustment rather than recognise a bad debt.  The Chair referred to the follow-up of prior year recommendations at Appendix A and asked:   * whether clarity had been achieved on whether it was reasonable to state that the book value (carrying value) was a reasonable approximation of the fair value of the financial assets and liabilities. Nicola Coombe replied that the Trust’s workings to support this statement had since been provided and verified, therefore this point would be removed from the final version of the report; and * whether review had taken place to ensure that assets with a net book value of £nil, which had a gross book value in excess of £9 million, were still in use. Nicola Coombe replied it had since been established that £6.5 million referred to property, plant and equipment. The Financial Controller added that whilst there was still some work in progress taking place on this area, assets with £nil net book values were kept under constant review during the year.   The Chair asked whether the disclosure recommendations in Appendix B would be implemented. Subject to the discussions above, the Financial Controller replied that he did not believe that there were any outstanding recommendations to implement at this date. Nicola Coombe noted that she would not disagree.  The Chair asked about next steps and when the finalised accounts may be available. The DoF replied that only some very small items remained outstanding therefore it was proposed that the Committee recommend to the Board the approval of the financial statements presented to this meeting, subject to the finalisation of immaterial changes whose approval could be delegated to the Chair. The Board would then be asked to accept the recommendation to approve the financial statements and to delegate the approval of any immaterial changes to the Chair. He noted that the Annual Report & Accounts were anticipated to be in final form tomorrow and to then be executed at the start of next week. The DoCA/CoSec confirmed this.  The Chair asked if the other members of the Committee supported this approach and the documentation provided including the draft letter of representation. Chris Hurst and Mohinder Sawhney confirmed that they did.  The Chair invited questions from Governors observing the meeting. Tina Kenny had no questions but noted that she was satisfied with the discussion and treatment of the material. Mike Hobbs, Lead Governor, commented that concerns around deferred income had been resolved last year but it was positive to see these recognised and referred to again this year and reassuring to see the information provided in the External Audit report.  **The Committee noted the report.** |  |
| **4.**  a  b  c | **Going Concern Statement 2021/22**  The DoF presented the Going Concern Statement at Paper AC 43/2022 explaining that Going Concern was unlikely to be an issue for a public sector body financed through public sector and Government but it was necessary to consider a statement of continuity in relation to the services which the Trust provided (not finances). He highlighted the three Going Concern scenarios on page 2 for consideration and noted that the second statement, around any material uncertainties regarding the future provision of services in the public sector, was now the core question in relation to whether there was anything likely to prevent the Trust from continuing to provide those services. He noted that the evidence to support the first statement however, that the Trust was clearly a Going Concern, was as set out in the report.  The Chair commented that the report set out the case well.  **The Committee scrutinised the Going Concern Statement, which formed the basis for preparation of the statement of accounts on a Going Concern basis, and confirmed that it was not aware of any material issues that had not been taken into account; the Trust was clearly a Going Concern and able to continue to provide services and it was appropriate for the accounts to be presented on a going concern basis; and the Trust had adequate resources to continue in operational existence for the next 12 months.**  *Karen Finlayson joined the meeting*. |  |
| **5.**  a  b  c | **Financial Statements and Accounts (audited) 2021/22**  The Deputy DoF and the Financial Controller presented the Financial Statement and Accounts at Paper AC 44/2022 and ran through the key elements. Overall, the primary statements and accounts remain unchanged but the changes which had been made since the first submission to NHS England/Improvement were set out in the covering report. These related to intercompany reclassifications between different NHS entities, correction of omissions and classification error and enhancements to disclosure notes, as set out in more detail in the report.  The Chair confirmed that it was self-explanatory and thanked the Finance team for their significant work. There were no questions raised.  **The Committee RECEIVED AND APPROVED the preparation of the Annual Accounts on a Going Concern basis and RECOMMENDED the Annual Accounts to the Board for final approval and submission to NHS England/Improvement (subject to the finalisation of immaterial changes whose approval could be delegated to the Audit Committee Chair, at the discretion of the Board).** |  |
| **6.**  a  b  c  d | **Internal Audit Annual report 2021/22 including Head of Internal Audit Opinion**  Karen Finlayson presented the Internal Audit Annual Report at Paper AC 45/2022 confirming that all reviews were complete apart from the Out of Area Placements review which had been issued in draft and with no significant findings (or high risk recommendations) which would change the overall opinion. Overall, the Head of Internal Audit Opinion was generally satisfactory with some improvements required based on the specific work undertaken in each of the reviews and the findings of these. This was consistent with elsewhere in the NHS and was a good outcome and a positive opinion overall. Even the high risk findings, for example in the Payroll review, had not been pervasive towards the overall system of internal control.  The CEO asked whether Internal Audit might ordinarily identify more good practice examples than had been provided in the report. Karen Finlayson replied that this was not necessarily the case and the number of good practice examples identified were comparable to, and not inconsistent with, those of other similar organisations.  The CPO referred to the Payroll review and noted that she was confident that there would be improvement by September 2022.  **The Committee noted the report** **and the Head of Internal Audit Opinion.** |  |
| **7.**  a  b  c  d  e  f | **Annual Report 2021/22 including Annual Governance Statement**  The DoCA/CoSec presented the Annual Report 2021/22 at Paper AC 47/2022 and asked the Committee to receive the Annual Governance Statement with the caveats that were outlined; this was still subject to proof reading and further formatting but the content of the report was in its final form.  The Chair asked whether a tracked changes version or change log could be provided to set out the changes between this and the previous version which the Committee had received. The DoCA/CoSec confirmed that a tracked changes version would be provided after the meeting.  Chris Hurst noted that he had no questions on the Annual Report but would continue to review it for proof reading or other formatting suggestions.  The Chair noted that the Clinical Audit annual report had not yet been received but subject to that and minor formatting changes, she recommended approval of the Annual Report.  **Subject to the comments above, the Committee APPROVED the text of the Annual Report.**  **The Committee RECOMMENDED the Annual Governance Statement to the Board for approval and signature by the Chief Executive.**  *Angie Fletcher, Head of Quality Improvement, joined the meeting*. | **KR** |
| **8.**  a  b  c  d  e  f  g  h  i  j | **Clinical Audit annual report 2021/22**  The Head of Quality Improvement (**QI**) presented the report at paper AC 46/2022 which provided an overview of activity during 2021/22 and highlighted risks, escalations and mitigations in relation to any non-compliant findings. Looking ahead, she reported that there were exciting next steps on the horizon as the Clinical Audit team was expanding, further to recruitment, and Clinical Audit was intended to become an integral part of the Trust’s improvement process.  The Chair explained that the Committee had been keen to review this report as it had not received much briefing on Clinical Audit activity over the year but the Committee had a remit, separate to that of the Quality Committee, to review Clinical Audit and take a different form of assurance from its activities than could be provided by functions such as Internal Audit. She asked about: the information used to create the Clinical Audit Plan; the sources of assurance used to inform decisions; and ownership of risks, issues or control failures indicated by the outcome of clinical audits undertaken. She suggested that there should be retrospective reflection upon whether action plans deriving from audits delivered the changes expected or whether there were recurring issues. She also commented that most of the Clinical Audits listed appeared to be nationally mandated or annually recurring, and she asked to what extent the Clinical Audit team was responsive to emerging issues around clinical risk, especially clinical risk arising from financial pressures and financial and HR resourcing issues.  Mohinder Sawhney asked: how confident the Trust could be that actions had been completed or were delivering the change that they were intended to deliver; and about level of training uptake.  The Head of QI replied that, in creating the Clinical Audit Plan, the corporate Clinical Audit team started with any nationally required or high priority audits before meeting to discuss more local audits and priorities with locality leads and quality governance teams in the clinical directorates. The Clinical Audit Plan would then be discussed by the Clinical Effectiveness Group, chaired by the Chief Medical Officer. Last year an Action on Monitoring and Tracking (AMAT) system had also been procured with an aspiration to log all Clinical Audit activity across the Trust; this was being rolled out and currently well used in Forensic services and the Community Directorate.  The Head of QI reported that, in relation to confidence on changes delivering required actions, although directorates were closely monitoring action plans, the ultimate aim was to bring Clinical Audit functionality over to the QI team so that both teams could work together on change and transformation, and achieve improvement work rather than just monitoring action plans. Last year the team had been challenged by resources and absence but going forwards, new recruitment was helping to rebuild the team which should then be better placed to analyse outcomes and focus on improvement work.  In relation to training uptake, the Head of QI reported that due to lack of resource in the team and the impact of COVID-19, provision of training had taken a back seat (although online training had been available) but this was being reviewed so as to be restarted. The aim was to redesign the training on offer so as to provide a stronger link into QI and position Clinical Audit as part of the improvement cycle.  *The Chief Medical Officer joined the meeting*.  The CEO thanked the Head of QI for the report and noted that he was pleased that Clinical Audit would be moving to sit alongside QI, which was in keeping with most progressive organisations. The way forward would be to invest more in QI and stream down Clinical Audit whilst ensuring that it was being deployed strategically to address problems. Clinical Audit training however would be focused upon ensuring that there was a consistent approach within the organisation to delivering Clinical Audit reviews; the training would not be part of the Organisational Development strategy, nor would it drive cultural change, but it would equip clinicians with the core skills to undertake audits.  The Chief Medical Officer added that the focus would be upon moving away from the procedural aspects of doing an audit without evidencing change or improvement, and instead towards a QI project owned by the local team rather than being prescribed.  The Chair set out that the next time that Clinical Audit was presented to the Committee (which could be to its meetings in September or November) the report/update should include:   * a description of the Clinical Audit scoping process, how the source information was triangulated to inform the choice of audits, whether audits reflected escalation from previous audits, differentiation between those audits which were mandated and those which the organisation used to drive improvement; and * assessment of the trajectory for Clinical Audit, the team’s concept of the improvement journey and assessment of audits which may have been done routinely for some time and what impact they may be having.   **The Committee received the Clinical Audit annual report 2021/22.**  *The Head of QI left the meeting.* | **AF/**  **KM** |
| **9.**  a  b | **Any Other Business**  The Chair recognised that this was the DoF’s final Audit Committee meeting and thanked him for his support, leadership and inspiration.  *The External and Internal Auditors and the CPO left the meeting.*  ***External Audit procurement process***  The Deputy DoF provided an oral update on current participation in the process. The DoCA/CoSec noted that it would be useful if Governor participation in the process could be invited at the Council of Governors’ meeting later in the day. Mike Hobbs, Lead Governor, agreed that it should be raised at the Council of Governors’ meeting and Governors encouraged to volunteer to participate in finalising the procurement process. |  |
| **10.**  a | **Review of Meeting**  The DoCA/CoSec reminded the Chair that, further to comments at the Board meeting in public on 25 May 2022, the Committee had now received written assurance on Clinical Audit and its past year’s performance, therefore this should not now pose a problem to the Committee’s ability to give assurance to the Board around the Trust’s internal control systems, whether in the context of the Annual Governance Statement forming part of the Annual Report or the separate process of the NHS England/Improvement self-certification of compliance with the provider licence. The Chair agreed. |  |
|  | **Meeting Close: 10:51** |  |
|  | Date of next meeting: 14 September 2022, 09:00-12:00 |  |

1. The quorum is 3 members (all Non-Executive Directors) and may include deputies. [↑](#footnote-ref-1)