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| **Meeting title:** | Trust Board | | **Trust Board public paper F11** | | | |
| **Date of the meeting:** | 14 August 2025 | | | | | |
| **Title:** | **Escalation Report: Audit Committee 23 June 2025** | | | | | |
| **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:<br>BAF – Board Assurance Framework<br>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 - 4.4 which were considered at the extraordinary Trust Board meeting which took place on 23 June 2025.

## 3. Summary

3.1 The Audit Committee met on 23 June 2025. The meeting was quorate and considered the following reports.

## 4. Recommended Items

4.1 **2024/25 Final Accounts and Letter of Representation**

The Audit Committee received and considered the 2024/25 accounts. It was noted that there were few changes from the draft version previously considered by the Committee. It was further noted that a clean unqualified audit opinion had been received. An issue was highlighted regarding a change to the draft accounts position of an increase in the revenue deficit by £2.4m to £37.2m due to errors in the quarterly receivables' calculation.

Regarding the management letter of representation, a point regarding a lack of clarity on the wording in respect of fraud was highlighted. Whilst it was acknowledged that this point was open to interpretation about the type of fraud it was referring to, it was standard wording therefore would not be amended.

The Chairman commended the standard of accounts which had been prepared.

***The Audit Committee recommended the Trust Accounts 2024/25 for approval. A standalone report was approved at the 23.6.25 Trust Board meeting accordingly and this recommendation is therefore made on a retrospective basis.***

4.2 **2024/25 Annual Report and Annual Governance Statement**

The 2024/25 Annual Report and Annual Governance Statement was provided for consideration and recommendation. A number of queries had been raised by the auditors since the draft annual report and these, for transparency were detailed, with responses in the report.

Some minor issues, regarding the Chief Executive statement and the Whole Time Equivalent analysis were highlighted and immediately amended to provide an updated version for the Trust Board.

It was noted that the Chairman's statement was not finalised, but assurance was provided that this would be completed prior to submission.

Both the Chairman and External Auditor highlighted the quality of the Annual Report and Annual Governance Statement and acknowledged it to be superior to that of other Trusts they were aware of.

***The Audit Committee recommended the 2024/25 Annual Report and Annual Governance Statement for approval. A standalone report was approved at the 23.6.25 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 significant assurance remained as per the interim opinion.

***The Audit Committee recommended the Head of Internal Audit Opinion and Annual Report. A standalone report was approved at the 23.6.25 Trust Board meeting accordingly and this recommendation is therefore made on a retrospective basis.***

4.4 **Draft Audit Findings Report (ISA 260) / Annual Auditors Report 2024/25 / Draft Audit Opinion**

The Audit Committee received the draft Audit Findings Report (ISA 260), Annual Auditors Report 2024/25 and the draft Audit Opinion from External Audit.

The External Auditor described the audit process noting it was straightforward, comparatively light touch and commended the quality of the accounts and annual report, noting the ongoing upward trajectory in relation to the accounts preparation, with a commitment to work with the Trust on further continuous improvement. Some weaknesses were noted in relation to the development of a medium-term financial plan, the delivery of the Cost Improvement Plan, and the requirement for the auditor to write to the Secretary of State due to cumulative deficits, but improvements in these areas were anticipated in future years. Assurance was provided that the accounts were ready for sign off once the Chairman's statement had been finalised.

Detailed consideration was given to the improvements made in the Accounts and Audit processes in recent years which it was felt were due to improvements in departmental structures and professional development.

It was agreed to make some further amendments to the Annual Auditors Report 2024/25 to reflect recent national changes regarding medium term financial planning and the reduction in the size of the Our Future Hospitals Team.

In summary, the Chairman welcomed the clean audit with few issues highlighted, and the ongoing improvement journey in relation to the accounts and audit. The Deputy Director of Finance (Financial Services), Head of Financial Accounting and the Finance Team were commended for their work in delivering the accounts.

***The Audit Committee highlighted the clean accounts, unqualified clean audit opinion, high quality work by the Finance Team and ongoing improvement journey. A standalone report was approved at the 23.6.25 Trust Board meeting accordingly and this report is made on a retrospective basis.***

**Discussion Items**

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

The Committee received a detailed introduction which noted the ongoing review and refresh of the BAF including improvements made regarding descriptions and themes, with further ongoing improvements anticipated, particularly around following up actions, reporting to committees and moving to a web-based version of the risk register. Details of current risks were provided as well as noting the recent significant assurance for the BAF from Internal Audit and performance improvements regarding risk were also highlighted.

A key point was noted regarding how the Audit Committee could most effectively input into the BAF and this would be considered further outside of the meeting.

Points were discussed regarding risk appetite and the volume of risks within the BAF and Risk Register and whether these could be reduced. It was noted that the Risk Committee took an active role in monitoring and managing risks, which included the occasional rejection of inclusion in the register or reduction in score. It was noted that there were different options for ways in which to develop the BAF going forward and this would be considered in detail at the Board Development Session on 10 July, particularly in relation to risk appetite and how risks can be most effectively monitored and addressed through committees.

The risks regarding Estates and Facilities were considered, particularly in view of recent incidents such as the LRI restaurant fire and it was queried whether these were accurately reflected within the BAF.

The committee confirmed they were assured by the BAF and Risk Register processes in place and noted the ongoing journey of improvement.

There were no matters to highlight from the Risk Committee Escalation Reports.

***The progress of the BAF and direction of travel is highlighted to the Trust Board for information.***

5.2 **Action Plan for Complaints Handling in UHL**

The background to the report regarding the audit which identified areas for improvement of complaints handling was detailed, and some examples of poor practice were highlighted. Assurance was provided that performance in respect of complaints responses had significantly improved, particularly following the introduction of the Patient Advice and Liaison Service (PALS) and further improvements were planned utilising AI technology.

The challenge of improving complaint response times compared to the levels identified within the audit was highlighted and this would be monitored through the Integrated Performance Report at Committees and Trust Boad.

With regard to the use of the AI for the drafting of responses to complaints, assurance was sought that there would be appropriate levels of compassion displayed within the responses. It was confirmed that there would still be a human element in the checking process and that some services, such as Maternity were now receiving empathy training.

A concern was raised that the complaints which were the most delayed couldn't be easily identified when monitoring progress at Quality Committee, therefore it was proposed that those complaints which were outstanding for 3 months and over would be highlighted in the Quality and Safety Dashboard.

The Committee confirmed that they were assured by the proposed actions to improve complaints performance.

***The action plan for complaints and proposed changes to report details long outstanding complaints to Quality Committee is highlighted to the Trust Board for information.***

5.3 **Update on E&F Time & Attendance System – 360 Assurance Audit**

A verbal update was provided which outlined progress in recent months towards moving Estates & Facilities staff onto Health Roster. This had included a rationalisation of 134 different rotas down to approximately 30, and confirmation that the June pay run would now use this facility. Some outstanding issues and challenges remained to be addressed, particularly around core hours, the inclusion of bank staff and access for those staff who may not be digitally connected or not have English as a first language. An update report would be presented to the September Audit Committee.

***The improvements in delivering a new time and attendance system in Estates and Facilities and the proposed report back to the next Audit Committee are highlighted to the Trust Board for information.***

5.4 **UHL Fragile Services**

The Committee received a report which outlined the development of a governance process for defining and managing services which were defined as being fragile. The process had not yet been fully implemented and checks were being made to ensure that all services within the Trust were engaging in order to provide correct reports to the Leicester, Leicestershire and Rutland Integrated Care Board (ICB). A further update to the December meeting would provide greater clarity about which services were reporting into the process correctly.

An informal update was requested for Audit Committee members prior to December to provide assurance that there was engagement with the governance process and whether any support was needed to ensure sufficient compliance.

It was felt that there were likely to be costs associated with maintaining fragile services and therefore it was requested that details of such costs be highlighted as part of the governance process, which may possibly identify services that could be ceased if felt appropriate.

The Committee confirmed that they were assured by the proposed governance process.

***The proposal to identify costs associated with maintaining fragile services is highlighted to the Trust Board for information.***

5.5 **Discretionary Procurement Actions**

Details were provided of the 56 waivers which had been used during the past quarter, along with an analysis of the trends of waiver usage and the next steps to continue to reduce waiver usage.

The trend for reduced usage of waivers within Estates and Facilities was welcomed and noted as being a result of increased investment in the Procurement Team. It was queried whether this approach could be applied to the CSI Clinical Management Group, but the high waiver use in that area was anticipated to reduce once the ME2 Pathology tender had been completed.

The use of the reason, 'where there were less than 3 suppliers and no satisfactory alternatives' was noted as being comparatively high and reasons for this, such as a loss of suppliers was explored.

Benchmarking information on use of waivers would be reported at the next Audit Committee.

The Committee confirmed it was assured that the use of waivers was heading in the right direction.

***The importance of understanding reasons for the use of waivers is highlighted to the Trust Board for information.***

5.7 **Assurance on checks & balances in place regarding incidences of modern slavery within UHL's supply chain.**

A verbal update was provided. Updated national guidance on tackling modern slavery in NHS procurement had recently been released and work was being undertaken to ensure it was fully adopted. Assurance was provided that all reasonable efforts, through actions such as staff training were in place to meet best practice. It was noted that work regarding modern slavery on frameworks was led by NHS supply chain who audited suppliers and their workforces.

A report was requested for the next Audit Committee to provide details of the recent tackling modern slavery in NHS procurement guidance.

5.8 **Audit and Quality Improvement Programme (AQIP)**

The development and progress of the Audit and Quality Improvement Plan (AQIP) was highlighted, particularly around the roll out of the AQIP IT system and standardised management of projects. This had enabled a growth in the number of projects being undertaken and better identification of projects which were delivering a positive impact. Quarterly showcases would then share details of the best 4/5 projects, promoting successes. Further improvements were also noted in the standardised approach to the National Clinical Audits. Next steps regarding raising awareness of the data application functionality and moving towards national processes were highlighted.

The challenges around embedding developments and new approaches arising from innovation programmes were noted. The need to develop better strategy cascade, adoption of model behaviours and a development culture were noted as being key to take this forward.

Some concern was expressed that it wasn't always possible to identify visibility of outcomes from the national audit process when they were reported to the Quality Committee. The use of infographics was highlighted as being an easier and more prominent way of sharing details of audits compared with a lengthy, detailed audit report. The standardised approach to clinical audit was about identifying the specifics of why a service might not be performing and how it could be improved. Further consideration was being given to the data generated by audits and how this could be best utilised to deliver a better quality of care.

Suggestions were made about identifying those areas which were high performing to determine the characteristics which supported the level of performance in order to share with challenged areas. The suggestions were welcomed, but capacity issues and prioritisation would determine which service improvements to focus on.

***The positive progress and the Audit and Quality Improvement Plan and the need to understand outcomes of projects in order to deliver improvements in care is highlighted to the Trust Board for information.***

5.9 **Finance Restructure KPIs**

The report provided an assessment of compliance in terms of Finance KPIs, where 10 were considered to be delivering in full, 7 were nearly delivering or not due and 3 which were not delivering. The importance of the wider organisation also supporting the KPIs was highlighted. Overall, it was not felt that there was any undue concern regarding KPI performance.

The challenges of meeting the target regarding overseas visitor debt were noted, but actions were in place to improve invoicing and systems more generally with a view to improving performance but the target of 59% was noted as being twice the national average level.

The Audit Committee Non-Executive Director Chair and the Chief Financial Officer agreed to discuss outside of the meeting, the most appropriate way to monitor the KPIs going forward.

5.10 **Audit Committee Objectives Review**

Details of the 2024/25 objectives progress was noted with the proposal to push forward 4, 2024/25 objectives to 2025/26. Objectives for 2025/26 would be developed by the Audit Committee Non-Executive Director Chair and the Director of Corporate and Legal Affairs taking into account the role of the committee, the balance between health and finance and robust reporting on risk management and this would be reported to the September 2025 Audit Committee.

***The Audit Committee objectives are highlighted to the Trust Board for information.***

5.11 **Sealing Report**

4 Trust Sealings for the past quarter were noted.

***The use of the Trust Seal 4 times in Quarter 1 is highlighted to the Trust Board for information.***

5.12 **Fit and Proper Person's Test – Compliance**

It was confirmed that the annual checks as part of the fit and proper persons test had been completed, with full compliance and the required submission would be made in line with the national deadline of 27 June 2025.

***The compliance with the Fit and Proper Person's Test is highlighted to the Trust Board for information.***

5.13 **Internal Audit – overdue recommendations from 360 Assurance audit reports, and Financial Improvement Plan action progress**

The first follow up implementation rate of 77% for 2024/25 was reported as well as the overall follow-up rate of 94% for implementing actions from Internal Audit reports. There were currently some overdue actions, but none were considered high risk. There had been discussions with the

new Internal Auditors about the process of managing actions with no proposed changes at the current time but this would be kept under review.

The Committee took assurance regarding the progress being made to close any open actions.

5.14 **Internal Audit Progress Report**

A positive start was reported in terms of delivery at the beginning of the 2025/26 financial year, with one review report, Cyber Assessment Framework, anticipated in the current week with other reviews in process, some subject to scoping meetings. It was anticipated that there would be 4 reports available for presenting at the next Audit Committee. Assurance was also provided that the action follow up process was working well.

5.15 **Counter Fraud Progress Report**

A key point highlighted were the amendments made to the Functional Standards scoring within the Counter Fraud Functional Standard Return, where following discussion, 3 scores had been amended from green rating to amber based on a new assessment against the criteria. A further point highlighted was in relation to the lack of entries regarding fraud on the strategic risk register and this was now being addressed, based on relevant risks from the fraud risk register. A focus of the initial work of the new Counter Fraud service provider had been on fraud awareness raising within the Trust.

***The changes to the Counter Fraud Functional Standard Return are highlighted to the Trust Board for information.***

5.16 **Counter Fraud Annual Review for 2024/25**

Further reference was made to the Functional Standards scoring where it was noted that of the 15 Standards, 10 were rated green and 5 amber in the updated return. Assurance was provided that the annual review was undertaken in alignment with the NHS counter fraud manual, and that the Trust had sufficient measures in place to mitigate fraud risks, with further actions being undertaken to improve fraud awareness.

5.17 **Use of External Auditors for Non-Audit Purposes**

The updated Use of External Auditors for Non-Audit Purposes policy was approved by the Audit Committee. It was noted that whilst it was helpful to have the policy, there was likely to be a reluctance on the part of both UHL and its External Auditors for the auditors to undertake any non-audit work.

**Items for Noting**

The Minutes of Board Committees were noted.