

Confirmed – EXTRAORDINARY AUDIT COMMITTEE MEETING - MINUTES

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| Date: | Tuesday, 21 June 2022 | Time: | 09:30-10:30 |
| Venue: | MS teams meeting | Chair: | Barrie Senior, Non-Executive Director |
| Present: | Non-Executive Directors: <ul style="list-style-type: none"> - Mr Barrie Senior, Non-Executive Director, Chair (BAS) - Ms Julie Lawreniuk, Non-Executive Director (JL) - Ms Sughra Nazir, Non-Executive Director | | |
| In Attendance: | <ul style="list-style-type: none"> - Mr Matthew Horner, Director of Finance (MH) - Mr Michael Quinlan, Deputy Director of Finance (MQ) - Mr Paul Hewitson, Deloitte (PH) - Mr Nick Rayner, Deloitte (NR) - Mrs Karina Rogers, Audit Yorkshire (KR) - Ms Laura Parsons, Associate Director of Corporate Governance/Board Secretary (LP) - Ms Jacqui Maurice, Head of Corporate Governance (JM) | | |

| No. | Agenda Item | Action |
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| A.6(2).22.1 | Apologies for Absence Mr Jon Prashar, Non-Executive Director (JP) | |
| A.6(2).22.2 | Declarations of Interest There were no declarations of interest noted. | |

Section 2: External Audit

2a Deloitte

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| A.6(2).22.3 | ISA 260 – Foundation Trust <p>BAS reminded the AC that the External Auditor had provided updates with regard to the content of the ISA260 at the meetings held 24 May and 15 June 2022. Further to those meetings PH confirmed that:</p> <ul style="list-style-type: none"> • The testing of the capital additions was now complete. • There is a lack of evidence relating to the Cerner invoice of 2.9m. The project came with some PDC funding however there is no tangible evidence available with regard to the reallocation of the £2.9m. As such Deloitte has concluded that the Trust was not entitled to the PDC at year end. In light of this there is an unadjusted error in the PDC balance. • Work relating to the IFRS16 disclosures. Deloitte has received the updated document and undertaken the testing. Whilst there are some minor points of mathematical disagreement. Deloitte has concluded that this is not a material number and as such is not referenced in the ISA 260. Deloitte would however recommend that the Trust ensures that in future documentation provides justifications with regard to assumed lease terms. • With regard to the remuneration report, fair pay and the inclusion of agency; Deloitte confirmed they are satisfied with this. • With regard to deferred income; Deloitte had found an unadjusted error relating to grant funding being accounted for on a cash rather than accrual basis. A historical review has taken place and Deloitte discovered this was a typical reimbursement funding stream where the Trust incurs the costs and reclaims the funding. Deloitte is assured | |
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| No. | Agenda Item | Action |
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| | <p>that the Trust has a handle on the error. The Trust has understated income of approximately £200,000.</p> <ul style="list-style-type: none"> • The Trust has a £900,000 entry in opening equity due to some income recognised for this year which belonged in the last year. Whilst subsequent checks need to be made with the finance team, Deloitte expected the outcome to be within the realms of materiality. • PH confirmed that there was no dispute over whether the Trust was a Going Concern and stated that once the accounts were signed Deloitte would sign the Letter of Representation. At the present time there are approximately 25 items that need to be confirmed. The teams are working on those now and the expectation is that these will be completed by later on today. <p>BAS received confirmation from JL and SN that they were content with the clarity provided with regard to the misstatements schedule - as it now stands. Reassurance was sought regarding Deloitte's confidence that additional queries would be resolved by the time of the Board meeting later in the day. PH expressed his confidence that all would be concluded. He did note that this was an extremely tight deadline - as the Board approval was scheduled later today and, the deadline for the submission of the Annual Report and Accounts to NHSI/E was tomorrow. PH stated that the Board would be in a position to sign the accounts as there were no material open points left to resolve and confirmed that the ISA 260 presented to the committee was final and could be presented to the Board of Directors.</p> <p>BAS sought comments from MH and MQ. MQ stated that he had nothing to add to the report provided by PH however he did ask the committee to note that this had been a challenging year.</p> <p>MH queried the appearance of item 12 which related to the handling of the Joint Venture. PH apologised for not flagging this with the Director of Finance. PH advised that NR had recently worked on this with a member of the finance team and had confirmed the Deloitte view that the profits from the Joint Venture should be reflected in the accounts under equity accounting. MH accepted the response and requested that MQ, at the next Audit Committee meeting, provide an explanation of equity accounting so the committee was clear on its final treatment.</p> <p>PH formally asked the Audit Committee if there are any matters of fraud or major legal cases that could crystallise into liabilities for the Foundation Trust that should be brought to the attention of Deloitte and, has there been any reporting from the CQC. BAS, JL and SN confirmed no, there was nothing to report on any of the three items referred to.</p> <p>BAS stated that based on all the discussions and subsequent changes, the committee was in a position to approve the ISA26 and recommend that it be presented to the Board. All in agreement and the ISA260 was approved.</p> | <p>Deputy Director of Finance A22(2)001</p> |
| Section 3: Foundation Trust | | |
| 3a Is Financial Governance and its associated controls effective? | | |

| No. | Agenda Item | Action |
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| A.6(2).22.4 | Final Annual Accounts 2021/22 MQ advised that only minor changes had been made to the version of the accounts presented at the previous meeting and as such there was nothing major to bring to the attention of the committee. BAS proposed that the committee approve the Annual Accounts and recommend to the Board its approval. JL and SN confirmed they were in agreement. | |
| A.6(2).22.5 | Draft Letter of Representation 2020/21 BAS asked MH and MQ if they had any queries with regard to the letter. MH commented that the letter was fairly standard with the addition of the misstatements in the appendices. Further explanation was provided on key standard statements included within the letter. The committee confirmed that it accepted the letter and would recommend that the CEO should sign the letter. | |
| Section 4: Audit Committee Governance | | |
| A.6(2).22.6 | Any Other Business There was no other key business discussion however it was noted that there were difficulties in completing the audit and as such this should be discussed during the 'wash-up' meeting held between Deloitte and the Finance Team. | |
| A.6(2).22.7 | Matters to share with the other committees There was nothing to escalate | |
| A.6(2).22.8 | Matters to escalate to Strategic Risk Register There was nothing to escalate. | |
| A.6(2).22.9 | Matters to escalate to the Board of Directors There were no matters to escalate to the Board of Directors. | |
| A.6(2).22.10 | Date and time of next meeting: <ul style="list-style-type: none"> • 26 July 2022, 2-5pm MS teams • 11 October 2022, 2.5pm MS teams | |

Action log from the extraordinary meeting held 21 June 2022

| Meeting date | Agenda reference | Agenda item | Lead | Review date | Comments/update |
|--------------|------------------|--|---|-------------|-----------------|
| 21.6.22 | A.6(2).22.3 | ISA 260 – Foundation Trust MH accepted the response and requested that MQ, at the next Audit Committee meeting, provide an explanation of equity accounting so the committee was clear on its final treatment. | Deputy Director of Finance A22(2)001 | July 2022 | |

Appendix 1

Closed Actions: Actions originating from the 15 June meeting and closed at the 21 June meeting

| Meeting date | Agenda reference | Agenda item | Lead | Review date | Comments/update |
|--------------|------------------|--|---|-------------|---|
| 15.6.22 | A.6.22.5 | ISA 260 – Foundation Trust It was agreed that an Extraordinary Audit Committee meeting is arranged to consider the ISA 260, final annual accounts and draft letter of representation prior to the Board meeting on 21 June 2022. | Deputy Director of Finance A22(1)001 | July 2022 | Meeting arranged for 21.6.22 – <u>action closed</u> |