

Item 5.1.1a

**minutes**

## Audit Committee

### Minutes of the Audit Committee Meeting held on Tuesday 8<sup>th</sup> October 2019

<b>Present:</b>	Julian Farmer Nick Brooks Bob Burgoyne Mark Jones Karen O'Hagan	Non-Executive Director (Committee Chair) Non-Executive Director Non-Executive Director Non-Executive Director Non-Executive Director
<b>In Attendance:</b>	Mark Heap Laura Hunter-Cross Frankie Morris Jennifer O'Brien Claire Wilson Nigel Woodcock	Director-Grant Thornton Head of Financial Accounts Deputy Chief Finance Officer Executive Assistant Chief Finance Officer Senior Internal Audit Manager-MIAA
<b>Apologies for Absence:</b>	Lucy Lavan	Director of Corporate Affairs

	Action
<b>1. Apologies for Absence</b>  As above.	
<b>2. Declarations of Interest Relating to Agenda Items</b>  None declared.	
<b>3. Governance and Risk</b>  <b>3.1 Mid-Year Review of Assurance Committees</b>  <b>3.1.1 Integrated Performance Committee</b>  The Chair of IPC informed colleagues that the performance charts presented to the committee had been reviewed and some duplication had been identified. It was also determined that the exec summaries needed to be more robust, the Chair of IPC had liaised with the Chief Operating Officer (COO) who would implement the necessary changes. Colleagues were informed that there would be some changes in the reporting structure in the future.	

Audit Committee members were informed that the surgery team would be presenting the surgery recovery plan at the next IPC on 28<sup>th</sup> October 2019.

The IPC Chair confirmed that committee members were sighted on the issue with Welsh 26 weeks and an update would be expected on the escalation process.

### **3.1.2 People Committee**

The Chair of the People Committee informed colleagues that the previous meeting was held in June 2019 and the next one was scheduled for December 2019. A decision had been made to cancel the meeting scheduled for September 2019 due to the recent change in HR Director, with both the People Committee Chair and the executive lead for the committee agreeing that the new post holder needed sufficient time in order to provide appropriate information.

Key on-going issues were noted as; challenges with recruitment and retention, staff sickness and bullying.

Following analysis of the staff survey data, the divisions would follow up on the mandatory training requirements as well as the concern regarding development opportunities for staff, for which a link into appraisals would be needed. It was noted that improvements had been made, however, more were needed.

The People Committee would monitor the progress of the developing NHS people plan and update as required.

There had been no issues regarding the co-operation of the Exec Directors & Chief Exec during the recent changes in the HR management arrangements.

The People Committee Chair confirmed that the HR department would continue to be expected to produce a dashboard for the People Committee.

### **3.1.3 Quality Committee**

The Chair of the Quality Committee confirmed that the committee was on schedule with the work plan.

An improvement had been seen in sepsis management, although the committee would continue to monitor. It was noted that this related mainly to process and documentation rather than as a result of evidence of patient harm.

Quality Committee had also acknowledged the huge efforts made by the Trust in reducing medicine safety and errors.

An audit of the consent process showed that no improvement had been made in the last two years; it was believed that this was

mainly due to a process issue and education was the key in seeing improvements. It was noted that a re-audit would take place.

A red risk had been highlighted at the last Quality Committee in relation to the software upgrade of the MR scanner, due the importance of this requirement, the cost had been approved by the Executive Team, funds allocated and the procurement process was underway.

There were no major issues to note regarding mortality.

A positive presentation had been seen regarding GIRFT and excellent work had been seen in the Trust in this area.

### **3.2 Review Losses and Special Payments**

For the period 1<sup>st</sup> July to 30<sup>th</sup> September 2019 there had been no fruitless payments and one payment in respect of other losses in excess of £10,000 and no special payments in excess of £10,000. Details of amounts less than £10,000 were reported at Appendix 1 of the report.

The Chief Finance Officer (CFO) highlighted to Audit Committee members the loss resulting from a phishing fraud email; the email targeted medical staff only, informing them that they were subject to a pay award, the staff member was then prompted to log on to ESR, taking them to a fake website which caught the log on details, allowing the fraudsters to log into ESR and change the individuals bank details. Once the Trust were alerted to this fraud, both the payroll and HR team identified five individuals who had changed their bank details during the specified period, two of whom had legitimately changed their bank details and three who hadn't. Once contacted, one of the three changed their details immediately and received their salary as usual; however the August salary for two doctors was paid into two fraudulent bank accounts, one of which bounced back, therefore resulting in the loss of £9,141.36 for the other payment.

A Root Cause Analysis (RCA) was carried out and reported to both the Cyber Security and Information Governance Steering Group (CSIGSG) and the Digital Healthcare Committee (DHC) in September 2019 with a considerable amount of learning taken from it.

The movements on the bad debt provision were set out in Appendix 2 of the paper. It was recalculated at year-end to comply with IFRS 9, which required a more prudent approach to be taken. It also included monthly additions to the bad debt provision, reflecting the risk associated with private patient work carried out during that period. The bad debt provision was sufficient to cover the risk assessment of non-NHS debt over 90 days, which was currently £822k.

The detailed outstanding debt figures were reported to the Operational Board and the Integrated Performance Committee as part of the monthly finance paper and were provided on pages two and three of the report.

The detailed review of all aged debt continued and it was proposed that seven invoices, totalling £96,510.40 were written off. The details and rationale for the write off was contained in Appendix 3 of the paper.

The Deputy CFO confirmed that the BUPA and AXA debts were historic. The current process was much stronger and the relationships between LHCH, BUPA and AXA were much improved. Although the Deputy CFO did express two areas of concern; receiving monies for an operation where a pre agreed value had not been agreed and extended length of stay.

The question was raised as to why the prices couldn't be set before hand with the Deputy CFO confirming that due to the complexity of cases it was hard to determine an accurate figure for certain procedures.

The Audit Committee noted the contents of the report and approved the write-off of seven invoices, totalling £96,510.40.

### **3.3 Review Single Supplier Tender Waivers**

There had been two tender waivers raised between 14<sup>th</sup> June and 30<sup>th</sup> September 2019 for a total value of £63k. None of the individual tender waivers raised during this period was for over £100k.

Full details of all tender waivers raised for the financial year to date were provided in Appendix 1 of the report.

The Audit Committee noted the contents of the report and accompanying appendix.

### **3.4 Compliance with Licence: Review of Quarterly Checklist**

The quarterly checklist had been updated at Q2 2019/20. The primary risks related to;

- i) The Trust was continuing to face pressures in diagnostic performance; compliance and diagnostic targets would not be achieved until Q1 2020/21. A revised trajectory had been submitted to NHSI. The new scanners would be operational from November 2019.
- ii) Underperformance of surgical activity; a recovery plan was in place with a weekly tracking process led by the COO.

The Board of Directors would discuss the impact on BAF and review the risk scores assigned to the related principal risks at the next Board meeting on 26<sup>th</sup> November 2019.

The Audit Committee reviewed the checklist and confirmed its satisfaction that there were effective systems and processes in place to identify and manage risks in relation to compliance with the licence.

The CFO confirmed that the Board of Directors were aware of both risks.

### **3.5 Regulatory Action Plans**

The CFO informed Audit Committee colleagues that no Quarterly Review Meeting (QRM) had taken place recently, it was thought that this was due to the recent changes and merger of NHSI and NHSE. The Trust believed that the regulators would continue to meet with Specialist Trusts either individually or as a group, with LHCH currently awaiting further clarification.

### **3.6 Cyber Security**

The CFO informed Audit Committee members that comprehensive information had been distributed to all staff via various means with regards to Cytober, a Cheshire & Merseyside initiative to raise awareness of cyber security during October. The CFO did confirm that the Trust struggled to target medical staff, as they often weren't able to attend workshops or read corporate communications regularly due to clinical commitments and colleagues were trying to determine how to reach the entire cohort of LHCH staff.

Audit Committee members were informed that NHS Digital would be visiting the Trust in November 2019 to carry out a full diagnostic review into the Trust's cyber security, with the results of that review expected at the Board of Directors in December 2019. 14 packages of support were offered to Trust's, and this review would help determine which one was most appropriate for LHCH.

A main objective of the Trust was to strengthen the cyber security work, with negotiations on-going with MIAA Solutions with the aim of utilising the team they had available. An internal audit would then take place once all changes were in place in Q1 2020/21. The Senior Internal Audit Manager confirmed there would be no conflict of interest as the team involved in strengthening the cyber security systems in the Trust would have no auditing obligations during that time.

The Trust were aware that this was a growing industry and it was essential to keep up to date in order to avoid any vulnerability.

### **3.7 Third Party Assurances**

The CFO informed colleagues of two new pending partnership arrangements; One to host Liverpool Health Partners (LHP) and the other to host the Innovation Agency. Both were currently going through the due diligence process and the outcomes would be presented at the January 2020 Audit Committee meeting.

### **3.8 Tendering Procedure Amendment**

Changes to the current Tendering Procedure were required to take account of the fact that the Trust now had access to an electronic tendering system (Proactis ProContract). The new system should be used for all tenders and quotations for products and services that were expected to be in excess of £10,000 (including vat).

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It was therefore proposed that changes were made to the tendering procedure that made reference to the use of the electronic tendering system. The proposed changes had been made on the basis that there may be occasion when the current 'manual' tendering procedure may still need to be used.

A revised copy of the Tendering Procedure was provided as an appendix to the paper.

The Audit Committee approved the proposed changes.

#### **4. Internal Audit**

##### **4.1 Progress Report on Delivery of Plan**

The report provided an update in respect of the assurances, key issues and progress against the Internal Audit Plan for 2019/20. Since the July 2019 Audit Committee, the following reports had been issued in draft to Trust management;

- Water and Air Ventilation Safety
- Staff Integrity Vetting

The following pieces of work were in progress and/or planned and would be reported to the Audit Committee following completion;

- PAS Operation in Practice
- NatSSIPs and LocSSIPs
- Key Financial Systems
- Data Security & Protection Toolkit
- IT Asset Management
- IT Service Continuity

Audit Committee members noted that the delays had been experienced in progressing the PAS Operation in Practice and IT Asset Management audits. These delays were highlighted to the CFO who provided support to assist progression. It was not anticipated that the delays would impact on ultimate delivery of the 2019-20 plan.

Page two of the report contained a request for the following audit plan changes at the request of the Trust management;

- Cyber security from Q2 2019/20 to Q1 2020/21
- IT Service Continuity, a new audit for Q3 2019/20

The Senior Internal Audit Manager confirmed that the plan was on track to be fully delivered.

The Audit Committee noted the full contents of the report and approved the requested changes to the audit plan.

## **4.2 MIAA Insight Report**

This report was provided for information only, with the contents of the report noted by the Audit Committee.

## **4.3 Management Response Update**

The paper provided a response to concerns raised at the Audit Committee in July 2019 and provided an interim position statement from management, provided by the CFO.

Of the 22 actions outstanding in July 2019, 7 of those were not yet due following the revised deadlines previously reported, nine actions had now been completed and one was partially completed. The remaining five related to HR audits, a decision had now been taken to put the actions on hold pending an external review into the function which was being undertaken in October 2019. HR governance arrangements had recently been strengthened and new management arrangements were being implemented as discussed with the Board of Directors. New governance structures would be operational from November 2019.

The CFO explained that the development of an automated portal should resolve the issues with management responses. It was anticipated that this portal would be available for the new financial year 2020.

## **5. External Audit**

### **5.1 External Audit Update Report**

The report confirmed the overall conclusion on the 2018/19 audit;

- Unqualified opinion on the financial statements
- Unqualified value for money opinion
- Unqualified 'limited assurance' opinion on the Quality Report

The planning process for the 2019/20 audit would commence and in between the formal work beginning later in the year the external auditors would continue to have regular meetings with the finance team, review board papers and latest financial & operational performance reports and consider any reporters from the regulators regarding the Trust's clinical/ operational effectiveness.

Audit Committee members noted the brief timetable of upcoming works provided on page five of the report.

## **6. Review of Audit Committee Work Plan**

Committee members were satisfied that work was being carried out per the business cycle schedule.

## **7. Minutes of the Meeting held on Tuesday 16<sup>th</sup> July 2019**

The minutes of the previous meeting were noted and approved.

## **8. Action Log**

**Item 1-** The retrospective review into the EPR project would be completed in the next financial year and presented to the Audit Committee in March 2020.

**Item 2-** The CFO confirmed that a meeting had taken place with the external auditors and a number of conclusions had been agreed; the plan would be checked weekly during the audit, as much of the work as possible would be brought forward, the new auditor would be inducted appropriately, a meeting would be held in January 2020 to establish the work and approach in the four audited areas. This item would be marked as complete and removed from the action log.

**Item 3-** Feedback on the review of the performance of the Risk Management and Corporate Governance Committee would be given at the January 2020 Audit Committee.

**Item 4-** The management response update was discussed above under agenda item 4.3. This item would be marked as complete and removed from the action log.

**Item 5-** The Anti-Fraud Specialist confirmed via email that a note would be added to the Anti-Fraud update report explaining the reason for the amber rating against 'Hold to Account' to enable clarity for the readers. This item would be marked as complete and removed from the action log.

**Item 6-** A formal response to the Audit Committee & LHCH Governor's addressing the recent negative press reports about the performance of Grant Thornton had been supplied. This item would be marked as complete and removed from the action log.

## **9. AGS Issues**

The Audit Committee noted the limited assurance report the internal auditors conducted into the Charitable Funds function.

## **10. Evaluation of Meeting**

All committee members confirmed that the meeting had been conducted effectively.

## **11. Date and Time of Next Meeting:**

Tuesday 14<sup>th</sup> January 2020, 8.30-10.30am, Research Meeting Room.