

minutes

Item 6.1.1a*

E- Meeting of the Audit Committee

Minutes of the Audit Committee Meeting scheduled on Tuesday 24th March 2020

Meeting Participants:

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:

Lucy Lavan
Frankie Morris
Nigel Woodcock
Michelle Moss
Georgia Jones

Director of Corporate Affairs
Acting Chief Finance Office
Senior Internal Audit Manager-MIAA
Anti-Fraud Specialist-MIAA
Senior Manager-Grant Thornton

Apologies:

In accordance with the Trust's response to Covid-19, it was decided that face to face meetings were to be limited and therefore a system to enable business to be conducted by remote working was devised. The papers were produced as usual and in accordance with the business cycle and distributed on 17th March 2020 by e-mail. A template was produced for each meeting participant to complete individually. This required each participant to record comments and questions as they reviewed each paper, and where a decision was needed, to record whether or not they supported the recommendation.

A telephone call was convened between Julian Farmer, Committee Chair and Lucy Lavan, Director of Corporate Affairs to review the comments, questions and decisions of individual participants. A summary of key issues raised and decisions made is documented below as minutes of the e-meeting.

Action

In reviewing the feedback from participants, the Audit Committee Chair did not feel that there were any issues raised that warranted further discussion or clarity but it was noted that the facilitation of a conference call had been made available, in the event that the Chair or any Committee member required this.

1. Apologies for Absence

As all meeting participants contributed to the e-meeting, no apologies were recorded and the meeting was deemed to be quorate.

2. Declarations of Interest

All meeting participants had been asked to declare any interests in respect of items listed on the agenda. All participants declared that they had no interests.

3. Governance and Risk

3.1 Draft Annual Governance Statement 2019/20

Committee members confirmed they had each reviewed the draft Annual Governance Statement (AGS) 2019/20 and it was agreed that the following refinements would be made:

- modification of wording of key risk (vi) in relation to the underlying financial position;
- inclusion of limited assurance internal audit reports, including the two draft IT audit reports which MIAA had indicated were expected to be limited assurance opinions.

LL

It was noted that MIAA expected to confirm 'substantial' assurance in relation to the Trust Data Security and Protection Toolkit Assessment for 2019/20 and that this could be confirmed in the AGS.

Some further comments were offered in respect of the Quality Report section but it was noted that a national directive had been received in relation to annual reporting requirements as a result of the COVID crisis and there was no longer a requirement to prepare and submit a Quality Report for 2019/20; therefore this section of the Annual Governance Statement would be removed.

LL

3.2 Annual Report of Audit Committee

The Audit Committee annual report set out how the Committee had functioned and supported the Board throughout 2019/20. It provided details on the various principal review areas which included; internal control and risk management, internal audit, anti-fraud, external audit, management assurance and financial assurance. Details on the impact and effectiveness of the Audit Committee were also included in the report as well as the areas of focus for the Audit Committee in the coming year. There were no proposed changes to the Committee's terms of reference as these had been updated in 2019 and aligned to the latest Audit Committee handbook.

The report was reviewed and was accepted, subject to noting that all limited assurance reports were scrutinised by the Audit Committee, with the management lead in attendance to set out the management response.

This point would be reflected in a final draft for submission to the Board of Directors in April 2020.

LL

3.3 Review of Assurance Committee Annual Reports

3.3.1 Integrated Performance Committee

The report provided an overview of the delivery against the objectives set out in the Integrated Performance Committee (IPC) terms of reference and concluded that the committee had met all the objectives.

The Audit Committee noted the report and confirmed its satisfaction that the IPC had operated effectively during 2019/20. The IPC terms of reference were also reviewed and no changes were recommended.

3.3.2 People Committee

The report provided an overview of the delivery against the objectives set out in the People Committee (PC) terms of reference and concluded that the committee had largely met the objectives set. There had been some slippage arising following the change in HR leadership and external review of the HR function. It was noted that the PC had met on only 3 occasions rather than the requisite four, due to the extenuating circumstances.

The Audit Committee noted the report including the proposed amendments to the PC terms of reference to reflect new priorities set out in the Interim People Plan; these were supported for recommendation to the Board of Directors.

3.3.3 Quality Committee

The report provided an overview of the delivery against the objectives set out in the Quality Committee (QC) terms of reference and concluded that the committee had met all the objectives.

The Audit Committee noted the report and confirmed its satisfaction that the QC had operated effectively during 2019/20. The QC terms of reference were also reviewed and some small changes were recommended to reflect new priorities for 2020/21; these were supported by the Audit Committee for recommendation to the Board in April 2020.

3.4 Review Losses & Special Payments

The Chair of the Audit Committee sought and received clarity on the nature of the special severance payment listed.

It was noted that there had been no requests to write off bad debts in the reporting period.

The Audit Committee noted the report.

3.5 Review Single Supplier Tender Waivers

There had been 9 requests to waive tenders with a total value of £267k.

The Audit Committee noted the report.

3.6 Review Register of Interests

The Audit Committee noted the report and confirmed its satisfaction with the internal governance arrangements in place for identifying and managing conflicts of interest.

The year end position regarding nil declarations outstanding was to be confirmed after 31st March 2020, as the compliance rate for 2019/20 was currently significantly below the 80% target.

LL (JO'B)

3.7 2019/20 Audit Committee Effectiveness Review

The Audit Committee noted the report and requested that this item be placed in the 'Parking Lot' as the responses to the checklist had highlighted some areas that would be worthy of future discussion. The Audit Committee Chair confirmed that the findings of the report did not highlight any matters of concern and that the discussion could be picked up at a later date once the crisis management of the COVID-19 outbreak had passed.

LL (JO'B)

3.8 Annual Review of NHSI Licence

The report noted that some areas of the licence had been superseded by the current operating environment however it was deemed important to continue to be sighted on the specific provisions as the licence continued to be a regulatory tool for use by NHSE/I. The assigned Executive accountabilities had been updated in line with the recent changes to the Executive team's portfolios.

The Audit Committee noted the review of compliance with licence conditions and confirmed that the checklist for quarterly update continued to be of value in providing assurance to the Audit Committee on an on-going basis.

3.9 Regulatory Action Plans

The Audit Committee noted the regulatory assurance letter that followed the recent systems meeting held on 27th February 2019 via teleconference. There were no items of significant concern; NHSE/I would retain oversight in relation to delivery of activity plans and waiting list trajectories.

3.10 Informatics Review-Data Quality Assurance

The Audit Committee noted the report but sought clarity on the meaning and impact of the red rated indicators shown on Pages 5 and 6 of the report. The Chair of the Audit Committee requested that this item be returned to at a later date once the crisis management of the COVID-19 outbreak had passed. This item would be assigned to the 'Parking Lot' and the Chief Information Officer invited to attend a future meeting to discuss the report in more detail.

GH (JO'B)

3.11 Retrospective Review into EPR Project

The Audit Committee noted the progress made and sought assurance on resolution of remaining issues relating to direct patient booking, uploading of historical records and electronic pathology tests. The Chief Information Officer would be invited to update on these matters in 2020/21.

GH (JO'B)

3.12 Due Diligence Process Outcome: Hosting Contracts

The Audit Committee noted progress in transfer of the new hosting contracts, including actions outstanding in relation to the Innovations Agency (IA) including the novation of four leases and the need to consider variations to LHCH SFIs to meet the IA's business needs (Refer Item 3.13 below). The Acting Chief Finance Officer would confirm completion of these actions at a future meeting of the Audit Committee.

FM

3.13 SFIs for Innovation Agency and Liverpool Health Partners

The Innovation Agency had requested a variation to LHCH's Standing Financial Instructions as it had to date operated with a higher threshold for the requirement of a minimum of 3 quotations and wished to retain its current practice, at least for the next 12 month period.

The recommendations as set out in the report were approved and a review would be undertaken in 12 months' time.

FM

3.14 Amendment to SORD

A recommendation from the MIAA Key Financial Systems Review Assignment Report 2019/20 was to amend the SORD to allow Band 6 staff within Pharmacy to approve orders up to £10k in line with current operational practice.

The recommendations as set out in the report were approved and a revised copy of the SORD would be uploaded onto the staff intranet.

FM (JO'B)

3.15 External Audit Contract

The third year current external audit contract would complete following the 2019/20 audit cycle and there was the option within the contract to extend for a further one or two years. It was noted that the Council of Governors had been engaged in discussing the options open to the Trust and it had been agreed that the Acting Chief Finance Officer would discuss with Robin Baker of Grant Thornton the prospect of extending the contract for up to two years. The outcome of this discussion would be reported back to and agreed with the Audit committee Chair.

FM

4. Internal Audit

4.1 Internal Audit Plan: 3 Year and Annual Plan

The Strategic three Year and 2020/21 Operational Internal Audit Plans had been set out following discussion and comments from both executive directors and Audit Committee members. The plans were accepted but it was noted that much of the planned Quarter 1 audit work would need to be suspended and the operational plan reprioritised following the COVID-19 crisis. This had been acknowledged and accepted by MIAA and the internal audit team had offered to support the Trust in other ways if needed and / or undertake any unplanned / essential audit work as needed as the COVID response unfolded.

It was noted that the planned cyber security audit had been deferred in 2019/20 pending review of cyber controls and assurances by the Chief Information Officer (CIO). It was agreed that the CIO be invited to present a management report to the July 2020 Audit Committee meeting, after which the Committee would determine whether any further internal audit work was required. This would be reflected on the action log.

GH (JO'B)

4.2 Progress Report on Delivery of Plan

The Audit Committee noted the report.

4.3 Head of Internal Audit Opinion (draft)

The draft Head of Internal Audit Opinion confirmed that:

“Substantial Assurance can be given that there is a good system of internal control designed to meet the organisation’s objectives, and that controls are generally being applied consistently”.

The final Head of Internal Audit Opinion (following completion of reports currently in draft) would be included in the Annual Report and Accounts 2019/20.

The Audit Committee noted the report.

4.4 Anti-Fraud Plan (draft)

The report provided details on the anti-fraud plan for 2020/21 informed by a risk assessment. The anti-fraud plan was approved, with the caveat that Quarter 1 planned work may be disrupted by the response to COVID-19.

4.5 Anti-Fraud Annual Report (draft)

The Audit Committee noted the report and the possibility that some of the RAG ratings applicable to ‘Hold to Account’ could be subject to amendment pending further central guidance. Any final amendments will be agreed between the Trust’s anti-fraud specialist, the Acting Chief Finance Officer and the Audit Committee Chair.

MM

4.6 BAF Opinion

The Audit Committee noted the report which confirmed that the structure of the Board Assurance Framework met NHS requirements with evidence that it was visibly used and reflected the risks discussed by the Board.

4.7 Internal Audit Charter

The Internal Audit Charter was reviewed and approved by the Audit Committee. The Corporate Governance Manual would be updated accordingly.

4.8 MIAA Insight Report*

The Audit Committee noted the report.

5. External Audit

5.1 External Audit Update Report

The Audit Committee noted the report.

6. Annual Accounts Review

6.1 Review of Accounting Policies

The paper set out two changes to Accounting Policies in 2019/20 for reflection in the annual accounts:

- *Note 1.3 Interests in other entities* - Liverpool Health Partners to be added.

- *Note 1.24 IFRS 16* - reflecting the adoption of IFRS 16 as described in the paper to the January 2020 Audit Committee.

The external auditor confirmed that the implementation of *IFRS 16 Leases* planned for 2020/21 had been deferred.

The Audit Committee noted the report.

7. Review of Audit Committee Work Plan

The Audit Committee was satisfied that work was carried out per the 2019/20 business cycle schedule.

7.1 Review of Audit Committee Work Plan 2020/21 (draft)

The draft Audit Committee Work Plan 2020/21 was accepted.

8. Minutes of the Meeting held on 14th January 2020

It was noted that the minutes of the Audit Committee meeting held on 14th January 2020 had been reviewed for accuracy by all meeting participants and these were approved.

9. Action Log

Items 1 and 6 - Completed and closed

Items 2, 4, 5 – Would be deferred to the July 2020 Audit Committee meeting.

All actions not listed above would carry forward per designated review dates.

10. AGS Issues

No further AGS issues were identified.

11. Evaluation of Meeting

The Audit Committee was content with the mechanism in place for the meeting, given the current extenuating circumstances.

12. Date and Time of Next Meeting:

TBA

POST MEETING NOTE:

Enquiries of Management 2019/20

The Acting Chief Finance Officer circulated separately to Audit Committee members, the Enquiries of Management responses for the 2019/20 external audit, requesting agreement and / or inviting comments and questions. Responses were requested by 6th April 2020.

All members of the Audit Committee responded to confirm that they had reviewed the draft responses and had no further comments.

The Enquiries of Management document was approved for submission to the auditor.