

Board of Directors (in Public)

Item: 6.1.1
Subject: Audit Committee BAF Key Issues Report
Date of Meeting: Tuesday 24th November 2020
Prepared by: Jennifer O'Brien, Senior Executive Assistant
Presented by: Julian Farmer, Chair Audit Committee
Meeting Held: Tuesday 19th October 2020

Agenda Item	Lead Exec	Assurance Received	New/Emerging Risks	Actions/Comments
3.1.1	KE	Mid-Year Review of Integrated Performance Committee		<p>The Committee had maintained its quarterly schedule since the onset of the COVID pandemic, utilising Microsoft Teams in place of face to face meetings.</p> <p>The Committee focused on the key issues of concern to which included the impact of the emergency on CIP and Capital. Members of the IPC were assured of the appropriateness of the actions taken by the Trust.</p> <p>Full updates of the COVID recovery plan and the MIAA review of capital was given at the July 2020 IPC</p> <p>Attendance had been 100% at all meetings thus far and assurance had been received by the Committee in relation to all areas of activity including Phase 3 recovery, activity levels and performance, in addition to other matters included within its terms of reference.</p>

3.1.2	VW	Mid-Year Review of People Committee		<p>The Committee had maintained its quarterly schedule since the onset of the COVID-19 pandemic, utilising Microsoft Teams in place of face to face meetings.</p> <p>Attendance had been 100% at all meetings. During the pandemic the People Committee had focused on three key areas; Workforce Recovery Stream, BAME and National and LHCH People Plan.</p> <p>Assurance had been received by the Committee in relation to all these areas of activity, in addition to others included within its terms of reference.</p>
3.1.3	SP	Mid-Year Review of Quality Committee		<p>The Committee had maintained its quarterly schedule since the onset of the COVID-19 pandemic, utilising Microsoft Teams in place of face to face meetings.</p> <p>Attendance had been 100% at all meetings. The April 2020 agenda was limited to a small number of essential items in order not to divert the executive members from their urgent tasks in relation to the pandemic, however, the workplan was now on course to be completed by the end of Q4.</p> <p>Discussions had focused particularly on mortality, infection prevention, the management of sepsis; progress with the recommendations on the GIRFT report, delays in the management of myocardial infarction, medication errors, consent, and patient and family and staff surveys. Quality impact assessments on cost-saving measures had also been reported at every meeting.</p> <p>Assurance had been received by the Committee in relation to all these areas of activity, in addition to others included within its terms of reference.</p>

3.2	KE	Review Losses and Special Payments		Noted.
3.3	KE	Review of Single Supplier Tender Waivers		Noted.
3.4	LL	Compliance with Licence: Review of Quarterly Checklist		<p>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 primary risks related to;</p> <ul style="list-style-type: none"> • Diagnostic performance – whilst the Trust had been actively managing its backlog as part of the recovery phase, the increased prevalence of coronavirus in the community was starting to impact on hospital capacity, including staff attendance. The trajectory to return to compliance was uncertain due to latent demand arising from late presenters and the likelihood of a second surge of the virus as the winter season approached. • RTT – The Trust had reintroduced elective activity with capacity focused on the clinically urgent patients and then longest waiters, however, this was under constant review as the likelihood of a second surge of hospital admissions relating to COVID-19 increased. There was an increasing volume of long waiters across the region and therefore the ability to offer choice where the 18 week target was breached was not possible in practice. • Financial position – there was uncertainty surrounding the impact of the interim financial regime in respect of system wide allocations and how this would affect the Liverpool system and LHCH. It was increasingly likely that the Trust would report a deficit in 2020/21 – the Board of

				Directors would continue to receive regular updates.
3.5	LL	Regulatory Action Plan		The CQC had completed a virtual online inspection process which included an in depth desktop review of surgery and well led processes. Executive colleagues were still awaiting the feedback report, although it was noted that the meeting had been positive and the Trust had since submitted various items of evidence as requested by the CQC. It was hoped that the report would be available for presentation at the 24 th November 2020 Board of Directors.
3.6	KW	Cyber Security		<p>The CIO provided details of the work plan of Templar Executives, as part of the CORS initiative, to provide strategic support across a number of cyber security areas and provide assurance that an MIAA audit of cyber security would be best placed in 2021/22.</p> <p>The CIO confirmed that the medium rating was a cyber security risk exposure rather than a pure risk rating and the CORS team view was that it was medium due to the nature of the threat. A more detailed explanation as to how a medium rating was achieved would be requested from Templar colleagues.</p> <p>It was believed that the Audit Committee could fulfil that role and oversee the cyber security arrangements at the Trust.</p>
3.7	RAP	Informatics Review: Data Quality Assurance		<p>The Trust had retained a high Data Quality Maturity Index (DQMI) rating. The Trust's current value of 98.2 placed the Trust in the top 10% of data providers.</p> <p>The Data Quality Management App was currently being tested with users with a plan to go live next week. Early indications suggested that it had the potential to be an excellent service. It was based on users' desktop so</p>

				<p>would present their issues only, ensuring efficiency for the user.</p> <p>Audit Committee members were informed that the patient pathway measurement nationally was very prescriptive and was not as applicable to tertiary care hospitals as it was to secondary care organisations. LHCH would be using the PAS referral identifier as it was internal and therefore much more accurate, would result in validity of approx. 90%.</p>
3.8	KE	Third Party Assurances		<p>The results of the internal and external audits undertaken on Payroll: St Helens & Knowsley and Financial Services: NHS Shared Business Services were provided. The draft outcome was noted as “substantial assurance” with the final report expected at the end of October 2020.</p> <p>Audit Committee members noted the report as a helpful assessment and acknowledged that it had picked up on the recommendations from the internal auditors review.</p>
3.9	KE / KW / LL	<p>Review of Corporate Governance Manual:</p> <ul style="list-style-type: none"> • SORD and Virement Policy 		<p>Audit Committee members noted that while virement limits were set out in the SORD, there was insufficient detail on how they were applied and how records were to be kept. Therefore, the virement policy had been developed in order to make it clearer to budget holders how virements could take place, the approval process that needed to be followed and the information required to complete the transaction.</p> <p>Two areas of the SORD had been updated:</p> <ul style="list-style-type: none"> • Charity office petty cash approval of over £100 by the Director of Corporate Affairs. This omission was identified by MIAA in last year’s audit of the charity.

		<ul style="list-style-type: none"> • Treasury Management Policy • Data Quality Strategy • Conflicts of Interest Policy 	<ul style="list-style-type: none"> • Detailed approval limits for Liverpool Health Partners and the Innovation Agency. Their staff structures did not follow agenda for change and therefore separate tables were required to make the approval limits clear. <p>The Audit Committee approved the new virement policy and updated SORD.</p> <p>The Treasury Management Policy had been reviewed at the Integrated Performance Committee (IPC) and had since been updated to reflect personnel changes and updated information regarding Moody's ratings.</p> <p>The Audit Committee noted the updated policy.</p> <p>Following a request from the internal audit, the approved data quality strategy had been re-presented in the Trust policy document template.</p> <p>The template addressed the request for a review date and acknowledged that the previous strategy was now replaced. It also contained additional documentation control items. An equality impact assessment (EIA) had also been completed.</p> <p>The Audit Committee noted that the content of the strategy remained unchanged; this change was simply a document presentational change.</p> <p>The Anti-Fraud Specialist (AFS) had recommended that the Trust reference contact details to the AFS, NHS Counter Fraud Authority and the reporting hotline number be included in the Trusts managing conflicts of interest policy. The policy had been updated</p>
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3.10	KW	MIAA Findings on IT Service Continuity Management Response		<p>A comprehensive set of actions was agreed between the Trust and the internal auditors and were detailed in the paper. It was noted that significant progress had been made against those actions.</p> <p>It was agreed that the audit had been a constructive piece of work which allowed focus on a more structured process. The CIO would continue to bring action plan updates to the Audit Committee until all had been completed.</p>
3.11	KW	MIAA Findings on IT Asset Management and Licensing Management Response		<p>An action plan was agreed between the Trust and the internal auditors, which was provided within the paper, and significant progress against that plan was noted.</p> <p>The audit findings were commensurate with the underlying concern that the audit was commissioned and the findings would result in a robust approach to asset management being employed within LHCH.</p>
3.12	SP	COVID-19 Data Protection Checklist		<p>The report was noted as read by all Audit Committee members who stated that it was a helpful summary which acknowledged the Trust's compliance against data protection requirements throughout COVID, with 10 key points that were followed in line with the Information Commissioners Office and the data security toolkit.</p> <p>Audit Committee members were informed that a substantial assurance opinion was received in relation</p>

				to the Trust's data security protection toolkit submission which confirmed the good level of compliance maintained within information governance throughout the pandemic.
4.1	KE	Internal Audit: Progress Report on Delivery of Plan		<p>The report provided an update to the Audit Committee in respect of the assurances, key issues and progress against finalising the Internal Audit Plan for 2020/21.</p> <p>The Senior Internal Audit Manager was hopeful that the audit work would continue as planned, however it was subject to a second surge of the pandemic.</p>
4.2	KE	Internal Audit: Follow Up Report		The key points of the report were highlighted. It was stated that positive progress had been made during this quarter and an improving position could be noted.
4.3	KE	Anti-Fraud Proactive Detection Travel and Subsistence		Seven recommendations had been suggested, however, no fraud had been identified. It was confirmed that all actions had now been implemented.
4.4	KE	Government Functional Standard GovS 013: Counter Fraud		The Anti-Fraud Specialist stated that the new standards were expected to be released in January 2021, following which, discussions would be held with the CFO in order to assess what impact, if any, this would have on the audit process.
5.1	KE	External Audit: External Audit Update Reports		<p>The report provided confirmation that the audit work for 2019/20 was complete and the audit findings report was issued in June 2020 together with the annual audit letter. It was also noted that planning for 2020/21 would start later in the year with the audit plan expected to be issued in early 2021.</p> <p>Audit Committee members were reminded that the National Audit Office (NAO) had changed the code of audit practice relating to Value for Money (VFM) and these changes were detailed from page seven onwards of the report. It was noted that the new code of practice was introduced from April 2020 and would take effect</p>

				<p>from the 2020/21 audit.</p> <p>The three criteria that auditors would measure against were noted as: Governance, financial sustainability and improving economy, efficiency and effectiveness</p> <p>Audit Committee members were encouraged by the new process and welcomed the additional assurance this would bring.</p>
5.2	KE	Audit Fee		<p>The Trust had completed the final year of a three year contract with Grant Thornton for external audit (year end March 2020). The current contract provided the opportunity to extend for a further two years with a renegotiation of the fees.</p> <p>The Audit Committee agreed that LHCH should extend the contract with Grant Thornton at the proposed rate for a further two years with the opportunity to review the fees after year one of the extension.</p>
5.3	KE	Annual Review of Effectiveness of External Auditors		<p>The results of the survey indicated that Grant Thornton highlighted, investigated and reported well on areas of key financial risk. However, there were some areas where improvements could be made.</p> <p>The survey provided the Trust and the external auditors a good basis upon which to improve the external audit for 2020/21.</p> <p>Constructive discussions had taken place between finance and external audit colleagues in order to improve the audit for the upcoming year and regular meetings were planned in order to ensure strong communication continued.</p>