

Item 6.2.1(ii)

Audit Committee

minutes

Minutes of the Audit Committee Meeting held on Tuesday 9th October 2018

Present:	Julian Farmer Nick Brooks Mark Jones Marion Savill	Non-Executive Director (Committee Chair) Non-Executive Director Non-Executive Director Non-Executive Director
In Attendance:	Gregg Holland Lucy Lavan Helen Martin Frankie Morris Dave Murphy Jennifer O'Brien Mike Thomas Claire Wilson Nigel Woodcock	Chief Information Officer Director of Corporate Affairs Risk & Safety Lead (Item 3.8 only) Deputy Chief Finance Officer Head of Digital Healthcare (Items 3.5 & 3.6 only) Secretary Director-Grant Thornton Chief Finance Officer Senior Internal Audit Manager-MIAA
Apologies for Absence:	Georgia Jones Ken Morris	Audit Manager-Grant Thornton Non-Executive Director (Interim)

	Action
1. Apologies for Absence As above.	
2. Declarations of Interest Relating to Agenda Items None declared.	
3. Governance and Risk 3.1 Review Losses & Special Payments For the period 1 st July to 25 th September 2018 there had been no fruitless payments or payments in respect of other losses in excess of £10,000. There had also been no special payments in excess of £10k	

during this reporting period. Details of amounts less than £10,000 for both losses and special payments were reported at appendix 1 of the report.

There had been notification of a number of damaged TAVIs at £25k each, however the investigations into the cause of each occurrence identified that these occurred during the course of normal business and therefore did not fall under the definition of fruitless payments. Any learning from the investigations will be actioned by the Division.

The movements on the bad debt provision were set out in appendix 2, which now included a separate provision made at the end of 2017/18 for a dispute with Clatterbridge Cancer Centre, plus monthly additions to the Bad Debt provision, reflecting the risk associated with private patient work carried out during that period. During Quarter 2, £8,304 had been written off, the detail of which was set out in Appendix 3.

Progress had been made in reviewing outstanding debt and although the Trust's debt had increased, this was due to the on-going HRG4+ dispute with Wales. It was noted that the NHS debt had responded very well to the additional resource input with total NHS debt over 90 days at the end of September standing at £375k, made up of 125 invoices. The Trust was now at the stage where individual organisations could be targeted and their individual issues resolved.

Recovery of non NHS debt continued to be challenging, although the finance team now had a better understanding of the issues and were working closely with SBS, trying to improve their current processes. Although the reported numbers didn't reflect it, a lot of work had also been carried out in relation to BUPA & AXA debt which would support timely invoicing payments going forward.

Committee members questioned whether the above issue now needed to be escalated, however, committee members were asked to note that £500k was prior to April 2017 before both the private patient manager and private patient accountant were in post. Audit Committee members were asked to note that a significant improvement in relation to debt had occurred, figures showed that debt had moved from £2m NHS debt and £1.5m non-NHS in June 2017, to now £0.4m NHS debt and £1.3m non-NHS.

3.2 Review Single Supplier Tender Waivers

This report was provided to show the single supplier tender waivers recorded for Quarter 2 of 2018/19. Six waivers had been raised with a total value of £231k. Full details of which were provided within appendix 1 with a summary of individual tender waivers raised provided below;

- RO unit for use with the endoscopy washer unit in theatres- £55k-this was the only known supplier of this equipment and the equipment was required to process the decontamination of scopes in theatres-Veolia Water Technologies.
- Support & Consultancy including a data warehouse design- £19k-this provided support to work delivered on an earlier

project and therefore there was only one compatible supplier- Dr Foster Ltd.

- 2 Sonosite Ultrasound machines-£40k-the purchase replaced condemned equipment and the equipment could only be sourced from one supplier-Fujifilm Sonosite Ltd.
- Decontamination of Floor Area in Mulberry Ward-£88k-specialist work with restricted access, therefore difficult to obtain 3 quotes-Asbestos Services UK Ltd.
- Radiology reporting work stations-£15k-supplied under the terms of the 5 year contract for PACS -Carestream Health UK Ltd.
- Remote and digital access to LHCH plant room-£13k-Specialist equipment required to integrate into existing systems-Allgood plc.

Audit Committee noted the contents of the report.

3.3 Compliance with Licence: Review of Quarterly Checklist

The quarterly checklist had been updated at Q2 2018/19. The primary risks related to;

- Unresolved funding issue relating to recognition of HRG4+ for Welsh activity – this issue continued to be discussed regularly with NHSI and delivery of the 2018/19 Control Total was dependent upon receipt of this funding.
- Continuation of breach of the 6 week diagnostics waiting time due to on-going capacity constraints. The imaging business case was being implemented and should result in improved performance during Quarter 4, and a return to compliance for 2019/20. NHS Improvement was aware.
- The findings of the informatics review which highlighted gaps in controls and assurance relating to data quality- action plan was in progress.

The Board of Directors would discuss the impact on the BAF and review the risk scores assigned to the related principal risks at the next Board meeting on 6th November 2018.

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.

Committee members were asked to note that the Trust's CEO and Chairman had sent a letter to the Chief Executive of NHS Improvement on behalf of the Board of Directors regarding the current HRG4+ position and the Trust's CFO had a meeting scheduled with NHS England on 15th November 2018.

The BAF paper to be presented to the Board of Directors on 6th November 2018 would give more detail on the current risks.

3.4 Regulatory Actions Plans

Committee members were informed that the Trust was yet to receive the letter following the Q2 QRM meeting. The meeting had focused on the mortality outlier alert, operational performance including diagnostic waiting times, financial risk, strategic working and the Trust's response to the new FTSU guidance.

3.5 Cyber Security

The assurance report updated committee members on the Trust's position in relation to cyber security, giving details on the robust framework in place.

The key message was the Trust's introduction of an information security management system (ISMS) in 2015 which was reviewed annually and subject to both internal & external reviews. The report noted the Trust as potentially fully compliant as the review was a readiness assessment before the actual review. The Trust would go through ISO before the end of the financial year.

Other framework, policies, guidelines, training, actions, assurance activities and technologies were in place to help the organisation prevent, detect and react to incidents, full details of which were provided in the report, however in summary, these included;

- Cyber Security and Information Governance Assurance Group (CSIGAG) which was established in January 2016 to provide operational support, preparedness and direction to address and reduce cyber risk and improve the Trust's cyber defences.
- Cyber expertise, training and awareness-two colleagues successfully completed and achieved the Certified Information Systems Security Professional (CISSP) qualification.
- NHS Digital CareCert Alerts-a weekly bulletin was provided by NHS Digital detailing the latest security alerts with recommended actions for organisations to complete.
- Technical Controls and Infrastructure-the Trust had implemented a layered approach to Cyber Security and utilised various defences to protect against attacks, full details of which could be seen on page three of the report.

The Trust successfully secured Cyber Security funding from NHSE, to the value of £767k which enabled the Trust to make some investments alongside capital investment for wireless firewalls and to enhance the cyber defences.

Committee members noted that lessons had been learned following an audit into mobile devices and the Trust now had the ability to isolate and manage mobile devices more dynamically.

The Trust's internal auditors carried out a review into Cyber Security Baseline Technical Controls. Six control areas were covered, with a conclusion made that three out of six controls were considered to be fully implemented and monitored, whilst the remaining three were

considered fully implemented but with areas for consideration. There was an action plan in place to address the areas for consideration with progress monitored by the CSIGAG.

The Head of Digital Healthcare confirmed that the Trust were in a strong position against Cyber attacks, however it was important to note that this was an area that was always evolving, with new attacks continually being developed.

Committee members acknowledged the very encouraging piece of work.

3.6 MIAA Mobile Working Review-Progress Update

A progress update of the actions agreed following the Mobile Working Review carried out by the internal auditors in February 2018 was presented.

Although the level of assurance was limited due to one high and two medium level findings, good practice was also evident including the use of Airwatch mobile device management solution, controls around user sign up, device PIN controls, use of anti-virus and a robust Citrix remote access solution. All agreed actions were in progress and close to completion, an update on the progress for each recommended action was detailed within the report with all recommendations due to be closed off before the end of October 2018.

The Head of Digital Healthcare left the meeting.

3.7 Informatics Review-Data Quality Strategy

The CFO confirmed that the draft Data Quality Strategy, as provided at Appendix 1, had been reviewed by the Operational Board and was presented to the Audit Committee for review on behalf of the Board of Directors (BoD) who would be updated at the 6th November 2018 BoD meeting.

The Trust was also focusing on strengthening the PAS processes to further support data quality through updating standard operating procedures, re-training and data cleanse work.

The strategy provided was a key part of Audit Committee providing assurance on behalf of the BoD.

Once the strategy was approved, an oversight group would be established by the new Chief Information Officer who would coordinate the delivery against the objectives set out in the strategy. To support these developments the Trust's Data Quality Strategy had been reviewed and this new strategy had been developed.

To provide assurance to Audit Committee members that the improvements required were being implemented the strategy element would be seen at the Audit Committee with the operational part seen at the BoD.

Audit Committee members were asked to note that a data quality audit was scheduled for Quarter 4 of 2018/19, with it noted that KPIs had been requested by committee members.

The CFO informed colleagues that although there was a lot of work to do, the Trust was progressing in the right direction.

3.8 Update on Management of Open Incidents>28 days

The Risk & Safety Lead provided an update on the number of open incidents over 28 days.

Committee members were informed that weekly notifications were sent to the Divisional Heads of Operations for the divisions, with a report also being seen at the divisional governance monthly meetings which names the individuals responsible for the open incidents. The report also went to the Risk Management and Corporate Governance Committee on a bi-monthly basis.

The rolling average was 70% across the clinical divisions and close to 60% in the corporate functions. All divisions had seen some improvement over time, although performance in the corporate division was much more variable.

It was proposed that the Trust introduced a new method for managing corporate incidents where closure was dependent upon an external organisation. Such organisations would be reminded of their need to inform LHCH how the incident was being managed within the 28 day timeframe. Failure to respond would be capped at 27 days. This would mean that the Trust's performance would no longer be influenced by the timeliness of external incident management. This process would reflect more fairly the incident management performance that the Trust could influence. The management approach of highlighting open incidents to senior managers within the divisions would continue.

The Audit Committee approved the approach to managing the closure of incidents.

The Risk & Safety Lead left the meeting.

4. Internal Audit

4.1 Progress Report on Delivery of Plan

Two reports had been finalised since the Audit Committee in July 2018;

- Consent
- Critical Application-Radiology

Both received substantial assurance, with the summary information provided within the report.

The following work in progress was noted;

- Cyber Security-Terms of Reference being discussed, since the report had been issued, the ToR had been agreed with the CFO.
- Critical Application (Pharmacy)-field work in progress.
- IT Infrastructure-field work commenced 25/09/2018.
- Financial Systems and reporting-ToR agreed.
- Consultant Appraisal-draft ToR issued.

With work planned;

- Data protection and security toolkit.
- Data quality-a review meeting was now in the diary.
- ESR HR/Payroll Controls.
- Assurance Framework Opinion.
- Audit Committee Self-Assessment-09/10/18, Planning meeting with Audit Committee Chair.
- Follow Up-January 2019.

It was noted that the Payroll audit had since been moved into Q4 rather than Q3 for field work.

Audit Committee approved the request contained in section four of the report to move the consultant appraisal audit from Q2 to Q3.

A full summary table was provided within appendix B which showed all work was progressing as expected with the plan on schedule.

4.2 MIAA Insight Report

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

The Senior Internal Audit Manager highlighted a free Audit Committee members event on the 2nd November 2018 in Manchester.

5. External Audit

5.1 External Audit Update Report

The Director of the external auditors presented the progress report for October 2018, stating that the interim audit was due to commence in January 2019, with an expectation of issuing an audit plan summarising the approach to the key risks on the audit to the Audit Committee in January 2019, with a report on any findings from the interim audit in the progress report at the March 2019 Audit Committee.

The initial risk assessment to determine the approach the external auditors would take regarding value for money would commence in December 2018, with the value for money conclusion given by the deadline in May 2019.

Page five listed the audit deliverables, all of which were not yet due. With page seven onwards detailing various information relevant to the health sector including getting data right first time, the financial impact inadequacies can have and interfaces between Health & Social care.

The Director of external auditors acknowledged the recent press reports on Auditor failings, which had included some issues with Grant Thornton. Audit Committee members were informed that the particular issue was a historical complaint resulting in an on-going investigation since 2013 which remained confidential until the outcome was reported, which only recently occurred. Grant Thornton were found to breach ethical standards in relation to its work with the University of Salford and Nichols PLC and was reprimanded by the Financial Reporting Council (FRC); the three partners involved were no longer with the company.

The Director of Corporate Affairs stated that the letter issued by Grant Thornton in response to the Trust's concern would be circulated to the Council of Governors for assurance.

5.2 Summary of De-brief of External Auditors 2017/18

The Deputy CFO confirmed that senior finance management team were actively assessing ways in which the audit process could be more streamlined this year with learning from last year.

Identified areas for improvement were;

- As soon as deadline dates are known, working with the committee dates so these are complimentary.
- Complete as much work up front as early as possible.
- Annual report-joined external auditors benchmarking group so the Trust can know they are compliant.
- Staff continuity-still a challenge, but more aware of what information needed to be handed over.
- 3 new IFRS standards-working with the external auditors to ensure compliant implementation.
- Stock valuation would be a challenge, given changes around Zero Cost Model transition, continuing to work with the external auditors to ensure compliance.

The finance team would continue to liaise closely with the external auditors.

6. Review of Audit Committee Workplan

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

7. Minutes of Meeting held on Tuesday 17th July 2018

The minutes of the previous meeting were noted and approved.

8. Action Log

Item 1- A more detailed process in relation to data quality framework was discussed above under agenda item 3.7. This item would be marked as completed and removed from the action log.

Item 2-An update following the follow up review by MIAA on the mobile devices recommendations was discussed above under agenda item 3.6. This item would be marked as complete and removed from the action log.

Item 3-An update on the management of open incidents over 28 days was provided above under agenda item 3.8. This item would be marked as complete and removed from the action log.

Item 4-The action relating to the BAF policy proposed changes was for review at the January 2019 Audit Committee.

The Director of Corporate Affairs confirmed that updated Governance Manual, following annual review, had been presented to the BoD on 4th September 2018, approved and adopted. This item would be marked as complete and removed from the action log.

Item 5-The write off of any invoices approved by delegated authority by the Chief Finance Officer were reported retrospectively within the losses & special payments report seen above under agenda item 3.1. This item would be marked as complete and removed from the action log.

Item 6-It was confirmed that the business cycles had been updated accordingly to reflect that the FTSU Reports would be brought directly to the BoD in future therefore current reporting schedules to Audit Committee & People Committee would cease. This item would be marked as complete and removed from the action log.

Item 7-This item was for review at the March 2019 Audit Committee meeting.

Item 8-The CFO confirmed that arrangements had improved for departmental follow up of internal audit recommendations. This item would be marked as complete and removed from the action log.

Item 9- The Director of Corporate Affairs confirmed that the external auditors annual audit letter had been taken to the Council of Governors AMM meeting on 18th September 2018. This item would be marked as complete and removed from the action log.

Item 10-It was confirmed that the workplan had been updated to reflect the request that the anti-fraud update report be seen again at the January 2019 Audit Committee meeting rather than the March 2019 and also a request had been made that the external audit plan and fees be seen at the January 2019 Audit Committee meeting

rather than the March 2019. This item would be marked as complete and removed from the action log.

9. AGS Issues

Aside from the issues raised in relation to compliance with the provider licence, no further AGS issues were raised.

10. Evaluation of Meeting

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

11. Date and Time of Next Meeting:

Tuesday 15th January 2019, 1.30-3.30pm, Research Meeting Room.