

Audit Committee

Item 7.1.1

minutes

Minutes of the Audit Committee Meeting held on Tuesday 10th April 2018

Present:	Julian Farmer Nick Brooks Marion Savill	Non-Executive Director (Committee Chair) Non-Executive Director Non-Executive Director
In Attendance:	Sarah Blackwell Paula Fagan Mark Jackson Lucy Lavan Frankie Morris Michelle Moss Jennifer O'Brien David Orme Mike Thomas Jane Tomkinson Claire Wilson	Senior Internal Audit Manager-MIAA IT Programme Manager (Item 5.1 only) Director of Research & Innovation (Item 3.9 only) Director of Corporate Affairs Deputy Chief Finance Officer (Item 4.1 only) Anti-Fraud Specialist-MIAA Secretary Senior IM&T Audit Manager-MIAA Director, Grant Thornton Chief Executive (Item 3.2 only) Chief Finance Officer
Apologies for Absence:	Victoria Beenham Georgia Jones Mark Jones Darren Sinclair	Head of Financial Accounts Audit Manager-Grant Thornton Non-Executive Director Non-Executive Director

1. Apologies for Absence

As noted above.

2. Declarations of Interest Relating to Agenda Items

None declared.

3. Governance and Risk

3.1 Change to Committee Membership

The Chair acknowledged David Bricknell's contribution to the Audit Committee, noting that he had retired from his NED role on 28th February 2018. All remaining NED's would continue to be Audit Committee members.

Action

3.2 Draft Annual Governance Statement

The Chief Executive (CEO) presented the first draft of the 2017/18 Annual Governance Statement which provided a comprehensive summary of Trust activity, together with the systems and processes followed by LHCH throughout the year.

No significant control issues were noted, with further details provided within pages 4-6 of the statement, pages 7-8 detailed the in year and previous year risks which had been discussed at various forums.

Both the external and internal auditors commented positively on the amount of detail contained with the statement and commended the self-awareness the Trust had. A minor comment had been fed back to the Director of Corporate Affairs by the external auditors.

3.3 Review of Assurance Committee Annual Reports

3.3.1 Audit Committee

The annual report summarised the work the Committee had undertaken during 2017/18 and concluded that there were no matters that the Committee was aware of that had not been disclosed appropriately.

The narrative under section 2.1 Internal Control and Risk Management would be updated to include the recently concluded audit on mobile devices.

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Audit Committee members were assured that the Audit Committee had performed its role effectively and agreed to recommend the report and updated Terms of Reference (ToR) to the Board of Directors (BoD) for approval.

3.3.2 Integrated Performance Committee

The report provided assurance on the performance of the Integrated Performance Committee (IPC) throughout 2017/18, showing the key focal points and the delivery of set objectives together with an overview of the Committee's duties and responsibilities. There were no changes to the ToR to highlight.

Audit Committee members were assured that the IPC had performed its role effectively and agreed to recommend the report to the BoD for formal approval. It was noted that the membership table would be presented in a standard format per other reports.

MS/CW

3.3.3 People Committee

The report provided assurance on the performance of the People Committee (PC) during 2017/18. Audit Committee members agreed the below updates prior to presentation at BoD;

- Minor changes to ToR shown as tracked changes.
- Membership table to be presented in a standard format per other reports.
- Reflect on the MIAA and ensure suggested streamlining had occurred and expand on this point within the report.

MJ/JTw

Audit Committee members were assured that the PC had performed its role effectively and agreed to recommend the report and updates to the ToR, following the above amendments, to the BoD for formal approval.

3.3.4 Quality Committee (draft)

The annual report summarised the work the Committee had undertaken during 2017/18 and outlined how QC complied with the ToR and key priorities. An on-going focus on mortality was noted. Audit Committee members agreed the below updates prior to presentation at BoD;

- Changes to ToR to be shown as tracked changes.
- Membership table to be presented in a standard format per other reports.

NB/SP

Audit Committee members were assured that the QC had performed its role effectively and agreed to recommend the report and updates to the ToR, following the above amendments, to the BoD for formal approval.

3.4 Review Losses and Special Payments

The paper updated the Committee on losses and special payments recorded for the period 1st January to 27th March 2018 and the Governance arrangements associated with these payments.

There had been 2 new losses and special payments agreed during the period, totalling £7,540.32. This related to:

- 1 payment relating to property lost whilst an inpatient totalling £385.
- A loss in respect of the write off of obsolete stock, totalling £7,155.32.

There had been one payment for legal claims totalling £192.12, this cost was accrued for in 2016/17 and therefore there was no impact to the Income & Expenditure in 2017/18. In addition, there had been one payment in the period relating to a historical permanent injury benefit totalling £1,750.

The seven Bupa invoices, valued at £33,553, approved for write off at January's Audit Committee had now been written off.

There was no individual expenditure which exceeded the £50,000 threshold requiring Board approval.

Appendix 1 provided a breakdown of all expenditure on losses and special payments for the period.

The remainder of the report was noted by the Committee.

3.5 Review of Single Supplier Tender Waivers

The committee were updated on instances of single supplier tender waivers recorded for the fourth quarter of the financial year, 1st January to 31st March 2018, and the governance arrangements associated with these payments.

There had been nine tender waivers raised in quarter 4 of the financial year for a total value of £543k.

Full details of all tender waivers raised for the financial year to date were provided in Appendix 1 of the report with a summary of individual tender waivers raised in quarter 4 provided below;

- Annual Service Contract for intra-aortic balloon pumps £36k, service support was only available from this supplier -Maquet
- Endobronchial valves and catheters £24k, there was no alternative supplier available -Pulmonx
- PSA Cables £17k, there was no alternative supplier available- Technomed
- Diagnostic Sleep Devices £30k, to increase the capacity for sleep diagnostic studies -Resmed UK Ltd
- Allura Xper FD10 Xray tube £133k, sole supplier of manufacturer specific parts -Philips Electronics UK Ltd
- Sonosite Edge Ultrasound System £38k, to replace an obsolete device that could no longer be repaired, this device required minimal interface to clinical practices -Fujifilm Sonosite Ltd
- Polyroof Protec Overlay for theatre roofs £81k, the tender was in respect of two contracts that individually would have been offered under the 3 quote process, however the two contracts had been brought together to make the process more efficient- Specialised Group Ltd
- 18/19 Theatre UPS Battery replacement £13k, manufacturer upgrades to the existing system– Bender UK Ltd
- Consultancy work to support the implementation of the recommendations for the informatics review £170K, the supplier had already undertaken detailed work on the issues to be addressed and using the same team would enable this knowledge to be transferred to the remedial work quickly without the need for costly duplication-KPMG.

The content of the report was noted by the Audit Committee.

3.6 Review Register of Interests

The Audit Committee was asked to conduct its annual review of the arrangements in place for managing conflicts of interest.

During 2017/18 the Trust had transitioned to a new electronic declaration system and adapted its internal policies to meet new guidance issued by NHS England.

The Trust's register was accessible via the LHCH website.

The internal auditors had recently completed a review of the Trust's arrangements for managing conflicts of interest, providing assurance of full compliance with four of the five domains and partial compliance with one domain with full details provided below under agenda item 4.4.

The Director of Corporate Affairs informed Committee members that the system was still in its infancy therefore there had been lots of communications and work to raise awareness of the new system. There was an issue with reports on compliance, although this is something the supplier was aware of and working towards resolving. It was noted that meeting attendees were still requested to declare any declarations of interest at the beginning of every meeting.

The Trust would now expect to see a cultural change within clinicians as the new guidelines stated all private work, sponsorships, etc had to be declared.

The Board of Directors reviewed the Register of Directors' Interests on 27th March 2018 and confirmed that there were no material conflicts.

The Council of Governors also reviewed the Register of Governors' interests on 5th March 2018 and confirmed that there were no material conflicts.

The Committee noted the changes in the policy and its process, and confirmed its satisfaction with internal governance arrangements for managing conflicts of interest.

3.7 Report on Audit Committee Annual Self-Assessment

This report brought together the findings following a session with the Audit Committee members facilitated by the internal auditors MIAA.

The review reported that overall the Audit Committee was operating effectively with full details of the facilitated session and survey outcomes provided within pages 3-8 of the report.

One action was noted; following completion of the KPMG review, a decision was to be made to determine which committee would have responsibility for monitoring the data quality framework. It was stated that the BoD would also want to see assessments of that framework. A more detailed process, once work had progressed, would be seen at the Audit Committee in July 2018.

Audit Committee noted the full contents of the report.

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3.8 Annual Review of Provider Licence

This paper was provided to demonstrate that the Trust continued to have clear controls in place to ensure compliance with its licence.

The paper provided a detailed review of each condition within the licence and identified the current controls that were in place to ensure compliance. Each licence condition was assigned to an accountable Executive Director, full details of which were provided within Appendix 1. It was noted that all references to Monitor now meant NHS Improvement (NHSI) although the provider licence had not yet been updated or re-issued to reflect this change.

The quarterly checklist was maintained by the relevant accountable Executive Director and reported to the Audit Committee to provide assurance that the Trust was compliant with key licence conditions. Further information was provided within Appendix 2.

The Board Assurance Framework (BAF) and supporting BAF processes was the key mechanism in place for governing compliance. The BAF was regularly updated to take account of any risks arising from the Provider Licence and these were considered by the BoD.

Audit Committee members noted the review of compliance with licence conditions, including executive accountabilities and identified the need for the Trust to stay focused when the boundaries were vague in relation to the licence and new regulations.

Committee members 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 Risk Management KPI's

The Director of Research & Innovation presented the Risk Management KPI's to the Committee to provide assurance around the effective implementation of the Risk Management policy.

The Risk Management performance dashboard was provided which showed performance against the KPI's together with additional RM indicators.

There were no red indicators noted, with two ambers detailed as;

- **Risk Management Policy KPI's**-The assurance and timely review of KPI's were slightly below target. As measurement of these was now dynamic, there was a constant need for the Risk Manager to visit non-compliant risk register owners and support the upkeep of good quality registers.
- **Open incidents by Division**-Divisions had been receiving feedback on performance against this indicator as a matter of routine. Implementation of Datix had offered the ability to better track incidents that were open, and better facilitate timely closure through the Divisional Governance process. However, this was not delivering the full effect. Senior staff

had requested direct mailing of individuals with open incidents rather than relying on the new self-service functionality now present in Datix. This was implemented from January 1st 2017. Open incidents were now reducing, but the Trust were not yet at the level to achieve the target.

Following the implementation of the dynamic audit, the risk management department planned to introduce an annual qualitative audit of the risk registers. Additionally, the internal auditors would be undertaking a "Ward to Board" audit of risk management which would inform future improvements.

Audit Committee noted the improved picture and stated that the high level summary proved helpful.

The Director of Research & Innovation left the meeting.

4. Annual Accounts Review

4.1 Review of Accounting Policies (agenda item 6.1 refers)

The Deputy Chief Finance Officer presented the paper stating that there were two changes to note since 2016/17: the introduction of new accounting policies, which would not have a material effect on LHCH and the deconsolidation of the LHCH Charitable Fund.

Changes to the accounting policies were highlighted in red in appendix 1 in red with two areas highlighted to the Committee;

- **Note 1.24 Standards, amendments and interpretations in issue but not yet effective or adopted**-There were a number of new IFRS's to be adopted in 2018/19 although the Trust did not envisage that they would have a material impact on the Trust's financial statements. Should this position change a paper would be presented to the Audit Committee in year.
- **Charitable Funds**-Following a review of the charitable funds transactions and discussions with the external auditors, LHCH had decided to prepare single entity accounts only, not consolidating the results of LHCH charitable fund. The transactions were not considered to be material to presenting a true and fair view of the Trust's position. Transactions between the two organisations would be declared within the related parties note and the accounts for the charitable fund would be prepared to the same timescales as for the Trust and presented at the Charitable Funds Committee on the 29th May 2018.

The external auditors confirmed that they were comfortable with the decision to not consolidate the accounts. Audit Committee members accepted the accounting policies presented.

The Deputy Chief Finance Officer left the meeting.

5. Internal Audit

5.1 Mobile Devices Audit (agenda item 4.1.1 refers)

Senior IM&T Audit Manager David Orme presented the findings of the audit review carried out on the risks associated with mobile computing and media and the effectiveness of the control framework established by Trust management to mitigate any risks.

Limited Assurance was given following the audit with the Senior Internal Audit Manager giving detail on the issues faced including, no encryption of devices and auto log-on which could potentially lead to loss of data.

One high and two medium recommendations were identified, with full details provided on pages 5-7, however these were highlighted as:

- 1) Remote email access security limitations-High
- 2) Mobile device security limitations-Medium
- 3) General mobile oversight opportunities-Medium

The IT Programme Manager was in attendance to give the management response to the review, stating that the Trust welcomed the review and would work towards implementing the actions within the specified timeframe.

A follow up review would be conducted by the internal auditors within the next 6-9 months to confirm the implementation of the agreed management actions.

Audit Committee noted the report and would welcome the update on progress at the October Meeting.

The IT Programme Manager left the meeting.

5.1.1 Progress Report of Delivery of Plan (agenda item 4.1 refers)

The report showed that since the previous Audit Committee seven reports had been finalised; payroll review, E-rostering review and IG toolkit review which all received significant assurance. Conflict of interest review and audit committee self-assessment with scores not applicable and the assurance framework review which met NHS requirements. The mobile computing review, as detailed above, was also completed.

The key areas of work and actions to be delivered by Trust management were detailed on pages 2-15 of the report with appendix B confirming performance against plan and details of high level actions agreed with the Trust provided in appendix C.

The Senior Audit Manager did highlight that whilst the E-rostering

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review received significant assurance and areas which have been on the system since last year, have shown significant improvement from last year's audit findings, there was a need for managers to ensure they locked down their rosters in a timely manner to ensure appropriate processing by payroll.

The private patient review was noted as outstanding; it had been discussed and agreed with management. The internal auditors were now awaiting formal management responses and then Executive sign off would be required. It was expected to increase from a limited to significant assurance as the internal auditors were encouraged that the Trust had an action plan in place.

5.2 Assurance Framework Report (agenda item 4.2 refers)

The internal auditors confirmed that the overall objective of the review was to assess the approach to which the organisation maintained and used the Assurance Framework to support the overall assessment of governance, risk management and internal control, with the below sub objectives included;

- 1) The structure of the Assurance Framework meets the requirements
- 2) There is a Board engagement in the review and use of the Assurance Framework
- 3) The quality of the content of the Assurance Framework demonstrates clear connectivity with the Board agenda and external environment

The internal auditor's opinion statement for the AGS stated that the organisation's Assurance Framework was structured to meet the NHS requirements, was visibly used by the Board and clearly reflected the risks discussed by the Board.

A detailed assessment was provided on pages 2-6 of the report.

5.3 Conflict of Interest Review (agenda item 4.4 refers)

The internal auditor confirmed that this joint review had taken place alongside counter fraud and was in addition to the paper discussed above under agenda item 3.6.

The report detailed the objectives & scope and the importance of engaging with staff and informing them of the new guidance. A full action plan was provided within pages 7-9 of the paper.

Audit Committee noted the full contents of the report.

5.4 Head of Internal Audit Opinion (agenda item 4.3 refers)

This opinion would assist the Board in completion of the Annual Governance Statement (AGS) with section 3 providing additional information that supported the AGS.

Page 4 detailed the three elements which gave the basis for the

opinion, with page 5 showing the Trust had been awarded Substantial Assurance meaning there was a good system of internal control designed to meet the organisations objectives and that controls were generally being applied consistently.

It was noted that for the purpose of the opinion only, significant assurance had been split into two categories; substantial and moderate.

Detailed commentary was provided from page 7 of the report onwards with Audit Committee members noting the full content.

5.5 Internal Audit Plan: 3 Year and Annual (agenda item 4.5 refers)

The internal auditors presented the 2018/19 plan, informing members it was a risk based plan, developed by the Exec teams, Audit Committee members and in line with the Board Assurance Framework.

Details of the risk assessment were shown with various priority levels given. AC members noted that the Medical Director had requested an increase in the priority of Consultants appraisals. The Director of Nursing confirmed that the Birch Ward review could be downgraded in priority.

The Chief Finance Officer wanted assurance that the finance section covered the financial risks the Trust currently faced, although it was noted that the BoD were more sighted on the financial risks than they were previously.

The Senior Audit Manager would update the plan with the above amendments and formally issue it to the Chief Finance Officer.

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5.6 Insight Report (agenda item 4.6 refers)

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

5.7 Anti-Fraud Plan 2018/19 (agenda item 4.7 refers)

The internal audit Anti-Fraud Specialist explained that the plan had been drafted against the fraud risk assessment and provided details on LHCH's plan priorities.

Audit Committee members noted that training had already occurred within HR in relation to pre-employment checks and there would be a detection review on working whilst off sick.

There were no external prosecutions to note.

The Audit Committee approved the plan.

5.8 Anti-Fraud Annual Report 2017/18 (agenda item 4.8 refers)

The report provided full details of the work completed by the Trust's

Anti-Fraud Specialist (AFS) during the period April 2017 to March 2018.

Details of standards with an amber or neutral level of compliance against the standards were provided on pages 5 & 6 with Audit Committee members noting that ref 4.6 would never be green as there have been no opportunities to recover any NHS funds from fraud investigations at the Trust, this must remain amber.

The report also contained a summary of work completed, a referral summary, contract performance within appendix A and self-assessment against the NHS CFA standards for providers enclosed within appendix B.

Audit Committee members stated that the report provided valuable detail to the committee and summarised the findings very well.

5.9 Key Changes to New Audit Committee Handbook (agenda item 4.9 refers)

HFMA had issued a new version of the Audit Committee Handbook, which had now been published. It had been updated to reflect the significant impacts and changing context of the NHS agenda.

The internal auditors provided a summary of the key changes to note.

The Audit Committee reviewed and noted the key changes. The Audit Committee Terms of Reference and business cycle were updated to ensure the changes were reflected. The proposed changes to the ToR would be recommended to the BoD for approval at the 1st May meeting.

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6. External Audit

6.1 External Audit Update Report (agenda item 5.1 refers)

The external auditors provided the standard update on the progress, with audit Committee noting interim audit fieldwork carried out in February and March 2018, also noting that the next stage of the work focused on the financial outturn and sustainability. The detailed assessment would be undertaken in April and May 2018 and include;

- Review the financial outturn for 2017/18
- Discuss with officers the financial plans for 2018/19 onwards.

Final accounts would be reviewed on 29th May 2018, although no significant issues were expected.

The remainder of the reported was noted for information.

7. Review of Audit Committee Work Plan

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

The below additions to the work plan were approved;

- Regulatory action plans-standing item
- Cyber security-annual
- Informatics review into data quality assurance-monthly from July 2018 onwards

8. Minutes of Meeting held on Monday 29th January 2018

Noted and approved.

9. Action Log

Item 1-The internal auditors confirmed that in future, reports that were given significant or limited assurance would be given with an 'except for' note whereby further specific details were provided. This was evident in the report provided above under agenda item 5.1.1. This item would be marked as complete and removed from the action log.

10. AGS Issues

Nothing further to add from the discussions above under agenda item 3.2.

11. Evaluation of Meeting

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

12. Date and Time of Next Meeting:

Tuesday 29th May 2018, 8.30-9.30am, LHCH Conference Room