

## Audit Committee

### Item 6.2.4b

## minutes

### Minutes of the Audit Committee Meeting held on Tuesday 8<sup>th</sup> November 2016

<b>Present:</b>	<b>Julian Farmer</b> <b>David Bricknell</b> <b>Lawrence Cotter</b> <b>Mark Jones</b> <b>Marion Savill</b>	<b>Non-Executive Director &amp; Committee Chair</b> <b>Non-Executive Director</b> <b>Non-Executive Director</b> <b>Non-Executive Director</b> <b>Non-Executive Director</b>
<b>In Attendance:</b>	<b>Lucy Lavan</b> <b>Claire Wilson</b> <b>Jennifer O'Brien</b> <b>Mark Jackson</b> <b>Raph Perry</b> <b>Sarah Blackwell</b> <b>Tim Crowley</b> <b>Sandra Cudlip</b> <b>Jackie Bellard</b>	<b>Associate Director of Corporate Affairs</b> <b>Chief Finance Officer</b> <b>Secretary</b> <b>Director of Research &amp; Informatics (Item 8.5 only)</b> <b>Medical Director (Item 5.1 only)</b> <b>MIAA</b> <b>MIAA</b> <b>MIAA</b> <b>Grant Thornton</b>
<b>Apologies for Absence:</b>	<b>Jo Whittingham</b>	<b>Grant Thornton</b>

	Action
<b>1. Apologies for Absence</b> As stated above.	
<b>2. Declarations of Interest Relating to Agenda Items</b>  Jackie Bellard declared an interest in relation to agenda item 7.2, the market testing of external audit services. The Committee Chair noted this but suggested that Jackie Bellard stay in the meeting for this item as he thought it would be useful for her to contribute to the discussion, particularly in relation to the practicality of the proposed timetable. This was supported.	
<b>3. Minutes of the Meeting held on 18<sup>th</sup> July 2016</b> The minutes were reviewed and accepted as a true record of the meeting.	

#### **4. Action Log**

Item 1-The Consultant Job Planning update was presented under agenda item 5.1. A further update would be provided at the May 2017 Audit Committee meeting.

Item 2-Lucy Lavan presented the Freedom to Speak Up Policy under agenda item 5.2. The Audit Committee work plan had been updated to include a review of the effectiveness of this policy on an annual basis at the July meeting for review. This item would be marked as complete and removed from the action log.

Item 3-The final report into the private patient pathway process was received under agenda item 6.2. This item would be marked as complete and removed from the action log.

Item 4-Sarah Blackwell confirmed that she had held several discussions with IM&T and was starting to see evidence that the recommendations made in the report were being actioned, however progress was slower than anticipated. From the 21 recommendations made; 16 were now complete, 4 were partial and 1 outstanding. MIAA would pick this up as part of their routine follow up work going forward.

Item 5-Lucy Lavan confirmed that the format of the external audit update report had improved following her discussions with Jo Whittingham and provided all information relevant to the Trust. This item would be marked as complete and removed from the action log.

Item 6-This item was scheduled for review at the January 2017 Audit Committee.

Item 7-Lucy Lavan and Julian Farmer had met to determine what was reported at Audit Committee in relation to Clinical Audit Effectiveness and the format in which this was reported. Lucy Lavan then fed back these recommendations to Mark Jackson. This item would be marked as complete and removed from the action log.

Item 8-The work plan had been updated to show that the external audit update plan would only be seen at the Committee in March and the Annual Audit Letter had been removed completely as this was not a requirement for Foundation Trusts. This item would be marked as complete and removed from the action log.

#### **5. Internal Control and Risk Management**

##### **5.1 Consultant Job Planning Update**

Raph Perry presented the update to Committee members informing colleagues that the work was progressing well, and provided the brief summary;

- Job planning was completed in December 2015 using paper version of Allocate

- Data was uploaded to the online system in May 2016
- Job plans were reviewed and discussed at the Consistency Group in July 2016
- Consistency Group meeting was held on 1<sup>st</sup> November 2016
- Job planning for 2017/18 was to be carried out in January 2017
- Revised action plan was attached with the paper

Raph Perry explained to colleagues that as a result of the consistency group various inaccuracies were highlighted and guidance sent out to the consultant body explaining how consistency could be achieved and detailing how all colleagues should be working.

Committee members were informed that good engagement had been seen from the Clinical Leads and all three of the Divisional Heads of Operations (DHoO's).

Training was scheduled to take place in November 2016 for the remainder of the consultant body in anticipation of the next round of job planning in January 2017, although it was noted that many had used the new online system with little difficulty.

Once the job plans were finalized, the next stage was to scrutinise productivity for any listed activity. Clinical Leads had been tasked with setting baseline activity for all DCC with the next round of job planning containing detailed justification of both DCC and SPA as part of the process measured against baselines.

The two amber ratings on the action plan related to work on-going in relation to reconciling all job plans with any WLI payments made and the link between business planning and job planning, which would be completed once the organisations annual planning had concluded.

MIAA would review the position of the Trust again in March 2017 in relation to the progress made in response to the June 2015 report.

Audit Committee noted the good progress made and in depth work that had been completed to date. A further update would be provided to the Committee in May 2017 following the outcomes of the formal audit by MIAA in March 2017.

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Raph Perry left the meeting.

## **5.2 Freedom to Speak Up Policy**

Lucy Lavan informed Committee members that the new Freedom to Speak Up (FTSU) Policy, which replaced the Trust's Raising Concerns

Policy had now been approved and adopted by the Trust. The key themes from concerns raised would be reported through the People Committee and correlated with staff survey results. Audit Committee would review the effectiveness of the policy annually at the July meeting.

The policy had been well publicised to staff and was now available on the staff intranet. The draft policy had been considered by FTSU Champions and staff-side representatives who had supported the new format.

Audit Committee noted the new policy and received assurance that it met both national and local requirements and supported staff to speak up safely about their concerns.

## **6. Internal Audit**

### **6.1 Progress Reports on Delivery of Plan**

The paper provided an update on the summary of work completed by MIAA with two reports finalised since the last Audit Committee;

- Private Patient Income Review (discussed under agenda item 6.2)
- Construction (Design and Management) Regulations Process Review

Significant assurance was given in respect of the CDM regulations and that the Trust was fulfilling their obligations. MIAA recommended that the Trust put a procedure in place by 31<sup>st</sup> March 2017 to cover the CDM requirements to ensure that all staff had available a standard suite of documents needed for maintenance operations and the contractors used for maintenance operations.

Two areas reported as work in progress which would be reported to the Committee on completion concerned the Data Quality Strategy and Payroll.

MIAA confirmed they were on track with the plan for the Trust.

### **6.2 Private Patient Pathway Process Report**

The report provided details following a request from the Trust to review the processes in place for the management of private patient income and debt collection due to the recent escalation in the amount owed to LHCH.

Limited assurance was given with six recommendations made to the Trust;

1. A Private Patient Policy should be put in place
2. A formal process should be agreed to enable clear management interaction for the process of negotiating with insurance companies
3. Private Patient legacy debt should be recorded on the Trust risk

- register with a formal action plan put in place
4. Consider producing a specific risk register for the private patient function which would include financial risks, patient experience risks and staffing risks.
  5. Consider formalising the Private Patient Operational Group which should include officers from each of the key functions.
  6. Future plans of the private patient function should consider the provision to set fees which would allow a form of refund to the NHS Trust for legacy debt that is written off.

The Committee were informed that recommendations three and four had been actioned. The Private Patient Policy had been drafted and would be seen at the December 2016 Board of Directors for approval, therefore the recommendations that tied into this policy could then be actioned. Recommendation two would be considered as part of the operational strategy with the final decision being made by the Board of Directors.

The CFO recognised that the key issue was still historic debt and had now escalated this issue to her counterparts in BUPA to move forward and resolve the current situation.

The Audit Committee noted the content of the report and found it useful to understand the current position of the Trust and what work was being carried out in order to resolve the private patient debt issues.

### **6.3 2015/16 Top 10 Fraud Reports across the NHS**

The Audit Committee noted the report for information.

### **6.4 MIAA Management Board Members Briefing Pack**

Audit Committee were informed that LHCH was a member of MIAA's Management Board together with the Royal Liverpool and Broadgreen University Hospital Trust (RLBUHT), who were the companies Host, and Alder Hey Children's Hospital. The paper provided a comprehensive update on the;

- history, scale and development of MIAA;
- vision and future direction;
- nature of the risks and rewards associated with "ownership", now and into the future;
- actions that needed to be considered to mitigate risk and maximise value particularly with regard to governance and organisational form.

The report allowed Committee members to understand the scope of the services provided by MIAA including the range of their work, the size of the client base and the financial dimensions. Services are provided to over 70 organisations with a turnover of just over £6.5m per annum.

The risks and rewards of having management board membership were set out in the report with the main risk noted as collapse of the company and ensuing redundancy costs of an estimated £3.2m,

although mitigation plans were in place. A key reward of reduced fee rates and the ability to generate and distribute surpluses to reflect the risk of ownership was highlighted.

MIAA confirmed that alternative models had been looked at but it had been concluded that the shared service was the best option with both the Carter Review and oversight framework of NHS Improvement aligned to this model.

The Audit Committee welcomed the report as a useful summary which allowed Committee members to understand the structure and workings of MIAA in more detail.

## **7. External Audit**

### **7.1 External Audit Update Report**

The paper provided Audit Committee with the progress made thus far by the external auditors, with it being noted that the majority of the work starts to take place from November/December onwards.

The Trust was informed that there would be minor changes to the disclosures that Foundation Trusts were required to provide for the 2016/17 annual report and accounts.

Quality report guidance would be provided to LHCH in January 2017. It was noted that Grant Thornton would test the proposed local indicator of 'Post-Aortic Surgery Follow-up Call' chosen by the Governors and advise whether the data was sufficiently robust and to inform the limited assurance opinion for the 2016/17 Quality Report Audit.

The remainder of the report was noted for information with the emerging issues summary detailing general matters impacting the NHS found helpful.

### **7.2 Market Testing of External Audit Services**

Lucy Lavan informed the Committee that it was a statutory duty of the Council of Governors to appoint the Trust's external auditors and a market testing exercise would commence in order for the appointment to take effect from 1<sup>st</sup> October 2017.

An outline timetable was provided which set out the key milestones and suggested timeframe with Lucy Lavan requesting Committee members views on this timetable. It was noted that the presentations to selection panel would be suited to June 2017 rather than May due to the accounts process.

An Audit Task Group would be set up to facilitate the delivery of the key milestones comprising the following members;

- Up to four Governors; Mike Brereton, Trevor Wooding, Michelle Laing and Allan Pemberton
- Audit Committee Chair; Julian Farmer

- Two additional Audit Committee members; Marion Savill and David Bricknell
- Chief Finance Officer; Claire Wilson
- Associate Director of Corporate Affairs; Lucy Lavan

The group would also receive technical advice throughout the process from the Head of Procurement and Head of Financial Services and/or the Deputy Chief Finance Officer.

The Audit Committee supported the timetable and establishment of the task group and would recommend the paper for approval at the next Council of Governors meeting on 5<sup>th</sup> December 2016.

## **8. Governance**

### **8.1 Review Losses and Special Payments**

The paper updated the Committee on losses and special payments recorded for the period June 2016 to September 2016 and the governance arrangements associated with these payments.

In summary, for the period 1<sup>st</sup> June to 30<sup>th</sup> September 2016:

- There had been 4 new losses and special payments agreed with a total cost £3,861.48. Two of these related to lost patient property, one to the cost of funeral expenses for a deceased patient with no next of kin, and one for reimbursement of taxi fares following the cancellation of an operation.
- There had been one payment in the period relating to a historical permanent injury benefit.
- There was no expenditure which exceeded the £50,000 threshold requiring Board approval.

Appendix 1 of the paper provided a breakdown of all expenditure on losses and special payments for the period April to September 2016.

Further information was provided on permanent injury benefits and bad debt provision which the Audit Committee noted.

### **8.2 Review Single Supplier Tender Waivers**

There had been a total of eight tender waivers for the period July to September 2016, full details of which were provided in Appendix 1 of the report, with a summary of individual tender waivers provided below:-

- Consumables for X-ray Acist machine £116k – the only supplier available for these consumables was Acist Medical.
- 6 x Asena Infusion Pumps with regard to POCCU expansion project £11k – there was a clear benefit to be gained from the Trust standardising on reusable medical devices.

- Repair calibration on X-ray table £59k – the only supplier able to repair the existing table was Philips Healthcare.
- Gym hire for Knowsley Respiratory COPD Service £17k – there was clear benefit to maintaining continuity of current service – 5<sup>th</sup> year of using current venue.
- Gym hire for Knowsley CVD Service £12k – there was a clear benefit to maintaining continuity of current service – 6<sup>th</sup> year of using current venue.
- Purchase of external pacing devices, as agreed by clinical leads and Capital Management Group £50k – As per Trust standardisation on reusable medical devices, in order to reduce the risk and on-going costs by having one device model within the category in use. The 5932 model replaces the 5388 model (current Trust standardised model) to become the new Trust standardised model, using the current supplier.
- Expression MR400 + Expression IP5 MRI Patient Monitoring system £91k – this was the only model that met the necessary criteria. The only supplier able to provide this model was MRI Devices Ltd.
- Consumables for Spirostik system £31k – no alternative supplier, essential for Spirometry service and only available from Love Medical

Audit Committee noted that the waiver requirements were all due to a standard approach or where consumables were only available from a single supplier.

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

Lucy Lavan referred the Audit Committee to specific areas of the checklist which included;

- G2-revised control total for 2016/17 had been accepted and the Trust was on track to deliver it. The notification of control totals for 2017/18 and 2018/19 had been received and were under review with NHSI.
- G5-the new Single Oversight Framework ISOX1 was introduced on 1<sup>st</sup> October 2016 and was operating in shadow form. LHCH was currently placed in Segment 1 and the Board Dashboard would be amended to reflect the SOF indicators.
- P1-no services had been subcontracted but selected cardiac surgical cases were still being referred to University Hospital North Staffs, although formal notice had been given and LHCH would be repatriating these cases from April 2017.

The remainder of the checklist was noted by Audit Committee.



#### **8.4 Review of Register of External Visits/Reviews**

The Audit Committee noted the contents of the 2016/17 Register and welcomed the insight into the activity occurring in the Trust in relation to external visits. Item numbers 14 & 15 would be removed from the register as these visits related to routine audit visits.

#### **8.5 NICE Guidance Review**

The paper provided an update on the current position of the Trust against NICE guidance published during April to September 2016.

All NICE guidance published was tabled at the monthly Clinical Audit & Effectiveness Group (CAEG) meeting for review of its relevance to the Organisation. An excel spread sheet was kept to enable tracking and monitoring of all decisions made as to the relevance of each piece of guidance, with all decisions documented in the minutes of the group.

Two tables were shown in the report; one illustrating that all NICE publications had been reviewed by the CAEG, totalling 68 then the second table which provided a summary of those deemed relevant or potentially relevant by CAEG members, the date they were reviewed at CAEG and the current status.

The guidance the CAEG deemed relevant was then forwarded to the specific Clinical Lead who would then examine the report in further detail and if they deemed it relevant it would be disseminated to the Division who then had a responsibility to see the gap analysis which identified what elements are applicable and close any gaps. They would take ownership of the action through their own governance system and had 6 weeks to send a response. The one red report listed had only recently surpassed the 6 week deadline and therefore further steps would now be taken to gain a response.

The Audit Committee stated that the summary provided gave the assurance required for them to see that the procedures and processes in place were working. The format and level of detail in the report met the requirements of the Audit Committee members.

Mark Jackson left the meeting.

### **9. Audit Committee Workplan 2016/17**

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

David Bricknell asked the Committee to note that next year would see new issues arise surrounding the Charitable Funds Committee, ethical background, the Charities Act and the New Code of Governance. MIAA had been asked to include a review of the Charities policies and procedures as part of the 2017/18 internal audit plan.

## **10. AGS Issues**

The following items were noted;

- Private Patients Income Review-limited assurance received.
- Control Totals for 2017/18 to be highlighted in AGS as a future risk

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

Tuesday 10<sup>th</sup> January 2017, 3.00-5.00pm, Boardroom