

Audit Committee

Item 6.1.1.2

minutes

Minutes of the Audit Committee Meeting held on Monday 17th July 2017

Present:	Julian Farmer David Bricknell Mark Jones Darren Sinclair	Non-Executive Director (Committee Chair) Non-Executive Director Non-Executive Director Non-Executive Director
In Attendance:	Sarah Blackwell Cath Healey Mark Jackson Lucy Lavan Frankie Morris Michelle Moss Mike Thomas Claire Wilson Tony Wilding	Senior Internal Audit Manager - MIAA Executive Office Secretary (Scribe) Director of Research & Informatics (Item 3.2) Director of Corporate Affairs Deputy Chief Finance Officer Anti-Fraud Specialist - MIAA Director - Grant Thornton Chief Finance Officer Director of Strategic Partnerships & Chief Operating Officer (Item 5 & 6)
Apologies for Absence:	Nick Brooks Marion Savill Jo Whittingham	Non-Executive Director Non-Executive Director Senior Manager Audit - Grant Thornton

1. Apologies for Absence

As noted above.

2. Declarations of Interest Relating to Agenda Items

Mike Thomas declared an interest in item 9 and it was agreed that he should withdraw from the meeting during discussion on this item (Appointment of the External Auditor).

3. Anti-Fraud Report Update (Agenda item 4.3 refers)

The Anti-Fraud Specialist (AFS) provided Committee members with an overview of the MIAA Anti-Fraud Progress Report that provided information on the work that had been undertaken during Q1-2017/18. Highlighted activities and outcomes brought to the Committee's attention included:

Action

- The reporting dashboard indicated that both planned and work-in-progress were on track.
- The National Fraud Initiative to match electronic data within and between public and private sector bodies to detect and prevent fraud was progressing and data matches had been received from the Cabinet Office; appendix C provided an overview of the current standing whereby 27 payroll matches had been received, of which, 4 required further investigations.
- Items of Interest: the Department of Health (DoH) had launched a new organisational body in March; the NHS Counter Fraud Authority (NHSCFA) had been created to tackle fraud, bribery and corruption within the health service in England. It was envisaged that the unit would be established as an independent special health authority during Q2-2017/18. The AFS provided assurance to the Audit Committee (AC) that NHS Protect was still operational and would continue to function until NHSCFA was fully established.
- Fraud Alerts: One fraud alert relating to Scam Emails was highlighted for attention; appropriate action had been taken by the AFS to ensure relevant staff had received an alert via the Trust's communication channels to provide them with guidance as to what action, if any, should be taken if they received scam emails relating to Vodafone billing, O₂ billing, UPS shipments and payments to EUROSPARK Ltd.
- Anti-Fraud Communications: In June the AFS issued an article to provide information on timesheet fraud and available prevention measures; two screensavers were also issued which related to fraud and Cybercrime. The new communications had been shared with the Communications Team for Trust-wide circulation and use.
- Current investigation Activity: The AFS advised that one referral had been received during the reporting period which related to the abuse of position and was currently under investigation.
- MIAA Performance Indicators: all performance indicators had received a GREEN rating.

With no questions being raised by Committee members, for records it was noted that Michelle Moss left the meeting.

4. Governance and Risk (Agenda item 3 refers)

4.1 Annual Review of Governance Manual (Agenda item 3.1 refers) inclusive of:

4.1a Governance Manual Table of Contents (3.1a refers)

4.1b Key Updates of the Governance Manual (4.1a refers)

4.1c Appendix 3: Conflicts of Interest (3.1c refers)

The Director of Corporate Affairs (DCA) provided Committee members with an overview of the changes that had been made to the Corporate Governance Manual (CGM), noting that MIAA had coordinated the review, in order to provide assurance that the CGM was comprehensive and aligned with best practice.

Committee members were provided with a copy of the Contents Page for the revised manual together with a schedule of proposed amendments. A hyperlink for access to view the manual in its entirety had been provided in advance of the meeting.

Committee members noted the Gifts and Hospitality Policy and Declarations of Interests Policy had been superseded by the new 'Managing Conflicts of Interest Policy' which ensured the Trust complied with revised national guidelines which were due to come into effect in September 2017.

The revised national guidelines provided detailed guidance for staff in relation to 11 areas for which declarations were to be made. A key specific requirement was for the Trust to develop an electronic database for COIs which would be uploaded and visible via public domain (website). Committee members who had received an opportunity to trial the new system reported that the database was user friendly from ease of access, data input and navigation perspectives.

The DCA advised Committee members that a rolling educational programme including video and direct tutorial would be implemented; commencing at Director / Executive level and the cascading to members of staff at Agenda for Change band 8a and above.

The draft 'Managing Conflicts of Interest Policy' was presented for approval subject to one update that had been recommended by the Executive Team; Page 7, Item 7 - Decision Making Staff > bullet point 3 would now read:

Those at Agenda for Change 8a and above.

The Audit Committee supported both the new 'Managing Conflicts of Interest Policy', with noted text updates; and the revisions to the CGM and recommended for both these documents be approved for adoption by the Board of Directors (BoD) on 25th July 2017.

4.2 Review Losses and Special Payments (Agenda item 3.3 refers)

The CFO provided Committee members with an update on the losses and special payments for the reporting period (March - June 2017).

During the reporting period a total of 5 new loss and special payments had been agreed totalling £530; these related to:

- Two dental treatment related payments totalling £229; and
- Three payments relating to inpatient property loss totalling £301.

There was one instance of legal claim which resulted in the Trust paying an excess payment of £375; and two payments during the reporting period that related to a historical permanent injury benefit totalling £3,466.

There were 25 cases of credit notes being raised to write-off billing errors and the charge to the bad debt provision for these credit notes

totalled £97,677.

Appendix 1 provided a full breakdown on the expenditure on losses and special payments for the reporting property and Committee members noted that there were no individual expenditures that exceeded the £50k threshold requiring BoD approval.

With regard to bad debt provision the CFO reported that:

- Negotiations with Bupa were on-going;
- No debts had been written off during March;
- A detailed review of contractual differences had identified variance with billing rates and procedures and that a variety of action plans had been put in place to clear disputes and ensure future billing processes were brought into alignment;
- Credit notes totalling £97,677 had been raised against 25 invoices that had been provided for at 2016/17 year-end;
- A new Private Patient Strategy was being developed and the Trust had recently advertised for a Private Patient Manager;
- A detailed bad debt report was due to be submitted to the Integrated Performance Committee meeting being held on 24th July 2017.

Committee members acknowledged the content of the report; no further questions were raised.

4.3 Review Single Supplier Tender Waivers (Agenda item 3.4 refers)

The CFO provided Committee members with an update on the incidences of single supplier tender waivers recorded for Q1-2017/18 and the governance arrangements associated with these waivers.

During the reporting period (1st April 2017 - 30th June 2017) there had been 13 waivers totalling £663k; a full summary of the individual waivers was provided for reference.

Following discussions regarding suppliers providing standard items, such as blood gas analysers, being issued with single supplier waivers the CFO confirmed that these waivers related to specific pieces of kit that supported annual maintenance contracts which came into effect in April 2017. The CFO provided assurance to the Committee that the list of single supplier tender waivers was not contentious.

With no further questions being raised, Committee members noted the full content of the report.

4.4 Risk Management KPIs (Agenda item 3.2 refers)

The Director of Research and Informatics presented the Risk Management KPI Dashboard paper to provide the Audit Committee members assurance of the effectiveness of the Risk Management Policy; the following points and risk indicators were highlighted:

- **Datix:** The Trust had completed the implementation of Datix which provided a much improved user interaction and reporting of incidents plus integration of incidents, claims, complaints and risk registers. In June 2017 the Risk Management and Corporate Governance Committee (RMCGC) made a decision not to implement the risk register module of Datix as the functionality of the module offered had limitations in comparison to the Trust's bespoke Athena risk system. The Athena system was currently being further developed to provide responsible officers with enhanced functionality, including exporting data and email alert. The RMCGC would revisit the Datix offer in October 2018 prior to renewing the contractual agreement to determine whether the functionality of the risk register programme had improved sufficiently enough to warrant investment.
- **Red Dashboard Indicators:** included:
 - **Near Miss to Adverse Reporting Incident Rate:** The introduction of Datix had allowed staff to report near miss events; a function that was not available with the Trust's previous system (Prism). Prism allowed staff to report either near miss or no harm; with the increased level of reporting functionality in Datix where staff can report near miss / adverse 'no harm' event / adverse 'harm caused' event; staff appeared to be reporting a no harm event rather than a near miss. In spite of continued training under reporting of near misses was still evident and categorisation for the reporting system were currently under review by the RMCGC.
 - **Local Registers show Control, Assurance, Location and Owner:** An audit was undertaken in April 2017 which revealed an increase with assurances being recorded but a decline with the other measures. The Risk Manager would be completing a deep dive exercise and will visit risk register owners individually to guide them on best risk management practice.
 - **Risk Register Review:** As only 64% of the registers were showing evidence of recent review an RCA had been undertaken. Following the RCA it was noted that the risk registers were being reviewed but a housekeeping issue relating to the date of review required attention; remedial action was being undertaken to explore the possibility of automating the review date rather than relying on a manual entry process.
 - **Incident Reporting In-Year:** Although the overall number of incidents reported has increased since the Sign Up to Safety Campaign had been initiated, the incident reporting in-year had not increased in line with expected targets. Work had been planned to provide local visibility or ward and departmental dashboards to support future reporting; these would be rolled out in September 2017.
- **Amber Dashboard Indicators:** included:
 - **Open Incidents by Division:** Implementation of Datix had offered the ability of improved tracking of incidents that were open and enable timely closure through Divisional Governance processes. However, it was reported that the

full effect is not being delivered and senior staff had requested direct email alerts to notify them of individuals who had open incidents; this functionality was introduced in January 2017. Open incidents were reducing but more work was required to achieve the set targets. The Divisions were being pushed hard to resolve issues with timely closure but evidence from the recent audit indicated that, although the risks were being managed, the maintenance of the registers was a concern. The DCA advised that these concerns would be addressed during the 6-monthly Divisional Reviews which were scheduled to this month and would also be escalated to the Executive Team for attention and action.

MJ

The Director of Research and Informatics (DoRI) advised that the risk register audit would be repeated in September 2017; Committee members requested for the findings to be presented at the next AC meeting scheduled for 7th November 2017 and the report be structured on a priority point basis. Following further discussions it was agreed that the Risk Manager would provide the Non-Executive Directors with a risk management / risk register insight session.

MJ

MJ / HM

With no further questions being raised the DoRI was thanked for the updated and left the meeting.

5. Internal Audit (Agenda item 4 refers)

For records it was noted that Tony Wilding joined the meeting.

5.1 Internal Audit Follow Up Report (Agenda item 4.2 refers)

The Senior Internal Audit Manager (SIAM) presented the report that provided Committee members with an update on the progress that had been made toward the implementation of recommendations and whether the agreed actions had produced the intended effect.

The report provided a summary of the internal audit recommendations that had been followed up as of 30th June 2017; of the 48 recommendations that had been received at total of 35 had been implemented, 9 had been partially implemented, 3 had not been implements and 1 had been superseded. With regard to the 13 recommendations that were currently classed as outstanding; the SIAM advised Committee members that these were being address at a suitable pace and level of responsiveness.

There were two high level recommendations; one related to the creation of a Private Patient Policy which was being addressed by the Director of Strategic Partnerships & Chief Operating Officer (DSP/COO) and the CFO. The second high risk item related to the management of Private Patient Legacy Debt which was addressed by the CFO and Finance Team.

The CFO provided Committee members with a progress update for the Private Patient Strategy which had been presented at the recent Operational Board meeting, the following highlights were noted:

- Full business case currently being developed;
- Private Patient Manger position had recently gone out to advert;

- Finance department had been restructured to allow a dedicated team member to work with on a one-to-one basis with the Private Patient Manager 3-days per week.

With no further questions or concerns being raised, Committee members noted the full content of the report.

6. Community Admin Services Review - Final Report (Agenda item 5 refers)

The Trust had received the report from MIAA following a review of the Community Services which had been undertaken as part of the 2017/18 Internal Audit Plan.

The review had been requested to assess identified concerns relating to the timely administration of patient letters including referrals, reporting of test results and discharge letters. The overall objective was to review that the systems and processes were in place to ensure admin arrangements were robust in relation to patient correspondence including results reporting.

The report provided full details of the findings, recommendations and action plan; the breakdown of the risk ratings were summarised as:

- Incomplete Patients (Risk Rating: High) - at time of review 114 incomplete patients were identified; these were patients who had not received results or letters produced within the specified timeframe;
- Monitoring Arrangements (Risk Rating: High) - the daily safety huddle required improvements to include identified risk, allocated responder and deadline for action;
- Risks and Actions (Risk Rating: Medium) - Datix risk management reporting systems was not being effectively used; although risk had been identified they did not demonstrate allocated responder, actions to be taken and frequency of monitoring;
- Spot Checks (Risk Rating: Medium) - the internal KPI for spot checks were being conducted but no remedial action had been documented to evidence shared learning;
- Standard Operating Procedures (Risk Rating: Low) - although standard operating procedure (SOP) documents were available, review dates had not been set.

The report advised for follow-up work to be conducted in line with recommendations to confirm the implementation of agreed management actions within the next 12-months.

The DSP/COO provided Committee members with an update on progress made against the limited assurance report; including:

- Incomplete Patients (Risk Rating: High) - backlog down to 45 with new processes due to be implemented by 31st July 2017;
- Monitoring Arrangements (Risk Rating: High) - the daily safety huddles were being held 3 x daily and monitoring measures had been put in place;
- Risks and Actions (Risk Rating: Medium) - Datix risk register had been placed for team review in August 2017;
- Spot Checks (Risk Rating: Medium) - the diagnostic tests were

now being recorded on a daily basis and being checked off against an action log;

- Standard Operating Procedures (Risk Rating: Low) - the team were working with the education team to develop a training programme for new starters;
- The full action log would be circulated to Committee members after the meeting.

TW / CH

The DSP/COO advised the AC that steps were being taken to address future service provision and it was hoped these issues would be fully resolved in the short-term by taking the necessary actions in response to the recommendations in conjunction with the recruitment of new team leader. In the longer-term it was anticipated that the implementation of the electronic EPR system EMIS would help mitigate risks and strengthen controls.

MIAA were requested to perform a follow up review during Q3 and report back to the Audit Committee in January 2018. Tony Wilding was thanked for the update and then left the meeting.

SB

7. Governance and Risk (Agenda item 3 refers)

7.1 Compliance with Licence - Review of Quarterly Checklist (Agenda item 3.5 refers)

The DCA referred Committee members to specific areas of the Q1-2017/18 checklist including:

- **G2:** The 2017/18 control total had been agreed subject to key risks around NHS Wales being funded for HRG4+. The CFO advised Committee members that DoH England were liaising with DoH Wales to resolve funding issues; it was noted that the Trust would not be able to achieve its control total without the £2.3m income from Wales; but at this stage there was nothing more the Trust could do.
- **G6:** The Trust breached the RTT target in Month 2 but returned to compliance in Month 3; the breach related to an increase in the number of late referrals but this would not impact on eligibility for STF funding in Q1.

With no further questions or concerns being raised, Committee members noted the full content of the updated checklist.

7.2 CIP Delivery Assurance Report (Agenda item 3.6 refers)

The CFO presented an update on the Cost Improvement Plan (CIP) to Committee members; with the following concerns being highlighted:

- The 2017/18 financial plan had been predicted on the delivery of the £3.7m CIP and the achievement of the CIP had been identified as a key risk for the delivery of the 2017/18 financial plan;
- The Trust had a mixed track record for the delivery of CIP, in 2016/17 achieving £2.5m savings against a plan of £3.7m.

In response to the highlighted concerns, the Trust had adopted the following approach:

- The Project Management Office (PMO) had been established in

- 2016 and had reviewed and enhanced processes including a tracking matrix and Quality Impact Assessments (QIAs). QIAs had been signed off for ~30-40 schemes;
- The Business Transformation Steering Committee (BTSG) had been established to oversee CIP delivery;
 - CIP delivery rules had been established; these were identified as:
 - Target on 3% cost reduction for each of the four divisions;
 - Based on pro-rata pay and non-pay budgets;
 - Recurrent status only;
 - No minimal income schemes allowed.
 - The breakdown of the risks had been identified as:
 - £2,519,967 (68%) - low risk;
 - £404,000 (11%) - medium risk;
 - £691,000 (19%) - high risk, schemes that were being closely managed included CCU nursing, catering, community EPR and radiology on-call;
 - -£107,033 (-3%) - unidentified risk.
 - New schemes had been identified to replace high risk / failing schemes, these included:
 - 2017/18 Internal audit fee waiver of £80k;
 - Pre-op anaemia service, possible £70k;
 - Clinical service staff vacancies being reviewed with possible disestablishment of posts;
 - Non-recurrent medicine schemes c. £120k.
 - The CIP delivery YTD stood at 78% against plan;
 - A contingency of £800k was available to support in-year pressures.

Following discussions regarding future forward planning it was suggested that it might be beneficial to:

- Set the CIP target at a level higher than that required;
- Identify schemes greater in value than the set target;
- Aim to devise a 3-5year CIP rather than an annual one;
- Change the core messaging and cost improvement ethos from cost-cutting to waste reduction.

The CFO advised Committee members that an accountability framework had been established to incentivise Divisions around performance delivery. It was hoped that some monies from the contingency fund could be released to Divisions in Q3 to support e.g. training and education.

With no further questions or concerns being raised, Committee members noted the content of the presentation.

8. Internal Audit (Agenda item 4 refers)

8.1 Progress Report on Delivery of Plan (Agenda item 4.1 refers)

The Senior Internal Audit Manager (SIAM) presented the report that provided Committee members with an update on the summary of work completed by MIAA. Three reports had been finalised since the last AC meeting, including:

- Corporate Governance Statement;
- Consultant Job Planning Review; and the

- Community Admin Services Review.

Significant assurance had been provided following the evaluation of the job planning processes for consultants. The Trust had recently transferred the management of the job planning process over to a new electronic system - Allocate, and an action plan was in place to address the other recommendations.

Limited assurance had been given for the Community Admin Service Review; it was noted that this item had been discussed and members were asked to refer to minuted item 6.

Committee members were advised that the following pieces of work were in progress and would be reported on upon completion:

- Health & Safety Risk Assessment Review;
- Employee Expense System Review (off-plan).

Committee members were requested to approve the postponement of the following pieces of work:

- Cyber Security Review - LHCH management request received to defer until Q2-2017/18;
- Mobile Computing Review - LHCH management request received to defer until Q2-2017/18.

MIAA confirmed they were on track with the plan for the Trust and with no questions being raised the content of the report was noted by Committee members.

8.2 Audit Committee Update - Events, Briefing Note Series and Benchmarking (Agenda item 4.4 refers)

The Committee noted the report that was provided for reference of the upcoming conferences and events that were provided free-of-charge to LHCH as part of MIAA's service provision.

9. External Audit (Agenda item 6 refers)

9.1 External Audit Update Report (Agenda item 6.1 refers)

The Director - Grant Thornton presented the progress report which confirmed that the 2016/17 Final Accounts and Quality Report had been delivered on 30th May 2017 ahead of the specified deadline.

Committee members noted that progress outlined against the 2017/18 was subject to reappointment.

The remainder of the report was noted for information only and related to emerging issues and developments that may affect the Trust and impact on the wider NHS economy.

For the purpose of the minutes it was noted that Grant Thornton intended to attend the combined Council of Governors / Annual Members Meeting being held on 25th September 2017 to provide a presentation on their 2016/17 audit.

10. Update on HMRC Changes (Agenda item 7 refers)

The CFO provided details of the changes that had recently been made to Her Majesty's Revenue and Customs (HMRC) rules and regulations regarding off-payroll workers; changes were referred to as IR35.

The new IR35 rules would apply to off-payroll workers in the public sector for payments made on or after 6th April 2017; and moved responsibility for deciding whether the off-payroll rules for engagement applied and that appropriate deductions for tax and NIC were being made.

To ensure the Trust complied with the new legislation the following actions had been undertaken:

- Retrospective review of all payments made in 2016/17 to identify any intermediary payments;
- Employment status test undertaken for any intermediary arrangement that continued from 6th April 2017;
- Standard Operating Procedures (SOP) and guidance had been developed in conjunction with new payroll provider; the revised SOP centralises processes for new engagements which were now managed through HR;
- Educational messages circulated via the Trust's communication channels to ensure Heads of Departments were aware of the new guidance.

The CFO provided the Committee with assurance that the Trust had centralised all engagements with intermediaries and introduced new SOPs and guidance for staff to ensure objectives are met and in line with legislative changes. In answer to raised queries the CFO confirmed that there were no significant issues with locums or agency staff as these were booked via 3rd party agencies who were responsible for deducting tax and NIC at source.

With no further questions or concerns being raised, Committee members noted the content of the report.

11. Well Led Review - Consideration of Issues for the Audit Committee (Agenda item 8 refers)

The DCA provided an overview of the paper that provided details of the Trust's response to the recent Well Led review and asked Committee members to determine whether there were any further opportunities for improvement that had not been reflected in the report's key findings and action plan.

One point raised during discussions related to the content and layout of committee reports; Committee members noted that some reports are voluminous and recommended the following standards:

- Effective writing of the Executive Summary to ensure it contained the core details of the report;
- Place Key Recommendations in the lead part of the report; to ensure these led on from the Executive Summary;
- Committee Chairs and Executive Leads would review and work to improve the quality of papers where needed.

All

NEDs /
Exec Leads

The Committee noted the full content of the report and the management response which was being monitored by the Board.

12. Appointment of External Auditor - Report from Audit Task Group (Agenda item 9 refers)

Mike Thomas, Director from Grant Thornton left the meeting whilst remaining Committee members discussed the recommendations of the Audit Task Group.

The Audit Committee Chair noted that he had been advised that Jo Whittingham would be leaving the team and that Georgia Jones would be assigned the role of Audit Manager. The Committee had no concerns regarding this change to the team.

Following review of the Contract Award Recommendation Report the Audit Committee noted that they would recommend the appointment of Grant Thornton UK LLP as the Trust's External Auditor to the Council of Governors. It was noted that the contract would run for a 3-year period at the cost of £50,350 plus VAT with the option to extend for two further 12-month periods.

13. Review of Audit Committee Work Plan (Agenda item 10 refers)

For records it was noted that the Director from Grant Thornton re-joined the meeting.

Committee members reviewed the Work Plan and noted that the MIAA Internal Audit Plan Annual Report that would be presented in March 2018 would be in draft format.

14. Minutes of the Meeting held on 30th May 2017 (Agenda item 11 refers)

The minutes were approved and accepted as a true record of the meeting.

15. Review of Action Log (Agenda item 12 refers)

Item 1 - CTP

Training scheduled for 5th September 2017 and would be targeted at providing the Non-Executive Directors with a broad understanding of CTP and key issues for the Trust.

Action: Oral update/feedback to be provided in November 2017.

Item 2 - Action marked and complete and removed from log.

Item 3 - Update on HMRC changes discussed under agenda item 7; action marked as complete and removed from log.

Item 4 - Item review date revised to November 2017.

16. AGS Issues (Agenda item 13 refers)

No issues were raised.

17. Date and Time of Next Meeting (Agenda item 14 refers)

Tuesday 7th November 2017 at 12noon - 2:00pm in the Boardroom.

18. NEDs Private Meeting (Agenda item 15 refers)

For records it was noted that a private meeting was held with the Non-Executive Directors and both Internal and the External Auditors.