

Cover report to the Trust Board meeting to be held on 3 February 2022

Trust Board paper K

Report Title:	Audit Committee – Committee Chair’s Report (formal Minutes will be presented to the next Trust Board meeting)
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Reporting Committee:	Audit Committee
Chaired by:	Mike Williams – Non-Executive Director
Lead Executive Director(s):	Rob Cooper – Interim Chief Financial Officer
Date of meeting:	17 December 2021

Account of key public matters considered by the Committee and any related decisions made:

This report provides a summary of the key public issues considered at the Audit Committee on 17 December 2021:

- **Statutory Recommendations Progress update** – the Deputy Financial Improvement Director introduced paper E, detailing the status of the Statutory Recommendations relating to Financial Reporting, Governance and Financial Sustainability (as at 19 November 2021). The report was taken as read and confirmation was provided that each of the responsible/accountable officers had contributed to the preparation of their relevant sections of this report. In summarising the key areas of progress, the Deputy Financial Improvement Director highlighted that:-
 - (a) Statutory Recommendation 1 – the Board Development Programme had been paused pending the recruitment of 3 new Non-Executive Directors, 1 Associate Non-Executive Director and 3 Executive Directors;
 - (b) Statutory Recommendation 2 – an update on the draft 2019/20 and 2020/21 Annual Reports featured elsewhere on today’s agenda (Minute 96/21/4 refers);
 - (c) Statutory Recommendation 3 – uptake of the training programme for budget holders currently stood at 96.71%;
 - (d) Statutory Recommendation 4 – a report on the management of change process within the Finance Directorate featured elsewhere on today’s agenda (Minute 97/21/6 refers);
 - (e) Statutory Recommendation 7 – a review had been undertaken of the Trust’s accounts preparation processes and detailed planning was underway for the 2021/22 accounts production with good engagement from KPMG (the Trust’s incoming External Auditor), and
 - (f) Statutory Recommendation 9 – work continued to develop the Trust’s Medium Term Financial Plan and an update would be presented to the Trust Board in January 2022;
- **Internal Audit Progress report** – the Trust’s Internal Auditor reported on the overall good progress that had been made since the October 2021 Audit Committee meeting. Much of the work programme was moving forwards in a positive way, although there was a fair amount of work to be completed before the end of the financial year through ongoing engagement with the Trust. Paper G provided the summary of progress against the 2021/22 Internal Audit Plan, advising that the final report had been issued in respect of the review of Data Quality (diagnostic waiting times) which featured later in this agenda (Minute 97/21/2 below refers). The draft reports for the review of Staff Health and Wellbeing and Financial Systems Part 1 had been circulated for comments and these would be presented to the January 2022 meeting. Proposed changes to the Internal Audit Plan for 2021/22 had been supported by the Executive Board and the review of Estates and Facilities procurement processes would be deferred into the 2022/23 financial year. It had been suggested that a review of Estates and Facilities Payroll Processes would be useful, but this had been deferred from the 2021/22 year as this was the subject of an ongoing review by Kingsgate. A review of Estates and Facilities car parking income would now be undertaken during 2021/22 instead of the procurement processes review and consideration was being given to undertaking an additional review of Data Quality (cancelled operations on the day) to utilise some of the days allocated to the review of Governance due to the changes that were taking place within the Trust. Mr A Johnson, Non-Executive Director expressed his surprise that an internal audit review of Estates and Facilities Payroll Processes was not being planned at the current time as there were some potential inherent weaknesses in this area. In response, the Internal Auditor advised that PwC had reviewed the scope of the Kingsgate improvement workstream and determined that it would be more helpful for a future Internal Audit review to focus on the impact of any changes

implemented as a result of the Kingsgate improvement work. There were currently 12 overdue and outstanding actions from previous Internal Audit Reviews. Of these, 9 required an extended deadline and 3 had not been updated since they had fallen due. It was noted that the position had much improved and reflected a significant focus on responding to outstanding internal audit actions by the Trust. The Audit Committee Non-Executive Director Chair commented upon the need to update some of the outstanding audit actions with the names of new post holders, given that several of the lead officers no longer worked at the Trust and Internal Audit confirmed that work was underway to update the named leads on the TrAction system. A short discussion took place regarding the average number of days that Internal Audit actions were overdue by and the lack of credibility demonstrated by 100 day plus outstanding actions, and the Committee noted the importance of setting realistic target dates going forwards;

- **Internal Audit Review of Data Quality – Diagnostic Waiting Times (Medium Risk)** – Internal Audit introduced paper H detailing the findings of the Internal Audit review of the quality of data being reported to the Trust Board in relation to 6 week diagnostic test waiting times. Ms D Mitchell, Acting Chief Operating Officer and Ms P Vaughan, Deputy Acting Chief Operating Officer attended for this item. Multiple different and complex clinical systems and manual processes were utilised by multiple Clinical Management Groups (CMGs) to collate and record this data and the processes followed to validate the data had become less manageable since the Covid-19 pandemic and the growth in waiting list numbers. The findings were presented in broad themes relating to governance (devolved processes and the development of standard operating procedures) and business as usual (irregular and informal meetings). An isolated area of the Trust had been applying the ‘clock start’ guidance incorrectly and this was now being addressed and a few clinical coding issues had arisen which seemed to demonstrate a lack of resources for the validation work. The manual nature of paper referrals was creating service inefficiencies, but this was a known issue which was being picked up within the transformation of outpatient services.

The Deputy Chief Operating Officer commented upon the increased pressure currently being experienced by the skilled administrative workforce and the links between the actions for addressing the findings of this review and the workstream to reduce cancelled operations. Arrangements were being made for additional resources to improve the process for validating the data. The Acting Chief Operating Officer also briefed the Audit Committee on the development of a new Patient Administration System (PAS). In response to queries from the Audit Committee Non-Executive Director Chair, the Deputy Chief Operating Officer confirmed that the target dates for the actions to respond to the findings of the review were achievable, although the PAS solution would take between 12 and 24 months to develop and implement. She also highlighted the key areas of risk in relation to patient quality and safety in terms of delayed treatment or potentially being ‘lost to follow up’, despite the failsafe systems that were in place which currently relied upon human processes. Col (Ret’d) I Crowe, Non-Executive Director emphasised the absolute importance of preventing patient harm through appropriate focus on improving waiting list systems and prioritisation of the new PAS over and above other IM&T projects. Discussion took place regarding the governance process for monitoring progress with the development of a new PAS system and the Acting Chief Operating Officer suggested that this theme would be monitored by the new Operations and Performance Committee going forwards. Internal Audit advised that the development of the new PAS would be a key component within their forthcoming review of the eHospital Programme. Responding to a further query from Mr A Johnson, Non-Executive Director regarding the project management arrangements, the Deputy Chief Operating Officer confirmed that a project team was already in place to progress this scheme (led by the Chief Information Officer with Ms S Taylor, Assistant Director of Operations for Planned Care in the capacity of Senior Responsible Officer);

- **Bi-Monthly Counter Fraud Progress Report 2021/22** – the Local Counter Fraud Specialist introduced paper I, providing a summary of progress against plan, detailing the referrals received and communications material shared with the Trust. Delivery of the Annual Counter Fraud Workplan for 2020/21 was all on track and the first meeting of the reconvened UHL Fraud Risk Group had been held on 13 December 2021. In response to a query from the Audit Committee Non-Executive Director Chair regarding any emerging themes or issues, the Local Counter Fraud Specialist reported on the need for all NHS Trusts to remain vigilant to detect any instances of employees working elsewhere whilst they were taking sick leave or working from home for their substantive Trust. It was particularly noted that the hearing for case reference 1906 would be held ‘in absentia’ if the individual did not attend on 6 January 2022. A short discussion also took place regarding the Trust’s performance in terms of Counter Fraud cases, during which the Local Counter Fraud Specialist advised that UHL was not an outlier, and that there were not any reliable metrics by which a Trust could be measured. The number of counter fraud referrals was sometimes seen an indicator that a Trust had robust processes in place to detect fraud. The turnaround time for referrals and investigations might be a better way of monitoring performance;
- **UHL Risk and Assurance Report (including the Board Assurance Framework)** – the Head of Risk and Assurance attended to present paper K, providing an overview of the current systems and processes in place at UHL to manage the risk control and assurance environment. Appendix 1 provided the current iteration of the Board Assurance Framework (BAF) and appendix 2 provided the Organisational Risk Register report as at 30 November 2021. Following a Trust Board Workshop in September 2021 it had been agreed that the BAF process

would be updated to align more closely with the supporting priorities underpinning UHL's Quality Strategy. However, it had subsequently been agreed at an Executive Planning Meeting in October 2021 that this work would be paused, pending the development of UHL's new Business Strategy. In the interim period, the existing BAF was being maintained so that the established governance process could be utilised to identify any matters of strategic importance requiring onward escalation to the Trust Board. The Organisational Risk Register was continually being updated and reviewed by the respective CMGs/Corporate Directorates and reported to the Executive Finance and Performance Board on a monthly basis. The web version of the Datix Risk Register was due to be launched in early 2022 and it was expected that this would improve the agility of the process going forwards. It was confirmed that PwC were supporting this workstream and that learning and examples of best practice were being sought from other private and NHS organisations. In discussion on the report, the Audit Committee:-

- (a) highlighted that Principle Risk 3 re: workforce sustainability and the potential impact of the Omicron variant upon staff sickness levels and the associated effect on clinical capacity. Contingency plans were being developed to prepare for sickness levels of 25%, 35% and 50%;
 - (b) commented upon the number of high risks that were being presented in the report and the length of the timescales to reduce these risks to a more acceptable target risk rating and queried to what extent wider NHS and System colleagues were aware of the significant risks that UHL was carrying. The Audit Committee Non-Executive Director Chair responded that there was good awareness of the issues but in most cases, there was very little that could be done to reduce the risks in the short term. The complex nature of some of the composite principle risks within the BAF made it difficult to change the overall risk score to reflect improvements in individual areas;
 - (c) noted that some of the references to Board Committees within the BAF required updating to reflect recent changes to the governance structure, also commenting on the number of boxes which had not been populated and the need for the BAF to focus on time-based tasks to achieve the target risk score;
 - (d) observed that the dates of the Audit Committee deep dives were some time ago now and queried whether UHL's risk assurance process was agile enough, given the pace of the emerging issues (eg the Omicron variant). Responding to these points, the Head of Risk and Assurance advised that the Audit Committee's programme of deep dives had been paused at the start of the Covid-19 pandemic. The Risk Register would be updated during December 2021 to include the impact of the Omicron variant and the updated report would be presented to the January 2022 Executive Strategy Board, and
 - (e) reported on the development of a working group which was reviewing the strategic risks affecting the NHS nationally. This group was being chaired by the Interim Director of Corporate and Legal Affairs and it had held its inaugural meeting on 16 December 2021. In view of the timescale for production of the new BAF, the level of risk and UHL's current exposure, he advocated that the Trust invested time in updating the current version of the BAF and making it fit for purpose. The updated BAF was scheduled to be presented to the public Trust Board meeting on 3 February 2022;
- **Contract Management Update** – the Head of Procurement and Supplies attended to present paper N, providing an update on progress towards completing the management actions arising from the Internal Audit review of Contract Management and the next steps in line with the Commercial Continuous Improvement Assessment Framework (CCIAF). Section 3.3 provided the outputs of the self-assessment against the CCIAF Good criteria. The report was taken as read and a short discussion took place regarding people skills, contract management training and the arrangements for implementing the Atamis Contract Register. The Audit Committee approved a proposal for a temporary extension of the outstanding Internal Audit actions until 30 June 2022. Mr A Johnson, Non-Executive Director provided his view that the position statement set out in paper N appeared to be accurate and the Trust was making reasonable progress in improving its contract management arrangements. The Procurement Contracts Committee seemed to be supporting an improvement in good practice and the arrangements for emergency contract award authorisation a few weeks earlier had been more organised and less reactive than previous processes, demonstrating a marked improvement. Finally, the Audit Committee Non-Executive Director Chair emphasised that the required improvements in contract management culture and behaviours extended beyond the Procurement Team and affected the whole organisation. The Head of Procurement and Supplies supported this view, although the Procurement and Contracts Committee was helping to raise awareness of the issues. He also advised that the Clinical Support and Imaging CMG was in the process of appointing to a dedicated contracts lead post in view of the number of high value contracts they managed, and
 - **Discretionary procurement actions** – paper O listed 23 instances in which regular procurement processes had been waived during the months of October and November 2021. There were a further 25 such requests which were either awaiting approval or undergoing scrutiny and challenge. As per his usual practice, the Audit Committee Non-Executive Director Chair confirmed that he would be selecting one or two of these waivers for a 'deep dive' of the supporting documentation (outside the meeting).

Items for noting:

- **Quality Committee Minutes of 30.9.21 and summary of 28.10.21** – received and noted as papers P and P1;
- **People and Culture Committee Minutes of 28.10.21** – received and noted as paper P2
- **Finance and Investment Committee Minutes of 30.9.21 and 28.10.21** – received and noted as papers P3 and P4, and
- **Charitable Funds Committee Minutes of 15.10.21** – received and noted as paper P5

Public matters requiring Trust Board consideration and/or approval:

Recommendations for approval:-

- None

Public items highlighted to the Trust Board from this meeting:-

- Internal Audit Review of Data Quality (Diagnostic Waiting Times) and the urgency of the work to develop a new Patient Administration System (PAS), and
- Risk and Assurance Report (incorporating the Board Assurance Framework).

Public matters referred to other Committees:

- none

Date of next meeting:

21 January 2022