

Agenda item 3.ii

Report to:	Board of Directors	Date: 1 April 2021
Report from:	Chair of the Audit Committee	
Principal Objective/ Strategy and Title	GOVERNANCE: To update the Board of Directors on discussions at the Extraordinary Audit Committee meeting on 18 March 2021	
Board Assurance Framework Entries	FSRA BAF (Unable to maintain financial, operational, and clinical sustainability)	
Regulatory Requirement	Regulator licensing and Regulator requirements	
Equality Considerations	Equality has been considered but none believed to apply	
Key Risks	Non-compliance resulting in financial penalties	
For:	Information	

1. Significant issues of interest to the Board

The Audit Committee held its scheduled meeting on the 18 March 2021 for which the main focus of the Part 1 meeting was to get progress reports from the Internal Auditors, RSM, review and approve the second draft of KPMG's (External Auditors) Annual Audit Plan for 2020/21 and recommend to the Board the approval of the Bad Debt write off of £0.343m.

The meeting started off with an apology from the team at RPH about the personal details that were attached to the papers that were sent out to the Audit Committee. The matter had been discussed with the Trust's Information Governance lead in detail and raised as a "near miss" and logged as a Datix incident. Processes have now been put in place to prevent this happening again in future. The Committee members were asked to keep the information secure and not spread it any wider. All members were asked to delete the paper set after the meeting as new version of the papers will be issued with the details removed.

Progress Report – RSM

RSM's contract is coming to an end, so it was important for the Audit Committee to establish if the outstanding work will be completed in time for the year end accounts and a complete and fair Head of Internal Audit opinion for the annual accounts.

For Local Counter Fraud there are two main reports that are still in progress. The first is the Triangulation of the Association of British Pharmaceuticals Industry (ABPI) data to Trust's data to establish if declarations of RPH employees are complete. The second is on payroll where the focus is on ghost employees and staff continuing to be paid after cessation of employment. Management actions have been agreed for these reports so just awaiting final sign off. So far nothing material has emerged.

There are two on-going fraud investigations which are nearing conclusion.

Under General Internal Audit, there are two reports that have not yet been finalised at the time of writing, Contract Management PFI and Pharmacy. Drafts of the reports had been issued and awaiting management response. The Committee was assured by the CFCO that the management responses to these audits will be submitted by the 31 March 2021. The draft reports have not signalled any material concerns in these areas.

Head of Internal Audit Opinion

The Head of Internal Audit Opinion is expected to conclude that the Trust has an adequate and effective framework for risk management governance and internal control. This is based on not issuing any 'no assurance' (red) opinions to the Trust during the year and issuing two reports with 'partial assurance' (negative) opinions but with four report with positive opinions (two substantial and two reasonable assurances).

RSM told the Committee that they have been having meetings with the new internal Auditors BDO to ensure a smooth hand over of work. The Committee was assured that the risk of internal audit work being incomplete was low.

2nd Draft of Indicative Audit Plan – KPMG

KPMG presented their 2nd draft plan which outlined their risk assessment and the audit approach for the 2020/21 external audit. There were no material changes from the first draft presented at the 18 February 2021 meeting.

The Committee agreed to recommend that the Board approves the Audit Plan and the indicative fees of c.£90k.

Bad Debt Write Off

The Committee was presented with detail reports of the proposal to write off of debts totalling £0.343m which represented 246 invoices. The financial amount is three times larger than bad debt write offs in the past and is due to a detailed review of the debts and an assessment of whether they are recoverable.

The significant amounts were five invoices that were over £10k of which four were for private patient invoices and one for a transplant drug invoice totalling c£70k. There were several debts for other NHS bodies c £50k, debts for BUPA totalling c£84k and other private patient care debts, under £10k, totalling c£130k.

The Committee sought assurance that all had been done to recover the debts before asking for write offs and that was received from the CFCO. The risk of a similar level of write offs in the next financial year, the Committee was assured, is low as processes have been improved to either prevent or recover debts. However, 2020/21 write offs were debts up to 2019 so there may be some debts that are being pursued at present that may turn out to be irrecoverable due to the improved process not being in place for these debts and may have to be written off in the future.

2. Key decisions or actions taken by the Audit Committee

Approval of the 2nd draft of the External Audit Indicative Audit Plan

Approval for submission to the Board the write off of bad debts totalling £0.343m for the financial year 2020/21.

3. Other items of note

- A report was given on the technical items that the Trust is working through with the External Auditors for the 2020/21 accounts. These covered issues that might have a material impact on the Trust's accounts. The Committee was assured that these items were being dealt with appropriately and will ensure the maintenance of fair and accurate recording for the Trust's accounts.
- A meeting is being set up to review the BAF reporting.

4. Recommendation

The Board notes the key decisions and actions taken by the Committee.