

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 February 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 an Extraordinary meeting on the 18 February 2021 for which the main areas of business in the Part 1 of the meeting were the reviews of the External Audit's (KPMG) Indicative Audit Plan, review of the Annual Reports and Committee's Annual Self-Assessment.

The recommendation of the Internal Auditors to be appointed following the tender exercises concluded in February 2021 was discussed in Part 2 of the meeting and will be a separate report to the Part 2 Board.

Indicative Audit Plan – KPMG

KPMG presented their draft plan which outlined their risk assessment and the audit approach for the 2020/21 external audit. There were four areas of significant risks and one area of audit focus that were highlighted at the meeting.

The four areas of significant risks were:

- Valuation of land and buildings
- Recognition of NHS & Non-NHS income
- Management override of controls
- Completeness of non-pay expenditure

Using their historical knowledge of the Trust, KPMG has assessed the above areas at the same levels as last year, i.e., stable, and therefore no heightened risk for the Trust.

The audit focus will be on Going Concern which is the area that the Regulators have specifically asked to be covered. This is due to the changes in the UK auditing standard

for Going Concern and requires additional detailed substantive procedures to be followed by the Auditors.

The Value for Money work for the Auditors has also increased. They will be required to obtain an understanding of the key processes the Trust has in place including financial management, risk management and partnership working arrangements to ensure adequate risk assessment and management.

Concerns were raised about the 29% increase in the Audit Fees from £69k to £90k and further discussion took place in part 2 of the meeting which will be elaborated on in the Part 2 report.

In Appendix 8 to the Indicative Audit Plan, there was a report on the 2020 Audit Quality Review (AQR). This is a report from the team of the Financial Reporting Council (FRC) who undertake independent inspections of the overall quality of the audit work of those UK audit firms that audit listed and other major public interest entities. On reading the full report it became quite clear that the FRC had some concerns about the achievement of consistent high-quality audit carried out by KPMG. After a lengthy discussion where KPMG gave assurance that the quality of the work that KPMG provides to the Trust is of a high quality it was concluded that the Trust had sufficient evidence to gain assurance of the quality of the work from historical as well as current performances by the Auditing team assigned to Royal Papworth.

Review of Annual Reports

The Committee was asked to review the following documents:

- 5.1 DN142 Standing Orders of the Board of Directors
- 5.2 DN140 Standing Financial Instructions
- 5.3 DN137 Scheme of Delegation
- 5.4 TOR001 Audit Committee Terms of Reference

All the documents were discussed and subject to amendments agreed in the meeting, the documents were approved for submission to the Board for adoption.

Audit Committee's Self-Assessment

The Committee members were asked to complete the self-assessment questionnaire ahead of the meeting. Overall, there was positive feedback on the performance of the Committee in 2020/21.

There were three questions in the survey where the response was not completely positive.

Q8: The committee has structured its agenda to cover, quality, data quality, performance targets and financial control

It was felt that better alignment could be made between the Quality & Risk and Audit Committees. It was suggested that refining the use of BAF to ensure that quality risks are being identified and managed may be the solution. It was agreed that a working party will help to review the reporting of risks and the BAF and make recommendations to the Board.

Q14: Internal audit contributes to the debate across the range of the agenda and not just on the papers they present.

It was felt that this could be improved upon.

Q21: At the end of each meeting, we discuss the outcomes and reflect back on decisions made and what worked well, not so well etc.

It was agreed to include as an agenda item so that it can be formally minuted.

2. Key decisions or actions taken by the Audit Committee

Approval of the 1st draft of the External Audit Indicative Audit Plan

Approval of the following internal documents:

- 5.1 DN142 Standing Orders of the Board of Directors
- 5.2 DN140 Standing Financial Instructions
- 5.3 DN137 Scheme of Delegation
- 5.4 TOR001 Audit Committee Terms of Reference

The Committee concluded, in its overall evaluation of the self-assessment, that the Committee's performance was Strong.

3. Other items of note

- The first draft of the Annual Audit Committee report which forms part of the Annual Reports & Accounts was given to the Committee for review. Comments are to be sent to the Trust Secretary and a second draft will come back to the Committee in March and then the final in June 2021.
- The Compliance with Clinical Audit report was also presented to the Committee. It was noted that the report details the process and not the outcomes. It was agreed that if the Quality & Risk Committee is happy with the reports then that gave sufficient assurance for the Audit Committee.

4. Recommendation

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