

Agenda item 3.iii

Report to:	Board of Directors	Date: 3 November 2022
Report from:	Chair of the Audit Committee	
Principal Objective/ Strategy and Title	GOVERNANCE: To update the Board of Directors on discussions at the Audit Committee meeting on 13 October 2022	
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

Summary

The main order of business for the Committee was the review and approval of the Charity's Annual Report and Accounts 2021/22 which was given a full clean audit by the External Auditors, KPMG.

Progress reports were received from BDO for Local Counter Fraud (LCFS) and Internal Audit and the Committee was assured that the planned target dates for audits are being maintained.

The "Conflicts of Interest Compliance" report was also received by the Committee and whilst there has been a slight improvement in percentage terms it was on a lower denominator.

The Committee was able to discuss in detail the two latest final reports from Internal Audit on Data Quality & PIPR 2021/22 and on M.Abscessus. There were two benchmarking reports presented that showed the Trust doing well against its peers, and the Committee also approved the Terms of Reference for the mandatory HFMA Financial Sustainability Audit that must be completed by 30 November 2022.

The first Salary Overpayments report was presented to the Committee which gave the background and the base line for future monitoring to take place. The new style report on Waivers to Standing Financial Instructions (SFIs) was also presented and reviewed and was welcomed and will be the standard format at future meetings.

BDO Local Counter Fraud Service (LCFS)

The LCFS gave an update on progress against the planned activity for 2022/23 and the Committee were assured that work is going according to plan.

A second occurrence of attempted credit card fraud was detected and prevented/refunded. The first time was in July 2022 where a small number of transactions were identified and refunded. On this occasion there was an increase in the attempts identified, and more of these were successful (all of which have been refunded). We remain vigilant to this fraud and continue to report all instances identified.

LSFS were going to put the status for this investigation to “closed” but the Committee has asked that it is put to “pending” until the outcome of the investigation by the payment platform (the lead investigator) is concluded and we have an action plan that will minimise the risk. Whilst the Trust is not likely to lose money the reputational risk is high for RPH.

Conflict of Interest Compliance Report

The report shows that the 85.1% of the decision-making staff have recorded a current or nil declaration on the ESR system. This is 160 out of a total of 188. Whilst prima facie this shows a material improvement, percentage wise, in absolute numbers it is only two more people since the last reports (as it was 158 out of 195).

The Committee has asked that this is given greater scrutiny by the Executive Team and the possibility of sanctions for non-compliance.

It is hoped that an improved position will be seen in the next report.

BDO Internal Audit Service (IA)

The Committee was assured that progress on the planned internal audits for 2022/23 are progressing as per the agreed plan.

The two final reports that were presented were

- Data Quality & PIPR 2021/22
- M.Abscessus

Both reports were given “Moderate” for their Level of Assurance out of the four assurance levels of ‘substantial’, ‘moderate’, ‘limited’ or ‘no’.

For the Data Quality & PIPR report, whilst the overall assessment is likely to stay at “Moderate” there was a challenge that the medium rating of the significance of the finding “that data is not verified and checked to ensure that it is correct” was not reflective of how PIPR is used and the triangulation it gives to the readers. The Committee advised that it should be rated at a “low” significance. However, it was agreed that spot checks on quality of the individual data should be carried out to give assurance on the dependability of the triangulation.

It was felt that the M.Abscessus level of assurance at “Moderate” was a fair assessment. The main finding with a medium rating was that only 51.40% of the Trust’s staff including temporary staffing (57.09% excluding temporary staffing) had completed their compliance training.

BDO Benchmarking Reports

BDO also presented two Benchmarking reports. The first was for “Internal Audit Annual Report Benchmarking 2021/22” which provided comparative information across BDO’s

NHS clients relating to the internal audit assurance opinions provided in 2021/22, along with the number and relative proportion of recommendations and the priority level assigned. This report assesses how Royal Papworth Hospital NHS Foundation Trust compared to its peers so that inferences can be drawn and used to further strengthen the Trust's internal control environment.

Overall, the Trust was seen to perform above average when compared to other Trusts.

The second report was the "Single Tender Waivers Benchmarking Report for 2021/22". Single tender waivers may be required to allow for procurements to be achieved without full tendering processes when a purchase may be time critical, or it may not be possible to go to the open market as there are no other suppliers or where continuity is required. The use of single tender waivers must be appropriately controlled to ensure that they are used only when required, and not to bypass formal procurement procedures. Overuse or weak control of single tender waivers may result in organisations not achieving best value for money or best service available and may be used to continue relationships with businesses that would not satisfy procurement requirements or where a conflict of interest has not been adequately declared.

Overall, the report shows that the Trust is doing well against its peers as it has a below average number and value of waivers compared to the comparative group.

HFMA Financial Sustainability Audit Terms of Reference

On 20 May 2022, a letter from Julian Kelly (CFO for NHSE/I) detailed that by 31 August 2022 all systems and organisations will be required to commission internal audit to produce a report for their respective Audit Committee's covering the most recent HFMA publication – Improving NHS Financial Sustainability: are you getting the basics right? This internal audit should highlight areas of weakness in financial governance and prescribe remedial actions.

This audit must be completed by 30 November 2022 and the Audit Committee was asked to approve the Terms of Reference, which it did.

BDO will additionally provide a benchmarking report for Trust.

Waivers to Standing Financial Instructions

As requested from the last Audit Committee meeting, the Waivers to SFIs needed to be improved upon to get assurance that risks were being mitigated. The report presented to the Committee was able to give such assurance and the detailed format will be the standard reports that will be presented to the Committee at future meetings.

Charity's Annual Report & Accounts 2021/22

The Committee was asked to review the Annual Accounts and Report for the financial year ending 31st March 2022 for the Royal Papworth Charity. The audit was not yet complete with the following outstanding at the time of the meeting:

- Audit clearance meeting to discuss findings
- Final testing in respect of income cut off
- Final manager and RI review of audit work and financial statements
- Receipt of signed management representation letter

However, KPMG did not feel that any of these items would change their reports. A full clean audit has been indicated by KPMG within the draft ISA260 year-end report 2021/2022. The following three significant audit risks were found to be satisfactory:

- Fraud risk from recognition of income,
- Management override of control, and
- Fraudulent expenditure recognition

The Charity Annual Report and Accounts will be presented to the Trustee Board on 1st December 2022. The deadline for submission of Charity Annual Report and Accounts to the Charity Commission is 31st January 2023.

The Committee is recommending to the Trustee Board the approval of the Charity Annual Report and Accounts 2021/22 for signature and submission to the Charity Commission.

The Committee commended the Finance team and the Auditors for the co-operation and hard work that went in to producing the accounts and reports and to have a such a clean audit.

Better Payment Practice Code (BPPC)

Regular reports are presented to the Performance Committee but annually a report is made to the Audit Committee as it needs to have oversight. Considerable progress has been made but not sustainable in some areas. The major action that will make a difference is increasing the use of Purchase Orders from 30%. An action plan is being formulated for this and will be presented to the Performance Committee at its next meeting.

Policy for Engagement of External Auditors for Non-Audit Work

The revised policy for CG024 which covers the engagement of External Auditors of non-audit work was reviewed and approved by the Committee. The purpose of this policy is to agree when it is appropriate or not for the External Auditors to be used for non-audit services.

It was agreed that this policy will be reviewed and approved on a three-year cycle but in order to be synchronised with the External Audit contract, it will be reviewed next in 2024.

2. Key decisions or actions taken by the Audit Committee

- Approval of the Terms of Reference for the HFMA Financial Sustainability Audit
- Approval of the Royal Papworth Charity's Annual Report and Accounts for recommendation to the Trustee Board for signature and submission to the Charity Commission.
- Approval of the revised policy CG024 for the engagement of External Auditors for non-audit work.

3. Recommendation

The Board is asked to note the report.