

**Audit Committee
Held on 3 June 2021
1330-1530hrs, Via MS Teams**

[Chair: Cynthia Conquest, Non-executive Director]

UNCONFIRMED

MINUTES

Present			Section 1	Section 2
Mrs C Conquest (Chair)	CC	Non-executive Director	✓	✓
Mr M Blastland	MB	Non-executive Director	✓	✓
Mrs D Leacock	DL	Associate Non-executive Director	✓	✓
In attendance				
Ms S Brown	SB	Local Counter Fraud, BDO*		
Mr D Burns	DB	Public Governor	✓	
Mrs A Colling	AC	Executive Assistant (<i>Minutes</i>)	✓	✓
Mrs L Davies	LD	Internal Audit, RSM	✓	
Mr T Glenn	TG	Chief Finance & Commercial Officer	✓	✓
Dr R Hall	RH	Medical Director	✓	✓
Mrs S Harrison	SH	Deputy Chief Finance Officer	✓	✓
Mrs A Jarvis	AJ	Trust Secretary	✓	✓
Ms E Larcombe	EL	External Audit, KPMG	✓	
Mrs A Mason-Bell	AMB	BDO, Internal Auditors*		
Mrs O Monkhouse	OM	Director of Workforce & Organisation Dev		
Dr H Perkins	HP	Public Governor	✓	
Mr A Raynes	AR	Director of Digital (& Chief Information Officer)	✓	✓
Mr G Rubins	GR	BDO, Internal Auditors*		
Mrs J Rudman	JR	Chief Nurse	✓	✓
Prof J Wallwork	JW	Trust Chairman		✓
Ms C Wilson	CW	External Audit, KPMG	✓	
Apologies				
Mrs S Beavis	SB	External Audit, KPMG		
Mrs J Finch	JF	BDO, Internal Auditors*		
Mark Jones	MJ	Internal Audit, RSM		
Mr M Kidd	MK	Counter Fraud Specialist, RSM		
Mrs E Midlane	EM	Chief Operating Officer		
Mr J Shortall	JS	Local Counter Fraud, BDO*		

Section 1: Agenda items 1, 2, 3, 4, 5.1, 6.1, 7, 8, 9 (Audit Committee)

Section 2: Agenda item 5.2 (Audit Committee & BDO)

* BDO were appointed as Internal Auditors wef. 1 April 2021.

The minutes are noted as per order of discussion, which may differ from Agenda order.

Agenda Item		Action by Whom	Date by When
	1330-1430hrs Section 1		
1	WELCOME, APOLOGIES AND OPENING REMARKS		

Agenda Item		Action by Whom	Date by When
21/70	<p>The Chair opened the meeting and apologies were noted as above.</p> <p>Today's meeting would be split into three sections with relevant people attending as noted above:</p> <p>Section 1 : Agenda items 1, 2, 3, 4, 5.1, 6.1, 7, 8, 9 (Audit Committee) Section 2: Agenda item 5.2 (Audit Committee & BDO)</p>		
2	DECLARATIONS OF INTEREST		
21/71	<p>There is a requirement that Board members raise any specific declarations if these arise during discussions. No specific conflicts were identified in relation to matters on the agenda.</p> <p>A summary of standing declarations of interests are appended to these minutes.</p>		
	TG noted an additional new declaration as Director of CBC Limited.		
3	MINUTES OF THE EXTRA ORDINARY MEETING – 18 March 2021 (Part 1)		
21/72	Approved: The Audit Committee approved the Minutes of the Part 1 meeting held on 18 March 2021 and authorised these for signature by the Chair as a true record.	Chair	03.06.21
4	ACTION CHECKLIST		
21/73	The Committee reviewed the Action Checklist and updates were noted.		
5	INTERNAL AUDIT - RSM		
5.1	Internal Audit Annual Report 2020/21 (including Head of internal Audit Opinion – HOIAO)		
	<p>LD introduced this item where the opinion remains unchanged from that seen at the last meeting.</p> <p>Since the report was circulated, the two reports showing as draft have now been finalised [Pharmacy – High Drug Costs and Contract Management – PFI]; this action does not change the HOIAO in terms of opinions and actions. LD confirmed that all previous work has been reported to the Audit Committee.</p> <p>The final opinion, which has been a consistent opinion for the last two years, was noted as “The organisation has an adequate and effective framework for risk management, governance and internal control. However, our work has identified further enhancements to the framework of risk management, governance and internal control to ensure that it remains adequate and effective”.</p> <p>TG confirmed that the amendments of the draft reports to final will see an update in the final wording of the HOIAO to reflect this. LD agreed to make the amendments and re-circulate a final version.</p>		

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	As this was RSM's last meeting, the Chair thanked RSM for all their hard work undertaken for the Trust. From a Trust and Executive Director perspective, TG added thanks to RSM for all their hard work and passed on best wishes for the future.		
6	EXTERNAL AUDIT (KPMG)		
6.1i	External Audit Opinion		
	EL advised that this had been replaced with more a standardised 'companies act' type of opinion. Noted: The Audit Committee noted the External Audit Opinion.		
6.1ii	Report on Financial Statements – ISA 260		
	KPMG advised there were a few changes to the status update, relating to areas which were in progress. The majority of items have been closed off. During a page-turn of the ISA 260 and discussion, the following was noted: <ul style="list-style-type: none"> • Still to finish is finalisation of agreement of balances and completion of final checks on reports and accounts. • Page 5 – audit findings summary. No significant risk noted. A valuations specialist had been employed as noted. No concerns to note. • One minor control point which will be referred to later. • Page 17 – overview of VFM findings, no significant risks or weaknesses. KMPG passed on thanks to TG and finance team as this had been a significant piece of work this week. • Page 24 – control recommendations: Assets disposals: noted and recommendation made. KPMG were content that the disposal was appropriate and Trust just needs document in place to show this. VFM recommendations: this is not included to reflect a weakness, but as a best practice recommendation. • Summary of audit differences: this included a reclassification of some credit balances and also of the 'Flowers' settlement amount. • Page 30 noted KPMG confirmation of independence statement. • Agreement of balances – it was confirmed that mismatches will be finalised and shown in the final versions. There were no concerns raised. 		
	Questions/comments: <ul style="list-style-type: none"> • KPMG confirmed that all work will be finished in time for Accounts submission date of 15 June 2021. • CC referred to Page 25/26 and the two 'amber' items and what did these relates to. CW confirmed that these related to recommendations raised in prior year which have now been resolved. These link to the remuneration report and accruals and provisions, which is why they were RAG rated and now corrected. [1343 JR arrived] • MB referred to discussions at the March meeting relating to extra work required by KPMG; it was noted that there were some areas of enhanced challenge and asked for these to be identified. EL responded that work in terms of valuation and challenge back had significantly changed to that in in previous years. There was challenge in terms of provisions (Flowers provision and calculation). Generally, 		

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	<p>funding mechanisms have been different so there has been extra challenge and work around this.</p> <p>Approved: The Audit Committee approved the Report on Financial Statements – ISA 260.</p>		
6.1iii	Draft Letter of Representation		
	<p>TG noted this will also require approval from the Board too and does not envisage any issues with this.</p> <p>The Audit Committee: Approved and recommended the draft Letter of Representation to the Board of Directors.</p>		
6.1iv	Auditor's Annual Report 2020/21		
	<p>EL highlighted that this document will be the published report which goes onto the Trust website; therefore wanted to ensure that the Committee was aware of this and content with the document.</p> <p>[1346hrs DL left the meeting]</p> <p>CC had now no issues with this. She was pleased to see the clean bill of health given by the Auditor's Annual Report and felt those involved should be commended for this.</p> <p>CW offered that to TG, SH and the finance team in working through the challenges of remote working and changes in national funding structure to ensure a collaborative and smooth process.</p> <p>TG added the importance to be open and honest and know risks upfront and work on this collectively; this process had worked well this year with risks flagged in early March, enabling timely resolution to these issues.</p> <p>[1350hr DL arrived back]</p> <p>Page 89 of pack referred to a valuation of properties as at 31 March 2020. EL confirmed this should read 2021, and will be amended.</p> <p>Noted: The Audit Committted noted the Auditor's Annual Report 2020/21.</p>		
6.2	ANNUAL REPORT AND ACCOUNTS		
	<p>Final amendments had been sent to AJ and this document had been presented to the Board of Directors meeting earlier today. Some small changes were noted: minor typos, mitigations against COVID-19 risk; HOIA flagged as draft which, as noted earlier, will be updated to final. With these amendments, it will be recommended for approval to the Board of Directors in Section 2 of this meeting.</p> <p>CC asked if amendments will be finalised by Monday 7 June and when it will then go to Auditors for final review. EL advised that she expects to see the final version early next week for final review.</p> <p>CC referred to comments at Board meeting where GR raised risk mitigations. AJ advised that is to be covered in COVID-19 risk</p>		

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	<p>amendments with some bullet points to be added in.</p> <p>CC noted that the Audit Committee members had met on 24 May to complete a page-turn review of the Accounts, which had assisted in reaching the approval decisions today.</p>		
6.2iii	QUALITY REPORT		
	<p>AJ advised that this is for noting only and will be signed off by the Quality & Risk Committee at the end of this month. As the draft Quality Report is referred to in the Annual Report, it is included here for transparency.</p> <p>CC noted the Quality Report looks positive – noted it looks positive. JR noted that milestones had changed on timelines for completion of the Quality Report and thanked AJ and Chris Seaman for pulling this together in the tight timeframe and challenging times.</p> <p>AJ confirmed that feedback from external stakeholders, which is still awaited, is due back within the required two week timeframe.</p> <p>As Chair of Quality & Risk Committee, MB noted the remarkable work achieved by the Trust, given the exception and challenging circumstances of COVID-19; the Committee has also taken assurance from objectives set for next year.</p> <p>Recommendation Summary: TG summarised the approval requirements for the Audit Committee:</p> <ul style="list-style-type: none"> • Annual report – request to approve subject to specific changes as highlighted by AJ. • Annual Accounts – request to approve as a final draft pending Auditors completing final work as discussed; should any further queries be raised by Auditors these would be brought back to the Audit Committee for approval. <p>The Audit Committee: Approved and recommended the Annual Report & Accounts 2020/21 as discussed, and recommended these to the Board of Directors for approval.</p>		
7	WAIVERS SEEN IN FINANCIAL YEAR		
	<p>CC thanked the finance team for including this summary report.</p> <p>TG added thanks to SH and Chris Goodier who had prepared this 'best practice' report. This provides comfort on the reduction in trajectory on Waivers, as numbers are seen to decrease. He welcomed feedback from the Committee on this new report.</p> <p>DL added it was a very helpful and concise report, She queried if it could be done quarterly/six monthly without causing unnecessary work. TG advised that a Waiver Summary report does come to each Audit Committee meeting and that as a certain length of time is required to review this data, he recommended this as an annual report for collective summary purposes.</p> <p>CC had requested this report which, now presented, exceeded expectations. She agreed for this to come as an annual report, in order to see the perspective. She again gave her thanks and commended the team on this work.</p>		

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	Noted: The Audit Committee noted the report on Waivers seen in financial year.		
8	ANY OTHER BUSINESS		
	There were no other items raised.		
9iii	ITEMS FOR ESCALATION TO OTHER COMMITTEES		
	Approvals to go to Board were noted as: <ul style="list-style-type: none"> - Annual Report & Accounts 2020/21 - Letter of Representation - Quality Report 		
9iv	REVIEW OF AGENDA AND MEETING OBJECTIVES		
	The Committee had discussed items in a timely manner and appropriate recommendations made to the Board of Directors.		
<p>[meeting closed at 1403hrs]</p> <p><i>At this point the Audit Committee stood down. A Board of Directors Part 2 meeting was convened to consider the Annual Report & Accounts 2020/21. This is minuted as a separate Board minute.</i></p>			
<p>1500-1530 Section 2 The Audit Committee resumed and the Committee thanked BDO for rescheduling the timing of this item on the Agenda at short notice.</p>			
5.2i	5.2i Internal Audit Annual Plan 2021/22		
	<p>GR introduced himself and BDO colleagues; they were looking forward to working with the Trust and happy to be appointed as the Trust's Internal Auditors. The Annual Plan had been put together on initial proposals and discussions with EDs and NEDs to get sense of key issues, along with alignment to the BAF. The plan is flexible. As and when any new risks and items arise in year, the plan can be adjusted accordingly with Trust agreement.</p> <p>AMB talked the Committee through the highlights of the Internal Audit Plan:</p> <ul style="list-style-type: none"> • It is based upon the February/March BAF and discussions held with the Trust (pages 4 and 5). • Page 7 onwards details the proposed plan for 2021/22 with an outline description and the basis for this. • Page 10 suggests other proposed areas to review not included in the main plan, these are noted as 'alternatives'. • Page 11 onwards – maps out key areas to cover including proposals over the next three years and other areas of suggested work. • Page 16 details the Internal Audit Charter and role and scope of internal audit. 		
	Comments/queries by the Committee:		

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	<p>DL welcomed BDO and thanked them for this piece of work. Given that risks had been mapped to BAF, she was expecting to see CIP targets (rated 20) but these are not mentioned for this year – why? GR advised that CIPs are in the plan for next year. As the Trust is now starting restarting its CIP programmes, it was felt this may be better to do next year; but as mentioned, BDO are happy to be flexible to the Trust's requirements.</p> <p>TG reflected on the current CIP status, where H1 looks fine. H2 looks more challenging. He suggested that this be reviewed when the Trust has more guidance on H2; if CIPs are not working to plan, then then the internal audit on CIPs may need to be brought forward.</p> <p>MB referred to quality governance – what is the specific area here or is this the whole area? AMB advised that year 1 looks at frameworks, reporting roles responsibilities and then in future years, it will drill down to specific areas. BDO are open to discussion when scoping on assurances that the Trust might want to see. GR is happy to flex, but noted the importance to see local priorities. He suggested BDO look at the overall framework and then suggest some detailed areas for future work. MB noted that would be helpful.</p> <p>HP stated that earlier discussions had noted international benchmarking work but he did not detect this theme coming through in the plan. GR understood that BDO's successful appointment was partly based on the ability of their international benchmarking work. He advised that BDO will be looking to how we can use this benchmarking from international areas and where this might add value.</p> <p>CC noted that EPR is on the BAF yet it is not included on the main internal audit plan but listed on the 'alternative' list – why? She also noted that EPR is due to go out to tender short and that this should be kept under close scrutiny.</p> <p>BDO suggested that Conflicts of Interest be moved to the LCFS workplan and EPR then substituted into the Internal Audit workplan.</p> <p>TG noted the point raised by CC. The Conflict of interest is included as there is some concern about full reporting, although that concern is not on our BAF, as it is not a strategic issue for the Trust. He agreed it would be useful to switch EPR and Conflicts of Interest on the plan as BDO suggest.</p> <p><u>Three Year Strategy for Internal Audit</u> CC referred to the three year 3 year strategic plan and wanted to understand more about the process and what how the Audit Committee would be included in deciding areas of work. CC noted: Year 2 159 days, Year 3 198 days, on top of 68 days extra for alternative reviews. How will this be done, what process will be followed? GR advised this would need to be on a prioritisation basis. BDO/Trust would review the plan each year to determine whether some audits are necessary or need to be removed. He suggested as the working relationship embeds, then the plan can be refined and would involve the Audit Committee in the process at all times.</p> <p>CC was keen to have a proper process as to why some audits are included and not others. On this point, CC noted that the three year plan</p>		

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	<p>did not include Private Patient Practice. AMB apologised as this should be included and will be updated following the meeting.</p> <p>CC referred to alternative reviews, noting the importance of Equality Diversity Inclusion (EDI), which is not included; should this be in the plan for next year 2. GR added that BDO are working with other Trusts on this and can include in their work plan.</p> <p><u>Summary</u> CC noted that the plan will be presented early next year in January 2022, noting the delay this year due to change in Internal Auditors. TG proposed signing off this plan, noting to keep CIP under review as discussed. During Q3/Q4 the Trust to refine what is required in 2nd year of the plan, noting any switches in year and including EDI.</p> <p>DL suggested that Cyber risk is also added in year 2. She notes there has been a recent audit but feels this area could be improved upon. TG added that BDO will be following up recommendations from RSM reports and this can be monitored.</p> <p>MB flagged that PwC had done some work on the data security and protection toolkit submission. TG confirmed that this work was related to Cyber and that BDO will follow up on this also acknowledging that BAF cyber is one of highest risks and need to play this into the plan.</p> <p>Approved: The Audit Committee approved the Internal Audit Work Plan with revisions noted as discussed.</p>		
5.2ii	Counter Fraud Strategy & Annual Plan 2021/22		
	<p>SB introduced the work plan which had been drafted in accordance with the tender proposal and discussion with Executive leads.</p> <p>A brief overview noted the plan allows 60 days' work with 80-85% of the plan focussed on complying with new Government functional standards. The remaining time is given to Clinical Private Practice and Conflicts of Interest.</p> <p>CC noted that the Trust's fraud champion is Sophie Harrison, Deputy Chief Finance Officer; SB will check this is included in the Executive Summary in the plan.</p> <p>Approved: The Audit Committee approved the Counter Fraud Strategy & Annual Plan 2021/22.</p>		

The meeting finished at 1539hrs

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Signed
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Date
Royal Papworth Hospital NHS Foundation Trust
Audit Committee Part 1 meeting
Meeting held on 3 June 2021