

Agenda item 3.iii

Report to:	Board of Directors	Date: 3 February 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 20 January 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 agenda for the Audit Committee meeting had a few items deferred to the next meeting in response to reducing the burden of reporting. However, due to policies needing approval and annual reviews/reports needing discussion, the agenda was still quite hefty.

The Board Assurance Framework (BAF) was discussed in detail and facilitated the approval of the policy that was considered later in the agenda.

The progress reports from Local Counter Fraud and Internal Audit services indicate that progress against the plans is being made although noting that Internal Audit have had some delays in completing their fieldwork.

The annual review of the Committee’s Terms of Reference and Self-Assessment took place with the Committee scoring a “strong” on the overall assessment.

All the policies presented at the meeting were approved and are listed under Review of Annual Reports.

Board Assurance Framework (BAF)

As reiterated in the BAF Policy, the Audit Committee’s role is to monitor the full BAF via an overview document at each of its meetings. Whilst the Risk Register is inextricably linked to the BAF, it was agreed that the Audit Committee was not responsible for monitoring the Risk Register as this was already done in Performance and Quality & Risk Committees in their quarterly reviews of the Corporate Risk Register. It was therefore

agreed to change the wording under 3.7 of the policy to note the Audit Committee has “oversight” of the risk register not “monitor” it.

The BAF Policy with the updated wording will be presented to the Board in March 2022.

BDO Local Counter Fraud Service (LCFS)

LCFS, at the time of the meeting has used 31 out of the potential 50 days for their counter fraud work. There is still work to be done before the financial year end on proactive exercises, completion of fraud risk assessment and year end reporting.

In addition, there are ten days in the plan for investigative work which has not yet been utilised. No allegations have been received for investigation. This, prima facie, may seem to be a good thing but questions were asked as to whether this might be due to people not being fully aware of LCFS’s work or how to report fraud. This was considering fraud reporting figures steadily increasing nationally since May 2021.

Whilst on induction, new staff are made aware of LCFS and its work, there seems to be an impact on having these inductions virtually, which maybe diluting the message. LCF are working with the Finance, HR and IT teams to ensure that those staff are aware what to do, as those are the most vulnerable areas. It was also agreed that it will be publicised more widely that Chris Panes, Acting Deputy Chief Finance Officer, is the Counter Fraud Champion

The draft LCFS Annual Work Plan for 2022/23 was presented and approved. It was agreed that any unused days from 2021/22 will be added to the 2022/23 plan.

BDO Internal Audit Service (IA)

Due to the pressures faced by the Trust due to the escalation of the Omicron variant IA have not been able to progress two of their audits to plan. They are:

- Divisional Governance
- Electronic Patient Records

They were due for reporting to the Audit Committee January but have now been postponed to March 2022.

BDO are advising that if they experience further delays, they may not be able to complete the full plan by the financial year end. If this happens, a streamlined plan will be agreed with the CFO and Chair of the Audit Committee that will be sufficient to provide a Head of Internal Audit opinion for 2021/22.

The Quality Governance audit was completed and given the highest rating of substantial assurance for design and effectiveness. The former being that there is a sound system of internal control and the latter that the controls in place are being consistently applied.

The Audit Committee were pleased to see that there were a number of good practices highlighted but noted the three areas for improvement which included one out of date terms of reference for a sub-committee, length of Quality & Risk Committee meetings which was acknowledge had been addressed and the existing process could be enhanced with flow charts mapping.

In their Sector update, BDO highlighted that there was good practice guide on Cyber & information Security from the National Audit Office. Having read the report, the Audit

Committee has decided to include this item on the March 2022 agenda so that the questions that should be asked are addressed.

KPMG External Audit

KPMG presented their indicative audit plan for 2021/22. The official deadline for the submission of the Annual Accounts will be 22 June 2022. However, it was agreed at the meeting and subsequent emails that Royal Papworth will be aiming to finalise and sign off the accounts at the meeting to be held on 14 June 2022. There will be a revision meeting on 1 June 2022 and an update to the Board at its meeting on 9 June 2022. After the 14 June, arrangements will be made for the Board to approve the accounts. Quality Accounts are expected to be submitted for 2021/22.

The main difference to the 2021/22 external audit will be the focus on the IFRS 16 transition. IFRS 16 is the most notable change to lease accounting for several years. It specifies how leases will be recognised, measured, presented and disclosed in the accounts. The NHS has been trying to adopt this accounting standard for several years and it has now been decided that this will be from 1 April 2022. For the 2021/22 accounts a note needs to be made in the accounts and our readiness needs to be assessed. It is estimated that this audit will incur an additional fee of £7k to the 2021/22 audit, making the total £102k.

The first draft of the Annual Governance Statement (AGS) was presented to the Audit Committee. Iterations of the AGS will be considered at various committees and the Board between January and May 2022 for consideration as part of the year end process.

Review of Annual Reports

The Committee was asked to review the following documents:

- 13.1 DN142 Standing Orders of the Board of Directors
- 13.2 DN140 Standing Financial Instructions
- 13.3 DN137 Scheme of Delegation
- 13.4 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 and attendees were asked to complete the self-assessment questionnaire ahead of the meeting. At the time of the meeting eight responses had been received. Overall, there was positive feedback on the performance of the Committee in 2021/22.

There was a discussion on the question "*The Committee has set itself a series of objectives it wants to achieve this year informed by the corporate objectives of the Trust.*" It was noted that objectives have not been formally documented, however after discussion it was agreed that the Committee's forward planner could be considered the formal documentation of the objectives to be achieved.

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

Policy Reviews

In addition to the BAF Policy (mentioned above), the Anti-fraud and Bribery Policy was discussed and approved.

2. Key decisions or actions taken by the Audit Committee

Approval of the following internal documents:

- 13.1DN142 Standing Orders of the Board of Directors
- 13.2 DN140 Standing Financial Instructions
- 13.3 DN137 Scheme of Delegation
- 13.4 TOR001 Audit Committee Terms of Reference
- 14.1 DN605 Anti-fraud and Bribery Policy
- 14.2 DN433 Board Assurance Framework Policy

External Audit Deadlines

- Final sign off at the Audit Committee of the 2021/22 accounts on 14 June 2022
- Arrangements for the Board to sign off the accounts after the 14 June 2022.
- Aim to submit well before the official 22 June deadline.

3. Recommendation

The Board notes the key decisions taken by the Audit Committee.