

**Agenda item 3.iv**

<b>Report to:</b>	<b>Board of Directors</b>	<b>Date: 7 April 2022</b>
<b>Report from:</b>	<b>Chair of the Audit Committee</b>	
<b>Principal Objective/ Strategy and Title</b>	<b>GOVERNANCE: To update the Board of Directors on discussions at the Audit Committee meeting on 10 March 2022</b>	
<b>Board Assurance Framework Entries</b>	<b>FSRA BAF (Unable to maintain financial, operational, and clinical sustainability)</b>	
<b>Regulatory Requirement</b>	<b>Regulator licensing and Regulator requirements</b>	
<b>Equality Considerations</b>	<b>Equality has been considered but none believed to apply</b>	
<b>Key Risks</b>	<b>Non-compliance resulting in financial penalties</b>	
<b>For:</b>	<b>Information</b>	

**1. Significant issues of interest to the Board**

Summary

The agenda for the Audit Committee meeting was hefty due to deferred agenda items from the last meeting but we managed to get through all the items in the two hours set aside for the meeting.

Cyber and information security was discussed in response to the National Audit Office (NAO) good practice guide.

Progress reports were received from BDO for Local Counter Fraud (LCFS) and Internal Audit and the Committee was assured that despite a slow start that there was now satisfactory progress. The annual work plans for both areas were also discussed, and it was decided that further work was needed so these will be brought back to the next Audit Committee meeting.

A draft of the LCFS review of the Counter Fraud Functional Standard Return (CFFSR) for 2020/21 was also discussed. The initial draft assessment is giving the Trust an overall assessment of Green (out of the red, amber and green (RAG) criteria) with six of the standards rated amber and seven rated green; no red ratings.

The Committee was presented with the two finalised Internal Audit reports. The first was the Divisional Governance report for Thoracic Medicine & Ambulatory was Care Division which was given substantial assurance opinions. The second was the report on Electronic Patient Records (EPR) which was given moderate assurance opinions.

The External Auditors, KPMG reported on their preparation for the year end audit and advised on the technical issues to be focussed on. This was in line with the paper presented by the Chief Finance Officer (CFO) later the agenda on the year end technical accounting items that needed to be considered.

The Conflicts of Interests compliance report was discussed. Whilst the percentage has improved from 70% to 81.1% it is still not where the Trust needs to be.

The second draft of the Annual Governance Statement (AGS) and the first draft of the Annual Audit Committee Reports were presented and members were asked to send any comment to the Trust Secretary by the 31 March 2022.

There were no bad debt write offs in the period and there was a small amount paid for losses and compensations. However, the number of requests for waivers to standing financial instructions were higher than the Committee expected to see so this will be closely monitored over the next few meetings.

### Cyber & Information Security

The NAO had published good practice guidelines around cyber and information security with four specific questions that should be asked by the Audit Committee. They were:

**Question 1: Has the organisation implemented a formal regime or structured approach to cyber security which guides its activities and expenditure?**

**Question 2: How has management decided what level of risk it will tolerate and how it will manage that risk?**

**Question 3: Does the organisation understand if its risk profile and appetite has changed due to Covid-19?**

**Question 4: Has the organisation identified and deployed the capability it needs in this area?**

For all four questions, The Audit Committee after discussion and questioning was satisfied that these questions had been addressed and that whilst constant work was needed to stay ahead of the increasing cyber threat the Trust had good practices and procedures to protect data.

### BDO Local Counter Fraud Service (LCFS)

LCFS, at the time of the meeting has used 47 out of the potential 50 days for their counter fraud work. The remaining three days will be used for the year end upload and collation of survey returns and thus means that the workplan is within budget.

The ten days in the plan for investigative work which has not yet been utilised will be carried over into the new financial year. The suggested utilisation of these ten days by BDO was for the development of e-learning packages for fraud training and awareness. This would give 20 days to the "inform and involve work". Whilst the Committee agreed that more days are needed for this area (given that no allegations have been received for investigation for the past two years) the Audit Committee thought that BDO might want to consider whether some of the ten days could be used for general Internal Audit work given the pressure on that work plan. BDO are going to consider this and submit a revised plan to the Audit Committee at the next meeting.

The CFFSR is due for submission by 31 May 2022 and a draft of the assessment was presented to the Committee for consideration.

The CFFSR is an assessment carried out by LCFS to determine whether the Trust can give assurance against the thirteen NHS Counter Fraud Authority (NHSCFA) Functional Standards. Using the standard RAG ratings, the draft assessment by LCFS is that the Trust is overall Green. Seven of the standards have green ratings and six have amber ratings with no reds. The Audit Committee had several questions about some of the ratings and it was agreed that further discussion was needed outside of the meeting to understand the evidence.

#### Conflicts of Interests Compliance Report

The summary of the declaration of interest as at 28 February 2022 showed that 161 of the 198 (81.1%) decision-making staff were compliant. The remaining 37 staff will be directly targeted via their manager and divisional leads to ensure compliance.

#### BDO Internal Audit Service (IA)

The final reports for Divisional Governance (Thoracic Medicine & Ambulatory Care) and Electronic Patient Records (EPR) were presented to the Committee.

The Divisional Governance was given the highest rating of substantial assurance opinion 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. This means that the arrangements in this area should deliver their objectives and risk management aims.

The EPR was given a moderate assurance opinion which means that the arrangements should deliver the objectives and risk management aims. However, there is some risk of failure and non-compliance. The main area of concern was data quality. There was no set process to obtain assurance that EPRs are accurate, complete and of sufficient quality. Three recommendations were made and the Committee was satisfied that the Management response to these recommendations were appropriate and should resolve the issues.

IA presented their draft work plan which showed considerable pressure on the work plan days. As already mentioned, it was suggested to BD that they may want to look at the LCFS days rolled over and use some of them. BDO will consider this and re-present their plans at the next Committee meeting.

For the year end the draft Head of Internal Audit Opinion is:

*“Based upon the work completed to date for Royal Papworth NHS Foundation Trust, my current expectation is that I will be able to provide overall moderate assurance (our second highest level of assurance) that there is a sound system of internal control, designed to meet the Trust’s objectives and that controls are being applied consistently.”*

The Audit Committee felt that this was a fair opinion.

#### KPMG External Audit

KPMG and the Trust are still aiming to sign off the accounts by the 14 June 2022 ahead of the 22 June 2022 submission date.

KPMG are in the process of finalising their plans and interim audit procedures and are reviewing the main technical issues and how they will impact on the Trust. The report on the year end technical accounting items provided by the CFO later in the agenda gave good assurance that the Trust is prepared for the accounting issues that will need to be dealt with in the accounts.

#### Annual Governance Statement & Annual Audit Committee Reports

The second draft the Annual Governance Statement (AGS) was presented to the Audit Committee and any comments to be made to the Trust Secretary by the 31 March 2022.

The first draft of the Annual Audit Committee Report was also presented and a short discussion was had but again any further comments were asked to be submitted by the 31 March 2022.

#### Compliance with Clinical Audit

A report was presented to the Audit Committee to give assurance on the compliance with mandatory national clinical audits. The Committee was assured that the audits are reviewed by the Quality & Risk Committee and that the standards on the timeliness and quality of the reports are being met.

#### Waivers to Standing Financial Instructions

Since the last report to the Audit Committee in October 2021 there have been four waivers approved for the total sum of £243k. Two were due to sole supplier reasons and the other two were for continuity of supply.

However, there were nine other requests where a decision had not yet been made. They total £429k. Work is still required to reduce the number of requests, and this will be closely monitored.

#### Better Payment Practice Code (BPPC) Report

In August 2021, Julian Kelly the CFO for the NHS wrote to Audit Committee Chairs of Trusts where the BPPC was not being met of which RPH was one. The target was 95% and ROH was at 72%

An action plan was drawn up by the RPH CFO to improve the BPPC performance and this has been achieved. The Trust is now achieving the national target of 95% and this had been reported to NHSE/I.

## **2. Key decisions or actions taken by the Audit Committee**

None

## **3. Recommendation**

The Board is asked to note the report.