

**Agenda item 3.iv**

<b>Report to:</b>	<b>Board of Directors</b>	<b>Date: 1 July 2021</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 3 June 2021</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**

The Audit Committee held on 3 June 2021 was split into two sections. This was to facilitate the holding of the Board meeting that same day to approve the Annual Report and Accounts based on the Audit Committee’s recommendation.

The first section was to discuss the Annual Report and Accounts for 2020/21 to enable a recommendation to the Board for approval.

The second section held after the Board meeting was to discuss the draft Internal Audit Annual plan and Counter Fraud Strategy & Annual Plan for 2021/22 from BDO the new Internal Auditors.

**Annual Report and Accounts for 2020/21**

This section covered:

- The Internal Audit Report including the Head of Internal Audit opinion from RSM, the outgoing Internal Auditors.
- KPMG, the External Auditors’ reports including the Draft letter of Representation.
- Annual Report including Annual Governance Statement (AGS).
- Annual Accounts

RSM had completed the reports on all the audits carried out for the year and that their final opinion was:

*“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”.*

This final Internal Audit opinion was in line with the opinions for the last two years.

KPMG’s opinion on the financial statements was as follows:

*“• give a true and fair view of the state of the Group’s and Trust’s affairs as at 31 March 2021 and of the Group’s and Trust’s income and expenditure for the year then ended; and*

*• have been properly prepared in accordance with the Accounts Direction issued under paragraphs 24 and 25 of Schedule 7 of the National Health Service Act 2006 and the Department of Health and Social Care Group Accounting Manual 2020/21”*

They also concluded:

*“...that the Directors’ use of the going concern basis of accounting in the preparation of the financial statements is appropriate;”*

The overview of VFM findings was that there were no significant risks or weaknesses.

At the time of the meeting the agreement of balances with other NHS organisations had not been concluded but no problems were envisaged.

The KPMG’s Draft Letter of Representation was approved for recommendation to the Board.

For the Annual Report including the AGS, final amendments had been sent to the Trust Secretary and the document had been presented to the Board of Directors meeting earlier that day. Based on the discussions at Audit Committee it was recommended that subject to the minor amendments discussed that this would be recommended to the Board for approval.

The Annual Accounts was also recommended to go to Board for approval.

It should be noted that the Audit Committee members had met on 24 May to complete a page-turn review of the Accounts, which had facilitated in reaching the approval decisions at this meeting.

The Quality Report was briefly discussed, and it was noted that statements from external stakeholders were still outstanding, and amendments were still being made to the document. The final draft is to be discussed at the Quality & Risk Committee on 24 June 2021.

The Audit Committee then took a break so that the Board meeting could be held to discuss the recommendations from the Audit Committee on the Annual Reports and Accounts.

## BDO's Annual Plan for 2021/22

The presentation of the annual plans for Internal Audit and Counter Fraud were a bit later than anticipated but steps are being taken to ensure that the plans for 2022/23 come to the Committee in good time to be approved before the start of the financial year.

Internal Audit 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. It was noted that for 2021/22 that there were 130 budgeted days, but 39 extra days had been noted in three alternative audits. However, the plan is flexible so as and when any new risks and items arise in year, the plan can be adjusted accordingly with Trust agreement.

The Audit Committee will be involved in any decisions to change the plans to ensure that the appropriate risks to the Trust are being adequately covered.

The Counter Fraud Annual Plan for 2021/22 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.

### **2. Key decisions or actions taken by the Audit Committee in Section 1 to recommend at Board meeting held at 2.30pm on 3 June 2021**

- Approved the Report on Financial Statements – ISA 260.
- Approved KOMG's Draft letter of Representation.
- Approved the Annual Report including the AGS
- Approved the Annual Accounts

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

- Approval of BDO's Internal Audit Annual Plan for 2021/22
- Approval of BDO's Count Fraud Annual Plan for 2021/22

### **4. Recommendation**

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