

**Audit Committee
Held on 14 October 2021
1000-1200hrs, Via MS Teams**

[Chair: Cynthia Conquest, Non-executive Director]

UNCONFIRMED

MINUTES

Present		
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		
Mr D Burns	DB	Public Governor
Mrs A Colling	AC	Executive Assistant (<i>Minutes</i>)
Mr T Glenn	TG	Chief Finance & Commercial Officer
Mrs A Jarvis	AJ	Trust Secretary
Mrs E Larcombe	EL	KPMG, External Auditors
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 M Screaton	MS	Chief Nurse
Mr J Shortall	JS	Local Counter Fraud, BDO
Ms C Wilson	CW	KPMG, External Auditors
Mrs L Palmer	LP	Assistant Director for Quality and Risk
Mr D Saxton	DS	Head of Business Services
Apologies		
Mr I Graham	IG	Deputy Chief Nurse
Dr R Hall	RH	Medical Director
Mrs E Midlane	EM	Chief Operating Officer
Mr C Panes	CP	Deputy Chief Finance Officer
Dr I Smith	IS	Deputy Medical Director

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

Agenda Item		Action by Whom	Date by When
1	WELCOME, APOLOGIES AND OPENING REMARKS		
21/106	The Chair opened the meeting and apologies were noted as above.		
2	DECLARATIONS OF INTEREST		
21/107	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. A summary of standing declarations of interests are appended to these minutes.		

Agenda Item		Action by Whom	Date by When
3	MINUTES OF MEETING held on 15 July 2021		
21/108	Approved: The Audit Committee approved the Minutes, as amended above, of the meeting held on 15 July 2021 and authorised these for signature by the Chair as a true record.	Chair	14.10.21
4	ACTION CHECKLIST		
21/109	The Committee reviewed the Action Checklist and updates were noted.		
5	LOCAL COUNTER FRAUD – BDO		
5.1	Progress Report		
21/110	<p>JS presented this update where the formatting of the report had changed to bring this in line with NHS Counter Fraud Authority (CFA) requirements for outcome based metric reporting. The update shows progress in all areas through the plan. JS noted:</p> <ul style="list-style-type: none"> • Fraud risk assessment – this is currently underway, and JS is in touch with relevant areas in Trust. • Update provided on scams in health sector where QR codes and text messaging are high on the list. • NHSCFA reporting figures for referrals across England up to the end of August showed 231 out of a total of 1107 referrals were cyber risk related. • Fraud awareness week is due in November – JS advised that reference to this will included in Trust Communications. <p>DL asked JS that based on work with RPH and other Trusts, apart from cyber risk, are there any other risks to be mindful of? JS explained that underlying risks are those such as non-standard working patterns where staff may be doing extra shifts elsewhere – cases should be reviewed to check if fraud has or has not arisen.</p> <p>AR thanked JS for the helpful narrative, particularly around cyber risk. He added that JS is invited to the next Information Governance Steering Group meeting to ensure joined up working between Trust/Auditors.</p> <p>CC referred the NHS Covid-19 graphs in the report and asked about non-Covid-19 related fraud. JS confirmed that the graphs include all areas, not just Covid-19 issues.</p> <p>CC referred to staff falsifying sickness and asked if this fraud had increased during Covid-19 pandemic? JS advised that it is not apparent that this has escalated during this time but is aware of the increase in stress related sickness during this period.</p> <p>Noted: The Audit Committed noted the Local Counter Fraud Progress Report.</p>		
5.2	Conflicts of Interest – Compliance Report		
21/111	AJ presented this report to the Audit Committee. Reporting of conflicts of interest is now via an electronic system which is easier for staff to complete. There is currently a 70% compliance rate and acknowledged		

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	<p>that there is work to do to improve this further. AJ added that Declarations had been made from outside the 'decision making' staff group which shows awareness amongst staff. The register is published on the Trust Website.</p> <p>MB asked if the register should include 'negative' declarations i.e., where staff declare they have no DOI.</p> <p>AJ advised that all decision-making staff are required to make a negative statement if they have no interests to declare and staff should be aware of this. AJ will pick up with Ian Smith, Acting Medical Director, regarding awareness by all clinical staff. OM noted this was a good point, as issues have arisen in the past and would be useful to get this process clearer for these staff.</p> <p>CC referred to the electronic reporting of DOI by staff via Electronic Staff Record (ESR) and should this enable compliance to be 100% and on rolling basis. AJ explained that the issue is with staff compliance which takes much encouragement and incentive to engage staff. Those 30% uncompliant, are reminded regularly and their Line Managers are aware. She assured the Committee that work is in hand to improve the compliance rate.</p> <p>Noted: The Audit Committee noted the contents of this report.</p>	AJ	20.01.22
6	INTERNAL AUDIT - BDO		
6.1a	Progress Report		
21/112	<p>GR presented this update to the Committee. He advised that the risk maturity report was complete and other audits have been scoped within the timescales presented. BDO have a catch up with TG every fortnight. The sector update gave information about new ICS partnerships and Boards. He advised that a paper will be issued to the next meeting about the new ICS arrangements.</p> <p>Noted: The Audit Committee noted the BDO Progress Report.</p>	GR	20.01.22
6.1b	Internal Audit Report Update		
21/113	<p>GR gave a summary of audit reports, where out of the six audits for review, three are closed off, two have had action taken and awaiting evidence and one is delayed to January 2022 reporting.</p> <p>CC asked when will the evidence be supplied? TG will review and took this as an action.</p> <p>Noted: The Audit Committee noted the Internal Audit Report Update.</p>	TG	20.01.22
6.1c	Risk Maturity Audit Report (final)		
21/114	<p>GR offered apologies for the late issue of this report today. The main change related to risk training done in 2021. This is an advisory report with no opinion. Scoring gave 2/5 in two areas and 3/5 in three areas. GR acknowledges that the Trust wants to move towards best practice and the importance of this; GR explained some of the work to be done to improve these scores. The Trust have accepted the recommendations.</p>		

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	<p>DL noted this is a final report and asked if there would be a follow-up to show improvements? GR advised that a follow-up report will be issued as recommendation work comes through.</p> <p>MB asked GR to clarify risk tolerance and risk appetite and how this works. GR explained that there can often be big differences between risk rating and appetite and the two need to be realistic, referring to cyber risk as an example.</p> <p>AR referred to the cyber risk and gave assurance on processes by the Trust to minimise this risk where the Trust is following national guidance and process. He acknowledged that the complexity of this fraud is massive and stressed the importance for staff to follow fraud awareness guidance.</p> <p>MS referred to DL query on follow-up actions. She welcomes the report and recognises the findings. She suggested that additional KPIs could be introduced to enable better tracking on actions.</p> <p>CC referred to page 22 of the report and risk appetite focus areas – are these related specifically RPH or generic? GR advised that these are examples which the Trust could have. AJ added that we had asked for this work to be shared for information purposes.</p> <p>LP referred to MS point on follow-up actions; many of the items we were already aware of; several were outstanding due to Covid-19 pandemic pressures where staff were focussing on other priorities and acknowledged that the report has helped to focus on the areas requiring follow-up.</p> <p>Noted: The Audit Committee noted the contents of this report.</p>		
7	BOARD ASSURANCE FRAMEWORK (BAF)		
7.1	BAF Update		
21/115	<p>AJ advised that the purpose of this update was to share what has been reviewed at Board and sub-committees. The reporting structure had changed to show more on control measures and assurances. BAF reporting had also been moved up the order on committee agendas to ensure review earlier in meetings.</p> <p>CC acknowledged the BAF report as a very good document which had improved. She thanked those involved for their hard work to improve this.</p> <p>Noted: The Audit Committee noted the update on BAF.</p>		
8	GOVERNANCE ASSURANCE OVERVIEW – Chairs’ Reports		
21/116	<p>8a.1 Quality & Risk Committee 8a.2 Performance Committee 8a.3 Strategic Projects Committee 8a.4 Charitable Funds Committee</p> <p>Noted: The Audit Committee noted the Chairs’ Reports as submitted.</p>		

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8b	External Audit Contract Review		
21/117	<p>TG advised that this contract review had been presented to the Council of Governors in September where it was approved and signed off. It comes to this Committee for oversight and awareness and will be presented to the Board for the same oversight purpose.</p> <p>DL queried the cost of external audit services with a 15.5% increase on current cost. Can KPMG justify what is driving the increase? She also noted that only one firm was involved in the tendering process and on that basis, did RPH have a choice in accepting the increase? She asked why PwC, for example, were not on the invited list of suppliers.</p> <p>TG referred to the pricing query and explained this in the context of current difficulties in internal and external audit markets. Within Cambs & Peterborough (C&P) region, two other Trusts had been unable to appoint internal auditors in their first tender round last year. BDO had stepped in to fill the void for these Trusts. A recent national briefing by Julian Kelly, NHS Chief Financial Officer stated that Trusts can expect increases in these fees as the market is tight and audit firms exit this market in favour of more lucrative areas of business.</p> <p>Regarding the external audit tender application by KPMG, there had been much discussion during the procurement process, and TG was grateful to HP for his help on this. It was noted that the Covid-19 pandemic has impacted on auditors' workload and this will continue into future. TG and EL had discussions re. fixed fee nature of contract and how to look at audit year on year to ensure the Trust obtains value for money. PwC were not deliberately excluded; PwC do not currently provide external audit services in C&P.</p> <p>TG clarified that this comes to the Audit Committee for information purposes and to give assurance that proper process has been followed. AJ confirmed that under the Trust SFI's, the Council of Governors is responsible for the appointment of external auditors with the Audit Committee receiving assurance that process has been followed appropriately.</p> <p>Noted: The Audit Committee noted the contents of the report and update.</p>		
9	BAD DEBT WRITE-OFFS		
21/118	<p>Noted: The Audit Committee noted that there were no bad debt write-offs in the current financial year.</p>		
10	LOSSES AND SPECIAL PAYMENTS		
21/119	<p>TG presented the update report. The largest item of special payments related to settlement of a tribunal case; TG invited any specific questions on this outside of the meeting. He assured the Committee that NHS process had been followed and NHSI approval gained for this item.</p> <p>DL thanked TG for including the comparative table which detailed the 2020-21 payments and 2021-22 year to date payments.</p>		

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	As the gross value of £125k exceeded the local limit of £95k, the Chair sought assurance that this payment had been submitted to and given approval by NHSEI as required. This assurance was given. Noted: The Audit Committee noted the update on losses and special payments.		
11	WAIVERS TO STANDING FINANCIAL INSTRUCTIONS		
21/120	TG introduced this report which gave a brief summary of activity on Waivers for Quarter 2 2021/22. The number of Waivers has reduced compared to previous reports. There are some Covid-19 related Waiver items which relate to CCA medical device equipment, where the Trust would not want to change the procurement process for these during the Covid-19 period. Noted: The Audit Committee noted the update on Waiver to Standing Financial Instructions Report for Q2 2021/22.		
12	ROYAL PAPWORTH CHARITY ANNUAL REPORT AND ACCOUNTS		
21/121	12.1 Charity Annual Report 2020/21		
	TG advised that this version of the report had previously been scrutinised by the Charitable Funds Committee on 9 September. Approved: The Audit Committee approved the Charity Annual Report 2020/21 and recommended to the Trustee Board for approval. [1051hrs LP left the meeting]		
21/122	12.2 Charity Annual Accounts		
	The Audit Committee received the draft Charity Annual Accounts 2020/21. These had been reviewed by the Charitable Funds Committee on 9 September and recommended for approval to the Audit Committee. TG noted that the gross expenditure and revenue had increased, in main due to donations received via gifts in kind during the Covid-19 period. The healthy reserve balance has increased over the period; the Charitable Funds Committee will be considering how to utilise this funding appropriate to reduce the balance. P57-58 contained a formatting error; this will be revised for final copy. MB asked if a 'statement on build-up of reserve' should be included in the report. TG explained that there is not enough detail to include this time to show this but will look to include for next year's report. CC commented that the Accounts were very well prepared and thanked the team for this. Approved: The Audit Committee approved the Charity Annual Accounts 2020/21 and recommended these to the Trustee Board for approval.		
21/123	12.3 Final Draft ISA260		
	Again, this draft had been reviewed by the Charitable Funds Committee on 9 September and recommended to the Audit Committee.		

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	<p>EL advised that work was almost finished with no problems anticipated. The ISA 260 summarised findings from audit and is a very clean report. EL noted:</p> <ul style="list-style-type: none"> • P6 revenue recognition– legacy donation income; a couple of queries to close off. • P7 management override of controls – previous issue on journals which is resolved. No further issues. • P8 fraudulent expenditure recognition - comfortable with compliance. • No added recommendations. Happy with journals. No audit differences. Will issue as final when Accounts are issued. <p>DL thanked everyone for all hard work which has gone into the audit. It is pleasing to see a good outcome and that recommendations from last year have been implemented. TG noted that it was absolutely due to the work of the team to achieve this outcome and thanked the Auditors for their hard work.</p> <p>Approved: The Audit Committee approved the ISA 260 and recommended to the Trustee Board for approval.</p>		
13	AD-HOC REPORTS / POLICY REVIEWS		
21/124	13.1 Better Payments Practice Code (BPPC)		
	<p>TG gave some background to the introduction of BPPC and how it is used to measure invoices on volume and number. The data showed the Trust currently sits at 94% on number of invoices paid in time (target 95%). On value metric, this is low at 70% (target 95%) and needs to be improved. TG is keen to get cash out to local suppliers on a timely basis. Julian Kelly has issued a national briefing on the importance of this. The report shows the action plan for improvement and should be quick to implement. This issue continues to be monitored through Board and Performance Committee.</p> <p>DL referred to the action plan and asked what is timeframe for getting to 95% and above? TG explained the work being done by the team to get final numbers and timeframes and expects this will see improvement in a couple of months.</p> <p>CC referred to invoices to be put on hold and clock stopped and check that this will not be indefinite but monitored. TG assured the Committee that these items will be monitored separately and if there are any issues, these will be brought to the Committee.</p> <p>Noted: The Audit Committee noted the update on BPPC.</p>		
21/125	13.2 CG024 Policy for engagement of External Auditors for non-audit work		
	<p>TG advised that this item is a standard policy for review. The main criterion is to ensure that auditor independency is not compromised and the policy cover this. AJ added that this policy has moved to annual review and will be reviewed each September.</p> <p>CC was happy with the changes. There are some minor typos which need correcting. The review dated is noted as October 2024 and should</p>		

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	<p>be October 2022. AJ will ensure the revisions are made.</p> <p>EL commented that in terms of independence, KPMG would flag up any non-audit service work.</p> <p>Approved: The Audit Committee approved the policy for Engagement of External Auditors for non-audit work - CG024.</p>		
14	ANY OTHER BUSINESS		
21/126	<p>14.1 KPMG Health Technical Update</p> <p>EL advised that this technical update was for noting and gives the Trust the opportunity to see what is happening within the sector. These quarterly reports will come through to each Audit Committee.</p> <p>Noted: The Audit Committee noted the contents of the report.</p>		
15	FORWARD PLANNER AND MEETING REVIEW		
15.1	Audit Committee Forward Planner		
21/127	The planner was agreed with no further comment.		
15.2	Emerging Risk		
21/128	None identified.		
15.3	Review of meeting agenda and objectives		
21/129	The Committee agreed that the Agenda had followed the topics and met its objectives. Very well managed meeting.		
15.4	Any other items for next meeting		
21/130	No items raised were raised.		
	FUTURE MEETING DATES: 2022		
	20 January 10 March 19 May [sign-off Annual Report & A/cs] 1 June [back-up AR & A/cs sign off] 21 July 20 October		

The meeting finished at 1108hrs

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Signed

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Date

**Royal Papworth Hospital NHS Foundation Trust
Audit Committee meeting**

Meeting held on 14 October 2021