

**Agenda item 3.iii**

<b>Report to:</b>	<b>Board of Directors</b>	<b>Date: 6 April 2023</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 Audit Committee meeting on 9 March 2023</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 meeting on the 9<sup>th</sup> of March saw a good discussion on the Governance Assurance Framework and the Board Assurance Framework.

The progress reports and the annual plans for 2023/24 were received from BDO Internal Auditors (IA) and Local Counter Fraud Specialist (LCFS). Whilst IA was still experiencing some delays there had been an improvement in the number of audits being completed.

A draft of the LCFS review of the Counter Fraud Functional Standard Return (CFFSR) for 2022/23 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 all of the standards rated green.

The Committee discussed two finalised Internal Audit reports and their levels of assurance. The two reports were on Procurement & Contract Management and the second was on Divisional Governance report for Surgery Transplant and Anaesthetics (STA).

The External Auditors, KPMG reported on their preparation for the year end audit and advised on the Indicative External Audit plan to 31<sup>st</sup> March 2023 and technical issues to be focussed on. This complemented the very good paper presented by the Chief Finance & Commercial Officer (CFCO) later on in the agenda on the year end technical accounting items that needed to be considered.

The standing agenda items of Conflicts of Interest compliance, Bad Debt Write Offs, Losses and Special Payments and Waivers to Standing Financial Instructions (SFIs) were discussed.

Discussions on two items were deferred. The first being Salary Overpayments Update which will be discussed in a separate meeting scheduled for some time in April 2023. The second was the Raising Concerns Policy which is still being drafted.

#### Governance Assurance Overview

There had been an action since March 2022 regarding getting evidence that there were no gaps in our assurance. Whilst a number of discussions had taken place, a conclusion had not been reached. It was decided at the meeting that an Assurance Map will be developed which may expose any areas of weakness or gaps in assurance. BDO said that they will give us examples of Assurance maps that we may adapt. It was agreed that a separate meeting outside of Audit Committee will be held to use the map and report to the Board any issues of concern. It is important to note that the Committee did not feel that there are any material gaps in assurance, but we are not able to evidence it easily.

#### Board Assurance Framework (BAF)

The above discussion led quite nicely into the discussion on BAF. It was felt that initially the Committees to which the BAFs are assigned should do a report on those four risks that are at 20 and submit to the Audit Committee. The purpose of the reports would be to get assurance that there was a timetable and a realistic plan to reduce the risk or do we have to accept/tolerate that risk at that level for an extended period. It was felt that the current reports, certainly for the high risks, should be more robust.

#### BDO Local Counter Fraud Service (LCFS)

LCFS, at the time of the meeting has used 61 out of the potential 65 days (which includes investigations) 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. It is envisaged that all the days will be utilised.

The LCFS Annual Work Plan for 2023/24 which had been discussed at the March 2023 meeting was brought to this meeting for approval. The approved annual workplan is for 60 days (50 proactive and 10 reactive) for the Trust. The Counter-Fraud Strategy and Annual Work Plan 2023/24 aligns with the Government Functional Standard for Counter Fraud, which has been introduced to ensure consistency of approach across the public sector to protecting services against the risk of fraud, bribery and corruption.

The draft of the LCFS review of the Counter Fraud Functional Standard Return (CFFSR) for 2022/23 was presented to the Committee. The submission date is the 30<sup>th</sup> of May 2023 and as at the meeting date the initial assessment is an overall assessment of Green with all the standards rated green. This is an achievement and is as a result of the close co-operation of the Trust and the LCFS in ensuring that staff are sufficiently trained in recognising fraud and the counter measures to be taken.

#### BDO Internal Audit Service (IA)

The Annual Plan IA for 2023/24 was presented to the Audit Committee and approved for the 130 days which we felt covered the BAF risks for 2023/24.

The Committee were presented with two finalised Internal Audit reports for 2022/23. They were:

- Procurement & Contract Management
- Divisional Governance - Surgery Transplant and Anaesthetics (STA)

#### Procurement & Contract Management

The purpose of the Procurement audit was to provide assurance over the adequacy and

effectiveness of the controls to obtain value for money through procurement, delivery of expected benefits through contract monitoring arrangements, and mitigation against key supplier failures.

This audit 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. There were five findings of which two were assessed as medium and three as low. The main areas of concern were: one contract being signed by a person who did not have the authority, inadequacy of the contract management arrangements in two contracts and that the Trust's Procurement Strategy was out of date as it was for 2016 to 2021.

Four recommendations were made, and the Committee was satisfied that the Management response to these recommendations were appropriate as they have committed to resolving by the end of April 2023.

#### Divisional Governance - STA

The purpose of this review was to assess the key aspects of governance and management, quality monitoring of patient experience, compliance with policies, staff awareness and accuracy and validity of patient records within the Surgery, Transplant & Anaesthetics division.

This audit was given a substantial assurance which means that appropriate procedures and controls are in place to mitigate the key risks. Given that there were three findings of which two were assessed as medium and one assessed as low, the Audit Committee was surprised to see this substantial assurance. In addition, the Trust is aware of the challenges in the Division and some of the findings were for areas that have been of concern for some time. BDO will review and report back to Audit Committee.

#### Head of Internal Audit Opinion 2022/23

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.

#### Managing Conflicts of Interests

As of February 2023, 95.7% of our decision-making staff have recorded a current or nil declaration on the ESR system (Feb 22: 81.3%). Of the eight staff who have not yet made a declaration three have an agreed reason for this that has been considered acceptable by EDs, this is generally as a result of maternity leave or other long-term absence from their role. The remaining staff have been reviewed through EDs and have been written to, and this is expected to resolve the small number of outstanding reports ahead of the annual publication.

The Audit Committee was assured by the Chief Executive that she had personally written to the staff who were not compliant with a deadline for them to have completed their submission. If the deadline is not met, then their decision making privileges would be suspended. The Chief Executive also assured the Committee that if the privileges of the persons being considered were suspended it would not have an adverse effect on the running of the Trust.

### KPMG External Audit

KPMG and the Trust are still aiming to sign off the accounts by the 15 June 2023 ahead of the 30 June 2023 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 on 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.

### Bad Debt Write Offs

The Audit Committee approved the debt write off of £62,228.31 for an overseas patient debt from December 2020 and April 2021. This was patient was referred as an emergency to the hospital and then had to be subsequently readmitted due to complications. An advance payment or deposit was not possible. Subsequent efforts to collect the debt have not been successful.

The Audit Committee approved the debt write off of **£62,228.31** for the overseas patient debt.

### Losses & Special Payments

£6k has been approved for losses since the last Audit Committee in January 2023. Taking out exceptional amounts such as the impairment of stock in 2023 (£360k) and the Employment Tribunal payment in 2022 (£129k), the amount for Losses and Compensation is considerably higher in 2022/23 (£60k) compared to that spent in 2021/23 (£0.3k). This is as a result of an in-depth review of the bad debts in 2022/23. It is not expected that we will see these levels in the future.

### Waivers to SFIs

There have been five waivers since the last Audit Committee meeting in January 2023. The two largest amounts £163k and £448k were in relation to the supplier of the Trust's laundry service. The Committee was given assurance that the issues were being discussed with the main contract supplier, but this was an ICS-wide contract.

### Draft Annual Governance Statement and Draft Annual Audit Committee Report

These two papers were submitted for review and responses required to the Trust Secretary by the 22 March 2023 and 30 April 2023, respectively.

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

- *Approval of the BDO LCFS Annual Work Plan for 2023/24*
- *Approval of the BDO IA Annual Work Plan for 2023/24*
- *Approval of the write off of a bad debt totalling **£62,228.31**.*

## **3. Recommendation**

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