

Agenda item 3iii

Report to:	Board of Directors	Date: 1 February 2024
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 18 January 2024 – Part 1	
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

Due to change in staff, three standing items on the agenda were deferred to the March 2024 meeting which included the review of the Committee’s Terms of Reference and Self-Assessment.

The Board Assurance Framework (BAF) update was presented to the Committee and there seems to be little progress on the three BAF risks with limited assurance being moved to adequate assurance. The discussions held concluded that the BAF needed to be reviewed by the Executives and a discussion held at the next Board meeting.

Progress reports were received from BDO for Local Counter Fraud (LCFS) and Internal Audit. There had been one investigation by LCFS during the period and Internal Audit presented the finalised report on the Salary Overpayment audit. The proposed work plans for LCFS and Internal Audit was discussed and the final plans will be presented to the Committee in March 2024.

The awaited internal audit report on Salary overpayments was presented as well as the Trust’s six-monthly report on Salary overpayments which showed a vast improvement in the reduction of overpayments since the last report.

In the discussion on Losses and Compensation, there is a request for an ex-gratia payment to a patient of over £5k that needs to be approved by the Trust Board.

The annual review of the Standing Orders, Standing Financial Instructions and Scheme of Delegation was carried out and approved by the Audit Committee. The Anti-fraud & Bribery Policy was also approved.

BAF

Despite being given assurances at the last Audit Committee meeting that the “limited” assurances would be looked to determine when an adequate assurance would be achieved this was not presented. In addition, the risk appetite for two of the risks, BAF 742 (Failure to meet safer staffing) and BAF 3040 (M.Abscessus) had reduced but not the target.

This generated a discussion where it was concluded that a full review of the BAF and revisiting the risk ratings, targets and appetites should be carried out by the Executives and then have a Board session to finalise. This would include looking at the limited assurances and getting a timeline on when we will be able, and what we need to do, to get adequate assurance.

LCFS

There was fraud investigation since the last Audit Committee meeting which was fully investigated by LCFS and reported to me as the Audit Chair. From the report and evidence shown to me by LCFS, I concurred that there was **no** evidence of fraudulent behaviour. This was communicated to the member of staff who reported the potential fraud.

BDO Internal Audit Service (IA)

The report for the Salary Overpayments Audit was presented to the Board. It was given a **moderate assurance** for both Design and Effectiveness. *Moderate is where, in the main, there are appropriate procedures and controls in place to mitigate the key risks reviewed albeit with some that are not fully effective. There may be evidence of non-compliance with some controls, that may put some of the system objectives at risk.*

The assessment was deemed fair despite the improvements that have been seen in reducing the number of overpayments over the year. There were two findings with medium recommendations which centred on recording “lessons learnt” and evidencing that staff were learning from past errors.

Salary overpayments 6-month Review

As it was known that the Committee would be presented with findings from the Salary Overpayments audit it was thought best to get an update from the HR team on the latest position. Looking at the two years (January to December) 2022 and 2023, the report showed there was a reduction of over 50 overpayments between the two years (144 down to 88). This equates to a reduction in overpayments of nearly 40%. This is a great improvement and the Committee asked that their thanks be given to the team.

A comparison with some other Trusts showed that RPH ranked below the average for all SBS Clients (payroll provider) in relation to number of overpayments compared to volume of payslips. The Audit Committee has challenged the team that we should concentrate on what we are aiming for and not what others are doing because we can and must do better.

Losses & Compensation

The Committee was informed of a payment of £5,399 the Trust would like to make to a patient for the loss of a hearing aid. It was explained that after a thorough investigation, it was concluded that the item was lost on the RPH premises and as part of the treatment journey.

The figure is high because the patient has had the hearing aids for a number of years and the model is no longer supplied. The new model replacement is no longer compatible with the other hearing aid so the cost is for two. The cost and rationale have been confirmed.

The Committee is happy to recommend to the Board of Trustees to approve the payment to the patient of £5,399.

Annual Reports & Policies

As part of the Annual review, the Standing Orders, Standing Financial Instructions and Scheme of Delegations were presented to the Audit Committee. Comments have been sent with some minor queries which have now been answered but in the main the changes were amendments to job titles.

The Anti-fraud and Bribery Policy was also presented for approval. Again, very minor changes in job titles. The Committee was given assurance that LCFS had major input into the review.

2. Key decisions or actions taken by the Audit Committee

- Approval of DN142 Standing Orders) and recommended to Board
- Approval of DN140 Standing Financial Instructions) of Directors for
- Approval of DN137 Scheme of Delegation) approval.
- Approval of D605 Anti-fraud & Bribery Policy

3. Recommendation

The Board is asked to note the report.