

Agenda item 5.i

Report to:	Board of Directors	Date: 7 November 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 17 October 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

An update was received on the Allocate error leading to payment errors to Doctors in training. This has been elaborated on in the part 2 of the report.

Focus was on the three risks in the Board Assurance Framework (BAF) scoring 20 and over as at September 2024. Progress is being made in getting assurance on these risks but looking at ways to improve.

Progress reports were received from BDO regarding Local Counter Fraud (LCFS) and Internal Audits with three more internal audits finalised.

The 2023/24 Charity Accounts and Reports were presented with the External Auditors, KPMG, having no issues with the accounts so far but there is still work to be finalised and will next be discussed at the Extraordinary Audit Committee meeting on 26 November 2024.

There has been a substantial impairment of pharmacy stock that needs to be approved and will be taken to the Board for ratification.

Allocate Errors

As reported in the July's Audit Committee Chair's report there was a national issue regarding an error in the way the Allocate payment system does calculation of pay for junior doctors in training. There is an additional issue that has arisen which is in my part 2 report to the Board.

BAF

Reports were received on the three BAF risks that are rated at 20, significant risks.

- **BAF 678 – Waiting List Management**

“IF the Trust fails to meet the constitutional reporting standards of RTT and cancer waiting targets THEN this could result in poor patient outcomes, poor patient experience, damage the Trust's reputation and reduce its income.”

This has been rated at 20 since July 2022 and has a target risk rating of 8.

The review received showed that considerable work is taking place to manage this risk with details of actions being taken. However, many of these actions have been going on for some time but no trajectory or dates of when improvement will be seen.

It was noted by the Committee that previous requests for a precise timetable for changes on BAF actions had been asked for and not been received. It was therefore felt that there was lack of assurance that the actions are sufficient.

It was suggested that there should be a statement of assurance from the Executive Director responsible for the risk be added to the to make it explicit such as “I believe that these actions will be sufficient to get us to the risk target by a specific date”.

Whilst this was discussed in relation to this risk this will apply to all risks.

- **BAF 1021 – Cyber Security: Potential for Cyber breach and Data Loss**

“IF” the trust is underprepared for a cyber-attack and/or lacks cyber resilience “THEN” the risk of a major cyber event increases. “ULTIMATELY” This event could cause data loss across key systems (clinical and non-clinical), and disruption at not only an organisation level but regional and national level. The impact may last for a prolonged period, necessitating cancellations and delays to treatment. Additionally, it poses a risk to the Trust's reputation, in the patient care that can be given and in rare cases even loss of life.”

This has been rated 20 since July 2024 and has a target rating of 9.

This risk has been increasing in severity due to the number of cyber-attacks and the evolving and complex threats. The paper presented to the Committee described the strategy, controls and improvements in managing this risk but it is felt that there is still a considerable amount of work to do and the likelihood of this risk reducing to 16 in the next few months is doubtful. The Internal Audit report on Cyber Security presented to the Committee later in the meeting confirmed this, as the effectiveness of the controls was given limited assurance.

- **BAF 3261 – Industrial Relations**

“If industrial relations are negatively impacted as a result of discontent with national pay settlements and terms and conditions, including how the NHS Job Evaluation System operates, then this could lead to industrial action, low staff engagement, increased vacancies and turnover. A consequential reduction in workforce availability would impact our ability to provide services, increase access times for patients and have adverse financial implications.”

This risk has been rated 20 since July 2024 with a target risk rating of 12. This risk had dipped to 16 the previous month and then went back up to 20 due to the reframing of the risk. It is now focussed on the instability of national industrial

relations environment which is not directly within the control of the Trust rather than the impact on activity due to industrial action.

The Workforce Committee will be monitoring this risk closely and give an indication on when this risk is likely to reduce.

LCFS

There have been no new incidents reported to the LCFS since last Audit Committee. Training and the proactive work that LCFS are required to carry out, are in progress and nothing untoward to be reported so far.

However, the Committee was given a verbal update on the outcome of discussions about putting information on the NHS Counter Fraud Authority (NHSCFA) system of unfounded claims against individuals. At a meeting held on 2 October 2024 between BDO and NHSCFA, BDO raised the issue of how to protect the data rights of staff whose details are entered into the NHSCFA's case management database ('CLUE') and how long this data is retained for, in the event that a referral turns out to be incorrect (e.g. mistaken identity) or vexatious (as has occurred at Royal Papworth).

The NHSCFA confirmed that such data would be retained for six years in accordance with their current policy. BDO challenged this and requested that the retention period be reviewed in light of GDPR and data rights concerns raised at a number of our clients, including Royal Papworth.

The NHSCFA confirmed that they would do this, as part of an ongoing wider review of their Information Governance but could not give a timeframe for a decision.

As a result, BDO is recommending that the Local Counter Fraud Specialist and CFO at Royal Papworth discuss and agree when, if at all, it is appropriate to record personal data on CLUE in response to a referral, and that an email audit trail is kept of the decision.

This could mean that the Trust may be at odds with NHSCFA guidance but it is felt that the protection of individual's reputation and data is of paramount importance especially when it could affect their future.

BDO Internal Audit Service (IA)

Three reports have been finalised and were presented to the Audit Committee. The audits and their assessments are shown in the table below. *(Please note that the one on private patients was reported on in July's report but has been included in the table for completeness)*

Outpatients – Has been rated moderate for both the design and operational effectiveness of the Trust's controls. It was felt that this was a fair assessment.

Performance Reporting Framework (PIPR) – Has been given moderate assurance over the design and substantial assurance over the operational effectiveness of the Trust's controls. This again was considered a fair assessment and the report has been sent to all the Committees for information.









Cyber Security – IA has provided a moderate assurance over the design of the controls due to the Trust's comprehensive policies, procedures, and regular reporting mechanisms that demonstrate a strong framework for managing cyber security risks, with exceptions

identified relating primarily to the lack of a dedicated cyber security section within the mandatory staff training.

However, a limited assurance has been given over the operational effectiveness of these controls. This is due to significant gaps in the application of the controls, including incomplete antivirus coverage, outdated network diagrams, and the absence of documented and consistently applied procedures for firewall and patch management. These issues highlight the need for the Trust to further enhance the Trust's cyber security resilience.

This corresponds to the limited assurance that has been raised previously in Performance Committee meetings and it has been recommended that Performance Committee is asked to monitor the progress on the recommendations in the report.

Table of Internal Audits in 2024/25

	DESIGN	EFFECTIVENESS
Private Patients	 Moderate	 Moderate
Outpatients	 Moderate	 Moderate
Performance Reporting Framework (PIPR)	 Moderate	 Substantial
Cyber Security	 Moderate	 Limited

Key

Substantial - Appropriate procedures and controls in place to mitigate the key risks. The controls that are in place are being consistently applied.

Moderate - 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. Evidence of non-compliance with some controls, that may put some of the system objectives at risk.

Limited - A number of significant gaps identified in the procedures and controls in key areas. Where practical, efforts should be made to address in-year. Non-compliance with key procedures and controls places the system objectives at risk.

Audit Committee is pleased to report that the follow-up of recommendations that have fallen due at the time of reporting, 98% have been implemented and none were overdue. This is a vast improvement on previous reports

The Committee received the annual benchmarking report for 2023/24 where BDO gives comparative information across their NHS clients relating to the internal audit assurance opinions provided in 2023/24, along with the number and relative proportion of recommendations and the priority level assigned. The report also includes information relating to the type of audits completed for our clients and the audit areas where high risk and priority recommendations were raised.

This report showed that Royal Papworth is doing well in the comparison but it highlighted that Estates and Facilities may be an area that the Trust should look at in the future.

Charity Annual Accounts and Report for 2023/2024

The Committee was given an update from KPMG to say that the audit for the Charity's Annual Accounts and Reports is substantially complete except for some tasks that can only be completed at the end of the process such as Final review, sign off the accounts, management letter, etc. There is no reason at this point not to expect an unmodified Auditor's Report on the financial statements.

The accounts and report will be discussed again at the Charitable Funds Committee on 14 November and then go to an extraordinary Audit Committee meeting to be held on 26 November to be able to present to the Trustee Board on 5 December 2024. The deadline for submission to the Charity's Commission is 31 January 2025.

Losses & Special Payments

A recommendation has been made to write off circa £40k of pharmacy stock due to products expiry between April and August 2024. Normally, this would be part of stock write off. However, the Schedule of Decisions (SoD) is not clear who has authority to write off the amount. It is thought that it would be covered under section 13 (o) of the SoD which allows Audit Committee to write off more than £10k for debtors. However because the rules are not clear Audit Committee would like the Board to ratify this write off.

Clarity will be given in the SoD to be approved for 2025/26.

2. Key decisions or actions taken by the Audit Committee

- Approval of write off of obsolete pharmacy stock of £39,998.6

3. Recommendation

The Board is asked to note the report and ratify the stock write off.