

REPORT TO THE AUDIT COMMITTEE

NAME OF DIRECTOR PRESENTING	Andrew Meehan
AUTHOR(S)	Paul Athey

TITLE	Audit Committee Annual Report to the Trust Board
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SUMMARY

This annual report is the culmination of the work of the Audit Committee in relation to the 2012/13 financial year and formalises our conclusions in terms of the following areas:

- Committee annual work plan;
- Assurance to the Trust Board;
- The financial statements;
- Liaison with Internal and External Auditors;
- The Assurance Framework and control arrangements; and
- Ad-hoc reviews.

The Audit Committee has provided assurance to the Trust Board quarterly and in summary for the 2012/13 financial year the committee concluded:

- The financial statements for the year ending 31st March 2013 reflect a true and fair position and there are no significant issues within the external auditors report to those charged with governance that need to be reported to the Trust Board;
- The Annual Governance Statement reflected the Committee's knowledge of the Trust and no further disclosures were required;
- The Committee regularly visited the Trusts Programme Management Office (PMO) and assured the Board that links between the CIP and quality measures are made and that every effort is taken to manage the patient safety and experience risks on each scheme
- There were no major issues reported in ad-hoc reviews to the Committee and there are not any significant matters arising from the discussions and reports that have not already been brought to the attention of the Trust Board by the Chair of the Audit Committee during in-year reports
- Following concerns raised in Quarter 2 around the classification of risk on the Board Assurance Framework, actions were put in place to ensure that robust assurance could be obtained in Quarters 3 and 4 of the identification and management of the Trust's key risks.
- Recent concerns were raised about the relationship between Audit Committee and IGC, and these concerns are in the process of being addressed by the Trust Board.

RISK & IMPLICATIONS

There are no risks from this report.

RECOMMENDATIONS

The Board are asked to note this report.

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Audit Committee Annual Report to the Trust Board

Introduction

The Audit Committee provides a vital scrutiny role, upon which the Board of Directors should be able to rely on in discharging its duties.

The Committee Chair provides a report after each meeting and a Quarterly Assurance Statement to form part of the quarterly Trust Board assurance process. This annual report is the culmination of the work of the Audit Committee in relation to the 2012/13 financial year and formalises our conclusions in terms of the following areas:

- Committee annual work plan;
- Assurance to the Trust Board;
- The financial statements;
- Liaison with and gaining assurance from the Integrated Governance Committee (IGC)
- Liaison with Internal and External Auditors;
- The Assurance Framework and control arrangements; and
- Ad-hoc reviews.

Detail

The committee developed a formal work plan which is attached in Appendix A. The committee is satisfied that this plan covers the key areas that it is required to provide assurance to the Trust Board and discharge its responsibilities.

The summary assurance statements are shown in Appendix B and it can be seen that the committee has been able to assure the Trust Board over the adequacy of the control environment and financial statements.

The Committee meets privately with the Trust's internal and external auditors and debates areas of concerns of Committee members and audit colleagues. There were no significant matters arising from those discussions that have not already been brought to the attention of the Trust Board by the Chair of the Audit Committee during in-year reports. The Committee is satisfied that it has appropriate access to and a relationship with both internal and external auditors.

The Committee has raised recent concerns about the relationship between Audit Committee and IGC, in particular the lack of clarity about lines of responsibility and the potential for issues either being duplication or missed. These concerns have been discussed via a Board workshop, and a review of the Board Committees structure and responsibilities is currently being undertaken. This review will incorporate the shared views of the Chairs of Audit Committee and IGC.

Attendance at the Committee is shown in Appendix C.

Conclusion

The Audit Committee has provided assurance to the Trust Board quarterly and in summary for the 2012/13 financial year the committee concluded:

- The financial statements for the year ending 31st March 2013 reflect a true and fair position and there are no significant issues within the external auditors report to those charged with governance that need to be reported to the Trust Board;
- The Annual Governance Statement reflected the Committee's knowledge of the Trust and no further disclosures were required;
- The Committee regularly visited the Trusts Programme Management Office (PMO) and assured the Board that links between the CIP and quality measures are made and that every effort is taken to manage the patient safety and experience risks on each scheme
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- Following concerns raised in Quarter 2 around the classification of risk on the Board Assurance Framework, actions were put in place to ensure that robust assurance could be obtained in Quarters 3 and 4 of the identification and management of the Trust's key risks.
- Recent concerns were raised about the relationship between Audit Committee and IGC, and these concerns are in the process of being addressed by the Trust Board.

APPENDIX A

Audit Committee Work Plan for the 2012/13

	18 Apr 2013	28 May 2013	16 July 2013	15 Oct 2013	10 Dec 2013	Feb 2014	Apr 2014
Action Points	√	√	√	√	√	√	√
Assurance Framework - Review of	√	√	√	√	√	√	√
Integrated Governance Committee - feedback	√	√	√	√	√	√	√
External Audit – Progress Report	√		√	√	√	√	√
Internal Audit - Progress Report	√		√	√	√	√	√
Internal Audit - Outstanding Audit Recommendations	√		√		√		√
External Audit - Outstanding Audit Recommendations	√		√		√		√
Counter Fraud – Outstanding Audit Recommendations		√	√		√		
Losses and Compensations	√		√	√		√	√
Hospitality Register - review of			√		√		
Accounting Policies - Review of					√		
Counter Fraud - Progress Report				√		√	
Breaches and Waivers of SFIs			√		√		
Counter Fraud - CFSMS Qualitative Assessment				√			
Counter Fraud - Approval of plan						√	
External Audit - Approval of plan and agree fees				√			
Internal Audit - Approval of plan						√	
Counter Fraud - Annual Report		√					
Annual Accounts - Draft Annual Report	√						√
Annual Accounts - Draft DoF Commentary on Accounts	√						√
Annual Accounts - Review of Draft Accounts	√						√
Annual Accounts - Annual Report		√					
Annual Accounts - DoF Commentary on Accounts		√					
Annual Accounts - Review of		√					
External Audit - Governance Statement		√					
Internal Audit - Head of Internal Audit Opinion - Draft	√						√
- Final		√					
Review of Audit Committee work plan	√			√			√
Annual Risk Report - review of	√						√
Audit Committee - Annual Report			√				
Contract Risk Review				√			
Audit Committee - Terms of Reference review of				√			
Audit Committee - Self Assessment					√		

APPENDIX B

SUMMARY ASSURANCE STATEMENTS

Statement	Evidence and Assurance
<p>The Committee shall review the establishment and maintenance of an effective system of integrated governance, risk management and internal control, across the whole of the organisation's activities (both clinical and non-clinical), that supports the achievement of the organisation's objectives.</p>	<p>The Committee received, reviewed and challenged the Board Assurance Framework regularly during the year. Concerns were raised in Quarter 2 around the categorisation of risks, specifically questioning whether risks were scored in an overly cautious manner, whether they were recognised too early and whether long-standing red risks we being appropriately reviewed and managed. Actions were put in place by the Executive Management Team to address these concerns, and the Committee reported in Quarters 3 and 4 that they were happy with the progress being made against these actions.</p> <p>The committee received regular reports from the Integrated Governance and was assured by its progress.</p> <p>The Committee regularly visited the Trusts Programme Management Office (PMO) and assured the Board that links between the CIP and quality measures are made and that every effort is taken to manage the patient safety and experience risks on each scheme .</p>
<p>The Committee shall ensure that there is an effective internal audit function established by management that meets mandatory NHS Internal Audit Standards and provides appropriate independent assurance to the Audit Committee, Chief Executive and Board.</p>	<p>The Committee receives regular presentations and update from the Trust's Internal Auditors and reviewed the completed audit reports and recommendation tracking.</p> <p>The Committee received positive assurance from the Head of Internal Audit that there are robust internal controls in place within the organisation.</p>

Statement	Evidence and Assurance
<p>The Committee shall review the work and findings of the External Auditor appointed by the Foundation Trust and consider the implications and management's responses to their work.</p>	<p>The Committee also received an unqualified opinion on the Trusts financial statements from the External Auditor and were happy that the financial statements represent a true and fair view of the financial position.</p> <p>The Committee debated fully and in detail the key areas of management decisions and assumptions and were satisfied that these were reasonable. The Committee was satisfied and ratified the non-material unchanged errors in the financial statements and ratified the actions of the Director of Finance.</p>
<p>The Committee shall request and review reports and positive assurances from directors and managers on the overall arrangements for governance, risk management and internal control.</p>	<p>The Committee regularly received assurances from the Director of Nursing and Governance on the Board Assurance Framework in terms of process and content. The Committee also met with Trust managers to go through areas of risk in detail and gain assurance that appropriate progress was being made to manage or address the risks appropriately.</p> <p>The Committee reviewed the Annual Governance Statement which reflected the Committee's knowledge of the Trust and no further disclosures were required.</p>
<p>The Audit Committee shall review the Annual Report and Financial Statements (wherever practical) before submission to the Board,</p>	<p>Using its delegated authority the Committee approved the 2011/12 accounts, having received presentations from the Director of Finance and External Audit, for submission to Monitor.</p> <p>The Committee was pleased to note the positive feedback received from External Audit.</p>

Statement	Evidence and Assurance
<p>The Committee should also ensure that the systems for financial reporting to the Board, including those of budgetary control, are subject to review as to completeness and accuracy of the information provided to the Board.</p>	<p>The Committee reviewed all internal audit reports noting positive levels of assurance given for all of the key financial systems. The overall opinion given in the annual audit of the General Ledger & Budgetary Control was amber/green, reflecting the need for the Trust to update its Standing Financial Instructions and Standing Orders in line with its new service line management structure.</p>
<p>The Audit Committee shall review the findings of other significant assurance functions, both internal and external to the organisation, and consider the implications to the governance of the organisation.</p>	<p>The Committee received assurance of the Trust's Counter Fraud service having received an external scoring assessment from NHS Protect which shows an increase in the score to the higher level of 3.</p> <p>The Committee received regular reports updating them on recent developments in the healthcare field for review and also discussed areas where further assurance could be gained by management. The Committee was satisfied that where assurance was asked for it was received.</p>

APPENDIX C

MEETING ATTENDANCE 2012-13

TITLE	NAME	19/04/12	29/05/12	17/07/12	16/10/12	11/12/12	14/02/13
Non-Executive Director (Chairman)	R Otto	Y	Y	A	Y	Y	Y
Non-Executive Director	A Meehan						A
Non-Executive Director (Vice Chairman)	E Hensel	Y	Y	Y	Y	A	
Non-Executive Director	R Millinship	Y	A	Y	Y	Y	Y
Non-Executive Director	C Monk	A	A	Y	Y		
Non-Executive Director	E Mountford						Y
Non-Executive Director	T Pile						A
Director of Finance	S Bloomer	Y	Y	Y	Y		
Interim Director of Finance	P Taylor					Y	Y
Internal Audit	G Palethorpe	Y	Y	Y	A	Y	Y
Internal Audit	P Kaur						
Internal Audit	S Mallinson				Y		
Internal Audit	A Hussain				Y		
External Audit	G Miah	Y	Y	A		Y	A
External Audit	M Ramzan				Y		A

TITLE	NAME	19/04/12	29/05/12	17/07/12	16/10/12	11/12/12	14/02/13
External Audit	A Gilder		Y	Y		Y	Y
External Audit	C Malone						Y
External Audit	J Bingham		Y				
External Audit	A Claybrook		Y				
Counter Fraud Specialist	G Ball		Y		A	Y	A
Counter Fraud Specialist	M Elcock						
Director of Nursing & Governance	L Webb	Y					Y
Company Secretary	J Street	Y					
Chief Executive	D O'Donoghue		Y				
Deputy Director of Finance	P Athey	Y	Y		Y	Y	
Head of Financial Accounting	K Poole	Y	Y				
Deputy Director of Nursing	H Peakman	Y	Y		Y		
Head of Commissioning	G Hyland				Y		
Head of Facilities	E Bridge				Y		

KEY: A = Apologies Y = Did attend