



Ashford and St. Peter's Hospitals
NHS Foundation Trust

TRUST BOARD
30 May 2019

AGENDA ITEM	17.1
TITLE OF PAPER	Audit & Risk Committee Annual Report
Confidential	NO
Suitable for public access	YES
PLEASE DETAIL BELOW THE OTHER SUB-COMMITTEE(S), MEETINGS THIS PAPER HAS BEEN SUBMITTED	
This report was reviewed and approved at the Audit & Risk Committee meeting held on 23 rd May 2019.	
<u>STRATEGIC OBJECTIVE(S):</u>	
Quality Of Care	√
People	√
Modern Healthcare	√
Digital	√
Collaborate	√
EXECUTIVE SUMMARY	
	<p>As a formal sub-committee of the Trust Board the Audit & Risk Committee presents its Annual Report to the Trust Board for noting.</p> <p>The attached report was approved at the Audit & Risk Committee meeting held on 23rd May 2019 and summarises the key areas of activities over the last year in discharging its duties under its revised Terms of Reference.</p> <p>The Head of Internal Audit opinion for 2018/19 gave Moderate Assurance that there is a generally sound system of internal control within the Trust.</p> <p>Mazars Audit Completion Report was presented separately to the Trust Board as part of the Annual Report and Accounts sign-off process on 23rd May 2019.</p>

RECOMMENDATION:	Receive and note the paper
SPECIFIC ISSUES CHECKLIST:	
Quality and safety	
Patient impact	
Employee	
Other stakeholder	
Equality & diversity	
Finance	
Legal	
Link to Board Assurance Framework Principle Risk	
AUTHOR	Paul Doyle, Deputy Director of Finance Please approach for any further information required.
PRESENTED BY	Keith Malcouronne, Non-Executive Director and Committee Chair
DATE	23 May 2019
BOARD ACTION	Receive



TRUST BOARD
30th May 2019

Annual Report of the Audit & Risk Committee to the Trust Board

Introduction

The NHS Audit Committee Handbook states as part of best practice that the Audit & Risk Committee should prepare an annual report on its work and performance in the preceding year for consideration by the Trust Board. This report summarises the Audit & Risk Committee's deliberations for the last year.

Overview of Committee

The Audit & Risk Committee is a formal sub-committee of the Trust Board with defined Terms of Reference. The Terms of Reference of the Committee were reviewed in accordance with the NHS Audit Committee Handbook and were ratified by the Trust Board at its meeting held on 27th September 2018.

The Committee's name was formally changed from Audit Committee to Audit & Risk Committee in October 2018. This followed Trust Board papers on the 'Proposed Governance and Sub-Board Committee Model' (March 2018) and 'Evolving our Approach to Risk Management' (July 2018). As a result of these the sub-Board committee structure was changed.

Membership and Meetings

There were three meetings in the period covered by this report (June 2018 to May 2019) all of which were quorate.

The membership of the Audit & Risk Committee, and attendance, has been as follows: -

<u>Member</u>	<u>Title</u>	<u>Attendance</u>
Keith Malcouronne (Chair)	Non-Executive Director	3/3
Meyrick Vevers	Non-Executive Director	3/3
Marcine Waterman	Non-Executive Director	3/3

Other Non-Executive directors are welcome to attend the meetings.

The Committee invited the Trusts internal auditors (BDO), external auditors (KPMG and latterly Mazars) and Local Counter Fraud Specialist (BDO) to present on their work during the year. Also invited to attend the meetings were the Chief Executive and Director of Finance and Information. The Committee is supported by the Deputy Director of Finance and Head of Financial Services who acts as Secretary to the Committee.

The Committee has had an opportunity to have private discussions with the internal and external auditors. During the year under review the Chair of the Committee and other Non-Executive Directors met with the external auditors who raised no matters of concern.

Duties within the Terms of Reference

The work of the Committee in discharging its duties under the Terms of Reference categories was as follows: -

Governance, Risk Management and Internal Control

Through its scrutiny in 2018/19 the Committee received the Head of Internal Audit Opinion on the effectiveness of the System of Internal Control. Moderate assurance was provided that there is a sound system of internal control, designed to meet the Trust's objectives and that controls are being applied consistently. Of the audits completed all provided either substantial or moderate assurance on the design of the control environment. In terms of operational effectiveness, one audit had substantial assurance, six had moderate assurance and one had limited assurance. The one audit that had limited assurance for operational effectiveness related to Consultant Job Planning.

In 2018/19 a total of 35 (2017/18 - 58) recommendations were made of which 23 (2017/18 - 53) were classed as High (3) or Medium (20).

The Committee has reviewed the losses incurred and special payments made by the Trust in the year. These totalled £79,918 for the 2018/19 financial year and included bad debts of £6,444 which were considered at the Committee meeting held on 18th October 2018.

Each of the Trust Board sub-committees has developed a Risk Appetite Statement in conjunction with each committee's key risks to delivery of its Strategic Objective. Both the Risk Appetite and strategic risks will form the basis of the Trust's Board Assurance Framework (BAF). As part of its revised Terms of Reference the Committee will provide oversight and scrutiny of the BAF going forwards into 2019/20. This commenced at the May 2019 meeting.

Internal Audit

At each meeting the Committee receives details of recent internal audit work together with recommendations made and management responses. The Committee also receives at every meeting an update on the progress towards implementing recommendations. The Committee Chair also has the option to meet separately with internal audit, outside of the Audit & Risk Committee, to review actions against their specific reports.

The Committee expressed its concern during the year regarding the speed with which recommendations were being implemented by management. The process has been reviewed and is showing signs of improvement in 2019.

The Committee has overseen and supported the work of Internal Audit through:

- agreeing the Audit Plan including the adequacy of coverage;
- considering the results of internal audit reviews; and
- reviewing and agreeing the Head of Internal Audit Opinion/Annual Statement of Assurance.

The Committee is satisfied that the delivery of the Internal Audit plan has given it assurance that controls are effective and action plans are developed for improvement.

External Audit

The Committee has:

- considered the scope and planning of the external audit through review of the external audit plan of the incoming auditors, Mazars;
- considered and agreed fees and resources required for the 2018/19 audit as part of a tender process;
- considered the key risks assessed by Mazars for inclusion in their long form audit opinion; and
- reviewed financial control related reports including the external auditors reports and the Audit Completion Report.

The Committee also receives updates from Trust Management on the progress towards implementing external audit recommendations.

The Committee has drawn confidence from the work of the external auditor in supporting its overall conclusions about internal control, financial reporting and the work of internal audit.

In 2018 the Council of Governors and Trust undertook a tender exercise for the appointment of external auditors for the 2018/19 financial year onwards. A working group consisting of Council of Governors and Committee Non-Executive Directors was set up and reviewed tender submissions. As a result of the process, the Council of Governors meeting held on 5th December 2018 approved the appointment of Mazars as the Trust's new external auditors.

The Committee would like to record its thanks to KPMG for the provision of its external audit service over the years.

Review Meetings with Auditors

At its meeting held on 23rd May 2019, the Committee took the opportunity to meet privately with both internal and external auditors without the presence of management.

Other Assurance Functions

As previously described in this report, the Committee has taken on an oversight and scrutiny role with regards to the Board Assurance Framework.

In addition the Trust Risk Register has been provided to the Audit & Risk Committee on an annual basis.

During 2018/19 the Committee also had sight of the Care Quality Commission inspection report.

Management

The Committee has obtained reports and assurances from Directors and managers on the overall arrangements for governance, risk management and internal control as necessary.

The Committee also reviewed and approved a paper about arrangements the entity has put in place:

- to prevent and detect fraud;
- to comply with applicable law and regulations; and
- to assess the appropriateness of the going concern assumption.

Financial Reporting

The Committee has reviewed the timeline for the production of the Trust's Annual Report and Accounts, including the Quality Report.

At its January 2019 meeting the Committee was advised of changes to the DHSC Group Accounting Manual and FT Accounting Reporting Manual. Changes to Trust accounting policies were also highlighted. It was also agreed that the non-consolidation of the Trust's charity accounts into the main Trust accounts would continue.

A Committee meeting was held on 23rd May 2019 to consider:

- the Annual Report and Accounts for 2018/19, including the wording of the Annual Governance Statement;
- the external auditors Audit Completion Report and Quality Report;
- the external auditors audit opinions on the financial statements and quality report; and
- the management representation letters (which included schedules of adjusted and non-adjusted items following the audit of the accounts).

The Committee remains confident that the financial position of the Trust is reported fairly.

At its October 2018 meeting the Committee reviewed and approved the Charitable Funds Annual Report and Accounts 2017/18 prior to formal Trust Board approval.

Whistleblowing, Freedom to Speak Up and Fraud

The Local Counter Fraud Specialist (LCFS), which is a service provided by BDO, reported at all meetings and kept the Committee apprised of any irregularities or issues arising from counter fraud activities. The Committee has approved strategies and plans for countering fraud.

At its October 2018 meeting the Committee also reviewed the final report 'Focused quality assessment of compliance against NHS Counter Fraud Authority standards for providers 2018/19 (Fraud, Bribery and Corruption)'. This was issued by the NHS Counter Fraud Authority in June 2018

Conclusion

The Committee has complied with its Terms of Reference during the periods in which it has:

- received and approved the external auditors Audit Completion Report and Quality Report for 2018/19;
- reviewed the Internal Audit Annual Statement of Assurance for 2018/19 and confirmed that it was consistent with the Committees assessment of control;
- reviewed the Annual Report and Accounts, including the Annual Governance Statement for 2018/19; and
- reviewed reports prepared by internal auditors, external auditors and the local counter fraud specialist, along with the ensuing management actions, where appropriate.

Keith Malcouronne
Audit & Risk Committee Chair
23rd May 2019