

**TRUST BOARD**  
**28<sup>th</sup> May 2012**

<b>TITLE</b>	<b>Annual Report from the Audit Committee to the Trust Board</b>
<b>EXECUTIVE SUMMARY</b>	<p>As a formal sub-committee of the Trust Board the Audit Committee presents its Annual Report to the Trust Board for noting.</p> <p>The attached report was approved at the Audit Committee meeting held on 23<sup>rd</sup> May 2012 and summarises the key areas of activities over the last year in discharging its duties under its approved Terms of Reference.</p>
<b>BOARD ASSURANCE (Risk) / IMPLICATIONS</b>	The Board is assured by the scrutiny provided by the Audit Committee on matters of risk and in respect of the scrutiny on the work undertaken to support the Trust's Annual Governance Statement
<b>STAKEHOLDER / PATIENT IMPACT AND VIEWS</b>	Discussed at Audit Committee meeting with internal and external auditor attendance.
<b>EQUALITY AND DIVERSITY ISSUES</b>	None that we are aware of.
<b>LEGAL ISSUES</b>	None that we are aware of.
<b>The Trust Board is asked to:</b>	Note the Annual Report from the Audit Committee.
<b>Submitted by:</b>	Terry Price, Non-Executive Director and Committee Chair Paul Doyle, Deputy Director of Finance
<b>Date:</b>	23 <sup>rd</sup> May 2012
<b>Decision:</b>	For Noting

**TRUST BOARD**  
**28<sup>th</sup> May 2012**

**Annual Report of the Audit Committee to the Trust Board**

**Introduction**

The NHS Audit Committee Handbook 2011 states as part of best practice that the Audit 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 Committees deliberations for the last year.

**Overview of Committee**

The Audit 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 2011 at meetings of the Committee held on 18<sup>th</sup> January 2012 and again on 21<sup>st</sup> March 2012. These were then ratified by the Trust Board at its meeting held on 26<sup>th</sup> April 2012.

**Membership and Meetings**

There were four meetings in the period covered by this report (June 2011 to May 2012) all of which were quorate.

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

<u>Member</u>	<u>Title</u>	<u>Attendance</u>
Terry Price (Chair)	Non-Executive Director	4/4
Peter Taylor	Non-Executive Director	4/4
Jim Gollan	Non-Executive Director	4/4

Other Non-Executive directors are welcome to attend the meetings with the exception of the Trust Board Chairman (as is normal practice).

The Committee invited the Trusts internal auditors (Chantrey Vellacott DFK LLP) and external auditors (KPMG) 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 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 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 2011/12 the Committee received the draft Head of Internal Audit Opinion on the effectiveness of the System of Internal Control. Significant assurance was given that there is a generally sound system of internal control within the Trust, designed to meet the Trust's objectives, and that controls are generally being applied consistently. However it was noted that some weaknesses in the design and/or inconsistent application of control in the areas audited put the achievement of particular objectives at risk.

In 2011/12 a total of 213 controls were tested by internal audit (2010/11 264) with 86% assessed as being either full or significant control (2010/11 90%). A total of 95 recommendations were made (2010/11 105) of which 60 were classed as High or Medium (2010/11 61).

Of the ten reports issued most had overall opinions of Significant or Full control. One report on Medical Staffing had a Limited overall opinion and another on Stock Management a split Significant/Limited opinion. The Chair of the Committee continues to hold quarterly meetings with managers to follow up recommendations and these two specific audit reports will be followed up closely in 2012/13

The Local Counter Fraud Specialist (LCFS), which is an additional service provided by Chantrey Vellacott DFK LLP, reports at all meetings and has kept the Committee apprised of any irregularities or issues arising from counter fraud activities. The Committee has approved strategies and plans for countering fraud.

The Committee has reviewed the losses incurred and special payments made by the Trust in the year. These totalled £45,508 for the 2011/12 financial year of which £21,414 related to the write off of bad debts which were considered at Committee meetings held on 19<sup>th</sup> October 2011 and 21<sup>st</sup> March 2012.

### 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 from Trust Management on the progress towards implementing medium and high level recommendations. The Committee Chair also meets separately with Trust managers on a quarterly basis outside of the Audit Committee to review actions against their specific reports.

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.

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.

During the financial year the Trust jointly tendered with Frimley Park Hospital NHS Foundation Trust for the provision of internal audit services. The Committee Chair and Director of Finance and Information attended the presentations in February 2012. Parkhill were appointed as the Trust's new internal auditors effective from 1<sup>st</sup> April 2012. The Committee expressed their thanks to Chantrey Vellacott DFK for their service to the Trust over a number of years.

## External Audit

The Committee has:

- considered the scope and planning of the external audit through review of the external audit plan;
- considered and agreed fees and resources required for the 2011/12 audit; and
- reviewed financial control related reports including the external auditors reports and the Annual Audit Letter.

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.

The Committee Chair also worked with a working party of the Council of Governors over the appointment of external auditors effective from 1<sup>st</sup> April 2012.

## Other Assurance Functions

The Committee has considered its link into the work of the Integrated Governance Advisory Committee. There is commonality of membership between the two Committees and the minutes of the Integrated Governance Advisory Committee are shared with the Committee. An exception report arising from Audit Committee meetings is presented to IGAC. The minutes of both of these Committees are included as Items for Noting in the Trust Board agendas.

In addition the Corporate Risk Register is provided to the Audit Committee at its quarterly meetings.

## 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.

## Financial Reporting and Annual Report and Accounts

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

At its March 2012 meeting the Trust accounting policies were reviewed and approved.

A Committee meeting was held on 23<sup>rd</sup> May 2012 to consider:

- the Annual Report and Accounts for 2011/12, including the wording of the Annual Governance Statement;
- the external auditors report on the Quality Report;
- the external auditors Audit Memorandum (ISA260 letter); and
- the management representation letter (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 2011 meeting the Committee reviewed and approved the Charitable Funds Annual Report and Accounts 2010/11 prior to formal Trust Board approval.

**Conclusion**

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

- received and approved the external auditors Annual Audit Letter for 2010/11;
- reviewed the Head of Internal Audit Opinion for 2011/12 and confirmed that it was consistent with the Committees assessment of control;
- reviewed the Annual Report and Accounts, including the Annual Governance Statement for 2011/12; and
- reviewed reports prepared by internal auditors, external auditors, local counter fraud specialist and the Audit Commission along with the ensuing management actions, where appropriate.

**Terry Price**  
**Audit Committee Chair**  
**May 2012**