

TRUST BOARD
29th May 2014

TITLE	Annual Report from the Audit Committee
EXECUTIVE SUMMARY	<p>As a formal sub-committee of the Trust Board the Audit Committee presents its Annual Report to the Trust Board.</p> <p>The attached report was approved at the Audit Committee meeting held on 21st May 2014 and summarises the key areas of activities over the last year in discharging its duties under its approved Terms of Reference.</p>
BOARD ASSURANCE (Risk) / IMPLICATIONS	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
STAKEHOLDER / PATIENT IMPACT AND VIEWS	Discussed at Audit Committee meeting with internal and external auditor attendance.
EQUALITY AND DIVERSITY ISSUES	None that we are aware of.
LEGAL ISSUES	None that we are aware of.
The Trust Board is asked to:	Note and receive the Annual Report from the Audit Committee.
Submitted by:	Terry Price, Non-Executive Director and Committee Chair
Date:	21 st May 2014
Decision:	For Receiving

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 in early 2013 and ratified by the Trust Board at its meeting held on 28th March 2013.

The review of these Terms of Reference has been deferred until the July 2014 meeting as it is expected that a revised NHS Audit Committee Handbook will be issued shortly.

Membership and Meetings

There were five meetings in the period covered by this report (June 2013 to May 2014) 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	5/5
Peter Taylor (to 31 October 2013)	Non-Executive Director	2/2
Jim Gollan	Non-Executive Director	4/5
Clive Goodwin (from 1 February 2014)	Non-Executive Director	2/2

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 TIAA (who merged with Parkhill Internal Audit Services on 1st October 2013 and South Coast Audit on 1st January 2014), external auditors (KPMG) and Local Counter Fraud Specialist (Gateway Assure/Chantrey Vellacott) 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 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 2013/14 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 2013/14 a total of 96 (2012/13 79) recommendations were made of which 67 (2012/13 63) were classed as High or Medium Priority.

The Local Counter Fraud Specialist (LCFS), which is a service provided by Gateway Assure (through their partnership with 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 LCFS has carried pro-active audits the outputs of which have been reviewed by the Committee. The Committee has approved strategies and plans for countering fraud and approved a revised Counter Fraud and Corruption Policy in January 2014.

The LCFS also kept the Committee apprised of an inspection by NHS Protect scheduled for 28th May 2014 – feedback from which will be received at the July 2014 Committee meeting.

The Committee has reviewed the losses incurred and special payments made by the Trust in the year. These totalled £169,423 for the 2013/14 financial year and included bad debts which were considered at Committee meetings held on 23rd October 2013 and 19th March 2014.

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 medium and high level recommendations. The Committee Chair also meets separately 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;
- agreeing the Internal Audit Charter;
- 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.

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 2013/14 audit; and
- reviewed financial control related reports including the external auditors reports and the Annual Audit Letter (ISA260).

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 May 2013 the Committee provided a report to the Council of Governors on the performance of the external auditors.

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, including the Chair of the Audit Committee verbally updates the Audit Committee with any issues from the Integrated Governance Advisory Committee. An exception report arising from Audit Committee meetings is presented to IGAC. The minutes of both of these Committees are included as standing items on the Trust Board agenda.

In addition the Trust Risk Register is provided to the Audit Committee on an annual basis.

The Committee also reviewed the Local Security Management Specialist self-assessment report submitted to NHS Protect in 2013 and ensured that an appropriate Committee was scrutinising this (Risk Scrutiny Committee).

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.

The January 2014 meeting considered and approved a recommendation for the non-consolidation of the Trust's charity accounts into the main Trust accounts.

At its March 2014 meeting the Trust accounting policies were reviewed and approved.

A Committee meeting was held on 21st May 2014 to consider:

- the Annual Report and Accounts for 2013/14, including the wording of the Annual Governance Statement;
- the external auditors report on the Quality Report;
- the external auditors Audit Highlights Memorandum (ISA260 letter); and
- the management representation letter (which included schedules of adjusted and non-adjusted items following the audit of the accounts).

At that meeting it was agreed that a review would be made of how the Quality Report, and KPMG's report thereon, would be handled in future years and in particular IGAC's involvement in the process..

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

At its January 2014 meeting the Committee reviewed and approved the Charitable Funds Annual Report and Accounts 2012/13 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 Audit Highlights Memorandum (ISA260) for 2013/14;
- reviewed the Head of Internal Audit Opinion for 2013/14 and confirmed that it was consistent with the Committees assessment of control;
- reviewed the Annual Report and Accounts, including the Annual Governance Statement for 2013/14; and
- reviewed reports prepared by internal auditors, external auditors and the local counter fraud specialist, along with the ensuing management actions, where appropriate.