Trust Board Meeting: Wednesday 22 January 2014
TB2014.18

<table>
<thead>
<tr>
<th>Title</th>
<th>Audit Committee Chairman’s Report</th>
</tr>
</thead>
<tbody>
<tr>
<td>Status</td>
<td>For information</td>
</tr>
<tr>
<td>History</td>
<td>This is a regular report to the Board</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Board Lead</th>
<th>Mrs Anne Tutt, Committee Chairman</th>
</tr>
</thead>
<tbody>
<tr>
<td>Key purpose</td>
<td>Strategy</td>
</tr>
</tbody>
</table>
1. **Introduction**

The Audit Committee met on 28 November 2013. The main issues raised and discussed at the meeting are set out below.

2. **Significant issues of interest to the Board**

The Committee considered the following issues:

- The Medical Director presented the Clinical Audit Annual Report, reflecting activity over the year 2012/13. There had been good progress in relation to mandatory audits however it was noted that further work was required to ensure local audits were delivered with the same level of rigour. The key issue related to the availability of consultant time, which needed to be built into their management time allocation. The Medical Director was asked to report back to the next meeting, outlining how issues from audits were escalated within the Trust, and how often issues raised by the Clinical Governance Committee were then followed up through clinical audit;

- The Deep Dive process was reviewed and while the review indicated that the process had succeeded in prompting constructive discussion about the adequacy of controls, it was agreed that those leading a Deep Dive review should be given clearer guidance on what was required. The Committee also agreed to be clearer on the level of assurance provided by each Deep Dive, which should inform the frequency and detail of any follow up reviews;

- A Deep Dive into how the Trust managed pay and agency costs was presented and discussed. It was concluded that more work was required to provide sufficient assurance regarding the efficacy of controls put in place to mitigate the risk posed by a failure to effectively control pay and agency costs. The Director of Finance and Procurement would report to the next meeting of the Finance and Performance Committee on the actions being taken;

- The Head of Corporate Governance presented the Mid-Year Review of Effectiveness. It was agreed that the cycle of business should be updated to align the Deep Dive reviews with the Board Assurance Framework. Changes to the Committee’s terms of reference were agreed, to address the requirements of the Bribery Act 2010; in particular recognising the Committee’s role in providing oversight of the Register of Interests, and of the Register of Gifts, Hospitality and Sponsorship. The Director of Finance and Procurement highlighted proposals developed by the Department of Health [“DH”], introducing new constitutional requirements for Audit Committees;

- The External Auditors formally reported the referral made to the Secretary of State under section 19 of the Audit Commission Act 1998 (section 1), regarding the Trust’s cumulative deficit position as at 31 March 2013. Referral had been required, notwithstanding that the Trust had not changed its course of action towards achieving its breakeven duty, given that the previous s.19 report had covered the five year period up to 31 March 2012. In the circumstances, the Trust Development Authority [“TDA”] had confirmed that this was not regarded as giving cause for concern;

- Internal auditors presented their progress report, highlighting that reports into the Information Governance Toolkit, Cost Improvement Plans, and Performance Management had all provided significant assurance;
3. **Key Risks Discussed**

The following key risks were discussed:

- The management of pay and agency costs was acknowledged to represent a significant financial risk to the Trust.

4. **Key decisions taken**

The following key decisions were made:

- The Committee agreed the changes to its Terms of Reference to address the requirements of the Bribery Act 2010, and in particular recognised the importance of its role in providing oversight of the Register of Interests, and of the Register of Gifts, Hospitality and Sponsorship. The amended Terms of Reference are attached in Appendix 1 with the amendments highlighted in yellow.

5. **Agreed Actions**

The Committee agreed the following actions:

- All members would be asked to submit what each regarded as the ‘Top 3’ key priorities to inform the agenda of the next meeting of the Audit Committee;
- DH consultation document on the proposed new constitutional requirements for Audit Committees to be circulated to all members, and comments provided to the Director of Finance and Procurement by 19 December 2013, to co-ordinate Trust’s response;
- Internal auditors to present a comprehensive report on Data Analytics, and on the review of Private Patients and Pharmacy cash processes to the next meeting;

6. **Matters deferred for future consideration**

No matters were deferred for future consideration.

7. **Assurance required from/actions required by other Board sub-committees**

No matters require assurance from or actions by another Committee.

8. **Matters to be referred to the Trust Board**

No matters were referred to the Trust Board.

**Recommendation**

The Trust Board is asked to note the contents of this paper and approve the amendments to Terms of Reference.

**Anne Tutt**
Audit Committee Chairman
November 2013
Oxford University Hospitals NHS Trust
Audit Committee
Terms of Reference

1. Authority
The Audit Committee is constituted as a standing committee of the Trust Board. Its constitution and terms of reference shall be as follows, subject to amendment at future meetings of the Trust Board.

The Committee is authorised by the Trust Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any member of staff and all members of staff are directed to co-operate with any request made by the Committee.

The Committee is authorised by the Trust Board to request the attendance of individuals and authorities from outside the Trust with relevant experience and expertise if it considers this necessary.

2. Purpose of Committee
The Audit Committee is responsible for providing assurance to the Trust Board on the Trust’s system of internal control by means of independent and objective review of financial and corporate governance, and risk management arrangements, including compliance with law, guidance, and regulations governing the NHS.

3. Responsibilities
The Audit Committee will have primary responsibility for financial risk and associated controls, corporate governance and financial assurance.

3.1 Internal Control and Risk Management
• To ensure the provision and maintenance of an effective system of financial risk identification and associated controls, reporting and governance.
• To maintain an oversight of the Trust’s general risk management structures, processes and responsibilities, including the production and issue of any risk and control related disclosure statements.
• To review the risk register at each meeting or as the Board determines.
• To monitor and review the Board Assurance Framework, and ensure its presentation to the Board of Directors at intervals that the Board determines.
• To receive and consider the Annual Governance Statement, making recommendations to the Board for approval, where appropriate.
• To review the adequacy of the policies and procedures for all counter fraud work.
• To review the adequacy of the Trust’s arrangements by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting and control, or related matters or other matters of concern.
• To oversee the maintenance of the policy framework of the Trust, in particular the Policy for the Development of Procedural Documents.
• To oversee the effective governance of key anti-bribery and corruption activities and risks;
• To undertake a regular review of the Trust’s registers of Interests, gifts and hospitality;
3.2 **Internal Audit**
- To oversee the effective operation of Internal Audit and ensure its co-ordination with External Audit.
- To review the Internal Audit programme, consider the major findings of Internal Audit investigations and management’s response, and monitor progress on implementation of recommendations.

3.3 **External Audit**
- To assess the External Auditor's work and fees on an annual basis.
- To discuss with the External Auditor, before the audit commences, the nature and scope of the audit, and ensure co-ordination, as appropriate, with other External Auditors in the local health economy.
- To review External Audit reports, including the Annual Audit Letter, together with the management response, and to monitor progress on the implementation of recommendations.
- To develop and implement a policy on the External Auditor to supply non-audit services.

3.4 **Annual Account Review**
- To review the Trust's annual statutory accounts, before they are presented to the Trust Board, to determine their objectivity, integrity and accuracy. This review will cover:
  - The meaning and significance of the figures, notes and significant changes;
  - Accounting policies and practices followed and significant changes;
  - Explanation of estimates or provisions having material effect;
  - The schedule of losses and special payments;
  - Any reservations and disagreements between the External Auditors and management not satisfactorily resolved.

3.5 **Standing Orders, Standing Financial Instructions and Standards of Business Conduct**
- To review on behalf of the Trust Board the operation of, and proposed changes to the Standing Orders and Standing Financial Instructions, Codes of Conduct and Standards of Business Conduct; including maintenance of registers of interest.
- To examine the circumstances of any significant departure from the requirements of any of the foregoing.
- To review the Scheme of Delegation

3.6 **Other audit related issues**
- To review performance indicators relevant to the Committee.
- To examine any other matter referred to the Committee by the Trust Board and to initiate investigation as determined by the Committee.
- To annually review the accounting policies of the Trust and make appropriate recommendations to the Trust Board.
- Identify annual objectives of the Committee, produce an annual work plan in the agreed Trust format, measure performance at the end of the year and produce an annual report.
4. Membership
Full membership of the Committee is limited to Non-Executive Directors, whom the Board appoints on the recommendation of the Chairman of the Trust. The Chairman may not be a member of the Committee. At least one of the Non-executive Directors should have recent and relevant financial experience.

The formal membership of the committee shall comprise the following core members:

- Chairman of the Committee, Non-executive Director (Mrs Anne Tutt)
- Vice-Chairman of the Committee, Non-executive Director (Mr Christopher Goard)
- Non-Executive Director (Mr Alisdair Cameron)

The Chief Executive, Director of Finance & Procurement and Director of Assurance, Internal and External Auditors shall generally be in attendance at routine meetings of the Audit Committee.

The Chairman of the Board’s Quality Committee shall be invited to attend (Mr Geoff Salt, Non Executive Director)

Other Non-Executive Directors of the Trust may attend the Audit Committee meetings as associate members of the committee. In the event that any of the core members of the Audit Committee are unable to attend a meeting, a substitute Non-Executive Director may attend in their place, with the prior consent of the Chairman.

In line with best practice the Chairman of the Trust Board is not a formal member of the Audit Committee, but may be in attendance at committee meetings.

The Audit Committee may sit privately without any non-members present for all or part of the meeting if they so decide.

5. Attendance
It is expected that all members will attend 3 out of 5 committee meetings per financial year. An attendance record will be held for each meeting.

6. Quorum
A quorum for any meeting of the Committee shall be attendance by two core members of Non-executive Directors.

7. Meetings
Meetings of the Audit Committee shall be held at least five times per year and at such other times as the Chairman of the Committee shall require, subject to agreement with the Chairman of the Trust and the Chief Executive.

The External Auditors shall be afforded the opportunity at least once per year to meet with the Committee without Executive Directors present.

8. Notice of Meetings
Meetings of the Committee shall be set at the start of the financial year. The agenda and supporting papers shall be forwarded to each member of the committee not less than five working days before the date of the meeting.
9. Reporting Arrangements
The proceedings of each meeting of the Audit Committee shall be reported to the next meeting of the Board following production of the minutes. The Chairman of the meeting shall draw to the attention of the Board any issues that require disclosure or require executive action. The Chairman is required to inform the Board on any exceptions to the annual work plan or strategy.

10. Administration
The Audit Committee will be supported by a nominated lead Executive Director who will ensure that the committee is effectively supported by an appropriate administrative function.

The Head of Corporate Governance (in the role of Company Secretary) will provide oversight of the committee administration.

Drafted November 2013
Approved on:
To be reviewed by: