

Trust Board Meeting: Wednesday 9 July 2014
TB2014.84

Title	Audit Committee Annual Report 2013/14
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Status	For approval
History	Annual Report summarises the activities of the Trust's Audit Committee for the financial year 2013/2014, setting out how it has met its Terms of Reference and key priorities.

Board Lead	Mrs Anne Tutt, Audit Committee Chairman			
Key purpose	Strategy	Assurance	Policy	Performance

Audit Committee Annual Report 2013/14

1. Background

- 1.1. The NHS Audit Committee Handbook advises that an Audit Committee, in line with best practice in other sectors, should prepare a report to the Board that sets out how the Committee has met its Terms of Reference.
- 1.2. This Annual Report summarises the activities of the Trust's Audit Committee (the Committee) for the financial year 2013/14 setting out how it has met its Terms of Reference and key priorities.
- 1.3. The purpose of the Committee is laid down in its Terms of Reference. In summary it oversees the establishment and maintenance of an effective system of internal control throughout the organisation. It ensures that there are effective internal audit arrangements in place, reviews the work and findings of External Audit, reviews the Trust's annual statutory accounts before they are presented to the Trust Board and maintains oversight of the Trust's Counter Fraud arrangements.
- 1.4. The Terms of Reference were reviewed and revised in November 2013, to address the requirements of the Bribery Act 2010, and in particular to recognise the importance of the Committee's role in providing oversight of the register of Interests, and of the Register of Gifts, Hospitality and Sponsorship.

2. Scope of Review

- 2.1. The review undertaken by the Deputy Head of Corporate Governance has focused on a review of the papers presented to the Audit Committee in comparison to the agreed Terms of Reference and the Cycle of Business. The review is then broken down into the following subsections:
 - Responsibilities;
 - Membership and Attendance Record;
 - Reporting Arrangements;
 - Cycle of Business.

3. Responsibilities

- 3.1. During 2013/14, the Committee has delivered the key responsibilities as set out in the Terms of Reference. Compliance with a number of the key responsibilities is evidenced by the following actions:
 - Regular review of the Board Assurance Framework and Corporate Risk Register, with appropriate challenge to the proposed controls and risk scoring;
 - Review of the draft Annual Governance Statement;
 - Receive reports on progress against internal and external audit plans and issues by exception;
 - Agree the external audit annual fee and work plan;
 - Agree the internal audit annual work plan;
 - Review the annual accounts;
 - Review, on behalf of the Trust Board, changes to the Trust's Standing orders, Standing Financial Instructions, Scheme of Reservation and Delegation;

3.2. The following items should be considered for more detailed review in 2014/15

- To review the processes for raising concerns (whistleblowing);
- To develop further the process for deep dive review of principal risks;
- To oversee the maintenance of the policy framework of the Trust, in particular the Policy for the Development of Procedural Documents;
- To undertake a regular review of the Trust's registers of Interests, gifts and hospitality;

Membership and Attendance Record

3.3. During 2013/14, the committee met five times with attendance recorded in the table below. This demonstrates that there was a 100% attendance record for the members of the Audit Committee and therefore all meetings of the Audit Committee were quorate.

Committee Members	8 May 2013	6 June 2013	16 Sept 2013	28 Nov 2013	19 Feb 2014
Anne Tutt	Y	Y	Y	Y	Y
Alisdair Cameron	Y	Y	Y	Y	Y
Chris Goard	Y	Y	Y	Y	Y

Key:

Y = In attendance N = Absent N* = Deputy in attendance

3.4. Internal auditors and external auditors were in attendance at every meeting.

Reporting Requirements

3.5. The Audit Committee reported to the Trust Board after each meeting during the year. Reports included a description of the business conducted, risks identified and issues for escalation.

Cycle of Business

3.6. The items on the cycle of business were delivered as agreed with the exception of certain deep dive risk reviews. The Audit Committee considered a revised approach to the programme of reviews at its meeting in February 2014. This revised approach included a detailed consideration of the scope of reviews to be presented at the next meeting of the Committee so that review authors could tailor the reports appropriately. This revised approach was implemented for the meeting in May 2014.

3.7. Deep Dive Assurance reviews were presented in relation to principal risks as follows:

- Financial Stability.

The cyclical nature of budget setting and ensuring sustainable performance was highlighted. Assurance was provided with regard to monitoring the

achievement of Cost Improvement Programmes [CIPs] Progress on legacy debt was also considered, as was the impact of the changes to the Multi-professional Education & Training [MPET] tariff.

- Alignment of internal and commissioner plans.

Risks in this area as a result of the reconfiguration of commissioning structures and responsibilities, and the associated alterations to funding flows, were discussed. Continuing challenges with regard to public health and GP engagement were considered. The advancement of more radical Quality, Innovation, Productivity & Prevention [QIPP] plans, particularly in relation to the non-elective pathway, and the problem of delayed transfers of care, was discussed.

- Cash Flow Management.

The Committee was provided with a detailed analysis of the arrangements for cashflow management by the Finance Department. Management of the process had improved, but further work was still required in relation to the process for issuing invoices.

- Pay and agency cost management.

The efficacy of controls put in place to mitigate the risk posed by a failure effectively to control pay and agency costs was discussed. A separate workstream was in operation to achieve this, with the aim of reducing unit cost and usage both for medical locum staff and nurse, allied health professional and administrative staff; reducing time taken to recruit, and reducing the level of "lost" hours.

3.8. Other key items of business covered included:

- Cyber Threats.

Internal Auditors gave a presentation on the potential risks, noting the particular risk of intellectual property theft related to Research and Development activity. The adequacy of the Trust's protection against cyber threats is to be assessed and reported back.

- Clinical Audit

The Clinical Audit Annual Report was presented, as was the Clinical Audit Strategy. Good progress was reported to have been made with developing an Annual Clinical Audit Programme across all clinical directorates. Aspects of the strategy to be developed further during 2014/15 included:

- Evidence that audit reports and action plans were fed back to staff delivering the service audited;
- Clinical Audit reports to be made available to all clinical staff (read-only);
- Annual Clinical Audit Showcase event to promote clinical audit;
- Involvement of patients and public as key members of clinical audit project teams where appropriate

- Internal Audit

The Committee was provided with 15 reports which provided **significant assurance** in relation to:

- Financial management
- Recruitment and appraisal
- Employee satisfaction and experience
- Performance management
- Service Line management
- Information Governance Toolkit follow up
- Procurement
- NICE Guidance
- Safeguarding
- Clinical Records
- Data Quality/PFIs
- Board Assurance Framework and Risk Management
- Cost Improvement Plans and QIPP
- Responding to Francis II (including patient experience)
- Complaints and PALS.

and 1 report providing **limited assurance**, in relation to:

- Junior Doctors' Rotas.

The Committee received regular Internal Audit Progress Reports. When it was identified that a number of recommendations remained outstanding, the Committee required that management action be taken to implement the outstanding recommendations, and that the Committee be kept updated as to progress.

- Counter Fraud

The Committee received regular progress reports, including detailed reports on Data Analytics, Private patients and Pharmacy income controls and cash processes.

4. Key Outcomes

The following outcomes are proposed as a proxy for the effectiveness of the Audit Committee:

- 4.1. The risk maturity of the organisation was reviewed in line with the annual review of the Risk Management Strategy and this demonstrated that maturity had improved year on year;

- 4.2. Subject to the conclusion of discussions relating to two outstanding issues, there have been no significant breaches in relation to internal control systems during the year;
- 4.3. An unqualified opinion is expected in relation to the annual accounts for 2013/14.

5. Conclusion

- 5.1. The review has identified that the Audit Committee has delivered the majority of the responsibilities as set out in the Terms of Reference, attendance at meetings has been complete, and the cycle of business has been mostly completed.
- 5.2. A number of areas are highlighted for action during 2014/15 to ensure all responsibilities are delivered as set out in the Terms of Reference, to include specific review of the issues detailed in section 2.3 above.

6. Recommendations

- 6.1. The Trust Board is asked to approve the Audit Committee Annual Report 2013/14.

Mrs Anne Tutt

Chairman Audit Committee

July 2014