Ashford and St. Peter's Hospitals NHS
NHS Trust

TRUST BOARD
27th May 2010

TITLE	Annual Report from the Audit Committee to the Trust Board
EXECUTIVE SUMMARY	As a formal sub-committee of the Trust Board the Audit Committee presents its Annual Report to the Trust Board for noting. The attached report was approved at the Audit Committee meeting held on 21st April 2010 and summarises the key areas of activities over the last year in discharging its duties under its approved Terms of Reference.
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 Statement of Internal Control
STAKEHOLDER / PATIENT IMPACT AND VIEWS	None obtained.
EQUALITY AND DIVERSITY ISSUES	None that I am aware of.
LEGAL ISSUES	None that I am aware of.
The Trust Board is asked to:	Note the Annual Report from the Audit Committee.
Submitted by:	Terry Price, Non-Executive Director/Audit Committee Chair Paul Doyle, Deputy Director of Finance
Date:	19th May 2010
Decision:	For Noting

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Annual Report of the Audit Committee to the Trust Board

Introduction

The NHS Audit Committee Handbook 2005 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 2005 at meetings of the Committee held on 22nd April 2009 and again on 21st July 2009. These were then ratified by the Trust Board at its meeting held on 30th July 2009.

Membership and Meetings

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

Norman Critchlow (Chair to October 2009)	Non-Executive Director
Terry Price (Chair from October 2009)	Non-Executive Director
Peter Taylor	Non-Executive Director

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) 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 & Information. The Committee is supported by the Deputy Director of Finance who acts as Secretary to the Committee.

There were four meetings in the period covered by this report (May 2009 to April 2010) all of which were quorate.

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 2009/10 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 2009/10 a total of 270 controls were tested by internal audit (2008/09 227) with 90% assessed as being either full or significant control (2008/09 76%). Despite the increase in controls tested the number of recommendations reduced from 105 to 95.

The Local Counter Fraud Specialist (LCFS), which is an additional service provided by Chantrey Vellacott DFK, reports at all meetings and has kept the Committee appraised of any irregularities or issues arising from counter fraud activities. The Committee has approved strategies and plans for countering fraud. The provision of counter fraud services was tendered by the Trust in 2009 and two of the Non-Executive Directors attended the presentations in February 2009. Chantrey Vellacott DFK was re-appointed as the Trust's LCFS effective from 1st April 2009.

The Committee has reviewed the losses incurred and special payments made by the Trust in the year. These totalled £358,551 for the 2009/10 financial year of which £160,441 related to the write off of bad debts which were considered at the Committee meetings held on 20th January 2010 and 21st April 2010.

The Committee was kept appraised on progress towards improving the Trust's score under Auditors Local Evaluation (ALE) and noted the increased score from Fair to Good issued in 2009.

Internal Audit

At each meeting the Committee receives details of recent internal audit work together with recommendations made and management responses. The Committee now also receives at every meeting an update from Trust Management on the progress towards implementing medium and high level recommendations. In addition, and for the first time, on 17th March 2010 and 21st April 2010 the Committee Chair met separately with five Trust managers 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.

External Audit

The Committee has:

- considered the scope and planning of the external audit through review of the external audit plan;
- considered the agreed fees and resources required in line with Audit Commission guidelines;

- reviewed financial control related reports including the external auditors reports and the Annual Audit Letter; and
- reviewed the Assessment of Local Evaluation (ALE) scoring system under the Audit Commission' s Code of Audit Practice.

The Committee now 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.

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.

In July 2009 the Committee reviewed a Serious Untoward Incident relating to the loss of encrypted memory sticks and the likely effect on the Trust's Statement of Internal Control for 2009/10.

In January 2010 the Committee reviewed two PbR Data Assurance reports issued by the Audit Commission on Admitted Patient Care Clinical Coding and Outpatients Data Quality. These reports concluded that the Trust was performing well for Admitted Patient Care coding and an adequate level of data quality for outpatient activity. Progress against the recommendations from these reports were reviewed by the Chair of the Committee at a meeting held on 17th March 2010. This was the first time that the Committee had reviewed such Audit Commission reports and it was agreed that any future reports would also go through the 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

The Committee reviewed the project for the conversion to reporting under International Financial Reporting Standards (IFRS) which became effective from 1 April 2009, noting that the revised opening balances submission had been cleared by external audit. At its April 2010 meeting the Trust accounting policies were reviewed and approved.

The Trust Board asked to sign off the Trust Annual Accounts for 2008/09 and so a Special Trust Board meeting was held on 8th June 2009 to review:

- the annual financial accounts for 2008/09;
- the wording of the Statement of Internal Control;
- 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.

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 2008/09;
- reviewed the draft Head of Internal Audit Opinion for 2009/10 and confirmed that it was consistent with the Committees assessment of control;
- reviewed the draft Statement of Internal Control for 2009/10; and
- reviewed reports prepared by internal, external auditors and the Audit Commission along with the ensuing management actions, where appropriate.

Terry Price
Audit Committee Chair
April 2010