

TRUST BOARD
31st May 2018

AGENDA ITEM NUMBER	17.4	
TITLE OF PAPER	Audit Committee Annual Report	
Confidential		
Suitable for public access	√	
PLEASE DETAIL BELOW THE OTHER SUB-COMMITTEE(S), MEETINGS THIS PAPER HAS BEEN VIEWED		
This report was reviewed and approved at the Audit Committee meeting held on 23 rd May 2018.		
STRATEGIC OBJECTIVE(S):		
Best outcomes	√	
Excellent experience	√	
Skilled & motivated teams	√	
Top productivity	√	
EXECUTIVE SUMMARY	<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 23rd May 2018 and summarises the key areas of activities over the last year in discharging its duties under its approved Terms of Reference.</p> <p>The Head of Internal Audit opinion for 2017/18 gave Moderate Assurance that there is a generally sound system of internal control within the Trust.</p> <p>KPMG's External Audit Report was presented separately to the Trust Board as part of the Annual; Report and Accounts sign-off process on 24th May 2018.</p> <p>In terms of the external audit contract, a paper will be taken to the Council of Governors meeting in June. This will seek to set up a working group to oversee the tender exercise in 2018 and appointment of the successful provider.</p>	
RECOMMENDATION	Receive and note the paper	
SPECIFIC ISSUES CHECKLIST:		
Quality and safety		

Patient impact	
Employee	
Other stakeholder	Discussed at Audit Committee meeting with internal and external auditor attendance.
Equality & diversity	
Finance	
Legal	
Link to relevant Board Assurance Framework Principle Risk	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
AUTHOR NAME/ROLE	Paul Doyle, Deputy Director of Finance Keith Malcouronne, Non-Executive Director and Committee Chair Please approach for any further information required.
PRESENTED BY DIRECTOR NAME/ROLE	Keith Malcouronne, Non-Executive Director and Committee Chair
DATE	25 th May 2018
TRUST BOARD ACTION	Receive

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31st May 2018

AUDIT COMMITTEE

Annual Report of the Audit Committee to the Trust Board

Introduction

The NHS Audit Committee Handbook 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 Committee's 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 in October 2017 and were ratified by the Trust Board at its meeting held on 26th October 2017. The updated Terms of Reference included items that were raised as part of Deloitte's Well Led Governance Review report.

Membership and Meetings

There were four meetings in the period covered by this report (June 2017 to May 2018) 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 to December 2017)	Non-Executive Director	1/1
Keith Malcouronne (Chair from January 2018)	Non-Executive Director	4/4
Meyrick Vevers	Non-Executive Director	4/4
Marcine Waterman	Non-Executive Director	1/1

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 (BDO), external auditors (KPMG) and Local Counter Fraud Specialist (BDO) 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 and other Non-Executive Directors 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 2017/18 the Committee received the Head of Internal Audit Opinion on the effectiveness of the System of Internal Control. Moderate assurance was provided that there is a sound system of internal control, designed to meet the Trust's objectives and that controls are being applied consistently. The majority of audits provided moderate assurance on the design of the control environment and were awarded moderate assurance for key audits such as main financial systems and agency. Whilst BDO have given limited (or part limited) assurance for some reviews, these were known issues that BDO were directed to by management and actions to address the findings are underway.

In 2017/18 a total of 57 (2016/17 - 93) recommendations were made of which 53 (2016/17 - 54) were classed as either High (8) or Medium (45). BDO were able to report that the Trust's record in implementing audit recommendations is strong with a cumulative implementation rate of 97% across the last two years for all the recommendations that were due as of 17th May 2018. They had closed 94% of the 2016/17 legacy recommendations.

The Local Counter Fraud Specialist (LCFS), which is a service provided by BDO, reported at all meetings and kept the Committee apprised of any irregularities or issues arising from counter fraud activities. The Committee has approved strategies and plans for countering fraud and approved a revised Counter Fraud and Corruption Policy in January 2018. The LCFS undertook work on the National Fraud Initiative data matching exercises during the year.

The Committee has reviewed the losses incurred and special payments made by the Trust in the year. These totalled £103,179 for the 2017/18 financial year and included bad debts of £8,726 which were considered at Committee meetings held on 19th October 2017 and 22nd March 2018.

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 recommendations. The Committee Chair also has the option to meet separately with internal audit, outside of the Audit Committee, to review actions against their specific reports.

The Committee has overseen and supported the work of Internal Audit through:

- Overseeing the transition from of service provider from TIAA to BDO during the year;
- 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.

In 2017 the Committee members, after due consideration, completed the tender of the internal audit and counter fraud services. BDO LLP were appointed with effect from 1st July 2017 to carry out both elements of the service.

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 2017/18 audit;
- considered the key risks assessed by KPMG for inclusion in their long form audit opinion; and
- reviewed financial control related reports including the external auditors reports and the Year End Report (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 March 2017 the Council of Governors approved an Audit Committee recommendation to extend KPMG's appointment for one further year to cover the 2017/18 financial year pending a tender exercise to be carried out. This tender exercise will be carried out during 2018/19 and a paper to that effect will be presented to the Council of Governors at their meeting of 6th June 2018 seeking their support.

Other Assurance Functions

The Committee has considered its link into the work of the Quality and Performance Committee (QPC). An exception report arising from Audit Committee meetings is presented to QPC, and 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.

As part of a review of the governance arrangements at the Trust, discussions have commenced on the risk reporting and scrutiny that should take place through the Audit 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.

At its March 2018 meeting the Trust accounting policies were reviewed and approved and it was agreed that the non-consolidation of the Trust's charity accounts into the main Trust accounts would continue.

A Committee meeting was held on 23rd May 2018 to consider:

- the Annual Report and Accounts for 2017/18, including the wording of the Annual Governance Statement;
- the external auditors audit report ISA260 on the financial statements and quality report;
- the external auditors audit opinions on the financial statements and quality report; and
- the management representation letters (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 2017 meeting the Committee reviewed and approved the Charitable Funds Annual Report and Accounts 2016/17 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 report (ISA260 financial statements and quality report) for 2017/18;
- reviewed the Head of Internal Audit Opinion for 2017/18 and confirmed that it was consistent with the Committees assessment of control;
- reviewed the Annual Report and Accounts, including the Annual Governance Statement for 2017/18; and
- reviewed reports prepared by internal auditors, external auditors and the local counter fraud specialist, along with the ensuing management actions, where appropriate.

Keith Malcouronne
Audit Committee Chair
May 2018