



Trust Board Meeting		29 January 2013	
TITLE of PAPER		Audit Committee Report	PAPER REF 7.3
PURPOSE OF THE PAPER		To inform the Trust Board regarding the activities of the Audit Committee and provide assurance. To seek approval of revised terms of reference.	
For Approval		<input checked="" type="checkbox"/>	For Assurance <input checked="" type="checkbox"/>
For Decision		<input type="checkbox"/>	Discussion/Information <input checked="" type="checkbox"/>
AUTHOR / LEAD	Barrie Senior, Chairman of the Audit Committee	ACCOUNTABLE EXECUTIVE DIRECTOR	Rod Barnes, Director of Finance & Performance
PREVIOUSLY CONSIDERED BY		Audit Committee members	
RECOMMENDATION		<p>The Trust Board:</p> <ul style="list-style-type: none"> ▪ Notes the content of this report and the associated appendices ▪ Approves the proposed changes to the Committee's terms of reference, and ▪ Derives adequate assurance regarding the activities of the Audit Committee and the assurance that it provides. 	
RISK ASSESSMENT			Yes No
Corporate Risk Register and/or Board Assurance Framework amended <i>If 'Yes' – expand in Section 4. / attached paper</i>			<input type="checkbox"/> <input checked="" type="checkbox"/>
Resource Implications (Financial, Workforce, other - specify) <i>If 'Yes' – expand in Section 2. / attached paper</i>			<input type="checkbox"/> <input checked="" type="checkbox"/>
Legal implications/Regulatory requirements <i>If 'Yes' – expand in Section 2. / attached paper</i>			<input type="checkbox"/> <input checked="" type="checkbox"/>
Quality and Diversity Implications <i>If 'Yes' – please attach to the back of this paper</i>			<input type="checkbox"/> <input checked="" type="checkbox"/>
ASSURANCE/COMPLIANCE			
Care Quality Commission Registration Outcome(s)		N/a	
NHSLA Risk Management Standards for Ambulance Trusts		N/a	

1. PURPOSE/AIM

- 1.1 The aim of this paper is to provide the Trust Board with an update on the activities of the Audit Committee since its meeting on 14 August 2012 and to provide assurance that it is complying with its purpose as set out in the Committee's terms of reference.

2. BACKGROUND/CONTEXT

- 2.1 Since 14 August 2012 the Audit Committee has met on 21 November 2012, in accordance with the Committee's annual workplan.

In addition, all of the Non Executive Directors who are members of the Audit Committee met on 20 December 2012 to:

- review the Committee's terms of reference, and
- perform an annual Audit Committee Self Assessment Review in accordance with the HFMA Audit Committee Handbook.

- 2.2 This report highlights:

- key matters arising from the November Audit Committee meeting
- proposed key changes to the Audit Committee terms of reference
- key matters arising in the course of the Audit Committee Self Assessment Review

and presents the Audit Committee Annual Report for 2011/12.

- 2.3 Audit Committee Meeting, 21 November 2012

- The Committee reviewed the updated Board Assurance Framework, gaining assurance as to the management of key risks to the Trust's strategy. Some improvement in risk mitigation was noted, as was the inclusion of a new key risk, relating to financial overspend in PTS.
- The Trust's accounting policies for use in the preparation of the 2013 Accounts were approved, with no changes from prior year.
- A Finance & Investment Committee Report was received, providing assurance regarding key financial risks.
- A Quality Committee Report was received, providing assurance regarding risks under the Quality Committee's scrutiny.
- Deloitte presented their 2011/12 Annual Audit Letter confirming a clean audit opinion on the Trust's accounts and its use of resources for the year ended 31 March 2012.

Linked to the abolition of the Audit Commission, Deloitte's allocated fee has been reduced for 2013/14. This will not affect their statutory audit work on the

Accounts, but will reduce their 'use of resources'/'value for money' work. The Audit Committee will, at its next meeting, consider whether the proposed reduction in such work is acceptable.

- The timeliness and speed with which internal audit reviews are finalised, recommendations agreed and actioned, and internal audit follow-up checks are performed is to be subject to review and improvement.
- It was noted that Internal Audit had found that only Limited Assurance was available regarding the effectiveness of the arrangements and controls in place for the Trust's expenditure on consultancy. Internal Audit had found that, in some instances, the appointment of consultants had not involved the procurement team tendering process. The Committee requested that a report confirming that satisfactory procedural and control improvements have been implemented be brought to the next Audit Committee meeting.
- It was noted that Internal Audit were only able to obtain/offer Limited Assurance regarding control over the Trust's use of Fuel Cards. Given the high level of spend by the Trust on fuel, and the potential risk of theft/fraud, the Committee requested a speedy and satisfactory improvement in controls, with a report confirming same to the next Committee meeting.
- The Audit Committee Chairman reported on his discussions with Internal Audit, with the Director of Finance & Performance, with a view to Internal Audit demonstrating that, on a risk focused basis, their Internal Audit Plan (as amended as appropriate) will lead to all relevant aspects of the Trust being audited to the right depth of scrutiny, at the right time and on the right frequency.
- The Executive Director of Operations provided the Committee with a presentation providing assurance regarding risk management relating to the three Strategic Objectives which he leads:
 - Strategic Objective 2 – to deliver timely emergency and urgent care in the most appropriate setting
 - Strategic Objective 6 - to create, attract and retain an enhanced and skilled workforce to meet service needs now and in the future
 - Strategic Objective 7 – to be at the forefront of healthcare resilience and public health improvement

A presentation was requested at the next Audit Committee meeting to provide assurance regarding the stringency and effectiveness of the Trust's business continuity plan tests.

- The Committee requested that, at future meetings, more detailed and structured papers be provided for consideration and approval in respect of Contract Awards and SFI waivers.

2.4 Review of the Audit Committee Terms of Reference

The terms of reference previously adopted in July 2012 were reviewed as part of the annual Audit Committee Self Assessment process, and following the appointment of a new Audit Committee Chairman.

The resultant proposed changes to the terms of reference are shown in the attached paper, in tracked changes. The key changes (references in brackets are to the section numbering in the tracked changes version of the terms of reference attached) are:

- (1. Purpose) Consolidation of all of the Committee's key purposes, already in accordance with the HFMA Audit Committee Handbook and embedded within the body of the terms of reference, into an opening statement.
- (1.2) The previously specified role of the Audit Committee to approve quarterly and self-certification returns to be removed. This is already and, from a timeliness perspective, necessarily undertaken by the Trust Board.
- (3.2) Clarification of the roles of the Quality Committee and Finance & Investment Committee to provide to the Audit Committee (at each of its meetings) with robust risk-focused assurance regarding risks under their respective scrutiny.
- (6.6) Clarification that the Audit Committee will look to the Quality Committee to obtain and convey assurance regarding the adequacy and effectiveness of Clinical Governance, Clinical Risk Management and Clinical Audit.
- (6.9) Reinstatement of wording regarding financial statements included in HFMA Audit Committee Handbook guidance.
- (6.10) Regarding Standing Orders and Standing Financial Instructions, the wording has been changed such that the Committee, rather than required to ensure compliance, is now required to seek assurance regarding compliance with the Orders/Instructions.
- (6.12) Clarification that the Committee will retrospectively review every decision to suspend Standing Orders.
- (6.15) Clarification that the Committee will receive and consider reports from the Charitable Funds Committee focused on relevant matters, namely governance, risk management, control, audit and financial reporting matters.
- (6.17) Clarification that the Committee will consider other matters of financial accountability, probity, compliance and/or value for money (beyond to the extent required by the Committee's terms of reference) as and when requested by the Trust Board.
- (7.3) In accordance with best practice, the mandatory invitation to the Trust Chief Executive to attend Committee meetings is extended to include to discuss each year's draft Internal Audit Plan and the draft Accounts.

2.5 Key matters arising in the course of the Audit Committee Self Assessment Review, December 2012

The Non-Executive Directors who are members of the Audit Committee met on 20 December 2012 to carry out an Annual Self Assessment of the Committee's performance in the year since the previous such review. The Self Assessment was structured using the guidance and checklist included in the HFMA Audit Committee Handbook.

The Non-Executive Directors each completed the self assessment checklist prior to the meeting. The responses were consolidated and then the meeting focused on issues where there was an apparent lack of unanimity, or there were queries.

The key findings/actions emanating from the Self Assessment process were:

- As reflected in the above-mentioned amendments to the Committee's terms of reference:
 - The benefit of the Quality Committee and Finance & Investment Committee providing, to each Audit Committee meeting, reports focused on risk, rather than the more general reports better suited for direct Board consideration.
 - The benefit of the Quality Committee taking primary Committee responsibility for gaining assurance regarding Clinical Governance, Clinical Risk Management and Clinical Audit, and reporting thereon to the Audit Committee.
- A requirement for the Committee to be provided with further assurance, on an on-going basis, regarding regulatory compliance reporting processes.
- A suggestion that an update on relevant topical, legal and regulatory issues be provided to each Trust Board meeting.
- Work already instigated by the Committee Chairman be continued to develop improved demonstrable assurance as to the completeness of the risk management assurance that the Committee receives.
- Further work to be instigated to provide enhanced assurance as to the completeness, accuracy and timeliness of data that forms the basis for key reports and assurances, for example, the Integrated Performance Report.
- Work already instigated by the Committee Chairman be continued such that Internal Audit provide enhanced assurance that, through compliance with the Internal Audit Plan, all aspects of the Trust that, on a risk focus basis, are deserving of audit scrutiny receive that scrutiny,

to the appropriate depth/level of detail, at the right time and on the right frequency.

- Enhanced assurance to be sought regarding the risk focus of the Counter Fraud review activities, and the overall effectiveness of the Local Counter Fraud Service.

2.6 Audit Committee Annual Report 2011/12

Attached is a report designed to inform the Trust Board of the activities of its Audit Committee during the financial year 2011/2012, in compliance with its allocated duties. The report has been prepared in accordance with the timing of previous years. It is planned that the 2012/13 report and those following will be produced much closer to the financial year end.

3. PROPOSALS/NEXT STEPS

- 3.1 Proposals and next steps are as embedded in the documents referred to above and attached.

4. RISK ASSESSMENT

- 4.1 Not applicable

5. RECOMMENDATIONS

It is recommended that the Board:

- notes the content of this report and the associated appendices
- approves the proposed changes to the Committee's terms of reference, and
- derives adequate assurance regarding the activities of the Audit Committee and the assurance that it provides.

6. APPENDICES/BACKGROUND INFORMATION

Appendix 1 Proposed changes to the Audit Committee terms of reference, shown in tracked changes

Appendix 2 Audit Committee Annual Report 2011/12