

TRUST BOARD IN PUBLIC	Date: 30/01/2014	
	Agenda Item: 3.3	
REPORT TITLE:	Audit & Assurance Committee Chair Update	
EXECUTIVE SPONSOR:	Richard Congdon (Non Executive Director and AAC Chair)	
REPORT AUTHOR:	Colin Pink, Corporate Governance Manager	
REPORT DISCUSSED PREVIOUSLY: (name of sub-committee/group & date)	Audit & Assurance Committee . 07/01/14	
Purpose of the Report and Action Required: (√)		
	Approval	
	Discussion	
	Information/Assurance	½
Summary of Key Issues		
1) Effectiveness of the Committee		
<p>The AAC were assured that it was covering the core business described in the Audit Committee Handbook with any issues related to the assessment of the internal control system being addressed through the internal controls map and assessment (see 3).</p>		
2) Review of Trust Risk Register		
<p>The committee discussed the current risk management system and agreed the process for reviewing its effectiveness and gaining assurance.</p>		
3) Internal Controls Assessment		
<p>The committee reviewed the Trust's internal controls assessment agreeing that it was both a useful working document and provided strong assurance that the Trust had reviewed its systems of internal control. Whilst recognising that this was primarily a management tool, the Committee will use it in its ongoing review of the Trust's internal control systems.</p>		
4) External Audit		
<p>External audit formally commenced the annual review of the Trusts accounts, provided good assurance regarding the management of charitable funds and shared its review of the NHS financial resilience which is of long term use to the Trusts financial risk management.</p>		
5) Internal Audit update and review of effectiveness		
<p>Internal audit provided an opinion on the audits it had carried out and the committee commenced the review of Internal Audit effectiveness.</p>		
6) Counter Fraud		

<p>The Trust's Counter Fraud representative tabled their regular review of its activities within the Trust for information and assurance.</p>	
<p>Relationship to Trust Corporate Objectives & Assurance Framework:</p>	
<p>This Board sub-committee supports the achievement of all Trust objectives but of specific relevance is: Priority 3: Develop an effective organisation. The whole Board Assurance Framework is discussed at the Committee and is reported on in the report.</p>	
<p>Corporate Impact Assessment:</p>	
<p>Legal and regulatory implications</p>	<p>The AAC reviews assurance in respect of all Trust systems of control which includes reporting and compliance with all statutes applied to an NHS Trust.</p> <p>Financial performance is subject to Schedule 5 of the NHS Act 2006 which provides the %breakeven duty+.</p> <p>The AAC reviews assurance in respect of all Trust systems of control which includes reporting and compliance with all regulation applied to an NHS Trust. The main regulators, however are as follows:</p> <ul style="list-style-type: none"> - External audit (the Audit Commission for this Trust) give an opinion on the Trust's compliance with International Financial Reporting Standards and with NHS accounting conventions . this is not purely financial and deals with procurement, fraud, transparency and legal duties. It also gives a Value for Money Conclusion on the Trust's ability to put in place arrangements to deliver economy, efficiency and effectiveness in its use of resources. <p>The Care Quality Commission registers the Trust according to its compliance with regulations concerning the safety and quality of services.</p>
<p>Financial implications</p>	<p>No material financial implications. The report provides independent assurance about BAF reporting on financial risk and counter fraud systems</p>
<p>Patient Experience/Engagement</p>	<p>No relevant aspects</p>
<p>Risk & Performance Management</p>	<p>The committee provides assurance about internal control and risk management.</p> <p>This report discusses BAF reporting and SRR reporting</p>
<p>NHS Constitution/Equality & Diversity/Communication</p>	<p>No relevant aspects</p>
<p>Attachments: N/A</p>	

TRUST BOARD REPORT – 30/01/2014

Audit & Assurance Committee Chair Update

The Audit and Assurance committee met on the 7th January 14 it was quorate. The key points from this meeting were as follows:

1) Effectiveness of the Committee

The Chair presented the feedback from the Committee's assessment of its effectiveness. This was completed using the Audit Committee Handbook evaluation tool.

There was unanimity that the AAC were covering all areas that it should be. Issues related to triangulation of evidence of the effectiveness of internal control system would be addressed through using the Trust's controls assurance map and assessment tool developed in recent months. There was also an ambiguity identified in responses to the clinical audit part of the questionnaire in the Audit Committee Handbook. After discussion it was agreed that the Safety and Quality Committee were responsible for the detailed elements of assurance in relation to clinical audit and that AAC would look to it to provide evidence of assurance in relation to the effectiveness of clinical audit.

2) Review of Trust Risk Register

Management presented a paper for the Audit and Assurance Committee to consider. This expressed the current understanding of the role of the committee to review the effectiveness of the Trust's risk management systems and commences the committee's review of the effectiveness of the system

Management advised the committee that more focus on risks would be given in 2014 with the formation of five quality sub committees of the Executive Committee structure.

Management went on to highlight that the integrated 5 year business plan will include more strategic plans for the future with financial workforce, SRR and capital plans all interlinked and that risk management is the key driver for the capital review.

3) Internal Controls Assessment

Management presented a thorough paper which detailed the 58 key internal control systems currently operating in the Trust which:

- Provides a map of Internal Control systems and key systems.
- Identify sources of assurance for review
- RAG+ rates all Internal Control areas (how it is working).

- Lists specific actions required identified by the Executive team and supporting structures

Following significant discussion the committee agreed that this document provides strong assurance that the Trust has reviewed its systems of control and that a judgement has been formed on the effectiveness of each key system.

The Chairs of the Board Sub Committees are to review the list of internal controls and agree which systems of internal control they are to seek assurance from. Once completed any gaps highlighted by this review will be considered by the AAC and the next opportunity.

4) External Audit

External audit presented a letter outlining the standard audit approach and effectiveness of accounts. This highlighted the committee's responsibilities for the review of accounts and financial controls. The committee was not aware of any problems regarding the letter and would form a reply before the next meeting.

External Audit stated that review of Charitable Funds had received an **Unqualified opinion**. It was noted that the Accounts and Charitable Funds accounts will be consolidated in the future.

External Audit tabled a report on NHS financial resilience which set out its view on the system. This stated the opinion that internal control and financial governance was strong but there were known gaps in performance and planning across the NHS. The Committee agreed that this was a useful review and would significantly help forward planning. It was agreed that the CCGs plans would be required to give a complete overview of the financial resilience of the local health economy.

5) Internal Audit update and review of effectiveness

Internal audit tabled its regular update paper, which provided good assurance that appropriate systems are in place for: Debtors/Creditors; General Ledger and the Board Assurance Framework (Following recent improvements).

The report also highlights actions required to improve systems relating to the management of Health and Safety specifically the management of RIDDOR reportable incidents.

The committee discussed the format of the Review of Internal which is to be considered at the next meeting.

6) Counter Fraud

The Trust's Counter Fraud representative tabled their regular review of its activities within the Trust. This highlighted three main issues of note. Firstly that the team will commence new training programs to reach all staff, to ensure staff

are kept up to date and reminded of the importance of this work. Secondly to highlight the three main cases under review which were discussed in detail.

The last areas of discussion focussed on the next financial years plan of work and its main initiatives to review the systems that support and ongoing training of staff.

[END]