

## **Audit and Assurance Committee Annual Report 2014/15**

### **Introduction**

The Audit and Assurance Committee is established under Board delegation with approved terms of reference aligned with the *Audit Committee Handbook 2014*, published by the HFMA and Department of Health.

The Audit and Assurance Committee was chaired by Ray Dawson, who is a fellow of the Chartered Institute of Management Accountants and has extensive financial expertise. The committee membership comprises wholly non-executive directors with executives and others in attendance. Attendance at meetings is detailed below:

Ray Dawson	6/8
Mark Chivers	7/8
Peter Marks	8/8

According to the Terms of Reference, the Chief Executive and other Executive Directors are invited to attend the Audit and Assurance Committee meeting as and when required, but particularly when the Audit and Assurance Committee is discussing areas of risk or operation that are the responsibility of that Director.

### **Principal review areas**

This annual report is divided into five sections reflecting the five key duties of the Committee as set out in the terms of reference.

#### **1. Governance, risk management and internal control**

The Committee has reviewed relevant disclosure statements, in particular the Annual Governance Statement (AGS) together with the Head of Internal Audit Opinion, external audit opinions (Financial and Quality Accounts) and other appropriate independent assurances and considers that the AGS is consistent with the Committee's view on the Trust's system of internal control. Accordingly the Committee supports Board approval of the AGS.

The Committee has received reports on, and supported the change process of the Board Assurance Framework (BAF). It has consistently reviewed the 5 Board Assurance Reports (BARs) and monitored progress throughout the year. It believes that the assurances provided through the BARs during the year had improved, but were not yet fully assuring Committee members that

the effectiveness of controls was being appropriately tested thereby assuring rather than reassuring the safeguard of strategic objectives. Oversight of the BAR for Principal Risk 3 – Financial Sustainability has been transferred to the Finance Committee. The BAF process, including the supporting BARs have been reviewed by internal audit and external audit who have given additional assurance that the process was robust and if followed accordingly would provide the assurances necessary to the Committee. .

The Committee has reviewed the completeness of the risk management system and the extent to which it is embedded in the organisation. The Committee believes that while significant progress on systems for risk management have been made throughout the year, more work is required to ensure that these are embedded throughout the whole organisation, particularly in light of the departure of the Risk Manager. The Committee's opinion is that this issue requires continuing executive management focus and sponsorship.

The Committee has received regular reports on Information Governance. Members were pleased to note the significant progress made during the year, particularly on IG Toolkit compliance which had increased to 84% - from 79% in 2013/14.

## 2. Internal audit

Throughout the year the Committee has worked effectively with internal audit to strengthen the Trust's internal control processes. The Committee has also in year:

- Received and considered the external audit review of the effectiveness of internal audit and considers the provision of the internal audit service sufficient in supporting the Committee in fulfilling its role
- Reviewed and approved the internal audit strategy, operational plan and more detailed programme of work
- Considered the major findings of internal audit and are assured that the Head of Internal Audit Opinion and AGS reflect any major control weaknesses
- Periodically reviewed outstanding audit recommendations, some of which are significantly past the agreed implementation date and continue to be of concern. The Committee's opinion is that this issue requires continuing executive management focus and sponsorship.

### 3. External audit

The Committee reviewed and agreed external audit's annual plan. The Committee reviews and comments on reports prepared by external audit, and welcomes their advice on areas of specific expertise.

### 4. Management

The Committee has continually challenged the assurance process when appropriate and has requested and received assurance reports from Trust management and various other sources both internally and externally throughout the year. This process has also included calling managers to account when considered necessary to obtain relevant assurance.

The Committee also examines performance to ensure that the assurance mechanism within the Trust is fully effective and that a robust process is in place to ensure that actions falling out of external reviews are implemented and monitored by the Committee.

### 5. Annual Report and Accounts

The Committee received schedules and assurance of processes in place to satisfactorily produce the Annual Report, Quality Accounts and Financial Accounts.

As part of the year end process and approval of the accounts for the Board for ratification, the committee reviewed and took into account:

- Head of internal audit opinion on both financial and non-financial matters
- External audit opinion on the accounts, the external value for money opinion
- Letter of representation to external audit
- Going concern/principal risks and uncertainties paper, to assure themselves of the effective financial and non-financial propriety of the Trust.

## **Other matters worthy of note**

### Cost Control and Financial Governance reviews

Action plans from the KPMG and Baker Tilly reviews have been periodically presented to the Committee for assurance that significant progress has been achieved, and is monitored by the Finance Committee.

### Financial Governance documents

The Trust's Standing Financial Instructions and Scheme of Delegation were overhauled during the year, and amendments approved for submission to the Board.

### Procurement Processes review

The Committee received and commended updates on progress made by the Strategic Procurement Unit, including developments to address new Department of Health and EU directives, spend analyses and training for staff across the Trust.

### Conduct and behaviour policies

Throughout the year the Committee received reports on Waiting List Initiatives Governance and Registers of Interest.

The Committee also approved the Trust's Counter Fraud, Bribery and Corruption, and Standards of Business Conduct Policies.

Internal audit reports on Whistle Blowing, Code of Business Conduct and Bribery Act compliance were presented by 360 Assurance.

## **Counter Fraud Service**

The Committee received regular progress reports on activity conducted as part of the agreed Counter Fraud Work Plan, including:

- Staff Survey of Fraud Awareness
- Quality Assurance Programme – Qualitative Assessment
- Annual Report
- Concluding reports relating to investigations

## **Review of the effectiveness and impact of the Audit and Assurance Committee**

The Committee has been active during the year in carrying out its duty in providing the Board with assurance that effective internal control arrangements are in place. Specifically the Committee has:

- Reviewed the Board Assurance Framework and Risk Register and has influenced the drafting and on-going development of these tools
- Reviewed its compliance with the *Audit Committee Handbook* and has undertaken a self-assessment (Attachment A). Actions arising from this self-assessment are included in the Audit and Assurance Committee action plan.

### **Cost/benefit analysis**

It is not possible to accurately quantify the benefits of the work of the Committee during the year as it is impossible to determine the financial impact of risks mitigated and costs avoided and the proportion of these that could be apportioned to the Committee work. However the current and future costs associated with loss of reputation have been mitigated as a result of the work performed by the Committee.

### **Conclusion**

The Committee is of the opinion that this annual report is consistent with the draft AGS, Head of Internal Audit Opinion and the external audit review and there are no matters that the Committee is aware of at this time that have not been disclosed appropriately.

The Committee has discharged its responsibilities for scrutinising the risks and controls which affect all aspects of the organisation's business.

**Ray Dawson**

Audit and Assurance Committee Chair

July 2015