

Board of Directors (Public)

Item 6.2.1

board report

Subject: Audit Committee Annual Assurance Report 2014-15
Date of meeting: 28th April 2014
Prepared by: David Jago, Chief Finance Officer
Presented by: Ken Morris, Interim Chair Audit committee

Data Quality Rating	BAF Ref	Impact on BAF Risk Rating
N/A	9	None

1. Introduction

As recommended in the Audit Committee Handbook, this report sets out how the Committee has functioned and supported the Board of Directors at LHCH during 2014/15, by critically reviewing governance and assurance processes on which the Board of Directors place reliance.

The Audit Committee is established under delegation of the Board of Directors with approved terms of reference that are aligned with the *Audit Committee Handbook 2011*, published by the HfMA and Department of Health.

The Committee consists of five non executive directors and this reflects the importance that the Board of Directors places upon the ability of the Committee to enable effective non executive challenge as well as the wider remit of the Committee. The Committee has met on 7 occasions during 2014/15 and has discharged its responsibilities for scrutinising the risks and controls which affect all aspects of the organisation's business.

2. Principal Review Areas

This annual report reflects the key objectives of the Committee as set out in the terms of reference.

2.1 Internal Control and Risk Management

The Committee having reviewed relevant disclosure statements for 2014/15, in particular the MIAA interim BAF opinion and other appropriate independent assurance together with the anticipated receipt of the Head of Internal Audit Opinion, external audit opinion at its May 2015 meeting considers that the draft 2014/15 Annual Governance Statement is consistent with the Committee's view on the Trust's system of internal control. Accordingly the Committee supports the recommendation of the Board of Directors approval of the 2014/15 Annual Governance Statement.

The Trust has embedded risk management systems in place in 2014/15. The Committee believes that the systems for risk management are appropriate following receipt at its February 2015 meeting of the external review and action plan in respect of Risk Management (subject to a refreshed Risk Management strategy) building upon past MIAA significant assurance in this area and consolidating upon the current strategy in place, covering key elements of the risk management process which has been disseminated to staff alongside clear links between the Departmental/Ward Risk Registers, Directorate Risk Registers.

The Committee can take assurance that risks in Directorate Risk Registers are reported to the relevant Assurance Committees via BAF Key issues reports and minutes of the Directorate Governance meetings.

The Committee has undertaken a rolling programme of reviews during 2014/15 that test the effectiveness of the Assurance Committees and is satisfied that the assurance mechanisms are fit for purpose in terms of discharging the responsibilities delegated by the Board of Directors. This rolling programme was supported via MIAA review of Assurance Committee effectiveness which helped support the internal self-assessment process which alongside identifying areas of good practice also identified areas for improvement which have broadly been acknowledged and incorporated.

Other risks identified by the Committee for review include combined financial systems, departmental reviews, IM&T Business continuity, Critical systems review, Threat and vulnerability management, review of Monitor Corporate Governance statement and corporate governance manual.

2.2 Internal Audit

Throughout the year, the Committee has worked effectively with internal audit to ensure that the design and operation of the trust's internal control processes are sufficiently robust.

The Committee has given considerable attention to the importance of Follow Up in respect of internal audit work in order to gain assurance that appropriate management action has been implemented.

The Committee has considered the major findings of internal audit and where appropriate has sought management assurance that remedial action has been taken. In instances where only 'limited assurance' has been assigned to a review, the Committee has requested sight of the full report including management response and attendance at the next meeting by the responsible manager. This has further strengthened the Committee's response to major audit findings in 2014/15 and ensured that any control weaknesses are understood by the Audit committee and are quickly addressed.

The Committee reviewed and approved the internal audit strategy, operational plan and detailed programme of work for 2014/15 at its March 2014 meeting. This included a range of key risks identified through discussion with Management and Executives and review of the Trust's BAF. Reviews were identified across a range of areas, including combined financial systems, IM&T, Performance, Clinical Quality, Workforce, Governance and Risk.

MIAA has supported the non executive directors over the year through the provision of networking events, policy advice and private discussions.

MIAA routinely reviews the papers received by the Board of Directors and minutes of Board meetings to pick up on areas of potential risk for inclusion in the audit programme.

2.3 Counter Fraud

The Committee reviewed and approved the counter fraud policy and work plan for 2014/15 at its March 2014 meeting noting coverage across all mandated areas of strategic governance, inform and involve, prevent and deter and hold to account. The Committee also during the course of the year regularly reviewed updates on proactive counter fraud work.

2.4 External Audit

The Committee routinely receives a progress report from the external auditor, including an update annual accounts audit timetable and programme of work, updates on key emerging national issues and developments which may be of interest to Committee members alongside a number of challenge questions in respect of these emerging issues which the Committee may wish to consider.

2.5 Management Assurance

The Committee has frequently assessed the adequacy of wider corporate assurance processes as appropriate and has requested and received assurance reports from Executives, managers and wider Committee representation throughout the year. This has included review of actions in respect of internal audit findings for payroll, reference cost assurance review and a review of the clinical audit programme.

2.6 Financial Assurance

The Committee has reviewed the accounting policies and annual financial statements prior to submission to the Board and considered these to be accurate. It has ensured that all external audit recommendations have been addressed.

2.7 Other Assurance

The Committee has routinely received reports on Losses and Special Payments and Single Source Tender Waivers.

The Committee has reviewed and updated the Governance Manual including Standing Financial Instructions and Schemes of Delegation and has formally adopted the revised manual.

The Committee has undertaken a rolling programme of Assurance Committee reviews involving a structured discussion with the Committee's Executive Chair and assigned NED member. Each Committee will produce a formal annual report for consideration by the Board of Directors in April 2015; this will include a review of the Terms of Reference.

Members of the Committee have met privately with the internal and external auditors, without the presence of any Trust officer.

3. Review of the Effectiveness and Impact of the Audit Committee

The Audit Committee undertook its annual self-assessment via a questionnaire facilitated by MIAA and will produce a report and action plan for consideration by the Board of Directors at a future date. The assessment process involved reviewing the key elements of the Audit Committee self assessment tool prescribed in the Audit Committee Handbook via the questionnaire.

The Audit Committee will schedule a workshop in 2015 where it will test and confirm continued adherence to good practice, reflect on progress made against actions identified last year and consider new areas for development.

NED attendance at Audit Committee during 2014/15 has been good as illustrated in the table below:

Member	22nd April 2014	27th May 2014	17th June 2014	8th July 2014	11th Nov 2014	24th Feb 2015	30th Mar 2015
Mark Fuller (Chair)	✓	✓	✓	✓	✓		
Ken Morris (Interim Chair)						✓	✓
Marion Savill	✓	✓	✓	✓	✓	✓	✓
Laurence Cotter	✓	✓	✓	✓	✓	✓	✓
David Bricknell	✓	✓	✓	✓	✓	✓	✓
Geoffrey Appleton	✓	✓	✓	✓	✓		
Mark Jones						✓	✓

The Committee has adopted a Terms of Reference with effect from 1 April 2014 ultimately agreed at its November 2014 meeting and is in line with published best practice. A work plan has been developed to support the Committee in effectively discharging its responsibilities as delegated by the Board of Directors at LHCH.

4. Looking Ahead

In the coming year the Audit Committee will focus its attention on:

- Quality (including quality spot checks) and safe staffing levels
- Governance arrangements supporting the delivery of the Board Assurance Framework (BAF)
- Workforce including consultant job plans

There will be a continued role for the Committee in testing the effectiveness of formal Board Assurance Committees, given that these are key controls in ensuring the delivery of the Trust's annual plan and discharge of effective governance and risk management.

The Committee will adapt its work programmes in order to respond to any new emerging policy on health and risks associated with the economic and external environment.

5. Terms of Reference

The Audit Committee will retain as extant the current Terms of Reference attached at Appendix 1.

6. Conclusion

This annual report summarises the work of the Committee in 2014/15 and concludes that that there are no matters that the Committee is aware of at this time that have not been disclosed appropriately.

7. Recommendation

The Board of Directors is asked to:

- Receive assurance that the Audit Committee has operated effectively during 2014/15.