

<b>Title</b>	Audit Committee Annual Report 2014/15			
<b>Meeting</b>	Board of Directors			
<b>Date</b>	31 March 2015			
<b>Executive Summary</b>				
<p>The attached report was considered in draft form at the meeting of Audit Committee on 17 February 2015 and subsequently updated and approved by the Chairman. The Terms of Reference which were considered at the Audit Committee on 16 December 2014 are also presented as an annual workplan at Enclosure 10d. Audit Committee confirmed that there were no amendments needed to the Terms of Reference.</p>				
<b>Recommendation</b>				
<p>The Board is requested to consider and receive the annual report form Audit Committee for 2014/15.</p>				
<b>Report Author</b>	Dave Fleetwood			
<b>Executive Director/ Sponsor</b>	Mike Robson			
<b>Purpose of paper</b>	<b>Information</b>	X	<b>Discussion</b>	X
	<b>Decision</b>	X	<b>Assurance</b>	X
	<b>Specific action</b>			
<b>Recommended following approval at:</b>				
<b>Implications</b>	<b>Staffing</b>			
	<b>Finance</b>			
	<b>Legal</b>			
	<b>Public engagement</b>			
	<b>Partnership</b>			
	<b>Communication</b>			
	<b>Equality &amp; Diversity</b>			
	<b>Clinical</b>			
	<b>Patient Safety</b>			
<b>Risk assessment and mitigation (include risk register reference if appropriate)</b>				
<b>Link to STFT Business Plan</b>				
<b>Link to CQC outcome</b>				
<b>Link to Board Assurance Framework</b>				
<b>Link to Strategic Risk Register</b>				

## AUDIT COMMITTEE ANNUAL REPORT 2014/15

### 1 Introduction

- 1.1 This annual report 2014/15 has been prepared for consideration by the Board of Directors and reviews the work and performance of the Audit Committee during 2014/15 in satisfying its terms of reference.
- 1.2 The purpose of the report is to formally report to the Board of Directors on the work of the Audit Committee during 2014/15 and indicates its work plan for the financial year 2015/16. The report ensures that the Trust conforms to best practice as recommended in the NHS Audit Committee Handbook (DH, 2005) and the Audit Committee Handbook (HM Treasury, 2007).

### 2 Meetings

- 2.1 During 2014/15 the Audit Committee met on 5 occasions. All meetings were quorate and attendance was as follows:

Date	Dave Fleetwood	Iain Malcolm	Alan Clarke	Pat Harle	Gordon Booth
23 May 2014	√	√	√	√	√
18 June 2014	√	√	√	√	x
10 September 2014	√	x	√	√	√
16 December 2014	√	x	√	√	√
17 February 2015	√	x	√	√	√
<b>Attendance rate %</b>	<b>100%</b>	<b>40%</b>	<b>100%</b>	<b>100%</b>	<b>80%</b>

In addition the Audit Committee held a workshop in September 2014 to consider in detail the proposed changes to the Scheme of Delegation and Standing Financial Instructions.

A number of special meetings were held in addition to the above to deal with the appointment of External Auditors.

- 2.2 The Executive Director of Finance & Corporate Governance and the Deputy Director of Finance were in attendance at each meeting and the Committee was supported by External Audit (Deloitte LLP) and Internal Audit (Sunderland Internal Audit Services) at each meeting. The Divisional Director – Elderly, End of Life, Mental Health attended two meetings to discuss the audit of Pharmacy Services.
- 2.3 The minutes of the Audit Committee are submitted to the Board of Directors after each meeting and the Chair of Audit Committee will raise items at the Board of Directors meeting or with the Chief Executive/Chairman if required.

- 2.4 Audit Committee Members meet in private with External and Internal Auditors after each meeting of the Committee.
- 2.5 The Terms of Reference and the forward work plan were reviewed by the Audit Committee at the meeting on 16 December 2014.

### **3 Audit Provision**

- 3.1 Internal Audit has been provided throughout the year by Sunderland Internal Audit Services (SIAS). Throughout the year SIAS has had interim management arrangements in place as a result of issues concerning the Head of Internal Audit and her Deputy. Both individuals have subsequently left City Hospitals Sunderland NHS FT.
- 3.2 Counter Fraud Services were also provided by SIAS throughout the year with the Local Counter Fraud Specialist attending meetings of the Audit Committee as required.
- 3.3 External Audit is provided by Deloitte LLP following the decision by PricewaterhouseCoopers (PWC) to resign at the end of the 2013/14 audit year. The appointment of Deloitte was agreed by the Council of Governors at its meeting on 19 June 2014 on the recommendation of the Audit Committee following a competitive procurement exercise. PWC completed the audit of the 2013/14 Annual Accounts and Annual Report and presented their audit findings and Letter to those Charged with Governance, plus their assurance report on the Quality Report, to the Audit Committee on 23 May 2014 and to the Board of Directors on 28 May 2014.

### **4 Assurance**

- 4.1 The Audit Committee is established in order to provide assurance to the Board of Directors across a range of activities including corporate, clinical, financial and risk governance and management.
- 4.2 Audit Committee agendas covered the following reports during the year:
  - External Audit progress reports
  - Internal Audit progress reports
  - Counter Fraud reports
  - Losses & Special Payments reports
  - Payment and Tariff Assurance Framework
  - Review of the Standards of Business Conduct
  - Proposed changes to the Standing Financial Instructions and Scheme of Delegation, including a workshop to review the proposals in detail.
  - Changes to accounting policies required by the Foundation Trust Annual Reporting Manual.

- Changes to accounting policies and notes for the 2014/15 financial statements
- Update report on Scheme of Delegation/Standing Financial Instructions

### 4.3 Internal Audit

4.3.1 14 internal audit reports were reported to the Audit Committee during the year. Historically reports were classified by Internal Audit as significant or limited assurance depending upon the findings of the audit. However, from the December meeting the reporting format for Internal Audit was revised and incorporated a revised assurance rating which uses five different assessment levels:-

- Some significant weaknesses
- Some weaknesses
- Satisfactory
- Good
- Excellent

The new assurance ratings are detailed in Appendix A

4.3.2 The following were the audit reports received:

<b>Report</b>	<b>Issued</b>	<b>Assurance Rating</b>
Senior Medical Staff Job Plans	Sept 2014	Limited
IT Procurement Inventory & Disposal	Sept 2014	Limited
IG Toolkit Submission	Sept 2014	Limited
Charitable Funds	Dec 2014	Limited
Accounts Receivable	Dec 2014	Good
Accounts Payable	Dec 2014	Good
Waste Management	Dec 2014	Some weaknesses
Security Management	Dec 2014	Some weaknesses
Alert Systems	Dec 2014	Satisfactory
Freedom of Information	Dec 2014	n/a
Cash and Bank	Dec 2014	Satisfactory
<b>Treasury Management</b>	<b>Feb 2015</b>	<b>Good</b>
<b>Data Protection</b>	<b>Feb 2015</b>	<b>Satisfactory</b>
<b>Information Security Risk Assessment</b>	<b>Feb 2015</b>	<b>n.a</b>

4.3.3 Audit Committee particularly focussed on those reports with limited assurance and on progress with recommendations arising from the audit of Pharmacy Stores and Controlled Drugs which had caused the Audit Committee particular concern in 2013/14.

#### 4.5 External Audit

4.5.1 The 2013/14 accounts were audited by PWC and the findings presented to the Audit Committee on 23 May 2014. An unqualified opinion on the accounts was given.

The Audit Committee considered the External Audit Annual Governance Report and the report from the Executive Director of Finance and changes to accounting policies.

The Audit Committee approved the accounts for the period 1 April 2013 to 31 March 2014.

The Council of Governors subsequently received the report on the accounts from the Independent Auditor at the Annual Members meeting on 30 September 2014.

4.5.2 PWC carried out an audit on the Quality Account 2013/14 and provided recommendations to the Audit Committee on 23 May 2014.

4.5.3 Deloitte provided regular progress reports to the Audit Committee throughout the year. A smooth transition from PWC to Deloitte LLP was achieved with effective hand over arrangements taking place during April and May 2014. PWC provided access to relevant working papers for the prior year.

#### 4.6 Counter Fraud

4.6.1 The Counter Fraud Service to the Trust was provided by SIAS and a nominated counter fraud specialist works with the Trust.

4.6.2 The Audit Committee received regular progress reports. Details of investigations carried out during the year were provided to the Committee.

4.6.3 A programme of work was presented to the Committee on 18 March 2015. Areas which continued to be covered during 2014/15 included:

- Creating an anti fraud culture
- Deterrence
- Prevention
- Detection
- Investigation
- Sanction
- Redress

4.6.4 A Counter Fraud Annual Report was presented to the Audit Committee on 16 December 2014 and provided a summary of the counter fraud work undertaken based upon the annual work plan.

## 5 **2015/16 Work Plan**

The Audit Committee work plan, linked to the Terms of Reference was agreed at the meeting on 16 December 2014 and is attached at Appendix B.

## 6 **Audit Committee Effectiveness**

Audit Committee members carried out a self assessment exercise at the meeting on 16 December 2014. The Chairman reported only two minor areas of concern relating to reporting to the Board of Directors and regular evaluation of the Audit Committee and of individual performance. It had been agreed that production of an annual report from Audit Committee to the Board of Directors would improve performance in this area. With regard to evaluation of the Committee and individual performance it was agreed that a self assessment would be carried out annually and would be included in the Committee's annual work plan. Meetings were also held between the Chairman of the Committee and members to discuss performance and identify possible training and development issues.

## 7 **Conclusion**

The above report outlines the work of the Audit Committee during the past year upon which the assurances given to the Board of Directors during the year have been based.

The past year has seen some significant challenges for the Audit Committee including the appointment of new external auditors and also the assessment, approval and now implementation of the revised Scheme of Delegation and Standing Financial Instructions which was a significant piece of work. The coming year will require Audit Committee to assess the effectiveness of the new external auditors and also the new Scheme of Delegation/Stranding Financial Instructions and this will form part of the Committee's work and planning during the year.

There have not been any significant areas of weakness in the assurance processes which have been examined during the year through Audit Committee and the process of follow up on audit recommendations has improved during the year although more needs to be done in this area.

Audit Committee is grateful to our external and internal audit providers for their work during the year and also to the Executive Director of Finance and Corporate Governance and his Deputy for the efficient

and professional manner in which they have supported the committee's work."

**Recommendation**

- 8 The Board of Directors is recommended to note and comment upon the above report.

**W D Fleetwood  
Chair of Audit Committee**

**25 March 2015**