

South East Coast Ambulance Service NHS Foundation Trust

Audit Committee

Annual Report to the Trust Board

1. Introduction

1.1. The purpose of this report is to inform the Board of the activity of the Audit Committee (AuC) in meeting its Terms of Reference from April 2013 – March 2014.

2. Audit Committee purpose

2.1. The activity undertaken by the AuC has provided assurance to the Board on the effectiveness of corporate governance arrangements, including risk management, internal control, internal audit, external audit and counter fraud, in line with the Terms of Reference of the AuC. The purpose of the Committee is to provide the Trust with a means of independent and objective review of internal control over the following key areas:

- Financial systems;
- Information used by the Trust;
- Assurance Framework systems;
- Performance and risk management systems; and
- Compliance with law, guidance and codes of conduct.

3. Committee structure and reporting arrangements

3.1. The AuC reports directly to the Board through summary reports from the Chair. The Committee is chaired by a Non-Executive Director, and five other Non-Executive Directors are members of the Committee; the Chairman of the Board of Directors is not a member of the Committee.

4. Membership and attendance

4.1. The AuC met four times in 2013/14, as well as an additional extraordinary meeting on 28 May 2013 for the purpose of reviewing the Annual Report, Quality Report and Accounts. Membership comprised six Non-Executive Directors, including the Chairman of the Committee, with representatives from Executive and Senior Management, Internal Audit (Baker Tilly – previously RSM Tenon), External Audit (Grant Thornton) and Counter Fraud (Baker Tilly – previously RSM Tenon) also in attendance at meetings.

4.2. Attendance at the AuC meetings by members of the Committee is detailed in the table below.

	28 May 2013 (Ext)	13 Jun 2013	10 Sept 2013	10 Dec 2013	11 Mar 2014
Nigel Penny (Chair until 30 June 2013)	Y	Y			
Trevor Willington (Chair from 1 July 2013)	Y	Y	Y	Y	Y
Christine Barwell	Y	Y	Y	N	Y
Tim Howe	Y	Y	Y	Y	Y
John Jackson	Y	Y	Y	Y	Y
Graham Colbert	N	Y	Y	Y	N
Lucy Bloem			Y	Y	Y

5. Key business of the Committee during 2013/14

5.1. The main areas of AuC activity during 2013/14 included:

- Annual Report, Quality Report and Accounts;
- Charitable Funds;
- Losses and special payments;
- Internal Audit plan and progress;
- External Audit plan and progress;
- Counter Fraud plan and progress;
- Board Assurance Framework;
- Compliance with CQC registration and Monitor Licence; and
- Other governance issues.

5.2. *Annual Report, Quality Report and Accounts*

When considering the Trust's Annual Report and Accounts, the AuC received the Head of Internal Audit's opinion of "significant assurance" and an unqualified opinion provided by the Trust's External Auditor. The AuC received the External Auditor's opinion of "limited assurance" on the Quality Report at its June meeting.

5.3. *Charitable Funds*

The AuC recommended the establishment of a Charitable Funds Committee (CFC) to the Board, to ensure that governance arrangements for charitable funds were fully compliant with both Charity Commission and Trust requirements. The Board approved the establishment of this Committee and the necessary amendments to the Trust's Standing Financial Instructions.

The first meeting of the CFC took place in December 2013. The CFC received the Trust's Charitable Funds accounts, with an unmodified independent examiner's report, and recommended these to the Board for approval.

5.4. *Losses and special payments*

The AuC has continued to express concern about the level of losses relating to medical equipment. The Director of Clinical Operations attended the AuC and

presented an action plan to reduce these losses. The AuC has emphasised that implementing the action plan is a priority, and progress in this respect is being monitored by the Committee.

5.5. *Internal Audit plan and progress*

Internal Audit plans and reports are received and considered regularly by the AuC. The Trust's Internal Auditor, Baker Tilly, reported "significant assurance" opinions on the Trust's systems of internal control. Internal audits undertaken within the year included those of the Board Assurance Framework, Information Governance, Payroll, Expenses and Overpayments, Personal Appraisal and Development Reviews, Statutory and Mandatory Training, Unannounced Station Visits (to audit compliance with the Trust's Medicines Management Policy) and Estates Procurement. The AuC has monitored management's response to all control recommendations, and has asked the Executive Team to ensure that recommendations are implemented within appropriate timescales. Where appropriate the AuC has referred recommendations arising from audits to the relevant committee for further review and scrutiny.

5.6. *External Audit plan and progress*

The Trust's External Auditor, Grant Thornton, issued an unqualified opinion on the Trust's financial statements for 2012/13, and a limited assurance opinion for the Trust's Quality Account.

5.7. *Counter Fraud plan and progress*

Counter Fraud services are provided by Baker Tilly, and reports on counter fraud work are received and discussed at each meeting of the AuC. During the year Counter Fraud undertook a proactive exercise covering Declarations of Interest, Gifts and Hospitality. It was noted that while the report made a number of recommendations, overall SECAMB had robust procedures in place which provided assurance with regard to the provisions of the Bribery Act. The recovery of overpayments was reviewed to ensure that previous recommendations made by Counter Fraud had been implemented. Work was also undertaken with HR to review the Trust's Sickness Absence Policy, to ensure that adequate sanctions were in place should staff be identified as working elsewhere when on sickness absence.

5.8. *Board Assurance Framework (BAF)*

The BAF, which sets out the strategic risks facing the Trust in achieving its objectives, control measures and assurances in place to address each risk, any gaps in assurance and action being taken to address identified gaps, is considered and reviewed by the AuC at each of its meetings.

In order to provide an enhanced focus on identifying and managing the Trust's key strategic risks, the AuC endorsed proposals to amend the structure of the BAF with effect from 2014/15. In future, work undertaken by Board Committees will be integral in providing assurance on the management of strategic risks, and the BAF will identify the Committee with oversight of each strategic risk. A report on strategic risk management relevant to the committee should be considered at each of its meetings, and the Chairman's summary report to the Board should include reference to that committee's work on risk management and assurance. This should include,

where appropriate, specific reference to any identified lack of assurance if outcomes are at risk of not being achieved.

5.9. *Compliance with CQC registration and Monitor authorisation*

The AuC was provided with assurance that the Trust remained fully registered with the CQC. The AuC also considered an action plan to ensure compliance with the Trust's Licence, which was issued by Monitor on 1 April 2013, and the findings of an advisory report from Internal Audit on compliance with Monitor Licence conditions.

5.10 *Other governance issues*

The AuC received a paper on the closure of the Trust's Private Ambulance Service. The AuC also received an update on Monitor's Risk Assessment Framework, which came into force on 1 October 2013.

6. Recommendation

6.1. The Board is asked to note this Annual Report from the Audit Committee

South East Coast Ambulance Service NHS Foundation Trust

Trust Board Report

Audit Committee Update

1. Introduction

1.1. This report provides a summary of the Audit Committee (AuC) meeting held on 11 March 2014.

1.2. The Committee received an update on the Board Assurance Framework (BAF) for 2013/14. The BAF was amended to include a recently identified high rated risk to the delivery of the Trust's APR, as a consequence of a shortfall in recruiting the required number of paramedics when set against the agreed workforce plan.

1.3. The AuC noted that the new BAF format would be developed and populated during Q1 of 2014/15, and become fully operational in Q2 of the year. The format would provide a focus for identifying and managing the Trust's key strategic risks, linked to the Trust's strategic objectives. Each strategic risk would be monitored and performance outcomes reviewed by Board committees, supported by performance dashboards which would be developed by each committee.

1.4. A summary report on Losses and Special Payments was reviewed. Losses in fleet and medical equipment continued to be a cause for concern, with a rise in the number and cost of incidents being reported. A significant proportion of fleet losses related to incidents caused by the winter storms, including the loss of a new double manned ambulance which had caused particular concern. In reviewing the range and cost of individual losses it was agreed that fleet incidents with a cost of more than £1,000 would be subject to investigation, the outcome of which would be circulated to

members of the Committee by the end of March 2014. The Committee was also assured that driving standards and driver training were in the process of being aligned, with both now being delivered by the Clinical Operations Directorate. It was agreed that a report on driver training should be presented to the September meeting of the AuC.

1.5. The AuC received an update on the implementation of actions set out in the medical equipment losses action plan, the detail of which had been considered at the Committee's previous meeting. Identifying a secure location at each A&E department, at which SECamb equipment left with patients could be stored, was a key priority. The Committee noted the difficulties arising at a number of locations which required co-operation from acute hospitals, and asked that the issue be escalated to Director level in order to give impetus to the required action being taken. It was noted that a resource had been identified to pilot the effectiveness of a driver and van visiting A&E departments in order to recover equipment, and proposed that markings used on SECamb equipment should include a contact phone number and/or email address.

1.6. The Committee noted amendments to draft accounting policies to be adopted for 2013/14, when compared to those applicable in the previous year. It was agreed that charitable funds should not be consolidated within the Trust's main accounts, as the balance held in charitable funds was not material in relation to the Trust's turnover and was not expected to become material in the foreseeable future. The Committee considered and endorsed the Director of Finance's assessment that the Trust's 2013/14 accounts be prepared on a going concern basis.

1.7. The Committee received Baker Tilly's draft Head of Internal Audit Opinion, which was one of significant assurance in relation to the Trust's systems of internal control. The Committee also reviewed the Trust's draft Annual Governance Statement and made a number of amendments. The Committee was informed that the Trust would be required to report compliance with the revised Monitor Code of Governance as part of its 2013/14 annual report. It was agreed that a draft of this report would be shared with the members of the Committee and with Grant Thornton, the Trust's external auditor, prior to the accounts and financial statements being considered by the AuC at its meeting scheduled for the end of May.

1.8. The Committee considered Baker Tilly's Internal Audit Progress Report. The reports of five internal audits undertaken in respect of finance activities, all of which had been given a green rating, were noted. The Committee also received reports on an advisory internal audit review of Patient Transport Services (PTS) and an internal audit review of the leased car policy. The PTS report focused on the use of Private Ambulance Providers (PAPs) in PTS, and made three medium priority recommendations. The review of the lease car policy and its application was rated amber/red, and included a high priority recommendation for the policy to be revised and updated. In addition, the Committee endorsed an advisory review of the Trust's tendering process in bidding for PTS contracts, and further work on the effectiveness of control mechanisms in operating PTS contracted work, being undertaken.

1.9. The Committee received the external audit plan in respect of the year ended 31 March 2014, and noted the generic and Trust specific risks that would be covered

as part of the external audit. The Committee also received a progress report from Grant Thornton, including an update on emerging issues and developments.

1.10. The Committee received an update on counter fraud work from Baker Tilly, the Trust's Local Counter Fraud Specialist, and a briefing paper on the outcomes of a review of data matches generated by the National Fraud Initiative for the year 2013/14.

1.11. The Committee approved its annual report to the Board for 2013/14 and its agenda framework for 2014/15.

2 Recommendation

2.1 The Board is asked to note this report.

Trevor Willington
Non-Executive Director

17 March 2014