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| Report to | : Trust Board of Directors |
| Date of Meeting | : 29 May 2014 |
| Subject | : Audit Committee Annual Report |
| Report from | : Trevor Willington, Audit Committee Chairman |
| Purpose | : For Information |

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| Summary | The Board is asked to note the Committee's Annual Report to the Board for 2013/14. |
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| | : |
| Risk and Assurance | : N/A |
| Date issued | : 20.05.14 |
| Review by | : Trevor Willington, Chairman, Audit Committee |
| Originator | : Clare Mitchell, Company Secretary |

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