

Report to:	Public Board Of Directors	Agenda item:	17
Date of Meeting:	30 October 2019		

Title of Report:	Audit Committee Update Report
Status:	For Discussion
Sponsor:	Jeremy Boss, Non-Executive Director & Chair of the Audit Committee
Author:	George Roberts, Executive Assistant Roxy Milbourne, Interim Board of Directors' Secretary
Appendices	Appendix 1: Terms of Reference Appendix 2: KPIs for Audit Committee Suppliers

Purpose

This report summarises the discussions, recommendations and approvals made by the Audit Committee on 5 September 2019, to provide the Board with an update of the Committee's activities.

Background

The Audit Committee holds delegated responsibility from the Board of Directors, this report provides evidence to satisfy the Board that the tasks required to meet those responsibilities are being carried out.

Business Undertaken

The Committee noted the Full Board Assurance Framework and the assurances given by CGC and NCGC.

The Committee noted the Debtor and Creditor Analysis as at 31 July 2019.

The Committee discussed the Audit Recommendations Tracker and closed any completed actions.

The Deputy Director of Finance provided an update on the Waivers and Breaches of Standing Orders and highlighted that there had been a reduction of single tender waiver forms (STW) of 20% as compared to the same point in 2018/19. By challenging some of the STW waivers a cost saving of £29k had been made. The Committee noted there was further progress to be made.

The Committee reviewed the Annual Report to Trust Board and noted that the timing of the self-assessment and the annual report to the Board of Directors needed to be revised in future.

The Committee agreed that the Declarations of interests, gifts and hospitality should be added to the Terms of Reference (ToR) and reviewed at the February 2020 Meeting of the Audit Committee. The Committees ToR are attached at appendix one for approval.

The Committee reviewed the Assurance Providers' KPIs which are included at

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appendix 2 for your information.

The Committee approved the Standing Orders, Scheme of Reservation and Delegation, Standing Financial Instructions and Treasury Management Policy. These are presented separately to the Board of Directors for approval.

The Committee reviewed responses to the Bi-Annual Audit Committee Self-Assessment, and agreed a formal induction process was required for committee members and governor observers.

The Committee sought assurance on the Risk Management Process Review and action plan which was presented by the Trust Quality Assurance lead.

The Divisional Manager for Medicine and the Head of Nursing for Medicine presented a report on risk management embeddedness for Medicine. Initiatives included a patient safety team, and work linked to the Improving Together programme. The Committee thanked the Divisional team, and requested an update from the Women and Children’s Division for the February 2020 Committee meeting.

Representatives from Grant Thornton presented a progress report. The Chair requested that due to slippage in Quarter One, any audit reports available before December were provided to the Committee once available, rather than waiting for the next Committee meeting. Divisional meetings would be held to raise the profile of Grant Thornton’s progress before the next Committee meeting.

A formal audit plan from Deloitte would be presented at the next meeting of the Audit Committee.

The Counter Fraud Senior Manager from TIAA presented a progress report to the committee. The Committee agreed the report could be provided in a more concise format for future reports.

Key Risks and their impact on the Organisation

Key Decisions

- The Committee agreed to close Audit tracker numbers 344, 347-349, and 362-364.
- The Committee approved the Terms of Reference
- The Committee approved the Standing Orders, Scheme of Reservation and Delegation, Standing Financial Instructions and Treasury Management Policy.
- The Committee agreed the TIAA Counter Fraud report could be provided in a more concise format for future reports.

Exceptions and Challenges

Nothing impacted on the Committee’s ability to undertake its business.

<p>Governance and Other Business</p> <p>Audit Committee meets at least once each quarter, and the Committee’s Terms of Reference are reviewed annually. The Committee’s members and regular attenders undertake a self-assessment bi-annually to review the effectiveness of the Committee compared to best practice.</p> <p>The Committee’s membership consists of the Non-Executives, the Chair, and the Chairs of the Non-Clinical Governance Committee, and the Clinical Governance Committee.</p>
<p>Future Business</p> <ul style="list-style-type: none"> • External Audit annual plan • Internal and External Audit progress reports
<p>Recommendations</p> <p>The Board is asked to note this report.</p>

Appendix 1

AUDIT COMMITTEE TERMS OF REFERENCE

1. Constitution

The Board hereby resolves to establish a Committee of the Board to be known as the Audit Committee. The Committee is a non-executive Committee of the Board and has no executive powers other than those specifically delegated in these Terms of Reference.

2. Purpose and Objectives

(a) Governance

The Committee shall review the establishment and maintenance of an effective system of internal control and probity across the whole of the organisation's activities that supports the achievement of the organisation's objectives.

In particular, the Committee will review the adequacy of:

- All risk and control related disclosure statements (in particular, the Annual Governance Statement Control and Value for Money assessment), together with any accompanying Head of Internal Audit statement, external audit opinion or other appropriate independent assurances, prior to endorsement by the Board;
- The underlying assurance processes that indicate the degree of the achievement of corporate objectives, the effectiveness of the management of principal risks and the appropriateness of the above disclosure statements;
- The process surrounding the Trust's Corporate risk register and assurance framework relating to the Trust's financial activities;
- The policies for ensuring compliance with relevant regulatory, legal and code of conduct requirements; and
- The policies and procedures for all work related to fraud and corruption as set out in the Secretary of State Directions and as required by the Directorate of Counter Fraud Services.

In carrying out this work the Committee will primarily utilise the work of Internal Audit, External Audit and other assurance functions, but will not be limited to these audit functions. It will also seek reports and assurances from directors and managers as appropriate, concentrating on the overarching systems of governance, probity and internal control, together with indicators of their effectiveness.

This will be evidenced through the Committee's use of an effective Assurance Framework to guide its work and that of the audit and assurance functions that report to it.

(b) Internal Audit

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The Committee shall ensure that there is an effective internal audit function established by management that meets mandatory Government Internal Audit Standards and provides appropriate independent assurance to the Audit Committee, Chief Executive and Board. This will be achieved by:

- consideration of the provision of a value for money Internal Audit service;
- review and approval of the Internal Audit strategy, operational plan and more detailed programme of work, ensuring that this is consistent with the audit needs of the organisation as identified in the Assurance Framework; and
- consideration of the major findings of internal audit work (and management's response), and ensure co-ordination between the Internal and External Auditors to optimise audit resources;
- ensuring that the Internal Audit function is adequately resourced and has appropriate standing within the organisation; and
- periodic review of the efficiency and effectiveness of internal audit.

(c) External Audit

The Committee shall review the work and findings of the External Auditor appointed by the Council of Governors and consider the implications and management's responses to their work. This will be achieved by:

- consideration of the appointment and performance of the External Auditor;
- discussion and agreement with the External Auditor, before the audit commences, of the nature and scope of the audit as set out in the Annual Plan, and ensure coordination, as appropriate, with other External Auditors in the local health economy;
- discussion with the External Auditors of their local evaluation of audit risks and assessment of the Trust and associated impact on the audit fee; and
- review all External Audit reports, including agreement of the annual audit letter before submission to the Board and any work carried outside the annual audit plan, together with the appropriateness of management responses

(d) Local Counter Fraud Specialist

The Committee shall ensure that there is an effective counter fraud function established by management that meets NHS Counter Fraud standards and provides independent assurance to the Audit Committee, Chief Executive and Board. This will be achieved by:

- Consideration on the appointment of a Counter Fraud Service, the fee and Terms and Conditions of engagement;
- Oversee the effective operation of Counter Fraud and to ensure that the Counter Fraud Service is appropriately resourced and has appropriate standing within the Trust;

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- Review the Counter Fraud Policies, Strategies/Plans and to consider major findings of Counter Fraud Reports, management's response and subsequent action; and
- Ensure compliance with Section 24 of the NHS National Contract on Counter Fraud.

(e) Other Assurance Functions

The Audit Committee shall review the findings, or ensure that they are reviewed by a relevant body, of other significant assurance functions, both internal and external to the organisation, and consider the implications to the governance of the organisation.

These will include, but will not be limited to reviews by relevant Department of Health Arm's Length Bodies or Regulators/Inspectors.

The Committee may rely upon the work of other committees within the organisation, whose work can provide relevant assurance to the Audit Committee's own scope of work. This will particularly include the Non Clinical Governance Committee and the Clinical Governance Committee.

In reviewing associated work of those Governance Committees, the Audit Committee will need to satisfy themselves on the assurance that can be gained from these Committees.

The Committee shall also ensure that the requirements set out in the Trust's Standing Financial Instructions and Standing Orders are addressed, which also include:

- Monitoring compliance with Standing Orders and Standing Financial Instructions;
- Reviewing schedules of losses, compensations and settlements with staff, and making recommendations to the Board; and
- Reviewing schedules of debtors/creditors balances over 6 months old and over a de-minimus limit as defined by the Audit Committee and related explanations/action plans.
- Reviewing the register of interests, gifts and hospitality to ensure that personal interests do not conflict with those of the Trust and that positions are not abused for personal gain or to benefit family and friends.

(f) Management

The Committee shall request and review reports and positive assurances from directors and managers on the overall arrangements for governance, probity and internal control.

They may also request specific reports from individual functions within the organisation as they may be appropriate to the overall arrangements.

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(g) Financial Reporting

The Audit Committee shall review the Annual Financial statements before submission to the Board, focusing particularly on:

- the wording in the Annual Governance Statement and other disclosures relevant to the Terms of Reference of the Committee
- Changes in, and compliance with, accounting policies and practices
- Un adjusted mis-statements in the financial statements
- Major judgemental areas
- Significant adjustments resulting from the audit

3. Membership

The Committee shall be appointed by the Board from amongst the Non-Executive Directors of the Trust and shall consist of no less than three members. The Chair of the organisation shall not be a member of the Committee.

Members will include:

Chair	Non Executive Director
Other Members	Non Executive Director
	Non-Executive Director

In the absence of the Chair, another Non-Executive Committee member will perform this role.

Others in attendance	Director of Finance
	Deputy Director of Finance
	Trust Board Secretary
	External Audit
	Internal Audit
	Local Counter Fraud Specialists
	Head of Financial Services

Each member will have one vote with the Chair having the casting vote, if required. Should a vote be required a decision will be determined by a simple majority.

a. Quorum

A quorum shall be two members.

b. Attendance by Members

The Chair of the Committee will be expected to attend 100% of the meetings. Other Committee members will be required to attend a minimum of 75% of all meetings and be allowed to send a Deputy to one meeting per annum.

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c. Attendance by Officers

The Director of Finance and appropriate Internal and External Audit, and Local Counter Fraud representatives shall normally attend meetings.

The Chief Executive and other Executive Directors may be required to attend, but particularly when the Committee is discussing areas of risk or operation that are the responsibility of that Director.

4. Accountability and Reporting Arrangements

The Committee will be accountable to the Trust Board. A report of the meeting will be submitted and presented to the Board by the Chair who shall draw to the attention of the Board issues that require disclosure to the full Board, or require executive action.

The Committee shall refer to the other Board Assurance Committees (the Non Clinical Governance Committee and the Clinical Governance Committee) matters considered by the Committee deemed relevant for their attention. The Committee will consider matters referred to it by those two Assurance Committees.

The annual work plan of the Committee may be reviewed by the Committee at any given time.

5. Frequency

The Committee will meet no less than four times a year.

Additional meetings may be arranged when required to support the effective functioning of the Trust. Internal and External Audit may request a meeting if required.

6. Authority

The Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee.

The Committee is authorised by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience if it considers this necessary.

7. Monitoring Effectiveness

The Committee will undertake an annual review of its performance against its work plan in order to evaluate the achievement of its duties. This review will inform the Committee's annual report to the Board.

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8. Other Matters

The Committee shall be supported administratively by the members of the Finance department whose duties in this respect will include:

- Director of Finance to agree the agenda with Chairman
- PA to Director of Finance to collate the papers
- Director of Finance and Head of Financial Services to advise the Committee on pertinent areas

9. Review

These terms of reference will be reviewed at least annually as part of the monitoring effectiveness process.

Current version: September 2019
Next review date: September 2020

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Appendix 2: KPIs for Audit Committee Suppliers

Objective	Internal Audit		Local Counter Fraud Service		External Audit	
Use of resources						
That the supplier agrees fees in advance of the commencement of any work programme, and that work is delivered in line with this. Any variations are agreed with the Director of Finance and reported, with reasons, to the Audit Committee.	Percentage of reviews completed within the planned number of days	100%	Work completed within the number of planned days	Yes	Work completed within agreed fees	2018-19 audit work delivered in line with fees set out in Audit Plan.
Communication						
That the supplier communicates appropriately through						
i. liaison with staff (including at least the Director of Finance and Head of Financial Services as appropriate) to discuss work plans; issues as they arise and reporting requirements;	Percentage of audit reviews completed following prior agreement of audit scope	100%	Number of meetings held with the Director of Finance	5	Number of meetings held with the Director of Finance	4
ii. representation by management at each Audit Committee meeting and private discussions held in advance.	Number of Audit Committees attended by HoIA or Manager	4	Number of Audit Committees attended by the LCFS	3	Number of Audit Committees attended by Appointed Auditor or Manager	4
Reporting						

Objective	Internal Audit		Local Royal United Hospitals Bath NHS Foundation Trust		External Audit	
That the supplier reports and other outputs are:						
i. reported within a month of the completion of work and are submitted to the Audit Committee in advance of the deadlines as advised by the Trust;	Percentage of audit reviews reported to RUH within one month of completion	100%	Investigation and pro-active exercise reports reported to the RUH within one month of completion	There were 5 proactive reviews which are detailed in TIA annual report for 18/19	Dates for reporting to be agreed with the Trust and achievement against these to be reported	Yes
ii. clear and concise, providing constructive recommendations;	Percentage of recommendations agreed by the Trust	100%	Percentage of recommendations agreed by the Trust	100%	Percentage of recommendations agreed by the Trust	100%
iii. compliant with statutory requirements and deadlines.	HoIA opinion delivered within the deadline agreed with the Trust	Yes	Pro-active Exercise Reports submitted to DoF	5	Statutory opinions delivered by the deadline agreed in advance with the Trust.	Financial statements opinion and Quality Accounts limited assurance report delivered within the deadlines set by the Department of Health.
Quality assurance						
That the supplier provides a high quality service to the Trust through:						

Objective	Internal Audit		Local Royal United Hospitals Bath NHS Foundation Trust		External Audit	
i. ensuring that work is appropriately planned using a risk-based approach; and	Audit plan reported to the Audit Committee in accordance with the Audit Committee Annual Workplan	Yes	Counter Fraud Work plan agreed by the Audit Committee in accordance with the Audit Committee Annual Workplan	Yes	Audit plan reported to the Audit Committee in accordance with the Audit Committee Annual Workplan	2017-18 Audit Plan presented to Audit Committee in accordance with agreed timetable.
ii. is executed by staff with the necessary skills and knowledge.	Audit Plan delivered by staff named in plan	Yes	Work Plan delivered by staff named in plan	Yes	Audit Plan delivered by staff named in plan	Yes