

University Hospitals of Leicester 
NHS Trust

UNIVERSITY HOSPITALS OF LEICESTER NHS TRUST

REPORT BY TRUST BOARD COMMITTEE TO TRUST BOARD

DATE OF TRUST BOARD MEETING: 27 JUNE 2013

COMMITTEE: Audit Committee

CHAIRMAN: Ms K Jenkins, Non-Executive Director

DATE OF COMMITTEE MEETING: 28 May 2013

RECOMMENDATIONS MADE BY THE COMMITTEE FOR CONSIDERATION BY THE TRUST BOARD:

- draft statutory exchequer accounts 2012-13 (Minute 33/13/1 refers), and
- draft annual governance statement 2012-13 (Minute 33/13/3 refers).

Please note that the Audit Committee Annual Report 2012-13 is appended to the minutes.

OTHER KEY ISSUES IDENTIFIED BY THE COMMITTEE FOR CONSIDERATION/ RESOLUTION BY THE TRUST BOARD:

- None

DATE OF NEXT COMMITTEE MEETING: 10 September 2013

**Ms K Jenkins
21 June 2013**

UNIVERSITY HOSPITALS OF LEICESTER NHS TRUST
MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD ON
TUESDAY 28 MAY 2013 AT 10:30AM IN THE BOARD ROOM, VICTORIA BUILDING,
LEICESTER ROYAL INFIRMARY

Present:

Ms K Jenkins – Non-Executive Director (Chairman)
 Mr R Kilner – Non-Executive Director
 Mr I Reid – Non-Executive Director

In Attendance:

Mr J Adler – Chief Executive
 Mr P Cleaver – Risk and Assurance Manager (for Minute 39/13-40/13 inclusive)
 Miss M Durbridge – Director of Safety and Risk (for Minute 39/13-40/13 inclusive)
 Mrs H Majeed – Trust Administrator
 Mr R Manton – Risk and Safety Manager (for Minute 39/13-40/13 inclusive)
 Mrs C Ribbins – Acting Chief Nurse
 Mr A Seddon – Director of Finance and Business Services
 Mr N Sone – Financial Accountant
 Mr S Ward – Director of Corporate and Legal Affairs

Mr D Hayward – KPMG (the Trust's External Auditor)
 Mr D Sharif – KPMG (the Trust's External Auditor)

Ms J Clarke – Local Counter Fraud Specialist (East Midlands Internal Audit Services) (from Minute 38/13/1 – Minute 38/13/2 inclusive)

Ms A Breadon – Head of Internal Audit, PWC (the Trust's Internal Auditor)
 Ms C Wood – Internal Audit Manager, PWC (the Trust's Internal Auditor)
 Ms J Watson – Senior Internal Audit Manager (the Trust's Internal Auditor)

RECOMMENDED ITEMS

ACTION

33/13 DRAFT STATUTORY ACCOUNTS 2012-13 AND ANNUAL REPORT 2012-13

33/13/1 Draft Statutory Exchequer Accounts 2012-13

The Director of Finance and Business Services presented paper C, including the annual accounts for the year ended 31 March 2013 (appendix 1 to the report refers). The Trust had reported an operational surplus of £91,000 for 2012-13.

Responding to a query, it was noted that the 'revenue from patient care activities' related to the actual overseas patients that were billed. Mr I Reid, Non-Executive Director queried the increase in premises costs particularly the computer hardware and software maintenance contracts – in response, the Director of Finance and Business Services agreed to provide the details outside the meeting.

DFBS

Mr R Kilner, Non-Executive Director suggested that additional information be included in respect of the non-NHS receivables.

DFBS

The Audit Committee Chair commented on the accounts presented noting that the significant increase in the Non-NHS (other) revenue related to the income from the increase in the number of ECMO cases from health bodies in Wales, Scotland and Northern Ireland. It was suggested that a narrative on the increase in car parking revenue and expenditure be included in the accounts.

The operating expenses in relation to research and development had decreased –

DFBS

the Director of Finance and Business Services agreed to provide the breakdown outside the meeting.

Under the Better Payments Practice Code, the Trust was required to pay 95% of NHS and non-NHS invoices within 30 days of receipt. The target had not been met, due to actions agreed within the Trust's liquidity plan. However, supplier payment terms had been reviewed.

Proposed Representation Letter from the Trust to the External Auditors was circulated at the meeting and the Committee Chair suggested that this be discussed outside the meeting due to its lateness.

Recommended – that (A) the draft statutory annual accounts 2012-13 be endorsed and recommended onto the Trust Board for formal approval, and

**DFBS/
TA**

(B) the Director of Finance and Business Services be requested to undertake the actions detailed above.

DFBS

33/13/2

External Audit Draft Audit Memorandum and Verbal Opinion on the 2012-13 Statutory Accounts

Mr D Sharif, KPMG (the Trust's External Auditor) presented paper D, which detailed the draft Audit Memorandum and provided a verbal opinion on the 2012-13 statutory accounts, including the Trust's management response to the Audit Memorandum. As a result of KPMG's 2012-13 audit work, five recommendations had been made to the Trust and the key recommendations were:-

- the Trust should ensure that Finance department was provided with sufficient and appropriate documentation around new contractual arrangements to enable timely evaluation of appropriate accounting treatments, and
- the Trust should ensure that as the services provided under new contracts evolved, that all relevant information pertaining to these new developments was obtained and reviewed on a timely basis to ensure that the accounting treatment and disclosures remained appropriate.

In respect of the recommendation re. Human Resources department should maintain a central database of all individuals not paid through the payroll system – it was noted that the Director of Human Resources had this in-hand.

Mr D Sharif notified his intention to issue an unqualified audit opinion on the Trust's 2012-13 accounts following the Audit Committee adopting the accounts and receipt of the management representation letter.

Appendix E outlined the ISA 260 Declaration of Independence and Objectivity.

In discussion on the outstanding external audit recommendations, the Audit Committee Chair requested that the actions be updated to reflect the correct owner and completion date. It was also noted that progress of all audit actions (internal and external) were now monitored at the Executive Performance Board meetings.

**EA/
DFBS**

Recommended – that (A) the contents of this report, and additional verbal information provided, be received and noted, and

(B) outstanding External Audit recommendations to reflect the correct owner and completion date.

**EA/
DFBS/
TA**

33/13/3

Draft Annual Governance Statement 2012-13

In discussion of paper E which detailed the draft Annual Governance Statement 2012-13, it was suggested that wording be amended in respect of the actions taken by the Trust following Internal Audit's review of Business Continuity Management and IT Disaster Recovery arrangements.

DCLA

Recommended – that subject to the amendments to be made by the Director of Corporate and Legal Affairs (as described above) and under Minute 42/13/2 below, the draft Annual Governance Statement 2012-13 be endorsed and recommended onto the Trust Board for formal approval.

**DCLA/
TA**

33/13/4 Draft Audit Committee Annual Report 2012-13

The Director of Corporate and Legal Affairs presented paper F, which detailed the draft Audit Committee Annual Report for 2012-13, noting that, further to members' comments, it would be appended to the Committee's minutes when submitted to the Trust Board. The Committee Chair suggested that she provided an updated paragraph on her role for inclusion within the report.

DCLA

Recommended – that subject to inclusion of an updated paragraph on the role of the Committee Chairman, the Director of Corporate and Legal Affairs be requested to append the Audit Committee Annual Report 2012-13 to the minutes of the Audit Committee when it is submitted to the Trust Board on 27 June 2013.

**DCLA/
TA**

RESOLVED ITEMS

ACTION

34/13 PRIVATE DISCUSSIONS WITH BOTH SETS OF AUDITORS

As at the previous meeting, and in line with the guidance detailed within paper A, private discussions took place between the Chairman and members of the Audit Committee and External and Internal Audit ahead of the start of the formal meeting.

Resolved – that the position be noted.

35/13 APOLOGIES

Apologies for absence were received from Mr A Bostock, KPMG (the Trust's External Auditor).

36/13 MINUTES

Resolved – that the Minutes of the meeting held on 3 April 2013 (papers G-G1 refers) be confirmed as a correct record.

37/13 MATTERS ARISING FROM THE MINUTES

The Committee Chair confirmed that the matters arising report (paper H) highlighted the matters arising from the most recent meeting held on 3 April 2013. Members noted in particular (re: Minute 25/3/12) – the Director of Finance and Business Services reported that he introduced discussion at the Executive Team meeting on 21 May 2013 on whether there was a need to step-up the level of Consultant education in treating overseas visitors and the general consensus was that the guidance was as clear as it could be.

Resolved – that the matters arising report (paper H) be received and noted.

38/13 ITEMS FROM THE LOCAL COUNTER FRAUD SPECIALIST

38/13/1 Local Counter Fraud Annual Report 2012-13

Ms J Clarke, Local Counter Fraud Specialist presented paper B, which detailed a summary of the Annual Report of Counter Fraud work for 2012-13 which had been written in accordance with the provisions of the Secretary of State Directions on fraud and corruption.

In response to a query from Mr I Reid, Non-Executive Director re. Section 1.2.4 – it was noted that 26 information reports and 8 investigations were opened throughout 2012-13. In discussion on a fraud committed re. working whilst sick - the member of staff resigned prior to disciplinary hearing – members noted the need for a consistent policy to be in place for non-clinical staff noting that for clinical staff – such issues would be referred to the appropriate governing body (i.e. GMC/RCN etc). It was suggested that this matter be taken forward through the Workforce Executive Committee.

DHR

The Committee Chair requested that an update on the recovery of losses and fraud area categorisation be provided at the Audit Committee meeting in September 2013.

Resolved – that (A) the contents of this report be received and noted;

(B) the Local Counter Fraud Specialist be requested to provide an update on the recovery of losses and fraud area categorisation at the Audit Committee meeting on 10 September 2013, and

LCFS/
TA

(C) the Workforce Executive Committee to ensure that a consistent policy was in place to deal with members of staff who had committed fraud and had resigned prior to disciplinary hearing.

DHR

38/13/2 Report from the Local Counter Fraud Specialist

Resolved – that this Minute be classed as confidential and taken in private accordingly.

39/13 **RISK REPORTS**

39/13/1 Risk Management Policy

The Director of Safety and Risk, Risk and Assurance Manager and Risk & Safety Manager attended the meeting to present the Risk Management policy (paper I – appendix 1). Appendix 2 provided a summary of changes to the Risk Management Policy and the rationale for their inclusion.

It was suggested that the following be included within the policy – ‘The Trust Board to be provided with a monthly report of all new high risks opened in that period supplemented by a quarterly report on all high risks’.

RAM

The Committee Chair suggested that a report be presented to the September 2013 meeting on how the new processes outlined in the risk management policy were operating with an end on end example of how risks were escalated from “ward to board”.

RAM

Resolved – (A) subject to the inclusion of the proposal for monthly reporting of new high risks to the Trust Board, the risk management policy be endorsed for consideration by the Trust Board on 30 May 2013, and

RAM

(B) the Risk and Assurance Manager to present a report to the Audit Committee in September 2013 on how the new processes outlined in the risk management policy were operating – ‘ward to board’, providing an end to end example.

39/13/2 Board Assurance Framework

Paper J provided an overview of significant risks impacting upon the Trust. A refresh of the Board Assurance Framework was currently in progress to ensure the risks were an accurate reflection of those risks currently faced by the Trust.

Mr R Kilner, Non-Executive Director suggested that in the strategic risk register, it would be helpful to have clarity on the member of staff who identified the risk (noting that the person who owned the risk might be different to who identified it).

In response to queries relating to timescales for achieving the target risk score, it was noted that an action tracker was being introduced to keep a log of the actions. It was suggested that the risk register review process at Divisional Board level aimed to ensure that current mitigating actions were on track and that owners of a risk with an elapsed action due date were held to account to identify what was causing the slippage.

Resolved – that the contents of paper J be received and noted.

39/13/3 Report from the Director of Safety and Risk

Resolved – that this Minute be classed as confidential and taken in private accordingly.

40/13 LOCAL SECURITY MANAGEMENT ANNUAL REPORT 2012-13

The Director of Safety and Risk advised that the Local Security Management Specialist (LSMS) role would now be part of the Health and Safety Team. A full time officer post was being advertised. The Executive Board Level Director and Non-Executive Director for local security management needed to be agreed.

Management of violence and aggression was covered by NHSLA standards. The current assessment of compliance with this standard was that the Trust was at Level 1. NHS Protect had developed a series of 31 standards, to which organisations should comply in order to meet their security obligations. Some of these standards were specific to the role of the LSMS, others addressed wider organisational issues, such as the management of assets. Paper K provided an update on the work of the LSMS in relation to addressing the generic areas identified by NHS Protect and priority areas for action. The report also included performance information and crime statistics, new work streams and recommendations.

Mr R Kilner, Non-Executive Director noted that the total number of security incidents attended by the security teams exceeded 1500 and highlighted the improvement which represented an approximate 31% reduction, compared with incidents during the previous year.

The Director of Safety and Risk advised that a further update on local security management arrangements would be presented to a future Executive Team meeting and the Audit Committee in September 2013.

DSR

Resolved – that (A) the recommendations in paper K be noted, and

(B) the Director of Safety and Risk to present an update on local security management arrangements to a future meeting of the Executive Team and the Audit Committee in September 2013.

DSR/TA

41/13 FINANCE – STRATEGIC AND OPERATIONAL ISSUES

41/13/1 Discretionary Procurement Actions

Resolved – the contents of paper L be received and noted.

41/13/2 Losses and Special Payments

Paper M provided an update on losses and special payments for the year ending March 2013. Members noted that the number and value of cases had reduced in comparison to the previous year.

Resolved – the contents of paper M be received and noted.

42/13 ITEMS FROM INTERNAL AUDIT

42/13/1 Internal Audit Year-End report and Head of Internal Audit Opinion 2012-13

The Head of Internal Audit, PwC presented paper N, the Internal Audit Annual report for 2012-13 and the proposed Head of Internal Audit opinion. An overall opinion of 'significant assurance' was provided – using the terminology set out in the DoH guidance to Heads of Internal Audit.

In respect of the 'Business Continuity and IT Disaster Recovery' review – the Trust had produced an action plan setting out the detail of how it planned to meet the recommendations set out in this review. On this basis, the ratings of two findings had been downgraded from 'high' to 'medium'.

In respect of the follow-up of outstanding internal audit actions, it was noted that this would be discussed on a monthly basis by the Executive Performance Board.

Resolved – that the contents of paper N be received and noted.

42/13/2 Internal Audit Progress Report

Paper O provided the Committee with an update on progress in delivering the 2012-13 Internal Audit plan and developing the 2013-14 plan. Final reports for all internal audit reviews had been issued. All agreed actions were being tracked using the tracking tool 'TrAction'.

The Internal Audit Manager advised that the bank and agency review had been deferred to 2013-14 and was scheduled to commence in June 2013. A discussion took place on the scope of the review and it was agreed that the review should focus on the Acute Division.

IA

The Committee Chair noted the need for the wording on page 11 of the Annual Governance Statement to be amended to reflect the key findings highlighted following the review of the Trust's Cost Improvement Programme.

Resolved – that (A) the contents of paper O be received and noted, and

(B) the bank and agency review to focus on the Acute Care Division.

IA

42/13/3 Internal Audit Reviews

Resolved – that the contents of papers P – P6 be received and noted.

42/13/4 Internal Audit Plan 2013-14

The Senior Internal Audit Manager presented paper Q which outlined the internal audit risk assessment and the proposed areas of internal audit focus for 2013-14. The plan had been prepared following discussion with the Trust's Executive Team. The Senior Internal Audit Manager highlighted a minor change in respect of wording around risk under the section 'Corporate objectives and risks' on page 4 of the report.

Resolved – that the contents of paper Q subject to the correction of the amendment described above be received and noted.

42/13/5 Internal Audit Charter

The Senior Internal Audit Manager advised that the new Public Sector Internal Audit standards had recently been published and reiterated the need for Internal Auditor's to agree an Internal Audit Charter. Paper R, outlined the Internal Audit Charter which was a formal document that defined the internal audit activity's purpose, authority and responsibility. The Charter assessed how the requirements of the public sector internal audit standards were being complied, set out protocols for distributing reports and set out revised timescales for planning, execution and reporting of internal audit work.

An example of a monitoring report which included monitoring against a set of key performance indicators was tabled at the meeting. The Committee Chair suggested that an additional KPI be included in respect of the 'closing meeting to be undertaken 2 days after the field work was completed' – Internal Auditors agreed to action this. IA

Resolved – (A) the contents of paper R be received and noted, and

(B) an additional KPI (as described above) be included to the monitoring report. IA

43/13 ASSURANCE GAINED FROM THE FINANCE AND PERFORMANCE (F&P) COMMITTEE AND THE QUALITY ASSURANCE COMMITTEE (GRMC)

Mr I Reid, Non-Executive Director highlighted that the main issues had already been raised.

Resolved – that the verbal update be noted.

44/13 MINUTES FOR INFORMATION AND DISCUSSION

44/13/1 Quality Assurance Committee

Resolved – that the Minutes of the Quality Assurance Committee meetings held on 19 March 2013 (paper S refers) and 16 April 2013 (paper S1 refers) be received and noted.

44/13/2 Finance and Performance Committee

Resolved – that the Minutes of the Finance and Performance Committee meeting held on 27 March 2013 (paper T refers) and 24 April 2013 (paper T1 refers) be received and noted.

45/13 ANY OTHER BUSINESS

45/13/1 Mr I Reid, Non-Executive Director

The Committee Chair thanked Mr I Reid, Non-Executive Director for his contribution to the Audit Committee.

Resolved – that the update be noted.

46/13 IDENTIFICATION OF KEY ISSUES THAT THE COMMITTEE WISHES TO DRAW TO THE ATTENTION OF THE TRUST BOARD

- draft statutory exchequer accounts 2012-13 (Minute 33/13/1 refers), and
- draft annual governance statement 2012-13 (Minute 33/13/3 refers).

Resolved – that the recommended items listed above be brought to the attention of the Trust Board.

47/13 DATE OF NEXT MEETING

Resolved – that (A) the next meeting of the Audit Committee be held on Tuesday, 10 September 2013 from 10:30am in the Board Room, Victoria Building, Leicester Royal Infirmary, and

(B) it be noted that this meeting would be preceded by a private meeting between the Audit Committee Chairman and the Non-Executive Director members at 10:00am, with representatives from Internal and External Audit to attend from 10:15am in the Committee Room, Victoria Building, Leicester Royal Infirmary.

The meeting closed at 12:28pm.

Hina Majeed, **Trust Administrator**

Name	Possible	Actual	% attendance
K Jenkins (Chair)	2	2	100%
R Kilner	2	1	50%
I Reid	2	2	100%

Attendees

Name	Possible	Actual	% attendance
S Hinchliffe	1	1	100%
A Seddon	2	2	100%
S Ward	2	2	100%

University Hospitals of Leicester NHS Trust

Audit Committee

Annual Report 2012 / 13

FOREWORD

The purpose of this University Hospitals of Leicester (UHL) NHS Trust Audit Committee Annual Report is to provide a brief commentary on the work of the Committee in the 2012/13 financial year.

This is the ninth such report prepared by UHL's Audit Committee. I hope you find it of interest.

We would welcome feedback on this Annual Report. Please forward comments to me c/o Stephen Ward, Director of Corporate and Legal Affairs at stephen.ward@uhl-tr.nhs.uk or at: -

Leicester Royal Infirmary
Infirmary Square
Leicester
LE1 5WW

Kiran Jenkins
Chairman, UHL Audit Committee
May 2013

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The Role of an Audit Committee

Every NHS organisation is required to establish a non-executive committee of the Board to be known as the Audit Committee. The main objective of the Committee is to independently contribute to the Board's overall process for ensuring that an effective internal control system is maintained. In addition, the Audit Committee provides a form of independent check upon the executive arm of the Board.

Traditionally, the primary focus for this work has related to internal financial control matters such as the scrutiny and review of financial systems, the maintenance of proper accounting records and the reliability of financial information. The importance of that financial scrutiny has certainly not diminished, but there is now an expectation of a wider focus by the Audit Committee, particularly in the NHS where there is a need to meet a broad range of stakeholder needs.

As a consequence, the Committee's primary role today is to conclude upon the adequacy and effective operation of the organisation's overall internal control system. As a result, the Committee has a pivotal role to play in reviewing the disclosure statements that flow from the organisation's assurance processes. In particular, this responsibility covers the Annual Governance Statement. UHL's Audit Committee has received reports on this matter in 2012/13.

Membership and meetings

The exercise of effective oversight requires objectivity and relevant experience. These are among the attributes that Non-Executive Directors bring to the Board. The Audit Committee provides Non-Executive Directors with access to financial information, information upon internal control systems, and to External and Internal Auditors. Non-Executive Directors are thereby able to bring their skills and experience to bear on the internal financial and other control processes and to do so independently of senior management.

The membership of the UHL Audit Committee consists of four Non-Executive Directors, with a quorum of two. The Trust Chairman cannot serve on the Audit Committee. The Chief Executive, Director of Finance and Procurement, Director of Corporate and Legal Affairs, Head of Internal Audit and the External Auditors all have a standing invitation to attend Audit Committee meetings which are held at least three times a year.

Kiran Jenkins assumed the role of substantive Committee Chairman from November 2011 and remains in the role.

Ian Reid, Vice-Chairman of the Trust served as a Committee member throughout 2012/13, as did both Richard Kilner and David Tracy. David Tracy stood down as a Non-Executive Director on 31 March 2013.

The membership of the Trust's Audit Committee is well suited to the importance and complexity of its work. As a minimum, one member of the Committee must have recent financial experience. Kiran Jenkins has extensive experience in finance, audit and risk management. Kiran qualified as a Chartered Accountant with Ernst & Young and post qualification worked as a Senior Manager providing financial assurance and business and business advisory services to blue chip companies. After leaving Ernst & Young, Kiran joined Egg Banking which became part of the Citi Group.

Ian Reid is able to draw upon his 40 years experience in the construction materials industry, culminating in his appointment as Managing Director of Lafarge (Redland) Aggregates in 1990 (a position he held until his retirement in 2003).

Richard Kilner is a chartered civil engineer and a member of the Institution of Civil Engineers. Educated in South Africa, Richard has held a number of senior posts in the construction industry. His most recent role was in private equity at 3i plc where he was involved in significant investment and development programmes in Asia, the USA and Europe.

The Audit Committee met on five occasions during 2012/13. Each meeting was quorate.

The Director of Finance and Business Services has operational responsibility for establishing and maintaining a sound system of internal financial control, is responsible for the production of the annual accounts and is the key contact

for the Head of Internal Audit and the External Auditors. Consequently, the Director of Finance and Business Services is the key executive contact with the Committee and its Chairman and the Committee had access to the Director of Finance and Procurement, and members of his senior management team, at all of the meetings in 2012/13.

Similarly, the Committee had access to both Internal and External Auditors at each meeting in 2012/13.

Both Internal and External Auditors had access to the Audit Committee in the absence of Executive Directors.

Agenda papers are prepared and circulated in advance of meetings. The minutes of each Audit Committee meeting are submitted to the next available meeting of the Trust Board and are presented at Board meetings by the Committee Chairman.

Review of 2012/13

During 2012/13 the Audit Committee reviewed a range of activities relating to internal financial and other key control issues, including the following: -

- safeguarding of assets;
- maintenance of proper accounting records;
- the reliability of financial information;
- independence and effectiveness of internal and external audit;
- effectiveness of internal financial control systems;
- the overall control environment (including measures to prevent and detect fraud).

All of these financial duties were substantially delivered through the approval of Internal and External Audit plans and review of progress reports. Discussions with both sets of auditors and the Director of Finance and Procurement provided the basis for obtaining explanation and clarification.

The Annual Internal Audit Report, Head of Internal Audit Opinion Statement and the External Auditor's Audit Memorandum, Opinion and Annual Audit Letter, delivered within the context of risk – based plans, formed the key documents from which the Audit Committee derived assurance.

Other matters considered by the Committee during the year included:-

- review of the Trust's corporate governance policies;
- review of the Trust's assurance framework, a structure within which the Trust Board has identified the principal risks to the organisation meeting its principal objectives and mapped out both the key controls in place to manage them and also how assurance is gained about their effectiveness;
- reviewing the findings of the External Auditors following their review of the Trust's Quality Accounts 2011/12 and the response of Trust management to the Auditors' recommendations;
- a review of the work undertaken by the Trust's Local Counter-Fraud Specialist;
- a review of the work undertaken by the Trust's Local Security Management Specialist;
- review of the Trust's information governance arrangements;

- contract negotiations with the Trust's principal Commissioners;
- cost improvement programme forecasting processes;
- review of losses incurred and special payments made by the Trust;
- review of the arrangements in place at the Trust to deal with overseas visitors and private patients;
- review of the timetable and process for the development of the Trust's Annual Operational Plan 2013/14;
- arrangements in place to achieve accreditation in relation to the NHS Litigation Authority's Acute Risk Management Standards;
- significant risk and control findings identified by the Trust's Finance and Performance Committee and Governance and Risk Management Committee/Quality Assurance Committee, respectively;
- the arrangements in place at the Trust to assess the potential impact on quality and safety of cost improvement programme schemes; and
- the governance arrangements in place at Clinical Divisional and Clinical Business Unit levels.

During 2012/13, the Committee also continued to receive at each meeting reports assessing the Trust's position in relation to the following matters:

- discretionary procurement actions;
- significant breaches of Standing Financial Instructions (none in-year).

The Committee receives, at each meeting, the minutes of meetings of the Trust's Finance and Performance Committee and Quality Assurance Committee, which report directly to the Trust Board. This arrangement helps to ensure that there is clarity upon the respective roles and responsibilities of these bodies within the overall internal control system of the Trust.

The Head of Internal Audit's 2012/13 year-end report and Opinion Statement submitted to the Audit Committee stated that significant assurance could be provided that there is a generally sound system of internal control, designed to meet the organisation's objectives, and that controls are generally being applied consistently.

In the ISA 260 Audit Highlights Memorandum (May 2013) the Trust's External Auditors have reported that, on receiving the Trust's management representations letter, an unqualified audit opinion on the Trust's 2012/13 financial statements and remuneration report would be issued. The Trust Board will be recommended to confirm the Trust's management representations and adopt the annual accounts 2012/13 at its meeting on 30

May 2013. Once the External Auditors have received the Trust's representations, they will issue their audit opinions which will confirm that :

- the Trust's financial statements present a true and fair view of the Trust's operations;
- the Trust has complied with Department of Health requirements in the preparation of its Annual Governance Statement 2012/13 and that they are not aware of any inconsistencies between the information recorded in the Statement and their other work; and
- the numerical part of the Trust's remuneration report has been presented in a way which complies with the accounting requirements directed by the Secretary of State.

Taking into account the opinions of the Head of Internal Audit and External Auditors, the Committee is able to confirm that the Trust Annual Governance Statement 2012/13 is consistent with its view of the organisation's system of internal control and support the Trust Board's approval of the Statement. In doing so, the Committee has affirmed that the Trust's assurance framework 2012/13 was designed and operated to meet the Department of Health's requirements and provided reasonable assurance that there is an effective system of internal control to manage the principal risks identified by the Trust.

The Committee consequently endorsed the Annual Governance Statement's description of the Trust's system of risk management and its adequacy in identifying risks and allowing the Trust Board to understand the appropriate management of those risks. In doing so, the Committee endorsed the commitment in the Statement that the further work to be undertaken in 2013/14 to review and improve the Trust's governance, risk management and internal control systems, policies and procedures would strengthen the Trust's system of internal control.

The Future: 2012/13 and beyond

In 2013/14, the Audit Committee will continue to focus upon the adequacy and effectiveness of the organisation's overall internal control system and, in this regard, will pay particular attention to the framework of risks, controls and related assurances that underpin the delivery of the Trust's objectives.

In addition, the Committee has agreed the following subjects amongst its priorities for 2013/14:

- ensuring that action is taken to clarify and strengthen processes to ensure management act speedily to implement audit recommendations;
- improving the approach to Audit Committee training.

The Audit Committee timetable includes a slot for an annual developmental meeting of the Committee. It is at this meeting that the Audit Committee will consider and assess its own effectiveness annually, drawing on best practice guidance published by the Department of Health and Audit Committee Institute.

In 2013/14, UHL intends that its application to become an NHS Foundation Trust will be approved by the Secretary of State for Health and placed before Monitor, the Independent Regulator for NHS Foundation Trusts, for consideration and approval.

The Audit Committee has identified the possibility that, in an NHS Foundation Trust environment, it will be asked by the Board of Directors to assume responsibilities beyond its traditional duties. It is therefore considering its own development needs, establishing useful links with a number of parties external to the Trust who can offer advice on this subject; and will continue to review its remit, roles and relationships as the Trust's Foundation Trust application is progressed.

Kiran Jenkins
Chairman, UHL Audit Committee
May 2013