

BEDFORD HOSPITAL NHS TRUST
Audit Committee Annual Report for the year 2010/11

1. Introduction

The Committee's chief function is to advise the Board on the adequacy and effectiveness of the Trust's systems of internal control and its arrangements for risk management, control and governance processes, and securing economy, efficiency and effectiveness (value for money).

In order to discharge this function the Audit Committee prepares an annual report for the Board and Accounting Officer. This report includes information provided by Internal Audit, External Audit and some other Assurance Providers.

2. Audit Committee's Opinion

The Auditors have asked us to point out to Members of the Board that they should recognise that assurance given can never be absolute. The highest level of assurance that can be provided to the Board is a reasonable assurance that there are no major weaknesses in the Trust's risk management, control and governance processes.

The opinion of the Committee, as advised by the Auditors and based on the issues set out in section 3 below, is that the Trust's risk management, control and governance processes are adequate and effective and may be relied upon by the Board.

3. Information supporting the Opinion

Summarised below is the key information / sources of assurance that the Committee has relied upon when formulating our opinion.

3.1 Internal Audit

The Head of Internal Audit has supplied the following opinion

Based on the work undertaken in 2010/11, significant assurance can be given that there is a sound system of internal control which is designed to meet the organisation's objectives, and that controls are being consistently applied in all the areas reviewed

3.2 External Audit

The Annual Audit Letter from the Audit Commission of September 2010 stated that an unqualified opinion had been given on the Annual Accounts.

The Auditor identified some weaknesses in internal control arrangements during his audit.

These were in respect of the accounting records supporting property, plant and equipment, proposed reviews of ledger journals, employee establishment list confirmations, management reviews of the accounts and the quality of the supporting audit trail. The last two of these were considered to be important as they support the timely closedown of the accounts and audit to the prescribed timetable.

Auditor's Local Evaluation judgement (including financial standing)

The Auditor for 2009/10 assessed the Trust's arrangements in five themes, each scored theme from 1 to 4 (1= inadequate and below minimum standards, 2 = adequate, 3 = performing well and 4 = performing strongly).

Table 1 ALE scores

Theme Assessment

Financial reporting	1 out of 4
Financial management	3 out of 4
Financial standing	3 out of 4
Internal control	3 out of 4
Value for money	3 out of 4

The Auditor issued an unqualified conclusion stating that the Trust had adequate arrangements to secure economy, efficiency and effectiveness in its use of resources.

The committee received the final Annual Governance Report for 2009/10 from the external auditor at its meeting on 18 June 2010. The main conclusions of this were that he planned to issue an audit report including an unqualified opinion on the financial statements, although his audit work had identified material misstatements and uncertainties in the Trust's financial statements presented for audit, specifically in respect of the disclosures made by the Trust in accounting for its building assets during the year, and weaknesses in the Trust's underlying fixed asset register remained. Management had agreed to make a number of adjustments to the accounts but had declined to make adjustments to the financial statements in relation to a number of issues, the value of which was not material.

On arrangements to secure economy, efficiency and effectiveness in the use of resources against criteria specified by the Audit Commission, the auditor issued an 'unqualified' conclusion which means he agreed that the Trust had adequate arrangements to secure value for money from its resources.

3.3 Other Assurance Providers

The Trust has received assurances from a range of other external agencies in respect of specific areas e.g. the PEAT assessor, Care Quality Commission, SHA, cancer network visits, Deanery) visits. Concerns raised have been addressed.

3.4 Other Committees

The Audit Committee's remit includes review of the effectiveness of the work of other committees, as part of the introduction of Integrated Governance. This was not undertaken in 2010/11, although the committee reviewed its own effectiveness

3.5 Local Counter Fraud Specialist (LCFS)

The Annual LCFS report for the year 2010/11, indicates that:-

The LCFS conducted a staff survey which identified that continued fraud awareness training was required throughout Bedford Hospital NHS Trust, especially amongst staff with a number of years of service. Appropriate resources were spent throughout the year with the aim to enhance the Trust's anti-fraud culture as the LCFS attended all monthly induction courses, delivered a presentation at a number of key staff meetings, and as a result of work undertaken throughout the year has had face to face contact with 509 members of staff, which equates to 25% of the 2052 staff employed at the Trust.

The LCFS has liaised with the Trust's Risk Manager. Fraud is included as a risk on the Finance Department's Risk Register. The LCFS has also completed the annual review of the NHS CFS Risk Assessment Tool in conjunction with an Operational Fraud Risk Assessment which will be continued during 2011/12.

The LCFS has provided an electronic training program to the Trust focused on Fraud Awareness. The module provides information on various aspects of fraud in the NHS and also includes training on the Bribery Act 2010. The program is structured in a question and answer format and provides the delegate with a certificate upon completion to be added to their training records.

The LCFS has reviewed a number of key Trust policies. These reviews have identified some areas where best practice guidance has been shared to enable the policies to be amended to adequately reflect counter fraud arrangements.

The National Fraud Initiative was commenced by the Financial Controller as the Key Contact for the Trust and managed by the LCFS. This work will be continued during 2011/12.

The LCFS received referrals during 2010/11 which resulted in four investigations being conducted. Three investigations were concluded with no fraud proven, and the other case remains ongoing.

Number of investigations in 2010/11 4

at Bedford Hospital NHS Trust

Average number of investigations in 5

2010/11 at Acute Trusts.

3.6 Management

The Committee is aware that the Trust Board receives monthly a balanced scorecard report, and reviews the Risk Register.

3.7 Assurance Framework

The Committee has approved the Assurance Framework and received regular updates throughout the year. Assurance on the process has been received from Internal Audit.

4. The Role and Operation of the Audit Committee

4.1 Membership of the Committee

The members of the Committee during the period of the Report were as follows:

Ken Lewis
Gordon Johns
Ian Pickering Chair
Duncan Gear

The members of the Committee disclosed the following interests, which are included in the Trust's register of interests:-

Ken Lewis none.

Ian Pickering – Non-Executive Director, Coventry Building Society, Council Member, Cranfield University, Member, Auditing Practices Board.

Gordon Johns- none

Duncan Gear None

The Committee is supported by the Trust Board Secretary who acts as Secretary.

4.2 Operation of the Committee

4.2.1 Meetings and attendance

The Committee is required to meet at least three times a year. Meetings took place during the period and were attended as follows:

	2 Jun	10 Jun	18 Jun	20 Jul	21 Sep	16 Nov	18 Jan	15 Mar	TOTAL
Mr Lewis	P	A	A	P	P	P	P	P	6
Mr Pickering	P	P	P	P	P	P	P	P	8
Mr Gear	P	P	P	P	P	P	P	P	8
Mr Johns	P	P	A	A	P	P	P	P	6

Key – P (Present for meeting); A (Absent from meeting)

The quorum for meetings of the Committee was two. As the table above shows all meetings of the Committee during the period were quorate.

4.2.2 Committee Self Assessment

This was minuted in September 2010 as follows:-

“The Chairman felt that the review indicated that the Committee was performing effectively. The most significant shortfall was knowledge of the terms of appointment of the internal auditors. The Director of Finance & Performance agreed to make available to members the terms of engagement and these and the whole section on evaluation of internal audit could be discussed at the November meeting. This should be in time for the contract retendering for 2011/12 onwards. The Engagement Lead confirmed that the Audit Commission had invited the Financial Reporting Authority to review its work and had received favourable opinion. He agreed to make this available to the Committee. The committee concluded that overall it was meeting the requirements of the DH handbook and doing a good job.

4.2.3 Performance Indicators

The Internal Auditor's reports provide benchmarking data, and also activity against the agreed plan. External Audit also reports on achievement against its plan. We consider there are no issues about their performance that affects their ability to support this Committee in discharging its duties.

5. Conclusions

Based on the information presented and discussed at the Audit Committee meetings during the year we have concluded.

5.1 Risk Management

The Committee considers that on the basis of the assurance framework, Standards for Better Health Declaration and the review by the Board of Governance arrangements, as set out in the governance and risk strategy, that the Trust has an effective system of risk management in place.

5.2 Assurance Framework

The Committee has reviewed the Assurance Framework through out the year and requested changes to the timeliness, format and presentation to ensure that it remains fit for purpose. They consider that it reflects the key risk facing the organisation, that the assurances over the breadth of controls mitigating the risks have been considered and any significant gaps in either the assurances or in the controls have been addressed.

5.3 Standards for Better Health declarations

The Committee's review of this has not identified any inconsistencies between the declaration, the Trust's Assurance Framework and its SIC

5.4 Statement on Internal Control

The final Statement of Internal Control has been considered by the Audit Committee which believes that its conclusions are based on the same evidence as is outlined above.

Ian Pickering (Chair)
Gordon Johns
Duncan Gear
Ken Lewis

11 July 2011
Approved 19 July 2011