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Audit Committee annual report

Author: Eleanor Higgins, Corporate Governance Manager

Date: 19 September 2013

Version: 1

Purpose and Summary of Document:

This report provides the Board with a summary of the key areas of business activity undertaken by the Audit Committee over the past year and highlights some of the key issues which the Committee intend to give further consideration to over the next 12 months.

The Board are asked to receive the report from the Audit Committee.

Sponsoring Non Executive Director: Mr Terence Rose

Who will present: Mr Terence Rose

Documents attached: None

Date of Board meeting: 21 November 2013

Committee/Groups that have received or considered this paper:

- Audit Committee

Please state of the paper is for:

Discussion

Decision

Information

X



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- Audit Committee
- Board

Review Date: Annually

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This Report summarises the key areas of business activity undertaken by the Audit Committee over the past year and highlights some of the key issues which the Committee intend to give further consideration to over the next 12 months.

1 Background

This Report summarises the key areas of business activity undertaken by the Audit Committee over the past year and highlights some of the key issues which the Committee intend to give further consideration to over the next 12 months.

The Audit Committee's annual 'business cycle' ends on 30 June following the closure and audit of the Trust's Annual Accounts and reflects the Committee's key role in the development and monitoring of the Trust's Governance and Assurance framework, the production of the Trust's Annual Governance Statement and the relevant Financial Statements.

2 Role and Responsibilities

The primary purpose of the Audit Committee is to provide advice and assurance to the Trust Board on whether effective arrangements are in place - through the design and operation of the Trust's assurance framework - to support the Board in its decision taking and in discharging its accountability for achieving the Trust's objectives, in accordance with standards of good governance determined for NHS Wales.

Where appropriate, the Committee will advise the Board and the Accountable Officer on where, and how, its assurance framework may be strengthened and developed further.

The core functions of the Audit Committee are as follows;

- Consider the effectiveness of risk management arrangements, the control environment, and the related anti-fraud and anti-corruption arrangements.
- Seek assurances that action is being taken on risk related issues identified by auditors, by regulatory bodies and by the Trust itself;
- Be satisfied that the assurance statements properly reflect the risk environment and any action required to improve it;
- Approve the Internal Audit strategy, plan and monitor performance; review Internal Audit reports and the main issues arising; seek assurance that action has been taken where necessary; receive and consider the Annual Report from Internal Audit;

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- Review the reports of External Audit and other Regularity Bodies and the main issues arising; seek assurance that action has been taken where necessary; receive and consider the Annual External Audit Report;
- Approve the Local Counter-fraud Services (LCS) strategy, plan and monitor performance; review LCS reports and the main issues arising; seek assurance that action has been taken where necessary; receive and consider the Annual Report from LCS;
- Review the financial statements and, acting under delegated powers, approve the adoption of the accounts; and
- Consider the results of audit and assurance work specific to the Trust and the implications of the findings of wider audit and assurance activity relevant to the Trust's operations to secure the ongoing development and improvement of the Organisation's governance arrangements.

3 Membership, Frequency and Attendance

The terms of reference of the Committee state that:

Members

A minimum of three (3) members, comprising:

Chair	Mr Terence Rose, Non Executive Board Member
Members	Mr John Spence, Non Executive Board Member Dr Carl Clowes, Non Executive Board Member

Attendees

In attendance	The Accountable Officer Director of Finance Head of Internal Audit Head/ Clinical lead Local Counter Fraud Specialist Representative of External Auditor Other Executive Directors will attend as required by the Committee Chair
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By invitation	The Committee Chair may invite: <ul style="list-style-type: none"> - any other Public Health Wales officials; and/or - any others from within or outside the organisation
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to attend all or part of a meeting to assist it with its discussions on any particular matter.

Secretariat

Secretary As determined by the Board Secretary

Frequency of Meetings

Meetings shall be held no less than quarterly and otherwise as the Chair of the Committee deems necessary – consistent with the Trust's annual plan of Board Business. The following meetings were held:

- 13 September 2012
- 19 December 2012
- 20 March 2013
- 9 May 2013
- 6 June 2013

Attendance

All meetings held were quorate.

4 Audit Committee Activity 2012-13

The Audit Committee fulfilled its work plan for 2012-13 covering a wide range of activity. This work can be summarised under 3 main headings;

- Internal Control and Risk Management;
- Audit Work; and
- Financial Statements and Statement of Internal Control.

Internal Control and Risk Management

The Audit Committee has;

- Received and reviewed different elements of the Trust's Risk, Governance and Accountability framework
- Further developed effective reporting processes for monitoring the implementation of agreed audit recommendations;
- Received and approved financial statements for 2012/12 which included the Annual Governance Statement. The Committee can confirm that the Annual Governance Statement is consistent with the view of the Committee on the organisation's system of internal control and the Committee supports the Board's approval of the Statement;

- Received and reviewed the reporting of single tender contracts and procurement activity;
- The Audit Committee in September also received the formal report on the ongoing work on the Register of Interest and the Register of Gifts and Hospitality; and
- The Audit Committee also received and reviewed the Public Health Wales risk register which contains details of the organisation's high level risks at the September 2012 meeting. Currently, the risk register is reviewed by the Quality and Safety Committee at each of its meetings and reviewed by the Audit Committee and Board on an annual basis. During the year, the Risk Register was refreshed to include reference to which Committee was responsible for the risk.
- The Audit Committee also reviewed, updated and authorised the delegated financial limits.

Audit Work

During 2012/13, Internal Audit carried out a number of reviews on operations and functions within Public Health Wales. These included:

- Credit card expenditure
- Statutory and mandatory training
- Claims Management report
- General Ledger report
- Health & Safety
- Fixed Assets
- AR/ Income / Cash
- Budgetary control
- Standards for Health Services

The Internal Auditors concluded that there was 'substantial assurance' over the controls and systems that are in place for claims management, general ledger, health and safety, fixed assets, AR/income/cash, budgetary control and Standards for Health Services. 'Reasonable assurance' was awarded for credit card expenditure and limited assurance for statutory and mandatory training.

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Taking account of all the audit activity during the year, the Internal Auditors concluded that the Board can take substantial assurance that the arrangements, upon which the organisation relies to manage risk, control and governance within those areas under review, and the operational compliance noted, are suitably designed and applied effectively. Few matters require attention and are compliance or advisory in nature with low impact on residual risk exposure.

In 2012/13 External Audit completed a review of data quality arrangements in the Screening Division which resulted in a Data Quality policy being developed and data quality becoming a standing item on the agenda for the Information Governance Committee. A review was also completed on the management arrangements in the Screening Division. An action plan is being developed to address the recommendations highlighted in the report. The other significant piece of work outside of the Financial Statements was:

- Structured Assessment

The Wales Audit Office (WAO) introduced the concept of structured assessments in 2010, which reviewed the arrangements for ensuring that resources were used efficiently, effectively and economically across NHS bodies in Wales. WAO intend that this assessment forms part of their performance audit programme of work each year. During the year the structured assessment:

- Focused on corporate arrangements to ensure resources are used efficiently, effectively and economically and that overall arrangements for corporate governance, financial management and board assurance are fit for purpose.
- Assessed progress in addressing issues identified in the 2010 and 2011 reviews.

Financial statements 2012/13

The Auditor General for Wales is responsible for providing an opinion on whether the financial statements give a true and fair view of the financial position of Public Health Wales at 31 March 2013 and its income and expenditure for the year then ended. The audit concluded that there were no significant matters, issues, oversights or weakness with the financial statements as at 31 March 2013.

Counter Fraud

An Annual Report was presented in accordance with the provisions of the Welsh Government Directions on fraud and corruption, which require Local Counter Fraud Specialists (LCFS) to provide a written

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report, at least annually, to the Trust on Counter Fraud work. The report content and style used complies with the model prescribed by NHS Protect the new name for the former Counter Fraud and Security Management Service (CFSMS).

During 2012/2013 there was one counter fraud investigations which was regularly reported to the Audit committee. Advice as to how to proceed is sought on each individual case from the NHS CFS (Wales) and once the investigation into the allegations has been concluded, legal opinion is also taken from the Prosecution Division of the Solicitors Branch (Dept of Works & Pensions) as to whether there is sufficient evidence to warrant and support a criminal prosecution.

Close liaison and a good working relationship has been established and continues to operate with the NHS Counter Fraud Service (Wales).

5 Relationship with other Committees

The Audit Committee has worked closely with the Quality and Safety Committee during the year. Two members of the Audit Committee are also members of the Quality and Safety Committee. This common membership ensures continuity across the two Committees and provides the Chair of the Audit Committee with assurance that clinical quality and safety is being addressed appropriately by the Quality and Safety Committee. Performance data has been improved during the year and information flows relating to performance against Public Health Wales' strategic objectives are improving.

6 Conclusions and Way forward

The Audit Committee is now well established and has undertaken all of its core functions. The results of external reviews are pleasing and all recommendations are forming part of action plans which are actively monitored.

The Audit Committee has established an active process which gives oversight of all external recommendations and their timely implementation.

Good working relationships continue between the Committee Members and the colleagues from our audit bodies.

We will now take time to review the effectiveness of the Committee and the use self assessment to construct a development plan.

In line with the Audit Committee handbook, published in June 2012, the Audit Committee annual report will, in future, be prepared to

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support the preparation of the Annual Governance Statement and Annual Quality Statement. In addition to summarising the Committee's work for the year, the report will present the Committee's opinion on:

- The comprehensiveness of assurances in meeting the Board and Accountable Officer's needs;
- The reliability and integrity of these assurances;
- Whether the assurance available is sufficient to support the Board and Accountable Officer in their decision taking and their accountability obligations;
- The implication of these assurances for the overall management of risk;
- Any issues the Audit Committee considers pertinent to the Annual Governance Statement and any long term issues the Committee thinks the Board and/or the Accountable Officer should give attention to;
- Financial reporting for the year;
- The quality of both internal and external Audit and their approach to their responsibilities; and
- The Committee's assessment of its own effectiveness.