

1.0 Introduction

- 1.1 The Audit Committee (the committee) has prepared this report to the Trust Board to provide information about actions taken by the committee to satisfy its terms of reference for the year 1 April 2014 to 31 March 2015.

2.0 Background

- 2.1 The NHS Code of Conduct and Accountability and the NHS Audit Committee Handbook require that an audit committee is established as a committee of the Trust Board to provide an independent and objective view on governance, risk management and internal control processes on which the Board places reliance.
- 2.2 The establishment and constitution of the committee is mandated by the Standing Orders of the Trust (Section 6.4).

3.0 Governance, Establishment and Duties

- 3.1 Members of the committee are appointed by the Board from amongst the Non-Executive Directors of the Trust, one of which is appointed to position of chair. The Audit Committee Handbook directs that the Chair of the Trust should not be a member of the committee. The Trust has deviated from this guidance because Alan Cole, Non-Executive Director and member of the Audit Committee, was acting Chair of the Trust until June 2014.
- 3.2 The committee's regular meetings usually begin with a private meeting between members to allow for preparatory discussions.
- 3.3 At each committee meeting internal and external auditors have the opportunity for private discussions with the committee members.

4.0 Audit Committee Effectiveness

- 4.1 There were seven regular committee meetings held during the year. All meetings were quorate. Attendance by committee members and those in attendance was good. Appendix 1 shows the record of attendance for the year 2014/15 for members and those regularly 'in attendance' as per the terms of reference.
- 4.2 In accordance with the Audit Committee Terms of Reference and in line with good practice, the committee is required to undertake a self-assessment of performance. The committee timetable calls for a bi-annual self-assessment of the committee's performance. The last self-assessment was presented to the Audit Committee in June 2014.
- 4.3 The self-assessment has two elements. The committee members and the Head of Financial Accounting met in March 2014 to complete the assessment against the Department of Health's NHS Audit Committee Handbook checklist and to discuss the performance of the committee against its objectives. The objectives of the committee are set out in the terms of reference (last reviewed in January 2015).

- 4.4 The purpose of the self-assessment is to provide assurance that the committee has performed against its objectives and to identify any areas for development or improvement.
- 4.5 The completed self-assessment checklist is attached at Appendix 2. It consists of a series of questions that are categorized as “Must Do” (Status 1), “Should Do” (Status 2) and “Could Do” (Status 3).
- 4.6 The results of the assessment are summarized as follows:

Status	Achieved	Not Achieved	Total
1 – Must Do	50 (98%)	1 (2%)	51
2 – Should Do	23 (85%)	4 (4%)	27
3 – Could Do	6 (75%)	2 (25%)	8
Total	79 (92%)	7 (8%)	86

- 4.7 The one ‘Must Do’ not achieved relates to new committee members being provided with appropriate induction. While there are no formal induction arrangements targeted at the committee, the Chair confirmed that any new members would receive an induction with him, so this was not seen as a risk or area for concern.

5.0 Performance Against Objectives

Governance, Risk Management and Internal Control

- 5.1 The committee received the minutes from the Governance and Quality Committee and the Head of Governance highlighted any significant areas to note. The committee also received the minutes from the Risk Assurance Committee and the Finance Committee.
- 5.2 The committee has regularly received the Board Assurance Framework produced by the Risk Assurance Committee. Committee members have the opportunity to raise any queries or concerns to be fed back to the Risk Assurance Committee.
- 5.3 Progress against the completion of Internal and External audit recommendations has been monitored regularly. The responsible managers are asked to regularly provide an update on their progress against recommendations assigned to them. On a number of occasions responsible managers were invited to the committee to facilitate escalation of actions.
- 5.4 The committee reports to the Trust Board following each meeting.

Internal Audit

- 5.5 The Internal Auditors for the Trust for the year were Mazars and the Head of Internal Audit was Andy Jefford. The committee received the Head of Internal Audit Opinion in April 2014 for the year ending March 2014. Based on the work undertaken in 2013/14 significant assurance was given that there is a generally sound system of internal control.
- 5.6 Internal Audit reported regularly on their progress against the plan (agreed with the committee in March 2014) and present each completed audit report. The committee had the opportunity to ask for further information, clarification or to seek assurance over conclusions reached and recommendations made.

- 5.7 In June 2014 the committee received the Internal Audit Annual Report for 2013/14 which provided a summary of their work carried out in 2013/14.
- 5.8 During 2013/14 Internal Audit issued 24 final audit reports making 42 medium priority and 29 low priority recommendations.

External Audit

- 5.9 The Trust's External Auditors are Ernst & Young LLP and their appointed auditor is Helen Thompson. The Committee reviewed the effectiveness of External Audit, using the checklist attached at Appendix 3 and discussed the review with them.
- 5.10 The committee reviewed the work and findings of the External Auditor and considered the implications of, and management's responses to, their work. The committee considered and accepted the audit plan and fees for 2014/15 in March 2014.
- 5.11 The committee received regular External Audit progress reports together with sector briefings.
- 5.12 The final annual audit letter for 2013/14 was received by the committee in July 2014. An unqualified opinion was given on the financial statements and an unqualified opinion on its arrangements for securing economy, efficiency and effectiveness.
- 5.13 Throughout the year External Audit kept the committee up to date regarding the potential need to make a Section 19 Referral to the Secretary of State in respect of the 2014/15 accounts if the Trust was expecting to fail to achieve the five year break-even duty. Similarly, the committee kept External Audit up to date on the Trust's progress in achieving a five year break-even position. The Section 19 Referral was made in June 2015.

Local Counter Fraud Specialist

- 5.14 Counter Fraud services are provided to the Trust by Hampshire and Isle of Wight Fraud and Security Management Service. The Local Counter Fraud Specialist attends committee meetings. The committee received regular updates on counter fraud activity, ongoing cases and progress against the plan agreed with the Director of Finance in March 2014.

Financial Reporting

- 5.15 The committee received, reviewed and approved revised accounting policies in March 2015.
- 5.16 The committee reviews the annual report and annual accounts before submission to the Board. For the year 2013/14, the draft accounts were reviewed in April 2014 prior to submission to the Department of Health and External Audit.
- 5.17 For the year 2014/15, these were reviewed in April 2015. The accounts were approved subject to audit. The committee discussed the annual report and requested that some adjustments were made prior to its submission to the Board and that for 2014/15 the draft report is made available to the Executive Team and the Committee earlier.

6.0 Specific Items to Report

Fire Risk Assessments

- 6.1 In June 2014 the committee invited representatives from Carillion, The Hospital Company, Hampshire Fire and Rescue and the Trust to provide an update and

assurance over the work to conduct the required Fire Risk Assessments. This was following the issue of three enforcement notices by Hampshire Fire and Rescue.

- 6.2 Assurance was gained that as long as the work that was described was carried out, Hampshire Fire and Rescue would be satisfied with the progress made.
- 6.3 Hampshire Fire and Rescue and representatives from the Trust were invited to attend in January 2015 to provide a further update. Assurance was given that work was progressing well and all risk assessments were due to be completed by the end of March 2015.

Clinical Coding

- 6.4 The General Manager for Clinical Support attended the September meeting to provide an update on progress made against recommendations in an audit report from 2013/14. The committee acknowledged that significant progress had been made in this area and thanked the teams for the great effort that has been put into this.

7.0 Conclusion

- 7.1 In summary, the committee has met its purpose to provide the Trust Board with an independent and objective review of internal control by meeting the objectives set out in the terms of reference and by focusing on specific issues as necessary throughout the year.

AUDIT COMMITTEE – RECORD OF ATTENDANCE 2014/15

		17/04/2014	05/06/2014	31/07/2014	11/09/2014	13/11/2014	08/01/2015	19/03/2015
Members:								
Steve Erskine	Non-Executive Director and Chair of Committee	Y	Y	Y	Y	Y	Y	Y
Alan Cole	Non-Executive Director	Y	Y	Y	Y	Y	Y	Y
Tim Higenbottam	Non-Executive Director	A	A	N/A	N/A	N/A	N/A	Y
Mike Attenborough-Cox	Non-Executive Director	N/A	N/A	N/A	N/A	N/A	N/A	Y
Regular In Attendance:								
Ben Lloyd	Director of Finance and Investment	Y	Y	Y	Y	Y	Y	A
Peter Mellor	Director of Corporate Affairs and Business Development	A	Y	Y	Y	Y	Y	Y
Brian Maxton	Deputy Director of Finance	N/A	N/A	N/A	N/A	N/A	N/A	Y
Fiona McNeight	Head of Governance	Y	Y	Y	Y	Y	Y	Y
Susan Boyle	PA to Director of Finance and Investment (Minutes)	Y	Y	Y	Y	Y	Y	Y
Lee Williams	Head of Financial Accounting	Y	Y	Y	Y	Y	Y	Y
Hampshire & IOW Counter Fraud	Local Counter Fraud Specialist	Y	Y	Y	Y	Y	Y	Y
Mazars	Internal Audit	Y	A	Y	Y	Y	Y	Y
Ernst & Young	External Audit	Y	Y	Y	Y	Y	Y	Y

Key Y = Attended
 A = Apologies Received
 N/A = Attendance Not Required

Audit Committee - Self-Assessment Checklist
March 2014

Status	Issue	Yes	No	N/A	Comments/Action
Composition, establishment and duties					
1	Does the Audit Committee have written terms of reference that adequately define the Committee's role in accordance with Department of Health/Monitor guidance?	Y			
1	Have the terms of reference been adopted by the Board?	Y			
1	Are the terms of reference reviewed annually to take into account governance developments (including integrated governance principles) and the remit of other committees within the organisation?	Y			
1	Has the Committee been provided with sufficient membership, authority and resources to perform its role effectively and independently?	Y			There is however a deviation from the norm. The Interim Chair of the Trust is also a member of the Audit Committee and also chairs the Finance Committee
2	Are changes to the Committee's current and future workload discussed and approved at Board level?		N		The internal audit plan and the Committee work plan go to the Board
1	Are Committee members independent of the management team?	Y			
1	Does the Committee report regularly to the Board?	Y			
1	Has the Chair of the Committee a prior understanding of, or received training in, finance and internal control or other relevant expertise?	Y			The Chair accepts responsibility for continued development
1	Are new members provided with appropriate induction?		N		New members would have an induction meeting with the Chair
1	Does the Board ensure that members have sufficient knowledge of the organisation's business to identify key risk areas and to challenge both line management and the auditors on critical and sensitive matters?	Y			
1	Does the Committee prepare an annual report on its work and performance in the preceding year for consideration by the Board?	Y			
1	Does the Committee assess its own effectiveness periodically?	Y			
Meetings					
1	Has the Committee established a plan of matters to be dealt with across the year?	Y			The work plan is reviewed at least annually

1	Does the Committee meet sufficiently frequently to deal with planned matters and is enough time allowed for questions and discussion?	Y			
1	Does the Committee's calendar meet the Board's requirements and financial and governance calendar?	Y			
2	Are Committee papers distributed in sufficient time for members to give them due consideration?	Y			
2	Are Committee meetings scheduled prior to important decisions being made?	Y			
2	Is the timing of Committee meetings discussed with all the parties involved?	Y			A timetable is produced by the DoF and agreed by the Audit Committee
Compliance with the law and regulations governing the NHS					
1	Does the Committee review assurance and regulatory compliance reporting processes?	Y			
3	Has the Committee formally assessed whether there is a need for the support of a 'Trust/Company Secretary' role or its equivalent?	Y			
2	Does the Committee have a mechanism to keep it aware of topical, legal and regulatory issues?	Y			Internal and external audit and Director of Finance
Internal control and risk management					
1	Has the Committee formally considered how it integrates with other committees that are reviewing risk – for example, risk management and clinical governance?	Y			The Audit Committee is the overarching Committee of the Trust Board and receives minutes and actions from the Governance and Quality Committee.
1	Has the Committee formally considered how its work integrates with wider performance management and standards compliance?	Y			The Committee considers its role is to review all aspects of the Trust's performance. It does not see its work as necessarily integrating with wider performance management but rather satisfying itself that wider performance management is effective.
1	Has the Committee reviewed the robustness and effectiveness of the content of the organisation's Assurance Framework?	Y			
1	Has the Committee reviewed the robustness and content of the draft Statement on Internal Control before it is presented to the Board?	Y			

2	Has the Committee reviewed whether the reports it receives are timely and have the right format and content to enable it to discharge its internal control and risk management responsibilities?	Y			As a result the Committee has identified areas for improvement including internal audit and the governance and quality committee reporting
1	Has the Committee reviewed the robustness of the data behind reports and assurances received by itself and the Board?	Y			
1	Is the Committee satisfied that the Board has been advised that assurance reporting is in place to encompass all the organisation's responsibilities?	Y			Will consider raising with Trust Board as to how other committees assess their effectiveness
1	Is the Committee's role in reviewing and recommending to the Board the annual report and accounts clearly defined?	Y			Annual report review sits with the Trust Board
1	Does the Committee consider the External Auditor's report to those charged with governance including proposed adjustments to the accounts?	Y			
1	Does the Committee review management's letter of representation?	Y			
1	Is there clarity over the timing and content of the assurance statements received by the Committee from the Head of Internal Audit?	Y			
Internal audit					
1	Is there a formal 'charter' or terms of reference, defining internal audit's objectives, responsibilities and reporting lines?	Y			Standing Financial Instructions, NHS Internal Audit standards, Contract with Mazars
1	Are the terms of reference for internal audit approved by the Committee and regularly reviewed?	Y			Annual approval of Internal audit plan
2	Are the key principles of the terms of reference set out in the Standing Financial Instructions?	Y			
1	Does the Committee review and approve the internal audit plan at the beginning of the financial year?	Y			
1	Does the Committee approve any material changes to the plan?	Y			
2	Are audit plans derived from clear processes based on risk assessment with clear links to the Assurance Framework?	Y			The Committee tests the plan in terms of timing and content
1	Does the Audit Committee receive periodic reports from the Head of Internal Audit?	Y			

1	Do these reports inform the Audit Committee about progress or delays in completing the audit plan?	Y			
3	Has the Committee established a process whereby it reviews any material objection to the plans and associated assignments that cannot be resolved through negotiation?	Y			Objections would go to the Audit Committee but this issue has not to date arisen.
2	Does the Committee effectively monitor the implementation of management actions arising from audit reports?	Y			
1	Does the Head of Internal Audit have a direct line of reporting to the Committee and its Chair?	Y			
2	Is internal audit free of any scope restrictions and, if not, what are they and who establishes them?	Y			
2	Is internal audit free from any operating responsibilities or conflicts of interest that could impair its objectivity?	Y			
2	Has the Committee determined the appropriate level of detail it wishes to receive from internal audit?	Y			
1	Does the Committee hold periodic private discussions with the Head of Internal Audit?	Y			
2	Does the Committee review the effectiveness of internal audit and the adequacy of staffing and resources within internal audit?	Y			As well as feedback questionnaires the Committee will conduct a review of Internal Audit on a future agenda
2	Has the Committee evaluated whether internal audit complies with the NHS Internal Audit Standards (or Government Internal Audit Standards in an FT)?		N		LW to review NHS Internal Audit Standards to discuss with the Committee
3	Has the Committee agreed a range of internal audit performance measures to be reported on a routine basis?	Y			There is an ongoing review provided through the internal audit feedback questionnaires but it may be appropriate to set some further performance measures - ask Internal Audit to identify additional performance measures
1	Does the Committee receive and review the Head of Internal Audit's annual report and opinion?	Y			
2	Is there appropriate cooperation with the external auditors?	Y			
2	Are there any quality assurance procedures to confirm whether the work of the internal auditors is properly planned, completed, supervised and reviewed?	Y			Monitoring by Director of Finance, review of reports by the Audit Committee and Risk Assurance Committee and feedback questionnaires from the organisation.

External audit					
1	Do the external auditors present their audit plans and strategy to the Committee for approval?	Y			
2	Has the Committee satisfied itself that work not relating to the financial statements is adequate and appropriate?	Y			The Committee will conduct a review of External Audit on a future agenda
2	Does the Committee receive and monitor actions taken in respect of prior years' reviews?	Y			
1	Does the Committee review the External Auditor's annual audit letter?	Y			
1	Does the Committee review the External Auditor's use of resources conclusion?	Y			
1	Does the Committee hold periodic private discussions with the external auditors?	Y			
2	Does the Committee assess the performance of external audit?	Y			Could formalise process
3	Does the Committee require assurance from external audit about the policies for ensuring independence and compliance with staff rotation requirements?		N		This role is performed by the Audit Commission (soon to transfer to Ernst & Young). Would be covered as part of the Committees review of External Audit
3	Does the Committee review the nature and value of non-audit work carried out by the external auditors?	Y			The Committee will conduct a review of External Audit on a future agenda
Clinical audit					
1	Is the Committee clear about where clinical audit assurances are received and monitored?	Y			Clinical audit is on the Committee work plan to be reviewed periodically

2	If it is the Audit Committee that receives and monitors clinical audit assurances does it: . Review the clinical audit plan at the beginning of each year? . Confirm that clinical audit plans are derived from clear processes based on risk assessment with clear links to the Assurance Framework? . Receive periodic reports from the person responsible for clinical audit? . Effectively monitor the implementation of management actions arising from clinical audit reports? . Ensure that the person responsible for clinical audit has a direct line of access to the Committee and its Chair? . Hold periodic private discussions with the person responsible for clinical audit? . Review the effectiveness of clinical audit and the adequacy of staffing and resources available for clinical audit?	Y			The plan comes to the Audit Committee whose role is to take an overview of the process of the Clinical Effectiveness Steering Group and the Governance and Quality Committee
2	. Evaluate clinical audit against the Healthcare Quality Improvement Partnership's publication Clinical Audit: A simple guide for NHS Boards? . Confirm that there are quality assurance procedures in place to confirm whether the work of clinical auditors is properly planned, completed, supervised and reviewed? . Confirm that there are terms of reference for clinical audit that define its objectives, responsibilities and reporting lines? . Review clinical audit's terms of reference regularly?		N		This responsibility has been delegated to the Clinical Effectiveness Steering Group and the Governance and Quality Committee. To write to the Chairs of these committees to gain assurance over accountability for detailed workload.
Counter fraud					
1	Does the Committee review and approve the counter fraud work plan at the beginning of the financial year?	Y			
1	Does the Committee satisfy itself that the work plan adequately covers each of the seven generic areas defined in NHS counter fraud policy?	Y			
1	Does the Committee approve any material changes to the plan?	Y			
2	Are counter fraud plans derived from clear processes based on risk assessment?	Y			
1	Does the Audit Committee receive periodic reports from the Local Counter Fraud Specialist?	Y			

2	Does the Committee effectively monitor the implementation of management actions arising from counter fraud reports?		N		To be discussed with the Company Secretary to implement a review process similar to Internal Audit recommendations if appropriate
1	Does the Local Counter Fraud Specialist have a right of direct access to the Committee and its Chair?	Y			
1	Does the Committee review the effectiveness of the local counter fraud service and the adequacy of its staffing and resources?	Y			The service is hosted by NHS North Hampshire CCG. The Head of Financial Accounting attends the Counter Fraud Board meetings which includes updates on staffing, budgets and work progress
1	Does the Committee receive and review the Local Counter Fraud Specialist's annual report of counter fraud activity and qualitative assessment?	Y			
1	Does the Committee receive and discuss reports arising from quality inspections by CFSMS?	Y			
Annual accounts and disclosure statements					
1	Is the Committee's role in the approval of the annual accounts clearly defined?	Y			
2	Is a Committee meeting scheduled to discuss proposed adjustments to the accounts and issues arising from the audit?	Y			
1	Does the Committee specifically review: . Changes in accounting policies? . Changes in accounting practice due to changes in accounting standards? . Changes in estimation techniques? . Significant judgements made?	Y			
3	Does the Committee review the draft accounts before the start of the audit?	Y			
1	Does the Committee ensure it receives explanations as to the reasons for any unadjusted errors in the accounts found by the external auditors?	Y			
1	Does the Committee receive and review a draft of the organisation's Statement on Internal Control?	Y			
2	Does the Committee receive and review the evidence required to demonstrate fitness to register with the Care Quality Commission?	Y			This role is mainly undertaken by the Governance and Quality Committee but the Audit Committee will review the actions coming out of the Governance and Quality Committee and have recently satisfied itself that the processes in place are adequate.

2	Does the Committee receive and review a draft of the organisation's annual report?	Y			
Other issues					
3	Has the Committee considered the costs that it incurs: and are the costs appropriate to the perceived risks and the benefits?		N		The Committee does not incur significant direct costs.
2	Has the Committee reviewed its performance in the year for consistency with its: . Terms of reference? . Programme for the year?	Y			
3	Does the annual report and accounts of the Authority/Trust include a description of the Committee's establishment and activities?	Y			

Evaluation of External Audit

Items highlighted blue will be asked at a meeting with the External Auditor

A. Calibre of external audit firm

	A g r e e	Dis agr ee	N / A	Comments
1. The external audit firm has a strong reputation?	x			Big 4
2. Recent or current litigation against the firm will not have a significant adverse impact on the audit firm's reputation?	x			No known issues at this time, Director gets regular update of any issues and none at the current time.
3. The audit firm has a strong presence in this industry?	x			Recent successful bid for the second phase of Audit Commission work – increase in revenue of £10m from 2015/16.
4. The external audit firm has the size, resources and geographical coverage required to audit this company?	x			Global organisation which can call on resources. Additionally recruitment processes locally (3 new executives and 8 new graduates in Soton office in last 6 months)

B. Quality processes

	Agree	Disagree	N/A	Comments
1. The audit firm has strong internal quality control processes in place? (Factors to be considered include the level and nature of review procedures, the approach to audit judgements and issues, independent quality control	x			All work reviewed by senior/manager/director. AQR process each year where each Director has one file subject to random independent quality review (PHT selected in 2012/13 which achieved highest score). This is reported to the Audit Commission and forms part of their judgement on quality of audit provided by the firm. This is reported publicly at

reviews and the external audit firms approach to risk).				http://www.audit-commission.gov.uk/audit-regime/audit-quality-review-programme/
2. The remuneration and evaluation arrangements of audit partners and other key audit individuals do not impair the external auditor's objectivity and independence?	x			Covered by AQR and no issues
3. Relevant and qualified specialists are involved in the audit process?	x			Director, manager and senior all qualified accountants

C. Audit team

	Agree	Disagree	N/A	Comments
1. Audit team members have appropriate qualifications for their roles?	x			As above
2. Audit team members have sufficient industry experience for their roles?	x			Director/manager and senior all transferred from AC and have significant experience of the sector
3. Audit team understand our business and its issues?	x			Attendance at key meetings, including audit committee and ODG help us gain this understanding. Also auditing a number of "partners" helps us understand the wider health economy in Hampshire and Portsmouth and the

				challenges it faces.
4. Audit team members are proactive in their approach?	x			
5. Audit team members are responsive to our requests?	x			Ongoing comms with finance team re all aspects of the audit
6. Audit team members are consistent in their approach to matters?	x			
7. There is sufficient continuity of staff to ensure a smooth audit?				To be improved – however director/manager/senior continuity has been maintained
8. The engagement partners and other senior personnel's involvement in the audit is appropriate?	x			Budget set at start of year to ensure there is sufficient involvement of manager and director given the risk profile of the Trust.
9. There is a strong audit team that works together effectively?	x			

D. Audit Scope

	Agree	Disagree	N/A	Comments
1. The audit plan appropriately addresses the areas of higher risk?	x			Yes – highlighting deliver of budgets (thus linking estimates) and the vfm conclusion given the challenges the Trust faces
2. The audit team communicated their audit plan in advance of the audit?	x			March 2014 audit committee
3. The audit team compromised an appropriate number and level of staff?	x			Yes – very strong team as also had another lead executive (Sara) supporting the team, with more stability in 14/15
4. Partners and managers were involved sufficiently throughout the audit?	x			Tested via the AQR process that we went through.
5. Appropriate specialists are involved in the audit process (IT, tax, treasury etc.)?	x			As needed, we use our ITRA team to review the ISAE 3402 reports on SBS to identify where we can rely on the IT control environment,
6. Are all significant operations covered by the external audit?	x			Yes – we cover everything required to under the Code of Audit Practice. We could do more here but it would be non-code work.
7. The audit approach is consistent across the team and audit locations?	x			EY methodology is a global approach
8. The audit team work to appropriate materiality levels?	x			Industry standard

9. The audit team complete their work in line with the agreed timetable?	X			Deadline for accounts, wga and quality accounts all achieved
10. The external audit teams approach to seeking and assessing management representations is appropriate?	X			Enquiries of management/TCWG and the LoR requested at appropriate time to inform the audit process, i.e. Enquiries of management/TCWG to inform risk assessment process. LoR at end of audit.
11. The audit team has an effective working relationship with internal audit?	x			Need to re-establish given departure of Rhys and change from Deloitte to Mazars

E. Communications

	Agree	Disagree	N/A	Comments
1. All communications from the audit team are clear and relevant with minimal use of jargon?	x			
2. Issues are discussed on a timely basis?	x			Regular meetings with the relevant officer ensure this is the case, i.e. Ben/Brian/Lee – Accounts Fiona – Quality Acc
3. The audit committee/auditor relationship operates on a 'no surprises' basis?	x			
4. The external audit firm have open lines of communication with the	x			Session at the end of each committee

audit committee?				should it be needed
5. The audit partner maintains contact with the audit committee on an informal basis 'between meetings'?	x			As necessary
6. Communications accurately detail the issues encountered during the audit and their resolution including:	x			On an exception basis through the Audit Plan, Audit Results Report and regular progress reports
a. The business risks relevant to financial reporting objectives, the application of materiality and the implications of their judgements in relation to these for the overall audit strategy, the audit plan and the evaluation of misstatements identified? And audit locations?	X			
b. The propriety of significant accounting policies (both individually and in aggregate)?	X			
c. The propriety of management's valuations of the material assets and liabilities and the related disclosures provided by management?	X			
d. The effectiveness of the system of internal control relevant to risks that may affect financial reporting (including any significant weaknesses)?			X	
e. Other risks arising from the businesses model and the effectiveness of related internal controls (to the extent, if any, the auditor has obtained an understanding of such matters)?	X			

f. Other matters relevant to the Board's determination of whether the annual report is fair, balanced and understandable?	X			
7. Audit differences are discussed and resolved efficiently?	x			
8. There is good communication and coordination between local audit teams and the 'head office' audit team?				N/a
9. The external auditor advises the audit committee about new developments regarding risk management, corporate governance, financial accounting and related risks and controls on a timely basis?	x			As appropriate – quarterly updates are also provided to the committee looking at emerging issues and trends within the NHS
10. The audit team seek feedback on the quality and effectiveness of the audit?	x			ASQ sent to DoF on an annual basis
11. The audit team regularly attend and contribute to the Audit Committee?	x			Director/Manager present at all meetings

F. Technical expertise

	Agree	Disagree	N/A	Comments
1. Audit team members have sufficient technical experience for their roles?	x			Director/Manager/senior all qualified. Annual training provided on technical changes.
2. The audit team responds to technical questions with a definitive answer within an agreed time frame?	x			Key examples – change in accounting policy – Where these issues arise they are always communicated in the audit plan so the committee can track what management are

				proposing
3. The audit team's advice reflects our commercial considerations in an appropriate manner?				We don't give advice
4. The audit firm provide appropriate technical support through seminars and publications?	x			Annual accounts workshop where sufficient changes in accounting framework

G. Audit governance and independence

	Agree	Disagree	N/A	Comments
1. External audit partners and staff demonstrate a high degree of integrity in their dealings with the audit committee.	x			
2. The external audit firm discuss their internal process for ensuring independence with the audit committee.	x			Via audit plan
3. Management respect the external auditors as providers of an objective and challenging audit process.	x			Provide appropriate level of challenge e.g. qualified VFM in 12/13 but not in 13/14.
4. The level and nature of entertainment between the external audit firm and management is appropriate.			X	
5. The nature of non-audit services is appropriate and adequate safeguards exist to preserve audit objectivity and independence.			X	No non audit services at this stage
6. The external auditor's relationship with both the audit committee and management is appropriate.	x			Open and challenging without being confrontational

H. Audit Fee

	Agree	Disagree	N/A	Comments
1. The external audit fee is appropriate given the scope of the external audit? (Consider how the audit fee compares with other similarly sized companies in this industry a fee that is either too high or too low can be of concern.)	x			Set by AC (reduced from circa £210k to £108k as a result of external procurement of EA)
2. Differences between actual and estimated fees are handled appropriately?	x			e.g. Quality account audit fee, identified where EXTRA work not in normal course of business was required, discussed with appropriate officers, then DoF then Audit Committee
3. The relationship between audit and non-audit fees is appropriate?			x	
4. 'Over-run' fees are appropriately set.	x			See 2 above

I. Reporting

	Agree	Disagree	N/A	Comments
1. An unambiguous conclusion and auditors opinion is given.	x			
2. Report findings are clear and recommendation actions are followed up.	x			EA rec's presented to each AC as appropriate – Need to ensure FHOT are included in this