

## EXTRORDINARY BOARD MEETING

19 June 2008  
 Item No 08/06/19/07

<b>AUDIT COMMITTEE ANNUAL REPORT 2007/08</b>	
<b>Introduction</b>	
The purpose of this report is to inform Board members of the work of the Audit Committee for the period ending 31 March 2008.	
<b>1. Implications and Risks</b>	
<i>Will there be a significant impact on patients or patient care?</i>	No
<i>Are there any financial implications to implementing this item?</i>	No
<i>Will there be an impact on Equality, Diversity or Human Rights?</i>	No
<i>Does this item form an essential part of quality or performance standards e.g. Healthcare Commission, NHS Litigation Authority? If yes, detail which standard.</i>	Yes – The governance role of the Audit Committee, compliance with the Audit Committee handbook and ALE assessment.
<b>2. Recommendation</b>	
The Board is requested to:	
Note the work of the Audit Committee for the period ending 31 March 2008.	
<b>3. Submitted by</b>	
<b>Author:</b>	John Flook
<b>Title:</b>	Chair of Audit Committee
<b>Date:</b>	June 2008
<b>4. Purpose of the Paper</b>	
Information sharing x	Development/discussion
Decision/action	<input type="checkbox"/>



## AUDIT COMMITTEE ANNUAL REPORT 2007/08

### INTRODUCTION

In accordance with the Audit Committee Self Assessment Checklist, "*the committee should prepare an annual report on its work and performance in the preceding year, for consideration by the Board.*"

As the chairmanship and membership of this committee became established from December 2006, this report represents the first 'annual report' which actually addresses the sixteen months to 31 March 2008.

### BACKGROUND

Within the period covered by this report, the Audit Committee has met on five occasions:

- 1 March 2007
- 4 July 2007
- 17 September 2007
- 17 December 2007
- 29 February 2008

In addition, there have been a number of training events and seminars, including a planning workshop with the Head of Internal Audit on 25 March 2008 to prepare for 2008/09.

In 2008/09 there was a meeting of the Audit Committee on 2 May 2008. The Audit Committee will also meet on 19 June to consider the annual accounts for 2007/08 and the associated Statement of Internal Control (SIC) and Head Of Internal Audit Opinion (HIAO).

The Audit Committee has also held regular meetings with both internal and external auditors throughout this period.

An 'Audit Committee Business Cycle', covering business items up to December 2008 has also been approved, (December 2007).

### KEY AREAS OF WORK

The establishment of the membership of this Committee coincided with a period of significant financial challenge for the PCT. Therefore, a lot of the early work included awareness sessions to gain a greater understanding of the financial position and cost improvement plans as well as putting in place

the fundamentals (e.g. reviewing terms of reference and agreeing plans to move forward into 2007/08).

The July 2007 meeting focused on the annual accounts for 2006/07 and the associated SIC and HIAO. A seminar prior to the meeting provided Audit Committee members with an in-depth insight into the preparation of the accounts. The PCT achieved all of its financial duties for 2006/07 and the external auditors commented on the significant improvement in financial reporting.

The approved 'Business Cycle' schedule addresses regular updates on; internal audit and local counter fraud services plans, aged debtors analysis, Risk Register Progress Reviews and ALE Progress Reports.

Other significant items addressed in 2007/08 include:

September 2007

- Annual Audit Letter from PWC, highlighting significant improvements in internal control and financial reporting. Unfortunately the ALE score for financial management in 2006/07 was a "one" (inadequate performance), resulting in an overall score of "one" for Use of Resources.
- Audit Self Assessment check list.

December 2007

- International Financial Reporting standards (IFRS)
- SFI./SO./scheme of delegation
- Banking arrangements

February 2008

- Continuing healthcare

## **LOOKING AHEAD**

The Audit Committee has agreed audit plans with both internal and external audit for 2008/09 based on a robust assessment of the risks which the PCT faces for the year ahead. A significant increase in internal audit days has been procured, which will see a particular increased focus on corporate governance, as highlighted within the planning workshop on 25 March 2008. A Board seminar is scheduled for 10 July 2008 to initiate this key piece of work.

## **SUMMARY**

This report provides a summary of the key aspects of the work undertaken by the Audit Committee to the period ending 31 March 2008.

The Audit Committee is well established within the formal control infrastructure of the PCT. It is functioning appropriately and has considered all issues raised that fall within its remit. The Board can be reassured that the Audit Committee is providing an independent assurance as part of the Boards overall process for ensuring that effective arrangements are in place for risk management, governance and internal control.

The report is intended to assure the Board that the Audit Committee has fulfilled its terms of reference and is able to support the Accountable Officer's statement that a sound system of internal control is in place.

**RECOMMENDATION**

The Board is requested to receive the report.

**John Flook**  
**Chair of Audit Committee**  
**June 2008**