

Birmingham East and North Primary Care Trust

AUDIT COMMITTEE ANNUAL REPORT
– MARCH 2009

In the last 12 months, the Audit Committee has met three times in order to deal with normal business and on two further two occasions for specific reasons. These were on the first occasion to review the annual financial statements and on the second occasion to receive the statement of internal control, the letter of representation, the Annual Governance Report and the Head of Internal Audit opinion.

Mark Ford, Brendan O'Brien and I have served on the Committee throughout the last year and I have served as Interim Chairman following Nicky Lloyd's departure at the end of May 2008. I would like to record our thanks to Nicky for her hard work and focus as chair up until that point.

During the last year we have reported to the Board on a regular basis (not just when the minutes of a previous meeting have been published) on some of the key areas we have been looking at.

The Audit Committee has a number of key roles to perform. These are:

1. That we review the establishment and maintenance of an effective system of integrated governance, risk management and internal control across the whole of the organisation's activities (both clinical and non clinical) to support the organisation's objectives. To this end we have:
 - a. Ensured that the Audit Committee now has full voting representation on the Integrated Governance and Performance (IG&P) Committee through my membership.
 - b. Agreed revised terms of reference between the Audit and IG&P Committees particularly in the area of clinical risk.
 - c. Started working towards revising and updating the corporate risk register and assurance framework so that it is more clearly defined and fits in with the PCT's strategic plan and ensures that our assurance framework is fit for purpose.
 - d. Placed reliance on the work of both internal (including counter fraud) and external audit for our assurance.

2. That we ensure there is an effective internal control function (established by management) – now CW Audit - and review the work and findings of the external auditor – the Audit Commission. In both cases we review at each meeting the audit tracking reports prepared and follow outstanding items through to conclusion. We have agreed both internal and external

- audit plans and fees. In addition we have been developing throughout the year an External Audit Performance Assessment Framework.
3. To review the Annual Report and Financial Statements before submission to the Board including consideration of the potential impact of major judgmental issues, any unadjusted misstatements and any significant adjustments. In the case of these last two, there were none. In the case of judgmental areas we have looked at the treatment of LIFT (currently off balance sheet) as it may affect our financial statements and have reviewed external advice as necessary. This process also includes a general review of accounting principles and practices that we use.

We have looked at a number of important pieces of work during the year, receiving reports on:

- Lead specialised commissioning arrangements.
- Mental health commissioning.
- Charitable fund investments.
- LIFT
- The case closures of a number of counter fraud investigations.
- The progress of our transition towards International Financial Reporting Standards (IFRS).

As we have developed our performance as a committee, notable successes have been:

- The improvement of our ALE scores to 3 and above.
- The Head of Internal Audit Opinion which showed we had achieved 2 full assurances, 18 significant assurances and only 1 limited assurance (Standards for Better Health).
- Our recent Audit Committee self assessment, last done in November 2007, which indicated we had come a significant way in our reporting, processes and understanding. Most of the issues highlighted at the November 2007 Self Assessment have now been resolved.

Challenges for the forthcoming year include:

- The next stage of the transition to IFRS.
- The new ALE process which will have much more emphasis on use of resources.
- The tighter time scales for signing of the Financial Statements.
- Making sure our Financial Statements fairly reflect the impact of our strategic initiatives.

Richard Miner
Interim Chair