

ITEM: 08/155

DOC: 11

Meeting: Trust Board
Date: 15th October 2008

Title: Annual Report from the Audit Committee to the Trust Board

Executive Summary: The attached report prepared by the Chairman of the Audit Committee was discussed at the last meeting of the Audit Committee on 4th September. It covers the period June 2007 to June 2008 when the annual accounts for the year ended 31 March 2008 were received.

The report confirms that the Audit Committee

- has reviewed and recommended to the Trust Board the draft statement of internal control;
- believes that overall risk management systems are at least adequate for the effective governance of the trust.

Positive annual reports were received from both internal and external audit. Individual audits generally gave positive assurance, but recommendations for changes and improvements were noted. The Audit Committee is committed to close monitoring of the implementation of recommendations to improve timeliness.

The report noted the change to the committee structure with the dissolution of the Assurance Committee, which aims to avoid overlap and duplication. There was a consequent revision of the terms of reference of the Audit Committee which were approved at the July meeting of the Trust Board.

Action: To note the Annual Report of the Audit Committee

Report from: Anna Merrick
Chairman of the Audit Committee

Sponsor:

Financial Validation

Lead: Director of Finance

Richard Martin
Director of Finance

Compliance with statute, directions, policy, guidance

Lead: All directors

Reference:

NHS Audit Committee Handbook

<p>Compliance with Healthcare Commission Core/Developmental Standards</p> <p>Lead: Director of Nursing & Clinical Development</p>	<p>Reference:</p> <p>N/a</p>
<p>Compliance with Auditors' Local Evaluation standards (ALE)</p> <p>Lead: Director of Finance</p>	<p>Reference:</p> <p>Internal Control</p>
<p>Evidence for self-certification under the Monitor compliance regime</p> <p>Lead: All directors</p>	<p>Compliance framework reference:</p> <p>Appendix C3</p>

THE WHITTINGTON HOSPITAL NHS TRUST

AUDIT COMMITTEE ANNUAL REPORT

Introduction

The purpose of this paper is to report to the Trust Board ("TB") on how the Audit Committee ("AC") has met its Terms of Reference ("ToR").

The last AC report to the TB was in March 2007

Over the period since the last AC report there have been changes to the membership of the AC, to its role and consequently to its ToR.

Membership changes

From April 2007 until November 2007 the AC was comprised of three TB Non-Executive Directors ("NEDs"): Peter Farmer (AC Chair), Dee Henry and Maria Duggan. In December 2007 Peter Farmer resigned from the TB and Anna Merrick joined as a NED and AC chair. In April 2008, Dee Henry resigned from the TB and Robert Aitken joined the Audit and Assurance Committees. In May 2008 the TB decided to dissolve the Assurance Committee and to integrate its oversight role the AC. Concurrently, all the TB NEDs became members of the AC with the exception of the Trust Chair. The ToR have since been amended to reflect this change in the role of the AC. The ToR were approved at the June 2008 Trust Board.

Audit Services

Internal Audit services (and supporting Local Counter-Fraud services) are provided under contract to the Trust by Parkhill Audit Agency. External Audit is carried out by the Audit Commission.

The AC met in June 2007, February 2008 and June 2008. (In future the AC is scheduled to meet 6 times a year reflecting the increased workload of the AC.) All AC meetings were attended by Internal and External Audit representatives, the Director or Deputy Director of Finance, and by other trust staff as appropriate.

In February 2008, a private meeting was held between Internal and External Audit representatives and AC members without Trust staff being present. The meeting provided the new chair the opportunity to establish lines of communication with Internal and External Audit and to understand where issues had arisen in the past. No significant issues were raised on this occasion.

FT Application

The composition of the AC and the requirement for the Chair to have a financial background was a key component in the Due Dilligence assessment by Ernst and Young. The relative newness of the members to the Trust will be greatly reduced when the Trust is re-assessed in any future FT application.

Main areas of activity

The AC followed a planned programme of Agendas closely related to the models shown in the HFMA NHS Audit Committee Handbook.

The key issues covered were:

- Annual Audit Plan
- Annual Accounts
- Annual Audit Letter
- Review of the Assurance Framework and Risk Register
- Integrated Governance Review
- FT assessment self certification process

Each individual meeting also addressed a standard set of Agenda items including :

- Local Counter-Fraud report
- Internal Audit update
- External Audit update
- Tender Waiver report
- NHS debtors greater than £5,000 and over six months old
- Recommendations for write-off of non-NHS bad debt
- Minutes of the Assurance and Clinical Governance Committees

Following the formal merger of the AC with the Assurance Committee, a larger combined work programme is being followed and consequently the scope of issues covered in this annual review is expected to increase.

Main Conclusions

The AC gained substantial assurance that the governance arrangements of the Trust were robust and that business, financial and clinical risks were being adequately managed. For part of the period under review assurance was gained also through the Assurance Committee which executed significant review and assurance of non-financial risk and control issues.

Reports received and discussed with both Internal and External Audit generally gave positive assurance to the AC, however, recommendations for changes and improvements were noted. The AC is particularly keen to see that

recommendations are implemented in a timely manner. The Internal Audit annual report gave an opinion of Substantial Assurance across all systems visited and Significant Assurance over the controls in 2007/08.

The ALE score of 2007/08 showed an improvement in the categories of Financial Standing (Good to Excellent) and Financial reporting (Fair to Good).

Formal Conclusions

A key requirement of the operation of the AC is to assess and confirm formally that risk and assurance systems are in place and adequate.

The AC therefore confirms that :

- It has reviewed and recommended to the TB the draft Statement of Internal Control
- It believes that the overall risk management systems are at least adequate for the effective governance of the Trust.

The dissolution of the Assurance Committee and the integration of its oversight role has significantly widened the remit of the AC. The AC considers that this revised governance structure will avoid any overlap and duplication. However, the AC notes that at this point in time a detailed review of risk management within the Trust is underway.

Financial forecasting is being developed further within the Trust to ensure that:

- Assumptions are understood and agreed by all parties
- Forecasts are agreed and owned by budget holders and Divisional/Directorate leads
- A standardised format/template is used with best/likely and worst cases being reflected.

Positive annual reports for 2007/08 were received from both Internal and External Audit.