

The Whittington Hospital NHS Trust

AUDIT COMMITTEE ANNUAL REPORT TO THE TRUST BOARD 2009-10

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 annual report to the TB was in September 2009.

In June 2008, the TB approved new TORs for the AC reflecting the decision to integrate the remit of the AC with that of the Assurance Committee. This was viewed as a further development in integrated governance, combining the analysis and monitoring of financial and non-financial risks within one sub-committee of the board. The new arrangement has been reviewed during the last year, and it was agreed that the integrated structure should continue subject to further regular review. Anna Merrick has continued as chair, and membership consists of all non-executive directors (excluding the chairman of the board) and the specialist adviser appointed in October 2009.

Executive director attendance is normally the Director of Nursing and Clinical Development, the Medical Director, the Finance Director, the Director of Facilities and the Director of Planning and Performance. Other directors and officers attend where appropriate and if requested by the committee. Deputies attend if directors are not available and the committee is serviced by the trust corporate secretary.

Representatives of the external and internal auditors, and the local counter fraud specialist (LCFS) are also in attendance.

Frequency of meetings and attendance

Meetings are more frequent reflecting the expanded role of the committee, and were held in September and November 2009, and January, March, May, June and July 2010. The normal cycle is bi-monthly but a special meeting was held in June to comply with Department of Health annual accounts timetable. Of the seven meetings held from June 2009 to July 2010, the chairman of the AC and the senior independent NED attended all meetings. The specialist adviser has attended all meetings since her appointment. Other non-executive attendance was less regular, with three members attending fewer than half the meetings. However, all meetings have been attended by at least three members (the quorum is two) and board reporting processes have been designed to ensure continuous non-executive involvement.

Reporting to the Board

The reporting mechanism has been developed to reflect the scope of the committee's work and the need to provide assurance to the board that the committee is carrying out its function. The AC meeting is timed so that action notes are received at the trust board meeting within a fortnight of the AC meeting. There is also a written report to the board highlighting any items requiring the board's attention or view. Progress on actions is followed up at each AC and the board is therefore kept informed of any outstanding matters.

For the first time in 2010, the board carried out a board assurance self-assessment using a checklist of sixty-seven questions drawn up by the Audit Commission. This in turn gave rise to an action plan which will be monitored by the AC on behalf of the TB.

Audit Services

Internal Audit services and Local Counter-Fraud services are provided by Parkhill under contracts with the Trust. These contracts were extended for a year in April 2009 and were due for re-tendering on 1st April 2010. In the light of uncertainty during the period of service and organisation review, the AC took the decision to provide continuity in audit services by extending the contract for a further year. External Audit continues to be carried out by the Audit Commission. There was a change in the external audit lead during the year.

The AC and auditors have an opportunity to meet privately at each meeting, which is which is only taken up when necessary. A private meeting is due to be held immediately following the September 2010 meeting.

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 matters covered were:

- Annual Audit Plan
- Annual Report and Accounts
- Charitable Funds Annual Report and Accounts
- Annual Audit Letter
- Regular review of the Board Assurance Framework (BAF) and Risk Register
- Processes for self-certification on standards for better health and quarterly monitoring reports to NHS London
- Audit Commission Board Assurance checklist

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

- Report from the Clinical Governance Committee

- Report from the Health and Safety Committee:
- Internal Audit update
- External Audit update
- Local Counter-Fraud report
- Tender Waiver report
- NHS debtors greater than £5,000 and over six months old
- Recommendations for write-off of non-NHS bad debt

The main areas of focus during the period were the following:

- Continuous improvement in the content and process for updating the BAF to ensure that it is a working document informing board decision-making, contributing to the identification of management objectives and influencing the work programme. Concerns about the length and complexity of the document will be addressed in the new BAF to be constructed on the basis of the objectives agreed for 2010-11
- Monitoring the trust's performance on action plans arising from Serious Untoward Incidents
- Monitoring progress on implementing internal audit recommendations particularly in the areas of limited assurance
- Overseeing the development of the health and safety dashboard
- Reviewing performance against mandatory training targets
- Ensuring the risk register is up-to-date, subject to peer review, focussed on residual risk and integrated with the BAF
- Encouraging the use of the risk register and BAF in the trust's decision-making, e.g. in informing investment decisions
- Considering the relative roles and responsibilities of the AC and TB in scrutinising financial performance

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.

The District Auditor's Annual Audit letter was extremely positive and the head of internal audit opinion gave significant assurance on the overall system of internal controls which formed the basis of the trust's statement on internal control. Following discussion with auditors and consideration by the AC, disclosures on internal control weaknesses were made on operational problems in the early days of the out-sourced decontamination service, a temporary breach of the 62-day target for cancer waits in urology, delayed

implementation of encryption of USB memory sticks, and performance against the attendance target for mandatory training. The action plans in these areas are being closely monitored by the Audit Committee in the current year.

The external auditor commended the finance team on their performance in producing the annual accounts for 2009-10. As in the previous year, the trust was awarded an overall ALE score of 4 (excellent).

The committee was able to report significant progress on implementing outstanding recommendations from 2008-09 which had been a source of concern at the start of the audit year. By July 2010 all but six out of 162 had been implemented, and will be followed up along with recommendations from 2009-10.

Formal Affirmation

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 Trust Board 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 AC considers that the current governance structure minimises the risk of overlap and duplication. Discussion on the effectiveness of scrutiny of financial performance and accountability led to an agreement that more detailed reports and presentations would be made to the TB, particularly relating to risk-assessed Cost Improvement Programmes.

Anna Merrick
Chairman, Audit Committee
September 2010