

The Whittington Hospital NHS Trust (now Whittington Health)

AUDIT COMMITTEE ANNUAL REPORT TO THE TRUST BOARD 2010-11

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 2010.

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 each year since then, and in 2009 and 2010 it was agreed that the integrated structure should continue subject to further regular review. Following the establishment of Whittington Health as an integrated care organisation in April 2011, the latest review of the committee structure has concluded that a Quality and Patient Experience Committee should be established covering all aspects of clinical governance, patient safety and clinical effectiveness. This will report directly to the Trust Board as a formal sub-committee. The Audit Committee is renamed the Audit and Risk Committee and will focus on financial and other non-clinical risk, but retaining responsibility for reviewing the Board Assurance Framework and the Risk Register. The new committee structure will be implemented from September 2011.

Anna Merrick continued as chair of the committee throughout 2010 and up until May 2011, when she resigned as a non-executive director of the trust. Membership consisted of all non-executive directors (excluding the chairman of the board) together with 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 than the five recommended in the Audit Committee handbook, reflecting the expanded role of the committee. They

are held in January, March, May, June, July, September and November. The normal cycle is bi-monthly but a special meeting is held in June to comply with Department of Health annual accounts timetable. Attendance has improved significantly in 2010-11, with only three apologies in total since July 2010. Three members attended all meetings and for the last three meetings there have been six members present. Robert Aitken chaired the June and July meetings. Peter Freedman, the recently appointed non-executive director and Audit Committee chair takes over from September 2011.

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 opinion. 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. The key point of action related to board development in preparation for the Foundation Trust application.

Audit Services

Internal Audit services and Local Counter-Fraud services are provided under contracts to the Trust by Parkhill Audit Agency. These contracts were extended for a year and were due for re-tendering on 1st April 2010, but have been extended for a further two years to provide continuity during period of service and organisation review. External Audit continued to be carried out by the Audit Commission, but the future source of the external audit service is not yet determined.

The AC and auditors have an opportunity to meet privately at each meeting, which is not often taken up. However, a private meeting was held immediately following the July 2011 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

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 were addressed by rationalising the number of corporate objectives and cross-referencing to individual directors' objectives and the risk register. Further development work will be done to integrate the BAFs of the acute and community services in the light of the ICO's corporate and strategic objectives
- Monitoring the trust's performance on action plans arising from Serious Incidents
- Monitoring progress on implementing internal audit recommendations particularly in the areas of limited assurance, and driving improved performance in this area
- Consolidating the development of the health and safety dashboard
- Reviewing performance against mandatory training targets and raising the profile at board level
- Ensuring the risk register is up-to-date, subject to peer review, focussed on residual risk and integrated with the BAF
- Clarifying the relative roles and responsibilities of the AC and TB in scrutinising financial performance

- Assessing the implications of new legislation e.g. the Bribery Act 2010
- Reviewing the committee's terms of reference and including as an addition the consideration of the investment of the trust's charitable funds

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 again 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 relating to communications within the collaborative urology service, the operation of the diabetic retinal screening service provided by multiple NHS agencies, data integrity in the emergency department, mandatory training compliance and IT disaster recovery. 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 2010-11. In the two previous years, the trust had been awarded an overall ALE score of 4 (excellent) and this level of performance had been maintained.

The committee received a report from the internal auditors indicating sustained performance on implementing outstanding recommendations from 2009-10 and 2010-11, although there remained concerns about delays in some areas. As at July 2011 there were 19 outstanding recommendations of which 14 were not yet due. These will be followed up along with recommendations from the current audit year.

Formal Affirmation

A key requirement of the operation of the AC is to assess and confirm formally that risk assessment 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 new governance structure provides the most appropriate risk management and quality assurance framework for the integrated care organisation. There will be a renewed focus on the BAF as

the key vehicle for providing the board with a mechanism for ensuring that risks are properly managed and mitigated as the organisation moves towards foundation trust status.

Future arrangements

Terms of reference for newly-constituted Audit and Risk Committee were agreed by the Trust Board at its July meeting and as a starting point for planning its programme members and executive directors have completed the self-assessment checklist published in the NHS Audit Committee handbook (HFMA 2011).

The executive lead in support of the committee remains as the Director of Finance, with administration provided by the directorate's business support manager. Responsibility for the corporate secretariat has transferred to the Director of Nursing and Patient Experience who will now take over the co-ordination of the Board Assurance Framework. The committee will continue to report significant matters and actions to each meeting of the Trust Board.

Peter Freedman
Chairman, Audit Committee
September 2011