

ITEM: 13

Trust Board Meeting**DATE:** 25 July 2012**TITLE:** Report from the Audit & Risk Committee**SPONSOR:** Peter Freedman, Chair of the Audit & Risk Committee**REPORT FROM:** Richard Martin, Director of Finance**PURPOSE OF REPORT:** To provide the Board with additional assurance on the Trust's risk management systems and internal controls, based on the work of the Committee at its recent meetings.**EXECUTIVE SUMMARY:**

The formal minutes of the May and June meetings are attached; these were previously summarised in the reports to the Board on May 23 and June 27.

During its most recent meeting, on July 11, the Committee

- **Received a progress report from External Audit**, which included arrangements for the handover from the Audit Commission to KPMG later in the year
- **Discussed 5 reports by Internal Audit into aspects of the Trusts internal controls.** Of these, four areas were given a rating of "substantial assurance" (the highest level), while one – on NHS returns – received "adequate assurance". We reviewed action plans in all areas, whose implementation will be tracked by the Committee.
- **Received a semi-annual report from the Health & Safety Committee**, which was generally positive, though the Committee expressed its concern over the continuing level of violent incidents against staff.
- **Approved recommended bad debt write-offs and tender waivers**, which continue to be in normal range.
- **Reviewed the latest version of the Board Assurance Framework (BAF).** The Committee gave a number of inputs on the assurances listed in the BAF and suggested that consideration be given to including two additional risks: inadequate staff engagement (including medical consultants); and management overstretch.
- **Agreed on the risks to be prioritised for deep dives at the Committee's next meeting.** These will include: GP engagement; information quality; Information governance; and staff engagement.
- **Reviewed the annual report from the Information Governance Committee.** We noted that the IG Toolkit for 2011/12 provided only limited assurance and reviewed the actions under way to improve controls and assurances in the current year.

PROPOSED ACTION: To note**APPENDICES:**

Appendix A – Approved Minutes from the meeting of 10th May, 2012
Appendix B – Approved Minutes from the meeting of 1st June, 2012



DECLARATION

In completing this report, I confirm that the implications associated with the proposed action shown above have been considered – any exceptions are reported in the Supporting Information:

Implications for the NHS Constitution, CQC registration

Financial, regulatory and legal implications of proposed action

Risk management, Annual Plan/IBP

Moving Ahead – how does this report support any of the Trust's 5 Strategic Goals

Trust Board Meeting

ITEM: 13.1

DATE: 25 July 2012**TITLE:** Annual Report of Audit & Risk Committee 2011-12**SPONSOR:** Peter Freedman, Chair of the Audit & Risk Committee**REPORT FROM:** Peter Freedman, Chair of the Audit & Risk Committee**PURPOSE OF REPORT:** To provide the board with an overview of the activities of the Audit & Risk Committee during 2011/12**EXECUTIVE SUMMARY:** The Trust has made a smooth transition to an Integrated Care organisation. The committee believes that the Trust has developed a sound system of internal control, covering finance, corporate and strategic risks, health & safety, fraud prevention and clinical governance.

The Trust is addressing challenges in relation to its system for collecting and reporting performance/activity information and maintaining its cost improvement programme.

PROPOSED ACTION: That the report be received**APPENDICES:** none**DECLARATION**

In completing this report, I confirm that the implications associated with the proposed action shown above have been considered – any exceptions are reported in the Supporting Information:

Implications for the NHS Constitution, CQC registration
Financial, regulatory and legal implications of proposed action
Risk management, Annual Plan/IBP
Moving Ahead – how does this report support any of the Trust's 5 Strategic Goals

Report to the Board from the Audit & Risk Committee – 2011/12**Introduction**

During the year ended March 2012, we held 6 meetings, including two full-day sessions. A schedule of attendances and membership is included in the Trust's Annual Report. The Committee became the Audit & Risk Committee (from the Audit Committee) in September 2011 and adopted revised terms of reference, which reflected the simultaneous creation of the new Quality Committee. The work of the two Committees is co-ordinated through a number of mechanisms, including significant cross-membership. Reflecting recommendations from the recent Internal Audit Governance review, the two Committees will continue to work together over the coming year to minimize any duplication in their activities.

The structure of this report reflects the main duties of the Audit & Risk Committee, as set out in the Terms of Reference.

Risk management, internal control & governance

A principal focus in 2011/12 has been to gain assurance on the transition of the systems of risk management, internal control and governance from the three legacy bodies that now comprise Whittington Health. Based on this work, the Committee has reviewed and recommended to the Board the draft 2011/12 Annual Governance Statement (which now replaces the Statement of Internal Control).

In particular, the Committee has devoted significant time to the integrated Board Assurance Framework (BAF) and influenced both its initial drafting and its ongoing development. Based on our work, the Committee believes that the Board Assurance Framework used during the year was fit for purpose, though more work is needed to crystallize the assurances and controls in some risk areas.

In addition to our regular reviews of all the risks on the BAF, this year we started a programme of “deep dives” into those risks that the Committee judged most acute. Thus, for 2011/12, we conducted deep dives into risks related to: CIP delivery and quality impact; workforce engagement; information governance and data quality; and mandatory training. These are all areas that have been a concern throughout the year and remain so in 2012/13. For example, mandatory training compliance rates remain below the target, though we have welcomed the implementation of more E-learning during the year. Data quality also remains a concern, particularly as it relates to the ESR system, a concern that has also been noted by the Quality Committee. Going forward, the BAF will continue to provide the principal framework to organize and prioritise the Committee’s activities, including deep dives and the work programme for Internal Audit.

The Committee has reviewed the work to establish integrated risk management processes and systems across the Trust. We have also periodically reviewed the Corporate Risk Register. While we believe that there is more work to be done, including full systems integration on Datix, the Committee has satisfied itself that the risk management processes across the Trust are adequate in identifying risks and allowing the Board to understand how they are managed.

Throughout the year, we have also overseen the work of the Counter-fraud service and in particular, the response to the implementation in July ’11 of the Bribery Act 2010. We approved a revised Hospitality policy. We have received reports from the Health & Safety Committee. We kept tender waivers and debt write-offs under review throughout and there are no matters of note to the Board.

Internal Audit

During the year we reviewed a total of 15 investigations by Parkhill, our Internal Auditors, into various aspects of the Trust’s risk management, internal control and governance arrangements. Parkhill gave us substantial assurance in the case of 11 areas, adequate assurance in 3 and limited assurance in 1 (the latter being in relation to procedures for overseas visitors). We are monitoring implementation of the recommendations arising from these investigations through the Committee’s action tracking system.

At our March meeting, we reviewed and approved the internal audit strategy and associated operational plans for 2012/13.

In the autumn, we carried out an assessment of the effectiveness of Internal Audit, using a tool developed by KPMG. This identified a number of areas for improvement which

have been discussed with Parkhill and which they have been acting upon. We will review progress during this current year.

External Audit

The Committee reviewed and commented on all the reports from External Audit during the course of the year. Management's implementation of recommendations is again tracked through the action tracking system.

The Committee also met privately with External Audit (without any Trust executives) and no significant issues or concerns were raised.

During the year we were advised that, with the closure of the Audit Commission, the Trust will be audited by KPMG from October 2012. For this reason, it will not be possible formally to agree the 2012/13 External Audit plan until that time.

Financial reporting

We oversaw the routine approval of the final accounts 2010/11 and Annual Report. As the Board is already aware, the external auditors gave an unqualified opinion on the Trust's financial statements for 2011/12.

Committee Effectiveness & Ways of Working

We conducted a self-assessment of the Committee's effectiveness using the questionnaire included in the NHS Audit Committee handbook. This surfaced a number of opportunities for improvement, and at its September meeting the Committee agreed to make a number of changes to its ways of working:

- Board Assurance Framework – ensure that the BAF focuses on risks to the Trust's long-term strategic objectives as well as in-year objectives
- Internal Audit effectiveness – conduct regular reviews of their performance
- Internal audit plans – link discretionary Internal Audit reviews more explicitly to key risk areas, as identified in the BAF.
- Implementation tracking system – strengthen the process substantially by appointing a senior executive to be accountable for: reviewing the log; making sure related actions are combined; ensuring the accountable manager is correctly identified and informed; and chasing progress.
- Meeting agenda management – meeting agendas to be planned 12 months in advance, and these specifically to include regular 'deep dives' into particular aspects of the BAF. Some regular standing items to be dealt with more efficiently.
- Meeting style – communicate the Committee's expectations to all who attend, including (1) attendees to focus on analysis and action rather than just description; (2) Committee to challenge and probe for assurance on substantive issues, not to criticise or evaluate individuals.
- Legal assurance – formally confirm compliance with the law and NHS regulations; re-assess need for a company secretary.

To date all of these improvement opportunities have been actioned. The Committee will re-assess its effectiveness during the course of this current year.