

# THE WHITTINGTON HOSPITAL NHS TRUST

## Audit Committee Annual Report 2005/6

### Introduction

The purpose of this report is to report to the Trust board on how the Audit Committee (AC) has met its Terms of Reference in 2005/6.

The AC was comprised of three Trust Board Non-Executive Directors: Peter Farmer (Chair of AC), Dee Henry and Maria Duggan. All three are also members of the related Assurance Committee (chaired by Dee Henry).

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 Committee met on three occasions – in July 2005, November 2005, and March 2006. All AC meetings were attended by both Internal and External Audit representatives, by the Director of Finance, and by finance and other trust staff as appropriate. In addition papers were circulated and commented upon. All specific Internal Audit reports were reviewed by the Chair and selected ones, especially where significant issues were raised, were subsequently circulated to the full committee. All such reports were summarised and reported at AC meetings.

In November 2005 and in March 2006, private meetings were held between both Internal and External audit representatives and the AC members without Trust staff being present. No significant issues were raised on these occasions.

At the November 2005 meeting the AC and attendees undertook a review of its performance using a checklist included in the recently revised Department of Health and HFMA *NHS Audit Committee Handbook*. Again no significant issues were raised although the recommendation to produce an Annual Report (not previously provided) was acknowledged and led to this document. The content of this Report therefore follows closely the recommendations of that Handbook.

## **Main Areas of Activity**

The AC followed a planned programme of Agendas, again closely related to the models shown in the Handbook.

The key issues covered were:

- Annual Audit Plan
- Annual Accounts
- Annual Audit Letter

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
- NHA debtors greater than £5,000 and six months
- Recommendation for write-off of non-NHS bad debt

## **Main Conclusions**

The AC gained substantial assurance that the governance arrangements of the Trust were robust and that business, financial and clinical risks were all being adequately managed. A key part of this 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 Audit and External Audit generally gave positive assurance to the AC, however recommendations for changes and improvements were noted. There were two internal audit reports – Capital and Human Resources – where the overall opinion gave limited assurance. All recommendations, as in previous years, will be followed up routinely to ensure progress.

The main concern identified relates to the overall financial position and sustainability of the Trust. Whilst this remains a very significant worry, the AC were reassured that the various management and government systems within the Trust were addressing these as energetically as possible. They were also reassured that the basic financial systems, including budgeting and financial reporting, were assessed as providing substantial assurance.

Although it was felt that the overall governance systems were adequate, and indeed were working well, it was acknowledged that this needed to be kept closely under review. This is especially so given the most recent version of the Handbook and the recent availability of new *Integrated Governance guidelines*. At face value these seem to propose a different model to that in which the Audit and the Assurance Committees at the

Trust operate. Whilst there was some confidence that our arrangements meet and possibly exceed the requirements of the new guidelines it has been decided that in the new financial year the arrangements will be revisited and discussed at TB level.

### **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. They do not lead to any potential major omissions or duplications

The AC is also advised to confirm that it has reviewed and used the Assurance Framework and believes it fit for purpose. In our case however, given the key role of the Assurance Committee, the AC confirms that it believes that these processes are in place and is assured that the Assurance Committee's processes are adequate.

Similarly, the AC is assured that the Assurance Committee adequately oversees the self-assessment of the Healthcare Commission's Standards for Better Health and ensures that this is consistent with the Assurance Framework.

### ***Footnote***

The AC is very grateful for the professional and quality support it receives, especially from the Director of Finance and her staff and from the Internal and External Auditors.

Peter Farmer  
Chairman, Audit Committee  
March 2006