



## **Audit Committee Annual Report April 2010 – March 2011**

### **1. Introduction**

The purpose of the report is to review the work of the Audit Committee (the Committee) undertaken in the period 1<sup>st</sup> April 2010 – 31<sup>st</sup> March 2011 and to set out how it has met its terms of reference and priorities.

### **2. Committee membership**

The Committee was chaired throughout the year by Lee Childs, a non-executive director with recent and relevant financial experience. Membership and attendance was in accordance with the terms of reference and did not change during the year.

### **3. Meetings**

There were five meetings during 2010/11 on 30<sup>th</sup> April, 28<sup>th</sup> May, 30<sup>th</sup> July, 29<sup>th</sup> October 2010 and 25<sup>th</sup> February.2011.

### **4. Assurance arrangements**

The Committee has a shared responsibility with the quality assurance committee, to provide assurance to the board of directors that The Christie and The Christie Charitable Fund are properly governed and well managed across the full range of their activities.

In broad terms, the audit committee is responsible for all matters relating to corporate, financial and investment governance and risk management, whilst the quality assurance committee is responsible for clinical and research governance and risk management. This sharing of responsibility reflects the separation referred to in the Monitor Code of Governance, code provision F.3.2.

### **5. Terms of Reference**

The board committee structure was reviewed during 2010 and it was agreed to retain the current arrangement of dual committees. .

The finance and investment committee, which has responsibility for investment, has conducted its business in the private meetings of the full board of directors.

### **6. Governance, risk management and internal control process**

The audit committee used the annual reporting cycle approved in April 2010 during the year to schedule its work and a rolling programme to track committee actions.

The priorities for 2010/11 and the detailed work programme were based around the corporate objectives, assurance framework and corporate risk register. These were agreed in conjunction with the quality assurance committee to ensure comprehensive coverage.

The committee uses an audit recommendation tracking report to receive updates and monitor progress of actions/recommendations for all internal audit reports including those allocated to the quality assurance committee. Outstanding actions were

reviewed at each meeting and at the committee's request high level recommendations reported to the risk committee to ensure a link to the relevant divisional risk register.

The committee received a report from the internal auditor at each committee meeting summarising the audit reports issued since the previous meeting. The committee received a full copy of the report of any internal audit assigned a limited audit opinion with the responsible manager required to attend the next meeting to present their plan to address the audit recommendations. In addition all limited assurance audits are followed up by an un-notified audit.

The committee also received a report from the Director of Finance & Business Development at each meeting providing updates on regular and scheduled business in accordance with the annual reporting cycle and other matters of interest.

The Committee is satisfied that the system of risk management in the organisation is adequate in identifying risks and allows the board to understand the appropriate management of those risks. It has reviewed and used the Assurance Framework and believes that it is fit for purpose. The Committee believes that there are no areas of significant duplication or omission in the systems of governance in the organisation that have come to the Committee's attention and have not been adequately resolved.

## **7. Achievement of the identified priorities**

The priorities for 2010/11 were reviewed and were allocated between the quality assurance and audit committees. Achievement against the audit committee priorities is set out below:

- a) *Maintain compliance with the terms of Foundation Trust authorisation* - The self declared governance and finance performance targets set out in the 2010/11 annual plan were achieved in each quarter, with the exception of the 62 day cancer waiting target. This has been the subject of significant discussion with Monitor, the national cancer director and the CQC. The evidence supplied in support of our national discussions has been reviewed by audit committee and the full board and the assurance from it used to support quarterly self assessment in the public board meeting. This has been complemented by an internal audit report which recorded significant assurance in respect of systems and process for monitoring and tracking 62 and 31 day patients.
- b) *Information Governance* – Compliance with version 9 of the information governance toolkit has been monitored across the year. An internal audit review of the interim self declaration gave limited assurance that level 2 accreditation would be achieved. Progress against the management action plan has been reviewed at each meeting and a second audit presented to the April 2011 meeting provided significant assurance that level 2 compliance had been achieved.
- c) *Capital expenditure* – Two audit reports have been received during the year. The first reviewed the management arrangements in place for developing the forward capital investment programme, the second considered arrangements post go live at the Oldham satellite. Both audits assessed significant assurance to trust systems and processes. A third audit examining the final account on the Christie Cancer Centre at Salford will complete during the first quarter of 2011/12.

## 8. Internal regulatory documents

A review of the Constitution of The Christie NHS Foundation Trust and its standing orders has been commissioned and is due to be completed by June 2011. A review of the standing financial instructions and scheme of delegation has been undertaken during 2010/11 and amendments made to the relevant documents. There is further work to do on the expenses policy and forms part of the 2011/12 audit committee reporting cycle.

## 9. Assurance activity

Detailed reports were received across the full range of the systems the Trust has in place and the assurance opinions received are set out in the schedule below.

The following internal audit reports received during the year related to the 2009/10 plan:

<b>Audit</b>	<b>Assurance</b>	<b>Responsible committee</b>	<b>Date received</b>
Significant & serious untoward incidents	Significant	Quality assurance	May 2010
Follow-up pharmacy, pathology & radiology stock review	Significant	Audit	May 2010
IM&T – informatics policies review	Significant	Audit	July 2010
Recruitment process	Limited	Audit	October 2010

The following reports were received as the 2010/11 plan:

<b>Audit</b>	<b>Assurance</b>	<b>Responsible committee</b>	<b>Date received</b>
Cancer waiting time target	Significant	Audit	October 2010
Patient results tracking	Significant	Audit	October 2010
Governance of charitable funds	Significant	Audit	October 2010
Departmental review phase 1 YOU	Limited	Audit	October 2010
Committee Effectiveness: Quality Assurance Committee	n/a	Quality Assurance	January 2011
Review of clinical audit			
• Clinical audit system overview	Significant	Quality Assurance	February 2011
• Implementation of clinical audit system	Limited	Quality Assurance	February 2011
Information governance toolkit	Limited	Audit	February 2011
Combined financial systems	Significant	Audit	February 2011
Review of treasury management policy	n/a	Audit	February 2011
Random controlled drugs check	n/a	Quality assurance	February 2011
Back-up and resilience	Significant	Audit	February 2011
Cost improvement programme	Significant	Audit	February 2011

<b>Audit</b>	<b>Assurance</b>	<b>Responsible committee</b>	<b>Date received</b>
Human Resources/Payroll	Significant	Audit	April 2011
Care Quality Commission Compliance	Significant	Quality Assurance	TBC
Activity Completeness	Significant	Audit	April 2011
Oldham Radiotherapy Satellite Site	Significant	Audit	April 2011
CQUIN/Quality Accounts (Internal Targets)	Significant	Audit	April 2011
Cost Management at the Christie Cancer Centre	Significant	Audit	April 2011
Capital Asset Replacement Programme	Significant	Audit	April 2011
Follow Up: Management of the Capital Programme	High	Audit	April 2011
Follow Up: Information Governance Toolkit	Significant	Audit	April 2011
Departmental Review Phase 2: Ward 10	Limited	Audit	April 2011
Charitable Funds (Probity Follow Up)	Limited	Audit	April 2011
SFIs, Expenses and Procurement Card Use	n/a	Audit	April 2011
Pharmacy Unannounced Spot Check	n/a	Audit	April 2011

During the year the committee received five limited assurance reports.

- Action taken in response to the information governance report is highlighted at section 7b.
- Departmental review phase 1 identified issues in respect of authorisation of controlled drugs. Management response includes direct action with relevant staff, adjustments to procedures and additional audit by senior management.
- Departmental review phase 2 highlighted concerns over matching of attendance records on the off duty rota against the SMART payroll system. Management has implemented a number of changes immediately and follow up audit has confirmed compliance with the revised controls.
- The charitable funds review raised further concerns in respect of patients accessing Samaritan funds. Management is examining best practice in other organisations with similar funds prior to agreeing changes.
- Audit of the Clinical audit system identified a number of weaknesses regarding the development of the annual programme, reporting against it and following up actions. These issues have been considered in full by the quality assurance committee.

The Director of internal audit opinion was received at the 28<sup>th</sup> April 2011 meeting and the overall assurance opinion provided for the year ended 31<sup>st</sup> March 2011 was significant.

The Healthcare Commission/Care Quality Commission has not mandated any work from the Audit Commission during the year. The payroll service was provided by NHS Shared Business Service (SBS) throughout the year.

**10. Local Counter Fraud specialist (LCFS)**

The counter fraud work programme undertaken in 2009/10 was assessed as having achieved level 2 in the qualitative assessment reported during 2010.

The annual plan approved for 2010/11 builds on this and allocated 70 days to preventing, detecting and investigating fraud. Within this a significant proportion of time was given to deterring fraud and creating an anti fraud culture amongst the organisation. In particular this has included:

- Fraud awareness sessions have been provided at all mandatory training sessions and other staff forums. There has also been targeted training of key staff groups in investigative conduct.
- Deterrence, achieved through providing updates e.g. fraud alerts.
- The LCFS and the Head of communications have developed and implemented a communication strategy to ensure fraud prevention and deterrence material is appropriately communicated across the Trust.
- Prevention through a rolling programme of reviewing fraud policies, proactive investigation and responding to the National Proactive Exercise (NFI). Local proactive exercises have also been agreed with the Director of Finance.

Consistent with our long term approach of zero tolerance, all suspected frauds identified during the year have been fully investigated and appropriate action taken to recover funds.

**11. Reviewing legality of actions**

The committee has not been made aware of any incidents which resulted in any formal action by any enforcement authority. All members of the board have made representations to the chairman that they have informed the board of all significant matters of a strategic, operational or governance nature.

**12. Statement on Internal Control**

The draft Annual Governance Statement was considered on 28<sup>th</sup> April 2011 and was considered consistent with the audit committee view on the organisation's system of internal control.

The final version will be approved by the Committee before being submitted to the Board of Directors for approval on 27<sup>th</sup> May 2011.

**13. Appointment of auditors to the Trust**

The council of governors approved the appointment of the Audit Commission as auditor to the Trust for a further three year period to July 2013. It is expected that the audit committee will assess the auditor's work and fees on an annual basis to ensure that the work is of a sufficiently high standard and that the fees are reasonable.

**14. Review of annual financial statements 2009/10**

The annual financial statements for 2009/10 were prepared in accordance with IFRS.

The external auditors completed full and thorough audits of the exchequer accounts for 2009/10, resulting in an unqualified opinion. The audited exchequer accounts were discussed in full and approved at the 28<sup>th</sup> May 2010 meetings of the audit committee and board of directors.

The external auditors undertook a full and thorough audit of the charitable fund accounts for 2009/10. The unaudited charitable fund accounts were reviewed by the Charitable Funds Committee on 18<sup>th</sup> June 2010 and the audited accounts were approved by the Charitable Funds Committee on 17 September 2010

The Audit Commission provided their annual governance opinion (ISA 260) in relation to the 2009/10 year at the May 2010 meeting. Assurances have been received from The Director of Finance and Business Development that matters identified in this have been addressed during 2010/11

**15. Review of annual financial statements 2010/11**

The unaudited draft financial statements were received by the committee on 28<sup>th</sup> April 2011.

The most significant change to the accounting policies was the inclusion of the joint venture (The Christie Clinic LLP) which had been accounted for using the equity method (IAS 31)

*The external auditors completed full and thorough audits of the exchequer accounts for 2010/11 resulting in an unqualified opinion. The audited exchequer accounts were discussed in full and approved at the 27<sup>th</sup> May 2011 meetings of the audit committee and board of directors.*

*The external auditors undertook a full and thorough audit of the charitable fund accounts for 2010/11. The unaudited charitable fund accounts will be reviewed by the Charitable Funds Committee on 17<sup>th</sup> June 2011 and the audited accounts will be presented for approval by the Charitable Funds Committee on 16<sup>th</sup> September 2011.*

**16. Self assessment of audit committee**

The Audit Commission facilitated a self assessment of the audit committee based on a questionnaire from the Audit Handbook. The results were considered by Chair and presented to the committee at its October meeting. As a result a number of actions have already been identified including improved training for committee members. A number of training events have subsequently been held during the year to ensure committee members are appropriately briefed and updated on current issues.

**17. Priorities for 2011/12**

The following priorities are identified for 2011/12

- a) Receive assurance around The Christie Clinic financial and clinical governance arrangements
- b) NHSLA pre assessment review to provide assurance to the committee that measures are in place to ensure readiness for the pre assessment review.
- c) Business Continuity planning and the arrangement in place
- d) Containing assurance around information governance arrangements
- e) Review of the management of the capital programme including procurement processes
- f) HR Policies a review to ensure that sufficient and up to date policies are in place

Lee Childs  
Chair of the Audit Committee  
27<sup>th</sup> May 2011