

**Audit Committee Annual Report
April 2019 – March 2020**

1. Introduction

The purpose of this report is to formally report to the Board of Directors on the work of the Audit Committee during the period 1st April 2019 to 31st March 2020 and to set out how it has met its terms of reference and priorities.

2. Committee membership and meetings

The committee was chaired throughout the year by Neil Large, non-executive director, who has the required financial expertise to enable him to express informed views about financial management. The other members of the committee are Kathryn Riddle and Robert Ainsworth.

The committee is also attended by the executive director of finance & business development, the chief nurse & executive director of quality, appointed representatives from the finance department and representatives of external audit, internal audit and counter fraud service providers. Other directors and other officers can also be invited to attend, particularly when the committee is discussing an issue that is the responsibility of that director or officer.

There were 5 meetings held during 2019-20: 25th April, 23rd May, 25th July, 31st October 2019 and 27th February 2020. There was also a joint meeting with the quality assurance committee to discuss the external audit review of the financial statements, the external audit review of the quality accounts and to approve the annual governance statement and annual report and financial statements 2018-19.

3. Audit committee members: table of attendance

Name	Audit committee (out of 5 possible meetings)	Joint audit & quality committee (out of 1 meeting)
Neil Large (Chair)	4	1
Kathryn Riddle	4	1
Robert Ainsworth	4	1

4. Assurance arrangements

The committee has shared responsibility with the quality assurance committee to provide assurance to the board of directors that The Christie is properly governed and well managed across the full range of its activities.

In broad terms the audit committee is responsible for all matters relating to corporate, financial & investment governance and risk management whilst the quality assurance committee is responsible for clinical & research governance and risk management.

The main responsibilities of the audit committee are set out in the committee's terms of reference.

5. Terms of Reference

The audit committee reviewed its terms of reference (ToR) at its meeting on 25th April 2019; they were approved with no changes.



6. Annual committee effectiveness review

Each year the committee undertakes a self-assessment of its effectiveness. Committee attendees are asked to complete a self-assessment questionnaire that asks 28 questions. Each question is given the status of:

1. Hardly ever / Poor	2. Occasionally / Below average	3. Some of the time / Average	4. Most of the time / Above average	5. All of the time / Fully satisfactory
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Overall the results were extremely positive with 138 of the 140 questions answered (98.6%) rating the committee as satisfied 'most of the time/above average' or 'all of the time/fully satisfactory'. This shows a slight improvement on the previous year's results. Only 1 answer received an average score. The free text comments were very positive and encouraging of the progress of the committee.

7. Governance, risk management and internal control process

The audit committee followed the annual reporting cycle 2019/2020, approved at its 26th October 2018 meeting, to schedule its work throughout the year and it uses a rolling programme and action log to track committee actions.

The priorities for 2019-20, and the detailed work programme, were based on the corporate objectives, assurance framework, corporate risk register and discussion with executive directors.

The Committee uses an audit recommendation tracking report to receive updates and monitors progress on actions/recommendations for all internal audit reports including those allocated to the quality assurance committee. Outstanding actions are reviewed at each meeting and senior managers are asked to attend to explain to the committee the reasons for any significant delay. At the committee's request high risk recommendations are reported to the Risk & Quality Governance Committee to ensure a link to the relevant divisional risk register.

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

The committee also receives an executive director of finance & business development report at each of its meetings which provides an update on regular and scheduled business in accordance with the annual reporting cycle and other matters of financial governance interest.

The annual financial statements are presented to the committee. Areas of significance for 2019-20 are accounting for the trust joint ventures, fixed asset transactions, adherence to IFRS15 accounting standard and the presentation of the group accounts to include The Christie Pharmacy and The Christie Charity. The committee noted the draft accounts presented were in line with the finance position reported to the board of directors throughout the year.



The Christie Pharmacy Ltd

On 11th December 2017 the contract for pharmacy dispensing services at The Christie transferred from Alcura (Boots) Limited to The Christie Pharmacy Limited, a wholly owned subsidiary with The Christie as its sole shareholder.

The audit committee receives six monthly updates (February and October) from the Director of Pharmacy on the progress being made.

Robert Ainsworth, Chair of The Christie Pharmacy company, is a member of the audit committee and he has made a declaration of interest at each meeting where The Christie Pharmacy has been discussed.

Board Assurance Framework

The Board Assurance Framework (BAF) focuses on the key risks against achievement of the corporate objectives. The BAF is a 'live' document which is continuously reviewed and updated and is owned by the company secretary.

The Audit Committee has reviewed the BAF to ensure that there is an appropriate spread of strategic objectives and that the main inherent/residual risks have been identified, as well as any that are newly arising. This is to ensure that there are no major omissions.

The audit committee reviewed the BAF at each of its meetings and has assured itself that the process undertaken to populate the BAF is appropriate in that the necessary directors and managers have been involved and take responsibility for their entries and that there are no major omissions from the list of controls.

The work of the Audit Committee is not to manage the process of populating the Assurance Framework or getting involved in the operational development of risk management processes, either at an overall level or individual risks. These are operational issues that the committee has satisfied itself are being carried out appropriately by line management.

The committee is satisfied that the system of risk management in the organisation is adequate in identifying risks and allows the board of directors' to understand the appropriate management of those risks. The committee believes there are no areas of significant duplication or omission in the systems of governance (that have come to the committee's attention) that have not been adequately resolved.

8. NHS Improvement

NHS Improvement is responsible for overseeing foundation trusts and NHS trusts, as well as independent providers of NHS-funded care. Their role is to offer support to providers to ensure they give patients consistently safe, high quality and compassionate care within local health systems that are financially sustainable.

A Single Oversight Framework, designed to help NHS providers attain and maintain Care Quality Commission (CQC) ratings of 'good' or 'outstanding', replaced the Monitor 'Risk Assessment Framework' and the NHS Trust Development Authority's 'Accountability Framework'.

The single oversight framework helps to identify an NHS provider's potential support needs across five themes:

- quality of care
- finance and use of resources



- operational performance
- strategic change
- leadership and improvement capability

Individual trusts are segmented according to the level of support they require. There are 4 segments:

	Description
1	Providers with maximum autonomy – no potential support needs identified across our five themes – lowest level of oversight and expectation that provider will support providers in other segments
2	Providers offered targeted support – potential support needed in one or more of the five themes, but not in breach of licence (or equivalent for NHS trusts) and/or formal action is not needed
3	Providers receiving mandated support for significant concerns – the provider is in actual/suspected breach of the licence (or equivalent for NHS trusts)
4	Special measures – the provider is in actual/suspected breach of its licence (or equivalent for NHS trusts) with very serious/complex issues that mean that they are in special measures

Our current performance is rated as 1.

9. Achievement of the identified priorities

The priorities for 2019-20 were reviewed and allocated between the audit and quality assurance committees. The priorities are set out below:

- Pharmacy JAC system
- Paterson redevelopment project
- Quality spot checks
- Well led / committee effectiveness
- Travel expenses (joint with AFS)
- Radiotherapy scheduling
- Governance –CS&SS
- Quality of Patient Records
- Assurance framework
- Timesheets (joint with AFS)
- Patient & Public Engagement -Outpatients
- NatSSIPs and LocSSIPs
- Financial systems, reporting and integrity
- Data security and protection toolkit
- Follow ups
- Business case review – outpatients
- Learning from incidents



10. Internal audit

Internal audit is a cornerstone of good governance. Boards need timely and relevant assurance and look to internal audit to support that objective. Our internal auditors during 2019-20 were Mersey Internal Audit Agency (MIAA). MIAA produced a plan of audits to be undertaken during the year, which was reviewed by the audit committee; additional audits can be added or changes made to the plan during the year at the request of the audit committee.

The contract with MIAA completed during 2019-20, a tender process for the appointment of a new internal auditor formed part of the work plan for the Audit committee.

11. Assurance activity

Detailed reports have been received throughout the year across the full range of trust systems.

The internal audit plan 2019-20 was based on a risk assessment approach centred on discussions with senior staff and non-executive directors and was linked to the organisation’s assurance framework. The internal audit plan was structured to meet the NHS internal audit requirements and to provide the Director of Audit’s Opinion which subsequently contributes to the board’s completion of the annual governance statement.

In October 2018 MIAA advised the committee that they had changed the way in which they report their audit opinion. Significant assurance has now been broken down into two categories to ensure consistency:

- Substantial (there is a good system of internal control designed to meet the system objectives, and that controls are generally being applied consistently).
- Moderate (there is an adequate system of internal control, however, in some areas weaknesses in design and/or inconsistent application of controls puts the achievement of some aspects of the system objectives at risk).

The following internal audit reports were issued and reviewed by the Audit Committee during the year:

Audit	Assurance	Date reported	Recommendations
Reports issued:			
Charitable funds	Substantial	25.4.19	2 medium & 2 low
Data security & protection toolkit	Substantial	25.4.19	n/a
e-change of establishment	High	25.4.19	1 low
Quality spot checks	Limited	31.10.19	2 high, 3 medium, 4 low
Continuity Preparedness (<i>previously Cyber Outpatients</i>)	Limited	31.10.19	2 high, 1 medium, 1 low
Paterson redevelopment project governance	Moderate	31.10.19	1 high, 3 medium
Digital board	Substantial	31.10.19	2 low

There were 2 'limited' assurance reports during 2019-20:



Quality spot check – this audit received limited assurance although there were significant areas of good practice noted in all areas. There were, however, two high risk recommendations. Learning has been identified and is included in the improvement bulletin which is shared with the wider organisation. This audit has been scrutinised by the Quality Assurance committee.

Continuity Preparedness (*previously Cyber Outpatients*) - the purpose of the audit was to provide assurance in regard to the effectiveness of the controls in place in the event of an IT outage. It was noted that there were areas of good practice but there were also two high risk recommendations:

- Ensure a full review of business continuity plans (BCP) take place and ensure they are fit for purpose before rolling out across the organisation.
- Ensure key staff charged with the responsibility of understanding BCPs, are trained to an appropriate level.

The Chief Information Officer (CIO) and the Health & Safety and Emergency Planning Manager attended the October 2019 meeting to report on the actions being taken to redress these issues. Actions/learning from the two high risk recommendations are being scrutinised by the Digital Board and will also be picked up through the audit recommendation tracking report.

The Director of internal audit opinion was received at the 30th April 2020 meeting and the overall assurance opinion provided for the year ended 31st March 2020 was substantial.

The following pieces of work are ‘work in progress’ and will be reported to the audit committee on completion.

- IPU Contract Management – Planning stage
- Cyber Security – fieldwork in progress
- Digital Board effectiveness - fieldwork in progress and
- Inpatient Flow – fieldwork in progress

12. Local Anti-Fraud Specialist

The Local Anti-Fraud Specialist service has continued to enhance the Trust’s overall anti-fraud arrangements through the conduct of a range of agreed activities (the anti-fraud work plan was received and approved at the 25th April 2019 audit committee meeting). A reporting dashboard shows progress against the plan. A significant amount of time has been given to deterring fraud and creating an anti-fraud culture within the organisation.

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

The Trust ensures that all work related to fraud, bribery and corruption during the year is completed in accordance with requirements set out within the NHS Standards Contract and as required by the NHS Counter Fraud Authority’s Standards for Providers.

13. Annual governance statement

The draft annual governance statement for 2019-20 was considered on 21st May 2020 and was judged consistent with the audit committee’s view on the organisation’s system of internal control.



The final version will be approved by the Board of Directors for approval in June 2020.

14. External audit

An external audit is an examination of the annual financial statements in accordance with specific rules by someone who is independent of the foundation trust. The external auditor performs the audit by examining and testing the information prepared by the foundation trust to support the figures and information it includes in its financial statements. The effectiveness of the external audit process is assessed through regular reports to the audit committee as well as regular contact with the senior finance team.

The audit committee is responsible for evaluating the performance of the external auditors each year and supports the council of governors to determine and deliver the process for appointing the external auditor. Our current external auditors, Grant Thornton, were appointed in September 2017 for a period of 3 years.

16. Review of annual financial statements 2018/19 and 2019/20

The annual financial statements for 2018-19 and 2019-20 were prepared in accordance with IFRS.

The external auditors provided their annual governance opinion (ISA 260) in relation to the 2019-20 year to the May 2020 joint meeting of the audit and quality assurance committees. Assurances have been received from the executive director of finance and business development that matters identified in the report will be addressed during 2020-21.

In line with NHS Improvement's timetable for the submission of audited annual accounts these were presented for approval at the May 2020 joint audit and quality assurance committee meeting prior to submission to NHSI by 12 noon on Friday 29th May 2020. The external auditors completed a full and thorough audit of the exchequer accounts for 2019-20 resulting in an unqualified opinion.

17. Priorities for 2020/21

The following priorities are identified for 2020-21

- Assurance framework
- COVID-19 governance
- Christie Pathology Partnership adequacy of systems
- Paterson redevelopment governance
- Plastic surgery governance arrangements
- Key financial controls
- Baxters – aseptic contract
- PET scheduling
- Car parking tender process
- Data security and protection toolkit
- Follow ups
- ESR / Payroll – controls
- Learning from incidents

Neil Large
Chair of the Audit Committee, April 2020

