



The Christie **NHS**
NHS Foundation Trust

**Audit committee annual report
April 2016 - March 2017**





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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 2016 to 31st March 2017 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. There were 5 meetings held during 2016/17: 29th April, 25th May, 28th July, 27th October 2016 and 23rd February 2017. 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 2016/17.

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)	5	1
Kathryn Riddle	5	1
Robert Ainsworth	3	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 NHS Foundation Trust 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 & 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 29th April 2016. With some minor wording changes the ToR were approved.

6. Annual committee effectiveness review

Each year the committee undertakes a self-assessment of its effectiveness; the results of the review for 2016/17 were extremely positive. One area which the review identified as only being effective some of the time was for audit committee members to undertake on-going personal development activities to update their skills and knowledge. A programme of suitable events is being developed and will be offered to members.

7. Governance, risk management and internal control process

The audit committee followed the annual reporting cycle 2016/2017, approved at its 30th October 2015 meeting, to schedule its work throughout the year and it uses a rolling programme and action log to track committee actions.

The priorities for 2016/17, 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 received 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 received an executive director of finance & business development report at each of its meetings which provided an update on regular and scheduled business in accordance with the annual reporting cycle and other matters of financial governance interest.

Board Assurance Framework

The Board Assurance Framework (BAF) was significantly updated in 2015/16 and focuses on the key risks against achievement of the corporate objectives. The BAF is a 'live' document which is continuously reviewed and updated.

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. On a positive note a recent benchmarking comparison against 49 other trust assurance

frameworks found that The Christie is one of only three organisations which had all of the top 10 themes featured in its BAF.

8. NHS Improvement

From 1 April 2016, NHS Improvement is the operational name for the organisation which brings together Monitor and the NHS Trust Development Authority.

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.

On 1st October 2016 a Single Oversight Framework, designed to help NHS providers attain and maintain Care Quality Commission (CQC) ratings of 'good' or 'outstanding', was launched and replaces the Monitor 'Risk Assessment Framework' and the NHS Trust Development Authority's 'Accountability Framework'.

The single oversight framework will help identify NHS providers' potential support needs across five themes:

- quality of care
- finance and use of resources
- operational performance
- strategic change
- leadership and improvement capability

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

Segment	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 2016/17 were reviewed and allocated between the audit and quality assurance committees. The priorities are set out below:

- Cost Improvement – Carter review
- Finance ledger upgrade
- Cyber security
- SLA monitoring
- Theatre utilisation
- Safe and Sustainable premises
- Quality metric – CODE dashboard
- E- rostering benefit realisation

- Consultant job planning
- E-pay expenses

10. Assurance activity

Detailed reports were received during the year across the full range of trust systems.

The internal audit plan 2016/17 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 provide the Director of Audit's Opinion which subsequently contributes to the board's completion of the annual governance statement.

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

Audit	Assurance	Date received	Recommendations
Reports issued:			
Payroll/ESR	Significant	29 th April 2016	4 medium
Combined financial systems	High	29 th April 2016	n/a
Capital replacement (linear accelerators 8&10)	Significant	29 th April 2016	1 low
Quality spot check (Oncology Assessment Unit (OAU))	Significant	29 th April 2016	2 medium & 3 low
Information governance toolkit	Significant	29 th April 2016	n/a
Essential training and appraisal	Limited	25 th May 2016	1 high & 2 medium
Nursery financial processes	Significant	25 th May 2016	1 medium & 1 low
Activity targets (friends & family test)	Significant	25 th May 2016	1 medium & 1 low
Medicines management (satellite units)	Significant	25 th May 2016	8 medium & 2 low
Preparedness for nursing revalidation	High	25 th May 2016	2 low
Alcura payments	High	25 th May 2016	n/a
Cost improvement programme	Significant	27 th October 2016	2 medium & 5 low
e-rostering	Limited	23 rd February 2017	2 high, 8 medium & 4 low
e-pay expenses system	Significant	23 rd February 2017	3 medium & 1 low
SLA monitoring	Significant	23 rd February 2017	2 medium
Medical devices	Significant	23 rd February 2017	1 high, 4 medium & 4 low

The committee received 2 'limited' assurance reports during 2016/17:

- Essential training & appraisal process - the auditors advised that key controls in relation to essential training for new starters, refresher training and performance appraisals could be strengthened to improve the control environment. The acting director of workforce attended the May 2016 meeting to advise the committee that she is working with the internal auditors to ensure appropriate actions are implemented. The trust is also looking at introducing an automated system to record attendance to improve consistency of data.

- e-rostering – the review identified that there are arrangements in place to ensure that the e-Rostering system continues to be used as intended and the benefits of the system are realised. However, weaknesses in the application of the procedures were identified. The Deputy Chief Operating Officer for Networked Services attended the February 2017 meeting to advise the committee that appropriate actions are being taken to address the issues. An action plan has been developed to ensure the recommendations are implemented.

The Director of internal audit opinion was received at the 27th April 2017 meeting and the overall assurance opinion provided for the year ended 31st March 2017 was significant.

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

- Duty of Candour – draft report issued;
- Cyber Security – draft report issued;
- Information Governance – Phase 2 scheduled 15th February 2017;
- Combined Financial Systems – fieldwork in progress;
- Financial Ledger Support – fieldwork in progress;
- Quality Metrics (CODE) – fieldwork in progress;
- Payroll/ Human Resources – fieldwork in progress; and
- Follow Ups - fieldwork in progress.

11. 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 29th April 2016 audit committee meeting). A reporting dashboard has been introduced which shows progress against 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 NHS Protect's Standards for Providers.

12. Annual governance statement

The draft annual governance statement was considered on 27th April 2017 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 joint audit and quality assurance committees before being submitted to the Board of Directors for approval on 24th May 2017.

13. External audit

The Council of Governors approved the appointment of PwC as the Trust external auditors in July 2012. The approved contract period was for five years until 2017 with an option to break the contract at the end of years 3 and 4. The Audit committee considered the performance of PwC and agreed to continue with

the existing contract for its final year. This was reported and approved by the council of governors at its July 2016 meeting. The external audit tender process was discussed and approved at the October 2016 meeting and the interviews took place in March 2017.

14. Review of annual financial statements 2015/16 and 2016/17

The annual financial statements for 2015/16 and 2016/17 were prepared in accordance with IFRS.

The external auditors provided their annual governance opinion (ISA 260) in relation to the 2016/17 year at 24th May 2017 meeting. Assurances have been received from the executive director of finance and business development that matters identified in the report were addressed during 2016/17.

The external auditors undertook a full and thorough audit of the charitable fund accounts for 2016/17. The unaudited charitable fund accounts will be reviewed by the Charitable Funds Committee and the audited accounts approved on 22nd September 2017.

In line with NHS Improvement's timetable for the submission of audited annual accounts a joint audit/quality assurance committee meeting was held on 24th May 2017 to approve the accounts. The external auditors completed full and thorough audits of the exchequer accounts for 2016/17 resulting in an unqualified opinion.

15. Priorities for 2017/18

The following priorities are identified for 2017/18

- Combined financial systems
- Information Governance (IG) Toolkit
- Sustainability reporting
- Quality spot checks (key review)
- Nurse staffing levels
- Clinical audit arrangements
- Mortality framework
- Payroll/human resources (ESR)
- Assurance framework opinion
- Emergency preparedness

Neil Large
Chair of the Audit Committee
April 2017