

# Director of Audit Opinion and Annual Report (2014/15)

Liverpool Heart and Chest Hospital  
NHS Foundation Trust



# Contents

## 1. Director of Audit Opinion

### 1.1 Introduction

### 1.2 Opinion

### 1.3 Basis for forming the Opinion

Appendix A: Audit Review Outcomes and Delivery

Appendix B: Contribution to Annual Governance Statement

Appendix C: MIAA Quality Service Indicators



## 1. Director of Audit's Opinion

### 1.1 Introduction

In accordance with Public Sector Internal Audit Standards, the Director of Internal Audit (HoIA) is required to provide an annual opinion, based upon and limited to the work performed, on the overall adequacy and effectiveness of the organisation's risk management, control and governance processes (i.e. the organisation's system of internal control). This is achieved through a risk-based plan of work, agreed with management and approved by the Audit Committee, which should provide a reasonable level of assurance subject to the inherent limitations described below.

The purpose of this Director of Internal Audit Opinion is to contribute to the assurances available to the Accountable Officer and the Board which underpin the Board's own assessment of the effectiveness of the organisation's system of internal control. This Opinion will assist the Board in the completion of its Annual Governance Statement.

### 1.2 Opinion

My overall opinion is:

**Significant Assurance**, can be given that there is a generally sound system of internal control designed to meet the organisation's objectives, and that controls are generally being applied consistently. However, some weaknesses in the design or inconsistent application of controls put the achievement of a particular objective at risk

### 1.3 Basis of Forming the Opinion

The basis for forming my opinion is as follows:

#### **Assurance Framework**

An Assurance Framework has been established which is designed and operating to meet the requirements of the Annual Governance Statement and provide reasonable assurance that there is an effective system of internal control to manage the principal risks identified by the organisation

### Assurance across the organisation's critical business systems:

Financial Systems	<ul style="list-style-type: none"><li>• Documentation, evaluation and review of the Core Financial Systems, which provided significant assurance in a number of the key areas reviewed.</li><li>• Significant assurance in respect of cyclical review of Ward/Department visits. 2014/15 programme included a review of COPD and Oak Ward.</li></ul>
IM&T	<ul style="list-style-type: none"><li>• The review of the Trust's response to requirements set out in the Information Governance Toolkit provided significant assurance.</li><li>• Review of the critical applications scanning solution highlighted the need for immediate action to ensure there is a robust control framework in place. This includes restricting access to Electronic Patient Records and addressing the significant error queue in relation to scanned patient records.</li><li>• Appropriate IT infrastructure in place to support Business Continuity arrangements.</li><li>• Whilst the area of threat and vulnerability management is broadly well managed, there is a need to ensure the action plan designed by the Trust to address historic issues is progress as a priority.</li></ul>
Performance	<ul style="list-style-type: none"><li>• Significant assurance opinion in relation to the systems and processes in place to ensure Monitor's quarterly submissions are underpinned by accurate, valid and robust information.</li></ul>
Clinical Quality	<ul style="list-style-type: none"><li>• There are robust processes to ensure there is an annual clinical audit programme in place, which is appropriate, adequately monitored and any actions/learning are addressed and shared throughout the organisation.</li></ul>
Workforce	<ul style="list-style-type: none"><li>• The review of the systems interface with the new payroll provider, St Helens and Knowsley Hospitals NHS Trust showed that the appropriate controls are in place and operating effectively.</li><li>• Bank and Agency Review - Whilst there are robust processes and systems in place within Nursebank, a number of control weaknesses have been identified where processes that operate outside this system should be strengthened.</li><li>• Consultant Job Plans (<b>Draft Report</b>) - Systems need to be enhanced to ensure there is an appropriate job planning process in place that is in line with national guidelines.</li></ul>
Governance, Risk & Legality	<ul style="list-style-type: none"><li>• Key controls are in place and operating with respect to fire safety requirements.</li><li>• The Trust has adequate arrangements in place, that are in line with best practice and latest guidance to ensure they are appropriately prepared for any emergency.</li><li>• Significant assurance in relation to the systems and processes in place with regard to emergency preparedness.</li><li>• A review of the business cases showed that a robust process is in place and operating well.</li></ul>

Action has been agreed by Management to address the recommendations made in the internal audit reviews and we will undertake a follow up of the recommendations to provide assurance to the Audit Committee that the issues raised have been addressed.

**Contribution to Governance, Risk Management and Internal Control enhancements:**

- Detailed insight into the overall Governance and Assurance processes gained from liaison throughout the year with the Senior Management Team, high level observations of the quality and Integrated Performance Committee and review of the Quality Governance Framework.
- Involvement with the organisation in respect of advice and guidance relating to governance arrangements, Corporate Governance documentation and regular review of Board papers.
- Ongoing discussion with lead officers, Executive and Non-Executive Directors throughout the year.
- Effective utilisation of internal audit including in year communication, and changes to the audit plan in respect of clinical audit, IG Toolkit and Monitor Corporate Governance Statement reviews.
- Follow up, demonstrating significant progress against recommendations to improve systems and controls.
- Provision of MIAA briefings including Duty of Candour, Investigations, Regulation, Sustainability, Human Factors, Safe Staffing and Fit and Proper Person Test.
- Involvement through MIAA events, including Non-Executive Director Learning Series, Governor Development and Audit Committee Chairs.
- Engagement with MIAA Insights benchmarking and outcome reporting, including Trust Assurance Frameworks, and Gifts and Hospitality.

*The Opinion does not imply that Internal Audit have reviewed all risks and assurances relating to the organisation. The opinion is substantially derived from the conduct of risk-based plans generated from a robust and organisation-led Assurance Framework. As such, it is one component that the Board takes into account in making its Annual Governance Statement.*

*Tim Crowley*

**Director of Audit, MIAA  
March 2015**

**Appendix A** provides a summary of the Audit Reviews undertaken during the year.

**Appendix B** provides further information to consider when compiling the Annual Governance Statement (AGS).

**Appendix C** provides assurance regarding the quality of MIAA's service.



## Appendix A: Audit Review Outcomes and Delivery

### Performance against Plan

The Internal Audit Plan has been delivered in accordance with the schedule agreed with the Audit Committee at the start of the financial year. This position has been reported within the progress reports across the financial year, with the final report concluding completion of the Internal Audit Plan (with the exception of the Consultant Job Planning review and review of Monitors Corporate Governance Statement which are currently draft reports).

### Risk Based Reviews

The audit assignment element of the Opinion is limited to the scope and objective of each of the individual reviews. Detailed information on the limitations to the reviews has been provided within the individual audit reports and through the Audit Committee Progress reports throughout the year. The schedule below provides a summary of the reviews and overall objectives contributing to this element of the Opinion.

#### HIGH ASSURANCE

Our work found some low impact control weaknesses which, if addressed would improve overall control. However, these weaknesses do not affect key controls and are unlikely to impair the achievement of the objectives of the system. Therefore we can conclude that the key controls have been adequately designed and are operating effectively to deliver the objectives of the system, function or process

No reports were assigned high assurance.

SIGNIFICANT ASSURANCE

There are some weaknesses in the design and/or operation of controls which could impair the achievement of the objectives of the system, function or process. However, either their impact would be minimal or they would be unlikely to occur

- **Business Continuity Plan**

Objective: To provide an opinion on the effectiveness and coverage of the IT infrastructure resilience and service continuity solutions designed and implemented by the IT team and their alignment to business requirements in terms of supporting business continuity arrangements.

- **Information Governance Assurance**

Objective: To provide an opinion on the adequacy of policies, systems and operational activities to complete, approve and submit the IG Toolkit scores. We have also provided an opinion on the validity of the scores based on the available evidence and outcomes of spot checks.

- **Threat and Vulnerability Management**

Objective: To provide an assessment on the effectiveness of the control framework being exercised by management in relation to threat and vulnerability management with a particular emphasis on patch management and anti-virus, and highlight areas of improvement, where appropriate.

- **Performance Reporting**

Objective: To assess whether the quarter 3 Monitor submission for 2014/15 was underpinned by robust systems ensuring accuracy, completeness and validity of information reported. The report included review of the following Monitor targets:

- 18 weeks admitted
- Cancer 62 day target

- **Clinical Audit**

Objective: To assess the robustness of the clinical audit system, assess the appropriateness of the projects within the annual plan and the extent to which clinical audit is embedded across the organisation.

- **Payroll Review**

Objective: To provide an assessment of the effectiveness of the systems of control operating at the Trust to ensure that only employees of the organisation are paid, and only for work that they perform on behalf of the organisation.

- **Fire and Safety**

Objective: To assess the adequacy of the systems and controls in place to ensure fire safety is appropriately managed.

- **Emergency Preparedness**

Objective: To assess the adequacy of the arrangements in place within the Trust to ensure legislative responsibilities are fulfilled in relation to Emergency Preparedness.

- **Business Cases – Phase 2**

Objective: To complete a 'desk top' review and assess the adequacy of the design of the business case process currently operating at the Trust, and its application with regards to a specific business case.

- **Serious Untoward Incidents**

Objective: To undertake a review of the systems and processes in place relating to serious incidents, ensuring that controls are in place and are operating effectively.

- **Combined Financial Systems**

Objective: To review and provide an opinion on the key financial systems of the General Ledger, Budgetary Control, Income & Debtors, Non Pay Expenditure and Treasury Management.

- **Ward Reviews – COPD & Oak Ward**

Objective: To document and test the controls in operation at each ward, across a range of areas.



LIMITED ASSURANCE

There are weaknesses in the design and / or operation of controls which could have a significant impact on the achievement of the key system, function or process objectives but should not have a significant impact on the achievement of organisational objectives.

- **Critical Applications Review – Scanning Solution**

Objective: To provide an assessment of the efficiency and effectiveness of the control framework being exercised by management over the On base scanning application, systems data flow and associated external processes, and highlight improvements where appropriate.

- **Bank and Agency Review**

Objective: To provide assurance around systems and processes for effective management of Bank and Agency staff

- **Consultant Job Plan (Draft)**

Objective: to evaluate the Job Planning Process for Consultants (under the 2003 Consultant Contract) and provide assurance that these are completed in accordance with national guidelines and reflect local business objectives.

NO ASSURANCE

There are weaknesses in the design and/or operation of controls which [in aggregate] have a significant impact on the achievement of key system, function or process objectives and may put at risk the achievement of organisational objectives.

None of the reviews were assigned no assurance.

CONTRIBUTION TO CONTROL ENVIRONMENT

Areas where MIAA have supported the organisation in strengthening arrangements in respect of governance, risk management and internal control.

- **Quality Governance Framework**

Objective: to design and manage a process by which the Trust can undertake an assessment against Monitor's Quality Governance Framework and to provide an independent view and rating of the evidence in place.

- **High Level Observations of the Quality Committee and the Integrated Performance Committee**

Objective: To attend and observe a meeting of both the Quality Committee and the Integrated Performance Committee and provide feedback on the level of challenge, scrutiny and debate at the meetings and the extent to which the Committees comply with their terms of reference.

- **Monitor Corporate Governance Statement (Draft)**

Objective: To carry out a high level evaluation of the Trust's processes for preparing and assessing compliance with Monitor's Corporate Governance Statement (CGS).

- **Update of Corporate Governance Manual**

Objective: Following agreement at the Audit Committee, there was an annual review and update of the Corporate Governance Manual. MIAA was asked to support with this process.

- **MIAA Insight Briefings and Benchmarking**

Objective: To provide a range of briefing notes and benchmarking reports on topical issues to support organisations in keeping up to date on key issues, challenge questions and opportunity to compare themselves with other.

- **MIAA Events**

Objective: Our events and conference programmes attract leading speakers from the NHS, government, policy and voluntary sector, giving delegates access to the latest policy thinking, best practice and innovations across the UK, whilst also providing an ideal networking opportunity.

## Follow up

An important aspect of the internal audit process is the follow up to ensure that opportunities for enhancement are delivered. During the course of the year we have undertaken follow up reviews in respect of:

- |                       |                                     |
|-----------------------|-------------------------------------|
| • Amanda Unit         | • E - Rostering                     |
| • Cedar Unit          | • Stabilisation Strategy            |
| • Medical Secretaries | • Critical End User                 |
| • Waiting List        | • User Access                       |
| • ECG                 | • E Rostering                       |
| • CCU                 | • Combined Financial Systems        |
| • Maple Suite         | • Payroll                           |
| • Outpatients         | • Electronic Integrated Performance |
| • Recruitment         | • Electronic Patient Records        |
|                       | • Business Cases                    |

A total of 48 recommendations have been actioned out of 81. None of the actions in progress/outstanding are rated as critical or high.

We will continue to track and follow up all outstanding actions.

## Appendix B: Contribution to Annual Governance Statement

### Trust Board and Accountable Officer Roles and Responsibilities

The whole Board is collectively accountable for maintaining a sound system of internal control and is responsible for putting in place arrangements for gaining assurance about the effectiveness of that overall system.

The Annual Governance Statement is an annual statement by the Accountable Officer, on behalf of the Board, including:

- How the individual responsibilities of the Accountable Officer are discharged with regard to maintaining a sound system of internal control and governance that supports the achievement of policies, aims and objectives.
- The purpose of the system of internal control as evidenced by a description of the risk management and review processes, including the Assurance Framework process;
- The conduct and results of the review of the effectiveness of the system of internal control including any disclosures of significant control failures together with assurances that actions are or will be taken where appropriate to address issues arising.

The organisation's Assurance Framework should bring together all of the evidence required to support the Annual Governance Statement requirements.

### Director of Internal Audit Opinion

The purpose of the Director of Audit Opinion is to contribute to the assurances available to underpin the Board's own assessment of the effectiveness of the organisation's system of internal control (see figure 1 below). This opinion will therefore assist the Accountable Officer and the Board in the completion of its Annual Governance Statement.

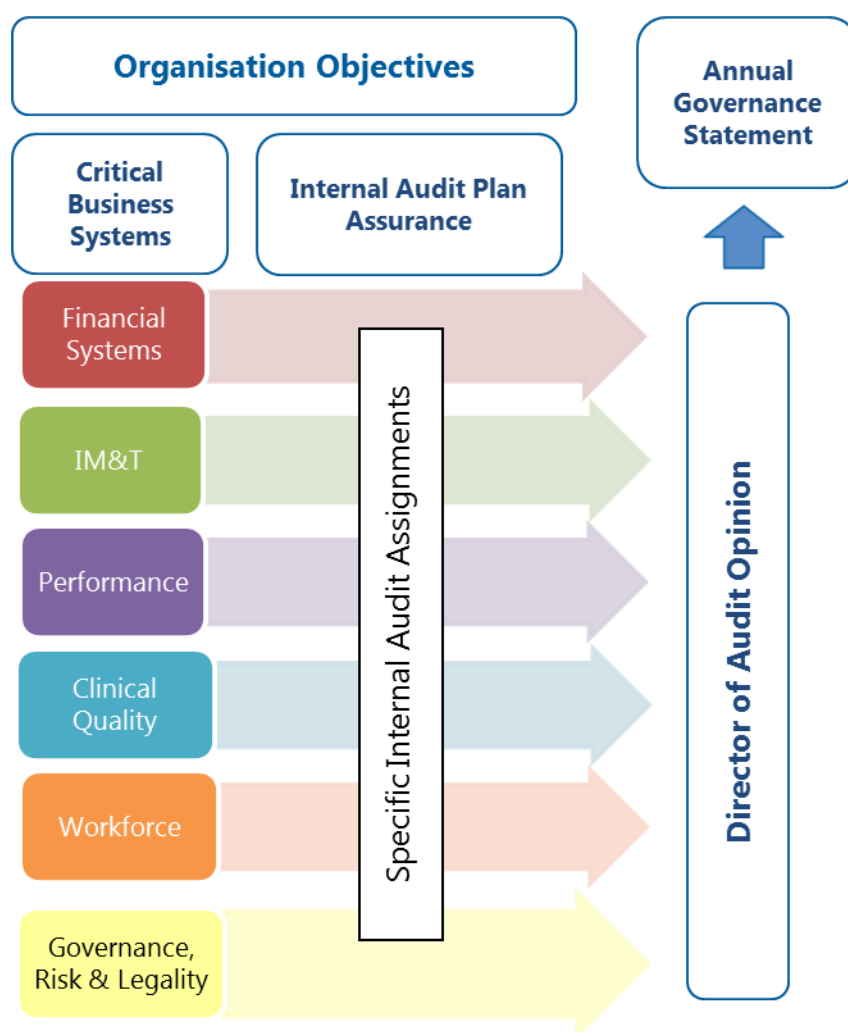


Figure 1 Director of Audit Opinion Contribution to AGS

The Director of Audit Opinion provided includes an opinion on the Assurance Framework and the risk based audit assignments across the critical business systems to inform the Annual Governance Statement.

### Key Areas for Consideration in the Completion of the Annual Governance Statement

In addition to the Director of audit Opinion, we have identified a number of other strategic challenges which were outside the scope of the Internal Audit Plan but which the Board should take into consideration, these include:

- Establishment and ongoing delivery of services within the requirements of the Provider Licence, risk assessment framework and compliance with the UK Corporate Governance Code.
- Regulatory compliance, including CQC ratings and feedback from inspections.
- Recommendations and actions identified from a number of external audit reviews that have taken place during the year.
- Any implications relating to in year changes to the Executive and Senior Management Team.
- Organisation performance, including unprecedented challenges in achieving financial duties, ongoing financial viability, delivery of CIP programme and 18 week target.
- Wider partnership working across the local health economy.
- Relationship and management of 3<sup>rd</sup> party providers upon which the Trust places reliance, and the provision of assurances from these (including Capita and St Helens and Knowsley Hospitals Trust, and SBS).
- Development of the Council of Governors throughout the year, along with communication and engagement with the membership, key stakeholders and other partners.
- Information governance arrangements, risks and any associated reportable incidents to the Information Commissioner.

## Appendix C: MIAA Quality Service Indicators

### MIAA Compliance with Internal Audit Standards

MIAA comply fully with professional best practice, internal audit standards and legal requirements. This includes guidelines issued by the Auditing Practice Board, professional bodies, MONITOR's Audit Code and the Institute of Internal Auditors.

The Public Sector Internal Audit Standards (wef. 2013) and our operational Internal Audit Manual are central to our continued external quality accreditation (BS EN ISO 9001:2000).

It is important that client organisations ensure an effective Internal Audit Service and Table 1 below is provided to demonstrate MIAA's compliance with Professional Standards. MIAA prides itself in exceeding the basic standards, in particular the quality of our staff, qualifications and provision of an exceptional skill mix recognising the need for this to match the complexity of the organisations with which we work.

*"MIAA's overall arrangements meet the standards and support the provision of an independent and satisfactory service to audited bodies, and we can take assurance from internal audit work contributing to an effective internal control environment at these bodies"*

Grant Thornton,  
February 2013

Table 1: MIAA's Compliance with the Internal Audit Standards

Internal Audit Standards	MIAA Compliance
1000 - Purpose, Authority & Responsibility	MIAA undertakes audit work to evaluate and improve the effectiveness of risk management, control and governance processes. An annual Director of Audit Opinion is provided to support the Annual Governance Statement.
1100 - Independence & Objectivity	MIAA is managed independently from, and with no executive responsibilities for, the audited body. MIAA have direct access to the Audit Committee Chair and are represented at meetings. All MIAA staff complete an annual declaration of interest, including actions taken to mitigate these.
1200 - Proficiency & Due Professional Care	Professional care is monitored and achieved through compliance with MIAA's quality and review systems. The Director of Audit is a CCAB Qualified accountant and MIAA's staff are either fully or part qualified (including CCAB, IIA, CISA, QICA, and LCFS).
1300 - Quality Assurance & Improvement	MIAA have accreditations for systems, processes and training. We have successfully achieved external accreditation for ISO9001:2000 quality standards, Investors in People, Finance Staff Development (Level 3) and training accreditations with CCABs. All audit reports follow a strict quality assurance process.

Internal Audit Standards	MIAA Compliance
2000 - Managing the Internal Audit Activity	MIAA have a defined approach for risk assessment, planning, performance and reporting. Three year risk based audit plans are developed for our client organisations, with regular progress reported to the Audit Committee.
2100 - Nature of Work	MIAA's internal audit activity evaluates and contributes to the improvement of governance, risk management and internal control. There is regular liaison with the LCFS, External Auditor and other review bodies to facilitate effective coordination of work.
2200 - Engagement Planning	MIAA's work is structured to comply with DH and Monitor requirements and the role as defined in the Audit Committee Handbook. We establish risk based audit plans in conjunction with the organisation and with the approval of the Audit Committee.
2300 - Performing the Engagement	Terms of Reference are established and agreed for each review, including objectives, scope, timing and resource allocations. MIAA staff identify, analyse, evaluate and document sufficient information to achieve the assignment objectives. All assignments are properly supervised.
2400 - Communicating Results	MIAA communicate the results of each assignment. Working with the organisation, we ensure that communications are accurate, objective, clear, concise, constructive, complete and timely.
2500 - Monitoring Progress	MIAA establish follow up processes with client organisations to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk. This is operated alongside the organisations own management follow up and provides independent assurance to the Audit Committee.
2600 - Communicating the Existence of Risks	MIAA recognise the professional role of Internal Audit to challenge the level of risk accepted by management, support resolution and ensure transparency in reporting to Audit Committee.

In terms of background, Tim Crowley (Director, MIAA) led the work on the production of NHS Internal Audit Standards, in addition to being a continued member of the Public Sector Internal Audit Standards Board which has led on bringing together sector wide standards. MIAA is also at the forefront of shaping professional standards through our national roles; Chair of CIPFA's Audit Panel (cross sector), and member of HfMA's Governance and Audit Committee. This puts MIAA in a unique position to provide early insight to our clients and ensures that we keep up to date, adopt and promote current practice within the profession (internal and external to the NHS).



## MIAA Quality Service

MIAA continue to ensure that quality remains central to our core objective of providing our clients with the best service. To achieve this we have in place a number of internal and external quality processes. These include:

- Investors in People
- BS EN ISO 9001/2000
- Finance Staff Development Level 3
- External Audit Triennial Review
- Comprehensive Internal Quality Assurance
- Continued adoption of the EFQM Business Excellence Model



All of this is supported through our day to day contact with client organisations and the invaluable feedback that this provides to continually improve. In order to demonstrate to our clients the quality of the service delivered by MIAA assurance is provided in accordance with the measures outlined in the balanced scorecard (see Figure 2 below).



Figure 2 MIAA's Balanced Scorecard Outcomes