



*North West Internal Audit Services*

**Final**

**Internal Audit Medium Term Plan and Detailed  
Plan 2008/09**

**Wrightington Wigan and Leigh NHS Trust**

**March 2008**

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**1 Introduction**

- 1.1 The Trust is currently going through the process of seeking Foundation Trust [FT] status and at the time of preparing this document is in the process of producing a draft Integrated Business Plan [IBP] as part of the application.
- 1.2 In 2007 the Trust's corporate objectives covered the following areas:
1. Foundation Trust Status
  2. Service Strategy
  3. Quality and Safety Strategy
  4. Finance and IT Strategy
  5. Workforce Strategy
  6. Site Strategy
- A Board event was held in July 2007 to identify risks to the objectives and produce an updated Assurance Framework document.
- 1.3 The achievement of the Trust's objectives requires all areas of the Trust to work effectively and efficiently in its use of resources whilst demonstrating transparent governance arrangements. Internal Audit can play a part in this process and the medium term audit plan is therefore designed to run concurrently with the first part of Trust's IBP between 2008/09 to 2010/11 and sets out a series of risk based reviews that will help the Trust achieve its stated objectives.
- 1.4 The purpose of this document is to put to the Audit Committee a plan that provides a robust basis for our work whilst acknowledging that we must retain sufficient flexibility to allow us to react to changes in the risk environment

## 2 Bases of the Plan

2.1 The Trust has undertaken a review of its Assurance Framework as noted in paragraph 1.2 and this has resulted in a total of 27 main risks being identified. Where possible we have linked our work to both the Strategic Objectives and risks. Where our work is relevant to other risks we have made reference to these also. The detailed plan for 2008/09 is set out at Appendix 1.

2.2 As indicated above the plan of work for 2008/09 and beyond is based around the Trust's strategic objectives, Assurance Framework and the key risks and also reflects the outcome of:

- a review of the outcome of previous audits and those of other assurers;
- discussions with key staff in the Trust, most notably;
  - Director of Finance;
  - Audit Committee Chair;
  - Director of Nursing and Patient Services.

2.3 The plan also reflects two NWIAS documents issued during 2007/08 : *Developing a Core Internal Audit Plan for a Foundation Trust* and *Assurance on Compliance with Standards for Better Health*. These were discussed with senior managers during the year and views expressed have been taken account of as part of our planning.

## 3 Context of our Planning

3.1 There are several new and/or continuing influences on the Trust that have influenced our plan:

- the requirement for the highest levels of corporate governance;
- the need of the Trust to deliver a financial surplus;

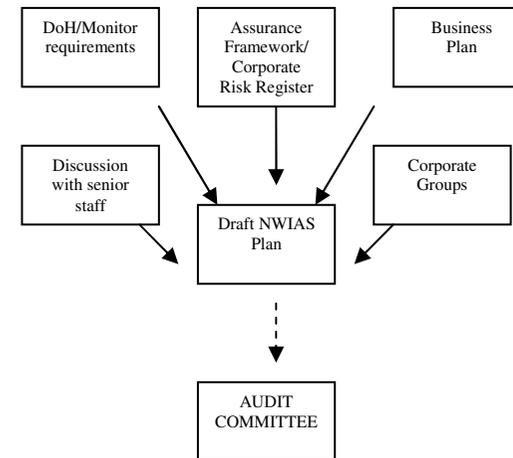
- the impact of the DH's Operating Framework and supporting documents;
- planning for Foundation status; and
- the requirement to introduce Service Line Reporting;

3.2 In addition we have recognised demands on ourselves:

- the need to dovetail our work with that of other assurers, especially External Audit;
- the need to ensure that we offer best value to the Trust;
- the need to ensure that we continue to provide assurance on the core financial systems as our scope increases; and
- the need to provide support the Trust in producing its Statement on Internal Control.

3.3 The plan has been derived from several sources that reflects real assurance needs as defined by the Trust.

This is shown in diagrammatic format:



## 4 Planned Outputs

4.1 The outputs from our plan fall into two 2 main areas:

- Assurances  
Audits that provide an assurance opinion on the design of internal control and its application over a stated period. These assurances inform the annual HOIA opinion.
- Consultancy  
Audits in respect of specific requests from the Trust but that will not necessarily inform the HOIA opinion.

### 4.2 Assurances

#### Corporate Governance

Governance Structure

Board Reporting

Assurance Framework

Risk Management System

Standards for Better Health – declaration

#### Business Critical Systems

Business Planning

Budgetary Control /Service Line Reporting

Fundamental Financial Systems

Standards for Better Health- compliance with core standards

Information Management and Technology

Capital

The two areas of Corporate Governance and Business Critical Systems are at the heart of internal audit assurance. The 3 year strategy, derived from the Trust's risk assessment, or best information in the case of new areas, determine the cyclical approach. Appendix 2 sets out the audit cycle applied to these areas.

4.3 The proposed changes to financial reporting brought about by the International Financial Reporting Standards [IFRS] come into effect for 2008/09 with organisations having to restate their 2007/08 accounts. As yet it is unclear how significant an impact there will be on systems so we have not at this stage included any time within the plan. However this should be reviewed as the year progresses and requirements are firmed up.

### 4.4 Consultancy

In addition to the “must do” audits indicated at 4.2, the Trust has requested our input into specific areas of risk where our assurance or assistance has been determined as necessary. The outcomes from such work will not normally be used to inform the HOIA opinion, but will be brought to the Trust's attention as requiring disclosure in the Statement on Internal Control if the outcome is sufficiently material.

In 2008/09, consultancy work will consist of:

- facilitated risk assessment for a financial system.

### 4.5 Other Outputs

Three other areas make up our planned activity

#### Follow-up

Resources to ensure that previously agreed recommendation have been implemented as planned

#### Contingency

This allows us to accommodate audit assignments which could not have been reasonably foreseen.

Audit Management

Support to Audit Committee

Support to other Board sub-committees

Audit Planning

HOIA Opinion

**4.6 Third Party Assurances**

Where we are asked to provide assurance on areas involving bought-in services then, whenever possible, we will seek 3<sup>rd</sup> Party Assurances. We are not aware of any such assurance in 2008/09 other than the Audit Commission is planning to continue its clinical data audits and these will provide assurance on the accuracy of clinical data coding. We plan to rely on that work to inform the Head of Internal Audit Opinion.

**5 Flexibility in the Plan**

The draft plan reflects the assurance needs as explained to us. However, it is recognised that priorities are subject to change. Hence, in addition, to the contingency that is available, we accept that there may be a need to amend our planned audits so that we continue to reflect the needs of the Trust.

**6 Liaison with External Audit**

We have strong working relationships with External Audit that encompasses regular meetings and sharing of information so that we avoid unnecessary overlap. Where our work does overlap in "headline" areas then we will ensure that our resources are used in a complementary manner so that the Trust receives the optimum benefit from our two plans.

**7 Compliance with NHS Internal Audit Standards**

The planning and execution of our work will be undertaken to ensure that we comply with the standards set for us by the Department of Health.

**8 Costs**

The cost to the Trust for delivering the scope of this plan is £96,025 (2007/08 £93,613).

**Table 1: Summary Internal Audit Plan**

Area of Plan	Indicative Charge [£]
Corporate Governance	13,270
Business Critical Systems	49,460
Consultancy Services	2,413
Follow Up Work	3,619
Contingency	3,619
Audit Management	7,238
<b>total for internal audit services</b>	<b>79,619</b>
Counter Fraud	16,406
<b>Total</b>	<b>96,025</b>

Notes to charges

- 1 charges are at 2007/08 prices;
- 2 a separate detailed plan for counter fraud work will be produced.

## 9 Our Team

Phil Haigh, Head of Internal Audit	01772 524346
Jean Gleave, Chief Internal Auditor	01257 256216
Derek Hickman, Audit Manager	01257 256419

Specialist input will be provided by:

David Unsworth, Lead LCFS	01257 256443
Paul Roper, Information Governance	01257 256522
Jayne Wainwright, Capital	01254 733651

## 10 Action Required

The Audit Committee is requested to approve the proposed plan.

Jean Gleave  
Chief Internal Auditor

## Detailed Areas of Work 2008/09

## Appendix 1

Corporate Governance	Source	Area(s) of Internal Audit Review	Risk Addressed
Governance Structure 5 days	Corporate Objective [CO] 1&2 Corporate Risk [CR] 1	Board of Directors Board sub-committees relations with stakeholders	Loss of accountability. Lack of corporate ownership of decision-making. Failure to deliver the expected level of services to patients.
Board Reporting 5 days	Corporate Objective [CO] 1 Corporate Risk [CR] 1	Key Performance Indicators Annual Plan Statement of Internal Control - process	Poor decision making could be occasioned by not having accurate and timely information being reported to the Board.
Assurance Framework and underlying Risk Management system 20 days	Requirement for HOIA opinion	co-ordination with business planning accountability arrangements identification of risks identification of controls risk assessment action plans identification and receipt of assurances use in informing the SIC	The Board may not have the requisite assurance that the major risks are being managed that in turn may prevent the Trust from achieving one or more of its objectives.
Risk Management System 10 days	Corporate Objective [CO] 1 Corporate Risk [CR] 1	Risk Management Policy – review and approval Risk Management Policy – application	Failure to have risk management processes firmly embedded within the Trust could lead to an inappropriate use of funds and a loss of reputation to the Trust.
Standards for Better Health – Declaration to the Healthcare Commission 15 days	Requirement for HOIA opinion	accountability arrangements evidence gathering – internal and external stakeholders approval of declaration submission of declaration	The Board individually and collectively may not have the requisite assurance that the Trust has reliable reporting systems in place in relation to the annual declaration that may in turn lead to an inaccurate statement being submitted and supported.

## Detailed Areas of Work 2008/09

## Appendix 1

Business Critical Systems	Source	Area(s) of Internal Audit Review	Risk Addressed
Business Planning 10 days	Corporate Objective [CO] 4 Corporate Risk [CR] 18	past year performance future business plan risk analysis financial projections relations with stakeholders	The lack of an appropriate Business Plan may lead to the non-delivery of necessary national and local priorities.  The Board may be unaware of under performance leading to non-delivery of necessary national and local priorities.
Implementation of Service Line Reporting 5 days	Corporate Objective [CO] 4 Corporate Risk [CR] 17	key stakeholder involvement defining service-lines, profitability measures and reporting frequency quality of coding and data collection allocation of activity-related NHS income and costs allocation of activity-related income and costs for non-NHS activity reporting	Resources may not be being used in the most effective manner thereby failing to provide value for money. Quality of service may be affected with detrimental effect on patient care.
Budgetary Control 5 days	Corporate Objective [CO] 4 Corporate Risk [CR] 17	delegation arrangements support to budget holders budget setting budget accuracy budget reporting budget analysis and action plans	Corporate statutory financial requirements may not be achieved.

## Detailed Areas of Work 2008/09

## Appendix 1

Business Critical Systems	Source	Area(s) of Internal Audit Review	Risk Addressed
Income from Clinical Activity  15 days	Corporate Objective [CO] 4 Corporate Risk [CR] 20	<p><u>Costing</u></p> <ul style="list-style-type: none"> <li>The relationship between activity and cost is fully understood.</li> <li>The cost base and its behaviour is accurately captured.</li> </ul> <p><u>Placing of SLAs/Contracts</u>            Authorised and timely SLAs /contracts are in place setting out services to be provided and the basis for raising invoices.</p> <p><u>Recording of Clinical Activity</u>            The Trust captures clinical activity on a timely, accurate and complete basis.</p> <p><u>Invoicing for Activity</u>            Invoices are raised for services provided in accordance with agreed SLAs/contracts and income is correctly accounted for.</p>	<p>Costs and their behaviour are incorrectly identified and/or analysed leading to ineffective management of costs.</p> <p>Disputes may arise due to a lack of an agreed basis for collecting income.</p> <p>Clinical activity is under-recorded leading to non-recovery of costs.</p> <p>All income due is not collected resulting in lack of financial support for expenditure incurred.</p>
Income from Non-clinical Activity  10 days	Corporate Objective [CO] 4	<ul style="list-style-type: none"> <li>Pricing of services is regularly reviewed and aimed at recovery of costs.</li> <li>Income due is identified.</li> <li>Invoices are raised in an accurate and timely manner.</li> <li>Income is accounted for correctly.</li> <li>Credit control is exercised to ensure that income due is collected in full and the Trust is not exposed to unnecessary risks.</li> </ul>	<p>All income due is not collected resulting in lack of financial support for expenditure incurred.</p>

Detailed Areas of Work 2008/09

Appendix 1

Business Critical Systems	Source	Area(s) of Internal Audit Review	Risk Addressed
<p>Payments to Staff Post Implementation Review ESR</p> <p>30 days</p>	<p>Corporate Objective [CO] 4</p>	<p><u>Payroll Feeder Systems</u> Source documentation received by the payroll service is derived from systems of effective internal control.</p> <p><u>Transaction processing within Payroll</u> Processing is undertaken in an appropriately controlled environment that ensures that transactions are:</p> <ul style="list-style-type: none"> <li>• correctly authorised;</li> <li>• accurately processed;</li> <li>• processed in accordance with agreed timetables;</li> </ul> <p>treated in accordance with the necessary standards of confidentiality; and that:</p> <ul style="list-style-type: none"> <li>• outputs are provided only to authorised recipients;</li> <li>• where 3<sup>rd</sup> part services are provided then they are in accordance with the agreed terms and conditions of an approved SLA or contract</li> </ul>	<p>Inadequate feeder systems may lead to bogus staff on the payroll and/or incorrect payments being made.</p> <p>Inaccurate and/or poorly controlled processing may lead to inaccurate or otherwise inappropriate payments.</p>
<p>Payments to Staff Consultant Medical Staff</p> <p>Days 10</p>	<p>Corporate Objective [CO] 4</p>	<p>Consultant job plans Compliance with contractual terms and conditions Accuracy of salary Absence recording Pre-employment checks</p>	<p>Overpayments could be made. Inappropriately qualified staff could be employed Inaccurate management information.</p>

## Detailed Areas of Work 2008/09

## Appendix 1

Business Critical Systems	Source	Area(s) of Internal Audit Review	Risk Addressed
Requisitions, Orders and Deliveries  15 days	Corporate Objective [CO] 4	<ul style="list-style-type: none"> <li>• All goods are requisitioned by an authorised officer within set delegated limits, ordered promptly from the most appropriate supplier</li> <li>• Goods and services received are checked immediately upon receipt and confirmation provided to Finance to support supplier payments.</li> <li>• Deliveries are stored securely and then transported securely to end users.</li> </ul>	<p>Inappropriate and/or expensive purchases may be made and received having cost and quality implications for the Trust.</p> <p>Disputes may arise with suppliers.</p> <p>Goods may be stolen or lost. End users may be unable to provide services due to lack of availability of raw materials.</p>
Operating Cash Management  10 days	Corporate Objective [CO] 4	<ul style="list-style-type: none"> <li>• Changes to banking arrangements are only made by appropriately authorised managers.</li> <li>• Payments are only released on the basis of properly authorised instructions.</li> <li>• Bank reconciliations are undertaken on a regular basis and overseen by an appropriate senior manager.</li> <li>• Cash flow processes ensure that a sufficient, but not excessive, cash position is maintained to allow timely payment of creditors.</li> <li>• Accurate Forecasting.</li> </ul>	<p>Inadequate cash management processes and procedures may lead to inability to pay creditors or payment of unnecessary bank charges.</p> <p>The Trust could be at risk to theft or misappropriation of cash or cheques.</p>

## Detailed Areas of Work 2008/09

## Appendix 1

Business Critical Systems	Source	Area(s) of Internal Audit Review	Risk Addressed
General Ledger 10 days	Corporate Objective [CO] 4	The Ledger system records all financial transactions of the Trust and adequate controls are in place to ensure the confidentiality, integrity and availability of the information held within the system.	Inaccurate, untimely, incomplete management information / outputs may be provided.
Asset Register Wrightington 10 days	Corporate Objective [CO] 4	To ensure that capital and other valuable assets are recorded, in appropriate registers, safeguarded and accounted for.  Review of asset register Recording additions, transfers and deletions Security of assets	Theft of assets and under-recovery of capital charges.
Charitable Funds 10 days	Corporate Objective [CO] 4	System for donations at ward level Other donations and legacies Authorisation and purpose of expenditure Investments Board reporting	Misuse of charitable funds could lead to a loss of reputation by the Trust and a subsequent reduction in charitable funds income.
Standards for Better Health : Safety – Medicines Management / Pharmacy system 20 days	Corporate Objective [CO] 3 Corporate Risk [CR] 11	To be agreed	Safety of patients, staff and visitors may be put at risk if standards are not maintained.
Information Management and Technology Network Review 25 days	Corporate Objective [CO] 4 Corporate Risk [CR] 21	Security of communications Data integrity Control of access Effective use of current technology	Failure to have effective network controls could lead to unauthorised access and inability to run applications.  Risk to reputation in the case of security breaches.

**Detailed Areas of Work 2008/09**

**Appendix 1**

<b>Business Critical Systems</b>	<b>Source</b>	<b>Area(s) of Internal Audit Review</b>	<b>Risk Addressed</b>
Capital – Individual Schemes  20 days	Corporate Objective [CO] 6	Selecting a scheme from the capital programme and reviewing areas from the following: Business case if appropriate Appraisal and approval process Pre contract documentation Currency of contract including Architects instructions, variations etc Post contract evaluation	The Trust may not achieve Value for Money.

**Detailed Areas of Work 2008/09****Appendix 1**

<b>Consultancy Services</b>	<b>Source</b>	<b>Area(s) of Internal Audit Review</b>	<b>Risk Addressed</b>
Areas other than those arising from risk assessments			
Risk Assessment of Financial Systems 10 days	Director of Finance	To support the Finance Directorate in risk assessing its key financial systems.	Unknown risks. Unmanaged risks.

<b>Follow-up</b>	<b>Source</b>	<b>Purpose</b>	<b>Risk Addressed</b>
Review of management action. 15 days	Mandatory Internal Audit Standard	To follow up the implementation of agreed recommendations to ensure that action has been effected	If agreed action to correct systems control weaknesses are not implemented it could lead to a breakdown in internal control

<b>Contingency</b>	<b>Source</b>	<b>Purpose</b>
15 days	Mandatory Internal Audit Standard	Requirement to include an agreed audit resource to cater for additional work that may be required during the year.

<b>Audit Management</b>	<b>Source</b>	<b>Purpose</b>
30 days	Mandatory Internal Audit Standard	Attendance at, and support to, the Audit Committee Attendance at, and support to, other Board sub- Committees Audit Planning HOIA Opinion

**Detailed Areas of Work 2008/09**

**Appendix 1**

<b>Counter Fraud</b>	<b>Source</b>	<b>Purpose</b>
<i>see separate counter fraud plan for detail of work</i>  68 days	Secretary of State Directions	To carry out Local Counter Fraud Specialist duties in accordance with the Secretary of States Directions

**FUNDAMENTAL SYSTEMS : schedule of cyclical audits**

CORPORATE GOVERNANCE	audit cycle		
	annual	1 year in 2	1 year in 3
<b>Governance Structure</b>			
<ul style="list-style-type: none"> <li>Council of Governors</li> <li>Board of Directors</li> <li>Board sub-committees</li> <li>relations with stakeholders</li> </ul>	✓		
<b>Board Reporting</b>			
<ul style="list-style-type: none"> <li>Key Performance Indicators</li> <li>Compliance with Terms of Authorisation</li> <li>Annual Plan submission to Monitor</li> <li>In-year submissions to Monitor</li> <li>Statement of Internal Control - process</li> </ul>	✓		
<b>Assurance Framework</b>			
<ul style="list-style-type: none"> <li>co-ordination with business planning</li> <li>accountability arrangements</li> <li>identification of risks</li> <li>identification of controls</li> <li>risk assessment</li> <li>action plans</li> <li>identification and receipt of assurances</li> <li>use in informing the SIC</li> </ul>	✓		
<b>Risk Management System</b>			
<ul style="list-style-type: none"> <li>Risk Management Policy – review and approval</li> <li>Risk Management Policy – application</li> </ul>		✓	
<b>Standards for Better Health - declaration</b>			
<ul style="list-style-type: none"> <li>accountability arrangements</li> <li>evidence gathering – internal and external stakeholders</li> <li>approval of declaration</li> <li>submission of declaration</li> </ul>	✓		

BUSINESS CRITICAL SYSTEMS	audit cycle		
	annual	1 year in 2	1 year in 3
<b>Business Planning</b>			
<ul style="list-style-type: none"> <li>Corporate business planning and monitoring</li> </ul>	✓		
<b>Budgetary Control</b>			
<ul style="list-style-type: none"> <li>Service Line Reporting</li> </ul>	✓		
<u>Operational Budgetary Control</u>			
<ul style="list-style-type: none"> <li>delegation arrangements</li> <li>support to budget holders</li> <li>budget setting</li> <li>budget accuracy</li> <li>budget reporting</li> <li>budget analysis and action plans</li> </ul>	✓		
<b>Fundamental Financial Systems</b>			
<ul style="list-style-type: none"> <li>income and credit control (non clinical)</li> <li>payments to staff</li> <li>requisitioning, ordering and receipt of goods/services</li> <li>operating cash management</li> <li>general ledger</li> <li>patients property</li> <li>charitable funds</li> <li>capital charges and asset register</li> </ul>	✓	✓	✓

✓ 2008/09 planned work

**FUNDAMENTAL SYSTEMS : schedule of cyclical audits**

BUSINESS CRITICAL SYSTEMS (continued)	audit cycle		
	annual	1 year in 2	1 year in 3
<b>Standards for Better Health – compliance</b>			
<ul style="list-style-type: none"> <li>• Safety</li> <li>• Clinical and Cost Effectiveness</li> <li>• Governance</li> <li>• Patient Focus</li> <li>• Accessible and Responsive Care</li> <li>• Care Environment and Amenities</li> <li>• Public Health</li> </ul>	<ul style="list-style-type: none"> <li>✓</li> <li>✓</li> </ul>	<ul style="list-style-type: none"> <li>✓</li> </ul>	<ul style="list-style-type: none"> <li>✓</li> <li>✓</li> <li>✓</li> <li>✓</li> </ul>
<b>Information Management and Technology</b>			
<ul style="list-style-type: none"> <li>• I.T. Strategy and Project Assurance</li> <li>• network</li> <li>• active directory</li> <li>• IT operational management</li> <li>• mobile computing</li> <li>• applications</li> <li>• information governance</li> <li>• Business Continuity</li> </ul>	<ul style="list-style-type: none"> <li>✓</li> <li>✓</li> </ul>		<ul style="list-style-type: none"> <li>✓</li> <li>✓</li> <li>✓</li> <li>✓</li> <li>✓</li> </ul>
<b>Capital</b>			
<ul style="list-style-type: none"> <li>• formulation, approval and monitoring of strategy</li> <li>• project management of elements of the strategy</li> <li>• PFI Projects</li> <li>• Capital Schemes Procure 21</li> <li>• Capital Programme management &amp; control</li> <li>• Tendering procedures [including waivers]</li> <li>• Individual Trust schemes</li> <li>• Capital Equipment inc Medical</li> </ul>	<ul style="list-style-type: none"> <li>✓</li> <li>✓</li> </ul>	<ul style="list-style-type: none"> <li>✓</li> <li>✓</li> </ul>	<ul style="list-style-type: none"> <li>✓</li> <li>✓</li> </ul>

✓ 2008/09 planned work