



*North West Internal Audit Services*

**Wrightington, Wigan and Leigh NHS Trust**  
**Head of Internal Audit Opinion**  
**on the system of internal control**  
**for the year ending 31 March 2008.**

## **Contents**

### **Executive Summary**

### **Head of Internal Audit Opinion**

#### Appendices

A Bases of 2007/08 Plan and Links to HOIA Opinion

B Audit Outcomes 2007/08

- performance against plan
- unplanned audits
- other work
- summarised assurances
- key points arising
- 3<sup>rd</sup> party assurances
- follow up
- working with external audit
- working relationships

## EXECUTIVE SUMMARY

### NHS Internal Audit Standards

In accordance with NHS Internal Audit Standards I am required to provide an opinion, based upon the work I have 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).

### Head of Internal Audit Opinion

My overall opinion is that:

**Limited assurance can be given as weaknesses in the design, and/or inconsistent application of controls, put the achievement of the organisation's objectives at risk in a number of the areas reviewed.**

### Basis of the Opinion

My opinion has been based on:

- our audit of the Assurance Framework;
- the outcomes of our risk-based assignments;
- a review of the processes by which the organisation maintains compliance with core Standards for Better Health; and
- 3<sup>rd</sup> party assurances.

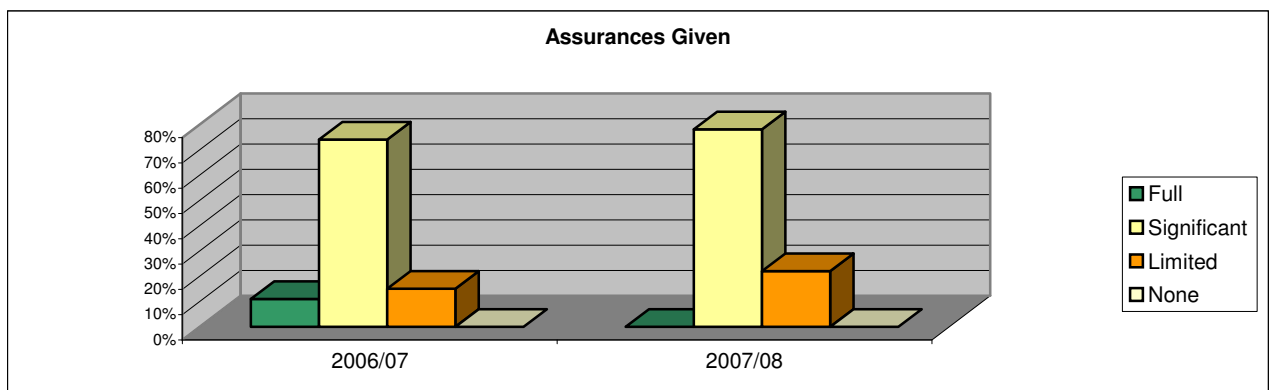
### Assurance Framework

We concluded that:

**An Assurance Framework has been established which is designed to meet the requirements of the 2007/08 SIC. We have provided Limited Assurance that the Assurance Framework is operating to provide reasonable assurance that there is an effective system of internal control to manage the principal risks identified by the organisation.**

### Risk-based Assignments

Eighteen reports have been issued in 2007/08. The chart below shows a comparison to 2006/07.



### **Declaration on Standards for Better Health**

We concluded that:

**Based on our work in the year-end audit we concluded that Limited Assurance could be provided regarding the robustness of the system in place to support the final declaration to the Healthcare Commission.**

It is acknowledged that during the latter part of the year, the Trust has agreed key actions:

- established an overarching Governance and Risk Assurance Committee, due to start meeting from April 2008;
- strengthening the Risk and Environmental Management Committee and the Clinical Governance and Standards Board;
- introduced an improved Board calendar for 2008/09;
- introduced measures to maintain and monitor the Assurance Framework.

The improvements have been evidenced by the Assurance Framework having been fully populated and approved by end of the financial year.

The Trust has responded positively to the recommendations made in the Internal Audit reports and in each area has agreed a plan of action for 2008/09.

## HEAD OF INTERNAL AUDIT OPINION ON THE EFFECTIVENESS OF THE SYSTEM OF INTERNAL CONTROL AT WRIGHTINGTON WIGAN & LEIGH NHS TRUST FOR THE YEAR ENDED 31 MARCH 2008

### 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 Statement on Internal Control (SIC) is an annual statement by the Accountable Officer, on behalf of the Board, setting out:

- how the individual responsibilities of the Accountable Officer are discharged with regard to maintaining a sound system of internal control 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; and
- 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 Statement on Internal Control requirements.

In accordance with NHS Internal Audit Standards, the role of the Head 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 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 Statement on Internal Control.

### HEAD OF INTERNAL AUDIT OPINION

The purpose of my annual Head 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 in turn assist the Board in the completion of its Statement on Internal Control.

My opinion is set out as follows:

- Overall opinion;
- Basis for the opinion; and
- Commentary.

## OVERALL OPINION

My overall opinion is that:

Full assurance can be given that the system of internal control is designed to meet the organisation's objectives and that controls are being consistently applied in all the areas reviewed.

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 weakness in the design and/or inconsistent application of controls, put the achievement of particular objectives at risk.

**Limited assurance can be given as weaknesses in the design, and/or inconsistent application of controls, put the achievement of the organisation's objectives at risk in a number of the areas reviewed.**

No assurance can be given as weaknesses in control, and/or consistent non-compliance with controls, could result [have resulted] in failure to achieve the organisation's objectives in the areas reviewed.

## Bases

The bases for forming my opinion are as follows:

1. an assessment of the design and operation of the Assurance Framework and underpinning processes;
2. an assessment of the range of individual opinions arising from risk based audit assignments, contained within the internal audit risk based plan that have been reported throughout the year. This assessment has taken account of the relative materiality of these areas and management's progress in respect of addressing control weaknesses;
3. an assessment of the process by which the organisation has arrived at its declaration in respect of the Standards for Better Health; and
4. reliance placed upon third party assurances.

## COMMENTARY ON THE BASES

The commentary below provides the context for my opinion and together with the opinion should be read in its entirety.

### The design and operation of the Assurance Framework and underpinning processes

The Assurance Framework is intended to be a critical means by which the Board assures itself that risks to its corporate objectives are being managed. As such it is also central to the methodology by which the organisation conducts its review of the system of internal control.

Hence, the opinion on the design and operation of the Assurance Framework is a key indicator when determining my overall opinion on the system of internal control.

The Assurance Framework for 2007/08 is based around the Trust's high level objectives, The Framework for 2007/08 was developed at an annual event attended by Board members and senior managers in July 2007. The Assurance Framework is also cross-referenced to the Standards for Better Health and includes clinical, business and financial risks. Responsibility of reporting on risks in the Assurance Framework has been set at director level, and during 2007/08, a great deal of work

was undertaken on populating the Assurance Framework and ensuring the content was correct. The Board is actively involved in the identification of risks and also receives detailed performance reports covering key risk areas at each Board meeting.

The assurance framework process is dependent on an effective underlying risk management process. During 2007/08 we also provided a limited assurance on the process of risk management in the Trust and noted a lack of evidence of assurance being reported to the Trust Board.

A formal plan of action has been agreed with management to address aspects of the processes that we considered needed strengthening:

- The Assurance Framework board “away day” should be held early in the new financial year to allow timely identification of risks, which could prevent the achievement of the Trust’s corporate objectives and link to business planning. Also to allow the approval of the framework by the Trust Board to take place earlier within the financial year. It should be ensured that Risk and Environmental Management Committee, Clinical Governance and Standards Board and Audit Committee minutes are reported and submitted to the Trust Board for review on a regular and timely basis.
- It is important that work continues to develop the Assurance Framework document ensuring assurances documented are real assurances to be reviewed in-year, rather than potential assurances. There should be a formal process in place to receive identified planned assurances on a timely basis, ensuring action is taken where the assurances received indicate significant gaps in control. There should be an explicit link between the Assurance Framework document and the Corporate Risk Register.
- It should be ensured that as planned assurances are received the risk scores are re-assessed as appropriate and an audit trail of the risk changes is in place.
- All action plans should have clear executive leads linked with them and timescales identified for each action point and a clear monitoring process in place. The Assurance Framework should be updated with the outcome of the action plans once the deadlines have passed.
- A sound process should be in place for reviewing and monitoring the Assurance Framework. The Assurance Framework should be reviewed regularly by the newly formed Governance and Risk Assurance Committee. Assurance should be provided from this committee to the Audit Committee and the Trust Board. It should be ensured that the Risk and Environmental Management Committee, and the Clinical Governance and Standards Board are also reviewing the framework in respect of non- clinical and clinical risks. The committees should ensure that there is an adequately documented audit trail to show that risks have been discussed, assurances have been received and changes in risk scores and updates from lead directors noted.

The overall conclusion was:

**An Assurance Framework has been established which is designed to meet the requirements of the 2007/08 SIC. We have provided Limited Assurance that the Assurance Framework is operating to provide reasonable assurance that there is an effective system of internal control to manage the principal risks identified by the organisation.**

**The range of individual opinions arising from audits contained within the risk based plan that have been reported throughout the year.**

On 19 March 2007 the annual Internal Audit Plan was agreed by the Audit Committee. The bases for that plan are set out in diagrammatic form at appendix A and indicate the links between the individual strands of our work and the HOIA opinion. In overall terms the plan was based on our assessment that the organisation’s status of risk maturity was *risk enabled*, i.e. that risk management and internal controls were fully embedded into its operations. As such our audit strategy directs us to audit risk management processes and use management’s assessment of risk rather than undertake detailed substantive testing of transactions and facilitation of risk assessments.

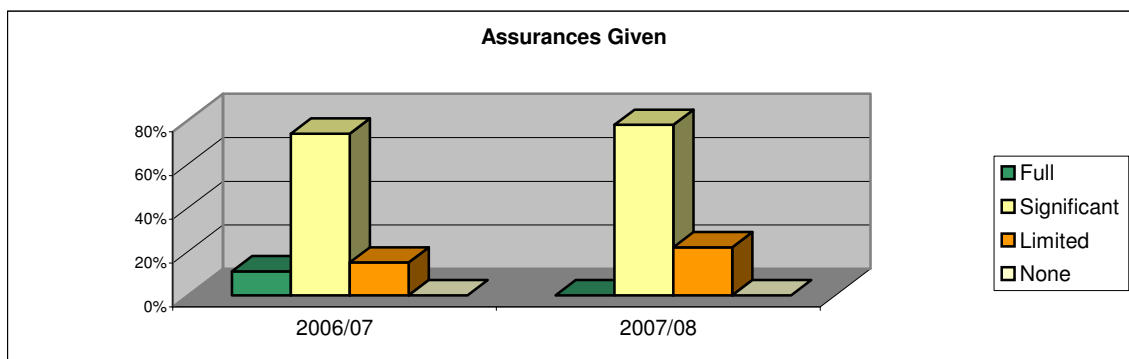
During the year any necessary material changes to the plan were reported to, and agreed by, the Audit Committee. Arising from the agreed plan of work a total of 18 reports have been issued. Appendix B gives fuller details of:

- performance against plan;
- unplanned work undertaken;
- the range of assurances;
- key points arising where our overall assurance opinion was “limited” or “none” ; and
- 3<sup>rd</sup> party assurances relied upon.

Whilst all audit outcomes have contributed to the overall opinion, the table shows those audits and their outcomes that I have considered particularly relevant in determining my overall opinion:

audit	initial assurance opinion			
	none	limited	significant	full
Assurance Framework		✓		
Standards for Better Health – Declaration Endorsement		✓		
Risk Management		✓		
Standards for Better Health – Delegated Consent			✓	
Standards for Better Health – NICE Guidance			✓	
Appraisal Process			✓	
ESR implementation / Payroll			✓	
Financial Information - Budgetary Control			✓	
General Ledger			✓	
Treasury Management			✓	
IM&T Security Review – Mobile Computing		✓		

The graph below summarises the total assurances provided:





In comparison with 2006/07, the graph illustrates that there has been an increase in percentage of reports falling into "limited". In each area action has been agreed with management which, once implemented, will strengthen the control environment.

### **Declarations to the Healthcare Commission on Standards for Better Health**

Standards for Better Health are at the heart of the performance framework for the NHS. The Standards set out the level of quality all organisations providing NHS care are expected to meet or aspire to across the NHS in England.

To assist the organisation we undertook an audit of the effectiveness of the processes in place to provide the Board with the evidence from which it makes its declaration to the Healthcare Commission.

The audit considered the following key aspects:

- Healthcare Commission guidance in respect of making the declaration is followed;
- Clear accountability arrangements are in place;
- Sound processes to gather evidence of compliance have been established, including involvement of stakeholders;
- There is robust assessment of the evidence gathered; and
- Action plans are implemented on a timely basis and have the desired impact.

The audit did not seek to provide assurance on the level of compliance with Standards, but rather to provide assurance on the bases for the declarations. The review indicated a lack of evidence base for the declaration process and late assessment of the evidence provided, indicating lack of continual monitoring of the process. This review also noted lack of evidence of assurance being reported to the Trust Board. A formal plan of action has been agreed with management.

Our audit provided limited evidence that a strong process continues to be in place and we concluded that:

**Based on our work we concluded that Limited assurance can be provided regarding the robustness of the system in place to support the final declaration to the Healthcare Commission.**

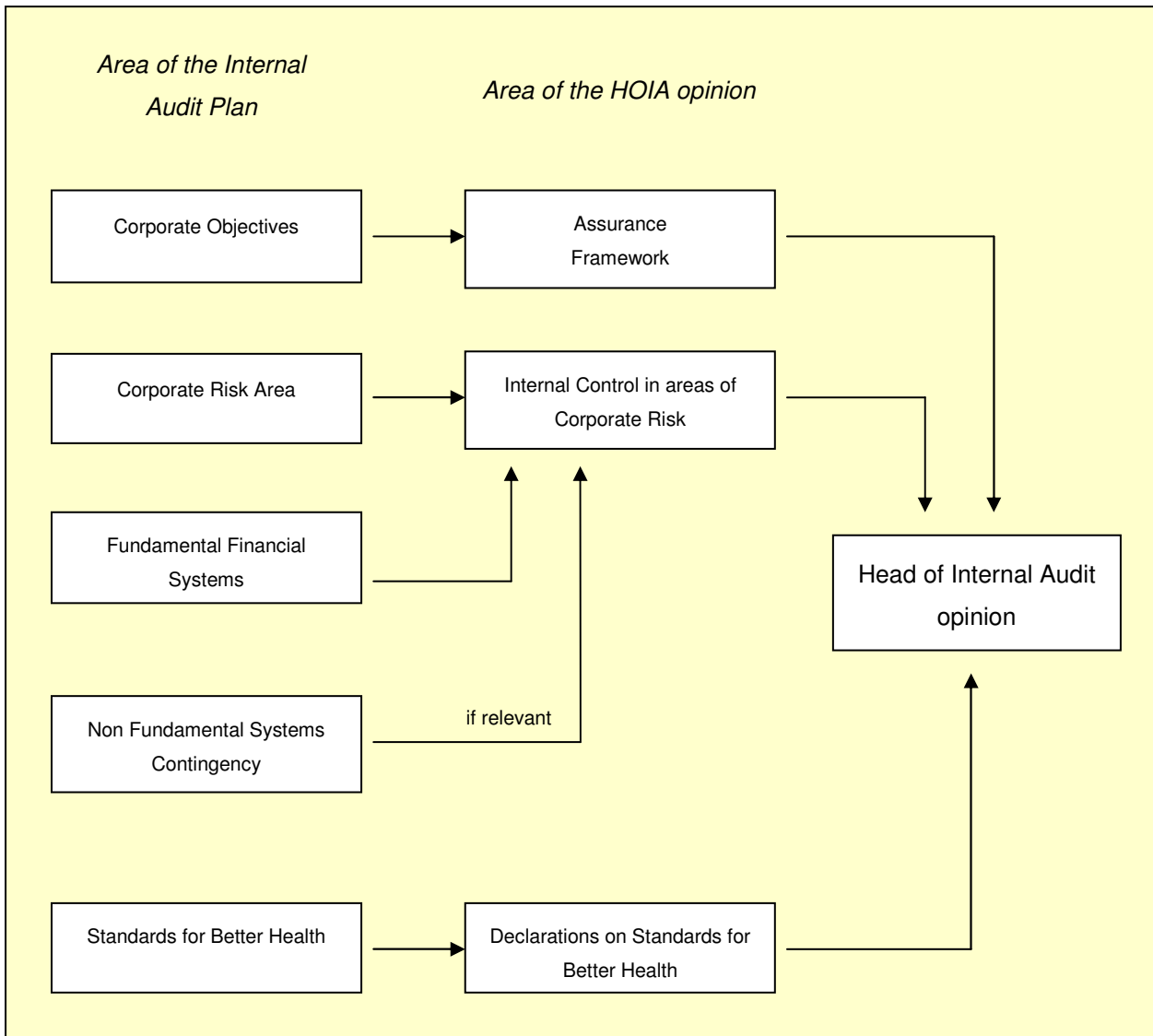
### **Statement on Internal Control 2007/08**

This Head of Internal Audit Opinion should be taken into account by the organisation when it is agreeing its Statement on Internal Control. In particular, apart from the overall opinion, where Limited or No assurance opinions have been issued against individual audits, then the organisation should assess whether or not the sources of those opinions necessitate the need for a disclosure of a significant issue. The definition of a significant issue is contained within guidance on the Statement on Internal Control.

The relevant reports are listed in appendix B.

**Phil Haigh,  
Head of Internal Audit,  
North West Internal Audit Services  
May 2008**

**Bases of the Internal Audit Plan and Links to Head of Internal Audit Opinion**



**APPENDIX B**

**AUDIT OUTCOMES 2007/08**

**PERFORMANCE AGAINST PLAN**

planned audit	audit performed	comments
<b>Assurance Framework</b>		
Opinion on design and delivery	✓	
<b>Corporate Risk Areas</b>		
Risk Management	✓	
Information Governance: IM&T Security Review – Wireless LAN	✓	
IM&T Security Review – Mobile Computing	✓	
Connecting for Health – Project Assurance Review	✓	
Capital: Pharmacy Scheme	✓	
ALE preparation	✓	
Clinical Outcomes	X	No formal report issued C/F to 2008/09
<b>Standards for Better Health</b>		
Processes to provide evidence to the Board of compliance	✓	
Delegated Consent	✓	
NICE Guidance	✓	
<b>Fundamental Systems</b>		
Governance	✓	Included with Assurance Framework review
Financial Information – Budgetary Control	✓	
Clinical Income	✓	
Payroll inc ESR preparation	✓	Separate reports issued
Non-Pay expenditure	✓	
Treasury Management	✓	
General Ledger	✓	
<b>Non Fundamental Systems</b>		
Risk Assessment of Financial Systems	X	C/F to 2008/09

**UNPLANNED AUDITS**

Appraisal Process

**APPENDIX B**

**AUDIT OUTCOMES 2007/08**

**OTHER WORK**

Our resources have been applied in several other respects:

- support to the Audit Committee and other Board Sub-Committees;
- attendance at regular meetings with the Finance Director and Deputy Director of Finance;
- provision of ad-hoc advice;
- annual planning and reporting.

Work on counter fraud has been reported separately in the Annual Report of the LCFS.

**ASSURANCES ISSUED DURING 2007/08**

The schedule below sets out the classifications for each audit and notes key points arising for those reports containing “Limited” or “No” assurance. In all cases, unless indicated otherwise, management action to address reported weaknesses was agreed. **Reports in the shaded boxes refer to reports that have been key to informing the HOIA opinion. Asterisked report numbers refer to reports that were in draft at the time of preparing this report.**

**Overall Full Assurance**

Full assurance that the controls designed to meet the systems objectives are being consistently applied in the areas reviewed.

No reports fall into this category.

**Overall Significant Assurance**

Significant assurance that the controls designed to meet the systems objectives are generally being applied.

report ref	subject
02	Appraisal Process
03	IM&T Security Review – Wireless LAN
05	Non-Pay expenditure
06	ESR Preparation
07*	Connecting for Health – Project Assurance Review
09	Standards for Better Health – Delegated Consent
11*	Clinical Income
12	Treasury Management
14*	General Ledger
16	Financial Information - Budgetary Control
17	Capital Pharmacy Scheme
18	Standards for Better Health – NICE Guidance
19*	Payroll

**APPENDIX B**

**AUDIT OUTCOMES 2007/08**

**Overall Limited Assurance**

Limited assurance as weaknesses in the design or inconsistent application of controls put the achievement of the systems objectives at risk in the areas reviewed.

report ref	subject	Key Points Arising
01	Risk Management	<ul style="list-style-type: none"> <li>➤ It should be ensured that the monitoring of the top 10 clinical and non-clinical risks continues to be a regular standing agenda item at the relevant committee meetings.</li> <li>➤ The Trust Board should be presented with the full Corporate Risk Register of risks scoring 15 and above and the Assurance Framework on at least a 6 monthly basis. It was evidenced that the Trust Board is not receiving information on the Corporate Risk Register, significant risks and treatment plans.</li> <li>➤ As stated within the Risk Management Strategy all members of staff should have access to the Divisional Risk Register on a read only basis. Within the Risk Register consideration should be given to the inclusion of an extra field containing a review date to help with the monitoring of risks.</li> <li>➤ Consideration should be given to initially using the Divisional Risk Registers to record all risks until a consistent system is implemented. To help develop the risk management system, consideration should be given to producing local risk registers for wards/departments.</li> </ul>
04	IM&T Security Review – Mobile Computing	<ul style="list-style-type: none"> <li>➤ All new laptops purchased by the Trust will provide built-in full disk encryption. A full disk encryption solution for existing laptops will also be procured.</li> <li>➤ The Trust will install anti-virus software on its PDAs.</li> <li>➤ The Trust will introduce a procedure to monitor the frequency at which individual laptops are being connected to the LAN. Laptops owners will be sent reminders if they do not connect to the LAN within a specified time period.</li> <li>➤ The Trust will develop procedures to ensure that relevant operating system updates are applied to its laptop and desktop computers.</li> <li>➤ The Trust will implement a system to centrally manage data storage devices, CD/DVD writers and floppy disk drives. This will ensure that only authorised data storage devices are connected to its network and allow for data saved to data storage devices and media to be encrypted.</li> </ul>

**APPENDIX B**

**AUDIT OUTCOMES 2007/08**

15	Standards for Better Health – Declaration Process	<p>The SfBH process for gathering evidence started late in the financial year. It is important that if key members of staff leave the Trust, that processes are in place to continue with the work they have been undertaking. The following was also highlighted during the review:</p> <ul style="list-style-type: none"> <li>➤ Clear accountability arrangements are not in place.</li> <li>➤ There was no evidence of continual assessment against Core Standards throughout the year.</li> <li>➤ There was no evidence of key sub-committees minutes being presented to the Trust Board for 2007/08.</li> </ul>
13 (10)	Assurance Framework Inc Governance	See page 6 of this report.

**Overall No Assurance**

No assurance as weaknesses in control, or consistent non-compliance with key controls could result [have resulted] in failure to achieve any of the systems objectives in the areas reviewed.

No reports fall into this category.

**Audits for which an assurance opinion was not appropriate**

report ref	subject
08	ALE Preparation

**Audits from 2006/07 plan reported in 2007/08**

report ref	subject
06/07. 512	National Programme for IT see 07/08 . 07
06/07. 518	Sickness / Absence Policy - Significant Assurance Opinion

**FOLLOW UP**

Internal Audit in conjunction with the Trust established a revised follow up procedure whereby a summary of recommendations made for each report is provided for the Audit Committee. This includes:

- number of recommendations made for each report across High, Medium & Low categories;
- number of recommendations implemented by the due date; and
- number of recommendations not implemented by the due date with reasons.

## **APPENDIX B**

### **AUDIT OUTCOMES 2007/08**

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Where there is a failure to implement agreed recommendations by the due date without justification, a formal process of notification to the Finance Director is made followed by referral to the Audit Committee.

There were no significant problems encountered during 2007/08 in this respect.

#### **THIRD PARTY ASSURANCES**

During 2007/08, in reaching our opinions on work included within the contents of the agreed plan, we have taken account of outcomes from the following reviews:

- external audit review of financial systems.

#### **WORKING WITH EXTERNAL AUDIT**

As both our plans are risk-based the need for close links with External Audit becomes increasingly important. During the year we have liaised with External Audit to ensure that our two resources avoid unnecessary duplication. Close links with External Audit have been evidenced by:

- provision of our plan to them for comment;
- planning meeting prior to commencement of our workplan;
- sharing of our reports and working papers; and
- local ad-hoc meetings as necessary.

#### **WORKING RELATIONSHIPS**

We have continued to enjoy positive working relationships with staff at all levels of the organisation. Their assistance is acknowledged and welcomed.