

AUDIT & ASSURANCE COMMITTEE

Meeting held on Tuesday 15th November 2011

Venue: Room AD77, Maple House, East Surrey Hospital

Present:		
Edward Cooke	EC	Non Executive Director (Chair)
Yvette Robbins	YR	Non Executive Director
Norma Christison	NC	Non Executive Director
Richard Durban	RDD	Non Executive Director
In attendance:		
Darren Wells	DW	Audit Commission – External Auditor
Justine Thorpe	JT	Audit Commission – External Auditor
Nick Atkinson	NA	RSM Tenon – Internal Auditor
Sarah Pratley	SP	Parkhill – LCFS (Items 5 & 6 only)
Paul Simpson	PS	CFO
Jo Thomas	JT	Chief Nurse
Caroline White	CW	Governance Team
Brenda Kelly	BK	Governance Team (Item 2 only)
Lorraine Clegg	LC	Deputy CFO
Majid Bhatti	MB	Head of Financial Accounting & Notetaker

		Action by :
1	<p>MINUTES OF LAST MEETING</p> <p>YR advised that she had been in attendance. (The minutes will be amended). NA explained that his comment concerning the BAF scorecard “reduction” on page 5 referred to a reduction in risk score.</p>	
2	<p>ACTIONS</p> <p>JT Page 1 - action completed JT Page 4 – safeguarding training – the plan was in place to train an appropriate number of staff. SGB Page 4 – CW has picked up this in the agenda item later. SGB Page 4 – version control – CW confirmed that version control would be applied to the BAF that was submitted to the Board. NA Page 5 – the BAF “crib sheet” have been sent to SGB - NA would circulate this to members of the AAC after the meeting. JT Page 5 –The BAF was taken to the Trust Board. DW Page 6 – DW was undertaking a risk assessment to decide on the details of the VFM audit and would advise. DH Page 9 – to action JT would pick up with DH and provide an update for the minutes of the meeting to be circulated to AAC members later.</p>	
3	<p>BOARD ASSURANCE FRAMEWORK AND RISK MANAGEMENT REVIEW</p> <p>JT presented the paper describing the Board Assurance Framework (BAF)</p>	

	<p>that would be taken to the Board later in the month and the actions being taken to review the Trust risk management processes to ensure improved fit between the different parts of the process and smooth the completion of the BAF. CW was in post temporarily while SGB was on secondment and would be completing this work.</p> <p>In the updated BAF, the ED risk had been increased to 25 (the maximum score) recognising current pressures and with winter approaching. Residual risk scores have been altered on several lines (reflecting the review and the impact of actions taken) and changes have been suggested in respect of director leads on a couple of lines. The committee recognised the difficulty of assigning a specific single Director lead in respect of risks that cross the entire Trust and that the individual director needed to confirm acceptance.</p> <p>ACTION: JT to advise the AAC following the meeting of all changes to Director leads for risks within the BAF.</p> <p>The workforce additions to the BAF on lines 3.2.2 and 3.2.3 were pointed out and the committee supported their inclusions. RDD talked about the low risk rating and asked for that to go back to the HR Director for both items – NA pointed out that the BAF as it stood did not provide details of actual data in respect of positive assurance.</p> <p>ACTION: JT to discuss with HR Director (YP) and confirm risk rating to be applied in respect of these lines of the BAF.</p> <p>NC reiterated the need to move from intention to statement of fact and ensure more comprehensive description (she quoted one of the finance risks where reporting the year to date position would explain the residual risk rating and ED). In response to the question from YR, JT advised that the SHA was fully aware of the position in respect of the Trust’s ED, noting that the chair had been in correspondence with the Vice Chair of the SHA concerning it recently and PS advised that the BAF was an assurance document and the Board’s responsibility was to ensure that it accurately recorded the level of risk the Board recognised.</p> <p>The liquidity rating remained at 25, and in response to a question from EC, PS set out the position in respect of cash advanced from the DOH to cover the deficit plan the Trust had and part of its capital programme. A review of the Trust overall liquidity position would take place within the next month once funding had been received and the cash flow had been firmed up for the capital programme.</p> <p>Turning to the risk process review and the new BAF format which had been circulated to AAC members, the revised design of the BAF was given a favourable welcome. EC made comments about some format changes to ensure it was clear and it was agreed that it required version control. RDD raised a point about the risk register review groups suggested, recognising that it was a management decision, but asking whether this simply added another layer and more bureaucracy. CW explained that it would be a</p>	<p>JT</p> <p>JT</p>
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	<p>practical solution to avoid the whole risk register being read through at a Management Board meeting which would be extremely laborious and could be achieved better and more efficiently by a small group of people familiar with the way the risk process worked and who could then provide the consistency that was required to ensure the risk register across the Trust was coherent. NA advised that he would provide information about best practice about how other Trusts overcome these practicalities.</p> <p>ACTION: AAC members to provide comments to CW by 24-November in respect of the proposal BAF format.</p>	<p>ALL</p>
<p>4</p>	<p>INTERNAL AUDIT REVIEW OF BAF LINES</p> <p>NA spoke to his paper which was self explanatory. The main point that he wanted to reiterate was that it was difficult to see from the assurance in respect of the lines reviewed how the score had been reduced. Part of this was to do with the format and there was comment on the right hand side of the BAF in respect of these assurances - in summary, where a risk score had been reduced, a factual statement of the assurance that had been received that was different from that received previously should be stated in some form.</p> <p>CW advised that there were some changes agreed with DH in respect of line 1.1.2 that reflected NAs comments.</p>	
<p>5</p>	<p>EXTERNAL AUDIT REPORT</p> <p>DW presented the papers submitted which were again self explanatory. JT would be leaving the Trust as the Audit Manager (and the new Audit Manager appointed would meet with EC and PS after the meeting). EC thanked JT for her contribution in her time working with the Trust and that the committee would be sorry to see her go.</p> <p>DW advised the outline of the programme as it was and confirmed, in response to a question from EC, that the performance in both areas of the VFM assessment was required to achieve full compliance (that meant demonstrating strong procedures and VFM within internal processes but also achieving a level of financial resilience and sustainability).</p> <p>MB gave a brief update in respect of the requirements to restate the Trust's 2010/11 accounts to meet the requirements of HM Treasury's "clear line of sight" initiative. This initiative was about harmonising the accounting regime across different parts of the public sector and meant some significant changes in respect of the Department of Health Resource Account. Primarily these were about altering the status of donated asset reserves and incorporating foundation trust accounts within the departmental resource limits. No guidance had yet been received and the output from a pilot that had been carried out had not been communicated. In response to questions, MB advised that the restatement of accounts would be a</p>	

	<p>considerable amount of work but it was probably the restatement of agreement of balances with organisations that had not previously been involved in the agreement of balances exercise that would be extremely time consuming.</p> <p>JT advised that the Audit Commission is involved as part of the group considering the implications of this piece of work. There was no indication that it would be delayed.</p>	
6	<p>INTERNAL AUDIT REPORT</p> <p>NA presented his paper and summarised the position in respect of the internal audit programme noting that only one completed report was available for this committee and there would be a greater number that were coming to the next AAC. Unfortunately the Performance Management data quality report had been delayed because of Bernie Bluhm (BB's) absence and the Charitable Funds report was still going through the review process with internal audit and Management. It was agreed that the performance management data quality audit report would be circulated to AAC members ahead of the next AAC meeting.</p> <p>ACTION: NA to circulate final version of the performance management data quality audit prior to the next AAC meeting.</p> <p>The internal audit report on contracting was green rated with no issues of any note.</p> <p>NA went through the national updates and EC commented on his involvement with one of the sessions offered by the internal auditors, concerning Board effectiveness and learning from the Mid Staffs experience. A specific point there was that health and safety had become a standing item on the Board agenda. For this Trust, it was noted that the Safety and Quality committee included health and safety as part of its terms of reference, discussed it at each meeting and through the standing report to the Board the Trust already had a mechanism to ensure that health and safety was correctly represented within the Board agenda each time it met.</p> <p>NA confirmed that the fieldwork for the stock audit had been completed and the report had recently been submitted to the Finance team for the next stage in the process. In response to a question from EC, PS reiterated that the stock increase seen in 2010/11 accounts was the culmination of a process that the Trust had been going through to ensure that all stock in all areas of the Trust was counted correctly (which had not happened previously) and as all areas were now being counted it was unlikely that there would be an increase in the value of stock as had been seen in previous years. NA advised that the internal audit report looked at the processes of stock management within the Trust.</p>	NA

7	<p>AAC ANNUAL REPORT</p> <p>EC presented the AAC Annual report and there was agreement that it correctly captured activities in the past year and provided a good summary of where the AAC was currently. There was discussion amongst the committee about how the AAC had evolved, in particular noting its readiness to adopt the new terms of reference put forward in the new Audit Committee handbook even before its release.</p> <p>The AAC confirmed that the annual report should be submitted to the Trust Board.</p>	
8	<p>AUDIT TRACKER</p> <p>NA advised that there was little movement from the position reported at the previous meeting (noting that the position at that meeting had been an extremely positive one) with the absence of key member of Trust staff to complete the first stage of the validation process. The AAC accepted that this would be picked up and that a report would be provided to the next AAC. PS agreed to bring forward his review with NA to mid December.</p> <p>ACTION: PS and NA to review the audit tracker and report back to the next AAC meeting.</p>	PS/NA
9	<p>COUNTER FRAUD</p> <p>SP presented the amended Counter Fraud Policy, PS explained the process within the Trust for policies such as this and this policy had been through that process and was presented in the Trust format. The AAC approved the revised policy for submission to the Trust Board and incorporation in the Trust Corporate Governance Manual.</p> <p>There was discussion with SP about counter fraud effectiveness, noting that the Trust had received a score of 4 in the recent National Fraud assessment process and that generically over time the nature of the fraud report to the AAC had changed from more serious items to more “run-of-the-mill” items. However, it would be interesting to see some more empirical data and SP was asked to provide some.</p> <p>ACTION: SP to provide benchmarking information in respect of counter fraud effectiveness within the Trust.</p> <p>SP went through the outstanding cases that were currently in progress. She noted that there was one particularly high value fraud which was now proceeding with the police (case 4563) and she would advise of progress with the prosecution. There were two cases where people working at the Trust had been signed off sick from other organisations.</p> <p>NC commented that there were no dates on the recommendations matrix</p>	SP

	<p>and they should be included (SP confirmed that they would be).</p> <p>PS reported for the AAC's interest and purely for reasons of transparency that there had been an issue with overcharging from Parkhill in respect of some of their costs but PS wanted to reassure the AAC that this was an oversight on the part of Parkhill and Parkhill had confirmed that changes to their processes would be put in place. SP confirmed that this was the case.</p>	
10	<p>STANDING FINANCIAL INSTRUCTIONS, STANDING ORDERS AND LOSSES AND COMPENSATIONS REPORT</p> <p>The AAC considered the changes that had been made to the standing financial instructions and orders. These changes were all relatively minor and there was no dissent in the meeting. It was agreed that both the SFIs and SOs should be submitted to the Board for formal approval and the updating of the Corporate Governance Manual for the Trust.</p> <p>ACTION: PS to submit SFIs, SOs and Counter fraud policy to the Board's next meeting.</p> <p>The losses and compensations and waiver report were reviewed with no major issues or items for discussion. The AAC accepted both reports.</p> <p>ACTION: PS agreed to circulate details of the timings of meetings for the next year.</p>	<p>PS</p> <p>PS</p>
11	<p>ANY OTHER BUSINESS</p> <p>No other business raised.</p>	
	<p>DATE OF NEXT MEETING</p> <p>tbc.</p>	