

AUDIT & ASSURANCE COMMITTEE

Notes from the meeting held on Wednesday 2nd June 2011
Time: 10.00 – 13.00

Venue: Room AD77, Maple House, East Surrey Hospital

Present:		
Edward Cooke	EC	Non Executive Director (Chair)
John Power	JP	Non Executive Director
Richard Durban	RD	Non Executive Director
Darren Wells	DW	Audit Commission
Justine Thorpe	JT	Audit Commission
Phil Burton	PB	Audit Commission
Nick Atkinson	NA	RSM Tenon
Sarah Pratley	SP	Parkhill - Local Counter Fraud Specialist
Paul Simpson	PS	SaSH - Chief Financial Officer
Jo Thomas	JT	SaSH - Chief Nurse (Item 5 only)
In Attendance (SaSH)		
Alan McCarthy	AM	Chairman
Lorraine Clegg	LC	Deputy Director of Finance
Majid Bhatti	MB	Head of Financial Accounts
Coral Jackson	CJ	Head of Financial Management
Yvonne Parker	YP	Director of Workforce (item 6 only)
Nicola Rose	NR	Head of Employee Relations (Item 6 only)
Gillian Cruse	GC	Minute taking

		Action by
1	<p>WELCOME AND APOLOGIES</p> <p>E Cooke welcomed attendees to the meeting and apologies were noted from N Christison and S Mason.</p>	
2	<p>MINUTES OF PREVIOUS MEETING HELD ON 15th FEBRUARY</p> <p>Two amendments to be noted:</p> <ul style="list-style-type: none"> • Page 3, 4th bullet point should read: “Capital cost assumption is achieved at 3.5%” • Page 5, final paragraph: Add “M” after £4.5 and £4.8 to indicate millions. 	
	Actions from previous meeting:	
1	Data Quality to be added to performance Scorecard.	Action completed
2	Bridge analysis against last year’s accounts to be produced.	Agenda item
3	Wording within Endoscopy report around assurance scoring and related risk to be amended.	Action completed
4	Wording around qualified opinion regarding financial resilience to be discussed.	Action completed
5	References to “Council Offices” to be removed.	Action completed
6	Wording around Endoscopy within Head of IA Opinion to be changed.	Action completed

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7	Additional funding for final tender for Endoscopy to be agreed. Paper taken to Investment & Workforce Committee and £43K approved (which was lower than originally outlined).	Action completed
8	2012/12 BAF to be taken to Trust Board Seminar.	Action closed
9	Gantt chart included within progress report for External Auditors.	Action completed
10	Progress report – Internal Audit. Explanation to be written at the beginning of each report giving a breakdown of the colour coded system.	Action 1 - July N Atkinson
11	26 recommendations outstanding on Audit Tracker to be sent to Executives and to be followed up. Distributed and will form part of IA Progress report.	Action ongoing
12	<i>Hospitality & Gifts</i> S Pratley to draft a policy to be tied up with "Bribery Act". Noted that a draft policy has been produced by S Pratley and now with P Simpson for review but this has not been formally signed off. A draft will be brought to the next AAC meeting. Action: S Pratley/P Simpson to present to next AAC meeting. A separate Trust policy regarding Hospitality and Gifts is currently being drafted which will be distributed for information only.	Action 2 - July P Simpson S Pratley P Simpson
3	2011/11 ACCOUNTS	
	Introduction of NHS Finance PS had produced this paper for information, offering some guidance to the AAC around the financial terminology used within the accounts.	
	2010/11 accounts – financial analysis This paper was presented to supplement the accounts and the auditor's reports, providing additional information. Key points were summarized from the 2010/11 accounts prior to going through them in detail.	
	Final Accounts PS reported that the Auditors had now completed their validation of the 2010/11 accounts, one week ahead of the due date for final submission. A material adjustment relating to the valuation of the estate was made to the Draft accounts. The potential of this adjustment had been advised at the previous AAC. Here, the trust accepted the findings of the Audit Commission that, on balance, the District Valuers approach to the valuation of the estate was likely to be correct. This resulted in a downwards revaluation of the Estate by £8.1m. This resulted in an improved I&E position through reduced depreciation and Public Dividend Capital (PDC) charges. However, P Simpson informed the AAC the possibility of reduced capital funding through reduced depreciation in FY 12-13.	

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	<p>The retained I&E position for the year is a deficit of £3.9m. However, due to the way the financial performance is measured the I&E impact of the revaluation is regarded as a technical impairment. This means that the reported position is a surplus of £0.9m</p> <p>PS then briefly outlined key pages of the accounts.</p> <p>P17 of the accounts outlined the financial analysis against the changes in taxpayers' equity.. The DoH through the SHA have been kept informed of changes made to the accounts.</p> <p>E Cooke raised a query around the wording on the financial analysis which read "unrealistic" savings plan and questioned whether this should read "ambitious". PS advised that the initial plan was over ambitious but it was signed off with the SHA, recognizing the level of risk. The difficulties were recognized in M3.</p> <p>Action: PS to change the wording slightly on the front page of the document.</p> <p>P Simpson reported on the movement from one year to another identifying how the Trust had achieved figures. It was agreed to circulate this bridge paper to consultants in order that they could understand the financial history and R Durban asked that this document could be used as a working plan for the future.</p> <p>P Simpson advised that following discussions with the SHA, information regarding agency reduction etc. was not incorporated.</p> <p>E Cooke questioned the drop of £400K in non recurring income and was advised that this was due to being paid less by the PCTS. There will be no tariff increase this year and will be minus next year.</p> <p>R Durban raised a question on P14 of the financial analysis paper around Training and Education. The total spend for this year was £412K and he questioned what this was used for and how much will be made available this year. P Simpson advised that training covers CT courses, conferences etc. Future spending to be discussed outside of this meeting.</p> <p>PS confirmed that in note 8 (Operating Expenses)the Trust Chair and NED costs for the current year is lower in comparison to the 2009/10 comparator as Executive Directors pay costs have been excluded from this line and is now within employee benefits This disclosure follows national guidance.</p> <p>Total spend for agency staff in 2008/09 was £7.9m. These costs still very high and had increased in 2009/10. A 30% reduction had been shown in M1 of this financial year and a huge effort ongoing to reduce agency costs significantly.</p>	<p>Action 3 P Simpson</p>
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	<p>Management Costs in 2011/12 had gone up. This was partially due to double costs in respect of executives plus the clinical restructure costs. An SHA exercise had been carried out in the last year and SaSH were about average for back office costs. Noted that reference costs were fairly low.</p> <p>P Simpson identified a few more savings on page 11 of the document relating to an element of non recurrent stock.</p> <p>J Power commended P Simpson on the quality of his review of the accounts as it contained a good balance between financial and non-financial information. He also thanked him and the finance team for their hard work in producing the accounts.</p>	
	<p>Statement of Internal Control (SIC)</p> <p>One minor change on Page 8 noted.</p> <p><i>2011/12 budget – financial support risk</i> The words “Department of Health” to be deleted and the word “confirmed” to be deleted. The DoH are aware of the position and have agreed that SaSH need support but have not yet agreed to offer this. There is a draft tri-partite agreement in place and the draft S19 letter has been seen by the DoH. The Trust has been given to the end of June to resubmit a strategy plan. No other changes made to the SIC since its presentation at the April AAC meeting.</p> <p>The SIC was approved with minor changes</p>	
	<p>Final Annual Report</p> <p>Since its presentation at the AAC meeting in April, the annual report had been amended to incorporate finances.</p> <p>An adjustment to be made on page 31 to note that the AAC meets 6 times a year, not 4.</p> <p>J Power requested that some wording was included on P31 of the report to include clinical reporting and not just financial.</p> <p>R Durban raised a question in the Executive summary of the Chairman and Executives report regarding the development of a patient safety strategy and was advised that this strategy is not yet finalized.</p> <p>An amendment to P32 to be made regarding the structure of the Charitable Funds Committee following revised membership.</p> <p>Add wording “no declarations” where necessary to ensure consistency of wording to “Declarations of Interest” on pages 29/30.</p>	

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		D Wells noted the above comments and amendments but confirmed that this document was now substantially complete	
		<p>Annual Governance Report</p> <p>D Wells confirmed that there was only one significant matter around revaluation as noted above.</p> <p>The quality of the accounts presented had been good with robust packs produced with relevant back up evidence. The staff had all been very helpful and he expressed his thanks to the Finance staff.</p> <p>There had been a few issues which have now been resolved and he was satisfied with the manner in which these were dealt with.</p> <p>D Well expressed confidence overall on the economy and efficiencies of the Trust but the financial standing was still not secure and his reasoning for this was set out in his report.</p> <p>In response to a question from the Chairman, the AAC were advised that this document did not go into the public domain although the final letter does, a copy of which would be available in September.</p> <p>Random checks had been made and a potential £858K single accrual error had been picked up and amended within the accounts.</p> <p>The AAC needed to agree two items:</p> <ol style="list-style-type: none"> 1. Reclassification and depreciation of purchased items 2. £90K adjustment due to inaccurate coding which has now been corrected. 	
		<p>Head of Internal Audit Opinion</p> <p>N Atkinson advised that the single weakness related to capital and adjustments have been made.</p> <p>Now finalized and in his opinion accepted as accurate.</p>	
		<p>Representation Letter</p> <p>The representation letter has to be signed off with an agreement that the levels of stock are appropriate. Internal Audit is planning to review the stock letters.</p>	
		<p>Compliance with accounting standards – letter from CEO and AAC Chair</p> <p>Letters presented for information</p>	
4		FORMAL ADOPTION OF 2010/11 ACCOUNTS	

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		<u>The AAC formally approved the 2010/11 accounts.</u>	
		Noted that Quality Accounts were not approved at this meeting.	
5		INTERNAL CONTROL SYSTEMS	
		<p>Report – MB (Quality & Risk)</p> <p>J Thomas presented a verbal report.</p> <p>One ongoing SUI at present in relation to a breast screening incident. Clinicians had met to discuss the incident and to give assurance around management to ensure this situation would not be repeated.</p> <p>A good start to year noted regarding Infection Control. 5 cases of MRSA to date and no C.Diff cases.</p> <p>Following a recent CQC visit, documentation is being reviewed, particularly around nursing documents. Bletchingly Ward are currently standardising documents and feedback will be sought on this from other areas. It is anticipated that it will take 3 months to roll out to all areas. All core care information will be available on the Intranet.</p> <p>A presentation given to the Management Board around effectiveness of working. D Holden / J Parr leading on this to identify more creative ways of working.</p> <p>A Patient Experience meeting arranged for 6/6/11. This will be a key group which will include staff engagement and it will be responsibility for coordinating action plans to link into the Safety & Quality Group. F Robinson is taking on the responsibility for PPI but J Thomas will provide executive updates to the Trust Board.</p> <p>The “Mid Staffs” action plan has been reviewed and updated. 11 actions still ongoing and these are being merged via Safety and Quality Board as WIP. Noted that these were much user friendly documents than previously reported.</p> <p>A McCarthy questioned whether the correct amount of rigor was being applied to the 11 outstanding items. J Thomas was confident that more than reasonable responses are provided with full evidence and action plans. The PCTs review our action plan and provide governance.</p> <p>The policy for Health & Safety, “Slips, Trips and Falls” has now been approved and will be available on the Intranet.</p> <p>R Durban requested a summary regarding Clinical Audit findings. Noted that a report is presented to the Safety and Quality meeting but agreed to present to AAC on a 6 monthly basis.</p>	

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	<p>A draft Audit Fee letter was presented for information only at this time. P Simpson acknowledged that this was a reasonable fee which had been discussed with M Wilson.</p> <p>The Audit Commission set the scale of fees for all Trusts and the Auditors cannot influence the scale of fees. The fee is determined by the programme of work that is being done and VFM.</p> <p><u>The AAC Committee accepted the draft letter.</u></p>	
	<p>INTERNAL AUDIT</p>	
	<p>Progress Report</p> <p>“E.Rostering” was the only report finalized since the last AAC which was a positive report. The main concern raised was the unsatisfactory level of reports that come out of the system. There is difficulty obtaining reports for management information. In order to be able to retrieve beneficial reports there is a need to buy additional software at a cost of £90K.</p> <p>The £90K was for a location based 5 year license which would give additional benefits of specification and management reporting. The Trust does have some benefits from visibility around booking of staff leave etc. but the reports currently received from “Allocate” need to be quantified. To be a productive tool and of real benefit across the Trust, reports must be readily available for use to monitor doctors/consultants and locums leave, absence etc</p> <p>There is a good take up by nurses now to use the system with e.rostering now embedded across the Trusts with a reduction in costs noted. Some consultants now beginning to use the system.</p> <p>Y Parker will be attending an HR Directors meeting on the 21/6 where discussions on e.rostering are to be shared.</p> <p>Some of the problems on reporting relate to weekly paid staff. In response to a question raised P Simpson advised that it was a positive recruitment attraction for many people who like to be paid weekly and also the Unions support people’s choice.</p> <p>Noted that Version 10 is due to be released next year which offers better reporting facilities. A business case would be required to outline benefits.</p> <p>Further discussion took part around benefits and N Atkinson advised that there was an action plan on P17 identifying work ongoing which will be presented back to Executives as progress made.</p> <p><i>Internal Audit follow up report</i></p>	

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	<p>37 high level actions outstanding. Some 11 actions have been implemented but still on tracker due to short time between meetings. 31 items still to be followed up, 24 of these have been chased and confirmation and evidence awaited.</p> <p>Some new actions from Endoscopy report are also included which have not yet been followed up for management responses and evidence of completion. The next AAC meeting will see a much improved list. N Atkinson advised that he was receiving good genuine feedback. Agreed that in the future any long outstanding items would be discussed at the pre-audit meeting and responsible leads would be requested to attend AAC to give an explanation of reasoning behind delays.</p> <p>The exception report is to be amended to include high and medium risks with identified lead name.</p> <p>Internal Audit client briefings had been distributed to AAC members over the past month. There are currently some reports issued in draft format which will be finalised prior to the next AAC meeting.</p> <p>R Durban raised a question around Staff Appraisals. Noted that a draft report had been prepared and sent out for management comments. Once these have been added a copy will be sent to R Durban and the final report will be ready for the next AAC meeting.</p> <p>N Atkinson' overall summary of this year was that the reports issued were mainly positive reports. His Head of Internal Audit Opinion was a strong one and gave significant assurance.</p> <p>A detailed planning process now in place around financial systems which were all "green". Quality of reports in other areas good and nearly all green or amber and there was a positive engagement with management teams.</p>	
	<p>Internal Audit Strategy (2012/13) for approval</p> <p>A few minor changes made to earlier draft and feedback had been taken into account:</p> <ol style="list-style-type: none"> 1) No major changes to previous draft. There has been a detailed process to get this far with input from all management and the executive team has approved it. 2) A & E capacity management. A meeting to be held on how this should work. 3) Any potential risks still to be confirmed. 4) Additional report on "Stock" to be added to review all processes. Thorough checks are being made but processes need to be embedded. 	

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		<u>The AAC formally accepted plan</u>	
		LCFS	
		<ul style="list-style-type: none"> • Progress report • Annual Report • KPIs • June Matrix • Brief Survey <p>S Pratley presented 5 papers to the AAC, mainly for information.</p> <p>The key issues within the Progress Report were discussed.</p> <p>In line with the National Framework Initiative, action had now been taken against 3 employees who were found to be illegal workers. 2 of these were substantive staff and have been suspended, the 3rd was agency and employment ceased.</p> <p>Criminal action has now been authorized around case PAA 4344.</p> <p>A demonstration to be set up around scanning documentation to avoid fraud when potential employees submit certificates and other required documentation.</p> <p>In response to a question raised around the LCFS view of the Trust, S Pratley advised that there was a significant improvement year on year in respect of training and literature.</p> <p>Number of referrals in 2010 increased with timesheet fraud still the most common kind of fraud. £75K of lost income due to illegal workers is not refundable.</p> <p>The Trust is looking to move towards a scoring from 3 to 4 and one change that has been made has been for S Pratley to report directly into S Mason in HR. This is beneficial to the Trust in speeding up processes and makes sure that these are embedded within the culture of the Trust. P Simpson is still the Executive lead and meets regularly with S Mason and S Pratley.</p> <p><i>Summary Sheet</i> 13 KPIs agreed with Parkhill for 2011/12.</p> <p><i>Training</i> J Power questioned the amount of training to consultants and was advised that there had been training at the ½ day rolling day but acknowledged more training in clinical areas needed to be added, this could be carried out via the E.learning method.</p> <p>S Pratley currently reviewing opportunities regarding E-learning to enable people to carry out surveys and training on line which would</p>	

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	<p>give more visibility to the management of LCFS at the Trust.</p> <p><i>MOU</i> P Simpson reviewing the MOU which is being introduced to provide more focus with clear KPIs and associated costs.</p> <p><i>Publicity</i> Opportunities to promote LCFS on newsletters and SaSH window to be reviewed. Noted that there was a poor response to the LCFS survey, although positive comments were noted within the limited numbers of returns.</p>	
	<p>Qualitative Assessments</p> <p>Presented for information only</p>	
7	INTERNAL SASH REPORT	
	<p>Losses and Compensations</p> <p>Paper identified one month of Losses and Compensations only. Finance team continuing to monitor.</p>	
	<p>Waivers</p> <p>Requested that the reasons for the provision of waivers be added to the report as highlighted in SFIs. Much tighter processes now in place for raising Waivers.</p>	<p>Action 7 G Cruse</p>
	<p>REVIEW OF MEETING</p> <p>It was acknowledged that there were too many papers for one meeting and a request made to cut the volume down especially on LCFS.</p> <p>No other business raised and meeting closed.</p>	<p>Action 8 P Simpson</p>
8	<p>DATE OF NEXT MEETING</p> <p>19th July 10.00 – 13.00 AD77</p> <p>Pre meet at 09.30 for NEDs, Internal and External Auditors</p> <p>Please note that the November meeting is on 15th November (not 19th).</p>	