

ITEM:

MINUTES OF AUDIT & ASSURANCE COMMITTEE

SYNOPSIS:

**Attached are the minutes of the Audit & Assurance Committee held
on 5 March 2013**

AUTHOR:

**PAUL SIMPSON
CHIEF FINANCIAL OFFICER**

ACTION REQUIRED:

FOR APPROVAL

Signed by the Chair of Audit & Assurance Committee.....
(subject to amendments duly recorded)

Date:

AUDIT & ASSURANCE COMMITTEE

Meeting held on Tuesday 05 March 2013 10.00 – 13.00

Venue: Room AD77, Postgraduate Education Centre & Trust HQ, East Surrey Hospital

Present:		
Richard Congdon	RC	Non Executive Director (Chair)
John Power	JP	Non Executive Director
Richard Durban	RD	Non Executive Director
Richard Shaw	RS	Non Executive Director
In attendance:		
Yvette Robbins	YR	Non-Executive Director
Darren Wells	DW	Grant Thornton (formally Audit Commission)
Jamie Bewick	JB	Grant Thornton (formally Audit Commission)
Lorraine Clegg	LC	Deputy Chief Financial Officer
Majid Bhatti	MB	Head of Financial Accounts
Gillian Francis-Musanu	GFM	Director of Corporate Affairs
Colin Pink	CP	Acting Head of Integrated Governance and Quality
Joe Aslam	JA	Internal Audit
Des Holden	DH	Medical Director
Sue Mason	SM	Human Resources (part meeting)
Stuart Doyle	SD	Counter Fraud (part meeting)
David Knight	DK	Cost Accountant (Note taking)
Apologies		
Paul Simpson	PS	Chief Financial Officer
Nick Atkinson	NA	Internal Audit

		Action by :
1	Welcome and Apologies for absence RC welcomed everyone to the meeting and apologies were noted.	
2	Minutes of last meeting After a couple of minor adjustments the minutes of the meeting held on 8 January 2013 were recorded as a true and accurate record of the meeting. ACTION : DKnight to amend minutes of the last meeting to include an amendment for DWells regarding Monitor focus and provide a final version for the Public Board. The following actions were carried forward ACTION : C/FWD Revised Medical Records action plan to be circulated between meetings of the AAC and to be presented to the next AAC meeting by DHolden.	Action 1 DK Action 2 DH

		<p>DHolden to update incidents policy and Internal Audit to review this area prior to March 31 to ensure that it is working satisfactorily.</p> <p>PSimpson to review the SFI's and amend them to ensure the Committee has greater freedom to decide the regularity of the losses and Comps paper coming to the AAC.</p> <p>All other actions noted within the minutes had been completed or were included within the current agenda for discussion.</p>	<p>Action 3 DH</p> <p>Action 4 PS</p>
3	a	<p>Medical Records and Clinical Audit Update</p> <p><u>Medical Records</u></p> <p>DHolden updated the Committee on the progress and improvements being made in medical records with the tagging process on going. The success of the project will be dependent on whether areas such as the Eye clinic, Dermatology and Crawley Theatres become happy with the quality and accessibility of patient notes. The process of refreshing the Medical Records plan to use simpler more user friendly language will be completed by DHolden and PSimpson before the next meeting.</p> <p>Feedback from the Community users of medical records has reported that it is time consuming to find the current update on the patient. DHolden confirmed that management are looking into the issue.</p> <p>LClegg informed the Committee that the new build for Medical Records which is on the 2013/14 Capital plan is in the process of going to the relevant Committees for Approval.</p> <p>The Committee sort and received assurances around the process of flagging up notes that had not been found before patient appointments with DHolden informing the Committee that statistics such as the percentage of patients notes that were not available at time of the appointment being used to monitor the issue.</p> <p>A discussion followed around electronic records and the timescales involved with DHolden highlighting that the IT strategy is being aligned with the clinical strategy.</p> <p><u>Clinical Records</u></p> <p>DHolden updated the committee of the continued progress in Clinical Audit stating that Internal Audit are about to revisit the area in March to act as an independent verification for management of the progress being made in the area.</p> <p>ACTION :</p> <p>JAslam to give the scope of Internal Audits audit of Clinical Audit to DHolden</p> <p>A discussion followed around Clinical Audits plan for next year and the makeup of the audits. Discussions centred on if a nine month plan needs to be done to align Clinical Audit with the financial year and the mechanisms</p>	<p>Action 5 JA</p>

		in place to determine the choice of audits. DHolden highlighted that the management board is used to choose and refine the scope of Clinical Audits. It is here were they ensure that the national audits are completed.	
3	b	<p>Significant Risk Register (SRR)</p> <p>The SRR was presented to the Committee by GFancis-Musanu who highlighted that the significant risk register (SRR) is reviewed by the Management Board for Quality and Risk on a quarterly basis and more specifically by the Divisions who scrutinise their divisional risk registers on a more frequent basis as part of their governance review meetings. Updates to the risk register will be reported on a monthly by exception by all divisions from March 2013 following the new integrated governance structure has been implemented.</p> <p>The Committee were pleases with the continuing progress being made with the SRR. Discussions went on to focus on the age of some of the SRR items along with the RAG ratings used with CPink highlighting that the long term issues on the SRR would not be the same as the ones that originally caused the item to be highlighted on the SRR. The Committee followed up on specific items including the capital programme, closed risks and Cardiology Junior Doctors. A discussion was had about how management use the SRR with GFrancis-Musanu reiterating that management board along with Safety and Quality are just two places management use the SRR.</p> <p>The Committee followed with a review of the BAF. GFrancis-Musanu provided assurance that the Trust is in the process of developing the processes to report the Corporate Objectives and that a new BAF would be available in Q1 of the new financial year. It was further highlighted that the BAF is made available to the board through the board cover sheets.</p> <p>The Committees review looked at the reduction in rating from 15 to 10 of the non-elective demand despite the fact that the demand had not been reduced. The Committee noted that the Trust was better at dealing with the high non-elective demand. The Committee believed that there is value to be had in the board seeing the SRR and BAF together as well as noting the importance of capital expenditure in controlling risks for the Trust.</p> <p><u>Internal Audit Rolling Assurance Review</u></p> <p>JAslam presented the Rolling Assurance Review which had focused on two areas of the BAF. The first report looked at the Trusts failure to reduce non elective demand with the key findings being that the risk is clearly linked to the Trust's key objectives as set out in the Integrated Business Plan 2012/13-2017/18. It was also found that the Trust was introducing new Ambulatory Care Pathways in phases, and the development of a reduction in length of stay programs both of which were positive developments when performing the rolling review.</p>	

		<p>A discussion was had around the type of assurances received with JAslam highlighting that the assurances that were currently being given by the Trust sometimes were of a more internal nature and that a consideration to external assurances would be good for regulators such as Monitor. It was also recommended that regular review of the BAF would help mitigate risks for the Trust. Dwells reiterated that assurances needed to be a balance between internal and external assurances and suggested that the BAF might want to record if the assurance was internal or external as this was considered good practise. GFrancis-Musanu accepted all the recommendations.</p> <p>ACTION:</p> <p>The BAF to include if the assurance is internal or external as well as to be reviewed regularly by management. GFM</p> <p>JAslam went on to present the Board Assurance Framework to the Committee. Which concluded that the overall position and review of assurance now available indicates the risk score since its inception could have decreased. The Committees discussions centred around the 15 risk rating given to this area with LClegg highlighting that a draft MOU was about to be signed and that this area had already been updated</p>	<p>Action 6 GFM</p>
<p>4</p>	<p>a</p>	<p>External Auditors</p> <p>JBewick updated the Committee on External Audits progress highlighting that charitable funds independent examination report found the accounts to be of a good quality and supported by clear working papers. External Audit had met with MBhatti and the finance team in December to carry out planning work. Three delegates from SASH attended the Grant Thornton Accounts Training.</p> <p><u>Letter to the Chair of the AAC</u></p> <p>JBewick presented to the Committee the letter to the chair of the AAC. This letter laid out five areas of clarification and Assurance required in the response to Grant Thornton.</p> <p>The Committees discussion focused around the going concern issue with Dwells highlighting that the framework requires it to be considered. The Committee concluded that the Trust was a going concern.</p> <p><u>Audit Plan</u></p> <p>DWells presented to the Committee the audit plan which included the Grant Thornton audit approach. It also went on to summaries the areas regarded by the auditors following there planning process to be of low or medium risk to experience misstatements in the accounts.</p>	

b	<p>Internal Auditor's report</p> <p>JAslam gave the Committee the following summary for Internal Audit Reviews</p> <ul style="list-style-type: none"> ▪ Procurement – Green. An encouragingly positive report that the board can take substantial assurance from. The Committee noted that the benchmarking for single tender waivers is higher than average but that this is due to the Trust having the lowest limits for obtaining quotations and the need to perform formal tendering. ▪ Financial Feeder System– Green. Another good report with Audit concluding again that the board can take substantial assurance. The Committee were encouraged by the positive report and spent time discussing the amount and makeup of the bad debts provision for the Trust. ▪ Asset Management – Green. A positive report with one recommendation centred around the preparation of a timetable and procedure for on-going asset verification. ▪ Cash and Treasury Management – Green, A very positive report with no recommendations. The Committee congratulated the team <p>The Committee went on to discuss the bad debt provision and the recoverability of debts with MBhatti highlighting to the Committee that approximately £700K of the £881K of bad debt is from a few high value cases. It was also noted that because of the hospitals proximity to Gatwick the Trust was always likely to see a higher number of overseas visitors.</p> <p>ACTION</p> <p>MBahitti to provide further breakdown on the bad debts including percentages of patient income coming as bad debt.</p> <p><u>Draft Internal Audit Opinion</u></p> <p>The Committee received from JAslam the Draft internal Audit opinion which stated Based on the work undertaken in 2012/13, 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.</p>	Action 7 MB
c	<p>Local Counter Fraud Service (LCFS)</p> <p>SDoyle gave an update on investigations started since the last Committee which were followed by discussions around the individual cases.</p> <p>Further discussions were had on the areas of trends in the investigations, benchmarking, whistle blowing and KPI's with SMason highlighting that the Trust had performed well in the staff survey with regards to Whistle Blowing.</p>	

		SDoyle informed the Committee that a fraud survey for staff was about to commence.	
5		<p>Accounts Preparation Paper</p> <p>MBhatti presented the paper to the Committee highlighting the Grant Thornton Workshop attended by 3 members of staff. Other highlights included the fact that last year the accounts had the implementation of the alignment project, something that is not needed this year and that the treatment of the charitable funds accounts being are being dealt with on a national not local level.</p> <p>The deadline for the submission of the Draft accounts is the 22nd April with final audited accounts due in June.</p> <p>Discussions followed around the merits and usefulness of the AAC meeting on the 22nd April given the little time to amend the accounts. GFrancis-Musanu highlighted that it is generally considered good practise from a Governance point of view for the AAC to approve the draft accounts before submission to the Department of Health. MBahitti stated that in the past only minor changes have had to be made to the draft accounts following the AAC meetings.</p> <p>ACTION</p> <p>GFrancis-Musanu to discuss the Committees concerns around the 22 April meeting with PSimpson.</p> <p>Following the meeting PSimpson and GFrancis-Musanu met to discuss the concerns of the Committee and it was decided that the meeting on the 22nd April must proceed for good governance but that as much of the accounts information would be sent out on Thursday 18th April to give Committee members enough time to properly scrutinise the draft accounts.</p> <p>Accounts Polices</p> <p>MBahitti presented the Accounts Policies for this year's accounts seeking and receiving approval for them from the Committee.</p> <p>Standing Orders and Standing Financial Instructions</p> <p>MBahitti presented to the Committee the SOFIs stating that all limits had been approved by budget managers. Approval was sort and received for the SOFIs.</p> <p>Report on Waivers and Losses and Compensations</p> <p>LClegg presented to the Committee the Waivers and Losses paper. The Committee noted the report and discussed the waivers process surrounding the birthing pools for the maternity unit.</p>	Action 8 PS/GFM
6		<p>Review of meeting and any other business</p> <p>AAC Objectives and Workplan</p> <p>RCongdon provided an update on the AAC Objectives and Workplan</p>	

	<p>informing the Committee that work was progressing with a draft which is expected shortly from NAtkinson. It is hoped that a provisional audit plan will be ready by 31 May 2013.</p> <p>ACTION:</p> <p>The date of the September AAC meeting to be confirmed as the 2nd or 3rd of September with consultation with RCongdon</p>	<p>Action 9 DK</p>
	<p>Date of future meetings in 2013</p> <p>2nd July 2013</p> <p>10.00 – 1.00 AD77</p> <p>Pre-meet at 09.30 for NEDs, Internal and External auditors</p>	