

**ITEM:**

**MINUTES OF AUDIT & ASSURANCE COMMITTEE**

**SYNOPSIS:**

**Attached are the minutes of the Audit & Assurance Committee held  
on 1 June 2012**

**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 Friday 1 June 2012

Venue: Room AD77, Maple House, East Surrey Hospital

<b>Present:</b>		
Edward Cooke	EC	Non Executive Director (Chair)
John Power	JP	Non Executive Director
Norma Christison	NC	Non Executive Director
Richard Durban	RD	Non Executive Director
Yvette Robbins	YR	Non Executive Director (Part meeting)
<b>In attendance:</b>		
Darren Wells	DW	Audit Commission
Jamie Berwick	JB	Audit Commission
Marcus Ward	MW	Audit Commission
Nick Atkinson	NA	RSM Tenon
Paul Simpson	PS	Chief Financial Officer
Lorraine Clegg	LC	Deputy Director of Finance
Majid Bhatti	MB	Head of Financial Accounts
Gillian Cruse	GC	Note taking

			Action by :
1		<p><b>MINUTES OF LAST MEETING</b></p> <p>The minutes of the meetings held on 20<sup>th</sup> March and 23<sup>rd</sup> April were recorded as a true and accurate record of the meetings.</p> <p>Actions arising from meetings:</p> <p><i>20<sup>th</sup> March meeting</i> Action 8 – report on Private and Overseas patients. This report will be presented at the July AAC meeting.</p> <p>All others actions completed or discussed within agenda.</p> <p><i>23<sup>rd</sup> April meeting</i> No actions recorded for this meeting.</p>	<b>July AAC</b>
2		<p><b>2011/12 ACCOUNTS</b></p>	
	a	<p><i>2011/12 Accounts – Financial analysis</i></p> <p>PS presented a paper which supplemented the accounts and also the auditor’s reports providing additional information on income and expenditure, savings delivery and movements within the statement of financial position.</p> <p>The following four key points arose from the 2011-12 accounts:</p> <ul style="list-style-type: none"> <li>– <b>£6.1m deficit delivered in line with Trust plan;</b></li> <li>– <b>Non recurrent income received from PCTs</b> and the underlying</li> </ul>	

		<p>recurrent/normalised position is a deficit of £(13.3)m;</p> <ul style="list-style-type: none"> <li>- <b>Cash support received:</b> Operational PDC of £13.7m plus additional “ordinary” PDC of £2.8m to fund capital spend on the modular wards. This is non-repayable.</li> <li>- <b>Working capital remains very weak</b> and the liquid ratio will continue to fluctuate around minus 15 to minus 20 days (it would require additional cash injection of £20.0m to restore this ratio to plus 15 days, the foundation trust benchmark).</li> </ul>	
	b	<p><u>Final Audited Accounts</u></p> <p>The final audited accounts were presented to the committee and PS advised that only minor changes had been made to the draft accounts relating to presentation and disclosure notes. PS confirmed that no changes were made to the deficit which had been previously reported at the draft stage of the accounts..</p>	
	c	<p><i>Final Annual Report</i></p> <p>PS presented the annual report and informed the committee that its presentation was not final and that after sign off by the committee it would be sent to the printers to be type-set.</p> <p>Only minor changes had been made since presenting the draft to the AAC on the 23<sup>rd</sup> which reflected the comments from the NEDs at that meeting (notably more explanation now given around the TFA process and senior managers remuneration disclosures had now been completed in full).</p>	
	d	<p><i>Consistency Statement</i></p> <p>PS informed the committee that this year the DH required all Trusts to complete and sign off an assurance statement to confirm that information within the 2011/12 FIMS is consistent with information disclosed within the final audited accounts. There are some acceptable differences which the DH had listed within the assurance statement and in addition to these any differences above a non-trivial limit of £250k had to be reported. PS confirmed that no such differences arose and that this had also been confirmed by our external auditors (The Audit Commission).</p>	
	e	<p><i>Annual Governance statement (AGS)</i></p> <p>PS presented an updated version of the AGS from the draft version discussed at the 23 April AAC meeting. PS highlighted to the committee that the Trusts internal controls had received “significant assurances” from internal audit.</p> <p>NA suggested that the paragraph relating to A&amp;E Data Quality (which previously received a red rating from an earlier audit) be updated with findings from the recent follow up audit in this area, in May 12, which identified that good progress had been made in implementing processes to</p>	<p><b>Action 1</b> <b>PS</b></p>

		resolve concerns previously identified.	
f	<i>Representation Letter</i>	<p>Letter presented to the AAC for information.</p> <p>This is an annual letter written by the CFO to the Audit Commission which highlights specific duties and responsibilities of the CFO in preparing the Trust's annual accounts.</p> <p>MB explained that the uncorrected misstatement arose because the 2011/12 figure for "receivables past their due date" was calculated incorrectly in the prior year and had been rectified in the current year after discussions with the external auditors. An appropriate disclosure was made to explain the significant difference in values between the two financial years.</p>	
g	<i>Head of Internal Audit opinion</i>	<p>Agreed that N Atkinson would add another line to the HOIAO in regard to the A &amp; E Data Quality follow report as discussed under agenda item 2(e).</p>	<b>Action 2 NA</b>
h	<i>Annual Governance Report</i>	<p>DW presented this report which summarises the findings from the 2011-12 audit in relation to the financial statements and also assess the Trusts VFM arrangements.</p> <p>DW gave an overview of the work that the external auditors had been carrying out on financial statements and VFM work. Significantly DW felt that the auditors had been kept completely aware of the Trust's activities during the financial year.</p> <p>He expressed thanks to the Finance team who had been extremely prompt and helpful in assisting his team to complete their audit on time, especially for the annual accounts. DW informed the committee that overall the quality of the accounts was noted as very good. He gave an overall "unqualified" opinion on the financial statements.</p> <p>On VFM opinion DW concluded that the Trust had made proper arrangements to secure economy, efficiency and effectiveness in its use of resources except for the arrangements to secure financial resilience and this was due to the Trust making a deficit of £6.1m in 11-12 which results in it continuing to breach the statutory break even duty.</p> <p>EC raised a question around the Asset Register. J Berwick advised that this referred to historic assets which were different to the accounts. The overall figures in the accounts would not be affected.</p> <p>An audit is currently being carried out on Quality Accounts and the final report would be presented as an agenda item to the next AAC in July.</p>	<b>Action 3 DW July AAC</b>

	i	<p><i>Compliance with accounting standards (letter from CFO and AAC Chair)</i></p> <p>Two letters presented for information from PS and M Wilson.</p> <p>PS letter to be amended to remove the wording relating to “ALE” which is not relevant in 2012.</p>	<p><b>Action 4 PS</b></p>
	j	<p><i>Formal adoption of 2011/12 accounts</i></p> <p>PS requested delegated authority to himself as CFO for any minor changes to the Accounts prior to their final submission.</p> <p>E Cooke as Chair of the AAC then proposed formal adoption of the accounts.(delegated authority had been provided by the Board).</p> <p><b>The committee agreed the final accounts and formally adopted them on behalf of the Board. PS was given authority to make any minor changes prior to the formal submission.</b></p> <p>Thanks were expressed to Majid, Lorraine and the Finance team for all of their hard work in producing a good set of accounts to very tight timescales.</p>	
3		<p><b>EXTERNAL AUDITORS</b></p>	
		<p><i>Update on PbR reports</i></p> <p>J Berwick gave an update on the “PbR Data Assurance Framework” audit work. Two reports were presented, the original report and the follow up report from November 2011.</p> <p>The historical report had some adverse comments and a number of recommendations and the follow up report highlighted the up to date position against the required actions taken.</p> <p>100 cases were reviewed and very positive feedback received. The error rate on HRGs, highlighted on paragraph 10, were well below the national targets.</p> <p>There was a notable improvement on HRG and coding accuracy and overall accuracy was good.</p> <p>PS advised that there were still some recommendations to be carried out and he would be reviewing these to ensure that all actions are still valid and if so he would ensure leads are in place to carry out the relevant work.</p> <p>Noted that the main concerns related to medical records which were still an issue for the Trust. Further discussions are still required around this area with case notes and storage still an issue. Another area which was poor was around paediatrics and this will be followed up.</p>	<p><b>Action 5 PS</b></p>

		<p>The AAC were advised that A McGrath and his team were currently reviewing some of this information. W Mahoney and support team would review to ensure compliance. This will be added to the Audit tracker to ensure that it has constant review.</p> <p>Some recommendations made on page 14 of the report around mortality rates and PS advised that this was a key focus for the trust and that Des Holden was the executive lead on this.</p>	
		<p><b>INTERNAL AUDITORS</b></p>	
	<p>a</p>	<p><i>Progress Report</i></p> <p>Two final reports have been issued since the last AAC meeting.</p> <p><u>Absence Management</u> (green/amber) Some issues around long term sickness. NA advised that data was taken from "First Care". There was some disparity around sickness closure and sickness levels are going up and need to be managed.</p> <p>The First Care data was useful in certain areas but it was felt that more emphasis required from Management feedback on reports.</p> <p>Broad agreement reached but still a little more work to be done. Follow up on actions being discussed and a review in 3 months was suggested. Actions will be added to the audit tracker.</p> <p><u>CQC follow up audit</u> 7 recommendations were made on the original report. Reasonable progress but still areas to be resolved. There are a number of leads for different areas with J Thomas being the executive lead and C Pink leading on Quality &amp; Risk.</p> <p>2 recommendations still not actioned. The reasons given were the delay in the installation of the SIRIS system. Training and analysis of data still required.</p> <p>Management responses outlined on page 23 / 24 and a revised policy due to be issued in October 2012 and all training carried out by December 2012.</p> <p><u>A &amp; E</u> (significant risk) – follow up. This report had been discussed with B Bluhm last week.</p> <p>After the initial testing, significant differences had been noted.</p> <p>For the follow up audit, 30 examples had been picked at random and 27 matched accurately. The other 3 had minor changes which demonstrated real progress. This was recorded as a good news story with management actions having been put in place.</p> <p>Other reports in progress which NA is anticipating will be ready for July</p>	

		<p>AAC meeting.</p> <ul style="list-style-type: none"> <li>- Information Governance. Draft being held pending new Manager in IT. Report should be updated in time for July AAC.</li> <li>- Quality Accounts – in draft and work ongoing</li> <li>- Medical Job Planning. In draft format with D Holden for review. This was an advisory report.</li> <li>- Private and Overseas Patients. Will be completed in time for July AAC.</li> <li>- Capital Schemes – current Work in Progress.</li> </ul>	
	b	<p><b>ANA Update</b></p> <p>NA presented his draft plan which will be e.mailed to NEDs and the Chairman following this meeting. Comments to be sent back to NA within 2 weeks.</p> <p>3 areas being concentrated on in July:</p> <ol style="list-style-type: none"> <li>1) Statutory and Mandatory training</li> <li>2) Incident Management follow up</li> <li>3) Outpatient Appointment Management</li> </ol> <p>Timescale for completion of plan:</p> <ol style="list-style-type: none"> <li>1) PS/NA to review</li> <li>2) Executive team will view</li> <li>3) NEDs and Chairman will review to ensure that they are confident that the correct areas are covered within the plan</li> <li>4) Two weeks given for everyone to review and feedback their comments to NA</li> <li>5) The final Internal Audit Plan will be presented at the July AAC meeting for formal agreement.</li> </ol>	<p><b>All</b></p> <p><b>Final plan to July AAC</b></p>
4		<p><b>REVIEW OF AUDIT AGENDA</b></p> <p>No further business was raised at the end of the meeting and E Cooke thanked everyone for their attendance.</p>	
		<p><b>DATE OF FUTURE MEETINGS IN 2012</b></p> <p>3<sup>rd</sup> July                      11th September                      13<sup>th</sup> November</p> <p><b>10.00 – 13.00                      AD77</b> <b>Pre-meet at 09.30 for NEDS, Internal and External Auditors</b></p>	