

AUDIT & ASSURANCE COMMITTEE
2 APRIL 2012
AGENDA ITEM 2

ITEM:

MINUTES OF AUDIT & ASSURANCE COMMITTEE

SYNOPSIS:

**Attached are the minutes of the Audit & Assurance Committee held
on 24 January 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 Tuesday 24 January 2012

Venue: Room AD77, Maple House, East Surrey Hospital

Present:		
Edward Cooke	EC	Non Executive Director (Chair)
Richard Durban	RDD	Non Executive Director
John Power	JP	Non Executive Director
Norma Christison	NC	Non Executive Director
Darren Wells	DW	Audit Commission – External Auditor
Jamie Bewick	JB	Audit Commission – External Auditor
Nick Atkinson	NA	RSM Tenon – Internal Auditor
Sarah Pratley	SP	Parkhill – LCFS items only
Paul Simpson	PS	Chief Financial Officer
Ian Mackenzie	IMcK	Director of Information and Facilities
In Attendance:		
Yvette Robbins	YR	Non Executive Director
Michael Wilson	MW	Chief Executive
Sally Brittain	SB	Deputy Chief Nurse
Brenda Kelly	BK	Integrated Risk Lead
Sue Mason	SM	Head of Employee Relations - Items LCFS
Gillian Cruse	GC	Minute taking
Apologies:		
Majid Bhatti	MB	Head of Financial Accounting
Jo Thomas	JT	Chief Nurse

		Action by :
1	WELCOME AND APOLOGIES FOR ABSENCE	
2	<p>MINUTES OF LAST MEETING</p> <p>Apologies for the November meeting to be noted from J Power.</p> <p>One amendment to minutes of 15 November 2011.</p> <p>Page 3 (para 3) remove word “and” after “explain the residual risk rating”</p> <p>With amendment noted above, the minutes of meeting held on 15 November 2011 were recorded as an accurate record of meeting.</p> <p>Actions All actions completed or discussed within the agenda of this meeting.</p>	
3	<p>BOARD ASSURANCE FRAMEWORK(BAF)</p> <p>PS presented the BAF in a revised format. The draft had been</p>	

		<p>comprehensively reviewed with clearer formats to give greater clarity. Any comments to be fed back to Sally Brittain prior to taking to the Trust Board for final approval.</p> <p>As the BAF was currently based against this financial year's objectives, RD questioned how we were setting up objectives for 2012/13 and when and how we would define risks. PS advised that objectives for 2012/13 should be approved at the next Trust Board but they would need to be defined as progress was made.</p> <p>RD requested that risks were circulated to NEDs in order that they can be reviewed and agreed at the Trust Board. The whole Board should sign-off potential risks and objectives.</p> <p>JR requested that a trend analysis month by month be added.</p> <p>YR concerned that a number of areas were "red" and requested reasons and assurance around these points. PS advised that many of these were out of the Trust's control but he would add a column to outline mitigating actions and progress to date.</p> <p>Action: All comments to be sent to S Brittain with a copy to PS. Date to be corrected and version control to be added.</p>	<p>Action 1 PS/SB</p>
4	b)	<p>INTERNAL AUDIT PAPER Assurance Framework</p> <p>RSM Tenon had reviewed the BAF previously and will be reviewing again in November but NA agreed that the contents now were more transparent. He was confident with the content of the BAF and that the focus was now on assurance.</p> <p>In general it was felt that it now linked across much better to the Risk Register but more work still required against assurance columns. Two issues noted:</p> <ol style="list-style-type: none"> 1) Poor quality patient experience 2) Serious Untoward Incidents (SUIs). Meetings have been held with Roberta Fuller to review issues <p>The Internal Audit opinion was that the Assurance Framework in general served its purpose with the exception of the 2 items above.</p> <p>NC still felt that evidence was lacking. Noted that some areas are difficult to define but key messages are still required for assurance purposes.</p> <p>YR questioned point 1.2.1 where there were many diverse reasons listed and believed we should only identify core principal risks. Sometimes less is more and 6 risks within one component is too many. Question raised as to whether scoring shows actions being taken, rationale behind any reduced scoring needs to be clear.</p>	

		<p>EC raised question around 1.3.1 and whether the three additional measures noted were going to be incorporated. Discussions ongoing with R Fuller to give clear indicators of trend and improvements.</p> <p>EC expressed thanks to everyone for the good progress made on the BAF.</p>	
4		EXTERNAL AUDITORS	
	a)	<p>Progress Report</p> <p>JB advised that this was a quiet time of the year for External Auditors. The summary on page 3 of this progress report identified work currently being undertaken and planned</p> <p>Areas of work:</p> <ol style="list-style-type: none"> 1. Financial statement 2. VFM Conclusion (separate agenda item) 3. Recently completed independent examination of Charitable Funds 4. Follow up review of PbR results (results to next AAC). <p>A team from the Audit Commission will be on site at SaSH for three weeks effective 20/2/12 to review financial statements. Noted that balances already reconciled and draft accounts will be prepared for 23/4. The Auditors will then be on site for 4-5 weeks. Noted that the timescales are exceptionally tight this year.</p> <p>Other areas noted:</p> <ul style="list-style-type: none"> • Changes to HM Treasury's Alignment project • A number of steps set out on how to deliver FT Status • Bullet points highlighted from the DoH 2010/11 Reference Cost publication. Noted that the Trust scored 97% which was an excellent score. • A Final Accounts Workshop has been organised which M Bhatti will attend in March. <p>YR noted that key considerations were missing from this report plus the link to the web-site. No key issues noted for this report but key issues will be highlighted on future reports.</p> <p>Action: JB agreed to send out link to web-site to NEDs.</p> <p>MW spoke about the "Provider Development Unit" which was assisting non FT Trusts to monitor performance and helping these organisations to reach FT status by 2013. SaSH had signed a Tri-partite agreement working together with DoH/SHA/CCGs with set targets to be achieved by March 2012. MW felt that many actions should be amber not red, e.g. A&E targets.</p>	<p>Action 2 JB</p>
	b)	Approach to VFM Work	

	<p>Last year similar work carried out resulted in a “qualified opinion” report. JB advised that this was likely to be the same this year. Two VFM assessment criteria , divided into separate risk areas:</p> <p>Security Financial resilience Financial governance Financial planning Financial control</p> <p>Security economy, efficiency and effectiveness Prioritising resources Improving efficiency and productivity</p> <p><u>Appendix</u> Number of issues noted within the appendix. In the past these areas were reviewed under “ALE” but although these are not monitored now it was agreed that it was still necessary to be mindful of them.</p> <p>YR questioned whether the Trust would still incur a “Qualified” opinion on this aspect due to its financial deficit. PS advised that as the forecast recurrent deficit for 2012/13 was £16.3M this could affect the opinion.</p> <p>YP requested that dates were added to future reports. The findings from this report will be presented – to the June AAC as part of the Governance report.</p> <p>Action JB to present an update at June AAC meeting.</p>	<p>Agenda June AAC</p>
	<p>INTERNAL AUDITORS</p>	
<p>a)</p>	<p>Progress Report</p> <p>Report to be printed off in landscape in the future to make it clearer to read.</p> <p>Ten final reports issued since the last AAC meeting. Two of these highlighted as “red” which are :</p> <ol style="list-style-type: none"> 1) Performance A & E 2) Incidents and Complaints (only Incident section red) 	
<p>4.1</p>	<p><i>A&E Performance Management</i> Report dated back to work carried out at the back end of last financial year and beginning of this year.</p> <p>There had been a lack of transparency over reported figures which should have been reported as breaches. Acknowledged that this was not a deliberate falsification of figures but raised concerns over recording issues on Cerner. The key issue was the lack of transparency but following this review a number of actions had been put in place to rectify all issues.</p>	

	<p>20 samples of data had been taken, 6 which would have been breaches and 4 where inadequate evidence was available. NA could not give full assurance from the evidence provided that performance could not have been worse than reported.</p> <p>Page 23 highlighted the need to agree recommendations and identify actions being taken. IMcK noted that all issues primarily referred to 2010/11 and actions had now been identified and actions taken to rectify. Validation is now done by the Information team and additional checks are in place. Since Summer 2011 these checks have been done on a daily basis and a much greater focus had been put on validation.</p> <p>RDD felt that the NEDs could take assurance that actions are in place to address the problem.</p> <p>NC raised concern regarding discharge items into Cerner not being recorded on Cerner and questioned whether information was being recorded on patient cards and records.</p> <p>SB confirmed that discharge times were written on patient cards when they left wards and there were now physical trackers within ED with more robust processes.</p> <p>NA confirmed that he will be reviewing A&E performance again in March 2012. Action NA to give update feedback at March AAC meeting</p>	<p>Agenda March AAC</p>
<p>4.2</p>	<p>Charitable Funds Outcome of report “Unqualified opinion”</p> <p>Some services regarding Charitable Funds now brought back in-house and an Investment Policy now in place. One of the areas noted for improvement was to ensure complete transparency around donations and clarity around completeness of income. Controls around expenditure all OK.</p> <p>Audit opinion slightly down from previous years due to processes/systems but acknowledged that actions are in place to resolve issues. Envelopes will be provided to provide clarity around donations. M Bhatti has done a lot of work to identify issues and put an action plan in place. Many of these actions have already been completed.</p> <p>YR agreed that prior to the work being bought back in-house there had been issues but with the agreement to provide envelopes for receipt of donations and the ability now to give on-line donations. The other issues that had been raised will be addressed. Charitable Funds are now within the public domain and subject to independent examination.</p> <p>PS confirmed that he was confident with the contents of the report and</p>	

		<p>assured that robust actions were now in place and everything was being recorded accurately. Actions from the report will be tracked via the Audit Tracker in the normal manner and will be revisited as part of the follow up process.</p>	
4.3	Stock Management Advisory report only	<p>This report built on guidelines to support budget holders. Noted that the IPROC system and information contained was not being utilised to full extent. In an ideal world there would be a more regular stock take and perpetual stock counts but this was not practical for the Trust. NA assured that stock takes were now done in an effective manner.</p> <p>PS advised that there was stock to the approximate value of £3M on shelves and stock taking had improved year on year.</p> <p>Many problems had resulted from long standing cultural issues and to continue to move forwards the wards must maintain their stock (under budget control). Management of stock must be embedded into departments and they should not rely on staff within finance and procurement and materials management to keep control of stock.</p> <p>PS noted that there were very low levels of stock write offs and SaSH had produced very good procurement savings in the last years.</p> <p>In response to a question raised the AAC were advised that benchmarking against other Trusts was very difficult due to complexities of stock held.</p>	
	Data Quality	<p>Agreed that Executives should each produce a statement of top 10 items impacting on data quality within their areas over the past two months which would be rag rated and would be reported to provide evidence to Board. Subjective reporting good for future FT status application.</p> <p>This summary statement to be taken to Trust Board for initial thoughts and then to AAC. DW to facilitate link with other areas that have carried out this work in the past.</p>	<p>Actions ALL</p>
4.4	Infection Control Amber/Green	<p>MRSA reducing with only 4 recorded cases.</p> <p>Noted that in West Sussex there were no reported cases of MRSA at all. The CEO/DIPSY held regular meetings with a weekly report sent to all NEDs. This has led to increased visibility and awareness.</p> <p>Two issues noted within report: 1) Training. Data held both centrally and locally. From data</p>	

		<p>received only 60% had received training on infection control and there is an urgent need to drive through training for remaining 40%. The Staff survey had indicated a significant improvement with regard to Infection Control training and this has been recognised as a priority.</p> <p>NC questioned whether there was any correlation between high areas of MRSA in clinical areas where less training had been carried out.</p> <p>YR sits on the IPCAS Committee. Concern raised around the disparity between central and locally held records and absolute clarity required.</p> <p>2) Audit requirements relating to Antibiotic prescribing</p> <p>The gap in the policy around antibiotics needs to be addressed and the policy needs to be adopted by Consultants right down to junior doctor level. SB advised that the Antibiotics policy was currently under review and a draft was currently with MW for approval. This will be circulated for action once approved.</p> <p>SB was confident that relevant actions are now in place. Whenever any infections are recorded a complete history of actions is noted to ensure no repetition.</p>	
	4.5	Cerner Millennium Green	
		One issue post implementation review which had been noted. Good processes now in place.	
	4.6	Budgetary Control Green	
		<p>Underlying controls reviewed to monitor how the Trust manages control. Much greater clarity around budget holders who are now embedding processes and taking responsibility.</p> <p>PS confirmed that he was very confident of systems now in place and dealings with budget holders with good controls in place. Only remaining area is to ensure that clinicians are fully involved.</p>	
	4.7	Financial Feeder Systems Amber/Green	
		<p>Auditors looked at front end of cycle of work undertaken in Finance prior to it being implemented by SBS and further reviewed how the Trust holds SBS to account.</p> <p>Two issues</p> <ol style="list-style-type: none"> 1) Clarity around external supplier validation check and validation checks around financial viability/fraud etc. 2) Need to tidy up User Accounts on the system. 	

		PS advised that a thorough review now being undertaken to tidy up processes on leavers etc. and to monitor open accounts.	
4.8	General Ledger	Green	
		Two areas to review: 1. Changes to Chart of Accounts. 2. Need to keep central record of changes with clear audit trail.	
4.9	Incidents and Complaints	Complaints Amber/Green Incidents Red	
		<p>Complaints section Positive audit. 80% achieved in correct time</p> <p>Formal training would be useful for all new staff. Reported a need to ensure linkage with risk register. An action plan has been put together to carry out recommendations.</p> <p>Incidents section Main issue is the delay in time from when incidents happen to being reported. Noted that nationally timescales have reduced.</p> <p>The move to recording on Datix should provide better information but this needs to be fully functional. Up to now there has been no tracking system and links to Risk Register have not been acceptable but this should be in place by the start of the financial year.</p> <p>BK advised that 95% of recorded incidents were low impact incidents which were managed at local level and do not require further investigation. She was confident that if issues were serious they are dealt with on a more urgent basis when notification time is two working days. The main problem lies in actual recognition and identifying where incident is serious. High risk still around SUIs and quality of evidence presented but dashboards now available and working closely with divisions.</p> <p>It is a big project to start work on using Datix and there is a need for an interim solution to give assurance. KPIs from action plan will be monitored via MB (Quality & Safety).</p> <p>MW requested a roll out plan with realistic timeframes. Action: Overall plan to AAC next meeting – monitored as part of tracker</p>	NA
4.10	Risk Maturity	Advisory report	
		Chart on P81 used as a performance measurement for : <ul style="list-style-type: none"> • Governance • Risk Identification • Risk Assessment 	

	<ul style="list-style-type: none"> • Risk Mitigation <p>Above areas fairly consistent and risk defined and are areas that Monitor review for FT status. Embedding processes is key to success</p> <p>All recommendations listed on P86 of report identifying how to move forward. Few areas still to be re-checked.</p> <p>YR felt more confidence that information is being discussed on a more frequent basis.</p> <p>JP still concerned about linkage between BAF and Risk Register. NA agreed that there was still further understanding required between the linkage between the two. The MB(QR) needs to be a more manageable meeting as it was very long and difficult to break down issues with so many items to discuss.</p> <p>Non patient focussed issues to be discussed under Investment and workforce Committee and Clinical issues under (MB(QR)).</p>	
	<p>b) Assurance framework See above - item discussed at beginning of meeting after item 3 BAF report</p>	
	<p>c) Audit Tracker</p> <p>92 items B/F from previous AAC. 54 of these have now been validated and 14 not due. Of the 24 outstanding, 6 are red and over 6 months old. These all relate to HR issues which are being chased.</p> <p>All other really old recommendations that had been on the tracker for some months have now been validated and removed.</p> <p>NA will give PS an update between meetings of any issues.</p>	<p>HR to resolve o/s issues</p>
	<p>LOCAL COUNTER FRAUD SERVICES (LCFS)</p>	
	<p>a) Progress Report</p> <p>High Profile Cases only discussed.</p> <p>PAA 4563 Time Sheet Fraud Police need information broken down. CPS satisfied that charges can be brought with potential £18K income recovery</p> <p>4794 Abuse of Position Meeting arranged today. Medical Company employee has now left Company. Case related to abuse of clinical position and abuse of private patient policy, private treatment being given (free prosthesis). Doctor concerned has now left Trust and has paid bill.</p>	

	<p>PAA 5010 Conflict of Interest Director of company provided equipment to Trust for 6 years which was not procured via correct route. In breach of Declaration of Interest.</p> <p>MW questioned when this case would be resolved as it had been ongoing for some time. Counter Fraud chasing. A professional investigation had been carried out but no actions resulted from this. Now reviewing via VFM process. No hard evidence to back up what happened 6 years ago.</p> <p>PS confident that current policies are now in place to ensure this cannot happen again.</p> <p>Update on next LCFS report.</p>	<p>SP</p>
	<p>b) Counter Fraud Effectiveness</p> <p>LCFS/PS still to sign off MOU agreement.</p> <p>Benchmarking sheets Minor changes required to include more headings and figures to be rounded up. A summary sheet requested for future meetings.</p> <p>The Trust is performing well in comparison with other Trusts. 21 Counter Fraud cases investigated in SaSH in 2010/11. 7 taken forward with evidence and 4 dismissed (30% dismissal rate).</p> <p>NEDs questioned whether the Trust was too harsh but staff survey indicated that the Trust is fair.</p> <p>PS believed we are dealing with fraud in an appropriate manner and robust processes are in place. MW agreed that there was a willingness to report within the Trust and there is a lack of tolerance within Trust to fraud.</p>	<p>LCFS / PS</p>
<p>5</p>	<p>SaSH REPORT covering Losses and Compensations and Waivers</p> <p>70 cases of loss reported to a value of £151K. There is notable improvement from 2010/11 with 184 cases totally £239K.</p> <p>RDD noted that special payments were much better than in the past and questioned whether the Trust was doing anything different. Better processes now in place.</p> <p>Private patients and overseas patients.</p> <p>New policy now produced which is more focussed and rigorous. Patients are made aware in advance of treatment that payment will be required.</p> <p>Waivers</p>	

		Less waivers that in the past and moving in the right direction.																									
6		<p>REVIEW OF MEETING AND ANY OTHER BUSINESS</p> <p>Dates for meetings for sign off of Accounts noted.</p> <p>New date for full meeting in March/April to be agreed and circulated. <i>(post meeting- March date agreed as 22nd)</i></p> <p>Meeting on 23rd for accounts only.</p>																									
		<p>DATES OF FUTURE MEETINGS</p> <table> <tr> <td>22 March</td> <td>11.00 – 14.00 AD77</td> <td>Pre meet 10.30</td> </tr> <tr> <td></td> <td>Full agenda</td> <td></td> </tr> <tr> <td>23rd</td> <td>09.00 – 10.00 AD77</td> <td>Accounts</td> </tr> <tr> <td>1st June</td> <td>10.00 – 12.00 AD65</td> <td>Accounts</td> </tr> <tr> <td>3rd July</td> <td>11.00 – 14.00 AD77</td> <td>pre meet 10.30</td> </tr> <tr> <td>11th September</td> <td>10.00 – 13.00 AD77</td> <td>pre meet 09.30</td> </tr> <tr> <td>13th November</td> <td>10.00 – 13.00 AD77</td> <td>pre meet 09.30</td> </tr> <tr> <td>24th January 2013</td> <td>10.00 – 13.00 AD77</td> <td>pre meet 09.30</td> </tr> </table>	22 March	11.00 – 14.00 AD77	Pre meet 10.30		Full agenda		23rd	09.00 – 10.00 AD77	Accounts	1 st June	10.00 – 12.00 AD65	Accounts	3 rd July	11.00 – 14.00 AD77	pre meet 10.30	11 th September	10.00 – 13.00 AD77	pre meet 09.30	13 th November	10.00 – 13.00 AD77	pre meet 09.30	24 th January 2013	10.00 – 13.00 AD77	pre meet 09.30	
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