

AUDIT & ASSURANCE COMMITTEE
23 APRIL 2012
AGENDA ITEM 2

ITEM:

MINUTES OF AUDIT & ASSURANCE COMMITTEE

SYNOPSIS:

**Attached are the minutes of the Audit & Assurance Committee held
on 22 March 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 Thursday 22 March 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
Jamie Bewick	JB	Audit Commission – External Auditor
Joe Aslam	JA	RSM Tenon – Internal Auditor
Sarah Pratley	SP	Parkhill – LCFS items only
Stuart Doyle	SD	Parkhill – LCFS items only
Paul Simpson	PS	Chief Financial Officer
In Attendance:		
Sally Brittain	SB	Deputy Chief Nurse
Bernie Bluhm	BB	Chief Operating Officer – part meeting
Des Holden	DH	Chief Medical Officer – part meeting
Colin Pink	CP	Part meeting
Gillian Cruse	GC	Minute taking
Apologies:		
Nick Atkinson	NA	RSM Tenon – Internal Auditor
Michael Wilson	MW	Chief Executive
Majid Bhatti	MB	Head of Financial Accounting
Darren Wells	DW	Audit Commission – External Auditor
Jo Thomas	JT	Chief Nurse
Sue Mason	SM	Head of Employee Relations

		Action by :
1	<p>Welcome and apologies for absence</p> <p>E Cooke welcomed everyone to the meeting, introductions were made and apologies for absence noted.</p>	
2	<p>Minutes of last meeting</p> <p>One amendment on Page 7: Change <i>DIPSY</i> to <i>DIPC</i></p> <p>With amendment noted above, the minutes of the previous meeting were recorded as a true and accurate record of the meeting.</p> <p>Actions: <i>BAF arising from previous meetings:</i> Old type BAF taken to Trust Board in February. The new format BAF will be discussed at the Private Trust Board on 23/3</p> <p><i>N Atkinson to send Link to Audit Commission web-site to NEDS.</i></p>	Action closed

		<p>JB has completed this action.</p> <p><i>VFM reports</i> J Bewick to present an update on VFM reports at June 23 AAC meeting.</p> <p><i>Data Quality</i> Item carried forward to June 23 AAC as part of progress report and will be presented to S & Q Committee for review. P Simpson is having ongoing conversations to see how to clear outstanding items. There is no budget allocated for Band 7 post. Will need to review how this can be resolved as part of Executive discussions. One element of plan will be discussed as part of tracker on agenda.</p> <p><i>HR items on Audit Tracker</i> Will be chased and due to be signed off prior to June AAC. Update as part of audit tracker agenda item.</p> <p><i>Counter Fraud</i> MOU has now been signed off.</p>	<p>Action closed</p> <p>Action 1 NA</p> <p>Action closed</p> <p>Action closed</p> <p>Action closed</p>
3	1	<p>IA Review of BAF Assurance</p> <p>J Aslam gave an update on work in progress. The BAF had been revised and two risks were picked up relating to patient experience.</p> <ol style="list-style-type: none"> 1) Staff 2) Outpatient capacity. <p>He noted a steady improvement in controls which were far more focussed and defined. This has led to overall development and a broadening of assurances over a wider area and potential assurances identified. Data and relevance of this BAF now being seen as an important item and given priority.</p> <p>Clinical audit now more visible. Agreed that an action plan to give comfort as to actions completed would be useful. E Cooke noted that the new BAF for 12/13 has now been produced which will identify what is being rolled forward. More of an exception basis required on action plans.</p> <p>Action: P Simpson/J Aslam to work up format.</p> <p>C Pink requested to look at new 2012/13 BAF format which will be presented to Private Trust Board. The template has been agreed. Need to ensure left hand column is identifying correct risk. The Trust Board need assurance that the right risks are being worked on. Action CP</p> <p>Future work will be supported by an Access Data Base, a management tool to produce reports with more reporting elements available.</p>	<p>Action 2 PS/JA</p> <p>Action 3 CP</p>
	2	<p>First Draft Annual Governance Statement (AGS)</p>	

	<p>First draft of new AGS presented and PS requested comments back to him within the next few days. This document replaced the old Statement of Internal Control (SIC) and will appear in the Trust Accounts. A guidance paper also circulated to NEDs. P Simpson requested the view of External Auditors that the Trust had completed this in the correct format.</p> <p>The differences from the old SIC were explained. Three elements noted:</p> <ol style="list-style-type: none"> 1) Governance framework of Trust and its effectiveness. 2) Risk Assessment – how it is carried out in the Trust. 3) Significant issues and greater emphasis on what Board does / effectiveness. <p>M Wilson is the Accountable Officer for the Trust and the AGS sets out his opinion and those of the NEDs around internal controls and governance arrangements. A diagram on Page 2 of the documents detailed the layers of governance within the SaSH Corporate structure and their accountability. A précis from the “Rules of Procedure” of the Trust around Board Committees outlined. A risk assessment has also been undertaken and evaluated around controls.</p> <p>One question raised around the NHS Pension Compliance statement and J Bewick to check this statement plus the references to Carbon Management scheme.</p> <p>8 red rated items identified within the BAF in February which were highlighted at the February Trust Board. 5 of these relate to significant items going forward. 3 of these have been challenged and scoring to be reviewed as they are not serious control issues. PS welcomed views by everyone on how we define risks for the future with sharp definitions required.</p> <p>Changes to MRSA wording to be amended as the Trust has exceeded both MRSA and C.Diff targets. The CQC raised moderate concerns but noted that all areas being dealt with.</p> <p>Noted a positive result with Counter Fraud achieving Level 4 for the first time and also noted that no data lost in 2011/12 around information governance.</p> <p>Significant control issues set out in the report and PS gave a brief outline of each area and the relevant actions in place.</p> <ol style="list-style-type: none"> 1) Statutory breakeven duty and recurrent financial position set out. PS asked External Audit to clarify the section around Section 19 letter. J Bewick to check with D Wells and feedback to PS. 2) Liquidity as described in BAF. 3) Hospital Overcrowding 4) 4 hour A & E waiting times 5) 18 weeks referral times 	<p>Action 3 JB</p>
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		6) SUIs. PS questioned whether these should be included with the AGS as these were mainly timing issues and not clinical errors. A draft will be submitted to the SHA by the 13 April and any feedback will be given to the AAC at their next meeting.	Action 4 PS
	2	<p>Draft Head of Internal Audit opinion (HOIA)</p> <p>J Aslam gave significant assurance on the work undertaken in 2011/12. The three internal audit reports with a red rating throughout the year were noted as :</p> <ul style="list-style-type: none"> • Clinical Audit • Incidents management • Accidents & Emergency Data quality <p>Any feedback on the HOIA to be fed back to J Aslam. PS noted that the summary contained with the HOIA identified the fact that SaSH is taking action to resolve issues.</p> <p>The final version of the HOIA to be bought to the AAC on the 23rd April.</p>	Action 5 NA
4		EXTERNAL AUDITORS	
	1	<p>Progress Report</p> <p>J Bewick advised that the auditing team had been on site for 2 weeks in February developing the plan for the accounts and noted that the staff had been very helpful. The auditors are returning to the Trust at the end of April for a 5-6 week period.</p> <p>Page 6 of their report identified the framework for Board governance to be used as a guidance for Aspirant Foundation Trusts.</p> <p>The AAC were advised that the Audit Commission were now being disbanded and privatised. The current practice would be going to Grant Thornton on 31/10/12 who will be the provider for SaSH. The current staff are being transferred (TUPEd) across including both D Wells and J Bewick. Noted that 4 out of 10 business are transferring across to Grant Thornton.</p> <p>A number of questions were raised and responded to regarding the timetable around quality accounts and the stakeholder final submissions which were scheduled for 25th June. A draft is required by 18th April.</p> <p>Strategic Plans as agreed with the TFA will be discussed at the Trust Board tomorrow.</p>	
	2	<p>2011/12 Audit Plan</p> <p>All financial statements reviewed for accounting practices and VFM.</p>	

	<p>The audit plan developed on areas to focus on for the future year.</p> <p>Key risks identified are :</p> <ul style="list-style-type: none"> • Financial position and the forecast deficit • Manual adjustments / accruals • Expenditure that has been capitalised • Revaluation exercise • Donated assets • Account payment to KPMG • Trust Board decision and TFA agreement around viability of Trust <p>Other areas pointed out as specific areas to note were :</p> <p>VFM. Two specific criteria are being focussed on. Page 11 outlined the timescales for the audit plan and Page 15 outlined the fees for the next financial year.</p> <p>N Christinson raised a question around the quality of services within VFM audits. As ALE had been disbanded and there is more emphasis on economy resilience and financial efficiency she wanted to know how quality linked into efficiency.</p> <p>R Durban pointed out the section on P10 of the report around preparation for FT status which needed to be scoped and monitored as part of the plan.</p>	
3	<p>Letter to Chair of Audit</p> <p>Audit Commission letter to Chair of AAC presented for information. A response to the questions raised to be sent back to Jamie Bewick by 16/4/12.</p>	<p>Action 6 EC/PS</p>
4	<p>PbR – Data Assurance Framework</p> <p>The Audit report on Payment by Results (PbR) to be bought back to the next meeting with an update on recommendations post report.</p>	<p>C/F June 23</p>
b	<p>INTERNAL AUDITORS</p>	
1	<p>Progress Report</p> <p>Three reports had red ratings which were</p> <ol style="list-style-type: none"> 1) Clinical audit 2) Incidents and Complaints report (only Incident section red) 3) A & E <p><i>Clinical Audit</i> The review by Internal Audit was perceived as a very useful document. The paper had been written by J Parr and progress made. Not all higher</p>	

	<p>level concerns identified within separate paper have been addressed but action plan now in place. A formal audit plan for all divisions now in place covering national audits and those relating to safety issues</p> <p>No further investment in audit quality team agreed and any support within division required still needs to be addressed</p> <p>It was noted that the Trust cannot demonstrate in absolute confidence how many audits have been started. Believe there are 400+ audits with around 75/80% started. Improvements are now in place and actions being written down which had not been done in the past. Every service now has a clinical lead for audit. No significant differences will be noted over the next quarter as many of the existing audits need to be finalised. Written plan in place for 2012/13.</p> <p>Question raised as to who provides oversight of what audits should be carried out. It was noted that this subject was originally reviewed via "Deep Dive" meetings but divisional chiefs believed this was duplication / repetition. The current system was 1) Review at divisional meetings which are attended by Executives and 2) Presented at Safety & Quality meetings. R Durban noted that he attended the Safety & Quality meetings and confirmed that detailed plans are received.</p> <p>Need to gain a sense of what clinical audit report is telling us to include evidence and actions and include a summary of what is happening and to ensure it is integrated into other governance documents, BAF etc.</p> <p>This is the first year that divisions have been required to write their reports and evidence now being collated leading to significant progress. Internal Audit will revisit in the future to give assurance of sustained improvements.</p> <p><i>Incidents</i></p> <ul style="list-style-type: none"> • Implementing Datex system and more capacity within governance team. This will assist but will not be the overall solution. Timescale for planning and rolling out Datex database will be a few months. • Providing exception reports to divisions and discussed at MB (Q&R) where teams are held to account and required to provide evidence and assurance. • Alerting divisions to outstanding actions as they occur • Noted that the first incident report received at MB(Q&R) this month. • Much better reporting, allowing exec team to focus more on issues. <p><i>A & E report</i></p> <p>BB noted that 20 sets of notes had been reviewed but noted it was difficult to find a common theme.</p> <p>Dedicated resource in place to check accuracy of breach times. This resource had been removed in the past and only one person had level of access (protection of people) which created a large problem.</p>	
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	<p>Amendments should now be made in real time and training of all Band 7 ED nurses carried out to run Cerner in a different way. Comments filed to give audit trail plus patient notes. In the last 24/48 hours some Cerner problems have been identified which will need to be resolved prior to re-audit.</p> <p>Also noted that in the current ED they now see the patients, track them and update the data.</p> <p>BB fairly confident of integrity but not confident in the way Cerner works. Ian Mackenzie plus Clinton Krynje are involved in discussions and noted that the current focus is very high within the Trust to resolve issues. A random percentage selection of breaches is carried out each day for delayed analysis.</p> <p>Jo Aslam noted that the report would be completed within 2 weeks (unless exceptional problems occurred). Action: Update to be provided to July meeting.</p>	<p>Action 6 NA/JA</p>
<p>2</p>	<p>Final Report issued</p> <p>Two final reports issued since the last AAC.</p> <p>1. <i>Payroll Feeder System</i> (Amber) No significant issues in relation to design of the control framework and overall a positive report.</p> <p>Some concern raised around authorised signatories and it was noted that this is a huge manual task and there is a recommendation for a workflow system on line. N Christison raised some concerns around the potential risk around the signature list which could result in changes being made or amendments on the payroll inappropriately by unauthorised personnel. Automation recommended.</p> <p>Noted the improvement in salary overpayments. These had been as a result of SBS errors and a new contract is now being raised which includes an escalation process to deal with any issues. PS noted that work also links in with LCFS on overpayments.</p> <p>2) <i>Fixed Asset Management</i> (Amber) Report split into two levels:</p> <p>a) Asset Verification Documentation of process around asset verification needs to be more robust and formalised with timetable.</p> <p>b) How this feeds into General Ledger. Noted that this was OK and there are no issues</p>	

		R Durban raised a point around the number of audits still in progress and questioned when these would be presented. 13 reports to be completed which was seen as too many for one meeting. Reports to be prioritised and any urgent reports to be brought to June meeting. This included the report on Private and Overseas patients.	Action 8 NA
	3	Audit Tracker Few items for HR are still outstanding. These and all other outstanding items from pre 2012 due to be cleared by next meeting with the exception of the capital management of Endoscopy. This will be cleared by July meeting.	
c		LCFS	
	1	Progress Report S Pratley attended her last meeting prior to going on maternity leave until June 2013. S Doyle will be attending AAC meetings in her absence. <i>Pro-active work</i> PAA 5124 LCFS currently working with Des Holden to link in with the job planning process for all consultants. Clarity required around private and NHS work. A few ambiguous job plans still in existence but are all being changed. <i>Investigations</i> PAA 4344. Notification now received of the court case and money has been reclaimed. PAA 5010 Now concluded and report will be issued. No proof of any wrong doing and processes now tightened to avoid any future problems. <i>Basic Enquiries</i> Two new enquiries in past week, both relating to car parking charges. The appropriate actions have being taken. Potential car parking fraud has been added to LCFS policy.	
	2	Matrix Action sheet was discussed and an update given of all actions taken.	
	5	SASH REPORTS	
	1	Losses and Compensation and Waivers <i>Waivers</i> 26 so far this year which was noted as an increasing number. PS to review including timelines and reasons.	Action 9 PS

	2	Accounts Preparation Paper M Bhatti has prepared a paper which was well received. J Berwick was in full agreement with paper. The draft un-audited accounts will be presented at the next meeting on the 23/4. PS to flag up any issues prior to the meeting.	
	3	Accounting policies Notes to account Agreed to submit as reasonable set of accounting policies. PS to review notes around subsidiary and joint ventures and add into policy.	Action 10 PS
		ANY OTHER BUSINESS Observations PS noted the improvement in the embedding of actions into Internal Audit which offered more assurance of processes to the AAC.	
		DATES OF FUTURE MEETINGS Next two meetings – no pre meet. Apologies noted from J Power for 23/4 meeting. 23 rd April 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	