

AUDIT & ASSURANCE COMMITTEE

**Minutes of Meeting held on 23 April 2012
Room AD77 Maple House, East Surrey Hospital, Redhill**

Present:	
Edward Cooke	Non Executive Director – Chair AAC
Richard Durban	Non Executive Director
Norma Christison	Non Executive Director
James Berwick	Audit Commission – External Auditors
Marcus Ward	Audit Commission
Nick Atkinson	RSM Tenon – Internal Auditors
Paul Simpson	Chief Financial Officer
In attendance:	
Michael Wilson	Chief Executive
Yvette Robbins	Non Executive Director
Lorraine Clegg	Deputy Director of Finance
Majid Bhatti	Chief Financial Accountant
Gillian Cruse	Minute taking

			Action:
1		<p>Welcome and Apologies for Absence</p> <p>E Cooke welcomed Yvette Robbins (Non Executive Director) to the meeting and apologies were noted from John Power.</p>	
2	a)	<p>Draft covering paper for Accounts</p> <p>This AAC meeting was specifically set up in to review the draft unaudited accounts for 2011/12 prior to submission to the DoH by 12.00 noon deadline.</p> <p>Following this submission, the External Auditors will be coming into the Trust for a 4-6 week period to review the accounts in more detail with the final version due on 11 June 2012. The AAC will review these at the 1 June 2012 meeting.</p> <p>PS noted the very tight timescale for production of these accounts this year.</p> <p>The AAC were asked to note and approve the accounts, giving delegated authority to the Chief Financial Officer for any amendments required before submission to the DoH.</p> <p>PS pointed out the key items to note from the unaudited accounts:</p> <ul style="list-style-type: none"> • The provisional outturn position is a £6.126K deficit (after technical impairment). • The breakeven duty has been breached (some years back) which has been disclosed in the Annual Governance Statement ('AGS') - a Section 19 letter will not be issued by the Auditors about this as one had been issued at the start of 2011/12. 	

		<ul style="list-style-type: none"> • Certain balance sheet policies have been changed and have been recorded at AAC meetings. • There are changes flowing from the Alignment Project (eg: treatment of donated assets, agreement of balances with FTs) which are explained within the accounts. • The Bad Debt provision has been increased. • Admin targets are listed below. <p>Page 5 outlined the year end validations of property and equipment. PS did not envisage any problems in this area.</p> <p>Page 6, Section C of the notes related to deferred Income. This was an output from the integration of FT accounts with the “global” NHS accounts and reflected the need to ensure consistency between all trusts and all PCTs. The impact on SaSH was that deferred income required matching creditors elsewhere – the SHA had coordinated this and provided instruction, but final formal confirmation of availability of funding had not yet been received.</p> <p>Section 6 outlined the terms of the 2 outstanding loans for the Trust.</p> <ol style="list-style-type: none"> 1. £4.328K balance working capital loan 2. £3.95K capital investment outstanding balance of loan <p>Pages 6 / 7 Key Administrative Targets</p> <ol style="list-style-type: none"> A. Better Payment Practice Code – not delivered., but better than last year B. Capital Absorption rate – was delivered C. External Finance Limit – the Trust undershot on this target – so OK, and agreed with SHA. The balance at the end of year has to be the same as at the beginning which is unique to NHS D. Capital Resource Limit - £1.3M undershoot reported to the Trust Board and the Investment & Workforce Committee. Agreed with SHA which will be held-over linked to capital. E. Management Costs – this does not have to be reported this year <p>Page 8 outlined 3 recommendations from prior year</p> <ol style="list-style-type: none"> A Accounting policies – these have been updated and reviewed by external audit and approved by the AAC. B Stock system – noted that there was less stock on shelves this year and this was audited as part of the Internal Audit Plan in 2011/12. C SMART measures in the BAF. Noted this was improving and a new format is being presented to the Board Seminar on Thursday, 26th April. <p>The Committee noted the above.</p>	
	<p>b)</p>	<p>Draft Unaudited Accounts</p> <p>Minor changes noted since distribution of unaudited accounts to NEDs:</p>	

		<p>1) Policy around subsidiaries. Charitable Funds will not be consolidated within accounts and some wording has been removed</p> <p>2) Disclosures. Some improvement required and some updating. Designated responsibility given to PS to make these adjustments.</p> <p><u>Questions raised from draft summary of accounts and main unaudited accounts.</u></p> <p>E Cooke raised a question around the lower stock values. Last year there was a comment around high stock value and the implementation of E.Proc. PS referred back to the IA stock review, which had provided assurance and suggested that stock controls were as good if not better than in other Trusts and that he was more comfortable with the lower stock level, which appeared more in line with his experience. I.Proc was now available which produced better information and allowed better decision making and procurement management.</p> <p>Bad Debt provision. Noted that this was mainly due to overseas payments which were still, and would always be, problematic. An audit has been carried out recently but PS confirmed that overall bad debt numbers were at quite a low level compared to previous years. As part of the audit noted above (coming to a future AAC), processes are being reviewed.</p> <p>Y Robbins questioned the staff sickness absence figures on P34 which did not correlate with Trust figures received. PS advised that these figures are provided to us by the DoH and we have as yet not received them.</p> <p>Employee benefits on P34. LC to check whether this related to 2011/12 net figures or last year comparisons.</p> <p>E Cooke requested an explanation on staff salary data. PS advised, as in past years, that he would complete a bridge chart as part of the more detail analysis he does each year explaining movements from one year to the next. This will be available for the next AAC meeting in June.</p>	
	<p>c)</p>	<p>Draft Annual Report</p> <p>The draft report will be presented in a similar format to previous years.</p> <p>Permission was delegated to PS before final submission for any amendments. The Annual Report still needs to be proof read and some highlighted changes were handed to PS by the NEDs. The deadline for activity data and some numbers will need to be adjusted and also changes required to the AGS.</p> <p>R Durban commented on the presentation of some data which is currently mainly in narrative saying that it might be better in a</p>	

		<p>different format possibly with graphs to measure targets – this was not as clear as the financial sections. This was noted.</p> <p>R Durban requested more clarity around terminology used within the report.</p> <p>N Christison felt that the priorities and measures from page 30 onwards were very bland which was felt should be a learning curve for next year. Have headings but no relevant numbers. (I don't fully understand last two lines – can they be clarified?)</p> <p>Y Robbins raised a question around the A & E attendance figures on Page 2. After discussion agreed that the 5.63% was correct.</p> <p>Noted that within the Chairman's report it referred to 8 independent reviews where the Trust had been declared safe and whether the tenor of the report should reflect this more. It was agreed that the Annual Report provided the right balance and without over-egging positive news.</p> <p>PS agreed to add a description and explain what the TFA was, at relevant points.</p> <p>PS to make other amendments as below re: Committees;</p> <ul style="list-style-type: none"> • P25 Safety & Quality – membership to be amended • Workforce & Investment Committee – meets monthly, not bi-monthly and membership to be reviewed. • P46 Remuneration and workforce – change name <p>YR noted that on P23 of the A/R report, her declaration was the only one declared and this appeared to be an interpretation of the rules.</p> <p>P36 Should read 2011/12</p>	
	<p>d)</p>	<p>Draft AGS</p> <p>This was presented at last AAC. A few minor amendments made and improvements. Both Internal and External auditors have seen and noted the draft AGS and have made no suggestions for further changes. J Bewick did not have any concerns to raise</p> <p>Y Robbins noted the number of red flag risks (which was what was reported on the BAF). N Atkinson confirmed that some Trusts were more open than others and he believed this was an honest approach and confident that the balance was about right.</p> <p>Y Robbins questioned the wording on P4 against Risk Assessment process and the Safety & Quality Committee review – it was suggested that the word Register be removed.</p> <p>R Durban was not clear about wording around Clinical Audit and not confident that all actions are fully implemented. Actions have been planned into Audit plan for next financial year.</p> <p>Annual report also to be submitted by 12.30 deadline today</p>	

	e)	<p>Final Head of Internal Audit Opinion ('HoIAO')</p> <p>N Atkinson presented. This report had been viewed at the last AAC and no changes made. Still highlighting significant assurances with the exception of 3 reports that were issued with a red rating.</p> <ol style="list-style-type: none"> 1) Clinical Audit 2) Incidents management 3) A & E Data Quality <p>Agreement that the HoIAO is consistent with what is written in Annual Report and AGS</p>	
	f)	<p>Draft Head of External Audit Opinion</p> <p>J Bewick confirmed that he would be reviewing the unaudited accounts and would be on site from 30/4 with 4 members of his team. He would be planning activity this week with M Bhatti to ensure that this was in line with expectations of the Trust.</p> <p>The work in the Trust would be intensive, reviewing material figures, testing and obtaining evidence.</p> <p>At the 1st June AAC the Annual Governance report will be presented identifying any issues and a draft opinion presented.</p> <p>With regard to the Annual Report, JB advised that formal responsibility for External Auditors is quite limited and ties in with accounts and the financial reporting primarily.</p> <p>Remuneration report with audit figures to support evidence plus a report on Quality Accounts to be presented to 1 June meeting.</p> <p>The unaudited accounts were approved and the AAC gave power of delegation to Chief Financial Officer for any changes.</p> <p>The Chairman expressed thanks to Finance team for the hard work carried out to produce these accounts in the very tight timescale.</p> <p>Meeting finished at 10.00.</p>	
3		<p>Date of next meeting</p> <p>June 1st from 10.00 – 12.00 to review final accounts</p>	