

AUDIT & ASSURANCE COMMITTEE
11 SEPTEMBER 2012
AGENDA ITEM 2

ITEM:

MINUTES OF AUDIT & ASSURANCE COMMITTEE

SYNOPSIS:

**Attached are the minutes of the Audit & Assurance Committee held
on 11 September 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 11 September 2012 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 Shore	RS	Non Executive Director
Darren Wells	DW	Audit Commission
Jamie Berwick	JB	Audit Commission
Paul Simpson	PS	Chief Financial Officer
Majid Bhatti	MB	Head of Financial Accounts
Joe Aslam	JA	Internal Audit
In attendance:		
Michael Wilson	MW	Chief Executive
Yvette Robbins	YR	Non-Executive Director
Sue Mason	SM	Human Resources (part meeting)
Stuart Doyle	SD	Counter Fraud
Colin Pink	CP	Acting Head of Integrated Governance and Quality
David Knight	DK	Cost Accountant (Note taking)
Apologies		
Lorraine Clegg	LC	Deputy Director of Finance
Des Holden	DH	Medical Director

			Action by :
1		Welcome and Apologies for absence RC welcomed everyone to the meeting and apologies were noted.	
2		Minutes of last meeting The minutes of the meeting held on 3rd July were recorded as a true and accurate record of the meeting. Outstanding action – update on PbR action plan report PS informed the committee that there were two reports, one for 2011/12 and a follow-up review on 2010/11. The former had a straightforward set of recommendations, and good assurance and the Head of Coding would follow through (PSimpson being the responsible Director) and the latter, which was OK for reference costs but unsatisfactory for inpatient and outpatient coding required a more detailed approach. The Medical Director would advise the action plan. Actions Des Holden to present a Healthcare Records Detailed Action Plan to the committee next month The remainder of the actions noted within the minutes had been completed	Action 1 DH

	or were included within the agenda for discussion.	
3	<p>Aligning Board Assurance Framework (BAF) and Significant Risk Register (SRR)</p> <p>CPink described the progress of linking/integrating the BAF and SRR, noting that the SRR would be presented to the Board on 27 September (he apologised that it was not available for this meeting).</p> <p>A discussion followed on when the two registers would be reviewed by the AAC and whether the registers needed to be reviewed together or separately. This would be discussed further as part of the Board review. RCongdon asked about how the AAC role complemented the Board's BAF review, and JAslam and PSimpson commented on the internal audit rolling review of each BAF line and the assurance in respect of the supporting processes behind what the BAF said.</p> <p>JPower enquired whether the SRR would be a subset of the Corporate Risk Register, incorporating only items at high risk, and thus by definition presenting a somewhat skewed and pessimistic picture. PSimpson confirmed that the SRR would be a subset, but that this allowed better exception reporting – inevitably that could lead to a more “pessimistic” view, but that should strengthen the process of risk management.</p> <p>JPower noted that in most other organisations there was a single Corporate Risk Register at the top of the hierarchy of risk registers. The NHS had a separate BAF and SRR, so it was indeed important to define clear and comprehensive links between the two. PSimpson confirmed that, to his knowledge, the NHS was probably unique in having a BAF, but this was the system that NHS guidance required.</p> <p>The committee examined accountability and resourcing behind preparing the BAF. PS commented that when the new Director of Corporate Affairs arrived in October we should see changes to the management of the BAF.</p> <p>A summary of the risk ratings was given by JAslam with CPink confirming that the BAF was reviewed every 2 months.</p> <p>A discussion followed regarding the importance of BAF as a management tool and the improvement the Trust has seen with its BAF. RCongdon asked that a fuller BAF review was taken at the next AAC that did not duplicate anything the Board did.</p> <p>Finally it was requested that a clear summary of the main risks impacting the Trust was provided with the BAF when it was presented to the Board to ensure the entire Board was very clear. It was agreed the AAC might receive this in the first instance.</p> <p>Actions</p> <p>An Executive Summary of key risks is to be presented to the next AAC board.</p>	<p>Action 2 CP</p>

4	a	<p>External Auditor's Report</p> <p>DWells presented the Annual Audit Letter and informed the committee that the letter presented to them had been discussed with PSimpson and MWilson</p> <p>RCongdon noted the progress made by the Trust and the committee commented that the letter provides a fair summary of the Trust's position in its work on financial sustainability. JPower found the letter a useful summary, broadly complimentary in tone, but with no overall conclusion. PSimpson ran through the separate sections, noting the following;</p> <ul style="list-style-type: none"> - The letter provides a fair summary of the Trust's position in work on financial sustainability (illustrating transparency between Trust and Audit); - comments on the high quality of financial accounts; - provides a summary of the VFM rating (OK on internal VFM, weakness in financial resilience); - notes the favourable output from the recent PbR assurance audit, poor follow up of last year's PbR assurance audit and an adequate audit of the Quality Account, noting the need for improvement in style and content <p>In response to a question from RShaw PSimpson summarised a few points about the Trust's current, and forward financial position as follows:</p> <ul style="list-style-type: none"> - Transitional funding is planned as follows: 12/13 - £15.9million, 13/14 - £8.5 million, 14/15 - £nil – this reflects the time needed to deal with the underlying financial deficit - Savings targets 12/13 - £10million, 13/14 – estimated at £14.5million, 14/15 – estimated at £14.5million - PbR tariffs have been reduced by 1.8% and the national NHS finance regime applies pressure on acute trusts to deliver savings in excess of 4 or 5% - A specific risk exists in 2012/13 due to the capped contract with Sussex CCG's who may try not to pay for the over activity - If paid the Trust could make a surplus because of the increase in activity <p>MWilson further highlighted</p> <ul style="list-style-type: none"> - Activity increases across the NHS - Some commissioners do not have contingency to cover over activity - SHA are aware of the funding issues in the patch - Any surplus the Trust may generate is being offered back to the 	

	<p>CCG's</p> <ul style="list-style-type: none"> - The health economy needs to be made more sustainable - PCT & CCG's are wanting local prices rather than PbR prices but this would be unsustainable for the Trust at the moment. - The Trust Development Agency's priority is in getting about 104 non FT organisations to FT status. <p>PSimpson requested an amendment to the Annual Audit letter which JBewick agreed. With that the letter would be made final and submitted to the Trust.</p> <p>Action</p> <p>Audit letter to be received for presentation at Trust Board on 27 September.</p> <p>Audit Appointment Letter</p> <p>DWells informed the committee that the Auditors appointed to the Trust are Grant Thornton for the current financial year. A summary of transitional arrangements for the winding up of the Audit Commission was provided to the committee.</p> <p>JPower noted that that the letter assumed an ongoing oversight role for the Audit Commission (as a central body) whereas the previous minutes stated that it would cease to exist on 31st October. DWells explained that the Audit Commission would now remain in existence in that guise until March 2015.</p>	<p>Action 3 DW</p>
<p>b</p>	<p>Internal Auditor's report</p> <p>JAslam gave a summary of progress being made on the Audit Tracker highlighting the following issues:</p> <ul style="list-style-type: none"> - Progress with the tracker is varied in different areas - However, most recommendations are being implemented by the Trust as required; - Long standing points outstanding in Clinical Governance & Incidents reporting (discussed later) - Delay to DATIX software is causing some delay for the tracker <p>In respect of those pieces of work completed since the last AAC, JAslam gave the following summary</p> <p>Emergency Department data quality report ("good progress")</p> <p>The report describes good progress, noting that there was poor assurance when Internal Audit first looked at the data a year ago. .</p> <p>The report affirms good recording of data for the 4 hour waiting target.</p> <p>PSimpson and YRobbins noted that the report provides good assurance to</p>	

	<p>support the ongoing and significant improvement in the delivery of the unscheduled care access target (the A&E 4 hour wait).</p> <p>Capital & Estates – Capital Programme Report (green/amber)</p> <p>Some issues over administration and reporting to the hierarchy of committees (management considering how best to do that without overwhelming the senior committees). Good assurance.</p> <p>JPower expressed surprise at the observation there was no evidence of detailed review of actual expenditure against budget as this seemed to be covered adequately at the Investment and Workforce Committee (IWC). JAslam put the comments into perspective noting that the comments referred to the presentation of committee reporting, as there was extensive monitoring of actual costs. RDurban recognised that committees should not be overburdened by detail reporting and supported the recommendation that key information on whether projects are on time and on budget be listed more clearly in reports submitted to the IWC. He suggested that management review how best to do this with the hierarchy of reporting and committees.</p> <p>JPower also expressed surprise that the Audit had been unable to obtain a formal agreement between the Trust and the Consultants. He asked whether, if there was no overall agreement, such detail might nevertheless be defined for individual projects. JAslam responded that the Auditors could only work with the information that they were given and PSimpson explained to the committee that consultants were being held to account regularly at meetings and that any lack of clarity or documentation over objectives and outputs would be corrected.</p> <p>Rolling CQC Review</p> <p>The committee then moved on to review the Rolling CQC Review Quarter 1 2012/13 assignment</p> <p>YRobbins expressed concern whether the auditors had received satisfactory evidence on Provider Compliance Assessments and JAslam clarified the main issue as being manager responsibility and accountability of completing actions as opposed to lack of evidence. YRobbins noted with regards to Outcome 7: safeguarding people who use services from abuse that the review was still on going but would appreciate some more feedback.</p> <p>Action On receipt of management responses a final report of accepted recommendations will be presented at next audit committee Contract and Non-Contracting Income Report (green)</p> <p>The report was green providing strong assurance. PSimpson noted a couple of points, including that the income contract had been reviewed it</p>	<p>Action 4 JA</p>
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	<p>confirmed that non-recurrent income is included in the contract, providing greater assurance of funding</p> <p>Past audits</p> <p>a) Incidents and Complaints Audits</p> <p>The main issue in the meeting was the still outstanding (over 6 months) completion of actions to deliver recommendations for two significant, and red rated, reports on, respectively, clinical audit and complaints and incidents. This had been discussed at the July AAC, but progress remained unclear. Both these audits featured as significant control issues in the Annual Governance Statement prepared in June 2012.</p> <p>Earlier in the meeting the committee had expressed its general concern over the delay in implementing recommendations in these important areas specifically with MWilson, as CEO, who was not able to stay for the whole meeting.</p> <p>MWilson noted that concern (and its depth) and commented that although he recognised the issue he had not been made aware by non executive directors prior to the meeting of the additional concerns they were now providing. He recommended that in future advance notice would be the appropriate action. He also advised that should the Committee have a lack of assurance it should record that clearly, understand the current status of the issues and seek further assurance of action to resolve the issues. He noted that an update on these latter items was timetabled for later in the meeting</p> <p>YRobbins sought assurance regarding the governance function given the current resourcing challenges in this area and MWilson advised that the consultation to restructure the Governance team was underway and the new Director of Corporate Affairs joined the Trust on the 1st October.</p> <p>What follows was discussed at a separate point later in the meeting without MWilson present.</p> <p>In the absence of DHolden (who was unfortunately delayed at a meeting with patient relatives), PSimpson (as Deputy CEO) provided an update on the status of the two key report recommendations. He noted that there was a significant lack of assurance and that these two reports had been followed up through the Management Board for Quality and Risk. What followed was an update on the status of the recommendations and work in progress to complete the implementation.</p> <p>PSimpson began with <u>clinical audit</u>.</p> <p>Clinical audit: reporting was provided in the IPQR describing the progress on the programme and reporting was also provided, by Division, to the Safety and Quality Committee. These aspects provide a level of assurance on an improved programme and its progress (noted by the Committee) and</p>	
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	<p>the expectation was that the outstanding actions (bar one that was minor and low priority) would be completed shortly.</p> <p>Following questions from RCongdon with regards to the timing of follow up audits, JAslam confirmed another audit of both clinical audit and incidents/complaints would take place and were timetabled for March 2013.</p> <p>YRobbins noted PSimpson's report and affirmed the feedback being received at the Safety and Quality meeting. She noted the split between getting the recommendations implemented and making full and proper use of clinical audit in the running of the Trust and the considerable improvement from a very low base. However, her main point was the gulf between the current status of clinical audit in the Trust and where it should be, which was providing, in itself, information that allowed improved clinical decision making and allowed focus on clinical improvement. In summary, the Trust was some way away from making full use of clinical audit.</p> <p>RCongdon noted all of the above and the assurance provided on action. A full report, which should provide greater assurance on completion, was required from the accountable Director at the next AAC.</p> <p>Action: DHolden to provide a report on the implementation of the Clinical Audit recommendations at the next AAC.</p> <p>PSimpson then went through the status and progress on implementing the recommendations for <u>incidents</u> (noting that the complaints part of the original report has relatively minor actions).</p> <p>Firstly, PSImpson made the point that "incidents" in this audit refers to all incident reporting, not just serious incidents, which the Board received regular reporting on, including the progress on follow-up action.</p> <p>The key recommendations in the audit were about the time taken to implement incident recommendations. The Committee heard, and accepted, that recommendations about interim measures were not being pursued because the electronic system (DATIX web) that would replace existing manual work would complete roll out across the Trust by December (resource issues had been resolved and this work was proceeding now). The Committee accepted this noting that had the recommendations been implemented according to the original timetable the interim system would have been appropriate.</p> <p>RShaw reminded the committee that risks do exist with the introduction of any new computer software. CPink advised that this was an already established system in the Trust, but acknowledged that the time being taken was due to the need to train staff across the Trust to ensure they could use the new system correctly. In addition contingency plans were being put in place in the event that the web or intranet crash.</p> <p>Assurance was provided about Divisional reporting (part of their own Governance & Quality reviews) and tracking through monthly performance reviews).</p>	<p>Action 5 DH</p>
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	<p>In conclusion, the AAC confirmed it was comfortable with the expediency of the use of this company and, recognising that there are some governance aspects for learning, accepted the value for money of the arrangement.</p> <p>The NHS Protect closure report notes the findings of the internal audit report, the AAC conclusion and states that “in the absence of any specific tangible evidence of fraud or corruption it is recommended to close this investigation with no further action”.</p> <p>JPower noted that he had expressed his concerns when this matter had originally been discussed. He did not dissent from the AAC conclusion, but since the matter was here raised again, he considered it appropriate to summarise his views again. His views are summarised as follows:</p> <ul style="list-style-type: none"> - concerns over the principle of employing salaried staff on a separate corporate contract - something might be legally and contractually accurate did not necessarily mean that it was reasonable, sensible or politically acceptable - needed to be mindful of fairness, transparency and conflict of interest - need to stop employing public servants in general on corporate non PAYE terms. - there was a case for transient use of this arrangement subject to the foregoing considerations. <p>RCongdon noted JPower comments. JAslam apologised that internal audit had not sent the full report to JPower and would now do so.</p> <p>Action NAtkinson to Provide JPower with a copy of the IA full report</p>	<p>Action 8 NA</p>
<p>c</p>	<p>Local counter Fraud Service (LCFS)</p> <p>SDoyle updated the committee on the E-learning package progress and that amendments are being made to its content. Training sessions are taking place. The fraud survey will not now be amalgamated into the staff survey due to objections from HR on financial cost grounds and would continue separately.</p> <p>SDoyle updated the committee on the bribery act compliance cases and of the implementation of an identification system which will enable the Trust to check passports and overseas patients.</p> <p>The current areas being reviewed as “proactive reviews” are Patient Property Expenses review and timesheets.</p> <p>The committee were updated on the current fraud cases in progress and noted the LCFS report and progress on recommendations</p>	

5	<p>Office of Fair Trading report on private patient pricing</p> <p>PSimpson briefly outlined for the committee the findings from the OFT in a recent case involving trusts along the south coast who were sharing prices for private patient care (which was anti-competitive) and confirmed that that the Trust was not involved and does not share its private patient pricing.</p> <p>MBhatti updated the Committee on the overseas patient policy and will have that finalised shortly.</p> <p>PSimpson summarised the Trust current position on Private Patients and the Trust's wish to increase this source of income, which was manifested in increasing the resource available to manage this (now a band 8 manager, supported by a Band 4).</p>	
	<p>Report on waivers and Losses and compensations</p> <p>The Committee noted the report and raised no issues about its content.</p>	
6	<p>Review of meeting and any other business</p> <p>The committee were unanimous, and generous in their thanks to Gillian Cruse, whose role had been made redundant in the Trust's savings plan for managing the administration, writing the minutes and supporting the AAC. The committee wish Gillian all the very best for the future.</p>	
	<p>Date of future meetings in 2012</p> <p>13th November</p> <p>10.00 – 13.00 AD77</p> <p>Pre-meet at 09.30 for NEDs, Internal and External auditors</p>	