

**AUDIT & ASSURANCE COMMITTEE**

**ITEM:**

**MINUTES OF AUDIT & ASSURANCE COMMITTEE**

**SYNOPSIS:**

**Attached are the minutes of the Audit & Assurance Committee held  
on 7 January 2014**

**AUTHOR:**

**GILLIAN FRANCIS-MUSANU  
DIRECTOR OF CORPORATE AFFAIRS**

**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 7<sup>th</sup> January 2014 10.00 – 12.45

Venue: Room AD77, Postgraduate Education Centre & Trust HQ, East Surrey Hospital

<b>Present:</b>		
Richard Congdon	RC	Non Executive Director (Chair)
Richard Durban	RD	Non Executive Director
Richard Shaw	RS	Non Executive Director
John Power	JP	Non Executive Director
<b>In attendance:</b>		
Yvette Robbins	YR	Non-Executive Director
Paul Simpson	PS	Chief Finance Officer
Gillian Francis-Musanu	GFM	Director of Corporate Affairs
Darren Wells	DW	External Audit (Grant Thornton)
Jamie Bewick	JB	External Audit (Grant Thornton)
Nick Atkinson	NA	Internal Audit (Baker Tilly)
Sarah Pratley	SP	Local Counter Fraud (TIAA)- Agenda item 6c only)
Veran Patel	VP	Local Counter Fraud (TIAA - Agenda item 6c only)
<b>Meeting Observers</b>		
Suzanne Cliffe	SC	TDA
Richard Boyce	RB	TDA
<b>Apologies</b>		
Colin Pink	CP	Corporate Governance Manager

		Action by
1	<b>Welcome, Apologies for absence and Chairman's remarks</b> R Congdon welcomed everyone to the meeting and apologies were noted.	
2	<b>Minutes of previous meeting held on 5<sup>th</sup> November 2013</b> With a few minor typographic errors noted, the minutes of the meeting held on 5 <sup>th</sup> November 2013 were accepted as a true and accurate record of the meeting.	
	<b>Actions from previous meeting</b>  3.1 Outstanding items now complete and confirmed by Trust Board.  5.1 Confirmed that the AAC were responsible for providing assurance that the process and systems were sound and the Trust Board were responsible for deciding on the appetite for risk and for reviewing progress of the actions to mitigate and manage risks. Agreed that the action was resolved in principle.  Discussions took place around BAF and N Atkinson advised that it was necessary to capture problems and outline them to NEDS at the AAC any	<b>Closed</b>  <b>Closed</b>

	<p>items would then be escalated to Trust Board. For AAC to give necessary assurance to Trust Board it would continue to need to review full BAF document.</p> <p>R Durban expressed his confidence and assurance that on-going processes and systems were now in place to record and action strategic risks.</p> <p>J Power believed that the AAC checked that the BAF is “Fit for Purpose” and the Trust Board confirmed the lead and relevant actions were in place to resolve these.</p> <p>R Congdon requested that key risks for the BAF, including the Trust’s appetite for risk, were discussed at the Trust Board Seminar before the end of March 2014..</p> <ol style="list-style-type: none"> <li>1) <b>Action for Trust Board Seminar – BAF discussion (Link to item 4.1)</b>Effectiveness of management systems around BAF/SRR</li> <li>2) Clarity around what the AAC does and what the Trust Board does</li> <li>3) Board decision on risk appetite.</li> </ol>	
3	<p><b>Assessment of Committees Effectiveness</b></p> <p><b>Point 1</b> R Congdon presented the annual review of AAC effectiveness which covered all areas documented within the Audit Committee handbook. He noted thanks to Colin Pink for his work in assessing the results. The report presented summarised the feedback with proposals for resolving the issues that had been highlighted.</p> <p>There was unanimity that the AAC were covering all mandatory areas. Since the introduction of the internal controls map and assessment, this now also included the Trust’s internal controls systems. These issues were covered within the Internal Audit workplan.</p> <p>Point 2 - clinical audit section:</p> <p>There was a split of opinion with regard to the second question and the overlap of the work of the Safety &amp; Quality Committee (S&amp;QC).</p> <p>R Congdon confirmed that the Safety &amp; Quality Committee (S&amp;QC) were responsible as a Committee for clinical audit but items should be highlighted at the AAC where additional assurance was required to confirm that the right processes are in place to ensure actions are processed.</p> <p>R Durban also expressed concern over speed of actions and requested assurance that the S&amp;QC are working to set timescales. This was confirmed.</p> <p>Point 3 - Care Quality Commission</p> <p>P Simpson confirmed that the S&amp;QC were also responsible for CQC. The AAC</p>	

	<p>would seek assurance that S&amp;QC is covering this aspect.</p> <p>Y Robbins questioned whether the AAC should review External Audit as well as Internal Audit. RC confirmed that the AAC workplan included reviews of External Audit and Local Counter Fraud Services.</p> <p>It was noted that External Audit are nominated whereas Internal Audit are chosen via a procurement process. P Simpson recently filled in a customer client satisfaction survey regarding external audit and this will be used when undertaking the review of external audit as part of the year's work plan.</p> <p><b>Action: PS agreed to circulate the survey to the Committee.</b></p> <p>N Atkinson advised that an update to the audit handbook is currently in progress and he will review any changes prior to developing proposals for next year's work plan.</p> <p>R Congdon felt it important that the AAC should be effective around self-criticism, which may influence the model used to review itself next year, but overall he expressed his confidence that the AAC was carrying out all its mandatory responsibilities as per the Audit Committee hand book.</p> <p><b>Action: RC to produce a report for Trust Board in January outlining his assurance of the above.</b></p>	<p>PS</p> <p>RC</p>
4	<b>Board Assurance Framework and Significant Risk Register</b>	
4.1	<p><i>Review of Trust Risk Register</i></p> <p>G Francis-Musanu presented a paper for the Audit and Assurance Committee to consider. It is the AAC responsibility to review the overall Risk Register and its fitness for purpose and how actions will be carried out.</p> <p>This paper had been presented to the Trust Board and the revised Executive Committee for Quality and Risk would now be reviewing the whole risk register on a planned basis. Following this the AAC required assurance that the risk management structure was still fit for purpose.</p> <p>P Simpson advised that the key was the Quality Governance actions and how the Trust dealt with the risk register (RR) and how the Significant Risk Register (SRR) was disseminated. It was agreed that the AAC would continue to review the process along with the BAF.</p> <p>Further discussion on inter-linkage between RR and SRR to be held at Trust Board Seminar.</p> <p><b>Action: Agenda for Trust Board Seminar in February G Francis-Musanu.</b></p> <p>A meeting had been held on the 1 Jan 2014 between P Simpson and C Pink and draft key lines of enquiry produced. This draft had been forwarded to N Atkinson for review and will be circulated when NA had reviewed and added</p>	GFM

		anything specific for this year. The document highlights short sharp actions and key milestones on whether SRR fit for purpose. Some links from the recent Risk Maturity audit had been included within draft document	
		<p>Y Robbins agreed that the SRR was a key tool and guide to decision making which had got stronger over the past months and the processes were far more steady compared to previous years.</p> <p>G-F-Musanu advised that more focus on risks would be given in 2014 with the formation of five feeder committees into Executive group structure.</p> <p>P Simpson noted that the Integrated 5 year business plan which will include more strategic plans for the future with financial workforce, SRR and capital plans all interlinked. Risks are the key driver for the capital review.</p> <p>To ensure risks are picked up there are a number of systems in place at divisional level.</p> <ol style="list-style-type: none"> <li>1) Datix systems are in place</li> <li>2) Divisions enter their own risks – down to speciality levels</li> </ol> <p>R Shaw believed the key risk was around identifying significant and underlying risks and applying judgement around them. He questioned whether the new executive sub-committee would review risks and actions by divisional management to avoid risks being overlooked. This was confirmed.</p> <p>N Atkinson advised that internal audit would carry out work around whistleblowing next year. This will ascertain how this was embedded within the organisation to ensure no individual felt uncomfortable about identifying risks and at any level.</p> <p>P Simpson advised that the reason for the delay in producing the QGAF was to gain an understanding of how we report back. It required the most pragmatic way of reporting and follow up to Trust Board. A clear audit trail is essential.</p> <p>N Atkinson will feed his comments to P Simpson regarding this document and a copy will be sent to D Wells and J Berwick. Once comments received the updated document will be circulated to NEDS and then the final copy will be an agenda item for the next AAC meeting.</p> <p><b>Action: PS to circulate document to the Committee</b></p>	<b>PS</b>
	<b>4.2</b>	<i>December Board BAF</i>	
		Distributed for information and any points covered within point 4.1 above.	
	<b>4.3</b>	<i>December Board SRR</i>	

		Distribution for information and covered within point 4.1 above.	
5		<p><b>Internal Controls Assessment</b></p> <p>P Simpson presented the report which covered the 58 key internal control systems currently operating in the Trust. The purpose of the paper was :</p> <ol style="list-style-type: none"> <li>1. To provide a map of Internal Control systems and key systems.</li> <li>2. Identify where AAC can seek assurance that systems are working</li> <li>3. Rag rate all Internal Control areas (how it is working). e.g. Controls OK / Systems – not working</li> <li>4. Specific actions required</li> </ol> <p>This report has been agreed by the Executive Committee plus other meetings with key leads identified as per appendix 3 with a deadline in place for 21 Jan 2014 for completion.</p> <p>P Simpson requested feedback from the AAC as to whether this was a useful tool.</p> <p>R Congdon believed it was a useful tool to specify what evidence would be sought as assurance on the existence and operation of internal controls in respect of the Trust's key governance systems.</p> <p>J Power agreed it was an excellent piece of work and gave significant assurance.</p> <p>G Francis-Musanu will be the Executive to maintain this document going forward. Agreement is required around who reviews action list and who adds/deletes items.</p> <p>N Atkinson noted that this should be updated on an annual basis at the start of the year when reviewing the Internal Audit work-plan. Any specific items raised from external reviews or Internal Audit reports will be discussed.</p> <p>It was noted there could be some duplication as questions in this report were also covered within the Internal Audit Control document.</p> <p>R Durban agreed this was a useful tool for management which must be challenged. Will management be reviewing this regularly and prioritising e.g. Data Quality Priorities? Evidence will be required for all items.</p> <p>N Atkinson noted that there were currently 7 items graded as Amber on the IAC and he was happy with the report.</p> <p>R Shaw felt this was a useful map and gave accountability but questioned where the judgement was made for RAG ratings.</p> <p>P Simpson advised that RAG ratings were carried out across the Trust taking</p>	

		<p>into accounts several factors following a similar format.</p> <ul style="list-style-type: none"> <li>• Time and assurance criteria</li> <li>• Evidence of assurance</li> <li>• Risk and impact v likelihood (used throughout Trust)</li> <li>• Tested at Managers and Divisional staff meetings</li> </ul> <p>R Durban asked where staffing levels were covered and P Simpson confirmed that workforce governance systems included.</p> <p><b>Action: Comments to P Simpson / G Francis-Musanu before the next meeting</b></p> <p>Further discussion took place around overlaps, ownership of specific systems and evidence required. Clarity of ownership was key and assurance from each Committee chair.</p> <p><b>Action: R Shaw and R Durban to go through list and identify what fits into each Board Sub-Committee, the Chairs of the Committee and to confirm ownership of all 58 controls. They will identify any gaps and feedback to AAC.</b></p> <p><b>Action: CP The summary sheet will be circulated prior to next AAC meeting.</b></p> <p>Next stage to confirm how the AAC receives its assurance from other Committees and mechanism of feedback.</p>	<p>ALL</p> <p>RS / RD</p> <p>CP</p>
6		<b>External Auditors</b>	
6a	1	<p><i>Letter to chair of the AAC</i></p> <p>D Wells presented a letter outlining the standard audit approach and effectiveness of accounts.</p> <ol style="list-style-type: none"> <li>1. Committees' responsibilities regarding fraud and corruption of accounts.</li> <li>2. Specific new rules for 2013/14 for accounts (that could affect accounts).</li> <li>3. AAC oversight and rules of compliance.</li> <li>4. Any breaches / claims affecting financial statements.</li> <li>5. Does AAC give appropriate assurance to External Auditors?.</li> </ol> <p>AAC not aware of any problems regarding above.</p> <p>In response to a question from P Simpson, J Bewick confirmed that the long annex which SaSH produced was very relevant and helpful.</p> <p><b>Action: P Simpson and RC to finalise and send a reply by 31 January.</b></p>	<p>PS/RC</p>

2	<p><i>Progress report and AAC update</i></p> <p>J Bewick went through report highlighting key points. Pages 5-6 highlighted different streams of work over next 6 months and any risks to the status of financial systems. The National Accounts timetable was discussed.</p> <p><b>Action: Final External Audit plan to be presented to March AAC.</b></p> <p>External Audit liaising with P Simpson regarding the Quality Accounts audit. Work now completed on Charitable Funds which received an “Unqualified” opinion. It was noted that the Accounts and Charitable Funds accounts will be consolidated in the future. The Charitable Funds for SaSH are fairly small. Y Robbins questioned whether the AAC should be discussing some of the nationally produced reports, e.g. Caldicott review and whether there is any impact on SaSH.</p> <p>J Bewick advised that there is a new local audit bill currently in draft form which outlines potential new requirements for AAC. This will be added to the AAC agenda when finalised to review any impact. A draft has been circulated to NEDs.</p> <p>J Power noted some areas that he had looked at to seek assurance that these were covered.</p> <ol style="list-style-type: none"> <li>1. Payment and contract arrangements</li> <li>2. Assurance over the selection of External auditors</li> <li>3. Procurement (Fraud cost – cost of staffing)</li> </ol> <p>P Simpson advised that procurement fraud was covered as part of counter fraud plan.</p> <ol style="list-style-type: none"> <li>1) With effect from 2017/18 External Audit can be chosen via a different process. AAC can have independent check.</li> <li>2) Procurement Fraud – Local counter fraud are checking and will feed back to AAC</li> </ol> <p>The external audit document identified “challenges” for the Trust and the view around the table was that consideration should be given to how to respond to those challenges. In some cases it was thought that information on them should go to the board.</p>	DW/CP									
3	<p><i>Financial resilience – national report</i></p> <p>Report set out the External Audit’s view of how resilient the NHS is and summarised key points of best practice, benchmarked against other areas.</p> <p><i>Results:</i></p> <table border="0"> <tr> <td>1) Financial performance</td> <td>Red</td> <td>30%</td> </tr> <tr> <td>2) Strategic financial planning</td> <td>Red</td> <td>30%</td> </tr> <tr> <td>3) Finance governance</td> <td>Good</td> <td>64%</td> </tr> </table>	1) Financial performance	Red	30%	2) Strategic financial planning	Red	30%	3) Finance governance	Good	64%	
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		<p>4) Internal control <span style="float: right;">Good</span></p> <p>Red is the key indicator of performance and the 30% was based on last year's figures. Noted that the 30% received by SaSH was fairly compatible with other Trusts in the same category.</p> <p>R Congdon believed this was a useful paper outlining longer term thinking and the challenge for the NHS in delivering the required level of cost reductions – these would appear to require strategic action rather than more conventional year-by-year cost cutting measures.</p> <p>P Simpson noted the differences in the Foundation Trusts and Non Acute results around financial performance and planning and the level of instability within Trusts / Non Acute. Local authorities and Foundation Trusts mainly achieving green and the Non Acute primarily red. He questioned whether anyone outside of Grant Thornton was carrying out any additional reviews relating to these results. D Wells confirmed that they were taking every opportunity to discuss outcomes.</p> <p>A copy of the report to be distributed to M Wilson plus Executives for review/information. Discussions around best practices between CEO/CFO taking place.</p> <p>P Simpson also believed that the impact for CCGs were also required to be able to give a complete overview.</p>	
<b>6b</b>		<b>Internal Auditors</b>	
	<b>1</b>	<p><i>IA Progress Report</i></p> <p>N Atkinson presented the report. A number of reports had been finalised since the last AAC, one amber/green and remainder green. No big issues highlighted. Copies to be distributed.</p> <p>1) Health &amp; Safety – Amber / Green. Mainly positive with two small issues</p> <ul style="list-style-type: none"> <li>i. Related to “Riddor investigation”. Marked 3 medium</li> <li>ii. Related to an alert which has been distributed as part of testing Marked 3 low</li> </ul> <p>2) BAF follow up report on improvements <span style="float: right;">Green</span></p> <p>3) Debtors/Creditors <span style="float: right;">Green</span></p> <p>4) General ledger <span style="float: right;">Green.</span></p> <p>Refer any questions back to N Atkinson.</p>	<b>ALL</b>
	<b>2</b>	<p><i>Follow up of IA recommendations (Summary and Appendix)</i></p> <p>There has been limited movement since the last AAC with similar numbers outstanding but further work will be carried out and more movement will be recorded by the next AAC.</p>	<b>NA</b>

3	<p><i>Review of Internal Audit</i></p> <p>R Congdon proposed that this review could be carried out using the standards identified in the document Public Sector Internal Audit Standards to identify possible questions.</p> <p>D Wells did not feel that the Public Audit document standards were particularly informative but AAC should refer to it. He will share documents with AAC members (to include Y Robbins).</p> <p>N Atkinson suggested that management feedback should also be sought to ensure that Internal Audit are doing their job effectively. This was agreed.</p> <p><b>P Simpson agreed to set up a simple process with internal audit and to bring the output of the review back to the AAC</b></p> <p><b>Action: PS table review of Internal Audit paper</b></p>	PS
6c	<b>Local Counter Fraud</b>	
1	<p><i>Progress report</i></p> <p>The LCFS are scheduled to give a presentation on Counter Fraud at the new training programme sessions which will reach all staff (Clinical, non-clinical, new and existing) and they are also attending the Staff Wellbeing Day on 29<sup>th</sup> January.</p> <p>There are a number of outstanding cases and S Pratley highlighted the key ones.</p> <p>PAA 5860 - timesheet fraud. S Pratley still obtaining witness statements.</p> <p>PAA 5924 - false sick claim. This has been referred back to HR due to lack of evidence.</p> <p>PAA 5922. This case has now been referred to the Investigation team</p> <p>S Pratley advised that the overtime policy is being reviewed by Sue Mason who will undertake to get the policy ratified in February.</p> <p>R Shaw raised a question around the recommendations around self-funding and free patients and whether there was a high level of fraud within the Trust. Noted that there is currently 1 recommendation outstanding which will require about 3 month's work. P Simpson confirmed that overall the money lost within the Trust due to self-funding / free patients fraud is fairly small.</p>	

	<p><i>Performance Matrix</i></p> <p>The TIAA Fraud RA (FRA) relates to best practice from various areas within various organisations and was benchmarked against 65 other organisations. The aim is to minimise the risk of financial and reputational loss to the Trust.</p> <p>S Pratley speaking with Executives and SaSH is also benchmarked against 65 organisations. 85 generic board risks assessed.</p> <p>Page 3 of the report outlined the work plan for 2013/14 and 2014/15 and a detailed schedule is available.</p> <p>2 practical risks identified which are to be investigated.</p> <ol style="list-style-type: none"> <li>1) Procurement</li> <li>2) HR &amp; Training Pro-active reports outlined within plan which have been agreed with PS.</li> </ol> <p>The reasons why these have been selected plus their risk rating were outlined but noted that these areas were similar to other Trusts. Nothing outstanding as serious risks identified within SaSH at the present time.</p>	
7	<p><b>Any other business</b></p> <p>Review of meeting: R Shaw felt that things were progressing and he was more confident of AAC assurances being received.</p> <p>No other business raised and meeting closed at 12.45.</p>	
	<p><b>Dates of future meetings for 2014</b></p> <p><b>Confirmed as below:</b></p> <p><i>11th March</i>  <i>22<sup>nd</sup> April (Accounts only)</i>  <i>30<sup>th</sup> May (Full meeting plus accounts) ** extended meeting time</i>  <i>8<sup>th</sup> July</i>  <i>9<sup>th</sup> September</i>  <i>11<sup>th</sup> November</i></p> <p><b>** Note:</b> <i>30<sup>th</sup> May</i>  <i>09.00 for pre-meeting followed by AAC from 09.30 – 13.00</i></p> <p><b><u>(Remove 13<sup>th</sup> May from diaries)</u></b></p>	