

**AUDIT & ASSURANCE COMMITTEE**

Meeting held on Tuesday 16<sup>th</sup> September 2014, 09:30 – 12:00pm  
Venue: Room AD77, Trust HQ, East Surrey Hospital

<b>Present:</b>		
Paul Biddle	PB	Committee Chair / Non-Executive Director
Richard Durban	RS	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
Jamie Berwick	MW	Grant Thornton (External Audit)
Nick Atkinson	NA	Baker Tilly (Head of Internal Audit)
Sarah Pratley	SP	Local Counter Fraud Specialist (LCFS)
Colin Pink	CP	Corporate Governance Manager
Barbara Bray	BB	Chief of Surgery

			Action by
1	1.1	<p><b>Welcome and Apologies for absence</b></p> <p>PB welcomed members to the meeting.</p> <p>Apologies for absence had been received from Richard Shaw.</p> <p>YR requested to be added to the membership of the committee as there was a vacancy. The committee agreed with the proposal and highlighted that as Deputy Chair of the Trust YR could not attend the committee as a member whilst acting as Trust Chair. The formal terms of reference for the committee would remain unchanged and quoracy would remain as two of the four delegated members.</p>	
	1.2	<p><b>Minutes of last meeting</b></p> <p>The minutes of previous meeting held on 8<sup>th</sup> July 2014 were reviewed and agreed as a true record with minor technical changes to page 2 section 2.1.</p>	
	1.3	<p><b>Actions from previous meetings:</b></p> <p>PB introduced the action log and the committee agreed to close actions that had been completed as part of the Board Assurance Review or those that formed part of the meeting agenda.</p>	

		<p>Action 2 from the meeting of the 30<sup>th</sup> May 2014, regarding negotiation of payment and delivery of contracts, was discussed and transferred to the Finance and Workforce Committee.</p> <p>Action 8 from the meeting of the 8<sup>th</sup> July 2014, regarding specific breakdown of costs for local counter fraud management was agreed to be replaced with an action to develop a current plan of work for the LCFS.</p> <p><b>Action 1</b> PS to liaise with LCFS to create a current plan of work.</p>	PS
2	2.1	<p><b>Review of BAF</b></p> <p>GFM presented the latest revision of the BAF to the committee for review, prior to its monthly submission to the Executive Committee and Trust Board.</p> <p>PB focussed on the financial risks described on the BAF in particular the risks associated to non-elective activity and the need to agree tariff changes to reflect position.</p> <p>PS highlighted that the four financial risks on the BAF had been described in such a manner to cover the main strategic issues such as income and activity, rather than overarching risks that would all have similar financial detail in the narrative.</p> <p>PS stated that the most material risk was associated with non elective income and activity.</p> <p>PB stated his concern that emergency activity growth was not slowing down. PS agreed with this concern and highlighted elements of the BAF that depicted current position.</p> <p>NA highlighted the information recorded as assurances which supported the current understanding of the situation.</p> <p>YR and RD discussed the need for greater detail to be highlighted in the controls and the need to reflect current levels of activity in the Trust.</p> <p><b>Action 2</b> PS agreed to reflect the issues raised in the next iteration of the BAF.</p> <p>PS stated that the risk to development of a long term financial model was to be considered for downgrading as the Trust had developed</p>	PS

		<p>an agreed LTFM.</p> <p>The Committee discussed whether the risk still needed to be included on the BAF. This conversation focussed on uncertainty with the better care fund, confidence in ability to predict a five year model and planned changes in national policy such as payment by results. The committee agreed that the risk should remain on the BAF and that conversations around the effect of national policy on the LTFM should be at board level.</p> <p>YR asked for an update on the vacancy rate risk, highlighting that the issue was live rather than potential.</p> <p>PS agreed that the risk could be updated to better reflect current position.</p> <p>NA highlighted that the final risk for strategic IT implementation lacked synergy with the style of the other documented risks.</p> <p>PS reminded the committee of the work the FWC was doing to review the risk. Highlighting that the title of the risk was correct but the context was not expressed effectively.</p> <p>PS went on to remind the committee that with the exception of PACS RIS the Trust had a good track record for implementation of IT systems.</p> <p>RD highlighted that the next large IT implementation project associated with Cerner Millennium would be a like for like exercise and similar to the previous successful transition.</p> <p>The Committee discussed and agreed that one of the most significant issues with development of IT systems was ensuring appropriate engagement from end users.</p>	
2.2		<p><b>Review of SRR</b></p> <p>GFM presented the latest revision of the SRR to the committee, ahead of its submission to the board in September.</p> <p>PB asked whether the patient's falls risk was still the largest risk to the Trust.</p>	

		<p>PS highlighted the annual falls report which indicated a decrease in the level of harm and favourable benchmarking data for the Trust.</p> <p>PB asked why agency usage was not a specific significant risk.</p> <p>RD concurred highlighting the need to see evidence that plans to reduce agency use where effective.</p> <p>PS stated that the risk was owned by Fiona Allsop (Chief Nurse) and reminded the committee that it was a financial issue and that quality matters were being managed effectively.</p> <p>RD stated that he expected to see risks being reviewed and a potential increase of red risks to reflect activity.</p> <p>BB confirmed that divisions and the executive sub committees were regularly monitoring risks and expected that risks such as ED performance would shortly appear on the significant risk register.</p> <p>PS highlighted how performance was starting to be effected by the unusual seasonal activity and the challenge of maintaining elective work.</p> <p>GFM highlighted the SQC agenda item on the effect on performance and quality of care. BB agreed reflecting on issues surrounding right bed first time.</p>	
3	3.1	<p><b>Internal Control systems</b></p> <p>GFM presented an update on actions identified in the original formulation of the Trust's internal controls map.</p> <p>PB highlighted that as one of the significant issues identified the data quality strategy was due to come to ACC in November.</p> <p>The committee focused on recruitment and retention. NA reflected on the recent audit of the system which had shown improvements but highlighted issues of monitoring and effecting timeliness.</p> <p>RD asked why the financial controls are green when financial issues and expenditure represented some of the higher risks to the Trust. PS explained that the RAG rating reflected the adequacy of the control system rather than the output of the system.</p> <p>The committee then went on to discuss which areas of internal controls would be reviewed in the next few months, agreeing on</p>	

		Clinical Governance, Data Quality, Financial Controls and then Workforce.	
	3.2	<p><b>Fraud controls</b></p> <p>PS described the controls that had been put in place following significant NHS fraud incidents that had been reported nationally.</p> <p>These refer specifically to elements of fraud where dummy bank accounts had been set up to defraud employers.</p> <p>PS went on to explain the segregation of services that were in place to mitigate against this form of risk, stating that three separate individuals are involved in setting up new companies on the system.</p> <p>The Committee was assured by the controls that had been put in place locally.</p>	
4	4.1	<p><b>Internal Audit Progress Report</b></p> <p>NA provided summary of activity carried out since the last meeting. Highlighting the support they were offering the Trust's Data quality teams, acting as a critical friend to challenge and strengthen processes.</p> <p>NA was pleased to report that activity on new audits was under way and expected to report back on a large number of audits at the next committee.</p> <p>The committee focussed on the results of the incident reporting audit which highlighted issues surrounding the administrative functions of the system. BB confirmed that the matter was being treated seriously and that the Trust would look to implement the improved administrative controls as soon as possible. BB reminded the committee that the Trusts systems had moved from a paper based tool to a web based system. BB provided reassurance that the systems were improving and divisions were developing greater autonomy of incident reporting agenda.</p> <p>YR asked how involved the workforce governance structures were in the identification and delivery of training needs identified in the audit. BB stated that the patient safety committee was reviewing the need to develop training needs analysis.</p>	

	<p>PS highlighted the divisional focus and positive movement on closing historic serious incident investigations and actions. BB confirmed that SI management was a significant focus of divisional governance. YR asked whether all SI had relevant action plans. BB confirmed that all SI had action plans that were agreed at an executive level.</p> <p>PB requested that management review and focus on closing actions identified through audit and agreed by line management.</p> <p>NA agreed to write to YP to ask for an update on the payroll feeder audit action plan.</p>	
4.2	<p><b>External Audit Review</b></p> <p>JB advised the committee that formal activities with the Trust for 2014/15 were yet to commence. JB highlighted that the audit of management of charitable funds was about to commence.</p>	
4.3	<p><b>LCFS Annual Report</b></p> <p>SP provided an update report which gave specific progress of activity to prevent and minimise the impact of fraud on the Trust.</p> <p>SP went on to report recent activity regarding individual cases. The first case of time sheet fraud was due to be heard at court and the service was hoping that enough evidence had been identified to support the conclusion of a guilty verdict. The second case relating to potential overtime fraud was not being pursued legally but there was an expectation that repayment would be achieved.</p> <p>RD asked how the fraud had been achieved. PS and SP agreed that it was too early to report and that it was still not clear what controls could be put in place to resolve the issue.</p> <p>PB asked if the Trust was confident of the system that supported time sheet payments. NA confirmed that the recent system audit highlighted issues that could be improved to provide greater mitigation of the risk.</p> <p><b>Action 3</b> SP to report back to AAC what the review of potential timesheet fraud identifies.</p> <p>PS raised the issue of an anonymous letter that had been received from theatres regarding annual leave fraud. SP stated that it was</p>	

		<p>difficult to investigate and was therefore focussing on reviewing the system to identify relevant issues.</p> <p>SP highlighted the positive assurance that could be derived from the benchmarking exercise that demonstrated the effectiveness of the Trust's systems. Specifically highlighting proactive rate of convictions.</p> <p>SP went on to discuss that fraud and awareness of fraud were increasing nationally, each being interlinked.</p> <p>The Committee was assured by the report and discussions that followed.</p>	
5	5.1	<p><b>AOB and summary of meeting</b></p> <p>No further business was raised.</p> <p>PB reflected on the strength on the conversation and challenge throughout the meeting, the potential improvements of the BAF to support board level conversations and the focus needed to ensure achievement of objectives.</p> <p>PB indicated that the committee needs to be mindful of both elements of control systems that are sound but do not deliver desired outcomes and the specific focus described in internal and external audit reports</p> <p>NA stated that internal audit focus was risk based and looked to review the effect of mitigating controls.</p>	
6	6.1	<p><b>Date of Next Meeting:</b> 11<sup>th</sup> November, 09:30 pre-meet, 10:00 meeting start.</p>	