

AUDIT & ASSURANCE COMMITTEE

Meeting held on Monday 30th May 2014 09.30 – 13.00
Venue: Room AD77, Trust HQ, East Surrey Hospital

Present:		
Richard Congdon	RC	Non Executive Director (Chair)
Richard Durban	RD	Non Executive Director
Richard Shaw	RS	Non Executive Director
In attendance:		
Yvette Robbins	YR	Non-Executive Director
Paul Simpson	PS	Chief Finance Officer
Jamie Bewick	JB	Grant Thornton (External Audit)
Marcus Ward	Mw	Grant Thornton (External Audit)
Majid Bhatti	MB	Head of Financial Accounts
Nick Atkinson	NA	Baker Tilly (Internal Audit)
Colin Pink	CP	Corporate Governance Manager
Lorraine Clegg	LC	Deputy Chief Finance Officer
Gillian Francis-Musanu	GFM	Director of Corporate Affairs
Apologies		
John Power	JP	Non Executive Director

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1	Welcome and Apologies for absence R Congdon welcomed everyone to the meeting. Apologies where noted.	
1.1	Minutes of last meeting The minutes of previous meeting held on 23 rd April 2014 were reviewed and agreed.	
1.2	Actions from previous meetings: The action tracker was reviewed and updates noted. The following actions from the April committee where closed 1) To implement changes agreed by the AAC to the draft annual report. GFM 30-May-14 Complete and included. 2) To amend the AGS for changes agreed by the AAC. GFM 30-May-14 Complete and included.	

2	2.1	<p>2013/14 accounts – financial analysis</p> <p>PS presented the financial analysis of 2013/14 which described the budget for the Trust and the increase in non- recurring funding from previous year. This paper also highlighted the significant work that had been undertaken to remove the dependency on non-recurring funding, areas of concern such as cardiology income conversations with the CCGs and the increase in non-elective overnight stay. PS described the significant effort that was being focused on controlling agency spend.</p> <p>The key points of the paper where as follows; The Trust delivered a £0.3m surplus, meeting its plan – and delivering its £11.1m savings plan. In order to deliver the position the Trust received non recurrent income from NHS England of £3.5m and the underlying deficit was £4.3m. Managing cash throughout the year was challenging, but the plan for the year was met. A temporary borrowing loan was needed whilst the non- recurrent funding was secured. The Trust received £7.6m of Public Dividend Capital (PDC) in 13/14 to fund capital spend (theatres refurbishment).</p> <p>The report highlighted that the most significant issue for the accounts was the liquidity position; which is a known issue that is under control, budgeted for with appropriate controls and mitigations.</p> <p>PS raised a series of issues to note such as the cost pressures related to non-elective overnight stays, agency overspends, income generation and procurement improvements.</p> <p>RD stated that the analysis was particularly useful and asked how it translates to the long term financial model. PS stated that assurance for financial management is provided by the FWC, AAC and the Board all of which are taken into account whilst developing the LTFM. RD requested that the report be shared.</p> <p>Action 1 GFM to share the analysis with all board members</p> <p>RD asked for clarification as to how the Trust looked to manage increase in activity and alignment with growth in pay. PS stated that this was a continuing priority for the contract team.</p> <p>PS stated that although the process and expectations were still evolving the Trust was getting paid on time. NA confirmed that receiving payment on time was an issue for other Trusts and MB</p>	GFM
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	<p>highlighted that the Trust was hitting its cash targets but this was not a simple process.</p> <p>Action 2 PS to work with colleagues in CCGs and TDA to continue to improve mechanisms and understandings for payment and delivery of contracts and report back to committee.</p> <p>The committee was assured that sound systems of financial management were in place.</p>	PS
2.2	<p>Final Audited Accounts</p> <p>PS presented the final audited accounts which the committee accepted with no concerns raised by external audit.</p>	
2.3	<p>Review of Annual Report</p> <p>GFM presented the final draft of the Trusts Annual report for final comments and acceptance.</p> <p>RS said that it was a well presented document and raised some points that could be clarified to aid the reader in particular on committee management and partnership working.</p> <p>The Committee accepted the report with these final comments and thanked the Communications team for their hard work in completing the report.</p>	
2.4	<p>Annual Governance Statement</p> <p>GFM presented the final draft of the Trusts Annual Governance Statement which had been reviewed previously.</p> <p>YR stated that the document had improved on previous years and was easier to read and assimilate.</p> <p>PS highlighted the changes in national guidance that had influenced the document.</p> <p>JB stated that External Audit would need to carry out one final review before publication.</p> <p>RC confirmed that the committee was happy to accept the statement barring any significant issues raised by External Audit.</p>	

2.5	<p>External Auditors Audit Findings Report</p> <p>JB presented the External Audit report which looked at the Trust's accounts and value for money.</p> <p>The audit had found that the Trust had produced a very good set of accounts and had provided an "Unqualified opinion". The committee welcomed such strong assurance from external audit.</p> <p>MW reported a qualified opinion on the Trust's value for money. This was based on the Trust's receipt of non-recurrent funding but stated that the Board could be assured that this had been appropriately planned and budgeted. Of note the Committee should be aware that the value of the Trust's buildings had increased but the value of the Trust's land had decreased.</p> <p>External Audit has been instructed to issue a section 19 letter as the non-recurrent funding issue constituted a technical breach of the Health and Social Care Act. This will not affect the Trust's application for Foundation Trust status.</p> <p>JB went on to state that the external position of the Trust was better than previous years.</p> <p>RC asked for an explanation as to how this could be so.</p> <p>PS explained that although there had been a technical breach of the law, all issues were accounted for and well managed and that this section of the law was rarely enforced due to the possibility of conflicting positions.</p> <p>PS asked external audit for clarification as to why their review had highlighted no actions.</p> <p>JB confirmed that this was because the review had highlighted no issues to resolve.</p> <p>RS and RD discussed the issues related to agency spend. RD said that this was being monitored by the Trust's FWC. RS and RC accepted this position.</p> <p>The committee was assured that the Trust was in an improved financial position than earlier years and that this is a very positive</p>	
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2.6	Representation Letter	<p>PS presented the letter for information.</p> <p>The committee noted and accepted the letter.</p>	
2.7	Head of Internal Audit opinion	<p>NA confirmed that his Head of Internal Audit formal opinion had not changed and provided the committee with a statement confirming significant assurance of internal systems of control.</p> <p>The Committee noted the report.</p>	
2.8	Compliance with accounting standards – letters from CFO and AAC Chair	<p>PS presented the letter which had been drafted in conjunction with RC which is a statement of assurances that supports the adoption of annual accounts.</p> <p>The Committee noted the letter.</p>	
2.9	FORMAL ADOPTION OF 2013/14 ACCOUNTS	<p>RC asked whether the Committee was happy to adopt the 2013/14 accounts.</p> <p>The Committee accepted and adopted the 13/14 annual accounts.</p> <p>RC praised the finance team for their hard and diligent work.</p>	

3	3	<p>Review of Key Lines of Enquiry of Trust's risk management system</p> <p>CP presented a review of a series of key lines of enquiry which described the management of the Trust's risk systems. This highlighted the significant improvements that had been made throughout the previous two financial years.</p> <p>NA confirmed that there had been significant improvements in the BAF and use of the risk register.</p> <p>PS went on to explain the positive impact of the new subcommittee structure and its review of risk.</p> <p>The committee noted that the report was written at a time when the Executive Committee for Quality and Risk is embedding and asked that it was reviewed in 6 months' time.</p> <p>Action 3 CP to review KLOE and update in 6 months' time</p> <p>The committee was assured that the Trust's risk management was fit for purpose and confident of the direction of travel.</p>	CP
4	4	<p>Internal Control Systems</p> <p>RC explained that this item which would focus on clinical governance needed to be carried forward to the next meeting.</p> <p>PS explained that the Trust was still awaiting the final report from the CQC's Chief Inspector of Hospitals visit, which would significantly influence this review.</p> <p>The Committee accepted this decision</p>	
5	5.1	<p>Internal Audit Update</p> <p>NA presented Internal Audits regular update which provides details of planned work and recently completed audits. Of note the internal audits of business planning and the development of the IBP had been green rated, providing strong assurance over the controls and development of documentation. The audits on payment to staff, quality accounts and recruitment systems had been rated amber/green with actions recorded to improve controls.</p> <p>Action 4 CP to ensure Workforce committee is aware and acting on the payments audit.</p>	CP

		<p>The committee discussed the controls that were in place to manage payment of staff in detail. The committee agreed that the issues were well known and defined and that there is an ongoing imperative to modernise the process and move from paper systems.</p> <p>RD asked whether the Trust was exposed to any finance risk by not clawing back losses from overpayment. LC and PS explained the process for managing overpayments which provided the committee with assurance that there are effective processes in place.</p> <p>RD asked NA his opinion on how well the Trust managed the recruitment process.</p> <p>NA detailed what the report had found and highlighted that it was a review of controls. Going on to state that there were opportunities to improve processes and effectiveness.</p> <p>The committee discussed the plans for management of recruitment and retention and expressed significant concerns over the Trust's current position.</p> <p>NA highlighted that the amber green rating for the Quality Accounts was not a reflection of the quality of the document itself but linked to elements of supporting documentation that could be improved.</p> <p>The Committee noted the report.</p>	
	5.2	<p>Local Counter Fraud Specialist report</p> <p>Carried forward to next meeting.</p>	
6	6.1	<p>TDA Feedback</p> <p>RC presented the feedback from the TDA following an observation of the committee.</p> <p>The Committee noted the feedback from the TDA and considered the comments and recommendations.</p>	

	6.2	<p>Audit Committee Handbook Changes</p> <p>RC presented the paper detailing proposed changes to the handbook. Highlighting the main changes reflect the need for greater review of effectiveness of audit committees.</p>	
7	7.1	<p>AOB and Chairs Summary of Meeting</p> <p>RC indicated that this was his last AAC meeting and thanked all present for help and support. Noting the significant progress that had been made in recent years and wished the Trust the best of luck for the future.</p> <p>RC thanked MB for his hard work and support off the AAC as this would be his last week with the Trust.</p> <p>YR, on behalf of the Board, thanked RC for his efforts and steering the Committee through what had been a difficult and challenging period for the Trust.</p> <p>PS thanked MB for his hard work over in supporting the committee and commented on the considerable achievement of turning round such a good set of accounts in such a short timescale.</p> <p>No other business was recorded.</p>	
		<p>Date of Next Meeting: 8th July 2013</p>	