

## AUDIT & ASSURANCE COMMITTEE

Meeting held on 15<sup>th</sup> January 2016, 10:00am – 13:00pm  
Venue: Room AD77, Trust HQ, East Surrey Hospital

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| <b>Present:</b>        |     |  |
| Paul Biddle            | PB  | Committee Chair / Non Executive Director       |
| Richard Durban         | RD  | Non Executive Director                         |
| Richard Shaw           | RS  | Non Executive Director                         |
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| <b>In attendance:</b>  |     |  |
| Paul Simpson           | PS  | Chief Finance Officer                          |
| Gillian Francis-Musanu | GFM | Director of Corporate Affairs                  |
| Mark Preston           | MP  | Director Organisational Development and People |
| Nick Atkinson          | NA  | Internal Audit                                 |
| Sarah Pratley          | SP  | Local Counter Fraud Specialist                 |
| Colin Pink             | CP  | Head of Corporate Governance                   |

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| 1 | 1.1 | <p><b>Welcome and Apologies for absence</b></p> <p>The Chair welcomed members and attendees to the meeting.</p> <p>Apologies from External Audit were received in advance of the meeting.</p>  |           |
|   | 1.2 | <p><b>Minutes of last meeting</b></p> <p>The Committee reviewed and agreed the minutes of previous meeting were as a true record.</p>  |           |
|   | 1.3 | <p><b>Actions from previous meetings:</b></p> <p>The action tracker was reviewed and the Committee noted that actions 2.1, 4.2 and 5.1 had been closed prior to the meeting.</p> <p>Action 3.1, relating to workforce controls, is not due until May 2016.</p>   |           |
| 2 | 2.1 | <p><b>Review of Board Assurance Framework and SRR process</b></p> <p>GFM introduced the BAF and SRR for review prior to the January Public Board meeting, highlighting that both would be reviewed by the Executive throughout January.</p> <p>GFM went on to discuss how the ECQR had revived alignment of the BAF and SRR across the top five themes identified in the quality</p> |           |

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|   |     | <p>overview paper received at SQC. The ECQR had agreed that there was strong alignment between the Trust's main quality issues and details on the Trust's risk management systems. RS asked if the Trust had a problem with the management of VTE. PS confirmed that the issue is linked with the Trust's systems for collecting data which are labour intensive and not a specific patient safety risk.</p> <p>The Committee noted the report.</p>  |  |
|   | 2.2 | <p><b>Review of Board Assurance Framework and SRR</b></p> <p>The Committee discussed the BAF and SRR, It focussed on the long-term strategic and operational risks relating to the management of patient flow through the ED and into the hospital. The Committee noted the transition to business continuity and the effect this had had on local health economy. A risk summit had been called which would be attended by the Trust and the greater local health economy. This would also be declared as a serious incident and details of the report would be shared with the Board.</p> <p>PS went on to highlight how this was impacting on operational planning for 2016/17. The Trust is modifying activity assumptions for next year which will need to be agreed with commissioners.</p> <p>RD asked for detail on the Trust's Q3 performance and how this would be recorded on the BAF. PS indicated that there would be a proposal to reduce the strategic risk relating to divisional overspend, as the Divisions are on track to meet the forecast. PS went on to assure the Committee that plans to apply for a £9.6 million working capital loan would stabilise the liquidity risk.</p> <p>RS asked for an opinion on whether the Trust would be able to achieve the financial metrics necessary for successful navigation of the Foundation Trust network. PS stated that it was still possible and that the Trust would need to review its long term financial model when all relevant information was available, particularly the tariff.</p> <p>The Committee noted that the financial and foundation Trust risks would need to be reviewed once all available information was considered.</p> |  |
| 3 | 3.1 | <p><b>Losses Comps and Waivers</b></p> <p>PS introduced the paper highlighting recent activity and noting that the large waiver recorded related to the recent building works signed off by the Board.</p>   |  |

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|     | <p>GFM discussed a recent issue relating to breach of contract for digital screens in the previous urgent care area which had been taken over by the Trust. This had been resolved out of court assuring the Committee that there would be no further costs and the case had now been closed.</p> <p>The Committee discussed overseas debts and noted that the Trust exhausts all efforts before writing off overseas debt. The issue is labour intensive and is not a good example of cost benefit realisation. Trust processes are strong and supported by appropriate accounting in terms of the bad debt reserve.</p> <p>NA commented that the Trust benchmarked well and is significantly affected by its proximity to Gatwick.</p> <p>PS stated that the Trust manages the risk well and is in regular communication with the Home Office. The Committee noted that 75% of the risk is now carried by CCG's.</p> <p>The Committee noted the report.</p>   |     |
| 3.2 | <p><b>Standards of Business Conduct policy review</b></p> <p>GFM presented the review, highlighting that the policy had been amended to further strengthen controls relating to declarations of interest and referral to commercial representatives. The policy details how the Trust aims to comply with best practice.</p> <p>NA agreed to review the revised policy and pass comments to GFM. Once this had been completed the policy would be presented to the Board for ratification in February.</p> <p><b>Action</b> GFM to liaise with NA to complete review of policy prior to ratification at February Public Board</p> <p>The Committee discussed how the Trust manages medical job plans and private work and heard how all private work is expected to be declared annually and reviewed as part of job planning that is taken to Executive Committee. PS highlighted that the Trust's process had been previously reviewed and redesigned by Price Waterhouse Coopers. Job planning remains an effective process.</p> | GFM |

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|          |            | <p>PB asked if NA could include review of private practice and job planning in future internal audit plans. <b>Action</b></p> <p>The Committed noted the review.</p>   | <b>NA</b> |
| <b>4</b> | <b>4.1</b> | <p><b>Tender Outcome - Internal Audit and Counter Fraud</b></p> <p>PS confirmed that RSM had successfully been appointed following tendering to provide internal audit and counter fraud services. This is welcomed as there are potential benefits for the Trust from a direct linkage between audit and counter fraud expertise.</p> <p>NA confirmed that handover of counter fraud had been agreed and thanked SP for her particularly professional approach to the management of the transition.</p>   |           |
|          | <b>4.2</b> | <p><b>Future LCFS arrangements</b></p> <p>NA described his vision of how the service would be applied. Highlighting the increased linkages with Internal Audit and read across from reports, for example the temporary staffing audit could now be directly supported by expertise from counter fraud.</p> <p>PB asked how it would be represented at the Committee. NA confirmed that the committee would continue to receive two reports and continue to receive attendance of a counter fraud professional. The Committee agreed that it was important to maintain a clear line of distinction between the services.</p> <p>PS asked NA to align updates of annual plans between internal audit and counter fraud.</p> <p>PB thanked NA for the report.</p> |           |
|          | <b>4.3</b> | <p><b>Internal Audit Progress Report</b></p> <p>NA presented the report, which detailed improvements in internal controls to support oversight of NICE compliance. This represents, a significant improvement since the last audit, going on to highlight that a number of audits are now close to completion to be included in the March report.</p> <p>The Committee discussed the cost improvement plan (CIP) audit which highlighted good processes but significant under achievement of delivery in</p>   |           |

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|     | <p>year. Future CIPS would need to move towards transformation, reduction in costs and increased productivity with clear emphasis on visibility of effectiveness of implementation.</p> <p>The Committee noted that the main emphasis for improvement in processes is the ability to provide greater testing and assurance of delivery of plans before they are approved. RS asked how the risk of non-delivery was managed. PS confirmed that a contingency is built in the accounts to mitigate against delivery issues.</p> <p>PB stated that it was accepted that Non Executive challenge of future CIPs needed to increase to gain better insight and assurance of feasibility of each CIP.</p> <p>MP highlighted that comparatively the Trust was in a good position compared to other acute Trust's, noting the significant value of savings that other Trusts are expected to find. Noting the NHS's finances are challenged and the issue is particularly acute for central London hospitals.</p> <p>NA went on to highlight that the review of the Trust's systems to support cash flow forecasting had been particularly positive (Green no recommendations). The backlog maintenance review had been scored as amber green with no significant concerns.</p> <p>The Committee noted the report and that there were no overdue actions developed from internal Audit recommendations.</p> |  |
| 4.4 | <p><b>External Audit Report</b></p> <p>Apologies were received before the meeting; this item is carried forward to the next meeting.</p>   |  |
| 4.3 | <p><b>LCFS Report</b></p> <p>SP introduced the report highlighting specific investigations and their issues and outcomes. SP provided assurance that the Trust was taking appropriate actions and was still investigating a potential case that could lead to criminal proceedings.</p> <p>NA noted that the last internal audit of overpayments to staff would provide a good starting place for future LCFS risk based investigation.</p> <p>PB noted that this would be SPs last meeting. PB thanked SP for the</p>   |  |

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|   |     | report and hard work over the last 8 years and wished her well for the new challenges in the future.  |                             |
| 5 | 5.0 | <p><b>Draft Annual Report to Board</b></p> <p>CP introduced the draft annual report to Board, noting the inclusions made since the first draft.</p> <p>The Committee agreed that the three lines of defence model of assurance is recognised as best practice and will seek to identify assurance at all level through 2016. The 'First line' of defence relates to risk and control systems at local level, the 'Second line' of defence relates to oversight and scrutiny by Executive Team and the Board and the third level refers to external assurances.</p> <p>The Committee reviewed the AAC annual report to Board which was accepted with some minor amendments. The committee noted the need to review the work of both the Charitable Funds and Remuneration Committee during 2016 as these had not been considered recently.</p> <p>PB asked that Internal Audit and External audit provide a few lines of commentary to add to the report. <b>Action.</b></p> <p>With minor amendments and additions the committee agreed the report.</p> | Internal and External Audit |
|   | 5.2 | <p><b>AOB</b></p> <p>PS stated that the 20<sup>th</sup> April had been set for the Committee to meet and agree the draft annual accounts.</p> <p>No further AOB was raised.</p>   |                             |
| 6 | 6.1 | <p><b>Date of Next Meeting:</b> 10<sup>th</sup> March 2016, 09:30 pre-meet, 10:00 meeting start.</p>  |                             |