

**AUDIT & ASSURANCE COMMITTEE**

**Meeting held on 26<sup>th</sup> May 2016, 14:00am – 17:00pm**  
**Venue: Room AD65, Trust HQ, East Surrey Hospital**

<b>Present:</b>		
Paul Biddle	PB	Committee Chair / Non Executive Director
Richard Durban	RD	Non Executive Director
Richard Shaw	RS	Non Executive Director
<b>In attendance:</b>		
Peter Burnett	PBU	Deputy Chief Finance Officer
Gillian Francis-Musanu	GFM	Director of Corporate Affairs
Djafer Erdogan	DE	Financial Controller
Ian Murray	IM	External Audit
Jamie Bewick	JB	External Audit
David May	DM	Internal Audit
Michael Harling	MH	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 were received in advance of the meeting from Paul Simpson and Nick Atkinson.</p>	
	1.2	<p><b>Minutes of last meeting</b></p> <p>The Committee reviewed and agreed the minutes of the March and April meeting were a true record.</p>	
	1.3	<p><b>Actions from previous meetings:</b></p> <p>The action tracker was reviewed and the Committee noted the actions that had been closed prior to the meeting.</p> <p>External Audit commented that for the action relating to bad debt management (3.1) would be based on comparisons of level of debt provisions on balance sheets.</p>	
2	2.1	<p><b>2014/15 accounts – financial analysis</b></p>	

	<p>PB introduced the report. Thanking the finance team for their efforts and the quality of the paper.</p> <p>The Committee noted and discussed two issues, achievement of CIPs in year and payment practice each of which is anticipated to improve throughout 2016/17.</p> <p>RS raised the impact of agency spend on CIP deliver which was discussed in detail, noting the effect on income and expenditure and the work that had been done to improve the position going into the new financial year.</p> <p>The Committee noted management's intent to improve the payment delays, noting that recent access to cash was allowing the Trust to improve its position.</p> <p>The accounts analysis was well received and it was agreed to share this document with the Board and Governors. <b>Action</b> PBU/PS</p> <p>RD commented that the report was useful and facilitated conversations relating to forecasted income growth, decisions on the delivery of CIPs and the ability to test the Trust's decisions going into the new financial year.</p> <p>The Committee noted the report.</p>	<p><b>PBU/PS</b></p>
<p>2.2</p>	<p><b>Final audited accounts</b></p> <p>The paper had been received in advance of the meeting and had been considered, in draft, at the April meeting.</p> <p>PB asked if there had been any material changes in the document. PBU stated that there had been some technical amendments in the classification of lines relating to purchasing of equipment for the new Angio Lab. There had been no material changes to the income and expenditure position.</p> <p>The Committee approved the accounts.</p>	
<p>2.3</p>	<p><b>Review of Annual Report</b></p> <p>GFM presented the draft annual report for agreement. Similarly this had been received in April for review.</p> <p>The Committee considered the report and asked that the narrative be considered with the possibility of including more detail of the</p>	

		<p>Trust's position, greater emphasis on the challenges that are faced and growth within the system. The Committee raised minor technical issues throughout the report.</p> <p>GFM agreed to take forward these recommendations for inclusion in the final public version.</p> <p>The Committee agreed the annual report.</p>	
	2.4	<p><b>Annual Governance Statement</b></p> <p>CP introduced the annual governance statement which forms parts of the annual report and the submission of accounts. The statement is based on national guidance and elements highlighted by external audits recent benchmarking paper.</p> <p>The Committee noted final amendments and agreed the annual governance statement.</p>	
	2.5	<p><b>External Auditors Audit Findings Report</b></p> <p>JB introduced the report stating that the Trust's accounts were of good quality, supported by clear working papers, with very few issues.</p> <p>The Committee discussed the end of year position noting the variance of £2 million of payment by commissioning and ongoing conversations with NHS England that would have an impact on 2016/17 income.</p> <p>JB highlighted that there was commentary on the Trust's going concern and there was room for improvement in the narrative. There will be a going concern for the next 12 months. The Committee noted that the management of cash was being discussed at the FWC. There is expectation that the Trust's going concern position will be in a better state by the end of this financial year if standards are achieved.</p> <p>JB highlighted areas of asset register that could be improved to provide clearer narrative, particularly it includes credit transactions and reversing journals. DE agreed with the comments and indicated that the Trust was moving to do reviewing record fortnightly.</p> <p>A qualified Value for Money conclusion had been given as the Trust</p>	

	<p>reported a deficit of £6.5 million.</p> <p>JB highlighted known areas of risk such as the Trust's liquidity position, management of income from commissioners and agency and temporary staff spend. The Committee asked External Audit to consider the value for money commentary decision to align with known income and expenditure position.</p> <p>The Trust has a history of good budget setting, monitoring and forecasting, has reported a deficit position and continues to be in breach of the statutory break even duty, because of historic deficits incurred over the last decade.</p> <p>JB highlighted that because of the overall financial position, the Trust's relationships with its commissioners can be challenging and that demand management initiatives have not achieved a reduction in non-elective activity. There is however good evidence of working relationships and communication that mitigates against these issues. This leads to a cash flow position that impacts on payment of debtors.</p> <p>RD highlighted the Trust's productivity plans that have impacted on 2015/16 expenditure and will continue to have positive impact going forward.</p> <p>JB indicated that the Trust continues to be in breach of the statutory break even duty. This was last referred to the Secretary of State in 2014. A referral is not required in 2016 as the position has not materially changed.</p> <p>JB and DE confirmed that the audit action plan had been discussed and agreed.</p> <p>JB confirmed that at this point in time External Audit would issues an unqualified audit report.</p> <p>PB thanked external audit for their work and the assurances provided.</p> <p>The Committee noted the report.</p>	
2.6	<p><b>Representation Letter</b></p> <p>The representation letter was noted. No concerns or issues were raised.</p>	

2.7	<b>Head of Internal Audit opinion</b>	<p>DM reported that 4 audits had been completed since the draft opinion had been presented in April. There was no change in overall opinion.</p> <p>DM confirmed that the organisation has an adequate and effective framework for risk management, governance and internal control. However Internal Audit's work has identified further enhancements to the framework of risk management, governance and internal control to ensure that it remains adequate and effective.</p> <p>The Committee noted the Head of Internal Audit opinion</p>	
2.8	<b>Compliance with accounting standards – letters from CFO and AAC Chair (Management Representations)</b>	<p>The letter was presented for information. There were no comments or concerns raised.</p>	
2.9	<b>FORMAL ADOPTION OF 2014/15 ACCOUNTS</b>	<p>PB confirmed that the Board had delegated responsibility to the AAC to adopt the accounts.</p> <p>The Committee agreed to formally adopt the 2015/16 accounts and thanked the teams involved for their work.</p>	
3	3.1	<p><b>Review of Workforce Internal Controls</b></p> <p>RD introduced the review of the updated workforce controls. The review was requested due to concerns over weaknesses within the control framework.</p> <p>This provided good overall assurance of actions taken and improvements made over the last 6 months. In particular improvements in process to control use of temporary staffing, improving governance of workforce issues and development of workforce strategy.</p> <p>The Committee discussed the positive movement in overall assurance and visibility of accountability that had come into place over the financial year. In particularly the focus of efforts has become</p>	

		<p>very visible and there is assurance of good direction of travel. E-rostering had improved the Trust's ability to manage and there are plans to open temporary staffing bureau at the weekend.</p> <p>The Committee asked whether Internal Audit was reviewing the use of temporary medical staff. DM confirmed that this was underway.</p> <p>The Committee noted the report.</p>	
	3.2	<p><b>Review of Internal Controls Map</b></p> <p>CP introduced a review of the Trust's internal controls map and draft plan for 2016/17. The Committee discussed the reviews to date and asked that controls relating to productivity, joint ventures and partnership working are included going forward. In particular the Committee asked that the clinical governance element of the controls map, including clinical audit which was prioritised for review.</p> <p><b>Action</b> CP to update plan and commence internal controls review</p>	CP
	3.3	<p><b>2014/15 Reference Cost Audit</b></p> <p>The final reference cost audit report was presented and discussed. The Trust is compliant on Reference Costs and has an action plan that has been green rated by PWC.</p> <p>The audit provided assurance that reference costs have been prepared in accordance with the Costing Guidance issued by Monitor for 2014/15.</p> <p>The Committee noted the report.</p>	
4	4.1	<p><b>Internal Audit Progress Report</b></p> <p>DM presented the update highlighting strong assurance for the systems that support the Trust's Provider to Provider activities.</p> <p>The Internal audit of mortality and payroll systems had identified potential improvements in the Trust's controls but had provided good overall assurance. In particular elements of the Trust's policies supporting the management of mortality could be strengthened. In terms of payroll systems, the Trust could strengthen its management and mitigation of overpayments and would benefit from focused work</p>	

		<p>relating to signing of time sheets.</p> <p>The Committee noted that the Trust's performance on managing and closing agreed actions remains good.</p>	
	4.2	<p><b>External Audit Report</b></p> <p>External Audit confirmed that there was nothing further to report at present.</p>	
	4.3	<p><b>LCFS Report</b></p> <p>MH presented Counter Fraud provided a summary of work carried out throughout 2015/16 and plans for the coming year.</p> <p>A Trust wide fraud risk assessment is underway, which to date has not identified any significant new concerns. The Risk Assessment will be presented as soon as complete.</p> <p>The Committee noted the report.</p>	
<b>5</b>	5.1	<p><b>Proposal for appointment of External Audit</b></p> <p>The Committee as the audit panel, discussed initial plans to support tendering process for External Audit.</p> <p>The initial plans were discussed and agreed. Procurement was asked to draft tender agreements for review by the Committee.</p>	<b>HB</b>
<b>6</b>	6.1	<p><b>AOB</b></p> <p>No further AOB was raised.</p>	
	6.2	<p><b>Date of Next Meeting:</b> 12<sup>th</sup> July 2016, 09:30am</p>	