

AUDIT & ASSURANCE COMMITTEE

Meeting held on 10th March 2016, 10:00am – 13:00pm
Venue: Room AD77, Trust HQ, East Surrey Hospital

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| Present: | | |
| Paul Biddle | PB | Committee Chair / Non Executive Director |
| Richard Durban | RD | Non Executive Director |
| Richard Shaw | RS | Non Executive Director |
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| In attendance: | | |
| Paul Simpson | PS | Chief Finance Officer |
| Gillian Francis-Musanu | GFM | Director of Corporate Affairs |
| Djafer Erdogan | DE | Financial Controller |
| Marcus Ward | MW | External Audit |
| Darren Wells | DW | External Audit |
| David May | NA | Internal Audit |
| Gemma Higginson | GH | Local Counter Fraud Specialist |
| Michael Harling | MH | Local Counter Fraud Specialist |
| Colin Pink | CP | Head of Corporate Governance |

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| 1 | 1.1 | <p>Welcome and Apologies for absence</p> <p>The Chair welcomed members and attendees to the meeting.</p> <p>No apologies from were received in advance of the meeting.</p> | |
| | 1.2 | <p>Minutes of last meeting</p> <p>The Committee reviewed and agreed the minutes of previous meeting were a true record.</p> | |
| | 1.3 | <p>Actions from previous meetings:</p> <p>The action tracker was reviewed and the Committee noted the actions that 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>Review of Board Assurance Framework and SRR process</p> <p>GFM introduced the BAF and SRR for review prior to the March Public Board meeting, highlighting that both would be reviewed by the Executive throughout March.</p> | |

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| | | <p>GFM went on to highlight the plan for development of the 2016/17 BAF which would rely heavily on the agreement of new/revised strategic objectives for 2016/17</p> <p>The Committee noted the report.</p> | |
| | 2.2 | <p>Review of Board Assurance Framework and SRR</p> <p>The Committee reviewed the BAF focussing on financial risks, sustainability, control targets and dependencies on the income plan. This relies heavily on NHSI review and agreement of the caveats described by the Trust. The Committee noted that the Liquidity Risk in particular could be updated to reflect the recent non recurrent fund transfer Action PS.</p> <p>The Committee went on to discuss the description of the FT risk indicating that it no longer reflected the Trust's stand point. Action GFM to update narrative of FT BAF risk.</p> <p>The Committee discussed potential areas of strategic risk for the coming year and plans in place by the Board to review and develop the 2016/17 BAF, focussing on transformation, sustainability and financial control targets against a background of increasing activity, the balance of elective activity and increasingly aspiring cost improvement plans. There is also potential for describing productivity gains and other benefits of the SASH+ program.</p> <p>The Committee asked that as the BAF was developed linkages with the SRR remained the focus with less emphasise on mirrored risks.</p> <p>The Committee noted the report.</p> | <p>PS</p> <p>GFM</p> |
| 3 | 3.1 | <p>Losses Comps and Waivers</p> <p>DE introduced the paper highlighting recent activity detailing losses comps and waivers. The Committee were assured by management's discussion on how waivers are handled in a pragmatic manner, particularly those of significant value as detailed in the SFIs. Noting that the numbers of waivers are reducing as the procurement functions of the Trust strengthen and that end of year forecasts are robust.</p> <p>The Committee discussed the management of overseas debt taking assurance that processes remain sound and that efforts to recover debt are often disproportionate to the results.</p> <p>DM suggested that External Audit may be able to carry out benchmarking activity to support the assurances provided by</p> | |

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| | | <p>management. Action External Audit to consider benchmarking data available to bench mark bad debt management.</p> <p>The Committee noted the report.</p> | External Audit |
| | 3.2 | <p>Accounting policies</p> <p>DE presented the report highlighting that there had been no major changes to the Trust's accounting policies and that new standards would have minimal impact on 2015/16 accounts.</p> <p>The Committee noted that the annual review of Standing Financial Instructions would be postponed until May to reflect national changes in guidance.</p> <p>DE noted that the Valuer had carried out their site visit and that there may be a technical adjustment to the end of year accounts based on the final figures.</p> <p>The Committee was assured that the Trust's recent non recurrent revenue adjustment had been carried out as per instructions from the TDA.</p> <p>The Committee noted the report.</p> | |
| 4 | 4.1 | <p>Draft HoIA Opinion</p> <p>DM introduced the draft HoIA Opinion which gives a positive opinion on overall controls and highlights areas for improvement. In particular it highlights adequate risk and internal control.</p> <p>The Committee discussed issues raised in the opinion, particularly the effectiveness of CIP delivery in year. The Trust had demonstrated learning from the 2015/16 CIPs plans and had strengthened controls and review going into 2016/17.</p> <p>DM highlighted that as a draft opinion it was unlikely to change significantly but the wording may alter to include any other audits completed in year.</p> <p>The Committee noted the draft opinion</p> | |

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| 4.2 | <p>Internal Audit Progress Report</p> <p>DM introduced the paper and highlighted the audits completed since the January (Pharmacy Stock, Infection Control, Information Governance, Financial Feeder System and Workforce Data). All audits had provided good assurance of control systems. All actions necessary are agreed with management.</p> <p>The Committee noted that more could be done to provide specialities with data on their drug use and the ongoing need to reduce the gap in provision of statutory and mandatory training.</p> <p>The Committee asked for assurance that the issues highlighted in the pharmacy stock audit would be discussed at local level. GFM confirmed that amendments had been made to the standards of business conduct and there was particular focus on sharing relevant policy issues with pharmacy and those in decision making roles.</p> <p>The workforce data quality audit provided good assurance and there are plans to review and develop the Board level KPIs.</p> <p>The Committee noted the report.</p> | |
| 4.3 | <p>External Audit Report</p> <p>MW presented External Audit's plan for completing end of year activity, in particular noting the review of 'value for money' which will focus on planning, partnership working and business processes. The plan has been developed with the Trust and will focus on revenue and control.</p> <p>The Committee noted the Trust's practice of managing divisional budgets which takes into account income modifications to facilitate pragmatic budget management conversations. External Audit will be looking at this as part of the end of year review.</p> <p>The Committee went on to discuss the emerging changes in local healthcare provision which included the STP and uncertainties of future plans. There will be a balance between local priorities, neighbouring organisations, commissioners and central needs. GFM confirmed that the STP would be discussed at a Board Seminar.</p> <p>External Audit confirmed that they would be using national guidelines to review the Trust's going concern position.</p> | |

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| | | <p>MW went on to highlight the annual report benchmarking paper. The Committee discussed the 2015/16 annual report. The focus will be on producing a relevant and accessible document that would benchmark well against peers.</p> <p>The Committee agreed that it was a very useful document and noted that the Trust annual report and AGS are being developed using the benchmarking report as guidance.</p> | |
| | 4.4 | <p>LCFS Report</p> <p>MH introduced the report, highlighting planned work to take an overall view of systems and fraud risk systems. This review is timetable for presentation at the July meeting.</p> <p>Since taking over the provision of services there has been work to build rapport with NHS Protect and work has started on two newly identified potential cases.</p> <p>The Committee was assured that Counter Fraud was under taking a Trust wide review and risk assessment of the Trust's fraud prevention and mitigation. The Committee noted the report.</p> | |
| 5 | 5.1 | <p>Draft Annual Governance Statement</p> <p>CP introduced the draft annual which is based on national guidance and includes details identified by External Audits benchmarking report.</p> <p>The Committee discussed the draft report and suggested changes throughout that should be made for the April meeting and draft deadline. In particular noting updates on CQC compliance, the recent re-inspection of outpatients and the narrative that details the Trust's journey to become a Foundation Trust.</p> <p>Action CP to coordinate further review of draft AGS in time for sign off at the April AAC.</p> | CP |
| | 5.2 | <p>Review of Terms of Reference</p> <p>GFM introduced the review of the terms of reference (TOR) of the Committee, which had been considered and updated as part of the review of the Trust's Rules of Procedure.</p> <p>The Committee noted that there should be reference to the Audit Panel and minor changes to counter fraud elements of the TOR.</p> | |

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| | | With these changes the TOR were agreed. | |
| 6 | 6.1 | PS stated that the 20 th April had been set for the Committee to meet and agree the draft annual accounts. No further AOB was raised. | |
| | 6.2 | Date of Next Meeting: 20 th April 2016, 09:00am | |