

**AUDIT & ASSURANCE COMMITTEE**

**Meeting held on 20th April 2016 , 09:00am – 12:00pm**  
**Venue: Room AD77, 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>		
Paul Simpson	PS	Chief Finance Officer
Gillian Francis-Musanu	GFM	Director of Corporate Affairs
Djafer Erdogan	DE	Financial Controller
Jamie Bewick	JB	External Audit
David May	DM	Internal Audit
Laura Warren	LW	Head of Communications
Colin Pink	CP	Head of Corporate Governance

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1	1.0	<b>Welcome and Apologies for absence</b> The Chair welcomed members and attendees to the meeting.	
2	2.0	<b>Agreement of draft accounts</b> PS introduced the draft accounts covered in two papers. These unaudited accounts require approval prior to submission to the Department of Health and the start of the external audit.  The unaudited I&E position is a bottom line £4,116k deficit, plus a net technical deficit of £2,393k resulting in a net £6,509k deficit for NHS reporting purposes.  The comprehensive income position includes movements in assets showing a gain of £6.9 million.  This technical adjustments relate to donated asset receipts and final valuation of the new cancer centre and the integrated reablement unit  RS commented on the asset income relating to the MacMillan	

	<p>Centre. The Committee went on to talk about the details of the donated asset items such that the detail was clear and understood.</p> <p>PS highlighted the £3 million capital to revenue transfer from the TDA which was described as non recurrent income.</p> <p>The Trust met the terms of its loan agreements in 2015-16, took out a further £4.4m capital loan and drew down £12.5m from its working capital facility. The balance on the loans and working capital facility drawn down as at 31<sup>st</sup> March 2016 is £26 million split as follows; Working Capital Loan £3.5 million, Original Capital Investment Loan £2.1 million, Capital Investment Loan £7.9 million and Revolving Working Capital Drawn Down £12.5 million.</p> <p>PS highlighted that the Trust continues to be in breach of its statutory break even duty. JB advised that External Audit were taking advice on whether a Section 19 letter would be required.</p> <p>The quinquennial revaluation of the Trust was carried out as at 31<sup>st</sup> March 2015 and the subsequent valuation adjustment for 2016 described an increase in value of fixed assets of £9.8 million (net).</p> <p>RS asked about the Trust's ability to repay loans and their affordability. PS indicated that the Trusts prudential borrowing limit was last calculated at £42 million pounds and that the ability to repay loans is part of the Trust's long-term financial model and which currently covered repayments.</p> <p>Loan rates are generally lower than the PDC dividend.</p> <p>The Committee went on to discuss the financial issues of the Trust and how they would impact on the next years I&amp;E budget noting capital projects, activity, income, surplus generation and the ongoing capital position.</p> <p>The bad debt provision was noted, which follows established accounting policies.</p> <p>The Committee went on to discuss the overall staffing numbers in the Trust, noting that the Trust had invested in staffing to provide capacity. The Trust is aligning staff records systems with the ledger</p>	
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		<p>for greater overall control. This work will be completed in July.</p> <p>PS highlighted the formal administrative targets that the AAC should be aware of, focussing on payments to suppliers and the poor performance against the Better Payment Practice Code. The Committee discussed this and it was noted that cash flow had been an in issue in year. To date the management of supplies has been ok and no issues had materialised.</p> <p>The Trust has also hit targets for external financing and capital resource limits.</p> <p>The Committee expressed their thanks for the analysis and summary of accounts.</p> <p>The Committee agreed to sign off the draft accounts, delegating authority to make minor amendments if necessary to the Chief Financial Officer. Any significant changes to the draft accounts should be highlighted with RD and PB.</p>	
2	2.0	<p><b>Review of Draft Annual Report</b></p> <p>LW introduced the draft annual report highlighting the content that had been prepared and commentary that will follow once data is finalised. The report has been drafted using guidance available and now falls into 3 sections performance, governance and finance.</p> <p>The Committee discussed the draft report and asked for minor changes to be made.</p> <p>The Committee agreed that summary of the finances was good but there may be too much detail in plans for 2016/17 budget. The report should also align with CIP and STP papers discussed at public board.</p> <p>The Committee asked to have early sight of the final annual report for sign off.</p> <p>The Committee agreed the annual draft report.</p>	

3	3.0	<p><b>Review of Draft Annual Governance Statement</b></p> <p>CP introduced the draft annual governance statement, highlighting the changes that had been made following the first review at the March meeting. The report follows guidance with minimal extra content, mostly included from External Audit's benchmarking exercise of the 2014/15 annual report content.</p> <p>PS indicated that the section on counter fraud would need to be checked as commentary on the recent external assessment was not correct. CP confirmed that this would be checked. The draft AGS would also be submitted to the TDA by the 22<sup>nd</sup> April 2016.</p> <p>The Committee agreed the draft annual governance statement..</p>	
4	4.0	<p><b>AOB</b></p> <p>The Committee asked that any unexpected final amendments be discussed with RD and PB.</p> <p>The Committee discussed the recent visit by Deloitte's carrying out assessment for NHSI. To date no challenges or issues had been raised. JB commented that the Trust's approach and stand point relating to the review was good.</p> <p>PB asked how the Trust reported its "going concern". PS commented that the focus was on other accounting issues, the Trust is a going concern however the risk is well defined and has been audited. This is also included in disclosures reported at Board.</p> <p>There was no further AOB.</p>	
5	5.0	<p><b>Date of Next Meeting:</b> 26<sup>th</sup> May 2016</p>	