

AUDIT & ASSURANCE COMMITTEE

Meeting held on 24th November 2016, 9:30am – 12:30pm
Venue: Room AD77, Trust HQ, East Surrey Hospital

Present:		
Paul Biddle	PB	Committee Chair / Non-Executive Director
Richard Shaw	RS	Non-Executive Director
Richard Durban	RD	Non-Executive Director
In attendance:		
Paul Simpson	PS	Chief Finance Officer
Caroline Warner	CW	Non-Executive Director
Ian Mackenzie	IM	Director of Information and Facilities
Djafer Erdogan	DE	Financial Controller
Jamie Bewick	JB	External Audit
Nick Atkinson	DM	Internal Audit
Mike Harling	MH	Counter Fraud
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>Apologies were received from Gillian Francis-Musanu.</p>	
	1.2	<p>Minutes of last meeting</p> <p>The Committee reviewed and agreed the minutes of the September meeting were a true record with minor clarifications.</p>	
	1.3	<p>Actions from previous meetings:</p> <p>The action tracker was reviewed and the Committee noted the actions closed since the September meeting</p>	
2	2.1	<p>Review of Board Assurance Framework</p> <p>PS presented the October BAF and supporting papers for consideration. The Committee discussed the BAF in detail asking for assurances relating the finance risks described.</p> <p>The Committee noted that the Trust had requested a loan to support</p>	

		<p>its liquidity position. The capital to revenue transfer of £3million had been secured and drawn down.</p> <p>The Committee went on to discuss the Trust's financial position, the YTD position and trajectory against the Trust's control total. The Committee awaits updates on the Trust's forecast position and budget plans for 2017/18, specifically the control total target.</p> <p>The Committee started to consider how financial risks would be recorded if the potential outcome occurred. Noting that the risk would need to be closed and a new one which described strategic risk in context would need to be drafted. The Trust is in a good financial position but some £15million adverse to the control target, based on the list of caveats described at the start of the financial year. PS confirmed that this position was being discussed with NHSI and that updates would follow once Q3 was complete.</p> <p>PS noted that modelling for 2017/18 is difficult as the national tariff has not been published. The realisation of productivity gains and external factors such as readmission penalties and increases in insurance costs will continue to have significant impact on the financial position. The Committee went on to discuss the nature of managing financial risk in public sector organisations compared to the private sector.</p> <p>The Committee noted that the BAF risk relating to the potential impact of the STP which continues to be one of the most live and unpredictable issues recorded on the BAF. As such the Committee requested that this risk receives thorough review and update.</p> <p>The Committee noted the report and took assurance on the management and detail included in the BAF.</p>	
	2.2	<p>Review of SRR</p> <p>Management presented the SRR for review noting that the BAF was progressively becoming more strategic and as such the SRR should become the focus for operational risk.</p> <p>The Committee discussed the new single oversight framework and how it might impact on the way issues are reported to the Board.</p> <p>The Committee noted the SRR.</p>	

3	3.1	<p>Project Management and Information Governance</p> <p>IM introduced the internal controls review for project management which focussed on IT implementation and estates strategy. Indicating the assurances gained from major project implementation over recent years.</p> <p>IM indicated that the overall estates strategy had become flexible to meet the needs of the developing services on site reflecting on the development of radiotherapy and other partnership developments. There are plans to align the strategy to meet the needs set out in the STP. The Committee went on to discuss the management of business cases and noted that recent Estates developments had benefited from clinical engagement, been delivered on time, within the contingency and there was evidence that expected benefits are being realised.</p> <p>IM went on to discuss the controls that supported IT project management reflecting on the development of the electronic patient record business case, the delivery of the PACs Radnet schemes and successful implementation of the Cerner Millennium migration. The Committee noted the strength of review of the EPR business case review at FWC.</p> <p>The Committee went on to discuss the controls that support information governance noting the Trust's good IG toolkit position. Training and policies are a particular strength and the Trust is aiming to achieve the next level of compliance with the standard. IG related incidents remain low but there is confidence that people know how to report cases. NA agreed with the overall review of assurance provided by IM.</p> <p>The Committee took assurance and agreed with management's review of three internal controls relating to information governance, IT and estates project management.</p> <p>The Committee asked that partnership management and STP governance, be included in the next review of internal controls that support corporate governance. Action.</p>	GFM
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	3.2	<p>Losses Comps and waivers</p> <p>DE presented the report noting the Trust's overseas visitor position, losses, waivers and in particular the ongoing management of overseas visitors debt.</p> <p>The Committee discussed the matter of overseas visitors in detail focusing on the overarching tenant that the Trust cannot refuse treatment which underlies the risk to providing treatment to overseas patients. The CCGs carry the risk for patients from the European Union. This is a political issue and draws significant attention in comparison to the values and numbers of cases. The Committee noted that this issue had been reviewed and there was good assurance of controls and accounts management. The Trust is in receipt of a bonus from the Home Office relating to the effectiveness of the Trust's controls.</p> <p>The Committee noted the paper and took assurance over supporting controls.</p>	
4	4.1	<p>Internal Audit Progress report</p> <p>NA introduced the autumn edition of the RSM newsletter, which included narrative on financial governance, management of temporary staffing and changes in the administration of VAT.</p> <p>NA provided went on to provide a summary of completed internal audit work since the last Committee.</p> <p>The main topic of the report was the first review of cyber security that had been completed using the newly published 'CESG 10 steps to cyber security' framework. This provided a partial compliance opinion with the caveat that this is an emerging area of control and the threat is high. It is to be noted that the main actions for the Trust are to be better able to evidence its plans for firewall and software patch management. Based upon the evidence available at the time of the audit 22 of the 33 requirements have been categorised as 'Fully Implemented'. For the remaining 11 there is work in progress and existing levels of mitigation. Action CP to liaise with IM and GFM to review the findings at the Exec Committee. Internal Audit are considering a follow up in the new financial year.</p> <p>The Committee took assurance from Internal Audit's completed review of the Trust's Duty of Candour systems (Green/amber opinion) and review of the BAF which made recommendations for improvement of narrative and reporting and provided assurance on</p>	CP

		<p>a sample of two of the risks included in the document.</p> <p>The Committee reviewed the tracker and noted that there were 6 recorded actions that had just passed review date. Action CP to timetable a review of the action tracker by the Executive Team.</p> <p>The Committee took assurance from the report and discussion of internal controls.</p>	CP
	4.2	<p>External Audit update</p> <p>JB indicated that there was nothing significant to report. Noting the upwards trend and general concern over the size of the NHS's debt within the financial year. This has implications for the Trust and the impact is likely to be more pronounced this year.</p> <p>JB indicated that work would commence on review of 2016/17 accounts in the near future.</p> <p>The Committee noted the verbal update.</p>	
	4.3	<p>LCFS Report</p> <p>MH introduced the report and detailed plans to look at the implications of the Bribery Act and potential opportunities for fraud in temporary staffing and working whilst sick.</p> <p>The Committee discussed the report in detail. Noting the increasing awareness of the counter fraud team supported by dedicated training and risk review of the Trust's anti-fraud systems.</p> <p>MH discussed reactive reviews that have highlighted good improvements in systems detailed in the SFIs to appoint contractors and the completion of a case which had found that there was no substantial evidence of personal gain.</p> <p>MH reported that NHS Protect had reduced its investigative work and would now focus on advice and high priority cases. The Committee went on to discuss issues relating to conflict of interest, considering the potential to audit every 3 years. Management highlighted the 'Greenbury exercise' included in the annual report and the internal controls relating to conflicts of interest and as such the Committee agreed not to establish a routine audit schedule at this time.</p> <p>The Committee noted the report.</p>	

5	5.0	<p>AOB</p> <p>PS reported that as part of its delegated authority the Audit Panel (Audit Committee and Chief Finance Officer) has carried out a tender process and awarded the external audit contract to PricewaterhouseCoopers. This will come into effect for the 2017/18 financial year.</p>	
	6.2	<p>Date of Next Meeting: 18th January 2017</p>	