

**MINUTES OF AUDIT AND ASSURANCE COMMITTEE (PART ONE)**

**Meeting held on 25 May 2017  
14.30 – 16.00 0 AD77**

<b>Present:</b>		<b>Title:</b>
Paul Biddle	PB	Committee Chair / Non-Executive Director
Richard Shaw	FS	Non-Executive Director
<b>In attendance:</b>		
Paul Simpson	PS	Chief Finance Officer
Gillian Francis-Musanu	GFM	Director of Corporate Affairs
Peter Burnett	PBu	Deputy Chief Finance Officer
Djafer Erdogan	DE	Financial Controller
Katie Griffin	KG	PWC (Observer)
Ian Murray	IM	External Audit (Grant Thornton)
Nick Atkinson	NA	Internal Audit
Matt Wilson	MW	Internal Audit
Mike Harling	MH	Counter Fraud
Gillian Cruse	GC	Note-taking

<b>1.</b>	<b>WELCOME, APOLOGIES FOR ABSENCE AND COMMITTEE CHAIRS UPDATE</b>	<b><u>Actions</u></b>
	<p>The Chair welcomed members and attendees to the meeting.</p> <p>Apologies were noted from Richard Durban , Colin Pink</p>	
<b>2.</b>	<b>Minutes of the previous meeting</b>	
	The minutes of the meetings held on 17 <sup>th</sup> March 2017 and 25 <sup>th</sup> April 2017 were approved as an accurate record of the meeting.	
<b>3</b>	<b>Actions from previous meetings</b>	
	<p>Actions from 16 March 2017 meeting</p> <p>3.1 <i>CP to ordinate review of BAF for March Public Board</i></p> <p>3.2 <i>Corporate governance controls statement to be updated to include greater detail for the supporting internal governance around the management of the STP and include a section on partnership.</i></p> <p>3.3 <i>PS to prepare a paper that details the Trust's 'going concern' in light of the position taken by NHSI to be discussed alongside the review of draft accounts in April.</i></p> <p>Paper sent to Auditors who are in the process of signing out. This is included within their audit findings report.</p>	<p>Completed</p> <p>July 2017 meeting</p>

	<p>Actions from 25 April 2017 meetings</p> <p>3.4 DE to include a note to clarify accounting for working capital loan.</p> <p>3.5 PBU to provide additional information about the overall balance sheets and cash flow, working capital facility as set out in the trust plans.</p> <p>3.6 Capital loan for non-recurrent payment consistent as in previous years. PB has provided a 2017/18 to 2018/19 financial plan.</p> <p>3.7 CP to amend the draft AGS as discussed.</p>	<p>Completed</p> <p>Completed</p> <p>Completed</p> <p>Completed</p>
<p>4</p>	<p><b>REVIEW OF ANNUAL ACCOUNTS</b></p> <p><b>2016/17 accounts – financial analysis</b></p> <p>PS provided a transparent analysis of what has happened over the year. This will be reviewed at FWC. SaSH are showing a surplus of £3.7M and an underlying deficit position of £7.2M.</p> <p>PS summarised the key points outlining the movement from 2015/6 to 2016/17 in bridge account format. Expenditure and Income have both increased. .</p> <ul style="list-style-type: none"> <li>• Agency spend reduced by £2.9M</li> <li>• New page included in accounts with regarding to Model Hospital</li> <li>• Balance sheet and assets outlined to include plant and equipment costs. Capital spend was £11.4M.</li> <li>• £9.6M inflation costs</li> <li>• Recurrent savings of £6.5M explained in full. More detail outlined in full accounts.</li> </ul> <p>PS noted that there was nothing controversial within the body of the accounts.</p> <p>PB noted that this was a good report to be included as part of the year end process.</p>	
<p>5</p>	<p><b>2016/17 Audited Final Accounts</b></p> <p>Final accounts need to be signed off and agreed by 1<sup>st</sup> June 2017</p> <p>The Trust had drawn down £7.3m revolving working capital in year, and repaid £3.8m of this in year. The remaining £3.5m balance was repaid in April 2017. The Trust had also paid back £1.5m in loan principal.</p> <p>Best Payment Practice Performance (BSPP) had considerably improved within 2016/17, however it was still below then 95% minimum required performance.</p> <p>The Trust had significant Agreement of Balance (AoB) differences with its two main CCG Commissioners. This difference with East Surrey CCG related to an on-going dispute, and although not accepted was expected. The AoB difference with Crawley CCG came as a surprise. The Trust was confident in its position and could demonstrate that the CCGs been agreeing</p>	

	<p>and paying its financial position for the first 11 months of the financial year. Discussions with these CCGs continue with a view to prompt resolution. PS,IM &amp; PB to review and finalise by the of the week.</p> <p>A question was raised as to whether reasonable action was being taken? PB confirmed that the Trust has followed due process and is happy with their reported position for 2016/17. The Board feel comfortable with actions being taken around the dispute with ES CCG. IM/PB/PS to have a discussion regarding the above.</p> <p>The Committee gave delegated authority to PB/PS to sign off the accounts</p>	<p>PS</p> <p>IM/PS</p>
<b>6</b>	<p><b>Review of Annual Report</b></p> <p>Updated since last version with only minor changes still outstanding. GMF/LW co-ordinating. External Audit have reviewed the report and it meets all requirements.</p> <p>Removed productivity charge which is not in Model Hospital portal.</p> <p>Report reflects previous year's work rather than looking forward. Small amount quantitative statements going forward.</p> <p>DoH have added to reporting requirements – leading to increase timescale for completion, e.g. E-version and web-site linked to annual accounts.</p> <p>Annual Report approved prior to final data.</p>	
<b>7</b>	<p><b>Annual Governance statement</b></p> <p>AGS has been updated by GFM updated and MW has also reviewed it.</p> <p>Areas that have been changed have been highlighted.</p> <p>GFM to amend wording regarding Safety and Quality of care.</p> <p>Committee approved.</p> <p>MW to sign off.</p>	<p>GF-M / MW</p>
<b>8</b>	<p><b>Head of Internal Audit opinion</b></p> <p>Headlines unchanged since draft.</p> <p>Cyber Security report Updated some actions and most of the actions now completed.</p> <p>Caesarean rates Partially agreed. Few outstanding actions , specific actions noted within in internal report</p> <p>2 reports current in in draft format</p> <p>1) Clinical Audit (looking OK)</p>	

	<p>2) Consultant Job planning.</p> <p>Still a number of actions to be finalised. With e-planning it is more difficult to obtain feedback and also some difficulty in obtaining copies of job plans. 25 samples taken, 4 still not viewed. Some issues still outstanding.</p> <p>Draft report to be sent out and will be presented at the next AAC when responses received.</p> <p><b>Action: NA to present at next AAC</b></p> <p>Reasonable list of reports and number has grown from previous years – very positive and substantive role.</p> <p>Opinion unchanged listed as a 2 on list (nothing significant) noted Adequate and effective.</p>	<p>NA</p>
<p><b>9</b></p>	<p><b>External Auditors Findings Report</b></p> <p>Key points noted:</p> <ul style="list-style-type: none"> <li>• P19 – one adjustment agreed. 2017/18 transaction adjusted. £2.1M – nil effect.</li> <li>• Disclosure changes – nothing significant noted.</li> <li>• Value for Money – unqualified conclusion.</li> <li>• Plans are challenging with some risks especially from CCGs</li> <li>• Payment by Results being retained.</li> <li>• STP process and Capital Expenditure process. EA involved with project with Regulators. PS noted that both CCGs have deficits.</li> <li>• SaSH work with 17 different organisation within the STP framework so large number of people to work with and control totals limited.</li> <li>• CIP will help working together better going forward.</li> </ul> <p>The Trust breached its break-even duty in 2007/08 resulting in the Trust needing to take out a £56m loan. Most of this loan has now been paid back.</p> <p>IM has written a letter from Auditors to the Secretary of State outlining an action plan</p> <p>Apart from above good set of accounts</p> <p>Approval of final accounts. Must wait for e-mail exchange. As above noted delegated authority to PS/PBu to sign off.</p>	
<p><b>10</b></p>	<p><b>Representation letter</b></p> <p><b>Letter of representation</b> will need to be agreed and signed before Audit Opinion is given.</p>	
<p><b>11</b></p>	<p><b>Compliance with accounting standards – letters from CFO and AAC Chair</b></p> <p>Letter sent to Grant Thornton giving assurance of compliance with accounting standards. PB happy to sign off.</p> <p>Section 1.2.4 P4 - all new staff need induction for counter fraud. Currently this induction is not given to all staff so report requires minor wording</p>	

	amendment. However, Counter Fraud meets all new staff on their induction day.	DE
12	<b>INTERNAL AND EXTERNAL ASSURANCE</b>	
	<p><b>1. Internal Audit Update</b></p> <p>Plan available July 2017 to July 2018. Good liaison with management.</p> <p>Outstanding reports:</p> <ul style="list-style-type: none"> <li>• Consultant job planning</li> <li>• Theatres Management</li> <li>• Temporary staffing and workforce</li> </ul> <p>Clinical audit was better than anticipated.</p> <p>Improvement noted over previous years in the number of reports that have gone over time.</p> <p>IA will produce new plan for submission to next AAC meeting. IM meeting with GF-M within the next few weeks</p> <p>Suggestions made for potential future reviews:</p> <ul style="list-style-type: none"> <li>• Outpatient cancellations levels – may be useful to review</li> <li>• Keep an eye on Cyber Security</li> <li>• EPR (too early) and would be later in the year</li> <li>• Information Governance toolkit – work prior to the end of March Done early in case anything crops up and in case further evidence required – to give confidence.</li> </ul> <p>On-going work:</p> <p>Audit re caesarean rates: - 3 outstanding medium actions still not completed but in progress.</p> <p>All reports moving in the right direction. Analysis outstanding – June 2017/18.</p> <p>Outcomes of 24 reviews still outstanding which were planned for April 2017. B/F for July AAC meeting.</p> <p>Currently being reviewed.</p> <ul style="list-style-type: none"> <li>• Data Quality / Infection control – reasonable assurance</li> <li>• Incident side and Datix system – capture at place and time to ensure audit trail in place – timing issue – making good progress</li> <li>• Business rules were documented to give assurance</li> <li>• Cyber– one action outstanding – completed before September TB</li> <li>• Data Capture – Only two computers in Trust are working in Window n XP. All other PC run on Windows 10.</li> <li>• Payment to Staff – reasonable assurance given. Still some issues on late leave forms being submitted. Largest contributory figure. Budget holder’s responsibility. All being reviewed.</li> </ul>	

<p><b>13</b></p>	<p><b>Local Counter Fraud (LCFS) Report</b></p> <p>Report to NHS Protect by 31/3/18. Overall Green. Going forward this date with be the 31/3 each year.</p> <p>NFI exercise well under way. No major alarms.</p> <p>All reports assessed by CF and PS reviewed</p> <p>Re-active cases – 3 on-going – will leave on re-active tracker. Fiona HR update prior to removal.</p> <p>One re-active case discussed under Part 2 (Private) of this meeting.</p>	
<p><b>14</b></p>	<p><b>ANY OTHER BUSINESS</b></p> <p>Katie (PWC) to receive all audit papers for handover.</p>	
	<p><b><u>Date of next meetings</u></b></p> <p>13<sup>th</sup> July 2017</p> <p>14<sup>th</sup> September 2017x</p> <p>9<sup>th</sup> November 2017</p>	