

South Gloucestershire Clinical Commissioning Group Audit Committee Meeting

Date: Monday 22nd May 2017
Time: 2pm
Location: Room C1, Corum Office

AGENDA ITEM 5 - Minutes

Present:	John Rushforth (Chair)	JRu	Governing Body Lay Member (Governance & Finance)
	Sharon Kingscott	SK	Chief Finance Officer and Deputy Chief Officer
	Chris Flook	CF	Deputy Chief Finance Officer
	Janet Biard	JB	Practice Manager member of the Governing Body
	Michelle Burge	MB	Manager, Grant Thornton
	Alex Walling	AW	Associate Director, Grant Thornton
	Peter Smith	PS	Interim Head of Financial Accounts, South Gloucestershire & North Somerset CCGs
	Russ Caton	RC	Senior Audit Manager, Audit South West
	Jenny McCall	JM	Director of Audit, Audit South West
	Martin Gregg	MG	Governing Body Lay Member (PPI & Equalities)
In attendance:	Louise Carthy (Minutes)	LC	Senior PA
Apologies:	Julia Ross	JRo	BNSSG Chief Executive

Action

1 Welcome and Apologies

JRu welcomed everyone to the meeting. Apologies were noted from JRo, who had delegated responsibility for sign off of the final accounts to SK.

2 Declarations of interest

There were no changes to attendee interests since the last meeting and no conflicts of interest arising from this agenda.

3 Items of Urgent Business

None.

4 Minutes of the last meeting

The minutes of the last meeting were agreed to be a true and accurate record subject to the correction of SK's job title on page 1.

LC

5 Matters arising

The action tracker was reviewed by the committee. The following updates were noted:

- JM reported that she had met with JRo and that once the new BNSSG executive structure was in place, JRo would review the joint audit plan and liaise with Audit Committee Chairs with regard to any changes. JRu highlighted that audit plans were owned by Audit Committees.

- RC confirmed that the vigilance checklist for staff about ransomware had been circulated.
- In terms of bringing the three BNSSG Audit Committees together to hold a meeting in common, SK advised that we would look into this following year end to ascertain if there was an appetite for the September meeting. It was agreed that SK and JRu would meet in July for an initial discussion. SK
- CF confirmed that the annual governance statement had been submitted to Grant Thornton for comment and was now incorporated within the CCG's annual report.
- RC advised that Audit South West were trying to incorporate work on the Control Centres into the wider planning process for the single audit plan across BNSSG. SK highlighted that it would be helpful for the committee to see the internal audit questions for the Control Centres. RC
- CF confirmed that the revised Terms of Reference were being presented to the CCG Governing Body on 24th May.
- CF reported that he had sought legal advice around IR35 and the office holder status of the Turnaround Director.

6 Commissioning Support Unit

6.1 Update on Service Auditor Reports

PS provided a verbal update for the committee. It was noted that the SCW CSU provided SG CCG with procurement and IT services. Bristol and North Somerset also received HR services from the CSU.

PS reported that the only exceptions identified within the overall report were around financial ledger, payroll and tender – none of which were pertinent to the CCG. PS advised that a service auditor report for external consumption had not been produced for IT this year. Instead, assurance had been obtained internally via a readiness assessment.

7 Internal Audit and Counter Fraud

7.1 Internal Audit Interim Report

RC presented the Internal Audit Interim Report.

RC confirmed that four Internal Audit reports had been issued since the last meeting; quality, information governance toolkit (part 2), corporate governance (conflicts of interest) and main accounting. No significant issues had been raised. Two audit subjects (CHC and clinical/safety monitoring – minor injuries service) were still work in progress due to the restructuring of CCG staff in this directorate. It was anticipated that these reports would be available within the next couple of weeks.

RC highlighted that six audit recommendations were currently outstanding, although none of these represented a significant risk.

It was acknowledged that the planned audit into the CCG response to the five year forward view would now be a joint piece of work across BNSSG and had been carried forward into 2017/18.

RC then took the group through the four audit reports that had been issued since the last meeting and these were discussed as follows:

Quality:

This had received an assurance rating of 'satisfactory'. It was acknowledged that this was due to some non-acute providers still not having SLAs in place with the CCG to outline acceptable quality standards and enable effective monitoring. RC highlighted that the issue was that the contracts themselves were historical and tied into the Local Authority contract; there was no direct contract with the CCG. CF confirmed that he would liaise with Anne Pickford to

look at how we could make the contractual arrangements more robust.

CF

The committee noted that a system of planned and unplanned visits were built into the quality schedule, however Internal Audit had not seen a clear timetable of these. The committee agreed that an appropriate programme of visits needed to be in place, based upon the level of risk and not the level of staff resource. RC agreed to take forward and resolve with CF.

RC/CF

Information Governance:

RC confirmed that the CCG had been awarded level 2 compliance with the Information Governance Toolkit.

Managing Conflicts of Interest:

RC confirmed that the CCG were very compliant in this area. Whilst several improvements had been identified that could be made, the existing processes in place were effective and robust.

Main Reporting

Significant assurance was obtained and no issues identified.

7.2 Head of Internal Audit Opinion

JM presented the Head of Internal Audit Opinion and confirmed that a significant level of assurance had been given. Whilst the report highlighted that the CCG had been placed in legal directions and had been required to implement turnaround arrangements, the HOIAO considered that internal processes were good.

7.3 Internal Audit Annual Report

RC presented the internal audit annual report, which outlined the work accomplished throughout the year and reflected the key audits carried out and the assurance opinions given.

The committee noted the report.

7.4 Counter Fraud Annual Report

JM presented the counter fraud annual report, which highlighted the main pieces of work carried out this year and key outcomes. It was acknowledged that the CCG continued to achieve a green rating.

There followed a brief discussion on the revised counter fraud plan and the recent NHS cyber-attack. JB confirmed that practices received ransomware briefings via the CSU; however it was highlighted that NHSE needed an OOH cascade for practice managers, as the recent incident relied upon practice managers knowing each other's mobile numbers. CF agreed to find out which SG practices were affected and to obtain information from the CSU as to why they were vulnerable.

CF

The committee noted the report.

7.5 Briefing on the General Data Protection Regulation (GDPR)

The committee noted the professional briefing on the General Data Protection Regulation that would become mandatory in May 2018. It was acknowledged that this was being taken forward via the Quality and Governance Committee.

8 External Audit

8.1 ISA260 Audit Findings Report

AW presented this report, which brought together all of the findings from the accounts and VfM work.

AW confirmed that the accounts work was now predominantly complete and

that there were good working papers from the draft financial statements. No adjustments were identified that would affect the bottom line and minor amendments were for presentation purposes only. AW outlined key points to be noted from the audit as follows:

- There were no issues with the annual report – this would now be reviewed for consistency throughout.
- Due to the breach in the CCG's revenue resource limit, Grant Thornton was required to give a qualified regularity opinion.
- The 'except for' VfM conclusion and breach of statutory financial duty to breakeven would necessitate a section 30 referral to the Secretary of State.
- No weaknesses were identified in the key controls within the system.

MB then took the committee through the detail of the report. The following points were highlighted:

- In addition to the presumed significant risks applicable to all audits under auditing standards (potential for fraudulent transactions and management override of controls), some further risks were identified. These included going concern (in relation to the significant financial challenges and forecast deficit position) and secondary healthcare commissioning expenditure (contracts with key providers).
- Grant Thornton concurred that the cost of the BNSSG Turnaround Director should be excluded from the remuneration report as he was not a Governing Body member and held no operational responsibility but that it was correctly recorded and reported in the annual report as consultancy expenditure.
- In terms of the VfM conclusion, two significant risks were identified – one around the financial outturn/forecast deficit and one around partnership working across BNSSG (single commissioning voice).

JRu queried some of the language, in terms of what was classed as a 'weakness'. AW clarified that this was standard wording and was applicable due to the scale of the financial deficit and because there was no plan to meet the difficult financial targets. AW reiterated that no weaknesses in controls had been identified.

The committee thanked AW and MB and extended further thanks to Sophie Medwell for her excellent work during the audit.

8.2 Management Letter of Representation

The committee reviewed the letter of representation. CF advised that once the letter had been agreed by the Governing Body it would be signed by SK and JRo, before submission to Grant Thornton for the release of their final opinion.

The committee recommended the letter of representation to the Governing Body for approval.

9 Annual Report and Accounts

CF presented the annual report and accounts, acknowledging the hard work from all contributors that was reflected within this. It was noted that the annual report had been brought to the audit committee for review/comments and recommendation to the Governing Body for submission on 31st May. CF notified the committee of the very recent request due to the late announcement of the General Election from NHSE for the annual report to be taken to the Governing Body in private session due to purdah.

The annual report was acknowledged to be a look back over 2016/17 and CF took the committee through some of the features, including the five year forward view, a single commissioning voice and the STP. The annual report also described some of the CCG's achievements and national recognition it had received. Key issues for the CCG were also raised, which included NBT performance, financial challenges

and legal directions.

The committee then discussed some of the annual report content in more detail. JRu suggested that prevention and mental health could potentially have been more greatly reflected, and MG highlighted an inconsistency in terminology on page 33 around practice participation groups. CF undertook to review and ensure consistency.

CF

CF then moved on to discuss the accounts. It was reported that the accounts presented were very tidy with any unnecessary information removed and that subject to agreement at the Governing Body, they would be submitted on 31st May. CF confirmed that he would make the necessary arrangements for sign off by JRo.

CF

There followed some further discussion on the accounts during which the following points were raised:

- CF clarified that the increase in staff costs was due to the transfer of a number of CSU staff into the CCG. It was noted that some commentary on this was provided within the annual report.
- JRu suggested that some further explanation and clarity was required around related party transactions, to ensure that this was fully understood. CF agreed to take forward.
- JM highlighted that the version of the Head of Internal Audit Opinion contained within the accounts was not the final one. CF confirmed that this would be rectified.

CF

CF

Subject to these amendments, the committee recommended the annual report and account to the Governing Body for approval.

10 Audit Committee Annual Report

CF presented the audit committee annual report, which described the membership and attendance at the committee throughout the year and the work that had been covered.

JRu highlighted that the assurance given by internal audit on the information governance toolkit was an assessment rather than an opinion. CF undertook to amend the wording accordingly.

CF

11 Corporate Risk Register

CF presented the risk register and assurance framework.

The committee noted the assurance framework, which outlined risks in relation to delivery of the CCG's strategic objectives. CG agreed to double check the score of risk D3 R1.

CF

CF confirmed that seven new risks had been added to the risk register and these were reviewed by the committee. There followed some further discussion on risk 89: 'requirements to move to a single commissioning voice at pace could impact adversely on governance arrangements'. JRu suggested that the risk was wider than governance arrangements and should be expanded. CF agreed to liaise with Anne Morris on this.

CF

JRu advised that work was ongoing across BNSSG to look at common risks and language, and that this would be brought back to the next Quality and Governance meeting in common.

12 Declarations of Interest and Hospitality

CF presented the gifts and hospitality register. It was confirmed that the declarations of interests would be pushed back to the September meeting as data was still being collated.

CF agreed to query one of the entries where a member of staff was listed as having approved acceptance of their own gift and to amend accordingly.

CF

13 Any Other Business

None.

14 Date of Next Meeting:

Monday 11th September 2017, 14:00-16:00.

Point	Action to be undertaken	Person Responsible	Update	Date for completion
Matters Arising from 1st December 2016:				
13	Any Other Business			
	JR highlighted that a 'committee in common' would now be set up to take place monthly across BNSSG for the Quality & Governance Committee. No such decision had yet been taken with regard to the Audit Committee; however the group were supportive in principle and recognised that bringing the 3 committees together could be helpful, taking into account that each would have the same external audit provider and the same emerging issues. RC agreed to progress this thinking with colleagues.	Russ Caton Sharon Kingscott	Update March 2017: In terms of bringing the three BNSSG Audit Committees together to hold a committee in common, SK suggested that we look at progressing this after the final accounts process. SK agreed to look at putting a meeting in place to discuss this further. Update May 2017: SK advised that we would look into this following year end to ascertain if there was an appetite for the September meeting. It was agreed that SK and JRu would meet in July for an initial discussion	
Matters Arising from 6th March 2017:				
7.2	Draft Internal Audit 2017/18 to 2019/20 Plan			
	It was recognised that Internal Audit would already have lots of questions for the control centres. SK suggested that these questions be given to the control centres now, so that they could act as a prompt as work progressed. RC agreed to take this forward.	Russ Caton	RC advised that Audit South West were trying to incorporate work on the Control Centres into the wider planning process for the single audit plan across BNSSG. SK highlighted that it would be helpful for the committee to see the internal audit questions for the Control Centres.	
Matters Arising from 22nd May 2017:				
4	Minutes of the last meeting			
	The minutes of the last meeting were agreed to be a true and accurate record subject to the correction of SK's job title on page 1.	Louise Carthy	Complete.	

Point	Action to be undertaken	Person Responsible	Update	Date for completion
7.1	Internal Audit Interim Report			
	CF confirmed that he would liaise with Anne Pickford to look at how we could make the contractual arrangements with non-acute providers more robust.	Chris Flook	The control centre has been reviewing the approach to CHC placements and the brokerage arrangements. An options paper is being prepared and will be presented to the Executive Team in Mid-September. The outcome of this will ensure consistency and the use of the concise NHS contract for all CHC placements.	October 2017
	The committee agreed that an appropriate programme of visits needed to be in place, based upon the level of risk and not the level of staff resource. RC agreed to take forward and resolve with CF.	Chris Flook / Russ Caton		
7.4	Counter Fraud Annual Report			
	CF agreed to find out which SG practices were affected by the NHS cyber-attack and to obtain information from the CSU as to why they were vulnerable.	Chris Flook	One Thornbury practice was affected in South Gloucestershire. The practice has a PC not supported by the CSU and standalone from the network that supported practice business critical systems. The problem was resolved within 4 days of the attack.	Completed
9	Annual Report and Accounts			
	MG highlighted an inconsistency in terminology on page 33 of the annual report around practice participation groups. CF undertook to review and ensure consistency.	Chris Flook	Amended in the final Annual Report approved by Governing Body.	
	CF confirmed that he would make the necessary arrangements for sign off of the accounts by JRo.	Chris Flook	Approved by Governing Body, signed and submitted in compliance with NHSE timetable.	
	JRu suggested that some further explanation and clarity was required around related party transactions, to ensure that this was fully understood. CF agreed to take forward.	Chris Flook	Amended in the final Annual Report approved by Governing Body.	
	JM highlighted that the version of the Head of Internal Audit Opinion contained within the accounts was not the final one. CF confirmed that this would be rectified.	Chris Flook	Amended in the final Annual Report approved by Governing Body.	

10	Audit Committee Annual Report			
	JRu highlighted that the assurance given by internal audit on the information governance toolkit was an assessment rather than an opinion. CF undertook to amend the wording accordingly.	Chris Flook	Wording has been amended	
11	Corporate Risk Register			
	CG agreed to double check the score of risk D3 R1.	Chris Flook		
	There followed some further discussion on risk 89: 'requirements to move to a single commissioning voice at pace could impact adversely on governance arrangements'. JRu suggested that the risk was wider than governance arrangements and should be expanded. CF agreed that liaise with Anne Morris on this.	Chris Flook		
12	Declarations of Interest and Hospitality			
	CF agreed to query one of the entries where a member of staff was listed as having approved acceptance of their own gift and to amend accordingly.	Chris Flook	Entry reviewed, confirmation of independent approval received and corrected.	