

**MINUTES OF THE MEETING OF THE NHS VALE OF YORK CLINICAL
COMMISSIONING GROUP AUDIT COMMITTEE HELD ON 2 JUNE 2014 AT
WEST OFFICES, YORK**

Present

Mr Keith Ramsay (KR) (Chair)	Lay Member and Audit Committee Chair
Mr John McEvoy (JM)	Practice Manager Governing Body Member

In Attendance

Ms Caroline Alexander (CAI)	Strategic Planning and Assurance Lead (Interim)
Mrs Catherine Andrew (CAAn)	Senior Manager, Mazars
Miss Lucy Botting (LB)	Chief Nurse
Mr Jon Cooke (JC) - for item 6	Business Services Director, North Yorkshire and Humber Commissioning Support Unit
Dr Mark Hayes (MH)	Chief Clinical Officer
Mrs Helen Kemp-Taylor (HK-T)	Head of Internal Audit
Mr Mark Kirkham (MK)	Director, Mazars
Mr Steven Moss (SMo)	Local Counter Fraud Specialist
Ms Sharron Murray (SMu)	Deputy Head of Internal Audit
Mrs Rachel Potts (RP)	Chief Operating Officer
Mrs Tracey Preece (TP)	Chief Finance Officer
Mr Tom Watson (TW)	Internal Audit Manager

Apologies

Dr Guy Porter (GP)	Consultant Radiologist, Airedale Hospital NHS Foundation Trust – Secondary Care Doctor Member
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*Preceded by a 15 minute private meeting of the Committee members with
External and Internal Auditors.*

KR welcomed everyone to the meeting. He particularly welcomed CA, covering Lynette Smith's maternity leave, and TW who was working alongside SMu and would be taking over from her as lead auditor for the CCG in due course.

KR additionally congratulated North Yorkshire Audit Service on being awarded the contract for Leeds and York Partnership NHS Foundation Trust.

1. Apologies

As noted above.

2. Declarations of Interest

Declarations of interest were as per the Register of Interests. There were no declarations of members' interests in relation to the business of the meeting.

3. Minutes of the meeting held on 16 April 2014

The minutes of the meeting held on 16 April were agreed.

The Committee:

Approved the minutes of the meeting held on 16 April 2104.

4. Matters Arising

Procurement Policy: KR noted that this matter had been covered in discussion at the Part II Governing Body meeting on 6 March 2014.

Waiver of Tender and Non Compliance Report: RP reported on confirmation from the Legal Services Lead at the Commissioning Support Unit (CSU). As there was only one provider with the particular software capable of being developed into a bespoke solution that satisfied the CCG's requirements there was no need to approach more than one provider once assurance had been received that this fitted with the way the Framework had been established.

Draft Counter Fraud Plan: SMO confirmed that dates had been agreed with the Partnership Commissioning Unit and actions had been prioritised accordingly.

Other matters were noted as agenda items, completed, outstanding or had not reached their scheduled date.

The Committee:

Noted the updates.

5. Review of Audit Committee Timetable

TP referred to Committee meeting dates proposed to KR for five meetings through the year; one of these meetings would be dedicated to the annual accounts. For 2014/15 TP proposed meetings in September, December and March with the accounts meeting being held in May 2015. Thereafter meetings would be May, July, September, December and March.

Following confirmation by CAn and HK-T that the proposed dates complied with the respective External and Internal Audit requirements, TP agreed to circulate the dates and update the Committee work plan.

The Committee:

1. Agreed the meeting schedule as detailed above.
2. Noted that TP would circulate the meeting dates and update the work plan.

6. Commissioning Support Unit Governance: Update

JC attended for this item

JC apologised for the very late circulation of the International Standards on Assurance Engagements (ISAE) 3402 reports - Type II Report for the period 1 October 2013 to 31 March 2014, Type II Report for the period 1 January 2014 to 31 March 2014 and Type I Report as at 14 March 2014 – produced by the CSU's independent auditors, Deloitte. These related to Contract Management, IT, Payroll, Finance and Accounting, and Quality Management. JC advised that the delay was due to protracted discussion with Deloitte on the final reports and under estimation in this first year of the magnitude of the work required for the CSU to produce reports for 19 organisations. JC assured members that clearly defined control objectives and processes had been established between the CSU and Deloitte therefore future reporting should be more timely.

Whilst understanding the reasons for the delay KR emphasised that there could be no repeat of such late circulation as members had not had opportunity to consider the reports prior to the meeting. In response to KR seeking clarification on the role of these reports in the CCG's assurance for the Annual Accounts and Annual Report SMu noted that they informed the CCG's Governance Statement. LB additionally advised that she wished to seek clarification in regard to quality and Business Intelligence information in the Type II Report for 1 October 2013 to 31 March 2014.

JC described the 2013/14 audit process: a traditional audit review during October with a service auditor report informed by objectives identified through the audit. He noted three assurance categories: reasonable assurance, reasonable assurance except for identified exceptions, and not able to provide reasonable assurance. JC reported that clinical quality had received reasonable assurance with no exceptions and other areas had received reasonable assurance with identified exceptions noting, however, that this did not represent a lack of control mechanisms.

In respect of the action plans for the Type I Report and Type II Report for three months, JC referred to the Control Objective Exceptions and explained the CSU responses and actions. He confirmed that all exceptions had either been addressed, or were in the process of being addressed, and emphasised lessons learnt in terms of capacity requirements and transparency and openness of communication. JC also advised that the Deloitte's contract was with NHS England, not the CSU, and noted that the ISAE process for third party assurance was clearly defined. He did however confirm that Internal and External Audit had undertaken substantial testing during the year. In this regard KR emphasised the need for robust audit processes.

LB agreed to forward to JC her concerns which included inconsistency of serious incident reporting processes in the reports and in practice. He would forward them as appropriate within the CSU.

In terms of the CCG Annual Governance Statement TP advised that an amendment was required to note receipt of the reports. She agreed to forward the entry to KR in advance of publication of the Annual Report.

The Committee:

1. Noted the International Standards on Assurance Engagements (ISAE) 3402 reports - Type II Report for the period 1 October 2013 to 31 March 2014, Type II Report for the period 1 January 2014 to 31 March 2014 and Type I Report as at 14 March 2014.
2. Requested that LB convey her concerns to direct to JC who would arrange for them to be addressed.
3. Noted that TP would amend the Annual Governance Statement in accordance with receipt of the ISAE3402 reports and forward the draft wording to KR prior to publication.

7. Partnership Commissioning Unit Assurance

RP referred to the report which comprised the Service Level Agreement (SLA) between the Partnership Commissioning Unit (PCU) hosted by NHS Scarborough and Ryedale CCG and NHS Harrogate and Rural District CCG, NHS Hambleton, Richmondshire and Whitby CCG and NHS Vale of York CCG. Of the total £3.5m PCU running costs budget NHS Vale of York CCG's contribution was £1.5m. RP additionally advised that the Head of Integrated Governance had worked with the PCU to agree governance arrangements to support delivery of services.

In respect of the SLA start date of 1 April 2013 TP clarified that as Janet Probert (JP) had not taken up post as Director of the PCU until September 2013 only the finance schedule had been signed on 2 December; work had subsequently taken place by the four CCGs to agree the wording of the SLA. TP also explained that the CCG Chief Finance Officers had agreed, and the Accountable Officers had approved, that the finance schedule 2013/14 risk share principles for programme and running costs be continued for 2014/15, with a review thereafter, unless any party gave 12 months notice to withdraw.

TP noted that the PCU was required to work within a given budget and that the 2013/14 figures were in the CCG's Annual Accounts. She also confirmed that the split across the CCGs was in line with the risk share agreement.

In terms of Running Costs TP confirmed an error, namely the reversal of the costs relating to NHS Scarborough and Ryedale CCG and NHS Vale of York CCG which should read respectively 15.19% and 445.45%. These were based on population whereas other costs were based on best knowledge. TP noted that the Chief Finance Officers would be reviewing the variation and splits across the CCGs during 2014/15.

In response to assurance sought regarding Mental Health, RP advised that JP chaired the Leeds and York Partnership NHS Foundation Trust Contract Management Board which was also attended by members of TP's and LB's

teams. Additionally, the Mental Health Commissioner Strategy Board had recently been established to ensure alignment.

The Committee:

Noted the CCG's Service Level Agreement with the Partnership Commissioning Unit.

8. Annual Counter Fraud Report 2013/14

SMo presented the Annual Counter Fraud Report which detailed proactive, reactive and strategic counter fraud work. The total number of days used was 14.5. SMO highlighted that he had also been commissioned by JC to raise counter fraud awareness of CSU staff and similarly by the PCU with particular reference to Continuing Care.

SMo confirmed that he would keep the Committee updated in respect of ongoing issues.

In relation to NHS Protect SMO reported that standards were still awaited from NHS England.

The Committee:

Noted the Annual Counter Fraud Report 2013/14.

9. Annual Report and Accounts 2013/14

9.1 Internal Audit Annual Report and Head of Internal Audit Opinion 2013/14

HK-T presented the Internal Audit Annual Report 2013/14 comprising an Executive Summary and three appendices which respectively described Internal Audit Performance Indicators, Head of Internal Audit Opinion, and Summary of Audit Outcomes. She highlighted the flexible approach that had been undertaken relating to the work plan for the year, as agreed with the Committee, to take account of issues as they arose and noted that the 140 audit days had been achieved in accordance with the plan. HK-T confirmed that all Internal Audit Performance Indicators set by the Committee and North Yorkshire Audit Service had been met.

In respect of the 64% achievement of management responses received within 15 days of the issues of the draft report, HK-T noted the impact of staff capacity and staff changes within the CCG. SMu reported that there had been a significant improvement through the year. TP noted that any such future delays would be highlighted at Committee meetings.

In referring to the Head of Internal Audit Opinion - set out as Overall opinion, Basis for the opinion, and Commentary - HK-T highlighted that her overall opinion was of Significant Assurance reflecting improvement by the end of the CCG's developmental year.

In response to KR seeking clarification on the Reliance on Third Party Assurances that had not yet been received for 2013/14, HK-T advised that a note to this effect be included in the Annual Governance Statement.

9.2 NHS Vale of York CCG Audit Completion Report

MK presented the Audit Completion Report which comprised an Executive summary, Significant findings, Internal control recommendations, Summary of misstatements, and Value for money statement; appendices related to Draft management representation letter, Draft audit report and Independence. MK advised that there were no adverse findings to report and noted that the value for money overall conclusion reflected arrangements that had developed through the year but were not fully established in the early part of the year.

CA advised that two changes had been required to the accounts but this had not impacted on the overall financial position. There were no misstatements as the CCG had agreed to any changes requested.

MK and CA commended the Finance Team, in particular, MA-M and Chris Park, for their co-operation in enabling timely completion of the audit work

On behalf of the Committee and the CCG, KR welcomed the report from both HK-T and MK on the commendation of the process and additionally commended the achievements of the first year of the organisation.

9.3 Annual Accounts

In presenting the Annual Accounts, produced in accordance with national requirements, TP tabled the amendments referred to by CA and that were in response to guidance issued very late in the process. TP highlighted that, although the CCG had worked to achievement of £2.056m throughout the year, this figure did not appear explicitly in the accounts. She referred to Note 42 explaining that this demonstrated that the CCG had met the financial performance target in terms of expenditure not exceeding income. The difference related to financial and management accounting procedures.

Members sought and received clarification on a number of aspects of the accounts. TP agreed to provide additional information by email in respect of the sum of £38.18k relating to purchase of healthcare from non NHS bodies. She confirmed that subject to the adjustments discussed the accounts were correct. However, as there was the potential for further guidance to be issued and therefore amendments required, TP requested that members approve the accounts subject to any such changes which would be reported at the Governing Body meeting on 5 June 2014.

9.4 Annual Report (including Remuneration Report, Annual Governance Statement and Head of Internal Audit Opinion

TP referred to the Remuneration Report within the Annual Report noting that this had been prepared in accordance with guidance and that early feedback

had been received from the Area Team. In response to clarification sought by members with particular reference to pensions TP agreed to provide additional information by email and to add an explanatory note in the Annual Report.

RP presented the full Annual Report highlighting that this was presented in the required statutory format and comprised, in addition to the Remuneration Report, a welcome from the Chair and Chief Clinical Officer, Member Practices Information, Strategic Report, Members Report, Statement of Accountable Officer's Responsibilities and Requirements, Governance Statements, Audit Requirements, Financial Reporting, and Additional Information, namely Freedom of Information. RP noted the intention to produce an Executive Summary celebrating the CCG's first year achievements.

Members noted that a number of amendments were being made to the Annual Report and that the formatting was being finalised.

9.5 Management Representation Letter

MK advised that the Management Representation Letter was a standard part of the annual accounting process. He confirmed that no amendments had been required.

The Committee:

1. Received the Internal Audit Annual Report and Head of Internal Audit Opinion 2013/14.
2. Received the NHS Vale of York CCG Audit Completion Report.
3. Approved the annual accounts subject to incorporation of the amendments discussed, noting that any further changes would be reported to the Governing Body meeting on 5 June 2014.
4. Approved the Annual Report subject to incorporation of amendments discussed and formatting finalisation.
5. Approved the Management Representation Letter.

Post meeting note: Email circulated to members on 4 June providing clarification and the further information requested relating to pensions in the remuneration report and purchase of healthcare from non NHS bodies in the annual accounts.

TP wished to record her appreciation to the Finance Team, and in particular to MA-M and Chris Park, in respect of the Annual Accounts.

10. Next meeting

10 September 2014, time to be confirmed.

NHS VALE OF YORK CLINICAL COMMISSIONING GROUP AUDIT COMMITTEE

SCHEDULE OF MATTERS ARISING/DECISIONS TAKEN: 2 JUNE 2014 AND CARRIED FORWARD FROM PREVIOUS MEETINGS

Meeting Date	Item	Action Required/Decisions Taken	Responsible Officer/Body	Action Completed/ Due to be Completed by (as applicable)
16 April 2014	Audit Committee Terms of Reference	<ul style="list-style-type: none"> • Terms of Reference to be updated 	TP	September meeting
16 April 2014	Review of Internal Audit	<ul style="list-style-type: none"> • Annual review to be progressed 	TP/HK-T	September meeting
2 June 2014	Commissioning Support Unit Governance: Update	<ul style="list-style-type: none"> • Concerns relating to serious incident reporting and Business Intelligence to be forwarded to JC • Note in Annual Governance Statement regarding ISAE Reports to be forwarded to KR prior to publication 	LB TP	