

**MINUTES OF THE MEETING OF THE AUDIT COMMITTEE HELD ON
8 SEPTEMBER 2015 AT WEST OFFICES, YORK**

Present

Mrs Sheenagh Powell (SP)	Lay Member, Audit Committee Chair
Mr David Booker (DB)	Lay Member
Dr Tim Maycock (TM)	GP Governing Body Member

In attendance

Mrs Cath Andrew (CA)	Senior Manager, Mazars
Mr Michael Ash-McMahon (MA-M)	Deputy Chief Finance Officer
Mrs Michelle Carrington (MC)	Chief Nurse
Mrs Pennie Furneaux (PF)	Policy and Assurance Manager
Mr Steven Moss (SM)	Local Counter Fraud Specialist
Mrs Tracey Preece (TP)	Chief Finance Officer
Ms Michele Saidman (MS)	Executive Assistant
Mr Tom Watson (TW)	Internal Audit Manager

Apologies

Mr Mark Kirkham (MK)	Director, Mazars
Mrs Rachel Potts (RP)	Chief Operating Officer
Mrs Lynette Smith (LS)	Head of Corporate Assurance and Strategy

SP welcomed TM to his first meeting.

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 8 July 2015

The minutes of the meeting held on 8 July were agreed.

The Committee:

Approved the minutes of the meeting held on 8 July 2015.

4. Matters Arising

Audit Completion Report - Governing Body Workshop to be arranged to include information on value for money conclusion: CA confirmed that this had been arranged for 5 November 2015.

Annual Counter Fraud Report – Prescribing issues: TW reported that he and Helen Kemp-Taylor had met with Shaun O’Connell whose concerns were being incorporated in the Repeat Prescribing Audit currently being scoped and referred to at agenda item 11.1.

Draft Financial Procedure Notes and Scheme of Delegation - Updated Scheme of Delegation to be published on the CCG website: TP confirmed that this had been completed but noted that she would table at item 13.1 additional financial controls and temporary suspension of areas of the Scheme of Delegation.

Counter Fraud: Standards for Commissioners 2015/16 – Security Management Briefing for CCGs: TP confirmed that the recommended actions relating to security management had been incorporated in the review of the Committee’s terms of reference but noted that the Executive Lead, either herself or RP, had not yet been finalised.

4.1 Audit Committee Terms of Reference:

TP referred to the terms of reference which were presented with tracked changes for clarity. The main amendments were in terms of membership, quorum, the Committee work plan and the Constitutional requirements.

In response to TM seeking clarification of his role on the Committee, SP explained that the role of the Audit Committee was to receive and provide assurance for the Governing Body. Assurance should be sought in terms of systems and processes with specific evidence being provided from various sources including Audit. Discussion ensued on managing conflicts of interest and the relationship between the Audit Committee and Quality and Finance Committee.

Discussion also included increasing the membership from three to four with potential for a Practice Manager to be considered in this regard, although conflict of interests was highlighted.

The terms of reference were agreed subject to amendment under ‘Quorum’ which should read ‘A quorum shall be two members.’ The requirement for a Chief Officer to be present was therefore deleted.

Other outstanding matters were noted as completed or agenda items.

The Committee:

1. Noted the updates.
2. Agreed the Audit Committee Terms of Reference subject to the above amendment under ‘Quorum’.

5. Audit Committee Work Plan

Following clarification of a number of aspects of the work plan and minor amendments it was agreed that an additional single item meeting be added week commencing 25 April 2016 for consideration of the draft annual accounts.

MC sought clarification in respect of Quality agenda item noting that the CCG could only give assurance on provider clinical audit plans. She reported that the Clinical Research and Effectiveness Committee would be receiving these plans and she would report to the Audit Committee accordingly. MC additionally noted that the Clinical Research and Effectiveness Committee would consider obtaining clinical audit information from primary care in view of primary care co-commissioning responsibilities to provide assurance to the Audit Committee.

TW referred to the Committee's annual review of the effectiveness of Internal Audit, previously undertaken via a Survey Monkey based on a Healthcare Financial Management Association template. TP confirmed that this would again be used.

The Committee:

1. Agreed that a single item meeting be arranged week commencing 25 April 2016 for the draft annual accounts.
2. Noted the information pertaining to clinical audit and the review of Internal Audit.

6. Finance and Governance

6.1 Review of Losses and Special Payments

TP advised that there had been no losses or special payments but noted the potential for future such payments in respect of overseas visitors due to changes in the funding arrangements between providers and commissioners from 1 April 2015. The principle was for trusts to treat overseas patients and for the CCG to pay 50% of the cost up front which the trust would recover through regular processes. However, if the trust was unsuccessful in doing so the 50% paid by the CCG would not be reimbursed. TP explained that this was not part of the Vale of York population programme costs and highlighted it as a particular issue due to tourism. She noted regular discussion of this at the Yorkshire and Humber CCG Chief Finance Officers meeting.

6.2 Update and assurance on key financial policies

TP reported that the Detailed Financial Policies would be updated after the last meeting. As part of the development of the financial recovery plan a regular programme of review was also being established. TP advised that the Detailed Financial Policies and Scheme of Delegation would be presented to the Committee in due course as a complete suite.

6.3 Financial Control Environment Assessment

TP explained that CCGs had been mandated by NHS England to complete a Financial Control Environment Assessment in order to assess any potential unexpected financial governance deterioration. She reported on development of the draft assessment, including discussion at the Governing Body Part II meeting on 3 September, and advised that a final version would be submitted following the Audit Committee's consideration.

TP highlighted the three areas assessed as 'Needing improvement' and explained the reasons for their level of assessment:

- Risk management – level of net risk: the CCG's material net unmitigated risk of a reduced surplus outside of the business rules.
- In year financial performance: run rate activity and performance in contracts was higher than plan, particularly non elective activity at York Teaching Hospital NHS Foundation Trust. This was linked with delivery of the financial recovery plan.
- Detailed financial planning – credibility and degree of stretch: this related to level of confidence of delivery of the financial plan and business rules. TP noted that the financial plan had a gap of £19m with an assessed risk of £9.9m and that there had been £1.2m unmitigated risk before the start of the financial year.

TP reported that the Governing Body agenda on 3 September had, as well as the Financial Control Environment Assessment, included the draft financial recovery plan which described a maximum £15.6m possible risk. There was confidence in £12m of this amount and a £3m to £4m residual risk relating primarily to investment in the Better Care Funds, particularly with City of York Council. TP noted that no Section 75 agreement had been signed with City of York Council for the transfer of this money and that the Better Care Fund submission specifically allowed a review of plans. She advised that meetings were taking place with the local authorities, which had been reported to the Governing Body, and that NHS England had confirmed the CCG could take the decision not to invest in the Better Care Fund. Whilst recognising the potential effect on partnership working towards the aim of long term system sustainability in this event TP emphasised that the CCG was required to deliver the financial recovery plan. She also advised that the local authorities were currently assessing the potential impact on social care if this approach was confirmed.

TP reported on discussion with NHS England, as agreed with the Governing Body, about whether to reassess areas identified as 'Needing improvement' to 'Moderate'. TP's view was that to be as accurate as possible they should remain as 'Needing improvement' for a number of reasons including the level of signed agreements with partners and other in year variables such as prescribing and continuing health care, but sought members' views on this approach. She additionally noted that NHS Vale of York CCG was not the only Yorkshire and Humber CCG reporting areas 'Needing improvement', there was national concern regarding the Better Care Fund, and NHS England would be supportive of the CCG's decision.

Following discussion in the context of the overall challenging position of the NHS and agreement that continuing the approach of realistic reporting was preferred, it was agreed that the three areas should remain as 'Needing improvement'. TP highlighted that delivery of the financial recovery was the responsibility of the whole CCG and confirmed that actions emanating from the Financial Control Environment Assessment would be reported to the Audit Committee.

The Committee:

1. Noted the update on losses and special payments.
2. Noted that the Detailed Financial Policies and Scheme of Delegation would be presented at a future meeting.
3. Agreed that the Financial Control Environment Assessment should remain unchanged in respect of the three areas assessed as 'Needing improvement'.

7. Corporate Governance

7.1 Update and Assurance

7.2 Note business of other committees, review inter-relationships

7.3 Review assurance from other committees, Partnership Commissioning Unit and Commissioning Support

TP advised that she would request RP circulate an email update about the above items. TP additionally noted that the Quality and Finance Committee would be the main forum for providing assurance in respect of delivery of the financial recovery plan.

In respect of the Partnership Commissioning Unit PF reported that their risk register was provided to the CCG. She noted improved presentation and that work was taking place to develop a better understanding of impact of risks. Risk registers were a standing item on the Quality and Finance Committee agenda. SP noted that the Audit Committee received the minutes of that Committee and that DB's membership of both Committees also provided assurance.

7.4 Commissioning Support Service Risk Update

In addition to the report provided TP explained that the Yorkshire and Humber CCGs' Chief Finance Officers had agreed to accept a maximum level of stranded costs in order to maintain services and resilience across the patch. She advised that these costs would be based on actuals and would have an agreed cap. Stranded costs relating to estates and capital were being managed and mitigated by NHS England; savings offset by these costs were within the in year forecast.

SP expressed concern that Business Intelligence was the only 'red' risk identified within the report and cited the inherent risk from the close down of Yorkshire and Humber Commissioning Support. TP explained that resilience work was taking place across the patch, this was a regular agenda item at the Senior Management Team meeting, and mitigation measures were being implemented outside reporting mechanisms. She also confirmed that discussion was taking place regarding service credit against the Business Intelligence Service Level Agreement with Yorkshire and Humber Commissioning Support.

In response to SP highlighting the need for a comprehensive report that included all risks PF advised that the report was generated from the Covalent system.

7.5 CCG Assurance Framework

In presenting this report TP referred to the July Governing Body Workshop when members had reviewed the Assurance Framework; that agenda had also included Conflict of Interests as part of an item on Corporate Governance. She also noted that 'red' risks were regularly considered in other forums, including the monthly Quality and Finance Committee.

SP expressed confidence that the 'red' risks were being identified but sought assurance on mitigating actions. She particularly noted concern that there was no reference to assurance relating to third parties, the Partnership Commissioning Unit, continuing health care and the new primary care co-commissioning responsibilities.

Members sought and received clarification on a number of aspects of the report, including the re-establishment of the Programme Delivery Steering Group to monitor delivery of QIPP and the Better Care Fund schemes. TP noted that this group would be accountable to the Quality and Finance Committee.

In response to the concerns raised PF agreed to give consideration to the format of the report to provide a greater level of assurance regarding actions to address areas of risk.

The Committee:

1. Noted that TP would request an email update from RP.
2. Noted that the Quality and Finance Committee would be the main forum for providing assurance in respect of delivery of the financial recovery plan.
3. Noted the update on the Partnership Commissioning Unit risk registers.
4. Noted the report on Commissioning Support service risk highlighting the need for more comprehensive reporting of the inherent risk.
5. Noted the CCG Assurance Framework and requested that the format be reviewed to provide greater assurance regarding actions to address areas of risk.

Post meeting note: Email update provided by RP and circulated on 9 September.

8. Quality

In providing a verbal update on Quality MC sought views on the format of assurance members wished to receive in the future.

8.1 Update and assurance on clinical governance and clinical audit arrangements

MC reported that, although there were established systems and processes, a number of gaps remained. There were good contract management processes in place but work was taking place to address concerns about the associated reporting at committee level. This assurance gap was therefore being addressed.

MC advised that CQUIN (Commissioning for Quality and Innovation) planning took place in accordance with national and locally agreed schemes. A process for assimilating research, NICE guidance and clinical policy development had been established through the Clinical Effectiveness and Research Committee.

In terms of impact on quality emanating from performance issues MC noted that there was currently no apparent rise in concerns but in this regard noted potential from the CCG's financial recovery plan. She additionally noted concern regarding the new cancer targets and highlighted that discussions were taking place with primary care to develop assurance, particularly in respect of primary care co-commissioning.

8.2 Update and assurance on quality and safety

MC noted concern in respect of serious incident reporting and lessons learnt, particularly in respect of York Teaching Hospital NHS Foundation Trust, and advised that processes were being established to address this. She noted particular concern about pressure ulcers and falls with harm in this regard.

Staffing levels at York Teaching Hospital NHS Foundation Trust continued to have a considerable impact. MC referred to ongoing issues nationally and locally, particularly in respect of radiology and nurses. She also noted further potential impact on nursing in view of the new revalidation process which was being implemented from 1 April 2016.

MC reported lack of assurance on processes relating to delayed transfers of care, particularly in respect of complex patients. She advised that there was some capacity in care homes but lack of staff to deliver care packages to these patients.

In terms of reporting MC noted ongoing discussion with the Quality and Finance Committee and the Governing Body to fulfil assurance requirements.

SP highlighted that a system of integrated governance meant inter reliability between finance, governance and quality. SP would discuss MC's role and attendance outside the Committee.

The Committee:

1. Noted the clinical governance and clinical audit arrangements.
2. Noted the update and assurance on quality and safety.
3. Noted that SP would discuss MC's attendance in the context of integrated governance.

9. Information Governance

9.1 Update and assurance

This was covered in items 9.2 and 9.3.

9.2 Note business of the Information Governance Steering Group

PF referred to the minutes of the Information Governance Steering Group at item 14.

9.3 *Information Governance Assurance Report*

PF presented the report which included a status summary of the Information Governance Action Plan, identified key issues and risks, and incorporated the Information Governance Improvement Plan. She advised that work was taking place to complete the plan. Achieving the work plan should result in improved levels of compliance and attainment of Level 3 compliance in some areas of the Information Governance Toolkit in time for submission at the end of March. PF highlighted the support of the Yorkshire and Humber Commissioning Support Information Governance Team in producing evidence and developing compliance. PF added that data flow mapping had commenced and that a review of policies was on schedule.

TM sought clarification that the CCG, as a commissioner, was required to ensure that Information Governance arrangements were in place through contracts and with GP practices. She noted that the CCG was supporting the latter with completion of the Information Governance Toolkit as part of the work plan. PF additionally noted that incident reporting was managed by Commissioning Support; MC added that incidents were included within the Assurance Report to the Quality and Finance Committee and Governing Body.

PF presented the report which included a status summary of the Information Governance Action Plan, identified key issues and risks, and incorporated the Information Governance Improvement Plan. She advised that work was taking place to fulfil the aim of achieving Level 3 compliance with the Information Governance Toolkit submission at the end of March and highlighted the support of the Yorkshire and Humber Commissioning Support Information Governance Team in producing evidence and developing compliance. PF added that data flow mapping had commenced and that a review of policies was on schedule.

TM sought and received clarification that the CCG, as a commissioner, was required to ensure arrangements were in place through contracts and with GP practices. She noted that the CCG was supporting the latter with completion of the Information Governance Toolkit as part of the work plan. PF additionally noted that incident reporting was managed by Commissioning Support; MC added that incidents were included within the Assurance Report to the Quality and Finance Committee and Governing Body.

Detailed discussion ensued about the NHS aim of becoming paperless and associated risks and benefits. PF advised that work was required on information sharing protocols. Members highlighted the role of the CCG in coordinating development of a paperless environment.

The Committee:

1. Noted the business of the Information Governance Steering Group.
2. Noted the updated Information Governance Work Plan
3. Noted the issues and risks outlined.
4. Noted the newsletters/guidance issued by the Health and Social Care Information Centre (HSCIC).
5. Noted the ambition to become a paperless organisation.

10. External Audit

10.1 Review the Effectiveness of External Audit

TP advised that an informal approach had been adopted for the review of the effectiveness of External Audit in 2014/15 but proposed that an approach based on benchmarking of expectations be adopted. CA referred to the report at item 10.2 which included quality assurance assessment of 'green' by Public Sector Audit Appointments Limited.

In response to SP requesting a structured approach TW agreed to seek information about practice in other CCGs in Yorkshire and Humber.

10.2 Progress Report and Briefing

In referring to this report CA noted that meetings had commenced with CCG officers in respect of the 2015/16 audit and that Value for Money Conclusion Guidance was expected in October. This would inform the Audit Strategy Memorandum which would be presented at the next meeting of the Committee.

In terms of the national publications and other updates CA highlighted that Mazars was assessed as 'green' in both the Public Sector Audit Appointments Limited Annual Regulatory Compliance and Quality Report June 2015 and the quarter 1 report for 2015/16. CA also noted in respect of the report on the results of auditors' work for 2014/15 NHS bodies the fact that NHS Vale of York CCG was not listed was a positive.

Members discussed the information pertaining to the Chartered Institute of Public Finance and Accountancy (CIPFA) May 2015 briefing paper 'Moving ahead with integration' namely:

- *First, the Government will need to recognise that combining two financially challenged systems will not in itself increase resources available. All the indications are that additional funding or changes to the regime for charging will also be needed.*
- *Second, it is critical that the new government moves quickly to address the financial and policy framework for integration in 2016-17 and beyond.*
- *Third, central and local health and social care leaders must take the right local actions to facilitate successful integration, concentrating on frontline practice.*

CA explained External Audit's duty to report to the Secretary of State if the CCG was not meeting statutory targets.

In respect of keeping External Audit informed of the CCG's financial position, TP advised that she and Mark Hayes had quarterly briefing meetings with CA and MK. TP also noted that she had shared with CA and MK the Financial Environment Control Assessment, the MSK and the Mental Health and Learning Disability Services procurements, and the position with York Teaching Hospital NHS Foundation Trust.

The Committee:

1. Requested that TW seek information about the approach adopted in other CCGs in Yorkshire and Humber to review the effectiveness of External Audit.
2. Noted the Progress Report and Briefing.

11. Internal Audit

11.1 Periodic Report

TW presented the report which outlined progress between 27 June and 28 August 2015 and included an Executive Summary, an overview of assurance levels by audit area, analysis of audit days, progress with the programme, and an appendix of Internal Audit Reports.

In respect of the Readiness for Primary Care Co-Commissioning Audit, assessed as Significant Assurance, TW explained that at the time of the audit the CCG had completed the work required with the information available. In response to SP seeking clarification about the CCG's role and responsibilities MC advised that NHS England was currently responsible for the professional performance of GPs; responsibility for other aspects of performance varied. DB noted that the first meeting of the Primary Care Co-Commissioning Committee was taking place on 17 September and, in respect of the recommendation for two lay members on this committee, that the proposal was for a member of Healthwatch to fulfil this role.

TW referred to the Risk Register Benchmarking Report emanating from review of 14 CCGs in North Yorkshire, the Humber and West Yorkshire and one from Greater Manchester. This incorporated the top 10 risks by frequency and theme.

The Partnership Commissioning Unit Self Billing for Funded Nursing Audit had been assessed as Significant Assurance. TW reported that the system was well managed with mitigation for potential duplication. He agreed to seek further information in respect of how deaths and discharges were accounted for in the funded nursing care processes.

11.2 Audit Recommendations Status Report

TW reported that since the last meeting 52 recommendations had been completed. Of the 31 outstanding recommendations 16 related to the CCG and 15 to the Partnership Commissioning Unit. There were no high risk recommendations outstanding.

TW confirmed that the automated tracking system had been implemented from 1 August. He clarified that where recommendation target dates had passed no response had been received. TP agreed to discuss with TW how to address these delays.

The Committee:

1. Noted the Internal Audit Periodic Report.

2. Requested that TW seek information from the Partnership Commissioning Unit in respect of how deaths and discharges were accounted for in the of funded nursing care processes.
3. Noted the Audit Recommendation Status Report.
4. Noted that TP would discuss with TW a process for addressing the delay to recommendation response times.

12. Counter Fraud

12.1 Update Report

SM presented the report which provided an update on proactive, reactive and strategic work performed during 2015/16; summarised the recently issued NHS Protect *Standards for commissioners – fraud, bribery and corruption* including a summary of the self-assessment process and results of the self-assessment for the CCG for 2014/15; and highlighted a relevant national fraud case.

In respect of the Self Assessment Tool submission against the NHS Protect counter fraud standards SM noted that the CCG's performance had been assessed as 'amber' for Strategic Governance, 'amber' for Inform and Involve, 'green' for Prevent and Deter, and 'green' for Hold to Account, with an overall assessment of 'amber'. SM referred to the clarification provided against the areas assessed as 'amber'.

SM noted that guidance was awaited in respect of responsibility for fraud in the context of primary care co-commissioning. He would provide an update when this information was available.

TP referred to the 'Statistical taxonomy report: Reports of economic crime relating to NHS Commissioners in the NHS' for the period 1 April to 30 June 2015 which had been circulated to the Committee. SM advised that this information would be helpful in identifying emerging issues.

The Committee:

1. Noted the Counter Fraud Update Report.
2. Noted the information provided in the Statistical taxonomy report.

13. Other Activities

13.1 Report on suspension of standing orders, waiver to tender and contract approval

TP tabled the paper 'Additional Financial Controls and Temporary Suspension of Scheme of Delegation', referred to at item 4 above, and sought members' approval for the control measures, implemented from 25 August 2015 following approval at Senior Management Team. She provided clarification on the changes and reported that staff had, in response, made a number of further savings proposals, including changing the CCG's mobile phone provider. TP proposed that the controls be in place at least until the end of the financial year when the position would be reviewed in respect of continuation in 2016/17.

The Committee:

Approved the additional financial controls and temporary suspension of the Scheme of Delegation, noting that a review would take place at the end of the financial year.

14. Minutes for other meetings

14.1 Quality and Finance Committee

DB referred to the follow up schedule from the August meeting and particularly noted the progress in respect of Adult and Children's Safeguarding.

The Committee:

1. Received the minutes of the Quality and Finance Committee of 23 July and 20 August 2015.
2. Received the minutes of the Information Governance Steering Group of 30 July 2015.
3. Received the minutes of the North Yorkshire NHS Audit Services Alliance Board of 23 June 2015

15. Key Messages to the Governing Body

- Submission of the Financial Control Environment Assessment
- Implementation of additional financial controls and temporary suspension of Scheme of Delegation as part of the financial recovery plan
- Concern about levels of risk relating to the transition from Yorkshire and Humber Commissioning Support
- Risk associated with Business Intelligence
- Progress with the CCG's Assurance Framework but greater need for information on mitigation of risks
- Primary care co-commissioning:
 - Not included as a risk on the Assurance Framework
 - Concern about outstanding guidance from NHS England
- Progress towards becoming a paperless organisation

The Committee:

Agreed that the above would be highlighted by the Committee Chair to the Governing Body.

16. Next meeting

8 December 2015 at 2pm.

NHS VALE OF YORK CLINICAL COMMISSIONING GROUP AUDIT COMMITTEE

SCHEDULE OF MATTERS ARISING/DECISIONS TAKEN: 8 SEPTEMBER 2015 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)
27 May 2015 8 September 2015	Audit Completion Report	<ul style="list-style-type: none"> • Governing Body Workshop to be arranged to include information on value for money conclusion • Arranged for 5 November 2015 Governing Body Workshop 	LS	September/October 5 November 2015
8 July 2015 8 September 2015	Counter Fraud: Standards for Commissioners 2015/16 – Security Management Briefing for CCGs	<ul style="list-style-type: none"> • Recommended actions relating to security management to be incorporated in review of Committee terms of reference • Executive Lead to be agreed 	RP/TP RP/TP	9 September 2015 8 December 2015
8 September 2015	Audit Committee Work Plan	<ul style="list-style-type: none"> • Single item meeting to be added for draft annual accounts 	MS	8 December 2015

Meeting Date	Item	Action Required/Decisions Taken	Responsible Officer/Body	Action Completed/ Due to be Completed by (as applicable)
8 September 2015	CCG Assurance Framework	<ul style="list-style-type: none"> Consideration to be given to the format to provide greater assurance of actions to address risk 	PF	
8 September 2015	Quality	<ul style="list-style-type: none"> MC's attendance at the Committee to be reviewed 	MC/SP	8 December 2015
8 September 2015	Review the Effectiveness of External Audit	<ul style="list-style-type: none"> Practice adopted in other CCGs in Yorkshire and Humber to be sought 	TW	8 December 2015
8 September 2015	Internal Audit Periodic Report	<ul style="list-style-type: none"> Clarification to be sought on funded nursing care processes relating to deaths and discharges 	TW	8 December 2015
8 September 2015	Audit Recommendations Status Report	<ul style="list-style-type: none"> Process for addressing delays in response times to be discussed 	TP/TW	