
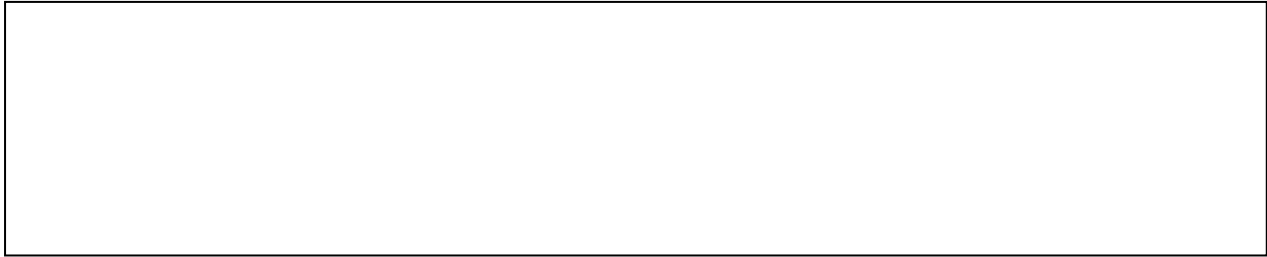


<b>Item Number: 9</b>											
<b>Name of Presenter: Tracey Preece</b>											
<b>Meeting of the Governing Body</b>  <b>6 August 2015</b>	 <b>Vale of York</b> <b>Clinical Commissioning Group</b>										
<b>Audit Committee Annual Report 2014/15</b>											
<b>Purpose of Report</b> <b>For Information</b>											
<b>1. Rationale</b> To inform members on the review of how the Committee has met its Terms of Reference and fulfilled the role set out in relation to the financial year ended 31 March 2015.											
<b>2. Strategic Initiative</b> <i>Impact across all initiatives</i> <table style="width: 100%; border: none;"> <tr> <td><input type="checkbox"/> Integration of care</td> <td><input type="checkbox"/> Planned care</td> </tr> <tr> <td><input type="checkbox"/> Person centred care</td> <td><input type="checkbox"/> Transforming MH and LD services</td> </tr> <tr> <td><input type="checkbox"/> Primary care reform</td> <td><input type="checkbox"/> Children and maternity</td> </tr> <tr> <td><input type="checkbox"/> Urgent care reform</td> <td><input type="checkbox"/> Cancer, palliative care and end of life care</td> </tr> <tr> <td><input type="checkbox"/> Effective and Efficient Organisation</td> <td><input type="checkbox"/> System resilience</td> </tr> </table>		<input type="checkbox"/> Integration of care	<input type="checkbox"/> Planned care	<input type="checkbox"/> Person centred care	<input type="checkbox"/> Transforming MH and LD services	<input type="checkbox"/> Primary care reform	<input type="checkbox"/> Children and maternity	<input type="checkbox"/> Urgent care reform	<input type="checkbox"/> Cancer, palliative care and end of life care	<input type="checkbox"/> Effective and Efficient Organisation	<input type="checkbox"/> System resilience
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<b>3. Local Authority Area</b> <table style="width: 100%; border: none;"> <tr> <td><input checked="" type="checkbox"/> CCG Footprint</td> <td><input type="checkbox"/> East Riding of Yorkshire Council</td> </tr> <tr> <td><input type="checkbox"/> City of York Council</td> <td><input type="checkbox"/> North Yorkshire County Council</td> </tr> </table>		<input checked="" type="checkbox"/> CCG Footprint	<input type="checkbox"/> East Riding of Yorkshire Council	<input type="checkbox"/> City of York Council	<input type="checkbox"/> North Yorkshire County Council						
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<b>4. Actions / Recommendations</b> The Governing Body is asked to receive and note the report which was approved by the Audit Committee at its meeting on 8 July.											
<b>5. Engagement with groups or committees</b> N/A											
<b>6. Impact on Primary Care</b> N/A											
<b>7. Significant issues for consideration</b> There have been a number of changes in attendance at the Committee throughout the year. The overall Internal Audit opinion was one of significant assurance for 2014/15 External Audit issued an unqualified opinion on its work for 2014/15											
<b>8. Implementation</b> N/A.											
<b>9. Monitoring</b> N/A											
<b>10. Responsible Chief Officer and Title</b> Tracey Preece, Chief Finance Officer	<b>11. Report Author and Title</b> Michael Ash-McMahon, Deputy Chief Finance Officer										
<b>12. Annexes</b> N/A											

## **Audit Committee Annual Report 2014/15**



### **2. Background**

- 2.1 The Committee is established in accordance with NHS Vale of York Clinical Commissioning Group's (the CCG) constitution.
- 2.2 The Committee's primary role is to critically review the CCG's financial reporting and internal control principles and ensure an appropriate relationship with both internal and external auditors is maintained.
- 2.3 Whilst it is clearly the responsibility of the CCG's Senior Management Team to establish and maintain proper processes for governance, the Committee independently monitors, reviews and reports to the Governing Body on those processes and, where appropriate, facilitates and supports effective delivery.

### **3. Governance, Risk Management and Internal Control**

#### Membership

- 3.1 Mr Keith Ramsay, Lay Member and Chair of the Audit Committee, was in place throughout the financial year April 2014 to March 2015, but there were a number of significant changes in the membership and attendance at the Committee. Attendance at Committee meetings is reported in Appendix 1.
- 3.2 Mr David Booker, Lay Member, became a member of the Committee on his appointment to the CCG in August 2014.
- 3.3 Mr John McEvoy, Practice Manager Governing Body Member, left the CCG in December 2014.
- 3.4 Dr Guy Porter, Governing Body secondary care clinician, was a member of the Committee until February 2015 when revised terms of reference were agreed by the Governing Body.
- 3.5 Mrs Tracey Preece was in attendance as Chief Finance Officer up to October 2014 and from April 2015. Mr Michael Ash-McMahon covered her maternity leave as Interim Chief Finance Officer from October 2014 to April 2015.

- 3.6 Miss Lucy Botting was in attendance as Chief Nurse up to her resignation from the CCG in December 2014 and was replaced by Mrs Michelle Carrington.

### Governance

- 3.7 As a fully authorised CCG during 2014-15, the CCG was assessed through the CCG Assurance Framework as Assured with Support by NHS England. This recognised the achievements and improvements in a number of the assurance domains whilst acknowledging further work required.
- 3.8 The CCG has a series of financial controls in place and these were reviewed to include limited provisions for the Partnership Commissioning Unit arrangements and the move to delegated authority for primary care co-commissioning. The CCG has reviewed its Constitution to ensure it appropriately reflects the full delegation of primary care co-commissioning with effect from 1 April 2015.
- 3.9 The CCG had policies in place regarding conflicts of interest and business conduct, and published the declarations of interest for Governing Body members. During 2014-15 the CCG approved a revised Conflicts of Interest policy in line with the national guidance for delegated authority of primary care co-commissioning.
- 3.10 The CCG's Information Governance Steering Group, reporting into the Audit Committee, has overseen the improvements required to ensure the CCG achieves its governance goals.
- 3.11 The Audit Committee itself undertook a review of terms of reference and work plan taking account of the new Healthcare Financial Management Association NHS Audit Committee Handbook.

### Risk Management

- 3.12 A robust Risk Management Framework was in place throughout the year, with risk, performance and financial issues being reported weekly to the Senior Management Team, monthly to the Quality and Finance Committee and to each Governing Body meeting, via the minutes of the Quality and Finance Committee. A supporting software system (Covalent) has been purchased and implemented during 2014-15 to standardise reporting in line with the CCG's strategic priorities and assurance framework.

## **4. Internal Audit**

- 4.1 The Committee approved the Internal Audit Plan for 2014/15 at its meeting on 19 April 2014. This was followed up with regular reviews of progress against the audits in the plan and the outcomes of the various reviews carried out, with the Internal Auditors being regular attendees at the meetings to provide these updates.

- 4.2 The work of Internal Audit has continued to focus on the progress being made in designing, implementing and embedding core processes to underpin the delivery of the CCG's strategic objectives. As such the audit plan was structured around the following key responsibilities of the CCG:
- Governance (incorporating assurance and risk management)
  - Securing Improvements in Quality
  - Commissioning and Contract Management
  - Financial Governance
  - Information Governance.
- 4.3. A total of 120 days were allocated for this work, of which 15 were for the Management of Audit, 5 for Follow Up of Audit Recommendations and a further 15 were held as a Contingency / Client Directed. All 120 days were used in 2014/15.
- 4.4 In May 2015 the Committee received the Head of Internal Audit opinion relating to the financial year 2014/15. This opinion confirmed that significant assurance could be given that there is a 'generally sound system of internal control, designed to meet the organisation's objectives, and that controls are generally being applied consistently. However, some weakness in the design and / or inconsistent application of controls put the achievement of particular objectives at risk'. Where weaknesses have been identified, an action plan is in place to address the issue.
- 4.5 The outcome of the audit reports presented to the CCG from the 2014/15 audit plan are summarised below.

<b>Audit</b>	<b>Assurance Level</b>
Governance	Significant
Partnership and Pooled Budgets	Significant
Stakeholder Strategy	Significant
Children's Safeguarding	Significant
Delivering of Commissioning Priorities	Significant
Learning to Improve	Significant
Transfer of Payroll	High
Clinical Procurement	High
Financial Systems	High
Information Governance Toolkit	Significant
<b>Partnership Commissioning Unit* –</b> Follow Up of Financial Reporting Processes	Limited
Continuing Healthcare	Limited
Out of Area Placements	Significant
Mental Health Contract Management	Significant
Personal Health Budgets	Significant
Adults Safeguarding	Significant
Information Governance Toolkit	Significant

\* Note: The Partnership Commissioning Unit (PCU) is a hosted organisation established by the CCGs in North Yorkshire to undertake commissioning activities on behalf of all four organisations. This includes Continuing Health Care, Children Services Commissioning, Mental Health Commissioning and Adult Safeguarding. As part of each internal audit plan a number of audit days are allocated to the audit of systems and controls at the PCU in order to provide assurance to all four CCGs. A detailed audit plan for the PCU for 2014/2015 was agreed to provide assurance in relation to the commissioning activities undertaken on behalf of the CCGs.

## **5. External Audit**

- 5.1 Mazars LLP are the External Auditors for all the North Yorkshire and York CCGs with Mr Mark Kirkham as Director and Mrs Catherine Andrew as Senior Manager, managing the CCG contract and attending each Audit committee meeting. They also hold regular liaison meetings with the Accountable Officer, Chief Finance Officer and Chief Operating Officer.
- 5.2 The fee to External Audit for work undertaken included auditing the CCG's financial statements, which incorporated a review of the Annual Governance Statement, Annual Report and auditing certain sections of the Remuneration report; and assessing arrangements for achieving value for money in the use of resources.
- 5.3 The audit fee was £80k plus VAT for 2014/15. There were no additional pieces of work commissioned from the External Auditors during 2014/15. However, Mazars LLP did host a number of events, such as the NHS Accounts workshops and Better Care Fund seminar, which CCG members of staff attended.
- 5.4 Mazars LLP carried out the audit in accordance with the Code of Audit Practice for NHS bodies as issued by the Audit Commission and delivered all expected outputs in line with the timetable established by the Department of Health and NHS England. Mazars LLP subsequently issued the CCG with an unqualified opinion on the Annual Accounts 2014/15.

## **6. Local Counter Fraud Service**

- 6.1 The Committee approved the 2014/15 plan in April 2014 which included 10 days allocated in accordance with the generic counter fraud areas of action as noted below:
  - Strategic governance;
  - Promoting an anti-fraud culture;
  - Preventing fraud;
  - Where it cannot be deterred, detecting fraud;
  - Professionally and objectively investigating suspicions of fraud where they arise;
  - Consistently applying a range of sanctions where fraud is proven;
  - Seeking redress to recover funds obtained through fraud.

- 6.2 In February 2015 NHS Protect issued the Standards for Commissioners – fraud, bribery and corruption to Local Counter Fraud Specialists and Chief Finance Officers. The standards outline an organisation’s responsibilities regarding counter fraud and the key principles for action and the plan was matched to these. These are:
- **Strategic Governance** – this sets out the requirements in relation to the strategic governance arrangements of the organisation to ensure that anti-crime measures are embedded at all levels across the organisation.
  - **Inform and Involve** - this sets out the requirements in relation to raising awareness of crime risks against the NHS, and working with NHS staff and the public to publicise the risks and effects of crime against the NHS.
  - **Prevent and Deter** - this sets out the requirements in relation to discouraging individuals who may be tempted to commit crime against the NHS and ensuring that such opportunities are minimised.
  - **Hold to Account** - this sets out the requirements in relation to detecting and investigating crime, prosecuting those who have committed crimes, and seeking redress.
- 6.3 The Local Counter Fraud Specialist, Mr Steven Moss, is a regular attendee at Committee meetings and provides regular updates on proactive and reactive counter fraud work in these areas.
- 6.4 In regard to the former counter fraud promotion took place with the CCG and Commissioning Support (CS) and guidance and alerts were circulated note on the September 2014 wage slips, an article published on Team Brief, inclusion on the agenda of the Senior Management Team meeting and an article published on the fortnightly e-update.
- 6.5 In relation to reactive counter fraud work there have been seven investigations which the CCG has complied with:
- GP scam referral
  - Unauthorised absence referral
  - Partnership Commissioning Unit investigation
  - Toner cartridge referral
  - Fraudulent attempt to gain medication
  - Overseas patient referral
  - Employee’s credentials referral
- 6.6 Information was shared as appropriate with regards to these and within the information governance and data protection regulations.

6.7 The total number of days used was 8 as follows:

<b>Area of Activity</b>	<b>Number of Days</b>
Strategic Governance	3
Inform and Involve	0.75
Prevent and Deter	1.25
Hold to Account	3
<b>Total</b>	<b>8</b>

## **7. Other Assurance Functions**

7.1 In terms of Commissioning Support (CS) governance the Committee received a number of Service Auditor Reports in 2014/15. NHS England and Yorkshire and Humber Commissioning Support appointed independent auditors Deloitte LLP to undertake their Service Auditor Reports.

7.2 Each report was prepared in accordance with the guidance set out in the International Standards on Assurance Engagements 3000 and 3402 ("ISAE 3000 and 3402") and the Institute of Chartered Accountants in England and Wales Technical Release AAF 01/06 ("AAF 01/06"). The reports are a Type II report which provides assurance over the suitability of the design and operating effectiveness of the controls that are necessary to achieve the control objectives specified for a given period

7.3 The scope of the reports covered the following business process areas for CS customers:

- Accounts Payable
- Accounts Receivable
- Financial Reporting
- Treasury and Cash Management
- Payroll

7.4 In summary the overall opinion was that the controls related to the control objectives were suitably designed to provide reasonable assurance that the specified control objectives would be achieved if the described controls operated effectively throughout the period evaluated. Moreover, the controls that were tested were operating with sufficient effectiveness to provide reasonable assurance that the related control objectives stated in the description were achieved throughout the period evaluated.

7.5 Where exceptions have been identified in relation to the control objectives, CS have formulated actions in relation each exception. A detailed management action plan is now in place, but in summary, focuses on the following:

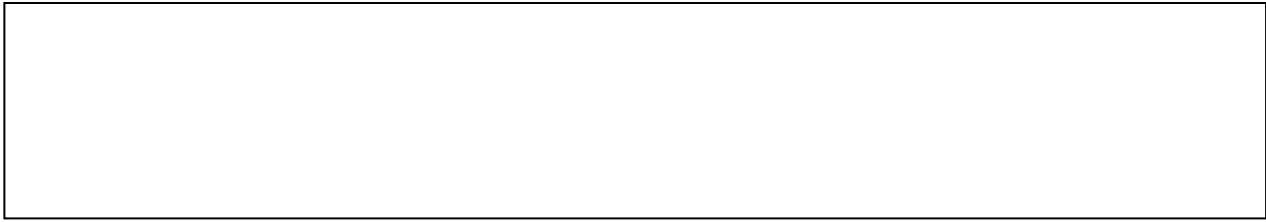
- Ensuring that timetables are updated regularly and align with NHS England deadlines
- Improving retention of evidence to support controls
- Ensuring that CCG signatory lists are maintained and reflect current reporting structure

- 7.6 In respect of the Service Level Agreement (SLA) between the Partnership Commissioning Unit (PCU) hosted by NHS Scarborough and Ryedale CCG, NHS Harrogate and Rural District CCG, NHS Hambleton, Richmondshire and Whitby CCG and the CCG, the Committee acknowledged the work done to improve the systems and processes that support delivery of services. However, as identified by Internal Audit, there remain some areas of concern that will need continued monitoring and review.
- 7.7 The CCG Chief Finance Officers agreed and the Accountable Officers approved that the North Yorkshire and York CCGs risk share principles will only continue for Specialist Rehabilitation and Brain Injury patients in 2015/16.
- 7.8 Preceding every Committee meeting, members of the Committee take the opportunity to have a discussion with the auditors without any officer of the Trust being present. The purpose of the discussion is to ensure that there are no matters of concern regarding the running of the organisation that should be raised with the Committee.
- 7.9 As at the 31<sup>st</sup> March 2015 the CCG had recorded no losses and there had been no write offs of CCG debts.

## **8. Future Plans**

- 8.1 The Committee is constantly looking to develop the way that it works and improve the efficiency of the internal control systems across the organisation. In 2015/16 the Committee will continue to take particular cognisance of the level of QIPP and Better Care Fund requirements by the CCG due to the change in the economic environment taking assurance from the Auditors and the Quality and Finance Committee.
- 8.2 The Committee will continue to closely monitor assurance arrangements for the CS and any potential future Lead Provider Framework supplier and PCU as key partner organisations to the CCG.
- 8.3 A new Chair of the Audit Committee, Sheenagh Powell, has been appointed and will work with the Committee from July 2015. Keith Ramsay was appointed Chair of the Governing Body of the CCG effective April 2015.
- 8.4 The Committee will continue to review their Terms of Reference and will constantly seek the assurances required of the organisation that the systems of internal control are documented, fit for purpose and complied with consistently.
- 8.5 The Committee will also continue to review the Scheme of Delegation to ensure it is up to date and covers all relevant areas including the Primary Care Co-Commissioning arrangements and finalise the list of complete Financial Procedure Notes.
- 8.6 The Committee will report to the Governing Body on a regular basis.





**Audit Committee Members Attendance April 2014 – June 2015**

<b>Name</b>	<b>Committee Membership</b>	<b>Attendance</b>
Keith Ramsay – Chair	To March 2015	5/5
David Booker (Chair for Accounts Meeting pending appointment of new Lay Member/Audit Committee Chair)	From August 2014	4/4
Guy Porter	To February 2015	0/4
John McEvoy	To December 2014	3/4