

**MINUTES OF THE MEETING OF THE AUDIT COMMITTEE HELD ON
27 MAY 2015 AT WEST OFFICES, YORK**

Present

Mr David Booker (DB) - Chair
Dr Shaun O'Connell (SOC)

Lay Member
GP Governing Body Member

In attendance

Mrs Cath Andrew (CA)
Mr Michael Ash-McMahon (MA-M)
Mrs Michelle Carrington (MC)
Dr Mark Hayes (MH)
Mrs Helen Kemp-Taylor (HK-T)
Mr Mark Kirkham (MK) - Part
Mrs Rachel Potts (RP)
Mrs Tracey Preece (TP)
Mr Keith Ramsay (KR)
Ms Michele Saidman (MS)
Mrs Lynette Smith (LS)
Mr Tom Watson (TW)

Senior Manager, Mazars
Deputy Chief Finance Officer
Chief Nurse
Chief Clinical Officer
Head of Internal Audit
Director, Mazars
Chief Operating Officer
Chief Finance Officer
Chair, NHS Vale of York CCG
Executive Assistant
Head of Corporate Assurance and Strategy
Internal Audit Manager

Apologies

Mr Steven Moss (SM)

Local Counter Fraud Specialist

Preceded by a 15 minute private meeting of the Committee members with External and Internal Auditors.

DB noted that, due to MK needing to leave the meeting early, it had been agreed that part of item 13 be brought forward. However, consideration of approval of the accounts would be as per the agenda order as the order of the items formed part of the assurance for the accounts.

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 11 March 2014

The minutes of the meeting held on 11 March were agreed subject to deletion of Rachel Potts under in attendance.

The Committee:

Approved the minutes of the meeting held on 11 March 2015 subject to the above amendment.

4. Matters Arising

Item 4 Matters Arising – Service Auditor Report: KR referred to the changes within Yorkshire and Humber Commissioning Support and sought clarification regarding assurance in 2015/16 with particular reference to potential risk from issues outstanding from the 2014/15 Service Audit. HK-T responded that the Service Auditor Report had been discussed in this context and that no potential gaps had been identified.

Item 7.1 Year End Update – Ramsay Hospital equipment: MA-M reported that, in response to his email to Governing Body members detailing legacy equipment at Ramsay Hospital, Emma Broughton had identified potential use within the health economy. Communication was being arranged in this regard.

Item 7.3 Draft Amended Scheme of Delegation: LS reported that further amendments to the revised Scheme of Delegation were being presented for approval at the June meeting of the Governing Body and that this would be an agenda item for the next meeting of the Committee.

Other matters were noted as completed or agenda items.

The Committee:

1. Noted the updates.
2. Noted that the updated Scheme of Delegation would be an agenda item at the next meeting.

13. Annual Report and Accounts 2014/15

13.1 Internal Audit Annual Report and Head of Internal Audit Opinion

HK-T presented the report which comprised an executive summary of an introduction, information on the Internal Audit Service, performance of the Internal Audit Service and a conclusion, and three appendices: Internal Audit Performance Indicators, Head of Internal Audit Opinion and Summary of Audit Outcomes. She highlighted the scope of the work undertaken noting that the 120 days planned productive time had been delivered at a total cost of £34,800, the same rate as in 2013/14, and that the key performance indicators had all been met or exceeded. HK-T particularly welcomed the significant improvement, from 64% in 2013/14 to 91% in 2014/15, in respect of management responses within 15 working days of issue of the draft report.

HK-T referred to the Head of Internal Audit Opinion on the effectiveness of the CCG's system of internal control for the year ended 31 March 2015 noting that this was a key element of independent assurance to support the Governance

Statement. Her assessment was of Significant Assurance with recognition that development work was continuing.

In regard to the outcomes of the 2014/15 audits and levels of assurance, most of which were assessed as Significant or High, HK-T noted improvement from 2013/14. The two audits with Limited Assurance – follow up of financial processes and continuing healthcare – related to the Partnership Commissioning Unit where work was being undertaken to address the risks. HK-T confirmed that these particular reports had been consistent across the North Yorkshire CCGs. MC and MA-M noted progress had been made in both areas and TW advised that the Partnership Commissioning Unit would be reviewed again in the current year.

In regard to funding required for continuing healthcare MA-M confirmed that there was increased clarity and the element of uncertainty was greatly reduced from that in the 2013/14 accounts position. CA reported that actual cases had been tested as part of the Partnership Commissioning Unit accounts assurance. Extrapolation of minor discrepancies was below their trivial level and had not required reporting therefore provided further assurance about the improved data. RP added that LS was working with the Partnership Commissioning Unit to align their risk framework and risk register reporting with those of the CCG.

DB and KR commended all involved in the Significant Assurance outcome of the Head of Internal Audit Opinion.

13.2 NHS Vale of York CCG Audit Completion Report

MK presented the Audit Completion Report that comprised an executive summary, significant findings, internal control recommendations, summary of mis-statements, value for money and four appendices: draft management representation letter, draft audit report, independence and value for money. MK referred to the shortened timescale for the accounts and commended the CCG team involved in this work for their level of response.

In respect of the significant findings from the audit – management override of control, revenue recognition and related party transactions – MK reported that no issues had been identified and noted that as no internal control points had been raised the previous year, no follow up had been required. The fact that only minor amendments had been needed to disclosure notes was a reflection of the quality of work of the CCG team.

MK reported that the value for money criteria – proper arrangements for securing financial resilience and proper arrangements for challenging how it secures economy, efficiency and effectiveness – had identified a number of issues for which recommendations had been made in one of the appendices. CA added that the Audit Commission had issued detailed guidance regarding the value for money conclusion and proposed a workshop on this with the Committee as part of an interactive process for 2015/16.

TP referred to email correspondence regarding Better Care Fund data quality. CA confirmed that the 2015/16 audit would take account of this work.

DB welcomed the positive feedback and noted that the CCG was aware of the issues raised. He also proposed that the Audit Commission's value for money guidance be the subject of a Governing Body Workshop rather than for the Committee only; this was agreed for mid year.

KR welcomed the reports from Internal and External Audit and congratulated the management team. He noted that the coming year, the third year of the CCG's establishment, would be challenging with particular reference to the Better Care Fund, procurements and primary care co-commissioning.

13.3 Annual Accounts

TP reiterated appreciation to the CCG's team responsible for producing the accounts, and in particular to Chris Park.

MA-M presented the annual accounts highlighting that the significant movement in operational expenditure – an increase of £15m from 2013/14 – was mainly due to increases in allocation, including system resilience and the risk share relating to the Partnership Commissioning Unit areas of expenditure. The increases were reflected in the overall financial position. Explanation and clarification provided by MA-M included current liabilities on the balance sheet, accruals, and confirmation of treatment of the Ramsay Hospital assets as discussed at the previous meeting of the Committee. He also explained in regard to the accounting note on financial performance targets that the duty relating to revenue resource use on specified matter(s) not exceeding the amount specified in directions was zero to correct a presentational error recently identified by External Audit in the reporting of the 2013/14 Accounts Revenue resource.

TP advised that the reference on page 1 to notes that form part of the statement should read 5 to 50, not 5 to 48, following an update of the final version.

In response to clarification sought by KR about mental health out of contract placements MA-M confirmed that this would be within the new mental health services contract and the amount for the remaining period of the current contract was fixed. In regard to safeguarding children MC explained that the Designated Nurses for Safeguarding Children sat within the NHS Scarborough and Ryedale CCG/Partnership Commissioning Unit arrangements and the Harrogate Children's Safeguarding Team also provided a service to the CCG. Costs associated with both the Designated Doctors and Designated Nurses were within the accounts and work was taking place to bring these arrangements in house.

In respect of the £271k challenge with Yorkshire Ambulance Service concerning the Emergency Care Practitioners MA-M advised that this potential pressure would be carried forward as this part of the contract had not yet been agreed, although negotiations were on-going. If paid in full or in part this would be a pressure to the 2015/16 position. He noted that this was the only aspect of the contract, negotiated by the Yorkshire and Humber Collaborative, for which agreement had not yet been reached in relation to 2014/15. MA-M reported that the CCG was also in dispute with York Teaching Hospital NHS Foundation Trust and with NHS Barnsley CCG to the value of £130k and £40k respectively. All

other outturns were forecast in line with provider estimates where year-end positions had not been agreed. This was a significant improvement from the 2013/14 position.

The Committee:

1. Received and agreed the Internal Audit Annual Report and Head of Internal Audit Opinion, the Audit Completion Report and Annual Accounts, subject to no issues being identified through consideration of the further items relating to the Annual Report and Accounts.
2. Expressed appreciation to Chris Park and the Finance Team for their work on producing the accounts.
3. Noted that a Governing Body Workshop would be arranged mid year to provide information on the Audit Commission's value for money guidance.

MK left the meeting.

5. Audit Committee Work Plan

TP referred to the work plan which was a standing agenda item to ensure there were no gaps in items that required consideration. She noted that she would review the plan with Sheenagh Powell when she took up post as Audit Committee Chair.

The Committee:

Noted the work plan.

6. Finance and Governance

6.1 Review of Losses and Special Payments

MA-M advised that there had been no losses or special payments.

6.2 Update and Assurance on Key Financial Policies

MA-M reported that, following prioritisation work on the key areas of financial policies, there were approximately five policies and procedures still to be developed.

The Committee:

1. Noted that there had been no losses or special payments.
2. Noted that approximately five policies and procedures were outstanding to complete the suite of key financial policies and procedures.

7. Corporate Governance

7.1 Update and Assurance

RP reported that revised terms of reference for the Quality and Finance

Committee to take account of primary care co-commissioning had been received by the Governing Body and the Council of Representatives. A workshop, chaired by DB, had taken place on 19 May and the first formal meeting of the Quality and Finance Committee with the new arrangements would take place in July or August. Consideration was currently taking place to formalise the reporting structure into the Committee. The revised Scheme of Delegation and amended Constitution had been received by the Council of Representatives. Feedback was currently awaited from the Local Medical Committee (LMC) on a request by the Council of Representatives that a GP, who was an LMC member, be added to membership of the Quality and Finance Committee.

RP advised that the new NHS England Assurance Framework was an agenda item for the June Governing Body meeting. The July Governing Body Workshop would include a review of the CCG Assurance Framework to realign this with both the NHS England Assurance Framework and the CCG's priorities for 2015/16.

RP noted that feedback from NHS England on the quarter three assurance meeting was still awaited. The meeting had focused on concerns around delivery of the Constitutional targets. LS added that the quarter four assurance meeting had not yet been arranged but was expected to focus on prevention, equalities and mental health. She noted in regard to the latter that there were differences in Partnership Commissioning Unit reporting across the North Yorkshire CCGs; work was taking place to address this.

KR reported on attendance at a meeting with NHS England together with MH, Andrew Phillips, representatives of NHS Scarborough and Ryedale CCG and York Teaching Hospital NHS Foundation Trust to discuss the action plan for addressing performance against the Constitutional targets. RP noted that this action plan had been discussed in detail at the Quality and Finance Committee where a progress report would be presented at the July meeting.

The Committee:

Noted the updates and ongoing concerns about York Teaching Hospital NHS Foundation Trust performance against Constitutional targets.

8. External Audit

8.1 Progress Report

CA reported that work had focused on the accounts.

In terms of national developments CA noted that the Audit Commission had closed and services had transferred to Public Sector Audit Appointments Limited. The General Election had affected timing for appointment of external auditors. A report would be provided for the next meeting of the Committee.

The Committee:

Noted the update.

9. Internal Audit

9.1 Periodic Report

In presenting this report TW confirmed that the 2014/15 work programme had been completed on time for the Head of Internal Audit Opinion. Assurance levels for the reporting period 3 March to 18 May 2015 were:

- Learning to Improve – Significant Assurance
- Information Governance Toolkit – Significant Assurance
- Governance – Significant Assurance
- Delivering Commissioning Priorities Follow Up – Significant Assurance
- Clinical Procurement: Tendering of Urgent Care Services – High Assurance
- Financial Governance – High Assurance
- Personal Health Budgets – Significant Assurance
- Information Governance Toolkit – Significant Assurance
- Mental Health Contracting Management – Significant Assurance
- Adult Safeguarding – Significant Assurance

Members sought and received clarification on a number of the reports. DB noted that issues would be progressed via the Quality and Finance Committee.

9.2 Audit Recommendations Status Report

TW referred to the report which provided an update on the status and progress of implementing audit recommendations noting that a further 30 recommendations had been completed since the previous report. There were 34 outstanding and 24 new recommendations.

TP reported that internal processes were being developed to ensure timely responses to follow up of recommendations. HK-T noted that an electronic reminder system was being established. LS added that she was liaising with TW in this regard.

The Committee:

1. Noted the Periodic Report for 3 March to 18 May 2015.
2. Noted the Internal Audit Recommendations Status Report.
3. Noted that a process would be developed to ensure timely responses.

10. Counter Fraud

10.1 Annual Counter Fraud Report 2014/15 and 10.2 Review the organisation's annual self-review against NHS Protect's Standards

In respect of the NHS Protect Standards HK-T reported that the standards and self review tool were not yet available despite the requirement for submission by 31 July 2015.

HK-T referred to the Annual Counter Fraud Report which was presented in accordance with new standards for commissioners. These had not been published until February 2015 but SM had written the report under the four key areas of strategic governance, inform and involve, prevent and deter, and hold to account as if they had been in place for the full year.

Members discussed the volume of counter fraud work reported noting high level engagement with SM.. In response to SOC seeking clarification about reporting of potential allegations of prescribing fraud HK-T explained that this was currently the responsibility of NHS England. She agreed to discuss associated issues with SOC and SM.

The Committee:

1. Noted the Annual Counter Fraud Report 2014/15.
2. Noted the update on NHS Protect.
3. Noted that HK-T would discuss matters pertaining to the prescribing with SOC and SM.

11. Consideration of 'Going Concern Status' 2014/15 Accounts

In referring to the consideration of 'Going Concern Status' report TP explained that management were required to form a view as to the going concern status of the CCG. This governed the basis on which accounts were prepared and on which services would be commissioned for 2015/16.

MA-M presented the report highlighting the information on the financial assumptions for 2014/15. He noted the £442k disputed invoices, referred to during the earlier discussion of the annual accounts, confirmed that the business rules were built into the financial plan for 2015/16, and explained that the overall resource limit was £387m. No account had been made for the impact of primary care co-commissioning although notification of a £40.2m budget had been received.

MA-M advised that the clear and credible plan, as presented to and agreed by the Governing Body, effectively had unmitigated risk of c£1.2m. He noted that as a result of this the CCG was subject to additional review by the Area Team in the form of monthly meetings and welcomed learning opportunities through this process.

MA-M highlighted that the key risks were identified within the financial plan and reported on discussion with York Teaching Hospital NHS Foundation Trust at the Contract Management Board meeting on 26 May. Discussion ensued on the risk of a contract overtrade and potential opportunities relating to uncoded activity.

In respect of the forecast overspend on the prescribing budget SOC expressed concern at inconsistent support from Yorkshire and Humber Commissioning Support to manage the spend. He highlighted this as a risk moving forward. MA-M added that part of the prescribing budget was out of the CCG's control and would be offset elsewhere.

In response to DB seeking clarification about contingency funding, MA-M explained that all contingencies were built into the plan. He also noted that further mitigation would depend on the reason for the variation, for example in the event of a national issue there was the potential for further funding to be provided, otherwise there was the potential for difficult commissioning decisions to be required.

The Committee:

Supported the recommendation that management prepare the annual accounts for 2014/15 on a going concern basis.

12. Directors' Declarations

In presenting this item TP noted that the report, which provided responses to Mazars' request for 'Director Declarations', had been circulated to members of the Governing Body as required. A number of responses had confirmed that there was nothing to report. One response had referred to the fact that there was no mention of the Care Act implications. TP noted that this would be included moving forward particularly in regard to health and social care integration.

The Committee:

Agreed the proposed responses to Mazars' request for 'Director Declarations'.

13. Annual Report and Accounts 2014/15

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

RP presented the draft annual report which had been produced on a standard template similar to that of the 2013/14 report. The information included a Strategic Report, Members' Report, Remuneration Report, the CCG's Annual Governance Statement, and Statement of Accountable Officer's Responsibilities. RP noted that comments from the auditors, particularly in respect of the Annual Governance Statement, had been included.

TP reported that the annual accounts would be incorporated in the final version of the annual report. She also noted that some of the pension information was incomplete due to responses being outstanding. However, CA advised that the Remuneration Report had been audited in line with guidance.

Members sought and received clarification on a number of aspects of the annual report noting that a number of minor amendments would be made. RP explained that a public facing summary document, describing achievements from 2014/15 and plans for 2015/16, would be produced in addition to the annual report.

13.5 Management Representation Letter

The Management Representation Letter was presented as per the draft within the Audit Completion Report presented at item 13.2.

DB referred to the earlier discussion of the suite of documents comprising the annual report and accounts 2014/15. It was agreed that they were a true and accurate record. DB expressed appreciation to Internal and External Audit in addition to reiterating thanks to CCG staff.

The Committee:

1. Approved the Annual Report and Accounts 2014/15 noting they would be presented to the Governing Body for ratification.
2. Noted that a public facing document would be produced in addition to the Annual Report.
3. Expressed appreciation to the CCG staff and Internal and External Audit for their work.

14. Next meeting

8 July 2015.

NHS VALE OF YORK CLINICAL COMMISSIONING GROUP AUDIT COMMITTEE

SCHEDULE OF MATTERS ARISING/DECISIONS TAKEN: 27 MAY 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)
11 March 2015	Review assurance from other committees, Partnership Commissioning Unit and Yorkshire and Humber Commissioning Support	<ul style="list-style-type: none"> • JP to be asked to increase capacity to expedite the review of continuing healthcare cases 	MA-M	
27 May 2015	Matters Arising	<ul style="list-style-type: none"> • Scheme of Delegation to be an agenda item at the next meeting 	LS	8 July 2015
27 May 2015	Audit Recommendation Status Report	<ul style="list-style-type: none"> • Process to be developed to ensure timely responses to recommendations 	TP	
27 May 2015	Audit Completion Report	<ul style="list-style-type: none"> • Governing Body Workshop to be arranged to include information on value for money conclusion 	LS	September/ October

Meeting Date	Item	Action Required/Decisions Taken	Responsible Officer/Body	Action Completed/ Due to be Completed by (as applicable)
27 May 2015	Annual Counter Fraud Report	<ul style="list-style-type: none"> Discussion of prescribing issues to take place 	HK-T/SOC/SM	