

**MINUTES OF THE MEETING OF THE AUDIT COMMITTEE HELD ON
11 MARCH 2015 AT WEST OFFICES, YORK**

Present

Mr Keith Ramsay (KR) (Chair)	Lay Member and Audit Committee Chair
Mr David Booker (DB)	Lay Member

In Attendance

Mrs Caroline Alexander (CAI)	Interim Strategic Planning and Assurance Lead
Mr Michael Ash-McMahon (MA-M)	Interim Chief Finance Officer
Mrs Helen Kemp-Taylor (HK-T)	Head of Internal Audit
Mr Mark Kirkham (MK)	Director, Mazars
Mrs Rachel Potts (RP)	Chief Operating Officer
Ms Michele Saidman (MS)	Executive Assistant
Mr Tom Watson (TW)	Internal Audit Manager

Apologies

Mrs Cath Andrew (CAAn)	Senior Manager, Mazars
Mrs Michelle Carrington (MC)	Chief Nurse
Mr Steven Moss (SM)	Local Counter Fraud Specialist
Mrs Rachel Potts (RP)	Chief Operating Officer
Mrs Lynette Smith (LS)	Head of Integrated Governance

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

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 10 December 2014

The minutes of the meeting held on 10 December were agreed.

The Committee:

Approved the minutes of the meeting held on 10 December 2104.

4. Matters Arising

Audit Committee Terms of Reference – Clarification regarding delegation from the Governing Body to the Committee for approval of the annual accounts: MA-M proposed that the Chief Clinical Officer and CCG Lay Chair attend the next meeting of the Committee when the annual accounts would be considered. In view of KR's appointment as Lay Chair with effect from 1 April when he would no longer be a member of the Committee, MA-M agreed to discuss attendance at the meeting with a number of GP members of the Governing Body.

Service Auditor Report: KR additionally reported that he and DB had attended a meeting with NHS Yorkshire and Humber Commissioning Support on 11 February. He noted that he would discuss a number of matters with Jon Cooke, Chief Finance Officer at NHS Yorkshire and Humber Commissioning Support.

Quality and Finance Committee – Assurance regarding procurements: MA-M referred to concerns raised by members of the Governing Body about their level of engagement in procurement processes notwithstanding recognition that the successful bidder should be presented anonymously to ensure impartiality in approving the final decision. In response to this a procurement section had been added to the Quality and Finance Committee agenda. DB confirmed that this approach provided the assurance sought by members. KR additionally noted procurement in the context of primary care co-commissioning.

Other matters were noted as completed or agenda items.

The Committee:

1. Noted the updates.
2. Agreed that MA-M would propose an approach for approval of the annual accounts.
3. Agreed that the current procurement programme be reviewed at each meeting.

5. Audit Committee Work Plan

It was noted that the Committee Annual Report and Internal Audit Annual Report and Head of Audit Opinion were duplicated. The work plan would therefore be amended accordingly.

The Committee:

Agreed the above amendments to the work plan.

6. Counter Fraud

6.1 Annual Counter Fraud Plan and 6.2 Update Report

HK-T presented the 2015/16 draft Annual Counter Fraud Plan and update report

highlighting that the former aligned with, and was in the format required by, the recently issued *Standards for commissioners – fraud, bribery and corruption*. The allocation of six days for proactive and strategic work and two days for reactive work had been agreed with MA-M but would be increased if required. HK-T noted the potential for economies of scale as, in addition to working across the North Yorkshire CCGs, North Yorkshire NHS Audit Service would be leading counter fraud for the Leeds CCGs from 1 April 2015.

KR reported that at a recent meeting of Audit Committee Chairs discussion had taken place about allocation of fraud days for areas that were not currently within CCG responsibilities, for example Medicines Management. He also expressed concern at the fact that Steven Moss was employed by North Yorkshire NHS Audit Service but the Deloitte NHS Protect contract was the responsibility of NHS England.

HK-T explained that the self review toolkit, which SM would complete on behalf of the CCG, related to the current financial year and would be reported in the Counter Fraud Annual Report in May. She noted that SM was seeking clarification from NHS Protect regarding review and assessment of providers. MA-M advised that SM had presented the toolkit, including an example of an organisational crime profile, at the North Yorkshire Chief Finance Officers meeting on 9 March; no significant concerns had been identified.

HK-T advised that Sharron Blackburn was currently considering the NHS Social Act requirements relating to security management in CCGs. North Yorkshire NHS Audit Service did not currently provide security management and would look into practice in other areas.

The Committee:

1. Approved the 2015/16 Counter Fraud Plan.
2. Noted the ongoing proactive and reactive counter fraud work.

7. Finance and Governance

7.1 Year end update

MA-M explained that the original intention had been a £2.1m surplus based on maintaining the 0.6% surplus achieved in 2013/14 and moving to a recurrent full 1% surplus in 2015/16. Following a national exercise to review retrospective continuing healthcare payments and the associated likely spend, CCGs had been mandated to increase their forecast outturn by a corresponding amount which for NHS Vale of York CCG equated to c£900k. This meant that the forecast surplus had increased to 0.8% at a figure of £3m.

MA-M noted that a further adjustment would be made at month 11 to increase this to 1% and £3.9m with a view to having this surplus returned to the CCG in 2015/16. This was in line with a national request for all commissioners to increase surpluses in 2014/15.

MA-M noted two areas previously considered that could provide flexibility to support the requirement for an increased surplus: the IVF backlog and a potential impairment of equipment at Ramsay Hospital. In regard to IVF the business case approved by the Governing Body, based on principles adopted by neighbouring CCGs and prudent assessment, had made an £851k provision, i.e. c300 cases. Since the decision taken in December 2014 and up to the end of February there had been 18 referrals therefore early indications were that this spend could be reduced. Work was ongoing with the service providers about actual referrals to inform such a decision.

MA-M explained that the equipment at Ramsay Hospital was an NHS North Yorkshire and York legacy of c£0.75m but with no detail of what it comprised. He noted that it was subject to c£70k to £80k depreciation over a 10 year period and that a market value exercise could ascertain the current value of the identified kit. Following detailed discussion MK suggested that the value of the identified kit would be depreciated and the difference would be written off / impaired. However, this did need to be seen in light of the CCG's overall financial position and was not a material amount anyway. MA-M agreed to make this assessment as part of the year end close down.

Members emphasised that the financial plan should be affordable and sustainable noting that 0.8% would be the lowest forecast surplus and 1% would be the highest.

7.2 Review of Losses and Special Payments

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

7.3 Draft Amended Scheme of Delegation

MA-M presented the draft Scheme of Delegation which had been amended under the headings Non Pay Expenditure, Tendering and Contract Procedures (including leases) and Authorisation for Payment to provide clarity and consistency of decision making to commit expenditure. He also noted that the Director of the Partnership Commissioning Unit was now included where appropriate.

Following discussion members requested a number of further amendments, including accountability of named individuals and the committee through which approval would be processed. It was additionally noted that authorised expenditure decisions by the Director of the Partnership Commissioning Unit would be reported for ratification to the Partnership Commissioning Unit Management Board and subsequently reported to the Quality and Finance Committee.

The Committee:

1. Noted the year end update.
2. Noted that there had been no losses or special payments.
3. Requested a number of further amendments to the draft Scheme of Delegation.

8. Corporate Governance

8.1 Update and assurance – review other reports and policies as appropriate:

a) Implementation of Revised Conflict of Interest Policy

CAI reported that, following approval by the Governing Body, the revised Conflict of Interest Policy and amended CCG Constitution had been part of the primary care co-commissioning submission to NHS England. The revisions were an evolving process in which no issues had been identified at the current time. There would be an opportunity for further amendments to the Constitution in June 2015 in line with issues emanating from level 3 primary care co-commissioning.

b) Register of Gifts and Hospitality

CAI referred to the report which detailed gifts and hospitality accepted by CCG staff in 2014/15. She also highlighted, in view of a recent request, that the CCG did not undertake sponsorship. In this regard Senior Management Team had agreed to support a request non recurrently.

It was agreed that a review of the Register of Gifts and Hospitality be added to the Committee work plan.

8.2 Note business of other committees – review inter-relationships

CAI reported that the committee review was ongoing in terms of decisions reported at committees, appropriate identification of risk, and avoidance of duplication. She also referred to the Assurance Framework presented later in this agenda item.

8.3 Review assurance from other committees, Partnership Commissioning Unit and Yorkshire and Humber Commissioning Support

Janet Probert (JP) had been unable to attend the Committee as planned but was scheduled to present a report at the Governing Body meeting on 2 April. She had provided two briefing papers for the Committee: an update and a briefing note on Continuing Healthcare/Funded Nursing Care QA reconciliation for the financial year 2013/14. MA-M noted that the latter had been reported at the Quality and Finance Committee and did not relate to the national retrospective position described at item 7.1 above.

MA-M referred to the continuing healthcare risk share arrangement across the four North Yorkshire CCGs and described issues emanating from the fact that the clinical and financial systems were not compatible. He reported that this had now been addressed via the QA system and through employment of an additional member of staff who had cleansed the data. Estimated provision had been made for continuing healthcare in view of these issues.

MA-M reported that the North Yorkshire Chief Finance Officers had received a report at their January 2015 meeting to the effect that approximately half the data

had been reviewed and half of this required further work. The benefit identified to date had been released to the North Yorkshire CCGs and the member of agency staff had been retained for a year to complete the review. MA-M confirmed that the provision for the current year would be more accurate and noted that any further effect from the retrospective provision was not expected to be material.

In response to members expressing concern at the length of time the review was taking, particularly due to the large sums of money involved, and their enquiry as to why another member of staff was not employed to expedite the process, MA-M advised that this had been highlighted with the Partnership Commissioning Unit early in the year. JP had detailed system changes implemented and the expertise required to undertake the review, offering assurance the work would be completed in the shortest possible time. Members recognised the progress made and the fact that corporate memory would be established via the new systems but requested that MA-M inform JP of their concerns and that she consider increasing the capacity.

HK-T advised that Internal Audit would continue to provide assurance and that 15 audit days had been allocated to the Partnership Commissioning Unit.

CAI additionally noted complexity of the CCG footprint due to working across three local authorities. She noted joint CCG and Partnership Commissioning Unit Senior Management Team meetings took place on a quarterly basis and that it was planned for JP to attend the Quality and Finance Committee regularly.

8.4 Assurance Framework

CAI presented the report which provided an update on development of the new Assurance Framework and highlighted the current red risks identified through the CCG risk register. She described sources from which risks emanated which included national domains, quarterly checkpoint meetings with the NHS England Area Team and the CCG's objectives. Covalent would provide assurance through bringing all the risks together.

In regard to the identified "red risks" CAI reported that a Better Care Fund Dashboard was being developed and that the System Resilience Group Planned and Unplanned Care Working Groups were monitoring progress against the mandated performance targets. Additionally, the Quality and Finance Committee received an exceptions report at each meeting.

In response to KR expressing concern that the risks in the summary section related to the CCG's two main provider organisations, CAI noted that the report would be enhanced to clarify responsibility in terms of organisational lead and lead director/operational lead. She also explained that succession planning and recruitment were issues for York Teaching Hospital NHS Foundation Trust highlighting that this was a national issue but emphasising that the System Resilience Group was accelerating work to increase capacity through consideration of workforce transformation. Members also noted a number of new appointments within York Teaching Hospital NHS Foundation Trust with whom the CCG was working to provide support.

CAI confirmed that the Assurance Framework would be presented at the June meeting of the Governing Body.

8.5 Audit Committee Effectiveness – Self-Assessment Action Plan

TW referred to the report, produced in response to the request from members at the previous meeting, noting that concerns in the main related to Yorkshire and Humber NHS Commissioning Support. He advised that a template, utilised by other Audit Committees, would be implemented to provide third party assurance.

The Committee:

1. Approved the work in hand to implement the revised Conflict of Interest Policy.
2. Received the Register of Gifts and Hospitality for 2014/15 and agreed that this be added to the Committee work plan.
3. Noted that the committee review was ongoing.
4. Noted the updates from the Partnership Commissioning Unit.
5. Requested that MA-M ask JP to consider increasing the capacity to accelerate the QA reconciliation for the 2013/14 Continuing Healthcare/Funded Nursing Care.
6. Noted the review and development of the Assurance Framework.
7. Noted the action plan emanating from the Audit Committee Effectiveness Self Assessment.

9. Information Governance

9.1 Update and assurance reports: Information Governance Toolkit Assurance

CAI presented the report which provided an overview of the CCG's compliance with legislative and regulatory requirements relating to the handling of information. She advised, and TW confirmed, that Level 2 compliance had now been attained in all areas.

KR requested that clarification of staff responsibilities, including lay members, be provided in regard to training requirements.

9.2 Note business of the Information Governance Steering Group meeting

CAI reported that either she or RP attended the Information Governance Steering Group. She commended the systematic approach and progress on the large volume of work advising that the work plan was available for members on request.

The Committee:

1. Approved the Information Governance Toolkit and Assurance Statement.
2. Clarification to be provided in respect of information governance training requirements.
3. Noted the update on the business of the Information Governance Steering Group.

10. External Audit

10.1 Progress Report

MK presented the report which included a summary of audit progress relating to agenda items 10.2 and 10.3 below and emerging national issues and developments. He highlighted Mazars 'Green' overall rating in the Audit Commission's Annual Regulatory Compliance and Quality Report.

10.2 Draft Audit Strategy Memorandum

MK referred to the Audit Strategy Memorandum for year ending 31 March 2015 which comprised purpose and background; audit scope, approach and timeline; significant risks and key judgement areas; value for money; audit team; and planned fees of £80,000 for audit and other services. Three appendices related respectively to independence, materiality and key communication points. MK highlighted the value for money criteria: financial resilience and ensuring economy, efficiency and effectiveness proposing a self assessment by the CCG – for which Mazars would provide a characteristics schedule – followed by an assessment by Mazars; this approach was agreed.

Members discussed the associated timetable noting that this would include a meeting between KR and MK.

10.3 Request for Declarations

MK noted that the Request for Declarations was the regular document pertaining to the annual accounts to ensure arrangements were in place to prevent and detect fraud and comply with applicable law and regulations. Appropriateness of the going concern assumption was also covered.

The Committee:

1. Noted the External Audit progress report.
2. Noted the Audit Strategy Memorandum.
3. Noted the Request for Declarations.

11. Internal Audit

11.1 Internal Audit Plan

In presenting the 2015/16 Internal Audit Plan, the third year of the agreed strategic audit plan, TW reported that he had attended a meeting of the CCG Senior Management Team to review and prioritise a draft version. He noted the inclusion of nine contingency/client directed days in the 120 days total and confirmed that both Adult and Children's Safeguarding were included in the plan.

11.2 Periodic Report

TW referred to the Periodic Report for the period 29 November 2014 to 2 March 2015 which comprised an executive summary, overview of assurance levels by audit area, analysis of audit days, progress with the 2014/15 audit programme, and an appendix detailing the Internal Audit reports.

Reports and assurance levels were:

Better Care Fund Checklist – assurance level not applicable

Children’s Safeguarding – Significant Assurance. Appointment by the CCG of Designated Nurse Safeguarding Leads for Adults and Children was noted. DB additionally highlighted that the recommendation to ensure current documentation for Designated Doctors, currently the responsibility of NHS Scarborough and Ryedale CCG, should be high priority. TW reported that, following her appointment as Chief Nurse, he would discuss safeguarding with MC.

Transfer of Payroll System – High Assurance. MA-M agreed to check and confirm by email to KR and DB that no incorrect payments had been made for travel expenses, which were paid for the shortest road route.

Final reports for the Partnership Commissioning Unit were Limited Assurance for Continuing Healthcare and Significant Assurance for out of Area Placements. TW confirmed that progress on the recommendations was being made.

Members also noted that assurance would be sought from Jon Cooke that control measures relating to business intelligence recommendations had been implemented.

11.3 Internal Audit Annual Report and Head of Audit Opinion in support of the Annual Governance Statement

This would be presented at the May meeting as noted at item 5 above.

11.4 Audit Recommendations Status Report

TW referred to the report which advised that a further 15 recommendations had been completed. Four recommendations, all assigned to the Partnership Commissioning Unit, had been closed as they were either no longer applicable or had been replaced with new recommendations. Thirty one recommendations, of which 17 were new, remained outstanding.

The Committee:

1. Approved the Internal Audit Plan for 2015/2016.
2. Noted the Periodic Report for 29 November 2014 to 2 March 2015.
3. Noted the Internal Audit Recommendations Status Report.

12. Minutes from other meetings

12.1 NHS Vale of York CCG Quality and Finance Committee

12.2 Information Governance Steering Group

12.3 North Yorkshire NHS Audit Services Alliance Board

The Committee:

1. Received the minutes of the NHS Vale of York CCG Quality and Finance Committee held on 20 November and 18 December 2014 and 22 January 2015
2. Received the minutes of the Information Governance Steering Group held on 10 December 2014.
3. Received the unconfirmed minutes of the North Yorkshire NHS Audit Services Alliance Board held on 11 December 2014.

15. Key Messages to the Governing Body

- Concerns about the Partnership Commissioning Unit financial issues
- Report on financial balance
- Risk Register with particular reference to ongoing risks
- Preparation for and delegation of approval of year end accounts

The Committee:

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

16. Any Urgent Business

None.

17. Next meeting

9am, 27 May 2015 – Annual Accounts meeting.

Meeting Date	Item	Action Required/Decisions Taken	Responsible Officer/Body	Action Completed/ Due to be Completed by (as applicable)
11 March 2015	Register of Gifts and Hospitality	<ul style="list-style-type: none"> Register of Gifts and Hospitality to be added to Committee work plan 	CAI/MS	Completed
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	