

**MINUTES OF THE MEETING OF THE AUDIT COMMITTEE HELD ON
25 JULY 2018 AT WEST OFFICES, YORK**

Present

Phil Goatley (DG)
David Booker (DB)

Dr Arasu Kuppuswamy (AK)

Chair

Lay Member and Chair of Finance and
Performance Committee

Consultant Psychiatrist, South West Yorkshire
Partnership NHS Foundation Trust -
Secondary Care Doctor Member

In attendance

Cath Andrew (CA)
Michael Ash-McMahon (MA-M)
Abigail Combes (AC) – part
Helen Kemp-Taylor (HK-T)
Steven Moss (SM)
Helena Nowell (HN)
Anne Ellis Playfair (AEP)
Michèle Saidman (MS)

Senior Manager, Mazars
Acting Chief Finance Officer
Head of Legal and Governance
Head of Internal Audit, Audit Yorkshire
Head of Anti-Crime Services, Audit Yorkshire
Planning and Assurance Manager
Audit Manager, Audit Yorkshire
Executive Assistant

Unless stated otherwise the above are from NHS Vale of York CCG

1. Apologies

There were no apologies.

2. Declarations of Interest

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

3. Minutes of the meetings held on 23 May 2018

The minutes of the meeting held on 23 May were agreed.

The Committee:

Approved the minutes of the meeting held on 23 May 2018.

4. Matters Arising

Annual Counter Fraud Report 2017/18 (including CCG's Self Review Tool for 2017/18): In response to PG seeking an update SM reported on progress to address the issues identified in the five standards assessed as partially compliant in the CCG's Self Review Tool. These related to:

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- Reviewing providers' counter fraud, bribery and corruption arrangements was in quarter 2 of the 2018/19 Counter Fraud Work Plan.
- Measuring awareness and effectiveness of awareness raising within the CCG would be the subject of a survey later in the year; information was also routinely provided in the Committee reports as at agenda item 8.
- The updated Local Antifraud, Bribery and Corruption Policy was at agenda item 13 for approval.

Constitution, Scheme of Delegation and Detailed Financial Policies: AC reported she had requested that NHS England expedite approval of the Constitution on a number of occasions. However, a new process had now been introduced which required Governing Body approval prior to NHS England approval. As there was no Governing Body meeting in August their approval would at the latest be at the meeting on 6 September 2018. This would be followed with a request to NHS England for completion of the approval as a matter of urgency thereafter to avoid further adverse reporting from both Internal and External Audit. AC proposed seeking the response from NHS England by 15 November 2018.

Annual Review of Internal Audit Charter and Working Together Protocol: HK-T advised that this would be presented at the next meeting of the Committee when Simon Bell would be in post as Chief Finance Officer.

PG noted that 'ongoing' was not acceptable; specific dates were required for work that was taking place. If dependent on a third party this information should be included in the narrative.

The Committee:

Noted the updates and associated actions.

5. Audit Committee Work Plan

MA-M noted the addition of cyber security assurance to the work plan and proposed that meeting dates, other than for April and May which were dependent on the accounts timetable, be arranged.

PG noted that the work plan appeared comprehensive, balanced and deliverable but requested that an indication as to the format of each item, whether verbal or written, be added. *Post meeting note: This has been completed.*

The Committee:

Agreed the Committee work plan.

INTERNAL AUDIT

AK joined the meeting during item 6.

6. Internal Audit Progress Report and Internal Audit Reports

AEP presented the report that provided an update on progress with the 2018/19 audit plan and included three audit reports: Continuing Healthcare, Governance Arrangements and Partnership Commissioning Unit Transition. There had been no changes to the agreed plan.

Performance against the key indicator on percentage of management responses received within 15 working days of the issue of a draft report had been 89% in 2017/18 against the 100% target. MA-M noted the aim for this to improve in 2018/19 but highlighted that it was an improvement on 2016/17.

In response to PG commenting that only 5% of the planned audit days had been utilised 25% into the year HK-T and MA-M confirmed that this was in accordance with the timescales in previous years and progress would be kept under review. AEP also noted that the two quarter 1 audits were across the four North Yorkshire CCGs.

Members sought and received clarification on the three audit reports:

Continuing Healthcare – Limited Assurance

The objective of the audit was to provide assurance on and/or identify areas of key control weakness relating to completeness and accuracy of the data held on Continuing Healthcare cases, and validity of payments made backed by accurate financial reporting. AEP explained that the issue related to the QA system used for forecasting expenditure. Actions were now in place to address the issues which had been long standing and a QA data quality audit was scheduled for quarter 3.

MA-M advised that additional members of staff had been recruited to the finance and contracting team and data cleanse work was now in process. Procurement of a new QA+ system, which would be available in September or October, was taking place concurrently. The four North Yorkshire CCGs had agreed to wait for the new system rather than duplicating staff training; this also allowed further time for the data cleanse. MA-M noted there had been “no surprises” in the audit report. He assured members that the QA+ system should address the fact that the current QA system, used for budgeting, and SystemOne, the clinical system, were not robustly reconciled in terms of producing the required information about invoices processed. MA-M also referred to discussion at the Finance and Performance Committee regarding the emerging financial impact across the four North Yorkshire CCGs confirming Executive oversight of the situation and reiterating confidence through the recruitment to the finance and contracting team. Once the new system was in place there would be assurance about processes and accuracy of expenditure. Members noted that in the short term there would be a financial pressure but this would be offset by the planned improvements going forward.

Governance Arrangements – Significant Assurance

AC referred to the update on the CCG's Constitution under item 4 and with regard to the objective of the audit to provide assurance on the effective operation of the revised governance structure noted that committee work plans and decision logs were currently being reviewed. In response to AK proposing a dashboard approach to committee effectiveness, AC advised that proposals would be developed for consideration in this regard.

Partnership Commissioning Unit Transition – Significant Assurance

The overall objective of the audit was to provide assurance that there were arrangements in place to ensure the CCGs effectively delivered the Partnership Commissioning Unit transition arrangements, resulting in fit for purpose systems. AEP explained that the Significant Assurance was on the basis of structure having been incorporated in the process; a further review would take place post transition. She noted that the only risk related to the fact that Service Level Agreements had not been in place; this was being addressed as reported in the following agenda item.

The Committee:

Received the Internal Audit Progress Report and Internal Audit Reports.

CA joined the meeting during item 7.

7. Audit Recommendations Status Report

AEP referred to the report which outlined progress with implementation of Internal Audit recommendations noting that a further 31 recommendations had been completed since the last report, including both CCG and former Partnership Commissioning Unit recommendations. Following the Audit Committee in May 2018 and completion of the 2017/18 audit plan a further 41 new recommendations had been added.

AEP reported that the CCG had advised a number of the 52 open recommendations would be superceded by the pace of change and the impact of system working on agreed actions. This was reflected in the progress update where appropriate and would be reviewed in planned audits in 2018/19 when recommendations would be closed and replaced where required with a new recommendation. MA-M added the audit was at a point in time and progress with such as the Aligned Incentives Contract had progressed quickly; this gave rise to perception that the timescale was slipping.

In response to PG expressing the view that the graph representation in the report did not add value, HK-T advised that the Audit Yorkshire meeting on 5 September would include reviewing the approach to tracking of recommendations and any comments would be welcomed in this regard. She also noted that no change to dates against recommendations would be made without agreement of the appropriate Executive Director sponsor which provided assurance.

The Committee:

Received the Audit Status Recommendations Report.

COUNTER FRAUD AND SECURITY

8. Counter Fraud Progress Report

SM presented the report which provided an update on progress against the 2018/19 Counter Fraud work plan; summarised any key findings from the work undertaken for the last reporting period under the headings Inform and Involve, Prevent and Deter and NHS Counter Fraud Authority Update; and highlighted any current Counter Fraud matters relevant for the Committee.

SM highlighted that his membership of the NHS Protect Quality Assurance Review Group would bring a number of opportunities to Audit Yorkshire's clients including contributing to discussion of the self assessment.

Members welcomed the work taking place to inform and involve staff and requested that the quarterly Anti-Crime Newsletter be appended to progress reports.

The Committee:

1. Received the Counter Fraud Progress Report.
2. Requested that the Anti-Crime Newsletter be appended to the reports as available.

FINANCE GOVERNANCE

9. Review of Losses and Special Payments

MA-M advised there were no losses or special payments to report.

The Committee:

Noted there had been no losses or special payments.

10. Update and Assurance on Key Financial Policies

MA-M advised there was nothing to update until approval of the Constitution as reported above.

11. Review risks and controls around financial management

MA-M advised there was nothing to report.

12. Review Progress Against Financial Recovery Plan

MA-M explained that the CCG's planned deficit for 2018/19 of £14.0m had been reprofiled in June as required by NHS England for access to the quarterly payment of the Commissioner Sustainability. The position at the end of quarter 1

was in line with achieving a £3.5m deficit at the end of each quarter therefore fulfilling the requirement for access to the 10% in quarter 1, £1.4m, Commissioner Sustainability Fund. The last outstanding criteria in this regard was approval of the Financial Recovery Plan by NHS England which MA-M hoped would be confirmed the following week at the Improvement and Assessment Framework meeting on 31 July 2018.

MA-M highlighted that the reported quarter 1 position reflected the worst case scenario under the Aligned Incentives Contract, namely no cost reduction with York Teaching Hospital NHS Foundation Trust and the risk share being invoked in full. On this basis there was c£1.4m overspend year to date which was offset through release of the contingency and underspends on acute contracts, prescribing and continuing healthcare clinical team costs.

MA-M explained that the commissioners – NHS East Riding of Yorkshire, NHS Scarborough and Ryedale and NHS Vale of York CCGs – were working to triangulate reporting and were also trying to triangulate with York Teaching Hospital NHS Foundation Trust's reporting on a monthly basis. He noted that the commissioners, whose plans had been submitted pre agreement of the Aligned Incentives Contract, had all achieved the Commissioner Sustainability Fund and York Teaching Hospital NHS Foundation Trust, whose plan had been submitted post Aligned Incentives Contract, had achieved 70% of the Provider Sustainability Fund. However, MAM did flag a reconciliation issue at the end of quarter 1 between all commissioners and the provider of c£1.2m. This related partly to a profiling issue, which would be negated over the rest of the year, of c£0.5m with more assumed income relating to excluded drugs and devices and increased urgent activity costs, based on a 20% of tariff estimate. MA-M advised that the CCG had delivered against its plan and the Aligned Incentives Contract but that the c£1.2m variance between the commissioners and provider required controlling and correcting. He noted that despite the challenges the position at quarter 1 was positive.

The Committee:

Noted the update.

13. Local Antifraud, Bribery and Corruption Policy

MA-M referred to the policy which had been reformatted to align with the CCG's policy framework template for policies noting the main changes included updated contact details for reporting incidents and text to reflect the introduction of General Data Protection Regulation legislation. The updated version had been drafted by the local antifraud specialist team and circulated to the Staff Engagement Group via email for comment, confirmation that the content was comprehensible to staff and to increase staff awareness of the policy detail. SM additionally noted amendment in response to guidance and referred to the information in item 8 under Inform and Involve.

PG noted the requirement of a minor amendment.

In response to DB enquiring about training, noted as the responsibility of the Remuneration Committee, HN agreed to liaise with SM to arrange a repeat of a working lunch event for staff.

The Committee:

1. Approved the Local Antifraud, Bribery and Corruption Policy subject to a minor amendment.
2. Requested that a learning lunch be arranged for staff.

CORPORATE GOVERNANCE

14. Update and assurance – review other reports and policies as appropriate

AC advised there was nothing to report.

15. Review of current procurement programmes

MA-M reported that there were currently four procurements at various stages of the process.

Improving Access to GP Services was the most advanced being at the evaluation stage. This was on schedule to award on 13 August with a “go live” date of 1 November 2018. Additional clarification was being sought from two of the bidders at face to face meetings on Friday, 27 July but there was no risk to the timescale.

Bids had been received back on Monday 21 July for the Minor Eye Conditions Service; evaluation was now taking place with an anticipated award date of 21 September and “go live” date of 1 December 2018.

The Autism / Attention Deficit Hyperactivity Disorder had been delayed due to discussions on funding / budget allocation and the contract had now been extended to 31 March 2019. A new timeline was currently being developed. Members sought clarification about this contract extension in view of the current concerns over these services. MA-M advised that the issues related to under investment, not quality, and reported that the CCG was investing a further £100k in autism assessments. As a result of this Tees, Esk and Wear Valleys NHS Foundation Trust were outsourcing the work therefore improvement was anticipated.

Post meeting note: There was currently a 12 month waiting list which would not be addressed if the same budget was applied, the service would not improve and no provider would want to take on a 12 month waiting list with no additional funding. The North Yorkshire CCGs had agreed that NHS Vale of York CCG, as lead commissioner, would compile a report which provided the background and an understanding of the waiting lists for each CCG. This would allow each CCG to consider demand and capacity within the funding envelope and the associated risks, plus cost implications of any additional activity to reduce these waits.

The Anticoagulation Warfarin Monitoring and Management Service tender was due to “go live” on 20 August with an anticipated award date of 8 November 2018 and an operational “go live” date of 31 January 2019.

The Committee:

Noted the update.

16. Note business of other committees, review inter-relationships

AC advised that there was nothing to report other than her presentation at the July Governing Body of a report on the committee structure. She also referred to the discussion at item 6 under the Governance Arrangements audit.

The Committee:

Noted the update.

17. Review assurance from other committees and 3rd party assurance

AC referred to the meeting with NHS England on 31 July where the outcome of the indicators of the 2017/18 Improvement and Assessment Framework would be discussed.

The Committee:

Noted the update.

18. Review Assurance Framework

AC reported that a Board Assurance Framework was being developed which would be informed by both NHS England’s identification of priorities for the CCG to move out of legal Directions and the Improvement and Assessment Framework indicators. This would be in the style of a register. A meeting had been arranged for 27 September between PG, AC and Caroline Alexander, Assistant Director of Delivery and Performance, to review its development.

The Committee:

Noted the update.

19. Primary care commissioning assurance

AC advised there was nothing to report.

20. Management of Freedom of Information Requests Update Report

PG expressed concern that the requirement for Freedom of Information requests to receive a response within 20 working days was breached in 27% of the cases. AC advised that the number of requests received by the CCG was increasing and

that there were complexities in accessing the information as the main areas related to the former Partnership Commissioning Unit, noting that she had delegated authority from the Accountable Officer to review the responses. AC referred to the previous discussion regarding the QA+ system which, together with a new management system, should enable improvement in the response rate.

PG requested that future reports should take the format of general themes and causes of any breach rather than the specific detail.

The Committee:

1. Received the update report on the management of Freedom of Information requests.
2. Noted the request for a change in format reporting.

AC left the meeting

INFORMATION GOVERNANCE

21. Information Governance Work Plan

MA-M reported that the Governance Steering Group, which included representatives from each of the CCG teams and the Staff Engagement Group, had requested that the Information Governance Work Plan be presented to the Audit Committee for assurance. The work was managed mainly by eMBED.

Members requested the addition to the work plan of timescales and which committee was primarily responsible for monitoring the activity.

The Committee:

Received the Information Governance Work Plan.

22. Update and assurance reports

HN advised there was nothing to report.

23. Note business of the Emergency Planning, Business Continuity and Information Governance Steering Group

HN explained that the next meeting of this Committee was the following day, 26 July, therefore an update would be provided to the next meeting of the Audit Committee.

24. Information Governance Breaches Reported

HN referred to the report on Information Governance breaches noting that in the main they were not caused by the CCG advising that the CCG had made the organisations aware of the breaches. PG emphasised the need for the Committee to receive assurance that lessons had been learnt to avoid further such incidents.

The Committee:

Received the report on Information Governance breaches.

25. Registration Authority / Nomination of Sponsor

MA-M presented the report which sought approval of Chris Park, Management Accountant, as an additional sponsor for Smartcard issuing processes to provide increased resilience in the local Registration Authority roles. There were currently three CCG sponsors. Members sought and received clarification of the nomination.

The Committee:

Approved the nomination of Chris Park, Management Accountant, to fulfil the role of local Sponsor for Registration Authority purposes.

EXTERNAL AUDIT

26. External Audit Progress and Technical Update Report

CA referred to the report which included information on the 2018/19 programme of work and on national publications.

In response to discussion about timing for presentation to the Committee of the 2018/19 Audit Strategy Memorandum, CA agreed to bring it to the next meeting noting that, although no substantive change was expected, Value for Money guidance would not be published until later in the year.

The Committee:

1. Received the External Audit Progress and Technical Update Report.
2. Requested that the 2018/19 Audit Strategy Memorandum be presented at the next meeting.

27. External Auditor's Annual Audit Letter

CA noted that the Annual Audit Letter was retrospective as it was part of the 2017/18 Audit Completion Report. She highlighted the Executive Summary which confirmed the audit opinion, value for money conclusion, reporting to the group auditor and statutory reporting, the latter relating to the referral to the Secretary of State under Section 30 of the 2014 Act in relation to the breach of financial duties. The Forward Look recognised the stabilising financial position and noted the challenges faced by the CCG but also that the CCG was aware of them.

MA-M referred to the sentence under Financial outlook 'the most recent feedback from NHS England has raised concerns about the CCG's ability to deliver the forecast financial position in 2018/19 and further work is being undertaken to provide more assurance'. He noted the CCG had established a strong leadership team, signing of the Aligned Incentives Contract and implementation of an aligned

incentives approach with Tees, Esk and Wear Valleys NHS Foundation Trust which provided a level of assurance. CA responded that this was a timing issue and this was the final version of the Annual Audit Letter as agreed at the May Audit Committee.

It was agreed that the key messages to the Governing Body should reflect the further work that had taken place since publication on the CCG's website of the Annual Audit Letter with the 2017/18 Annual Report and Accounts documents.

The Committee:

Received the Annual Audit Letter.

MINUTES FROM OTHER MEETINGS

The Committee noted as received minutes from the following meetings:

28. Finance and Performance Committee: 26 April and 24 May 2018.
29. Quality and Patient Experience Committee: 14 June 2018
30. Executive Committee: 2 and 16 May, 6 and 20 June and 4 July 2018.
31. Emergency Planning, Business Continuity and Information Governance Steering Group: 22 March 2018

32. Audit Yorkshire Board

HK-T reported that the Audit Yorkshire Board had met on 6 June when the agenda had included:

- A draft of its first annual report which was being revised for issue for the meeting on 5 September;
- Update on projects and business plan including data analytics work which would be discussed further on 5 September;
- Moving Forward Strategy and Organisational Development Plan.

HK-T noted that a decision was required as to whether PG as Audit Committee Chair or Simon Bell as Chief Finance Officer would represent the CCG on the Audit Yorkshire Board.

HK-T reported that AEP was leaving Audit Yorkshire on 27 July. Members congratulated her on her appointment at Leeds CCG and expressed appreciation of her work.

The Committee:

1. Noted the update.
2. Noted the need for a decision as to the CCG's representation on the Audit Yorkshire Board.

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33. Key Messages to the Governing Body

The Committee:

- Accepted the work plan for 2018/19 noting that it was comprehensive and balanced across the year.
- Requested more precision in reporting, particularly in relation to Internal Audit and External Audit actions and completion dates.
- Approved the Local Antifraud, Bribery and Corruption Policy subject to a minor amendment.
- Approved the nomination of Chris Park, Management Accountant, to fulfil the role of local Sponsor for Registration Authority purposes.
- External Audit readily acknowledged that since publication of the 2017/18 Annual Audit Letter the CCG had made positive progress which External Audit would convey to any third parties if questioned.

The Committee:

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

25. Next meeting

To be arranged.