

**MINUTES OF THE MEETING OF THE AUDIT COMMITTEE HELD ON
24 MAY 2016 AT WEST OFFICES, YORK**

Present

Mrs Sheenagh Powell (SP) (Chair)	Lay Member
Mr David Booker (DB)	Lay Member

In attendance

Mrs Cath Andrew	Senior Manager, Mazars
Mr Michael Ash-McMahon (MA-M)	Deputy Chief Finance Officer
Mrs Helen Hirst (HH) - part	Interim Accountable Officer
Mrs Helen Kemp-Taylor - part	Head of Internal Audit
Mr Mark Kirkham	Director, Mazars
Mr Steve Moss (SM) - part	Local Counter Fraud Specialist
Ms Helena Nowell (HN) – part	Strategy and Assurance Manager
Mrs Rachel Potts (RP)	Chief Operating Officer
Mrs Tracey Preece (TP)	Chief Finance Officer
Mr Keith Ramsay (KR)	CCG Lay Chair
Ms Michele Saidman (MS)	Executive Assistant
Mrs Lynette Smith (LS)	Head of Corporate Assurance and Strategy
Mr Tom Watson (TW)	Internal Audit Manager

Apologies

Dr Arasu Kuppuswamy (AK)	Consultant Psychiatrist, South West Yorkshire Partnership NHS Foundation Trust – Secondary Care Doctor Member
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The agenda was considered in the following order

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 28 April 2016

The minutes of the meeting held on 28 April were agreed subject to amendment on page 3 item 6 where the second resolution should read ‘...comprise SP, DB and AK ...’.

The Committee:

Approved the minutes of the meeting held on 28 April 2016 subject to the above amendment.

4. Matters Arising

Note business of other committees, review inter-relationships – Partnership Commissioning Unit audit: As Richard Mellor and Victoria Pilkington had been unable to attend the Committee meeting to discuss the Limited Assurance audit reports it was agreed that they be asked to attend a Part II Governing Body meeting on 2 June 2016.

Review of Scheme of Delegation – Review additional financial controls implemented for 2015/16: TP proposed that the additional financial controls continue whilst the CCG was in turnaround and noted the intention of enhancing the financial controls relating to the Partnership Commissioning Unit. Members supported the proposal and requested that the continuation of the internal financial controls be reported to the Governing Body via the Accountable Officer's Report.

Other matters were noted as agenda items.

The Committee:

1. Agreed that Richard Mellor and Victoria Pilkington be asked to attend a Part II Governing Body meeting on 2 June to discuss the Partnership Commissioning Unit Limited Assurance audit reports.
2. Supported the continuation of the additional financial controls implemented for 2015/16 which would be reported to the Governing Body.

5. Audit Committee Work Plan and Meeting Dates

TP referred to the work plan and meeting dates. Members agreed the meeting schedule as:

Wednesday 6 July 2016 - 9am to 12 noon

Wednesday 7 September 2016 - 9am to 12 noon

Tuesday 6 December 2016 - 2pm to 5pm

Wednesday 1 March 2017 – 9am to 12 noon

Wednesday 26 April 2017 – 9am to 12 noon (Draft Accounts)

Accounts meeting - W/c 22 May 2017 (date to be confirmed)

The Committee:

1. Noted the updated Audit Committee work plan.
2. Agreed meeting dates as above.

6. Annual Counter Fraud Report 2015/16

SM presented the Annual Counter Fraud Report which provided a summary of proactive, reactive and strategic counter fraud work conducted at the CCG in 2015/16, as previously reported to the Committee, and included information on days used and cost of delivering the work. He highlighted the inclusion of the CCG's draft Counter Fraud Self Review Tool which outlined the organisation's self-assessment against the NHS Protect Counter Fraud Standards for Commissioners. The results for the areas of activity were 'Green' for Strategic Governance, Prevent and Deter, and Hold to Account, and 'Amber' for Inform and Involve.

SM referred to the two areas of non compliance which related to standards of assurance to commissioning organisations regarding provider compliance with anti fraud, bribery and corruption requirements set out in the NHS Standard Contract, following quality assurance and / or assessment. He advised that technical and governance issues had prevented NHS Protect's Quality and Compliance Team establishing the requisite arrangements therefore non compliance was not the fault of the CCG and for this reason was not expected to have any negative impact.

SM noted in respect of the standards which were partially compliant that measures were being implemented to improve the CCG's position. SM also noted that he had drafted a questionnaire which he would circulate to members following feedback from NHS Protect.

The Committee:

Noted the Annual Counter Fraud Report for 2015/16.

10. Internal Audit

10.1 Periodic Progress Report – 2015/16 Work Programme

TW presented the periodic report which outlined progress between 1 December 2015 and 17 May 2016 and included an executive summary, an overview of assurance levels by audit area, an analysis of audit days, progress with the year's programme, and an Appendix comprising Internal Audit Reports. In respect of the latter there were ten reports with the following outcomes:

- Better Care Fund (North Yorkshire County Council) – Significant Assurance
- Better Care Fund (City of York Council) – Limited Assurance
- Better Care Fund (East Riding of Yorkshire) – Significant Assurance
- Travel Expenses – Not applicable
- Information Governance Toolkit – Significant Assurance
- Procurement Governance – Significant Assurance
- Training and Staff Development – Significant Assurance
- Financial Governance – Significant Assurance
- Partnership Commissioning Unit Financial Reporting – Significant Assurance for processes, Limited Assurance for forecasting methodology regarding high cost packages
- Partnership Commissioning Unit Continuing Healthcare – Limited Assurance

Detailed discussion ensued regarding the North Yorkshire County Council and City of York Council Better Care Fund audit outcomes in view of the ongoing work to reach agreement. HK-T explained that audits could only test transactions that had taken place but noted that an element of forecasting could be included in scoping of future audits.

Members sought and received clarification regarding the partnership working arrangements referred to in these two reports noting that issues relating to locality partnership arrangements were being addressed through collaborative working.

TW agreed to seek permission to share information with the CCG's Chief Officers in respect of joint working with City of York Council Internal Auditors regarding the Better Care Fund. HK-T additionally agreed to provide detail behind the audit report to provide further information for the specialist support now working with the CCG in respect of the City of York Council Better Care Fund plan.

Further discussion took place relating to the City of York Council Better Care Fund in respect of the report that no payments had been made to date and the impact in the context of the Better Care Fund principles. HH expressed the view that the CCG currently held all the risk as the investment aimed to keep people out of hospital. TP explained that the issue related to £3m earmarked for social care protection not to the minimum Better Care Fund contribution which had been paid in full.

Members emphasised that the 2016/17 Better Care Fund audit work should be scoped to take account of the concerns raised and include best practice from national experience. HH agreed to provide a verbal update to the Governing Body on 2 June as part of her Accountable Officer's Report. LS additionally proposed that the risk reports to the Governing Body be more explicit in respect of the Better Care Fund.

Whilst noting the Travel Expenses report TP reported on a four month sample of mileage claims that showed some had been incorrect, either under or over paid, advising that there would be minimal financial impact in undertaking a correction process. Members agreed that no such action should take place but requested that staff communication be issued to ensure correct claims were submitted in 2016/17.

Members sought and received clarification on a number of aspects of the recommendations within other reports including: seeking assurance that lessons learnt from recent procurements were being implemented; noting in respect of training and staff development that DB had requested reporting of assurance, including statutory and mandatory training, to the Quality and Finance Committee; and clarification regarding purchase orders as recommended in the Financial Governance report. In regard to the latter TP and MA-M explained, and TW confirmed, that a manual process was utilised effectively as the Oracle system was considered too labour intensive for the comparatively small number required.

In respect of the Partnership Commissioning Unit reports and the subsequent associated error that had emerged in the annual accounts TP reported that the

terms of reference for Neil Lester's detailed investigation had been expanded to encompass full access to all financial information. She additionally reported that capacity in the Partnership Commissioning Unit Finance Team continued to be a concern across the four North Yorkshire CCGs. The Chief Finance Officers were considering their respective reporting and analysis requirements with a view to potentially increasing capacity in the Partnership Commissioning Unit or bringing part of these services in house.

TP reported that Neil Lester would provide an interim report on his investigation in to the Partnership Commissioning Unit to the July Audit Committee. She noted that where appropriate his recommendations would be shared with the North Yorkshire CCGs.

10.2 Audit Recommendations Status Report (2015/16)

TW noted that a further 10 recommendations, relating to both the CCG and the Partnership Commissioning Unit had been completed since the previous report. At the end of March 2016 10 recommendations, of which one was 'high' remained outstanding; 30 new recommendations had since been added.

In respect of the 'high' recommendation, relating to development of a quality outcome framework for primary care services, discussion ensued as to whether this should be an agenda item for the Council of Representatives, as stated in the report, or the Primary Care Commissioning Committee. As it related to Practices as providers the latter was agreed as the appropriate forum and this would be added to the agenda for the July meeting.

10.3 Internal Audit Strategic and Operational Plans (2016/17)

TW presented the revised Strategic and Operational Plans which had been updated following discussion at the last meeting to include a QIPP review in 2016/17. Five days had been allocated to this but there was potential in the contingency for further time if needed. TW also clarified that, although the five days had been taken from the Partnership Commissioning Unit, this area of work already had 15 days allocated by NHS Vale of York CCG to the work across the North Yorkshire CCGs.

Further discussion ensued regarding ensuring appropriate audit scoping, as discussed earlier. SP emphasised that the Committee expected to receive reports that reflected achievement of the CCG's objectives or identified associated risk.

10.4 Internal Audit Charter and Working Together Protocol (2016/17)

TW referred to the Internal Audit Charter and Working Together Protocol, presented in response to discussion at the March meeting. The Charter set out how Internal Audit would deliver its service in line with mandated Public Sector Internal Audit Standards and the Working Together Protocol outlined the expectations of CCG management and Internal Audit.

It was agreed that this be an annual agenda item for the Committee and that elements of the Working Together Protocol be included in a Staff Briefing to raise awareness.

The Committee:

1. Noted progress against the Internal Audit work programme.
2. Requested that staff communications be issued to ensure correct travel claims were submitted in 2016/17.
3. Noted that an interim report in to the Partnership Commissioning Unit financial issues would be presented at the July meeting.
4. Noted the progress with the implementation of Internal Audit recommendations.
5. Agreed that Primary Care Commissioning Committee was the appropriate forum for presentation of the development of a quality outcome framework for primary care services.
6. Approved the Internal Audit Strategic Plan 2016/17 to 2018/19 and the Operational Plan for 2016/17.
7. Noted the Internal Audit Charter and Working Together Protocol.
8. Agreed that Internal Audit Charter and Working Together Protocol be an annual agenda item and that information about it be included in a Staff Briefing.

11. Annual Report and Accounts 2015/16

11.2 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 her overall opinion of Significant Assurance in the context of the CCG's challenging financial position.

HK-T noted that most of the outcomes of the 2015/16 audits were assessed as Significant Assurance and noted that of the five Limited Assurance audit reports three related to the Partnership Commissioning Unit, one to Quality Improvement and one to the City of York Council Better Care Fund. HK-T referred to areas of remaining significant risk that related to the City of York Council Better Care Fund and the Partnership Commissioning Unit; these had been discussed at earlier agenda items. HK-T advised that remedial actions had been agreed to address risks identified; this included learning from best practice guidance. She also noted the increased need for third party assurance.

LS reported that, following submission of the draft Annual Governance Statement, NHS England had sought further information to support the Head of Internal Audit Opinion of Significant Assurance. In response she had provided Governing Body Part II meeting dates when risk had been reported.

HK-T noted in terms of the outturn of the service that the planned days had been met, as had the Public Sector Internal Audit Standards. Most of the key performance indicators had been met, the exception being the percentage of management responses received within 15 working days of the draft report. Work was taking place to address this.

In response to DB and SP referring to the reported outcomes of the Key Performance Indicators, the need to ensure appropriate scoping of audit work was reiterated, including level of urgency.

Members expressed appreciation for Internal Audit's work through 2015/16.

HK-T and SM left the meeting

11.3 NHS Vale of York CCG Audit Completion Report

MK presented the Audit Completion Report that comprised an executive summary, financial highlights, significant findings, internal control recommendations, summary of misstatements, value for money and three appendices: draft management representation letter, draft audit report and independence. He referred to the outstanding matters at the time of writing the report: detailed testing of Partnership Commissioning Unit recharges, service auditor assurance over the prime evidence used to calculate primary care co-commissioning expenditure, and assurance over the robustness and realism of the financial plan.

TP tabled a written briefing which had been provided by Louise Engledow, Head of Finance and Contracting at the Partnership Commissioning Unit, providing detail of a Continuing Healthcare error identified by the auditors. She explained that this initially appeared to be a sum of £1.3m across the four North Yorkshire CCGs and that a verification exercise had been undertaken which had confirmed the number of cases and overall value was still reasonable but there had been an error in one of the calculation methods. This error was now only documented as an issue in the NHS Scarborough and Ryedale CCG audit report. TP advised that the North Yorkshire Chief Finance Officers had received detail of this matter which would not impact on the CCG's position.

HN joined the meeting

CA referred to the overall findings noting that the only areas that required raising with the Committee related to the proposal for a modified audit report due to the CCG's failure to meet its statutory financial duty to 'break even'. Additionally there was potential for further moderation relating to primary care co-commissioning entries in the accounts should satisfactory assurance not be received. In respect of the latter CA advised that assurance had since been provided by management of internal controls and a follow up letter would be issued. Two service auditor reports were also awaited but MK advised that as this was a national issue there was a potential work around for it not to result in a modified audit report. TP additionally noted that national discussions were taking place with NHS England in this regard.

CA reported the expectation that the only modification to the audit report would relate to the financial deficit and referral to the Secretary of State for Health in January 2016 under the Local Audit and Accountability Act 2014. This would also result in a qualified value for money conclusion.

CA noted in relation to the summary of misstatements that the only requirement had been four minor amendments to the disclosure notes.

In respect of the value for money conclusion CA detailed the significant risk identified that had become an event. The criteria and assessment for the value for money conclusion were detailed. These related to informed decision making, sustainable resource deployment, and working with partners and other third parties. Additional audit work related to reports by statutory inspectorates or other regulators and review of the Annual Governance Statement.

Discussion ensued in the context of recognition and mitigation of risk. MK also referred to discussion at the November Governing Body Workshop when he had highlighted financial risk and associated consequences. He noted that he had expressed concern that a focus on quality was considered to be of greater importance than finances and that this approach was not sustainable alongside the CCG's statutory duty. MK highlighted in the context of turnaround the need for financial plans to be realistic in terms of impact.

TP noted that, as agreed with NHS England, the CCG was planning for financial balance in 2018/19 and surplus in 2019/20, not financial surplus in 2018/19 as in the report. In view of this she also requested an amendment to the reference to potential referral again to the Secretary of State as the CCG was planning a deficit.

CA confirmed that inconsistencies in the Audit Completion Report could be corrected.

Members noted the opinion on the financial statements were that these:

- Gave a true and fair view of the CCG's financial position as at 31 March 2016 and of its net expenditure and income for 2015/16, and
- Had been properly prepared in accordance with the Health and Social Care Act 2012 and its Accounts Directions

In respect of the opinion on regularity members noted that, except for the incurrance of expenditure in excess of the specified targets, in all material respects the expenditure and income reflected in the financial statements had been applied to the purposes intended by Parliament and the financial transactions conformed to the authorities which governed them.

The adverse conclusion on the CCG's arrangements for securing economy, efficiency and effectiveness in the use of resources was that the CCG had not put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

Members expressed appreciation to CA and MK for their work and robust discussion.

11.1 Service Auditor Report and Bridge Letter

TP referred to circulation for the April Committee meeting of the Service Auditor Report for Yorkshire and Humber Commissioning Support that related only to payroll services for NHS Vale of York CCG. She noted that the bridge letter for the period 1 February 2016 to 31 March 2016 had now been received and was now included. This confirmed that the controls had continued for the final two months of the service which had Significant Assurance.

11.4 Annual Accounts and Analytical Review

In presenting the Annual Accounts TP advised that the only amendments made since the Committee's consideration of the draft accounts at the April meeting related mainly to the audit report discussed above; there had been no changes to figures. A date error had been corrected at note 37 and the note on pooled budgets provided clarification relating to the three local authorities.

TP highlighted that the analytical review, submitted to NHS England, provided line by line analysis of variance between 2014/15 and 2015/16. She noted that this document would be further developed as part of the annual accounts lessons learnt exercise.

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

TP reported that following discussion with NHS England and MK it had been agreed that HH, as Interim Accountable Officer, would sign the Annual Accounts and Annual Report. She tabled an explanation that would be incorporated in the latter and sought the Committee's approval of these amendments alongside the Annual Report.

LS presented the Annual Governance Statement noting that it would be subject to editing in terms of highlighting risk relating to performance against Constitutional targets. She noted that, although parts of the Annual Governance Statement had been rated as 'Green' by NHS England, overall it had been rated as 'Red' in terms of the narrative of the control environment did not align with the end of year financial deficit. LS referred to the earlier discussion relating to informing the Governing Body about areas of risk and highlighted the need for improved mitigation. .

Members sought and received clarification on a number of aspects of the report noting that it would be subject to final editorial checking. They expressed appreciation to HN for her work on the Annual Report.

11.6 Management Representation Letter

Following discussion regarding HH being the signatory to the Management Representation and her recent appointment as Interim Accountable Officer it was agreed that an explanatory paragraph be added and that 'I' be changed to 'We'.

TP expressed appreciation to the Finance Team for their work on the Annual Accounts, in particular to MA-M, Chris Park, Natalie Fletcher and Alice Ridley. Members commended the high standard of work and absence for requirement of adjustments.

The Committee:

Approved the Annual Report and Accounts 2015/16.

HH and HN left the meeting

7. Finance Governance

7.1 Review of Losses and Special Payments

TP noted that there were no losses or special payments to report.

7.2 Update and assurance on key financial policies

TP noted that this was a standing agenda item but had been covered in discussion of earlier agenda items.

The Committee:

Noted the updates.

8. Corporate Governance

8.1 Update and assurance

RP reported on the CCG's end of year assurance meeting with NHS England on 4 May noting that, in light of the detailed financial discussions that had preceded this, the discussion had focused on building on positive developments in 2015/16. The challenges relating to the continued Constitutional performance issues had also been discussed with particular reference to A and E at York Teaching Hospital NHS Foundation Trust and its link to accessing sustainability and transformation funding; performance against dementia targets had also been raised as an area of concern. RP noted that a formal outcome from the meeting was expected in June.

In respect of A and E performance LS reported that 95% was the national target but York Teaching Hospital NHS Foundation Trust had reached an agreement of 91.48% by March 2017. She noted, however, that the CCG's contract with them included the expectation of achievement of 95% and that monitoring was against this figure. Although the Sustainability and Transformation funding was provided quarterly assessment was on a monthly basis.

LS advised that York Teaching Hospital NHS Foundation Trust had signaled the risk of failure against the performance targets in quarter one for A and E and 18 week referral to treatment. The cap on agency staff was having an impact. This risk was reported through the Quality and Finance Committee.

8.2 *Decision-Making Summary*

LS reported that the CCG was currently undertaking the annual review of governance and assurance. The summary of current arrangements was presented to provide an opportunity for members to contribute to the review.

Following discussion of a number of aspects of the report it was agreed that the CCG's decision making and reporting arrangements be considered at the Governing Body Workshop on 7 July.

8.3 *Audit Committee Effectiveness Assessment – Horizon Scanning*

LS referred to the report which was presented in response to discussion at the March meeting of the Committee advising that horizon scanning was currently produced fortnightly.

Members welcomed the information and agreed that it should be routinely circulated to Governing Body members.

The Committee:

1. Noted the update on the end of year review meeting with NHS England.
2. Agreed that decision making and reporting arrangements be considered by at the Governing Body Workshop on 7 July 2016.
3. Agreed that the horizon scanning information be routinely circulated to the Governing Body.

9. External Audit

This was covered at item 11.3.

12. Minutes from other meetings

12.1 Quality and Finance Committee

12.2 Information Governance Steering Group

12.3 North Yorkshire Audit Services Alliance Board

The Committee:

1. Received the minutes of the Quality and Finance Committee of 18 February and 17 March 2016.
2. Received the minutes of the Information Governance Steering Group of 25 February 2016.
3. Received the minutes of the North Yorkshire Audit Services Alliance Board of 8 December 2016.

12. Key Messages to the Governing Body

- Ongoing concerns about the Partnership Commissioning Unit
- Need for greater clarity in scoping of audits
- Concerns about the City of York Council Better Care Fund
- The financial statements provided a true and fair view of the CCG's financial position
- The adverse conclusion on the CCG's arrangements for securing economy, efficiency and effectiveness in the use of resources
- Appreciation for the work on the 2015/16 Annual Accounts and Annual Report
- Appreciation to External and Internal Audit for their work in 2015/16

The Committee:

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

13. Next meeting

Wednesday 6 July 2016 - 9am to 12 noon

NHS VALE OF YORK CLINICAL COMMISSIONING GROUP AUDIT COMMITTEE

SCHEDULE OF MATTERS ARISING/DECISIONS TAKEN: 24 MAY 2016 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)
28 April 2016	Matters Arising: Note business of other committees, review inter-relationships – Partnership Commissioning Unit audit	<ul style="list-style-type: none"> Richard Mellor and Victoria Pilkington be asked to attend the May meeting in respect of the Limited Assurance audit of the Partnership Commissioning Unit. 	TP	24 May 2016
24 May 2016		<ul style="list-style-type: none"> Richard Mellor and Victoria Pilkington to be asked to attend a Part II Governing Body meeting on 2 June 2016 	TP	24 May 2016
24 May 2016	Periodic Progress Report – 2015/16 Work Programme	<ul style="list-style-type: none"> Staff communications to be issued to ensure submission of correct travel claims in 2016/17 	MA-M	
24 May 2016	Audit Recommendations Status Report	<ul style="list-style-type: none"> Quality outcome framework for primary care services be presented to the Primary Care Commissioning Committee 	Michelle Carrington	12 July 2016

Meeting Date	Item	Action Required/Decisions Taken	Responsible Officer/Body	Action Completed/ Due to be Completed by (as applicable)
24 May 2016	Internal Audit Charter and Working Together Protocol	<ul style="list-style-type: none"> Internal Audit Charter and Working Together Protocol to be an annual agenda item Information about it be included in a Staff Briefing 	TP/MS RP	
24 May 2016	Decision-Making Summary	<ul style="list-style-type: none"> Governing Body Workshop to focus on CCG decision making and reporting arrangements 	RP/LS	7 July 2016
24 May 2016	Audit Committee Effectiveness Assessment – Horizon Scanning	<ul style="list-style-type: none"> Horizon scanning to be routinely circulated to Governing Body members 	RP/LS	