



Minutes of the Audit Committee Meeting
Wednesday 3rd April 2019 at 9.00 am – 11.00 am
WLCCG Headquarters, Woodgate, Loughborough, Leicestershire LE11 2TZ

Present:

Mr Steve Churton Lay Member (Chair)

In Attendance:

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| Mr Ket Chudasama | Director of Performance and Corporate Affairs |
| Mr Matt Curtis | Counter Fraud Specialist |
| Mr Stuart Fletcher | Head of Corporate Governance |
| Mrs Jenny Robinson | Client Manager, 360 Assurance |
| Mr Tony Simpson | Head of Financial Accounting |
| Mrs Michele Morton | Senior Committee Clerk (minutes) |

Action

AC/19/018 Apologies for Absence

The Chairman welcomed all to the meeting and apologised that the meeting had been rearranged several times. He added that the meeting was not quorate and any issues requiring approval would be carried out virtually after the meeting. Apologies for absence were received from Mr John Gregory, Mr Paul Harvey, Mrs Carole Ribbins, Mrs Wendy Kerr, Ms Gillian Adams, Mrs Glenys Onley and Mr Spencer Gay.

AC/19/019 Declarations of Interest on Agenda Topics

The Chairman requested that members declare any potential conflict of interest during the meeting.

AC/19/020 Minutes of the Meeting held on 22nd January 2019

The minutes of the meeting held on 22nd January 2019 were agreed as a correct record, with the exception of:

- Mr Matthew Curtis was present.
- AC/19/012 – Internal Audit Progress Report – page 6, 5th paragraph, should read **Conflicts of Interest** – had 1 medium risk that was outstanding from the 2017/18 follow up in relation to completion of GP Practices Register of Interests. This would be carried forward within the 2018/19 report.

ACTION

- The Audit Committee **APPROVED** the minutes of 22nd January meeting subject to further virtual approval for the purposes of quoracy

AC/19/021 Matters Arising Audit Committee Action Log

The updated action log was received and updated.

ACTION

- The Audit Committee **RECEIVED** the action log.

AC/19/022 Internal Audit Progress Report

Mrs Robinson presented paper C that identified progress made in relation to the completion of the CCG's 2018/19 Internal Audit Plan. The progress report covered the work undertaken since the last report to the Audit Committee meeting on 22 January 2019.

In respect of the 2018/19 Internal Audit Plan, two reports had been issued since the last meeting:

- Budget Monitoring & Key Financial Systems – Significant Assurance
- Primary Care Delegated Function – Mandated NHSE Review – Substantial Assurance

Mrs Robinson clarified that the substantial assurance opinion for the Primary Care Delegated Function review is NHSE opinion wording

Mrs Robinson confirmed that information had now been received in relation to the People Management (Recruitment) review and that this audit was now being progressed.

Two follow-ups had been completed since the last Committee meeting.

- Conflicts of Interest Review – recommendations were now complete.
- Budgetary Control and Key Financial Systems (undertaken as part of the 2018/19 review) – one recommendation remained outstanding that related to the approval of the budget manual. Mr Simpson added that updating the budget manual was a long process but that it was a priority.

In total, 45 actions had been followed up in 2018/19 of which 38 (84%) had been implemented. There were no high risk actions outstanding in the current reporting period.

Mrs Robinson briefed the Audit Committee on progress with the 2018/19 internal audit plan delivery. In respect of the joint LLR TASL review she reported that since the update to the last Audit Committee a meeting had been held with Ms Hooton, Director of Urgent and Emergency Care and further evidence had been obtained. She would be meeting again with Ms Hooton and Mrs Trevithick on 12th April prior to submission of the final draft report to the LLR JSMT for consideration of the recommendations and approval of the report.

Ongoing was the Procurement and Mobilisation Joint LLR CCGs review looking at wheelchairs and orthotics. Practice Performance Resilience and People Management Reviews were also currently ongoing.

Following planning discussions for the 2019/20 Internal Audit Plan with the Executive and Lay Members of the Audit Committee at the end of the last meeting, a draft plan resulting from those discussions had been considered by the Corporate Management Team and was presented, as a separate paper to the meeting, for approval, which was later on the agenda

ACTION

- The Audit Committee **RECEIVED** the Internal Audit Plan

AC/19/023 Draft Head of Internal Audit Opinion Report

Mrs Robinson presented paper D and reported that, a draft Head of Internal Audit

Opinion report was provided to WLCCG in advance of the final Head of Internal Audit Opinion and Annual Report in May 2019. It contained details of an indicative opinion and a summary of the delivery of the internal audits for the 2018/19 financial year to date.

Audit Committee members noted that commentary and opinions contained within the draft report were as at 14th March 2019 and were reflective only of work completed to that date. The draft HOIAO would be updated again on 18th April 2019. The opinion was based on:

- The design and operation of the BAF and strategic risk management arrangements.
- The outcome of individual assignments reported within 2018/19 Internal Audit Plan.
- The extent to which the CCG had responded to audit recommendations.

Mrs Robinson referred members to the definitions of assurance levels where the 'Internal Audit Plan Outturn' had been given moderate assurance. She confirmed to Mr Churton that if the RAG rate for this element remained at moderate it was anticipated that the overall assurance opinion would remain as significant (acknowledging that 4 audits were still at draft stage or ongoing). However it would be important to ensure that the completion of follow-up actions did not drop from 92% (significant assurance) to below 75% (moderate assurance) as this could also impact on the overall assurance should this occur. Mr Chudasama asked Mrs Robinson to let Mr Fletcher know if there was any risk in relation to the follow-up actions that might affect the final rating.

JR

A draft opinion of significant assurance was currently being provided. It was felt there was a generally sound framework of governance, risk management and control designed to meet the objectives of the organisation, and that controls were generally being applied consistently.

ACTION

- The Audit Committee **RECEIVED** the Draft Head of Internal Audit Opinion Report

AC/19/024 19/20 Internal Audit and Counter Fraud Plan

Mrs Robinson presented the first part of paper E and reported that the draft Internal Audit Plan had been developed to meet WLCCG assurance requirements. It reflected the CCG objectives and priorities, provided assurance and was fully compliant with Public Sector Internal Audit Standards and provided for an annual head of internal audit opinion. Audit Committee members noted:

- The plan did not address all key risks identified across the audit universe as part of the risk assessment process, Mr Churton sought clarification on the areas where no reviews had been highlighted, specifically performance & information, quality and people management and Mrs Robinson referred him to Appendix B, the three year strategic audit plan 2019/20 where all these areas were included on a cyclical basis.
- Based on previous Audit Committee discussions Internal Audit was asked to ensure the plan met efficiency savings targets for the CCG; this was identified as a 20% reduction over two years to the number of plan days. The first year of savings included a reduction of 17%, 20 days compared to the 2018/19 plan. Mrs Robinson confirmed that this plan was the same plan which had already been presented to and approved at both LCCCG and ELRCCG Audit Committees, and which included the joint QIPP audit, as requested by WLCCG. Discussions had also taken place on the possibility of an infrastructure audit on the STP.

Mr Churton asked for clarification under .11 of the strategic audit plan, 'management', and Mrs Robinson replied this was 360 Assurances Management Time for the management of the contract, attendance at meetings, production of annual plan etc. It was also highlighted that the contingency allocation was added, an Internal Audit Standards requirement, which was to accommodate any additional work necessary during the year.

Counter Fraud

Mr Curtis presented the draft Counter Fraud plan that had been developed through consideration of the CCG's local fraud, bribery and corruption risks.

- The terms of section 24.2 of the NHS contract required the CCG to comply with NHS Counter Fraud Authority (NHSCFA) standards on countering fraud, bribery and corruption. The NHSCFA had now published standards for 2019/20 and the work plan and risk assessment was aligned to those. Assessment of the CCG's fraud, bribery and corruption risks was an evolving process and the risks would be reviewed regularly to inform planned counter fraud work that would be undertaken during 2019/20.
- The plan had been drafted on the basis of the resource available for counter fraud as advised during discussions following the January 2019 Audit Committee meeting. Counter Fraud were asked to ensure the plan met efficiency savings targets for the CCG (the same for all three CCGs); this was identified as being 20% over two years. The plan covered the first year of those savings and included an 11%, or 3 day, reduction from 2018/19 resourcing (28 days down to 25 days). It is anticipated that, so long as the envisaged closer working between LLR CCGs occurs, a further saving of 3 days will be proposed in next year's 2020/21 plan.

Mrs Robinson reported that the day rate for 2019/20 would be subject to discussion and approval at their Management Board which the CCG was part of. Mr Gay received agenda and papers for the meeting and was invited on each occasion.

Further key points of note:

- Work was planned with LHS around cyber-crime and the development of a more coherent message.
- A review of compliance with procurement was also mandated for the current year. That would start in May based on guidance from NHSCFA.

Mr Curtis confirmed to Mr Churton that risk based work was based upon the higher scores within the risk assessment. He explained that core activities were those carried out in most organisations and largely led by NHSCFA Standards. Risk scores do take into account what is in place at WLCCG but are similar across all CCGs due to them being similar. The plan was a common one across all three LLR CCGs. Mr Fletcher asked if a risk assessment would take place against the risks pertaining specifically to WLCCG. Mr Curtis replied that NHSCFA dealing with has made changes to Standard 1.4, and he would be liaising with Mr Fletcher and his colleagues in the other LLR CCGs shortly to discuss what action are required in relation to how risk is dealt with.

In response to a question from Mr Churton about the planned work in relation to non-part 8 activity, Mr Curtis gave an example of non drug tariff drugs or preparations being dispensed when cheaper alternatives are available. Pharmacists might order a special preparation for patients which might not be the most efficient use of NHS resources.

- **ACTION** the Audit Committee **APPROVED** the 2019/20 Internal Audit and Counter Fraud Plan, subject to further virtual approval due to quoracy issues.

AC/19/025 External Audit Plan

Paper F was received that provided the Audit Committee with a report on progress in delivering responsibilities as external auditors. The paper also included:

- A summary of emerging national issues and developments that might be relevant to WLCCG.
- A number of challenge questions in respect of those emerging issues which the Audit Committee might wish to consider (to use as a tool if helpful, rather than formal questions requiring responses for audit purposes).

Members of the Audit Committee would be able to find further useful material on the auditors website at a section dedicated to their work in the public sector.

Mr Simpson referred to page 4 of the report that listed work carried out as interim which concluded that there were no findings. Also page 5 detailed the deliverables where there were no findings. He added the finance team had provided the auditors with all of the information requested.

Mr Simpson confirmed to Mr Chudasama that there was sufficient capacity within the finance team to meet the audit requirements.

ACTION

- The Audit Committee **RECEIVED** the External Audit Plan

AC/19/026 Informing the Audit Risk Assessment

Paper G was received, a report that contributed towards the effective two-way communication between auditors and the CCG's Audit Committee, as 'those charged with governance'. The report covered some important areas of the auditor risk assessment where the auditors were required to make inquiries of the Audit Committee under auditing standards.

Mr Simpson confirmed to Mr Chudasama that some of the responses had been provided from the finance department and that the risk assessment was more of a confirmatory process.

ACTION

- The Audit Committee **RECEIVED** the Audit Risk Assessment

AC/19/027 Losses and Special Payments 2018/19

Mr Simpson reported that there were currently no losses and special payments. However he highlighted a possible loss of £2,535 which was money owed from a care home. Mr Simpson was working with the MLCSU in pursuing the payment but if the money was not recovered he said it might be necessary to add a bad debt reserve into the final accounts.

ACTION

- The Audit Committee **NOTED** the above

AC/19/028 Off-Payroll Remuneration

Mr Simpson presented paper H that documented off-payroll engagements (agency staff, consultancy etc) entered into by the CCG which were subject to both internal and external authorisation before the related expenditure was incurred.

Mr Simpson reported very little change from the last report (January 2019). No new people had commenced and two people had finished up to the end of March 2019.

Mr Chudasama said discussions had been held at CMT on two interims where one position was expected to transfer to the Local Authority and one position might be extended for a further two months whilst the single accountable officer process was undertaken.

Mr Chudasama acknowledged to Mr Churton that the interim director of urgent care was costly; however, specific funding had been received for that post which had been extended until the end of May 2019.

ACTION

- The Audit Committee **RECEIVED** the report and had no further recommendations for change at the current time

AC/19/029 Detailed Financial Policy (DFP) Waivers and Single Tender Actions – Deloitte Phase 1 and Phase 2

Mr Chudasama presented paper I that provided the Audit Committee with details of the DFP waivers of standing orders in relation to the procurement of goods or services as at 26th March 2019. There were two new entries on the register, which both related to support being provided by Deloitte LLP to the Planned Care Programme. Key points were outlined below:

- Deloitte LLP was contracted by NHS England to support the LLR CCG QIPP programme between May to October 2019. WLCCG were the CCGs main contact with Deloitte.
- The Planned Care Team required further support for maximising delivery of the 2018/19 QIPP and planning for 2019/20 QIPP. Due to insufficient capacity and capability within the existing team the Deloitte Phase 1 was proposed for the period of October 2018 to January 2019.
- Following completion of Phase 1, the capacity and capability gaps within the team still remained, and with need to accelerate implementation in order to meet the 2019/20 QIPP delivery a further Phase 2 (Jan – Mar), using further transformational monies was proposed and put in place to maintain continuity and delivery.
- Deloitte LLP confirmed that they could not contract via the Crown Commercial framework for those two phases as they had either elapsed or were in progress, therefore two waivers were the only option available at that stage.

Mr Chudasama reported as a consequence of the above, negotiations had reduced activity in the main acute contracts by £5 million in 2019/20 and delivered £2 million QIPP in 2018/19. He added there had been some learning from the exercise, one of which was not to make inappropriate assumptions that work would continue on the back of original agreements and to also make appropriate use of the Crown Commercial Framework in the future.

For the purpose of transparency Mr Simpson agreed to add the consultancy details to the off-payroll remuneration list and to state that funding had been received from NHS England.

TS

ACTION

- The Audit Committee **RECEIVED** the contents of the report detailing the DFP waivers recorded as at 26th March 2019

AC/19/030 Update on Transfer of Clinical Equipment

Mr Simpson informed the Audit Committee that he had approached the Head of Finance at NHS England on the 5th March 2019 for a progress report on the transfer of clinical equipment from the CCG to UHL. He was advised to arrange a mandated transfer to enable the equipment to be transferred. Mr Simpson prepared a brief on how the situation had originally arisen and briefings from WLCCG and ELRCCG were submitted to NHS England on the 14th March 2019. A response had been received from NHS England to indicate that it would not be possible for the transfer to go through for the year end 2018/19. As a consequence invoices would continue to be raised to charge for depreciation of the equipment.

Mr Churton advised Mr Simpson to continue to pursue a resolution and to express the disappointment of the Audit Committee to the new joint Chief Finance Officer of NHS England and NHS Improvement.

TS

ACTION

- The Audit Committee **RECEIVED** an update on the Transfer of Clinical Equipment and agreed to continue to receive further updates

AC/19/031 Year-end Accounts Progress

Mr Simpson reported that various parts of the ledger had been closed as at 31st March 2019 and a bank balance target of 1.25% of the draw down had been achieved for the end of March. Better Payment Practice figures were expected shortly. He added that a template had been established for joint work between WLCCG and the CSU and all relevant committee dates had been put in place in readiness for approval of the year-end accounts. Minor problems had been experienced with the pension disclosure figures, however a revised set had been resubmitted and letter on pension disclosures would shortly be sent out to senior managers.

ACTION

- The Audit Committee **NOTED** the above update on the Year-end Accounts Progress

AC/19/032 Accounting Policies

Mr Simpson presented paper J and explained that International Accounting Standard IAS1 (Presentation of Financial Statements) required that the accounting policies used by WLCCG in the preparation of its Annual Accounts be disclosed in the Notes to the Accounts. Further key points of note:

- The specific policies that must be included were specified in the Department of Health and Social Care Group Accounting Manual for 2018/19, published in December 2018, which also allowed for policies to be omitted from the notes if they were irrelevant or immaterial to both the current and previous accounting periods.
- In February 2019 NHS England provided all CCGs with a 'standard set' of policies that WLCCG was asked to use, subject to the issue of irrelevance or immateriality referred to above.
- Following those requirements and recommendations, therefore, attached at

Appendix 1 were the full accounting policies which, subject to audit approval, would be included in the CCG's statutory accounts for the financial year 2018/19.

Mr Simpson said close work continued with the other two CCGs to provide a standard and consistent approach.

ACTION

- The Audit Committee **APPROVED** the Accounting Policies subject to additional virtual approval for the purposes of quoracy

AC/19/033 Draft Annual Report 2018/19 – Update on Progress

Mr Chudasama presented paper K and outlined that CCGs were required to publish, as a single document an Annual Report and Accounts. The paper contained the content list for the 2018/19 Annual Report and Accounts in line with the national guidance and template. It also contained the draft timeline for the development, submission for approval and publication of the documents.

Mr Chudasama explained to Mr Churton that responsibility for the production of the annual report was between corporate governance and members of the ML CSU communications team. Mrs Warren from the communications team was co-ordinating the content which would be reviewed by CMT prior to publication on the 4th June 2019. The report would be approved by the Audit Committee at the 28th May meeting.

Committee attendance sheets for the year (part of an appendix) would be circulated to Board members for agreement prior to final submission.

MM

ACTION

- The Audit Committee **RECEIVED** and update on progress with the draft Annual Report schedule and content outline

AC/19/034 Draft Annual Governance Statement (AGS) 2018/19

Mr Fletcher presented paper L and explained that the Government Financial Reporting Manual required CCGs to prepare an AGS as part of their Annual Report & Accounts, which was submitted in accordance with NHS England's direction and timetable. The report provided an update for the Audit Committee in preparing the Annual AGS for 2018/19, which built on the 2017/18 version.

Mr Fletcher reported that the draft AGS was attached at Appendix 1 and had been prepared using the approved NHS England's template. Some areas highlighted in yellow were yet to be completed. This was due to either not currently having the information required, or where further clarification was required.

Audit Committee members noted that Grant Thornton had provided a benchmarking report for all CCGs and Mrs Robinson added that 360 Assurance had also produced a similar report and that discussion on how the AGS could be strengthened was held at a recent lay member event. She agreed to share the discussion points with Mr Fletcher.

JR

Mr Churton made reference to PIC narrative (page 4) that stated the PIC would meet 4 times a year. As that might not be necessary Mr Fletcher agreed to ensure that was amended to 'as and when required' as part of the next review of the terms of reference.

SF

ACTION

- The Audit Committee **RECEIVED** the draft AGS, and acknowledged that final approval of the AGS as part of the Annual Report & Accounts would occur at the Extraordinary Board meeting on 28 May 2019.

AC/19/035 Quality and Performance Committee Risk Register

Item deferred until the May Audit Committee Meeting.

AC/19/036 Suspension of Standing Orders at the Governing Body (12.02.19)

Mr Churton presented paper N, the purpose of which was to ask the Audit Committee to review the reasonableness of the decision to suspend Standing Orders at the meetings of the Governing Body on 12 February 2019.

Mr Fletcher agreed to confirm whether there had been any further suspensions during 2018/19.

SF

ACTION

- The Audit Committee **NOTED** the reasonableness of the decision to suspend standing orders at the meetings of the Governing Body on the 12th February 2019.

AC/19/037 Information Governance (IG) Annual Report and DSPT Update

Mrs Rodman presented paper O that provided the Audit Committee with:

- the CCG's IG Annual Report for 2018/19
- an update regarding the CCG's position on the Data Security and Protection Toolkit (DSPT) for 2018/19.

Mrs Rodman briefed the Audit Committee on the key achievements during the year, the main areas covered in the IG annual report and in respect of the DSP toolkit she reported the CCG's assurance position was 100%, with 70 out of 70 mandatory requirements completed. This was different to previous functionality whereby for each requirement CCGs were expected to attain either level 0, 1, 2 or 3.

ACTION

- The Audit Committee **RECEIVED** the contents of the Information Governance Annual Report for 2018/19 and **RECEIVED** the submission of the DSPT, by the CSU's IG team, on the basis of the assurance provided within the report

AC/19/038 Audit Committee Work Plan 2019/20

Mr Fletcher presented paper P that set out a proposed annual Work Plan for the Audit Committee for 2019/20. He added that the plan observed good practice and was based on the NHS (HFMA) Audit Committee Handbook. The plan helped the committee to discharge its responsibilities and functions, which included oversight of the CCG's finance, internal control, risk management and clinical governance systems on which the Governing Body relied.

ACTION

- The Audit Committee **APPROVED** the Audit Committee Work Plan 2019/20, subject to further virtual approval for quoracy purposes

AC/19/039 Update on Model Constitution

Mrs Rodman presented paper Q and reported that in September 2018 NHS England published an updated, and fit for purpose, new model constitution for CCGs. This was considerably shorter than the original version published in 2012 and identified the minimum requirements to be published. The new model set out the rules and procedures that the CCG should use to ensure probity and accountability and that decisions were taken in an open and transparent way.

Mrs Rodman reported that adoption of the new model CCG Constitution was not mandated by NHSE, however its publication provided a good opportunity to thoroughly review existing constitutional arrangements and consider whether they remained fit for purpose. A review of the current version (5.8) of the CCG's Constitution against the new model had therefore been completed, and the details of that were outlined at Appendix 1.

An update on the constitutional review was presented to the CCG's Corporate Management Team on 21 January 2019, where it was resolved that an update on the proposals should also be presented to the Audit Committee. CMT felt the review would be a helpful start point for when collaborative arrangements were progressed and Mr Churton asked if the other two CCGs were at the same stage. Mr Fletcher replied the other two CCGs were currently not at the same point as WLCCG but they were aware of the review.

Mr Chudasama thanked Mrs Rodman for her work on the review of the Model Constitution and acknowledged that the document was likely to change further when new collaborative arrangements were introduced.

ACTION

- The Audit Committee **RECEIVED** the update on the work undertaken following the publication of the new model constitution for CCGs

AC/19/040 Board Assurance Framework (BAF)

Mr Chudasama presented paper R, that aimed to identify the strategic risks to the delivery of the CCG's objectives. It set out the actions that were in place to manage the risks and the arrangements to monitor whether they were having the desired impact. He added that the BAF was presented to Board members in March 2019 and they were content with the status. The risk matrix would be reintroduced in future iterations and during the year a number of benchmarkings and comparisons would be added.

A brief discussion was held on the level of risk appetite that should be included and Mrs Robinson said more and more organisations were moving away from generic risk appetite submissions and moving towards scrutiny of individual risks.

Mr Chudasama informed the Audit Committee that work continued towards a more standardised approach across the three CCGs which included a short list of the main red risks in order to maintain a sharp focus on key areas.

Mr Churton asked how work was progressing to consolidate the three BAFs and Mr Fletcher replied that there was an objective towards consistency in reporting, managing risks and how boards used and owned the assurance framework. Best presentational practice, closer collaboration and strategic intent for boards were under exploration as opposed to having the same risks.

Mr Chudasama added that CCGs would retain their own individual risks and WLCCG

would not wish to lose the positive narrative of its BAF. Mrs Robinson said it was likely that processes would be more aligned throughout the coming year.

ACTION

- The Audit Committee **RECEIVED** the Board Assurance Framework as at the end of Q3 2018/19

AC/19/041 Items received for Information

The following audit reports were received for information:

- Primary Medical Care Commissioning and Contracting – Mandated Review of Governance Arrangements (report reference 1819/WLCCG/15)
- Budget Monitoring & Key Financial Systems (report reference 1819/WLCCG/16)

Follow-Up Reports (section 3.4 of IA progress report):

- Conflicts of Interest (2018/19 Review) Follow-Up (report reference 1819/WLCCG/14)
- Client Briefing March 2019 (section 4 of IA progress report)

ACTION

- The Audit Committee **RECEIVED** the above reports for information

AC/19/042 Any Other Business

There was no other business.

AC/19/043 Reflection of the Meeting and Items to Escalate to the Board

The Audit Committee members shared a brief positive reflective period before the closure of the meeting.

AC/19/044 Date and Time of Next Meeting

The next meeting of the West Leicestershire Clinical Commissioning Group Audit Committee would be held on Tuesday 28th May 2019, 13.30 – 15.00, Boardroom 1, at WLCCG Headquarters, Woodgate, Loughborough, Leicestershire LE11 2TZ.