

Audit Committee
Friday 23rd September 2016
Cedar Room, Cedar Court

Minutes

Committee members present:

Peter Collis, Lay Member for Governance (Chair)
Jonathan Perkins, Lay Member for Governance
Dr Andrew Sharpe, Governing Body GP

Others in attendance:

Debbie Stubberfield, Registered Nurse on the Governing Body
Ralph McCormack, Interim Chief Officer
Matthew Knight, Chief Finance Officer
Jo Silcock, Corporate Governance Interim
Clarence Mpofu, TIAA (Internal Audit)
Grant Bezuidenhout, TIAA (Counter Fraud)
Sarah Ironmonger, Grant Thornton (External Audit)
Christian Heeger, Grant Thornton (External Audit)

Chair: Peter Collis, Lay Member for Governance

Minute taker: Jo Silcock

Meeting started: 12:30pm

Meeting finished: 3:00pm

1. Welcome and introductions

Peter Collis welcomed everyone to the meeting.

AC230916/001

2. Apologies for absence

Justin Dix

AC230916/002

3. Quorum

The meeting was quorate.

AC230916/003

4. Attendees Interests relevant to the meeting

Dr Andrew Sharpe declared that BDO were the accountants for both his practice and himself. AC230916/004

Peter Collis declared that he was a non-exec director GLE and BDO are their auditors. AC230916/005

Sarah Ironmonger & Christian Heeger declared that they worked for Grant Thornton who were one of the bidders for the External Auditor Procurement. AC230916/006

The meeting noted the interests and advised that both Grant Thornton and TIAA employees should leave the meeting for the External Audit procurement item. AC230916/007

5. Minutes of the last meeting, held on 29th July 2016

The minutes were approved as an accurate record of the meeting. AC230916/008

6. Matters arising and action log amendments

Date	Para ID	Description	Action	Status
Feb-16	AC260216/94	Refresh list of policies and discuss with EMT	Completed	Closed
Feb-16	AC260216/43	Local trust VFM reports were available and it was agreed Justin Dix would circulate these with the minutes.	In hand	Closed
Apr-16	EX260416/13	Inaccuracies in the CCG's Information Governance leaflets and the need for amendments	Completed	Closed
Apr-16	AC260416/007	Maintain a log of issues to be considered during Autumn review of Terms of Reference	In hand	Closed
Apr-16	AC260416/025	EC to prepare a paper with proposals for change in September as part of the wider Adult Safeguarding update. CM to include this in routine audit reports.	Management change in hand	Closed
Apr-16	AC260416/064	Include the value of the Clinical Commissioners event in July in the Hospitality and Gifts register	Completed	Closed
Jul-16	AC220716/12	Review Corporate Governance Capacity	Being addressed as part of CCG Integration Planning	Closed
Jul-16	AC220716/12	TIAA to demonstrate online monitoring tool for IA recommendations	Completed	Closed

7. Update on Collaborative Arrangements

Mental Health and Learning Disability – Staff Consultation has started for the new Surrey Heartlands hosting of Mental Health and Learning Disability Commissioning. The commissioning arrangement has been extended to include East Surrey CCG. Detailed work was on-going with the contractual arrangements for the closer involvement of Surrey Downs CCG in the commissioning of these services. AC230916/009

Sustainability and Transformation Plan (STP) – Senior management are exploring further the integration of functions to increase senior and corporate capacity. The Governing Body has indicated a willingness to continue with this exploration. The next steps will be considered by the Governing Body on 30th September. Ralph McCormack explained the planning was designed to retain local sensitivity by having 3 Governing Bodies but supported by a single more efficient management. Further work is required on the practicalities of operating the committee structure

AC230916/010

The STP will become public on 21st October. Andrew Sharpe asked when the recommendations will be implemented. Ralph McCormack stressed that the Planning Guidance published focused on the STP with its system oversight on a Single Control Total, operating on a shadow basis from 1st April 2017. Since this needs to start rapidly it will be necessary for some functions to change from 1st January 2017.

AC230916/011

The meeting agreed this standing agenda item could be closed and follow up will focus on the implementation of the STP with regular reports.

AC230916/012

8. Internal Audit Reports

Clarence Mpofu presented a series of Internal Audit Reports:

AC230916/013

- **IG Toolkit** - The Committee noted the Reasonable Assurance. The further audit will take a two-phased approach with an initial audit in the Autumn and more comprehensive review in March 2017.
- **Complaints & Freedom of Information (FOI) Requests** – The audit has shown that there is a problem in recording the necessary detail of activity. It is anticipated that the move of recording to Datix should help. The audit raised concerns as to whether there was sufficient capacity for the CCG to keep to the required time targets. Ralph McCormack responded that recent performance shows this problem has been remedied with performance showing both the 3 and 20 days targets generally being met. Ralph McCormack explained that there is a problem when an FOI request was sent to a staff member's address rather than the corporate email address. This problem has been highlighted at a staff briefing.

AC230916/014

Jonathan Perkins asked what is the volume of FOI requests. Ralph McCormack responded that Surrey Downs CCG received about 200 annually.

AC230916/015

Debbie Stubberfield asked whether this function could be done across the Surrey Heartlands area. Ralph McCormack responded that organisations are already working together to handle the same request sent to multiple organisations.

AC230916/016

Matthew Knight asked whether the CCG could apply the eligibility criteria for responding to FOI requests more strictly. Clarence Mpofu advised that it was beneficial for the CCGs to work together as Guildford and Waverley had a more effective system for challenging inappropriate FOIs which could be of benefit in Surrey Downs CCG. There is an issue in that, comparatively speaking, Surrey Downs CCG tends to be more transparent when responding to an FOI request with the result of having to prepare responses to all questions.

AC230916/017

- **NHSE Internal Audit Guidance** – NHSE had published their guidance for Internal Audit. This mandated review will be converted in to an Audit Plan

AC230916/018

Action: Matthew Knight, Justin Dix & Clarence Mpofo

9. Outstanding Internal Actions

Clarence Mpofo advised that four Internal Audit recommendations were still outstanding:

AC230916/019

- Working with the Pharmaceutical Industry** – This is part of the updating of the Conflict of Interest Policy and is not due until 31/12/16
- COI Training – This part of the roll out of the recent COI guidance and implementation is dependent on the provision of the training tool by NHS England. The meeting advised that this recommendation should be closed.
- Interim Contractors Compliance - NHSE has produced new guidance. Matthew Knight reported that the CCG management has updated the Internal Policy & associated processes. The first two 2 business cases for senior interims have been submitted to NHS England for approval. Approval has been received from HMRC for GP Practices to invoice for the supply of GPs for CCG business.
- Safeguarding Policy – The meeting agreed that the oversight for the delivery of this recommendation should be undertaken by the Quality Committee.

AC230916/020

AC230916/021

AC230916/022

Action: Debbie Stubberfield

10. External Auditors Update

Christian Heeger explained this was a quiet time of year for External Auditors. The focus was on planning the work for the 2016-17 accounts with Matthew Knight.

AC230916/023

Christian Heeger drew member's attention to a Grant Thornton Report giving an overview of emerging cross-industry issues that have come to their attention.

AC230916/024

12. External Auditors Procurement

Grant Thornton and TIAA employees left the room

AC230916/025

Matthew Knight reported that a Committee in Common (CIC) had been established and agreed by the four participating Governing Bodies. At the first meeting, all the members wished to review the bids for shortlisting. Elaine Newton had informed the Convenor that this undermined the governance arrangement of separating the "Evaluation / Decision" for the procurement. The members of the CIC agreed to change the collaborative arrangement to an "Auditor Panel" under the same regulations for establishing the CIC. The Auditor Panel would make a "Recommendation" to the Governing Bodies rather than taking the decision for them.

AC230916/026

A desktop assessment completed the previous day had produced a shortlist of 3 organisations. The next stage is to meet each of the shortlisted organisations on 28th September. AC230916/027

Peter Collis commented that the governance process had been a bit convoluted but a sensible outcome had been achieved for the shortlisting. AC230916/028

Grant Thornton & TIAA employees returned to the room AC230916/029

13. Risk Management Update

Matthew Knight and Jo Silcock presented the SD CCG Risk Register. Jo Silcock highlighted that work to transfer the risk Register from a series of different Excel sheets to Datix was progressing well. All the current risks have been transferred and staff are being trained on how to update the management of their risks. The report presented to the committee was directly from Datix. AC230916/030

Peter Collis welcomed the progress in transferring the risk registers to Datix. AC230916/031

The Committee requested the following amendments: AC230916/032

- Where an Action is given to close a gap, it should have a date for expected completion. AC230916/033

- Risk 1 (49) The risk needs to be re-worded. If a department has “insufficient staff” then this is an “issue” and not a “risk”. It may be that the risk is the inability to recruit suitable staff. AC230916/034

- Risk SDRR09 (48) The risk needs re- wording. SECamb is not delivering acceptable performance as set by the national targets. The risk has occurred and therefore needs to be managed as an “issue”. There is a risk of a contractor failing to meet national standards / targets and a need for a control as to how this is mitigated. AC230916/035

- The current description of risks is variable and as Datix is fully rolled out, there should be a greater degree of consistency with the risk describing “What may happen” and “What the impact would be”. AC230916/036

The risk registers presented contain all the recorded CCG risks. Many risks are well controlled at an operational level. There is no need to regularly bring these to the attention of the Governing Body or Audit Committee. Only risks of significant current threat should routinely be reported to the Audit Committee. The Audit Committee may choose to inspect the full risk registers at any time. AC230916/037

14. Debts

Matthew Knight reported that there were no new debt write-offs. AC230916/038

15. Fraud

Grant Bezuidenhout presented the TIAA Fraud report AC230916/039

Dr Andrew Sharpe asked about the nationally reported rise in Ransomware Fraud. There was a fear that some of the natural staff reactions such as turning the computer off may cause the problem to be much greater. Grant Bezuidenhout commented that this had not been seen locally but there were cases of “Whaling” Attacks. AC230916/040

Clarence Mpfu acknowledged this type of attack had occurred elsewhere and would supply a briefing that can be used for staff. Clarence would also arrange a presentation for the Audit Committee by their cyber security expert.

AC230916/041

Action – Clarence Mpfu

Dr Andrew Sharpe asked if it was possible to stress test the CCG IT system, in light of the IT threats highlighted by the TIAA report. Jonathan Perkins informed the meeting that Princess Alice Hospice had commissioned an independent stress test and will share contact information. It was agreed this would be done for the CCG within the next six months.

AC230916/042

Action: Matthew Knight

16. Conflicts of Interest

Matthew Knight asked Jo Silcock to present the Conflict of Interest Update. The meeting:

AC230916/043

- Acknowledged the intention to produce a common Conflict of Interest Policy for the three Surrey Heartlands CCGs. AC230916/044
- Approved the immediate use of the revised Conflict of Interest and Gifts & Hospitality declaration forms AC230916/045
- Advised that the declared interests of staff at band 7 or lower should be collected but not published. AC230916/046
- Advised amending the proposal for deciding when an “activity” should be defined as CCG business. *“Any commissioning activity administered by CCG staff is considered to contain CCG business and all participants required to register their interests.”* AC230916/047
- Advised accepting the proposal for deciding when a “declined” gift should be declared. As when either national guidance or “practice and custom” becomes available, then this decision will be reviewed. AC230916/048
- Confirmed that the Surrey Downs CCG Audit Chair would be the “Guardian for the Conflict of Interest”. AC230916/049

17. Hospitality and Gifts

Jo Silcock reported that there had been no new items added to the Gifts and Hospitality Register.

AC230916/050

18. Update on 2017-18 Planning Process

Matthew Knight presented paper summarising the recently published national planning guidance. He highlighted that Surrey Downs belonged to Cohort 1 (CCGs with Planned Financial Balance. The Planning Guidance mandated the STPs to have responsibility for a “Single Control Total”.

AC230916/051

The meeting:

AC230916/052

- Acknowledged the direction of travel to use the STPs as the main source of local planning
- Recognised the complexity on deficit recovery and that the CCG was likely to experience more pressure to repay the £37m accumulated deficit to release savings in other parts of the country. AC230916/053

- Commented that significant additional risk was being added by having a Single Control Total that would then be divided into participating organisations without major additional investment money.

Matthew Knight reported that the participating organisations Finance directors had agreed a set of principles on managing a Single Control Total within the STP. This was welcomed by the meeting.

AC230916/054

19. STP Governance

Ralph McCormack reported that the STP Committees in Common and the STP Transformation Board had been established. The participating organisations were all committed to working together.

AC230916/055

Jonathan Perkins commented that the recording of the set up meetings had been informal and that future decisions should be formally minuted. Ralph McCormack agreed that the reporting arrangements needed to be formalised and that reporting to participating Governing Bodies or Boards would be standard.

AC230916/056

Jonathan Perkins expressed concern at the lack of representatives from some participating organisations at the planning and design groups for the STP. The meeting confirmed the need for full representation at these meetings. Sarah Ironmonger commented that “Our SEL” had developed an online communication system that helped to engage and inform participating organisations and interested parties.

AC230916/057

20. Any other urgent business

Peter Collis thanked Christian Heeger for his service to the committee and welcomed Sarah Ironmonger in his place to future meetings.

AC230916/058

21. Items to highlight to the Governing Body

The Audit Committee would like to highlight to the Governing Body:

AC230916/059

- Received reasonable assurance of IG
- Received limited assurance on FOI
- EAP update
- Risk Register on Datix and the strengthened definition of risks
- Identification of a new Cyber security risk - Ransomware
- Implementation of COI guidance

22. Items Transferred to Quality Committee

Debbie Stubberfield agreed to take the following items to the Quality Committee:

AC230916/060

- Overseeing the completion of the Internal Auditor recommendation for Safeguarding
- Redefining the risk for SECamb not meeting the Cat A target

23. Date of next meeting

25th November at 9.30

AC230916/061