

<b>Title of paper:</b>	<b>Audit Committee Minutes 25<sup>th</sup> April 2014</b>
<b>Meeting:</b>	Governing Body, 13 <sup>th</sup> June 2014
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<b>Exec Lead:</b>	Karen Parsons, Chief Operating Officer

<b>Purpose</b>	To Agree	
	To Advise	
	To Note	

**Development**

These minutes are draft and were produced from the meeting on the 25<sup>th</sup> April 2014

**Executive Summary and Key Issues**

Key issues for the Governing Body to note are:

- The annual reporting process was noted and there was significant assurance from the internal auditors regarding the CCG's internal controls.
- It was however noted that there were issues regarding the CSU audit opinion, regarding a lack of visibility of key issue, and that these needed to be addressed in future.
- There was concern regarding the impact of CHC retrospective liabilities on the CCG's final accounts, but these were resolved for the purpose of the annual report.
- The committee made some minor changes to its terms of reference and these will be brought to the Governing Body for ratification along with other committee terms of reference in July.
- The Safeguarding audit was noted and this would be picked up in the quality committee.
- The need for the Executive to review the risk register prior to it coming to this committee was also noted.

<b>Recommendation(s):</b> These minutes are to NOTE
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Agenda item 13  
Attachment 08

**Attachments:** Audit Committee Minutes 25<sup>th</sup> April 2014

### **Implications for wider governance**

**Quality and patient safety:** A number of areas on the risk register and assurance framework relate to quality and safety.

**Patient and Public Engagement:** None specific

**Equality Duty:** This is a specific remit of this committee going forward

**Finance and resources:** The financial risks and risks from transition were noted by the committee

**Communications Plan:** These minutes are on the CCG web site

**Legal or compliance issues:** Specific issues relating to financial duties, Annual Governance Statement

**Risk and Assurance:** This committee oversees the system of internal controls and reviews the risk register and assurance framework at each meeting



# Surrey Downs Clinical Commissioning Group

## Meeting: Audit Committee

Date and time: 25<sup>th</sup> April

### Present

Peter Collis, Chair  
Gavin Cookman

### In attendance

Miles Freeman  
Justin Dix (Minutes)  
Clarence Mpofo, TIIA  
Jamie Bewick, Grant Thornton  
Miles Freeman  
Andrew Morley, Counter Fraud  
Matthew Knight  
Alison Pointu

#### 1. Apologies for absence

Dr Simon Williams; Giles Parrat (TIAA); Christian Heeger (Grant Thornton)

AUDIT250414/001

#### 2. Declaration of interests

There were no new declarations or interests relevant to the agenda.

AUDIT250414/002

#### 3. Quorum

The meeting was declared quorate.

#### 4. Minutes of the last meeting

These were confirmed as an accurate record other than to note that the figure for continuing health care mid-point estimates on page 3 was £17m not £27m.

AUDIT250414/003

#### 5. Matters arising and action logs

AUDIT100114/07CSU interims conflict of interest. This was still unresolved. Justin Dix to follow up with Alison McQuillan and Matthew Knight to take to weekly meeting with CSU.

AUDIT250414/004

**Action Justin Dix / Matthew Knight**

AUDIT100114/06 - Justin Dix confirmed there was a process in place for reviewing staff conflicts of interests, however the view of the committee was that the Executive should take stock of conflicts of interests routinely on a quarterly basis. This was particularly important due to developments in the primary care offer. Also to be a standing agenda item for this committee. AUDIT250414/005

**Action Justin Dix**

It was clarified that main GMS conflicts sat with NHS England. It was noted that the Referral Support System was one of the structures that the CCG had adopted to manage conflict of interest and avoid GP referrals into areas they had an interest in. However this was still a weak area following transition AUDIT250414/006

AUDIT100114/09 Conflicts relating to procurement – it was confirmed by Miles Freeman that this was now built into the process. Can now be closed. AUDIT250414/007

AUDIT100114/13 – Finance briefings. Can be closed subject to meeting dates being confirmed. AUDIT250414/008

AUDIT100114/15 – It was agreed that a separate finance committee was not recommended as existing briefing arrangements work and it was not felt useful to add another committee to an already busy structure. Can be closed. AUDIT250414/009

AUDIT100114/33 – Review of governing body effectiveness. It was noted that completion of this was dependent on the outcomes of the 360 degree survey. This would be taken forward at the Governing Body seminar on the 16<sup>th</sup> May. Can therefore now be closed. AUDIT250414/010

It was noted that the Audit Committee along with other principal committees also needed to review its own effectiveness. Gavin Cookman would circulate a template used at Diabetes UK for this purpose. Justin Dix would adapt the questions to suit the CCG's needs. AUDIT250414/011

**Action Gavin Cookman / Justin Dix**

It was agreed that there should also be a review of external resources to support the committee's development, including views from auditors and tools available to CCGs through national frameworks. Externally facilitated review of the Governing Body should be every 2-3 years and was not felt to be appropriate in year 1. AUDIT250414/012

It was noted that there was some benchmarking of good practice but that NHS England were also consulting on best practice for CCG Audit Committees. It was agreed to set aside some time at the next full meeting for this. AUDIT250414/013

AUDIT100114/40 Annual report - It was noted that the annual report was on the agenda for the council of members on the 16<sup>th</sup> May. Can be closed. AUDIT250414/014

AUDIT100114/50 Grant Thornton Letter. This did not seem to have been received – agreed to keep this action open until resolved. AUDIT250414/015

AUDIT100114/42 - Pharmaceutical Rebates – can be closed - no further legal advice being sought. AUDIT250414/016

AUDIT100114/52 Policy on working with the pharmaceutical industry – this is in development and scheduled for completion in June. AUDIT250414/017

AUDIT100114/71 Risk Training for senior managers – now scheduled for 12<sup>th</sup> June; Miles Freeman noted that this was an important area of training and should be considered mandatory for senior managers. Keep open for reporting back at a subsequent meeting. AUDIT250414/018

AUDIT100114/71 - Policies – it was noted that this was still not complete due to the fact that EqlAs had not been completed and not all policies were on the CCG web site. AUDIT250414/019

AUDIT100114/75 - IG – noted that the CCG had successfully submitted a level 2 toolkit submission. There were concerns about the process and the online training. The culture of the organisation was developing positively and people were reporting IG issues proactively. Agreed to investigate alternative training AUDIT250414/020

All other recommendations for closure were agreed. AUDIT250414/021

## 6. Terms of reference

These were discussed in detail. The following changes were requested: AUDIT250414/022

- 7.3.2 to be reworded to include some of the content of 4.1.3 AUDIT250414/023

- 8.2.4 should be strengthened with a section on the role of the audit committee chair. AUDIT250414/024

Above amendments to be made by Justin Dix and a revised draft brought to the next full meeting. AUDIT250414/025

### Action Justin Dix

## 7. Annual Report and accounts

A draft had been circulated for comments. There was a discussion about the need for delegation of approval of the annual report and accounts. This was complex and the arrangements for subsequent years would be different to this first year. Work was being done on delegation from the members but it was expected that the Audit Committee would be able to approve the accounts and annual report on the 4<sup>th</sup> June. Agreed that the process for this needed to be clarified outside the meeting. AUDIT250414/026

<p>The retrospective liabilities had not been included in the accounts because of the potential to impact on the year-end financial position. The aim was to get the liability included in the national risk sharing pool that was being established.</p>	AUDIT250414/027
<p>It was noted that the guidance had been late and conflicted with earlier guidance. The external audit view was that the CCG had acted reasonably in the way it had made provisions for this contingency.</p>	AUDIT250414/028
<p>Audit Committee members noted the unhelpful position and that this was not of the CCG's creating. The CCG was in continuing dialogue with the Area Team on this matter, as were external auditors. Across the country CCGs were all in very different positions and taking different approaches according to their individual levels of surplus.</p>	AUDIT250414/029
<p>It would probably be necessary to make a decision by the 4<sup>th</sup> June without any absolute clarity on this matter. The CCG's approach was not likely to be challenged and was not material in terms of the overall percentage of the accounts. The CCG would be seen to have acted reasonably.</p>	AUDIT250414/030
<p>Agreed that the members of the Audit Committee should be copied in on the letter to the Area Team covering the above and that the CCG should set out the steps it was proposing. The letter should clearly state that it was on behalf of the Audit Committee.</p>	AUDIT250414/031
<p>The rest of the process including the role of external audit was now agreed.</p>	AUDIT250414/032
<p>The audit committee thanked the officers for the work on the annual report and accounts to date.</p>	AUDIT250414/033
<p><b>8. Head of Internal Audit Opinion.</b></p>	
<p>Clarence Mpofo outlined the process leading up to this. The South CSU report was awaited but was not likely to change the position.</p>	AUDIT250414/034
<p>It was noted that limited assurance reports needed to be noted and there were two of these in the report one of which was Continuing Health Care. Clarence Mpofo would check whether this should be included in other CCG accounts.</p>	AUDIT250414/035
<p>It was noted that the Head of Internal Audit Opinion needed to be appended to the Annual Governance Statement rather than to the annual report.</p>	AUDIT250414/036
<p>Some concern was expressed on third party issues. There was a report on SBS controls which was positive and included payroll. CSU controls were more of an issue and reflected concerns that had emerged during the year, not just in Surrey Downs but across a number of CCGs. There was concern that the issues within the CSU, unlike other areas of internal audit, were not transparent to the CCG.</p>	AUDIT250414/037

<p>External auditors said that they had seen the CSU internal audit opinion and it was not a major issue in terms of their opinion, but the committee felt that this left the CCG with a level of exposure that it could not quantify. It was important to have a more thorough and controls based approach in year 2.</p>	AUDIT250414/038
<p>It was also agreed that this should be brought to the attention of the governing body and be noted in our accounts.</p>	AUDIT250414/039
<p>It was questioned whether the lack of contracts in place relating to some vulnerable individuals was a major quality issue but following further discussion it was felt it was not a significant control issue.</p>	AUDIT250414/040
<p><b>9. External audit year end process</b></p>	
<p>This was noted as having been covered under item 7 above..</p>	AUDIT250414/041
<p><b>10. External Audit Plan</b></p>	
<p>The plan was noted. The focus was on common CCG core risks and areas such as expenditure with acute trusts and agreement of balances.</p>	AUDIT250414/042
<p>It was noted that there were three separate opinions – accounts, value for money, and a regularity assertion.</p>	AUDIT250414/043
<p>Going concern was included in the annual report and linked in to Value for Money.</p>	AUDIT250414/044
<p>The audit fee for 2014/15 was noted by the committee and had reduced due to the removal of the first year premium. This was set nationally and not within the CCG's control.</p>	AUDIT250414/045
<p><b>11. Counter Fraud.</b></p>	
<p>The report was noted. A particular issue was hacking of NHS Mail mailboxes.</p>	AUDIT250414/046
<p>Purchase order numbers were being included in material on the CCG website and this had been removed.</p>	AUDIT250414/047
<p>A local patient had been cautioned for prescription fraud. It was asked that this be highlighted in anonymised form to show that the CCG was on top of fraud and had controls in place. Agreed that Andrew Morley should work with the CCG communications team on this and include other examples to highlight that this is not just an isolated case.</p>	AUDIT250414/048
	<p><b>Action Andrew Morley</b></p>
<p>Regarding investigations into a particular supplier - this was not proving practical to progress and a written statement would be provided to this effect.</p>	AUDIT250414/049
	<p><b>Action Andrew Morley</b></p>
<p>Local proactive review – it was suggested this should start with Continuing Health Care. This should be given adequate provision within the total number of days and shared with other CCGs.</p>	AUDIT250414/050

It was suggested that the lack of a reactive budget should be addressed only should individual cases arise and this was agreed.	AUDIT250414/051
The number of days was noted as adequate and affordable, and the counter fraud plan AGREED.	AUDIT250414/052
It was noted that the counter fraud service was outside of the current internal audit procurement. This procurement was discussed briefly and it was agreed that issues arising from the split between audit and counter fraud should be addressed outside the meeting.	AUDIT250414/053
<b>12. Internal Audit Progress Report</b>	
This was noted. Most of the issues in these reports had been covered elsewhere and in the Head of Internal Audit Opinion. It was noted that reports were shared across CCGs in the Surrey Collaborative. This included CHC and Safeguarding.	AUDIT250414/054
The committee agreed that it would like to review collaborative audits. There were some concerns expressed about disclosure and barring in relation to the audit on safeguarding children. This was going to the Quality Committee.	AUDIT250414/055
It was agreed this would be followed up with Guildford and Waverley CCG once their response was known.	AUDIT250414/056
<b>Action Eileen Clark / Karen Parsons / Justin Dix</b>	
It was agreed that Clarence Mpfu should create a list of all outstanding actions from audit reports so that the committee had an overview of these for the next full meeting.	AUDIT250414/057
<b>Action Clarence Mpfu</b>	
<b>13. Assurance Framework and Risk Register</b>	
These were noted.	AUDIT250414/058
The difference between the assurance framework and the risk register was discussed – Gavin Cookman expressed the view that there should be a single integrated approach but understood that this was part of the NHS approach and was difficult to depart from.	AUDIT250414/059
The committee commented that in future the risk register and assurance framework should only be received by the Audit Committee once it had been reviewed by the Executive Committee.	AUDIT250414/060
Clostridium difficile – there was a query as to whether this should this be on the risk register – agreed to remit for discussion at the quality committee.	AUDIT250414/061

**14. Audit Committee Chairs Briefing Note**

The “three lines of defence model” was discussed and it was agreed that this should be considered when the revised audit committee handbook comes out.

AUDIT250414/062

**15. Any other business**

Copies of “Fraud Focus” and “Staying in the Saddle” were circulated and noted.

AUDIT250414/063

**16. Matters to be drawn to the attention of the governing body**

The following items were highlighted:

AUDIT250414/064

Annual Report; CHC provision; changes to terms of reference; the significant assurance in the Head of Internal Audit Opinion but with concerns expressed about CSU assurance; Safeguarding audit outcomes; the Risk Register and Assurance framework.

**17. Future meetings**

4<sup>th</sup> June – accounts 1pm – 3pm

AUDIT250414/065

Other proposed meeting dates on the agenda were not possible for members. After considerable discussion it was agreed that the next Audit Committee would be held on the 27<sup>th</sup> June with future meetings held prior to Governing Body Seminars or main meetings.