

Meeting: Audit, Corporate Governance and Risk Committee
Date and time: 19th June 2013, 1.30pm
Present

Peter Collis (Chair)

Gavin Crookman

Dr Simon Williams

Apologies

 Giles Parratt, South
Coast Audit

Karen Parsons

In attendance

 Miles Freeman (Chief
Officer)

 Keith Edmunds (Interim
Chief Finance Officer)

 Clarence Mpofu (South
Coast Audit)

 Christian Heeger (Grant
Thornton)

 Jamie Bewick (Grant
Thornton)

Justin Dix (Minutes)

 1.30
PM

1) Welcome and introductions

Peter Collis welcomed everyone to the first meeting of the committee. Everyone present introduced themselves.

ACGR190613/001

Apologies for absence as above were noted.

 1.32
PM

2) Conflict of interests

There were no additional conflicts. However JD noted that he had been the responsible Director for Transition at Surrey PCT in relation to the item on legacy issues.

ACGR190613/002

 1.34
PM

3) Terms of reference and practical arrangements

These were attached, along with some proposed amendments. PC said these would probably require further review in six months' time. With regard to 2.2 (appointment of Chairman) it was suggested that it was made clear that the assessment of suitability was part of an appointment process.

ACGR190613/003

Action JD

5.5 changes to quoracy were agreed but might need revisiting in the autumn.

ACGR190613/004

GC asked about whether the Audit Committee's role extended to the localities and it was confirmed that it did. MF said that the Clinical Quality Committee had a significant role in relation to clinical risks but essentially the Audit Committee had a wide ranging role in relation to "The Group" as a whole.

ACGR190613/005

JD set out the meaning of "Group" within the constitution as being the 33 member practices and it was requested that JD amend the terms of reference to give an explanation of this.

ACGR190613/006

Action JD

SW asked about CO and CFO attendance and it was confirmed that there may be occasions when the committee members wished to meet without officers present.

ACGR190613/007

SW asked about quoracy and JD noted that this required 2 out of the 3 members to be present, one of which needed to be the Chair.

ACGR190613/008

GC asked about risk management and the process for escalation. It was felt that this was clearly part of the Committee's remit. KE said that recommending different actions or a review of a specific risk was consistent with the committee's role. MF said that this was highlighted in Sections 7.10 and 7.11 of the terms of reference. This could include guidance on how to go about reviewing a risk.

ACGR190613/009

CM said that Section 7.5 needed to be updated to reflect a change in the regulatory framework for audit standards. He would provide JD with the link for this.

ACGR190613/010

Action CM

1:54
PM

4) Minutes of the last meeting (shadow CCG Audit Committee meeting)

These were noted. With regard to the outstanding action, it was not felt to be appropriate to hold the meetings of the committee in public as much of the committee's work was about confidential and sensitive risk management issues and would therefore require substantial Part 2 scheduling. Formal reports were made to the Governing Body's meetings in public, and Freedom of Information legislation gave a commitment to transparency which members of the committee fully supported. It was therefore felt that the committee was as open and accountable as it could be whilst also being able to deal effectively with sensitive risk management issues.

ACGR190613/011

1:59
PM

5) Legacy Issues

MF set out the nature of the sender-receiver process used during transition and said that this was now the subject of a further process. The final transfer scheme had been circulated for the CCG to undertake due diligence. However it was understood that there would be further opportunities to make corrections until the end of the financial year.

ACGR190613/012

It was noted that the legacy document had been superseded by the CCG's own prospectus.

ACGR190613/013

MF said that the Quality in Transition work had been detailed and comprehensive and recently signed off through the work on clinical quality for the lifting of authorisation purposes.

ACGR190613/014

MF noted that the final risk register and minutes of the PCT outlined a number of areas of ongoing work such as BSBV and The Francis Report, all of which had been factored into the CCG's work programmes.

ACGR190613/015

MF said that the final PCT Board had taken a view on accruals which he felt left some residual risk. KE said that the main area of risk was continuing care retrospectives which meant there was a contingent liability for Surrey CCGs. This was not easily quantifiable but the sums involved were very significant for Surrey as a whole, potentially tens of millions of pounds, as some claims went back several years. GC asked if there was provision in our own forecasts. It was clarified that this might be resolved over the next two or three years and there were a finite number of claims the scale of which was becoming clearer. KE said that by the time we get to beginning work on our final accounts this would be a lot clearer. However the gate had been closed on new claims at the end of March and the issue now was the ongoing assessment process.

ACGR190613/016

Peter Collis said that the issue of Continuing Care liability should come back to the Committee later in the year for an update. MF agreed and said that the figures would become clearer and it might be possible to provide monthly updates. SW asked if this was just a legacy risk or an ongoing risk and it was confirmed that this would be an ongoing risk and the retrospectives were a distinct group, although as some of these individuals were still alive any retrospective claim could involve an ongoing liability. This had not been budgeted for but was identified as a potential draw on contingencies. It was agreed that KE would provide an update at the next meeting.

ACGR190613/017

Action KE

CG asked how long it would be before we moved on from legacy issues as a CCG? MF said that there was an advantage to continuing to maintain a focus on legacy issues whilst there was still scope to negotiate, as with specialist commissioning. However we had as a CCG built most of the legacy work into “business as usual”. KE reiterated the importance of specialist commissioning. However the closing balance for Surrey PCT would need to come into the opening position for CCGs and this was not likely to happen until the late summer or early autumn. Although 4,000 invoices had been cleared, there were still 1,600 invoices for settlement with the legacy team some of which were disputed. MF said that challenging some of last year’s invoices was important because of the need to influence the ongoing behaviour of suppliers. PC said it was important to use the risk register to track the position and the level of risk in relation to the legacy issues.

ACGR190613/018

2:22
PM

6) Scheme of Delegation

KE spoke to this. The detailed scheme of delegation set out the authority of individuals within the overall high level scheme of delegation for the Governing Body. This was being checked against experience of financial controls over the last few months. He asked for comments from the committee on the proposals set out in his paper.

ACGR190613/019

SW asked for clarification of locality Chairs responsibility for locality budgets. MF said that locality Chairs would be supported by staff in the CCG to do this effectively, tracking payments for clinical input and ensuring that the outcomes represent value for money.

ACGR190613/020

GC asked about the levels in the scheme of delegation, particularly the £30m level of authority for the Chair and one other officer. MF said that this mainly related to the Epsom contract and was normal when signing NHS contracts. He said that he would expect the Governing Body to pay more attention to contract monitoring and forecast outturn. PC said that there was a prior process of approving business cases before contracts were signed and that the corporate assurance process would bring these to the attention of the Governing Body.

ACGR190613/021

GC asked about write-offs and what these represented. MF said this could be due to errors in accruals or forecasts. CM said that some of it was due to bad debts and this would come to the attention of the committee through the finance report. It was agreed that the committee should have visibility of all write-offs.

ACGR190613/022

Action KE

KE noted that there was a level of delegation to the CSU contract team which was an outsourced function. There was little flexibility in this.

ACGR190613/023

The committee AGREED that the scheme of delegation should be recommended to the Governing Body.

ACGR190613/024

2:38
PM

7) Risk Register and Board Assurance Framework

PC introduced this item. His concern about risk registers in general was making sure that they were properly reviewed, and suggested that for Surrey Downs CCG it should be reviewed at least twice a year in detail. MF agreed with this and said there should be a particular focus on the risks that did not normally get a significant airing. GC agreed with this approach and said that in his experience it was valuable to spend a substantial amount of time reviewing risk.

ACGR190613/025

MF recommended that there should be scope for stepping back and taking an unfettered view of risk on some occasions. GC agreed and said we should look at both the framework and the content. Risk appetite was key to determining the Governing Body's approach to this.

ACGR190613/026

SW asked if the risk register flagged up the hierarchy of risks and highlighted discrepancies of scale. MF said the scale should be appropriate to the CCG as a corporate body and the tolerances it set for different aspects of its business. High scores were not appropriate where the financial impact was limited in terms of the CCG's overall bottom line. SW asked how this would be judged in relation to clinical quality such as the potential for a mid Staffordshire type of event. It was felt this would become clearer as the register evolved.

ACGR190613/027

PC asked if there were sub registers throughout the organisation. MF said that the only one currently was for Continuing Health Care.

ACGR190613/028

JD said he had written a draft Risk Management strategy which was an essential component of the organisation's overall approach to risk, controls and assurance. MF said this would be very useful for wider governing body members as part of their learning. It was agreed that this should be circulated to committee members and put on the agenda for the next meeting. Along with the Board Assurance Framework (see below) it would also be used to stimulate a discussion about risk at the forthcoming Governing Body Strategy Meeting.

ACGR190613/029

Action JD

PC went through the risk register on a page by page by basis as follows: ACGR190613/030

It was clarified that the risk manager had day to day responsibility for managing a risk and reducing the score or making the case for the acceptable level in risk appetite terms. ACGR190613/031

Timetables for action were not always precise and hard edged. This should be made clearer. ACGR190613/032

Action JD

GC said that there seemed to be a lot of reds and ambers. MF said this was not where the organisation expected to be but reflected the current stage of development. KE said it also reflected the emergence from transition. JD said that the key was the trends and how these were showing change over the first six months. ACGR190613/033

MF asked what the process for closure of risks was. After a short discussion it was AGREED that this committee and the Clinical Quality should recommend formal closure to the governing body. ACGR190613/034

GC felt that good progress had been made on controls and assurance in the first few weeks. He asked how the culture of the organisation could be developed to ensure ownership of this. MF said that there was a generally good acceptance particularly in financial and nursing staff but there was a general need to roll this out across the organisation, starting with the overarching Assurance Framework. KE said that there was a need to ensure that the status quo was also seen as a risk and challenged appropriately. ACGR190613/035

GC asked for an audit view and it was confirmed that this was similar to risk registers in other organisations. Board level discussion was important. It was noted that there was a proposed audit of risks and controls to be undertaken by SCA planned for the autumn. ACGR190613/036

GC asked about the role of the Chair and how she would show leadership to this agenda. MF said this could be done at Governing Body level but we would also need to develop organisational awareness e.g. through induction. ACGR190613/037

PC asked whether there was an equivalent to the Statement on Internal Control and JD said that this had been replaced by the Annual Governance Statement which was similar. This was signed off by the Accountable Officer. It was agreed that there should be an early draft of this in the autumn prior to developing the final draft as part of the end of year accounting process.

ACGR190613/038

Action JD

GC asked about relevant policies and procedures and training for staff and in particular whistleblowing. JD said that he and a member of KE's team had met with Counter Fraud last week to put these policies i.e. bribery and counter fraud in place. Whistleblowing was an HR policy and would be rolled out through this work.

ACGR190613/039

PC then moved on to the Assurance Framework and explained that the document in the papers was purely there to stimulate discussion. It was based on common frameworks used elsewhere.

ACGR190613/040

MF said that there needed to be an increasing focus on delivery for the future as opposed to legacy.

ACGR190613/041

PC said that the Governing Body needed to be clear what it wanted assurance on. GC agreed and said the CCG needed to say what its strategy was and set out the key areas it wanted to focus on such as financial sustainability. KE said we also needed to consider what might emerge during the course of the year that had not been expected.

ACGR190613/042

MF noted that failure to manage risk could result in the CCG ending up in special measures and one way we had to look at it was to ask what the significant areas of compliance were that needed to be addressed. CM said that the framework was similar to that being used in other CCGs but that the critical thing was the content. JD highlighted the need for all staff to understand the difference between controls, assurance and actions. MF agreed but felt that the majority of staff needed to see it in the context of the risk register as opposed to the Assurance Framework.

ACGR190613/043

External audit confirmed that the proposed framework was consistent with that being used in other areas. PC therefore asked members of the committee to look at this and comment directly to JD by the end of the week. MF suggested it should also be reviewed by the Executive Committee next Tuesday. Along with the draft Risk Management Strategy (see above), it would then go before the Governing Body strategy meeting on 28 June to stimulate a discussion there

ACGR190613/044

Action JD

3:29
PM

8) Conflicts of interest policy

JD explained the background to the policy and the existing register of interests which needed some work to make it more consistent. A staff register was also being developed.

ACGR190613/045

MF said that this was useful but we also needed to then move on to managing specific areas such as conflicts of interests in primary care. We had to be able to demonstrate that we had addressed this.

ACGR190613/046

GC noted that this issue was not unique to Surrey Downs CCG but MF and SW noted that the scale of out of hospital provision was far greater in this area, with £24m going through three separate community based providers. Monitor was working with one of these to test the rules on competition and as a result we will have to confront these issues sooner.

ACGR190613/047

PC said that we did need greater consistency but that we then needed to identify the actions we were taking. It was agreed that MF should bring a report to a subsequent meeting based on the above issues and developments.

ACGR190613/048

Action MF

SW noted how complex this issue was and said that clinicians had tried to create simple referral systems, but that the changes in the overall system meant these arrangements needed to be reviewed to ensure that they were acceptable.

ACGR190613/049

PC said it was important that clinicians and staff recognized their wider duty to identify actual or perceived conflicts of interest that could cause problems. They should be encouraged to flag these up, whether or not the conflict was formally caught by the reporting forms. We also needed to provide guidance on completing the forms, to achieve greater consistency, and to ensure the forms were being completed, to achieve greater compliance.

ACGR190613/050

Action JD

3:54
PM

9) Internal Audit

CM introduced the internal audit plan and asked for comments and approval to proceed, although it was flexible and could be reviewed throughout the year. It would link to the risk register and assurance framework in terms of identifying key areas for audit.

ACGR190613/051

KE said he would like to see something around basic financial controls, including areas outsourced to the CSU, and financial records. CM said that a Quarter 1 financial health check was proposed which should cover this. GC asked about the overlap with external audit and it was noted that there was a degree of triangulation between the two. He asked what the approach was and CM said that in overall terms it was collaborative and developmental. It was noted that there was a potential benefit in terms of identifying best practice in other comparable organisations.

ACGR190613/052

PC asked if all the internal audit reports would come to the committee and CM confirmed that they would. Managers would sign the reports off with responsible managers clearly identified and timescales for implementation. GC said that deadlines that were set that should be owned and realistic.

ACGR190613/053

PC asked if a dashboard would be available to show where audit recommendations had been completed and where they were still outstanding. CM said that this was part of the SCA process and that all recommendations were graded for significance.

ACGR190613/054

GC asked if risks identified by managers would feature in this work and CM said that this was also part of the internal audit approach.

ACGR190613/055

MF said that the balance between continuing health care days and the review of business continuity needed to be reviewed in favour of the former. He also proposed a potential conflict of interest review.

ACGR190613/056

PC asked how the flexibility in audit days would be applied. CM said this could be done by agreement in future meetings.

ACGR190613/057

GC asked if the internal auditors could bring concerns direct to the committee if necessary and it was confirmed that they could and could also meet with the committee ahead of each meeting if required.

ACGR190613/058

SW asked if internal audit could raise issues that the CCG had not thought of and could also collaborate with other auditors and CSUs. CM confirmed that they could and were part of Internal Audit England which enabled information sharing.

ACGR190613/059

It was noted that there was a meeting of Internal Audit Chairs run by SCA in July. Unfortunately, no one from SD CCG's Audit Committee was available to attend this.

ACGR190613/060

GC asked if Chairs and Chief officers of CCGs met to discuss issues relating to risk and audit and MF said that they did although not with a focus on audit as such. KE said that CFOs met fortnightly and shared information relating to significant risks and issues.

ACGR190613/061

The internal audit plan was AGREED subject to the above comments on the balance of days between continuing health care and business continuity.

ACGR190613/062

Action CM

4:15
PM

10) External Audit

CH set out the background to Grant Thornton's operations. They covered four former PCT cluster areas in the South of England and had experience of NHS and local authority audit.

ACGR190613/063

Fees had been set nationally with an additional cost in year one that was also centrally funded.

ACGR190613/064

JB said he would be leading on accounts audit and value for money. He had substantial NHS and local authority experience. He drew the committee's attention to the Department of Health timetable and the intensive schedule in the final quarter of this year and the first quarter of the subsequent year. The focus would be on financial resilience and value for money and whether funds had been used in line with expectations of Parliament.

ACGR190613/065

PC asked KE if he was happy with this approach. KE said that he was slightly concerned about the lateness of the proposed audit in April but CH said that much of the work could be done in advance of accounts being made available for audit. Transitional years were always problematic and settling the opening balance was expected to remain an issue for some time.

ACGR190613/066

GC asked if the CCG could ask for alternative external auditors to be appointed and it was noted that this could only be in extreme cases of material failure.

ACGR190613/067

GC asked if there were any issues with conflict of interest. JB said that they were also auditing SASH and ESH but this was managed through agreements on client confidentiality.

ACGR190613/068

GC asked about audit days and whether these were adequate. JB said that the total number of indicative days was around 80 but this was a fee based contract not based on days so Grant Thornton were committed to completing the work within the fee.

ACGR190613/069

DRAFT

4:30
PM

11) Any other business

There was no other business.

ACGR190613/070

4:30
PM

12) Matters to be drawn to the attention of the governing body.

It was agreed to ask the Governing Body to specifically note:

ACGR190613/071

- The positive developments on developing a sound system of controls and assurance
- The importance of the Governing Body owning, and challenging on, the risk management agenda and ensuring that it had signed off on the overall objectives of the organisation and the overarching risk strategy
- That the committee was satisfied that it had the resources in place to function and meet its terms of reference.

PC said that he would develop a note for the next Governing Body meeting expounding on the above.

ACGR190613/072

Action PC

4:38
PM

13) Dates of future meetings

It was noted that there may need to be more meetings in this startup year than in future years. PC noted the need to have a proper business schedule. JD was asked to set a pattern of meetings for the year accordingly.

ACGR190613/073

Action JD

JD asked about counter fraud. It was agreed that a report would be required for each meeting but counter fraud should only attend when scheduled.

ACGR190613/074

JD noted that the committee would need to review its own effectiveness as part of business scheduling for the year.

ACGR190613/075

4:45
PM

Meeting closed

Summary of actions

003	Justin Dix	JD to clarify in the terms of reference that assessment of suitability of the chairman was undertaken as part of the appointment process
006	Justin Dix	JD to clarify the “The Group” in the terms of reference means the 33 member practices
010	Clarence Mpofu	CM to provide JD with the link for information on public sector internal standards.
017	Keith Edmunds	KE to provide an update at the next meeting on continuing care retrospective liabilities
022	Keith Edmunds	KE to provide visibility of all write-offs in future reports to the committee
029	Justin Dix	JD to circulate draft risk management strategy to committee members.
032	Justin Dix	JD to amend the risk register to make timescales for action clearer
038	Justin Dix	JD to ensure a first draft of the Annual Governance Statement is available in the early autumn
044	Justin Dix	JD to ensure Board Assurance Framework is available with the draft Risk Management Strategy for discussion at the Governing Board Seminar on the 28 th June
048	Miles Freeman	MF to bring a report back to the next meeting setting out actions in relation conflict of interest in primary care.
050	Justin Dix	JD to ensure staff have guidance on completing the conflict of interest forms
062	Clarence Mpofu	CM to revisit the balance of audit days between continuing care and business continuity
072	Peter Collis	PC to develop a note on issues arising from the committee for the next governing body.
073	Justin Dix	JD to develop a meetings schedule for the year based on expected business milestones.