

Title of paper:	Audit Committee Minutes 18th October 2013
Meeting:	Governing Body, 29 th November 2013
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Exec Lead:	Karen Parsons, Chief Operating Officer

Purpose	To Agree	
	To Advise	
	To Note	

Development

These minutes are draft and were produced from the meeting on the 18th October

Executive Summary and Key Issues

- There are ongoing concerns regarding Continuing Health Care Costs
- Conflicts of interest amongst staff were discussed at length and would be monitored going forward
- A first draft of the Annual Governance Statement was discussed at length
- Conflicts of interest for GPs as referrers was reviewed in relation to BMA Guidance
- The Chairs of the four CCG Committees would meet in future to ensure a joined up approach to internal controls
- The risk register and assurance framework were reviewed
- The unsatisfactory position around opening balances was noted
- Counter fraud and policies for policy production were recommended to the Governing Body
- The need for a more active approach to counter fraud was noted
- Internal and External audit updated on their work

Recommendation(s): These minutes are to NOTE

Attachments: Audit Committee Minutes 18 th October
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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

Meeting: Audit, Corporate Governance and Risk Committee

Date and time: 18th October 2013, 9.30am

Present

Peter Collis (Chair)

Gavin Crookman

Dr Simon Williams

Apologies

Karen Parsons

In attendance

Miles Freeman (Chief Officer)

Keith Edmunds (Interim Chief Finance Officer)

Clarence Mpofo (South Coast Audit)

Giles Parratt, South Coast Audit

Christian Heeger (Grant Thornton)

Jamie Bewick (Grant Thornton)

Justin Dix (Minutes)

1) Welcome and introductions

All those present introduced themselves. Andrew Morley from the Counter Fraud section of South Coast Audit was welcomed to his first meeting.

AC181013/001

2) Apologies for absence

Karen Parsons' apologies were noted. As Peter Collis was running late, Gavin Cookman chaired the meeting pro tem.

AC181013/002

3) Register of interests

Gavin Cookman noted that his additional interests for Diabetes UK involved some free input that they were providing to the CCG on the diabetes pathways project that Jack Wagstaff was leading. This was not chargeable at the moment and he would inform the committee if any future consultancy was likely to involve payment.

AC181013/003

Miles Freeman said that in his view this did not constitute a conflict of interest.

AC181013/004

Justin Dix agreed that there was no conflict of interest in this case but asked the committee to note that conflicts were not always of a financial nature and he had discussed this outside the meeting with Gavin Cookman who would notify him of any change.	AC181013/005
Miles Freeman said that he would shortly become a trustee of an ex-offenders charity based in London which would be voluntary and unlikely to cause any conflict of interest.	AC181013/006
With the above caveats the Register of Interests in relation to this committee was NOTED.	AC181013/007
4) Minutes of the previous meeting – 19th June 2013	
These were AGREED as an accurate record.	AC181013/008
5) Action log	
Action AC190613/03 – Arrangements for appointment of chairman. This action was AGREED for closure.	AC181013/009
Action AC190613/06 – Definition of “The Group”. This action was AGREED for closure.	AC181013/010
Action AC190613/10 – Internal audit standards had been circulated by Clarence Mpofo. This action was therefore AGREED for closure. Gavin Cookman said that the benchmarking against other CCGs and shared best practice was very helpful.	AC181013/011
Action AC190613/17 – Continuing Health Care retrospective liabilities. Keith Edmunds reported that there had been approximately 1900 claims. 500 had been closed as no evidence was provided. 65t had been accepted with a total value of £1.2m or £20,000 per claim. Others were being assessed in two phases – clinical assessment and then evidence of actual costs incurred. At this stage the full potential liability was therefore not clear.	AC181013/012
Peter Collis asked for an assessment of the potential range of costs – worst and best case scenario. Keith Edmunds said that some of the cases were for over ten years, plus there would be redress i.e. interest payments. There was a need to assess the point (usually later in life) when an individual tipped into Continuing Health Care. The work to date did not make it easy to forecast the total liability and thus any provisions that would need to be made.	AC181013/013

Miles Freeman said that the provision made in Surrey PCT's final accounts for this was based on affordability rather than forecasts which left the CCG with a potential risk of deficit. The aim at the moment was to try and improve the accuracy of the information so that the legacy is clear. This would not be possible until a more representative sample of cases was available.	AC181013/014
It was AGREED that a more developed forecast should be identified and discussed with NHS England for possible handling. The committee said it would be happy to comment on any work in progress to this end.	AC181013/015
Action AC190613/22 – Visibility of all write-offs. Keith Edmunds confirmed that there were no write-offs at this stage. Anything material would be in the finance report. This action could therefore be closed.	AC181013/016
Action AC190613/29 – The risk management strategy had been approved by the Governing Body and this action could therefore be closed.	AC181013/017
Action AC190613/32 – Risk Register to be amended to make timescales for action clearer. This had been completed and the action could therefore be closed.	AC181013/018
Action AC190613/38 – Annual Governance Statement (AGS). A first draft was included in the papers.	AC181013/019
Action AC190613/44 – Governing Body Assurance Framework. It was noted that this had been discussed at the seminar and approved at the last Governing Body meeting on the 27 th September. The action could therefore be closed.	AC181013/020
Action AC190613/48 – Conflict of interest paper. This was included in the papers for the meeting. The action could therefore be closed.	AC181013/021
Action AC190613/50 – Guidance on completing conflict of interest forms for staff – this had been done. The action could therefore be closed. Gavin Cookman asked how staff had reacted to this and Justin Dix said that it had not been a problem as staff were used to doing them. The Committee agreed that it would be useful to have a brief summary of how many staff were registering interests and whether many of them were significant for the next meeting in January.	AC181013/022

Action Justin Dix

Justin Dix said that the main concern was Medicines Management where some people wished to do outside consultancy. Miles Freeman noted that staff needed to ask his express permission for this to happen with the CCG. AC181013/023

Justin Dix said he would notify the Executive of any immediate conflicts that needed handling. There was also an issue with the CSU who had said that they were still awaiting a large number of returns for their staff who were subject to a CSU rather than a CCG process. The CCG had asked for visibility of potential CSU conflicts. It was agreed that Justin Dix should set a deadline for this work being completed with the CSU prior to the Christmas break. AC181013/024

Action Justin Dix

Miles Freeman asked that in addition we ask the CSU for statistics on Information Governance training and how many staff had completed this and any other areas of compliance. AC181013/025

Giles Parrot asked what the process was for contracted staff and Justin Dix said they were asked to sign a form at the beginning of their contract covering conflict of interest. This was acknowledged as an issue with contractors who were used to signing a Non Disclosure Agreement. AC181013/026

Action AC190613/50 – Balance of audit days. This had been completed. There had been a particular rephrasing due to the Continuing Health Care audit being conducted by outside consultants. This action could now be closed. AC181013/027

Action AC190613/72 – Note for Governing body – completed, can be closed. AC181013/028

Action AC190613/73 – Meetings schedule for the year. Meeting dates had been circulated and were on the agenda. AC181013/029

6) Matters arising

Peter Collis took over the Chairmanship of the meeting at this point. AC181013/030

Annual Governance Statement (AGS)

Justin Dix explained that the AGS was a statement by the Accountable Officer, based on advice from the Governing Body and others, as to how effective the system of internal controls had been in the previous financial year. This was a mandatory report that was submitted along with the annual accounts and the annual report. A first draft was normally produced around February using a template approach but containing content that was unique to the organisation in question, describing the significant control issues the organisation had encountered during the year. For this reason the current draft could not account for a full year of operation although it could set out the way in which, for instance, internal controls operated through committees and through risk management systems.

AC181013/031

Peter Collis asked what the role of the Audit Committee was in relation to this statement? Miles Freeman said that he would like the committee to approve the statement before it was finalised and Justin Dix noted that this was included in the draft statement.

AC181013/032

Gavin Cookman said that it was important that issues such as a lack of development around risk appetite and risk tolerance, and major issues such as EDICS were included. The organisation needed to be prepared to be open about where it needed to develop. Justin Dix agreed but reiterated that this was a retrospective look at a particular period in question. Giles Parrat said that developmental areas would come out of the issues identified.

AC181013/033

Peter Collis asked that mandated content be distinguished from local content (i.e. using a different font colour at the draft stage) so that the committee was aware of what could and could not be changed.

AC181013/034

Action Justin Dix

It was noted that the statement would be in the public domain as part of the annual accounts but did not usually attract much comment unless there was a public interest matter at issue.

AC181013/035

It was agreed that a draft should come to each meeting. Keith Edmunds said that issues arising from opening balances and lack of assurance around transition could figure this year as significant control issues.

AC181013/036

Conflicts of interest

Justin Dix said that there was not a great deal of good practice available in this area and the BMA Guidance that was included in the papers was the most relevant as it focused on the role of GPs as referrers and the need to have guidance for them in this role. This had been a key issue arising from the EDICS contract earlier in the year and had also been raised during the BSBV debate.

AC181013/037

It was noted that this was a common problem although Surrey Downs had more of a history of entrepreneurial GPs and more provision run by GPs than in many places.

AC181013/038

Gavin Cookman asked if Internal Audit had any recommendations or observations based on working with other CCGs. Giles Parrat said there was no significant evidence of other CCGs being further ahead in this area. It was noted that good communications was essential when managing this issue.

AC181013/039

For External Audit, Christian Heeger said that he was aware of some work on this in the North East and would circulate this to Audit Committee members.

AC181013/040

Action Christian Heeger

Simon Williams asked in what kind of areas conflicts might be identified. GPs were used to working to a code of conduct in their normal daily practice but might not link this to the wider picture, such as developing the Out Of Hospital Strategy.

AC181013/041

Miles Freeman said that this was not just about a clinician's daily practice but was about wider roles and what was appropriate in the context of CCG policy.

AC181013/042

Peter Collis said that conflict of interest was hardwired into the new system and people needed tools to help them manage it.

AC181013/043

It was felt that what GPs needed was some clear support and there was a danger in circulating lengthy complex guidance that it would make this issue more difficult to manage.

AC181013/044

Simon Williams said that any guidance needed to speak the language that clinicians understood without calling their integrity into account.

AC181013/045

It was agreed that the BMA guidance should be circulated but with a covering letter and that Miles Freeman and Justin Dix should look at this outside of the meeting, using Karen Parsons and the locality chairs as a sounding board when drafting the letter.

AC181013/046

Action Miles Freeman / Justin Dix

Andrew Morley offered to do a presentation from a counter fraud perspective. It was suggested this should focus on procurement and conflict of interest. It was noted that the procurement team from Solent Supplies were coming to brief the Executive Committee on the procurement regulations and Justin Dix was working with them to develop a procurement policy.

AC181013/047

It was noted that the CCG's existing Conflict of Interest Policy covered GPs as commissioners but a major concern was GPs becoming conflicted in their clinical roles. It was also noted that the recent EDICS issue had required several members of the Governing Body to leave the room whilst issues were being discussed because they were conflicted. Peter Collis said this had been well handled and every member of the Governing Body acted ethically in this matter.

AC181013/048

7) Terms of Reference

Justin Dix said that there was an option to review the Terms of Reference by November 1st when the next window of opportunity to vary the constitution expired. He did not feel there was much wrong with the existing terms of reference.

AC181013/049

It was questioned whether the Committee should monitor finance as well as internal controls. Justin Dix said that this was questionable as the primary duty of an audit committee was to monitor internal controls, and if it looked at finance per se it would be conflicted as it would potentially become conflicted in its dual role. Gavin Cookman noted that this committee's remit did include financial controls.

AC181013/050

Keith Edmunds said that the operational finance would go through the Executive Committee and that this committee should check that the Executive Committee and Governing Body are doing their job correctly in managing financial risks.

AC181013/051

Miles Freeman said he had experience of both systems but wanted to avoid setting up a finance and performance committee. It was acknowledged that this was a difficult area and the Governing Body did not have much time to review finances in detail. AC181013/052

Justin Dix said that it might be more valuable to develop the risk register and assurance framework to give a clearer picture of financial risk. Peter Collis agreed but said there needed to be an update on context and trends in the organisations finance. It was agreed that this would be looked at by officers outside the meeting. AC181013/053

Action Miles Freeman / Keith Edmunds / Justin Dix

It was noted that at some stage there would need to be a development of the terms of reference to include the developing concepts of risk appetite and tolerance. This could include making formal recommendations to the Governing Body where it had concerns. Justin Dix noted that it was also possible for the committee to refocus the audit plan on issues it was concerned with and this was a powerful tool. AC181013/054

It was noted that there would be a need to bring all the committees together and look at all their functions and terms of reference together to ensure that overlaps and underlaps were understood and to be clear about who had primacy in leading in a particular area. AC181013/055

It was agreed that there should be a meeting of the joint Chairs of the committees to review this and to look at the process of self-assessment for committees in the new year. AC181013/056

Action Justin Dix

8) Governance and Risk Management

The Risk Register and Assurance Framework were reviewed. Justin Dix stated that these were the versions that had gone to the Governing Body at the end of September and were currently being updated by risk owners. AC181013/057

Three new risks were tabled and there was some narrative around risk appetite and risk tolerance. AC181013/058

Gavin Cookman noted the references to risk appetite and risk tolerance. These were difficult concepts particularly where it was not possible to put financial or numerical values on the risk. He was concerned to bring these concepts to life. AC181013/059

Miles Freeman said that the NHS approached these concepts differently as there was often no choice but to accept the risk and seek to mitigate it. Often mitigation was inadequate and had to be tolerated. Peter Collis said that once all had been done there was nothing left but to tolerate the risk. The question was whether we had done all we could. AC181013/060

Giles Parrat asked whether, in cases where there were no gaps in controls and assurance, the CCG was happy to tolerate a “red” risk. The example reviewed was Better Services Better Value. Gavin Cookman said that in this instance there was a need for a further column that explained the CCG’s approach to risk appetite and risk tolerance. AC181013/061

Action Justin Dix

Specific Risks

With regards to the risk relating to five year allocations, it was noted that the CCG had very little control over future allocations. The CCG was actively seeking to mitigate the risk. It was queried if the Audit Committee could do anything to help this. Keith Edmunds said that this work was being scheduled but would best be reviewed in December when the next allocations were announced by NHS England. AC181013/062

It was noted that BSBV would change in the coming weeks as the CCG moved towards a decision. AC181013/063

Quality premium – this would be updated in November. Two of the baselines had been incorrectly set and this was being reviewed with NHS England. AC181013/064

Continuing Health Care – the review was expected to report shortly and be agreed with partner CCGs. Miles Freeman said that in his view this would remain red for some time to come. AC181013/065

Gavin Cookman asked if any of the ambers were of concern. Miles Freeman said that failure of the first year financial plan was of concern (mainly attributable to specialist commissioning) and would probably be re-evaluated at a score of 16. The risk needed to be adjusted around a potential £3m deficit although this was only the scale of the problem and not the expected year end forecast.

AC181013/066

Keith Edmunds said that there were other issues than specialist commissioning. The CCG had still not received an opening balance; continuing care retrospective claims were an issue as already discussed; property costs; and unpaid invoices were all a factor.

AC181013/067

Gavin Cookman said that the issue around the opening balances gave very little confidence in the PCT's closing balance. He asked what was being done to address these risks?

AC181013/068

Keith Edmunds said that a lot of work had gone into resolving legacy financial issues and it was acknowledged that this year was very high risk because the centre had taken time to resolve them. Miles Freeman said that this was best addressed as groups of CCGs rather than individually. Surrey Downs was one of a number of CCGs being impacted by this decision.

AC181013/069

It was agreed that there needed to be a separate allocation of time to review the risk register in future.

AC181013/070

Action Justin Dix

9) Policies for approval

These were AGREED as being fit for forwarding to the Governing Body although it was acknowledged that they needed some tidying up amendments before publication.

AC181013/071

The Policy on Policies had been noted in the limited assurance report from the recent South Coast Audit report on Governance arrangements and was a requirement.

AC181013/072

Andrew Morley confirmed that the counter fraud policies were standard across most CCGs and essential to maintaining standards of conduct.

AC181013/073

Gavin Cookman said he had read the policies and was comfortable with them and felt the priority was to get them out. Peter Collis agreed with this. Justin Dix circulated a list of all policies and their current status. AC181013/074

Peter Collis said that the only comment he had was that declined gifts should be recorded as well as accepted gifts. AC181013/075

Gavin Cookman said that his main concern was how policies would be embedded across the organisation, not only that staff were adopting them but that the Executive were monitoring compliance. Justin Dix agreed and said that although he had various mechanisms for doing this there was not yet a systematic monitoring process in place. Miles Freeman placed emphasis on staff taking responsibility for making themselves aware of policies and that ignorance was not an excuse for non-compliance. AC181013/076

Andrew Morley was thanked for his work on shaping the counter fraud policies. AC181013/077

10) Counter Fraud

Andrew Morley noted the report circulated with the papers. He focused particularly on the pharmaceutical rebate scheme. There was no national guidance on this although NHS Protect were seeking legal advice with a view to issuing guidance. AC181013/078

Gavin Cookman asked for a sense of the scale of the issue and it was confirmed this could run into hundreds of thousands of pounds. Keith Edmunds said individual GPs were not made aware of specific rebates however GPs did get to know who was offering them and this could affect their decision making. The danger was that this could be perceived publically as constituting a bribe. AC181013/079

There was some discussion about how this differed from general awareness of price and in his view it was consistent with conflict of interest policies. Simon Williams said that provided the drug was in the best interests of the patient, it was perfectly acceptable to go for the lowest cost option. He felt that there was a lot being read into the word "rebate" in this context. Andrew Morley said that the difference was that prices fell out of procurement processes whereas the rebate scheme could be perceived as an incentive to go with one company over another. AC181013/080

Gavin Cookman said that it would be prudent to escrow or at least identify the sums involved until there was further guidance on the matter, This was agreed. AC181013/081

Finally it was noted that there was one live case involving a patient who had falsified prescriptions. Andrew Morley was speaking to Keith Edmunds about this. AC181013/082

Gavin Cookman asked if Andrew Morley felt the CCG was on top of this issue. Andrew Morley said that it was early days but there was a need to increase the amount of proactive counter fraud work, including validating the level of declarations of interest in the organisation. The Counter Fraud Service had data about directorships that it would be useful to triangulate against declarations. AC181013/083

11) **Internal Audit**

Clarence Mpofo highlighted the three internal audit reports produced today and said that there was already progress being made against the agreed recommendations particularly in relation to policies. The reports would be revisited at the end of the year to inform the Annual Governance Statement. AC181013/084

The internal audit progress report gave positive assurance about the Assurance Framework and an emerging debate about risk appetite. He encouraged the CCG to develop a risk appetite statement. Gavin Cookman asked if it was possible to put quantitative measures on this. It was noted that this was not always possible and a better approach might be to measure it against the six corporate objectives. AC181013/085

Clarence Mpofo noted that the CCG benchmarked well against other CCGs in terms of audit committee arrangements. It was noted that only two thirds of the CCGs had a GP on the audit committee. AC181013/086

Peter Collis said that the forum for audit committee chairs hosted by South Coast Audit had been held the previous day and was very valuable. Provider involvement was felt to be very useful. AC181013/087

It was noted that budget holding protocols and sign off by managers would be happening shortly. AC181013/088

The Continuing Health Care review was noted and might suggest further areas of audit. AC181013/089

Clarence Mpofo also drew the Committee's attention to the map of assurance sources. This would be essential for the Annual Governance Statement. Gavin Cookman said he was alarmed at the number of external assurances that the Clinical Quality Committee relied on and whether we could rely on these. He was also concerned about overlaps and gaps in assurance.

AC181013/090

12) External Audit

Christian Heeger spoke to the report circulated with the papers. The key aim was to achieve consistency of approach across all the CCGs and Grant Thornton would be looking at opening balances from this perspective. This was felt to be very useful.

AC181013/091

Concern was expressed as to whether the issues with opening balances might lead to accounts being qualified. It was not felt that this was an issue at this stage but Grant Thornton would keep the committee informed of any developments.

AC181013/092

Justin Dix asked if "going concern" would be a feature of the external auditors work on the final accounts and it was clarified that this would be one of the assurances required.

AC181013/093

13) CSU Audit Letter

This was NOTED. Keith Edmunds said the letter showed the significant interdependencies between the CSU and the CCG in relation to cash, review of payments and other matters.

AC181013/094

Gavin Cookman said he would be seeking assurance about CSU audit for the purposes of HR and the Remuneration and Nominations Committee.

AC181013/095

It was noted that there was still a lot to do on relations with the CSU but from a financial perspective things were working well. Internal audit could look at both CSU process and service delivery to the CCG as a customer.

AC181013/096

Miles Freeman noted that there was considerable work being done on CSU competencies at national level. This was importance as we were beyond the mobilisation phase and the CCG might need to revisit the assumptions made during transition.

AC181013/097

Clarence Mpofo said that other CCGs were in the same place. This was causing a concern about viability of individual CSUs. AC181013/098

14) Any other business

Justin Dix noted that there was a lot of work being done to make the CCG compliant with Equality Duty legislation and that this was within the scope of this committee's terms of reference. AC181013/099

Peter Collis noted that the committee would need to consider a review of its own effectiveness. There were tools available to support this. It was agreed that the Governing Body and all committees would need to do this. AC181013/100

Audit Committee handbook – it was noted that the Health Finance managers Association would be taking this over. AC181013/101

15) Dates of future meetings

The dates on the agenda were noted. Justin Dix was asked to re-arrange the 18th April as this clashed with Good Friday. AC181013/102

Justin Dix would recirculate dates and electronic calendar invitations. AC181013/103

Action Justin Dix