

<b>Title of paper:</b>	<b>Audit Committee Minutes 18<sup>th</sup> October 2013</b>
<b>Meeting:</b>	Governing Body, 31 <sup>ST</sup> January 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 10<sup>th</sup> January

**Executive Summary and Key Issues**

Key issues for the Governing Body to note are:

- Based on experiences over Christmas, there is a need to address potential weaknesses in our business continuity processes
- The Assurance Framework and risk register need to have a clearer focus on actions and timescales, and the “Treat, Tolerate, Transfer or Terminate” methodology should be used to assess risk appetite
- The ICSA code of governance for CCGs should be used as part of the CCGs self-assessment process
- There is a very tight but manageable process for year end accounts and assurance

<b>Recommendation(s):</b> These minutes are to NOTE
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<b>Attachments:</b> Audit Committee Minutes 10 <sup>th</sup> January 2014
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**Implications for wider governance**

<b>Quality and patient safety:</b> A number of areas on the risk register and assurance
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**Agenda item** 16  
**Attachment** 13

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: 12.30, January 10<sup>th</sup> 2014**

**Present**

Peter Collis, Lay member  
Gavin Cookman, Lay Member  
Dr Simon Williams, Clinical  
Member

**In attendance**

Miles Freeman, Chief Officer  
Alison Pointu, External Clinical Member  
Steve Rowlands, Interim Financial Controller  
Justin Dix, Governing Body Secretary  
Christian Heeger, Grant Thornton (external audit)  
Clarence Mpofo, South Coast Audit (Internal Audit)

**1. Apologies for absence**

These had been received from Keith Edmunds, Chief Finance Officer; Jamie Bewick, Grant Thornton; Giles Parrot, South Coast Audit; Andy Morley, South Coast Audit (counter fraud)

GEN010112/001

**2. Declaration of interests**

These were noted.

GEN010112/002

**3. Quorum**

It was agreed that the committee was quorate in accordance with its terms of reference. Pending a change in the constitution, Alison Pointu would be in attendance before becoming a member of the committee.

GEN010112/003

**4. Minutes of the last meeting**

These were agreed as an accurate record.

GEN010112/004

**5. Matters arising and action logs**

GEN010112/005

*Record of staff interests*

Justin Dix said that the person dealing with this had been on sick leave for several weeks and had only returned to work this week.

She was now actively pursuing the staff who had not returned their declaration forms. An update would be given at the Remuneration and Nominations Committee on the 31st Jan.

It was noted that the Medicines Management team had done a 100% return which is where the greatest concern would lie, however the committee reiterated that it expected all staff to comply as soon as possible. A report was requested for the Remuneration and Nominations Committee on the 31<sup>st</sup> of January.

GEN010112/006

**Action Justin Dix**

With regards to the CSU, an email was circulated which acknowledged the problems and gave assurance that all but one of the permanent staff working for Surrey Downs had returned their declarations. However Miles Freeman noted that that the email excluded interim staff and there were a number of these aligned to the CCG. It was agreed that the CSU should be asked to ensure that interims also completed returns.

GEN010112/007

**Action Justin Dix**

*Conflict of interest*

Christian Heeger had not circulated the paper mentioned at the last meeting but did have an update paper which he would share with the committee.

GEN010112/008

**Action Christian Heeger**

Gavin Cookman said that he had attended a workshop run by Grant Thornton at which a number of CCGs had been present and the issue of conflict of interest discussed. It was an inevitable feature of CCG's in his view and was there to be managed, not eliminated. One discussion point was that providers also had a duty to contribute to this and it was agreed that this should be incorporated into tendering and procurement processes, if it was not already done.

GEN010112/009

**Action – Miles Freeman to raise with the contracting team**

It was noted that there was a very wide range of responses to this issue from different CCGs, with some showing little understanding of its importance. It had been agreed at the last meeting that Miles Freeman and Dr Claire Fuller should circulate the BMA guidance to member practices, however Miles Freeman reported that this had been superseded by Monitor guidance and he would review this before sending anything out to practices.

GEN010112/010

Dr Williams said that his awareness of this issue had been raised through working with the CCG and felt that there should be an educational event for GPs to help them understand it more fully.

GEN010112/011

A number of examples of how the CCG had dealt with conflicts of interest in its first year were noted.

GEN010112/012

### *Finance briefings*

GEN010112/013

This had been scheduled for today but Gavin Cookman had had a diary clash and Keith Edmunds was unavailable. Agreed this should be rescheduled with time before Audit Committee meetings for a finance briefing.

#### **Action Justin Dix**

There was a further discussion about setting up a finance committee as had been done in some CCGs but on balance it was agreed that having another committee would not be helpful and having regular briefings would be the best way forward.

GEN010112/014

It was agreed that this should be explained to the Governing Body as part of the Finance Report at the next meeting so that the Governing Body understood that regular updates were being given.

GEN010112/015

#### **Action Keith Edmunds**

### *Continuing Health Care retrospective liabilities*

GEN010112/016

It was noted that there had been some movement on this. Steve Rowlands said that the latest directive from NHS England suggested that the liability for retrospectives would sit with them and not with CCGs and the risk had therefore been transferred. The CCG had reviewed the figures and commented and submitted them to NHS England the previous week.

Christian Heeger said that it was also their understanding that the risk was transferring to NHS England. However it was also noted that this could not be confirmed at this stage and there had been regular policy changes in the past.

GEN010112/017

The risk was significant as only 80 cases had been settled so far and an attempt had been made to extrapolate from this what the total liability might be. A figure of £27m had been identified which was roughly at the mid-point of the scale of risk.

GEN010112/018

## **6. Assurance Framework and Risk register**

Justin Dix said that these were updated between Governing Body meetings. The Assurance Framework had been revised but the risk register was being revised the following week through a series of meetings with risk managers. It was then updated and presented to the Executive Team for moderation.

GEN010112/019

With regards to the Assurance Framework it was noted that a lot of the items are static because mitigating actions have been put in place and as we get to year end the risks are either eliminated or unlike to see any further movement between now and March.

GEN010112/020

Miles Freeman confirmed that he was broadly in agreement with the changes in the Assurance Framework. In particular the increased risk around locality effectiveness had been discussed at the December Governing Body Seminar and was something that members would be aware of.

GEN010112/021

Dr Williams said that localities have been through a lot of change, and as the organisation had changed it had become apparent that a clearer direction and understanding of their roles was needed. The bigger localities are looking at working together. Miles Freeman agreed that the locality model was not yet working the way we would want it to.

GEN010112/022

Peter Collis noted that this was an area that required further work – in particular setting up objectives for the localities and putting in place a performance appraisal system if we expect the CCG as a whole to run appropriately.

GEN010112/023

Simon stated that the locality meetings are quite different from each other, but it was important to remember that it had only been nine months since the CCG started and progress has been hampered by the realities of recruitment and the structure of the service redesign team.

GEN010112/024

With regard to the other significant risk around partnerships, Miles Freeman said this was an accurate reflection of the concerns around the Better Care Fund. The CCG was in a very difficult position as this was baseline funding that it was having to commit.

GEN010112/025

Peter Collis asked if CCGs in Surrey were working together on this issue and it was confirmed that they were, but the relationships needed to develop and also the relationship with the Area Team needed to be worked through.

GEN010112/026

The importance of networks at every level was discussed – clinical, commissioning and strategic. Alison Pointu said that in her experience clinical networks were stronger than other relationships.

GEN010112/027

With regards to the review of the risk register, Justin Dix was asked to ensure that risk managers were focused on explicit actions and timescales as some of the wording was currently vague and did not have timescales for when things would be completed. It was also agreed that the Four Ts – Treat, Tolerate, Terminate or Transfer - would be used when describing risk tolerance.

GEN010112/028

### **Action Justin Dix**

Three new risks had been added to the risk register – Equality and Diversity Compliance, Information Governance Toolkit compliance and Business Continuity as distinct from Emergency Planning.

GEN010112/029

The reason for the latter was the experience of the Christmas and New Year period when Cedar Court had flooded and had had to be closed for a day. This had highlighted a number of weaknesses in the CCG's systems. A look back exercise was being conducted and Miles Freeman said he had met with Heads of Service to emphasise the importance of this.

Some concern was expressed about the role of the Area Team and communications and it was agreed that this needed more work as part of overall emergency planning and business continuity.

GEN010112/030

It was queried whether the building was fit for purpose and Miles Freeman said that it had been constructed on stilts to ensure that the only areas that flooded were the car parks; the issue on this occasion was that the water was so deep that staff could not safely enter and exit the building. This was an exceptional occurrence.

GEN010112/031

## 7. Code of Governance for CCGs

This had been developed by the Institute of Chartered Secretaries and Administrators in response to a perceived gap in overarching guidance for CCGs. Other guidance such as The Healthy Board was very focused on Foundation trusts.

GEN010112/032

The guidance was felt to be helpful although very broad, but there were a list of questions under each of the six principles which it was felt would be very useful as part of the self-assessment process in the spring.

GEN010112/033

It was agreed to feed these questions into the year-end process.

**Action Justin Dix**

## 8. Year End Compliance

Christian Heeger outlined the timetable for closing the annual accounts. The final deadline was the 6<sup>th</sup> June when fully audited accounts needed to be submitted to NHS England. Prior to this draft unaudited accounts had to be submitted by the 22<sup>nd</sup> April. These were the two key working deadlines.

GEN010112/034

Justin Dix said that the approval of the annual accounts was reserved to the membership in the CCG Scheme of Delegation and it would therefore be necessary for both the Council of Members and the Governing Body to agree to delegate signing off the accounts to the Audit Committee.

GEN010112/035

Following discussion it was agreed that there should be an informal teleconference on the afternoon of the 16<sup>th</sup> April for Audit Committee members to receive an update on the accounts and receive assurance that there were no significant issues prior to draft submission on the 22<sup>nd</sup>.

GEN010112/036

There should then be a meeting of the Audit Committee on the 4<sup>th</sup> June to formally approve the accounts for submission on the 6<sup>th</sup>. This would be a single agenda item meeting focusing solely on the annual accounts. GEN010112/037

The next scheduled normal meeting of the committee would be on the 25<sup>th</sup> April which would cover the usual business. GEN010112/038

Justin Dix was asked to make arrangements for the above meetings. GEN010112/039

#### **Action Justin Dix**

It was requested that a draft of the annual report be circulated as soon as this was available. GEN010112/040

#### **Action – Justin Dix to request from Suzi Shettle**

### **9. Annual Governance Statement**

Justin Dix shared a second draft of this document which was part of the annual reporting requirements. Sections had been added on how we meet constitutional requirements as a CCG. GEN010112/041

The focus of the AGS was to show how we are handling risk and demonstrating that we have a sound system of internal controls. The aim was to build a narrative that explained this. Guidance on format and any special wording was expected in February. Peter Collis said that in his experience this would be in the shape of a checklist of requirements. This did sometimes mean duplication in the text. GEN010112/042

The statement in its current form was felt to be an honest attempt to reflect the operation of the system of internal controls for the year to date. GEN010112/043

Gavin Cookman highlighted a number of areas where he felt the document could be improved: GEN010112/044

- A clearer articulation of the vision of the organisation
- The role of the committee in reviewing risks
- The changes in the Remuneration and Nominations Committee brief during the year
- A statement on going concern (either in the AGS or the Annual Report)
- A clearer articulation of the major control issues

The document did need to show how the policies and procedures of the CCG, including the risk management framework, were used in practice. GEN010112/045

Peter Collis noted that it was the committee's role to advise the Chief Officer of whether it felt that the statement accurately reflected the operation of the system of internal controls over the year in question.

GEN010112/046

One area which needed more work was the statement on Governing Body member's development as this was not felt to be sufficient at this stage, although it might be by year end.

GEN010112/047

## 10. Compliance letter from External Audit

This was noted. There were substantive overlaps with the Annual Governance Statement.

GEN010112/048

It was agreed that Keith Edmunds should respond to the letter on behalf of Peter Collis.

GEN010112/049

**Action Keith Edmunds**

## 11. Counter Fraud

Clarence Mpofo presented this on behalf of Andrew Morley. The main point was the guidance from NHS Protect who have said that in their view CCG wide rebates are acceptable and did not constitute a bribe under the Bribery Act. However they also said that CCGs should individually or collectively seek a legal opinion at local level to be sure they were acting within in the law. It was agreed Miles Freman should take this to the CCG Collaborative for discussion.

GEN010112/050

**Action Miles Freeman**

Dr Williams outlined his views of the way GPs approached prescribing and sought to minimise costs without personal gain. However he expressed some concern as he felt there was still scope for pharmacy companies to manipulate price and we had to be assured that rebates went back into healthcare funding.

GEN010112/051

Following discussion on the ethical implications of this area for the CCG and its clinicians it was agreed that there was sufficient concern on this and related issues to indicate that the CCG should develop an overarching policy on relationships with the pharmaceutical industry. This would enable individual issues to be handled with more probity. It was noted that it was common for companies to fund training for some staff in practices.

GEN010112/052

**Action – Justin Dix to raise with Medicines Management**

It was noted that part of the counter fraud papers concerned a discussion regarding a supplier that Dr Williams had an interest in, Dr Williams left the room at this point.

GEN010112/053

There was a brief discussion about the issues relating to the report.

GEN010112/054

It was agreed that concerns about this particular supplier should remain part of the committee's overview with future discussion in Part II, until such time as a conclusion had been reached.

Dr Williams then re-joined the meeting.

GEN010112/055

## 12. External Audit Report

The following key points were noted:

GEN010112/056

- A site visit was planned this month to agree the arrangements for the external Auditor's review of the accounts. This would link into the overall timetable for closing accounts.
- Value for Money conclusions would be dependent on issues around specialist commissioning. This related to the £5.5m gap previously notified to the Governing Body.
- There were some uncertainties around guidance from NHS England on accounting practices.
- The issue with opening balances was noted.
- There had been a consultation on future audit committee arrangements for CCGs which was not yet concluded.
- It was noted that there was a bill going through parliament that would enable CCGs to appoint their own external auditors.

GEN010112/057

GEN010112/058

GEN010112/059

GEN010112/060

GEN010112/061

GEN010112/062

## 13. Internal Audit Report

*Continuing Health Care payments*

GEN010112/063

Clarence Mpofo gave a brief update on the work on Continuing Health Care payments, the report of which had not yet been finalised but which was probably going to demonstrate limited assurance. This was mainly due to a lack of supporting documents in the sampled cases and concerns about delegated levels of authority for the payments being made. A key concern was the cases of people with learning disabilities transferred from Surrey County Council.

Steve Rowlands reported that there was a weekly meeting in place now to ensure that no payments were made without supporting documentation.

GEN010112/064

There was a discussion about the scale of the problem and it was noted this was difficult to extrapolate at this stage based on the small sample undertaken.

GEN010112/065

Miles Freeman said that once control was established we could look at outsourcing payments to the local authority. GEN010112/066

*Risk Register best Practice* GEN010112/067

This was circulated for information GEN010112/068

*Remuneration of GPs* GEN010112/069

The benchmarking report was noted. There were significant variances across CCGs, both in terms of levels of payments and payment arrangements (i.e. payroll vs invoice) and this was referred to the Remuneration and Nominations Committee on the 31<sup>st</sup> January for review. GEN010112/070

#### **Action Miles Freeman**

The overdue actions in the audit report in relation to staff training for risk and producing a completing the work on key policies were noted. Justin Dix said these would not be completed by 31<sup>st</sup> January but a commitment was made to completing this by the end of February.

#### **Action Justin Dix**

In relation to risk appetite it was agreed that the CCG should use the “Treat, Tolerate, Terminate or Transfer” methodology.

### **14. Equality Duty compliance**

Justin Dix gave a brief update and asked the Governing Body to note the draft Strategy and Objectives that would enable the CCG to be compliant with its legal responsibilities. It was noted that the strategy had gone to the Quality Committee and that this had recommended a discussion about the priorities at the Governing Body on the 31<sup>st</sup> January. This was the beginning of consultation with key stakeholders for revision of the objectives in September. GEN010112/071

It was also noted that some of the equality duty needed to be laid off to the organisations we were contracting with. GEN010112/072

Discussion at the Quality Committee had centred on whether the priorities were correct given the large learning disability and traveller populations. GEN010112/073

### **15. Information Governance Toolkit compliance**

Justin Dix gave a brief update and said that IG compliance was being actively pursued. He would circulate a copy of the RAG rated action plan tracker for members to review. GEN010112/074

#### **Action Justin Dix**

Miles Freeman noted that our IG risk was higher than other CCGs because of the services we hosted. GEN010112/075

It was agreed that the Audit Committee should sign off the IG toolkit before submission. GEN010112/076

**Action Justin Dix**

## **216 Policies and procedures**

This had been discussed under item 14 and progress was expected against the agreed timescales. GEN010112/077

GEN010112/078

## **17. Any other business**

Governance of the enhanced services review – there was an issue with conflicts of interests for GPs during the detailed review of services. The Committee was asked to note that there was a robust process for the review process and managing the conflict of interests of individual GPs. Patient reps were included in the process. Recommendations were made to the Executive Committee following this review process. This was taking up most of the Executive Committee's capacity at the moment as there was a deadline for completing this work before the end of the financial year. GEN010112/079

Dr Williams noted that there needed to be a discussion as to how this would be handled at Governing Body decision making level given the conflicts of clinical members on the Governing Body. GEN010112/080

## **18. Matters to be drawn to the attention of the Governing Body.**

It was agreed that Peter Collis and Justin Dix would address this following the meeting. GEN010112/081

## **19. Dates of future meetings**

As discussed under item 8: GEN010112/082

- 25<sup>th</sup> April 2014 at 11.30, prior to the Governing Body Seminar
- 4<sup>th</sup> June at 12.30 for sign-off of accounts only (single agenda item)

It was also agreed there would be a teleconference on the 16<sup>th</sup> April in the afternoon for an informal discussion of issues relating to the accounts, prior to draft submission on the 25<sup>th</sup>.