

**Report from Audit and Integrated Governance Committee  
 meeting held on 30 March 2017**

**Item 18f**

**Governing Body meeting**

**25 May 2017**

<b>Author(s)</b>	Carol Henderson, Committee Secretary Julia Newton, Director of Finance
<b>Sponsor Director</b>	Phil Taylor, Chair of Audit and Integrated Governance Committee
<b>Purpose of Paper</b>	
To update Governing Body members on key matters discussed and agreed at Audit and Integrated Governance Committee (AIGC) meeting held on 30 March 2017	
<b>Key Issues</b>	
As noted in the paper.	
<b>Is your report for Approval / Consideration / Noting</b>	
Noting	
<b>Recommendations / Action Required by Governing Body</b>	
<p>The Governing Body is asked to:</p> <ol style="list-style-type: none"> <li>1. Note the key messages in the Executive Summary</li> <li>2. Receive the unadopted minutes from the 30 March 2017 meeting</li> </ol>	
<b>Governing Body Assurance Framework</b>	
<p><b><i>Which of the CCG's objectives does this paper support?</i></b></p> <p><b>5.</b> Organisational development to ensure CCG meets organisational health and capability requirements</p> <p><b>Principal Risk 5.4</b> Inadequate adherence to principles of good governance and legal framework leading to breach of regulations and consequent reputational or financial damage.</p>	
<b>Are there any Resource Implications (including Financial, Staffing etc)?</b>	
Not applicable	

<b>Have you carried out an Equality Impact Assessment and is it attached?</b>
<i><b>Please attach if completed. Please explain if not, why not</b></i> No, not applicable
<b><i>Have you involved patients, carers and the public in the preparation of the report?</i></b>
Not applicable

## **Report from Audit and Integrated Governance Committee meeting held on 30 March 2017**

**Governing Body meeting**

**25 May 2017**

### **EXECUTIVE SUMMARY**

#### **Overall View of the AIGC's Self Assessment Exercise**

AIGC discussed the results of its annual self assessment exercise using the KPMG audit committee checklist. No major issues were identified.

#### **AIGC Workplan for 2017/18**

AIGC agreed its workplan for 2017/18, noting that the only necessitated change from 2016/17 was the inclusion of a six monthly review of the CCG's Registers of Interests, Procurement, and Gifts and Hospitality and Sponsorship.

#### **Annual Report from Chair of AIGC**

AIGC received the annual report from the Chair of AIGC on the activities of the Committee against its agreed annual work plan. Members noted all actions on the plan had been undertaken satisfactorily. A copy of the Annual Report would be shared with Governing Body members for information.

#### **Financial Accounts for 2016/17**

The Committee received an update from the Deputy Director of Finance outlining key requirements to ensure that the CCG fulfilled its statutory responsibility to produce annual audited accounts and an annual report within the required timetable. The Committee approved the proposed accounting policies for preparation of the CCG's annual financial accounts for 2016/17 and the methodologies for estimating information where final data is not available by accounts completion date.

#### **Internal Audit Plan for 2017/18**

The CCG's Internal Auditors, 360 Assurance, presented the draft plan which had previously been discussed with the Director of Finance and the CCG's other executive directors. AIGC approved the draft plan.

#### **External Audit Plan for 2017/18**

The CCG's External Auditors, KPMG, presented the draft plan which had previously been discussed with the Director of Finance. AIGC approved the draft plan.

## **Local Counter Fraud 2017/18 Fraud, Bribery and Corruption Assessment Work Plan**

The Local Counter Fraud Specialist, 360 Assurance, presented the draft plan which had previously been discussed with the Director of Finance. The AIGC noted that the CCG's risk register and incident reporting over the last year had been reviewed. AIGC approved the draft plan and noted that Counter Fraud had delivered the 2016/17 plan.

## **Quality, Innovation, Productivity and Prevention (QIPP) Audit**

AIGC reviewed the QIPP audit and noted that there was **Limited Assurance** that there was a generally sound system of control designed to meet the objectives of the system. They noted that more work needed to be undertaken on sensitivity analysis and metrics.

## **Internal Audit Recommendations – High and Medium Risks**

AIGC expressed concerns about the continuing delay with responses to completion of the actions relating to the quality in care homes and continuing health care (CHS) audits. They agreed to invite the CCG's Chief Nurse to attend the next AIGC meeting if the actions had not been resolved by that time.

## **Governance**

AIGC noted that reviews of the CCG's Standing Orders, Scheme of Delegation and Reservation, Prime Financial Policies and Detailed Financial Policies had been undertaken, and recommended the proposed changes to Governing Body and Member practices for approval as part of the next round of changes to the CCG's Constitution.

AIGC approved the Risk Management Strategy and Action Plan for 2017/18.

AIGC reviewed the CCG's Registers of Interests, Procurement, and Gifts and Hospitality and Sponsorship, and noted the low rate of returns of declaration of interest forms from staff and Member practices and the plans that were in place to increase the uptake.

AIGC received the initial Head of Internal Opinion for 2016/17 and noted that it gave Significant Assurance that there was a generally sound system of internal control, designed to meet the organisation's objectives, and that controls were generally being applied consistently. However, this would be an interim Opinion until the final submission to AIGC and Governing Body on 25 May.

Members agreed that, following discussion with the CCG's Accountable Officer and STP Programme Director, the AIGC Chair should communicate with other Audit Chairs in the STP area to discuss existing and future governance arrangements for the STP.

## **External Audit Technical Update**

External Audit's Quarterly Technical Updates are very helpful papers, containing lots of useful information in one place. The Committee agreed that, as it was difficult to discern what was helpful to different people, the report would be made available via the intranet and weekly round up to the CCG's Governing Body and staff to make them aware of what was available.

**Audit and Integrated Governance Committee**  
**Unadopted minutes of the meeting held on 30 March 2017**  
**Boardroom, 722 Prince of Wales Road**

**Present:** Mr Phil Taylor, Lay Member (Chair)  
Dr Ngozi Anumba, CCG Governing Body GP  
Mr John Boyington CBE, Lay Member  
Dr Leigh Sorsbie, CCG Governing Body GP

**In Attendance:** Ms Carol Henderson, Committee Secretary / PA to Director of Finance, NHSSCCG  
Mrs Sue Laing, Corporate Services Risk and Governance Manager  
Mrs Jackie Mills, Deputy Director of Finance, NHSSCCG  
Ms Julia Newton, Director of Finance, NHSSCCG  
Ms Clare Partridge, Director, KPMG  
Mr Robert Purseglove, Local Counter Fraud Specialist, 360 Assurance  
Ms Abigail Tebbs, Deputy Director of strategic Commissioning and Planning (for item 03/17)  
Mr Kevin Watkins, Client Manager, 360 Assurance (on behalf of the Deputy Director / Client Manager, 360 Assurance)

Minute		ACTION
01/17	<p><b>Welcomes, Introductions and Apologies for Absence</b></p> <p>Apologies for absence from core members had been received from Ms Amanda Forrest, Lay Member.</p> <p>Apologies for absence from those who were normally in attendance had been received from Ms Rebecca Good, Financial Accountant, NHSSCCG, Ms Leanne Hawkes, Deputy Director / Client Manager, 360 Assurance, Ms Alison Ormston, Senior Manager, KPMG, and Mrs Suzie Tilburn, HR and OD Manager, NHSSCCG.</p> <p>The Chair declared the meeting was quorate</p>	
02/17	<p><b>Declarations of Interest</b></p> <p>The Chair reminded committee members of their obligation to declare any interest they may have on matters arising at Audit and Integrated Governance Committee meetings which might conflict with the business of NHS Sheffield Clinical Commissioning Group (CCG). He also reminded members that, in future, not only would any conflicts of interests need to be noted but there would also need to be a note of action taken to manage this.</p> <p>Declarations made by members of the Audit and Integrated Governance</p>	

Committee are listed in the CCG's Register of Interests. The Register is available either via the secretary to the Audit and Integrated Governance Committee or the CCG website at the following link:

<http://www.sheffieldccg.nhs.uk/about-us/declarations-of-interest.htm>

There were no declarations of interest relating to agenda items from today's meeting.

03/17

## Internal Audit

### CCG Response to the Quality, Innovation, Productivity and Prevention (QIPP) Audit

Ms Abigail Tebbs, Deputy Director of Strategic Commissioning and Planning, was in attendance for this item.

The Client Manager advised members that section 4.2.1 of the Internal Audit Progress Report (paper Ei) set out the scope and summary findings from the audit on the CCG's arrangements for managing its QIPP programme. He advised that the Audit Opinion at the time of reporting (January 2017) was that **Limited Assurance** could be provided. He advised members that Internal Audit had acknowledged that the CCG had recently put in place revised arrangements for managing and delivering the QIPP programme including the new QIPP Sub-Group (reporting to the Governing Body), matrix working and a strengthened programme of service reviews. However, at the time of the review it had been too early to judge the impact of the new arrangements and, based on the CCG's figures, a QIPP shortfall for 2016/17 was currently forecast. They also recommended that QIPP scheme metrics were strengthened. He advised that two recommendations had been made, one medium and one low, with implementation dates agreed by the CCG, which would be followed up by Internal Audit in Quarter 1 of 2017/18. These were: 1. To build into the QIPP Report sensitivity analysis summarising the scheme by scheme risk assessments and; 2. for the CCG to ensure that all QIPP scheme plans are accompanied by adequate financial data and performance measures at scheme approval stage. In-year QIPP monitoring reports to include an explicit assessment of the accuracy, reliability and timeliness of key performance metrics.

Ms Tebbs advised members that the CCG had submitted management responses to both recommendations, which had been signed off as follows:

1. The monthly QIPP summary presented to the QIPP Sub Group includes a summary of the scheme by scheme risk assessments. It is the Sub Group's responsibility to scrutinise this and provide assurance as appropriate to the Governing Body. At this stage we do not propose to include further detail in the QIPP report to the Governing Body.
2. The Head of Performance Management Office (PMO) and Deputy Director of QIPP are working together to ensure robust systems are in place in line with Managing Successful Programmes. This will mean all projects will start with a

project brief for approval which will articulate financial data and performance metrics at this stage before moving forward to become an Outline Business Case if approved.

With regard to the latter, she advised the committee that, as part of the PMO, they had reviewed all the tools and sign off processes, and had developed a number of workshops to tighten up people's understanding of the PMO and process. She reported that these had been attended by 30 people up to this stage, including members of partner organisations, so where it was a joint programme everyone would understand the process. She also advised that they had developed metrics for all the QIPP schemes. The Chair advised members that, at the QIPP sub group, they had discussed reviewing a business case for buying some software to help with that process.

The Client Manager, 360 Assurance, advised members that Internal Audit had also reviewed QIPP programmes with a number of other clients, and that the CCG's themes were echoed elsewhere. He commented that it was really challenging to identify metrics for delivery of QIPP schemes, and that it was positive that the workshops sounded like they were achieving that.

The Audit and Integrated Governance Committee received and noted the report and update.

#### **04/17 Minutes and Matters Arising of the meeting held on 15 December 2016**

##### **i) Accuracy**

The minutes of the meeting held on 15 December were agreed as a correct record.

##### **ii) Matters Arising**

##### **a) Update on Appointment of External Auditors (minute 44/16(c) refers)**

With regard to the suggestion at the last meeting to ask for assurance from the procurement team that a request for each individual bidder's policy on their local approach to social prescribing and the suggestion that bidders have a local office be included as requirements in future procurement documentation, the Deputy Director of Finance advised members the procurement team had confirmed that this was now included as routine. However, it was difficult to enact that through, with legislation about discrimination against potential suppliers, so it was not quite as straightforward as she had thought. We could not put the organisation at risk of litigation, and also the European Union (EU) legislation treats being local as anywhere within the EU. She advised members that this was one of the questions we asked on tenders but we needed to apply that in a secure way.

**b) Update on Internal Audit Plan 2016/17: Section 4.3 Communications and Engagement Audit (minute 46/16(a) refers)**

The Client Manager, 360 Assurance, advised members that, with regard to involving the CCG's Lay Members with responsibility for patient and public engagement in setting the scope for this audit, he had had an initial meeting with the CCG's operational lead at the time and had shared draft Terms of Reference for the audit with both Lay Members, who had then fed in their comments, which had been included in the final Terms of Reference.

**c) Update Report on Internal Audit Recommendations – High and Medium risks (minute 47/16 refers)**

The Corporate Services Risk and Governance Manager advised members that training on the Datix incident reporting system would be rolled out to managers that had a complaint in the system.

The Client Manager, 360 Assurance, advised members that Internal Audit would be moving to an electronic working papers system and one of the modules within that system was a records tracker process which, when up and running, they would be sharing with their clients automatically. He advised that training on system should be completed by the end of April, and hopefully they would be able to see the outcomes of that with the 2017/18 reporting. He would seek to clarify as to whether this new system would include previous reports or those from 2017/18 onwards.

**KW**

**d) Training for Audit and Integrated Governance Committee (AIGC) Members by KPMG (minute 49/16(a) refers)**

The Director, KPMG, advised that the training they provided was included in the current contract and would be more than happy to provide training for Governing Body members, additional training for AIGC members, etc.

**05/17**

**AIGC's Own Business**

**a) 2016/17 AIGC Self Assessment Exercise**

The Chair presented this report which summarised the results of the 2016/17 self-assessment questionnaire completed by members of the Audit and Integrated Governance Committee. He advised that 11 members had been asked to participate in the self-assessment, including representatives from both External and Internal Audit. He thanked members for completing the assessment and to the Financial Accountant for pulling it all together.

The Deputy Director of Finance drew members' attention to the key highlights.

The scores were relatively high, with some scores actually higher than the ideal.



Section 3 highlighted areas for further consideration, in particular succession planning, professional development, members having sufficient skills, experience, time and resources, and appropriate induction for new committee members.

The Chair suggested that succession planning was something to be discussed outside of the meeting, but the committee needed to address professional development in some way. Dr Sorsbie commented that there were lots of courses that members were made aware of, however, there was only so much time available, but even updates would be useful. She advised that she had got value from the training session put on by KPMG in December. She also commented that the scores showed an improvement from last time, which may show a level of professional development.

Mr Boyington suggested just taking the overall numbers as the numbers of people completing the exercise was very low, but the results showed there was nothing seriously wrong. He also advised that he would sometimes like to go to training sessions but the notice for some of them was very short.

The Deputy Director of Finance suggested that there may be a different way of accessing these courses / training and that it may be something that KPMG could support.

The Chair advised members that he would review these comments outside of the meeting, but as long as members kept being offered opportunities to attend courses or training that was the main thing,

The Audit and Integrated Governance Committee:

- Noted the summary of the consolidated results from the self-assessment questionnaires.
- Agreed to consider the points highlighted when developing any Audit and Integrated Governance Committee action plans going forward.

#### **b) AIGC Annual Report 2016/17**

The Chair presented the AIGC's annual report for 2016/17. He advised members that it needed a sentence including relating to the role of the Quality Assurance Committee before it was presented to the Governing Body for information on 25 May.

The Audit and Integrated Governance Committee received and noted the report.

#### **c) AIGC Annual Workplan 2017/18**

The Deputy Director of Finance presented this report which proposed the workplan for the committee in 2017/18 and advised that she had not identified any issues which necessitated a change to the plan from this year, except for the inclusion of a six monthly review of the CCG's Registers of Interests, Procurement, and Gifts and Hospitality and Sponsorship.

External Audit advised that it was not usual for them to present a progress report in May and requested that this be removed from the plan.

JM

The Local Counter Fraud Specialist (LCFS) advised members that, although the plan proposed he provide quarterly progress reports, the resources within the Local Counter Fraud plan did not provide the resource for him to attend each meeting, and so proposed that he attend twice a year. Mr Boyington suggested receiving a routine report about how we were doing within the system but to receive any exception reports in between.

The Director of Finance would discuss this further with the LCFS outside of the meeting.

JN/RP

The Audit and Integrated Governance Committee approved the workplan for 2016/17, subject to the amendment made to the External Audit section, as noted above.

06/17

## **2016/17 Annual Accounts Issues**

### **a) Agreement of Final Accounts Timetable and Plans**

The Deputy Director of Finance presented the plan and year end timetable for successful completion of the Financial Accounts 2016-17 to provide assurance to the committee that the CCG could fulfil its statutory responsibility to produce annual audited accounts. She drew the committee's attention to the key year end dates set out in section 3 which, at the time of the meeting were 9.00 am on 26 April for submission of draft unaudited accounts, and 12.00 noon on 31 May for submission of final audited accounts. She advised members of an omission to the table in that the CCG's draft Annual Report had to be submitted to NHS England by 21 April.

The Deputy Director of Finance also reminded members that the audited accounts would be presented to the Audit and Integrated Governance Committee (AIGC) for consideration on the morning of 25 May, prior to them being presented to Governing Body for formal adoption on the afternoon of 25 May, alongside the final version of the CCG's Annual Report.

The Audit and Integrated Governance Committee:

- Noted that the CCG has prepared a detailed action plan and timetable for preparation of the annual accounts.
- Noted the key dates within the annual accounts process.

### **b) Annual Review of Accounting Policies and Estimations**

The Deputy Director of Finance presented the proposed accounting policies for preparation of the CCGs annual financial accounts for 2016/17, and detailed the proposed basis of estimation for key areas of expenditure where actual values were not available. She drew members' attention to section 2 in particular that detailed the accounting policies that had been omitted due to no material

application in relation to the financial statements. She advised members that there were specific areas in the policies that we were allowed to amend and tailor them to Sheffield CCG, which were highlighted in yellow. In terms of financial estimations, there were two key areas where actual values were not available and therefore required estimation: healthcare contract activity (the biggest area relating to the Sheffield Foundation Trust contracts) and GP prescribing, as set out in section 3. The Director of Finance advised members that this followed the process we had followed in previous and would hopefully assure our auditors.

Mr Taylor asked about the CCG's lease arrangements for the headquarters. The Deputy Director of Finance explained that it was not uncommon that most organisations did not have a lease, and confirmed that the CCG had neither a lease nor sub lease.

The Audit and Integrated Governance Committee:

- Noted that a full review of accounting policies had taken place.
- Approved the accounting policies for the basis of the financial accounts.
- Noted and approved the requirement to document the basis of estimation of key figures in the 2016/17 financial statements.

07/17

## **External Audit**

### **a) External Audit Technical Update**

The Director, KPMG, presented this report which updated AIGC on the main technical issues which were currently having an impact on the health sector. She had no particular items to draw to members' attention.

The Chair commented that it was a very useful document and it brought out comments about IR35, a report on which the committee would be considering under item 10 viii.

As always, the committee agreed that, as it was difficult to discern what was helpful to different people, the report would be made available via the intranet and weekly round up to the CCG's Governing Body and staff to make them aware of what was available. This update would be noted in the AIGC update to Governing Body.

The Audit and Integrated Governance Committee noted the External Audit Technical Update.

### **b) KPMG's Audit Plan for the 2016/17 Audit**

The Director, KPMG presented this report. She drew members' attention to the headlines from the audit plan on page 1 and highlighted the following key issues.

- i) Scope, Timeline and Approach: These remained in line with the previous year.

**CRH**

- ii) Materiality: This would be calculated in the same way as previously, based on the CCG's gross expenditure, and would work to a total materiality of £12m, the same as last year, reporting all individual errors that were in excess of £0.6m to the AIGC. However, the materiality for the remuneration report had been lowered to £2.5k and audit fees to £1k because of public disclosure on those (members noted that these figures were incorrectly reported on page 7).
- iii) Significant Risks and Other Areas of Audit Focus: In addition to the two mandated risks relating to fraud risk from income recognition and management override of controls, one significant risk had been identified relating to accounting for co-commissioning of primary care services.
- iv) Use of Resources and Value for Money Opinion: The QIPP would feed into that, and they would want to see some of the actions coming through for that to be able to close the loop. This was very much a work in progress.

The Director, KPMG advised members that there would be a reduction in the Audit Fee for 2017/18 to 2020/21 following the award of the tender to KPMG following the recent procurement exercise. The Chair asked for clarity as to what would be different in next year's audit, particular around governance arrangements. On 'Use of Resources' they needed to reaffirm our arrangements, any changes in governance arrangements to reflect our work with other stakeholders, and how the CCG was keeping abreast of changes in the health and social care system.

Dr Sorsbie asked if there was anything the CCG could learn from other areas around co-commissioning and if there were any service risks. The Director, KPMG commented that this was probably not something that external audit would pick up.

The Audit and Integrated Governance Committee received and noted the report.

08/17

## **Internal Audit (continued)**

### **a) Update on Internal Audit Plan 2016/17**

The Client Manager, 360 Assurance, presented this report and drew members' attention to the key highlights.

Page 3 of the report set out progress of delivery of work from the 2016/17 plan which include that four reports had been issued since the last committee meeting, with a summary of the findings included at section 4.2, good progress was being made with regard to completing the rest of the plan, and Internal Audit had joined the Patient Transport Services (PTS) Procurement Board in a project assurance role. With regard to the latter, they had been doing a specific piece of work on what had happened in the procurement process so far, and it was expected to be able to present a report on this to the next meeting.

**LH/KW**

The table at section 3 showed the current performance in respect of planned days against actual days in relation to the plan and showed that they were on target to deliver the agreed original number of allocated days. Section 4 highlighted the status regarding the completion of each audit assignment within the plan. The Client Manager was asked to seek clarity as to why the report from the QIPP audit had not been presented to the committee in December 2016, as per the original timescale in the plan. The Client Manager also advised that the report from the patient and public engagement audit should also have been presented to the committee in December, but the delay in this had probably been delayed due to workload in the CCG in getting the report back to internal audit, however, the draft report should be issued by the following day.

The Client Manager advised members that there was nothing they needed to make external audit aware of following their audit of HR / Payroll. He advised that section 4.2.2 set out the scope and summary findings from the audit on budgetary control and key financial systems, which was an audit they undertook each year. The Audit Opinion, having completed their review, was that **Significant Assurance** could be provided that there was a generally sound system of control designed to meet the objectives of the system. However, there were some weaknesses in the design or inconsistent application of control which had resulted in a couple of low risk issues being highlighted.

The Client Manager advised members that it was a similar situation with the audit of the Information Governance Toolkit (IGT) (section 4.2.3), an audit they were also required to undertake each year. The Audit Opinion, based on the scores assessed and the evidence supplied by the CCG up to 14 March 2017, was that **Significant Assurance** could be provided that there was a generally sound system of control designed to meet the system's objectives of the system.

The Client Manager drew members' attention to work ongoing in relation to audit assignments from the plan, which was set out in section 4.3. He advised that this included a review of the operation of key controls identified for pay expenditure – managed by the shared service, which was a fairly routine piece of work they undertake. As noted above, the draft report from the patient and public engagement audit should be issued by the following day, and as part of this audit they had been looking at the readiness of the CCG in response to Shaping Sheffield. Work was ongoing in relation to the audit of Better Care Fund (BCF) arrangements, now looking at whether the CCG had been able to achieve what it wanted to, what the arrangements were, and if there were any lessons to be learned from that.

The Client Manager advised that a draft report on the mandated review of arrangements for managing conflicts of interests in the CCG had been issued. He acknowledged the hard work that had been undertaken in a very short space of time to implement arrangements, which was a positive thing.

Appendix A provided a summary of where internal audit had undertaken follow up reviews, which were a combination of routine follow up information and as to whether recommendations made the previous year had been completed. Some

of these were reviewed periodically, ie patient and public engagement, and there were a couple of areas where reports from these follow ups were still out in draft.

The Deputy Director of Finance explained that, with regard to Key Performance Indicator (KPI) 4 (appendix B, page 18) which related to Terms of Reference for reviews to be agreed promptly by both parties within five working days prior to the start of the review or as agreed with the lead executive, the three instances where the timescale had not been met had been due to workload pressures at the CCG. The committee also noted that there had been a number of instances for KPI 6: management responses to be provided within 10 working days of receiving the draft final report, where the timescale had not been met.

The Audit and Integrated Governance Committee:

- Noted progress in delivering the Internal Audit plans for 2016/17.
- Noted a change to the 2016/17 Internal Audit Plan to incorporate project assurance support on the PTS procurement.
- Received the information and guidance papers provided by 360 Assurance.
- Agreed to seek assurance from the CCG that the issues raised were being considered and, where necessary, were being addressed by the CCG.

#### **b) Draft Head of Internal Audit Opinion for 2016/17**

The Client Manager, 360 Assurance presented this report. He advised members that NHS England (NHSE) had requested a draft Opinion by 17 March, a month earlier than usual.

The Client Manager, 360 Assurance, presented the draft Head of Internal Audit Opinion for 2016/17. He advised the committee that, as the report had had to be submitted by 17 March 2017, a month earlier than usual, at the time of writing it had only taken into account the work that had been completed at that time within the organisation, which could possibly change as a result of any issues emerging following the conclusion of all planned work. He reported that the initial opinion was to give **Significant Assurance** but this would be an interim Opinion until the final submission which will be presented to the AIGC meeting, and the subsequent Governing Body on 25 May.

Mr Boyington asked if any organisation received Full Assurance. The Client Manager drew members' attention to the definitions of assurance levels set out at page 2 and Appendix B (page 7) and advised that, although the vast majority of organisations received an overall Significant Assurance, but with a difference in gradings, however, there would be some organisations receiving a lower rating than us.

The Audit and Integrated Governance Committee received and noted the report.

#### **c) Draft Internal Audit Annual Plan for 2017/20 and Fees**

The Client Manager, 360 Assurance, presented this report. He advised that the

draft plan had been circulated to the CCG's Executive Team for comment, which had been followed up by the Deputy Director / Client Manager's attendance at the Clinical Commissioning Committee (CCC) to present the overall areas of the plan. He advised members that the plan was fully compliant with the Public Sector Internal Audit Standards (PSIAS) and reported that one of the audit and strategic objectives relating to the management of contract / compliance with PSIAS for which 36 days in 2017/18 had been allocated. He advised that external audit were also expected to include an element of these in their own plan.

The Client Manager drew members' attention to Appendix B, the 2017/20 strategic plan and advised that overall the number of audit days for 2017/18 was 124, a slight reduction on the previous year. The Director of Finance reminded members that the 2016/17 audit plan had been increased as a result of a number of audit days being carried forward from the previous year. The Chair commented that he was pleased to see that the Sustainability Transformation Plan (STP) was covered in the governance part of the plan.

The Audit and Integrated Governance Committee approved the Internal Audit Plan for 2017/18.

09/17

#### **Update report on Internal Audit Recommendations – High and Medium Risks**

The Deputy Director of Finance presented this paper which provided a summary for the Committee of all the outstanding actions against recommendations agreed within finalised internal audit reports. She advised the committee that 13 outstanding actions had been brought forward from December 2016, one medium risk relating to the complaints review where the action had now been completed and rated as Green, seven medium risks relating to quality of care in care homes, one of which had three recommended actions and two having the same recommended actions, which were all still ongoing and been rated as Amber until completion. There were also three medium risks relating to Continuing Health Care (CHC), one of which had two recommended actions with four different actions in total, one of which had previously been completed and rated as Green and therefore not included in Appendix A, with the remaining three still ongoing and rated as Amber until completion. There was also one medium risk relating to primary care co-commissioning where the action had now been completed and rated as Green, and one medium risk in relation to QIPP where the action had now been completed and rated as Green.

The Deputy Director of Finance advised members that, when all the completed actions had been excluded from further updates, this would leave a number of Amber risks relating to quality of care in care homes and continuing health care (CHC), the actions for which were overdue, as reported to AIGC in December. She advised that there had been a number of staffing changes within both those teams and that the CCG's Deputy Chief Nurse had taken on responsibility for ensuring that progress against those actions was rapid.

Mr Boyington asked if these actions would be completed by the time of the May

meeting and noted that, as an AIGC, they could escalate these if they were not complete by the due date, in which case he suggested inviting the CCG's Chief Nurse to attend the next meeting to respond to the committee's concerns with the continued delay in completing these actions. The Deputy Director of Finance advised that there were also some longer term actions alongside other concerns that had been raised, and agreed that if these had not been resolved by the time of the next AIGC meeting the Chief Nurse should be invited to attend. The Client Manager, 360 Assurance, advised members that issues relating to their review of quality in care homes had been reported to the Chief Nurse in their draft report, which would form part of the final Head of Internal Audit Opinion.

The Audit and Integrated Governance Committee:

- Noted the progress against all the outstanding agreed actions.
- Agreed that "Green" completed actions on the attached update could be excluded from further updates to the Audit and Integrated Governance Committee.

10/17

## **Counter Fraud**

### **a) Local Counter Fraud Progress Report Update 2016/17**

The Local Counter Fraud Specialist (LCFS), 360 Assurance, presented this report. The table at section 2 showed the contract performance in respect of planned days agreed in the work plan, against actual days for the period 1 April 2016 to 28 February 2017. He had nothing specific to draw to their attention.

He also advised members that he and the Director of Finance had agreed the CCG's 2017/18 fraud, bribery and corruption self review tool (SRT) return the previous day, which would be submitted to NHS Protect on 31 March 2017, and he would report on progress against the Standards during 2017/18.

The Audit and Integrated Governance Committee received and noted the report.

### **b) Local Counter Fraud Draft 2017/18 Fraud, Bribery and Corruption Risk Assessment Work Plan**

The Local Counter Fraud Specialist (LCFS) presented this report and advised the committee that it was a risk based plan and a live document that would evolve over the year. He drew their attention to the key highlights.

The CCG's risk register and incident reporting over the last year had been reviewed as part of their risk assessment approach. As summarised in his conclusion, he advised that their experience suggested that fraud exposure was often the result of a significant number of low and medium impact risks rather than a single significant impact event, therefore it was their view that the number and range of fraud, bribery and corruption risks identified suggested that the likelihood of fraud, bribery and corruption being perpetrated against the CCG continued to be substantial and the report identified the potential risks. He



advised that two risks had changed significantly since last year relating to cyber crime and pharmaceutical dispensing, the latter he advised he was not aware of any fraud arising.

Finally, he advised that they were proposing a total of 30 planned days of resource for 2017/18, similar to what they had provided in previous years, which he had agreed with the Director of Finance the previous day.

The Audit and Integrated Governance Committee approved the Local Counter Fraud 2017/18 Fraud, Bribery and Corruption Risk Assessment Work Plan.

11/17

## **Governance – Key Issues for Audit and Integrated Governance Committee**

### **a) Review of Standing Orders, Scheme of Reservation and Delegation, Prime Financial Policies and Detailed Financial Policies**

The Deputy Director of Finance presented this report that updated the committee on the annual review of the CCG's Standing Orders, Scheme of Reservation and Delegation (SRD), Prime Financial Policies (PFP) and Detailed Financial Policies. She drew the committee's attention to the main highlights.

The Corporate Services Risk and Governance Manager had reviewed the Standing Orders and recommended that no changes needed to be made. The Director of Finance had reviewed the Scheme of Reservation and Delegation and recommended that a small number of changes be made, as set out in section 2. The main change related to a slight misalignment between the CCG's Constitution and Scheme of Reservation and Delegation in that there was a difference in how the Scheme of Reservation and Delegation recorded how the Registers of Interests were maintained and as to who was approved to make changes.

The Director of Finance had reviewed the detailed Financial Policies and recommended that a small number of changes be made, as set out in section 3. She advised that there were some specific recommendations, mainly relating to the Losses and Special Payments Policy in relation to latest NHS England guidance.

The Local Counter Fraud Specialist advised members that he would send revised wording to the Financial Accountant relating to section 5 of this policy.

Dr Sorsbie asked for clarification about section 15.4 of Appendix B: Insurance: risk pooling schemes administered by the NHS Litigation Authority (NHSLA). The Director of Finance explained that the NHSLA managed the NHS risk claims and all NHS bodies were asked to make a contribution to this, and that it was a risk pooling arrangement, not an insurance company. She advised that the CCG was deemed as a low risk organisation but anyone could submit us with a legal claim, and this arrangement protected us as an organisation.

She advised that the recommendations for the proposed changes to the Scheme

**RP**

of Reservation and Delegation and the Prime Financial Policies would need to be presented to Governing Body and Member practices as part of the next round of proposed changes to the CCG's Constitution.

The Audit and Integrated Governance Committee:

- Noted the Corporate Services Risk and Governance Manager's review of Standing Orders and that no changes were recommended.
- Noted the Director of Finance's review of the Scheme of Reservation and Delegation and recommended the proposed changes to the Governing Body for approval.
- Noted the Director of Finance's review of the detailed Financial Policies and approved the proposed changes to the
- Budget Management Policy, Tendering Policy, Losses and Special Payments Policy and Fraud, bribery and Corruption Policy.

**b) Governance Sub Committee report including unadopted minutes of the meeting held on 8 February 2017**

The Corporate Services Risk and Governance Manager presented the unadopted minutes and overview from the meeting. She had no particular issues to bring to the committee's attention.

The Chair asked about the staff sickness absence rate for December 2016, which was 5.63%, above the target of 2.5%. The Director of Finance explained that there had been a stepped increase in sickness absence rates when the continuing health care (CHC) team had been brought back in-house following the closure of the Commissioning Support Unit (CSU), and the expectation was that sickness would rise in this group of staff as clinical staff were more likely to have sickness. She also advised members that there were a high number of working days lost due to sickness absence relating to stress related illnesses which, she assured the committee, members of the HR team were working with the specific teams to provide ongoing support to.

The Audit and Integrated Governance Committee received and noted the unadopted minutes.

**c) Update on Governing Body Assurance Framework**

The Corporate Services Risk and Governance Manager presented this report which outlined the good progress that continued to be made with regard to management of strategic risks facing delivery of the organisation's key objectives and reported the position for Quarter 4 2016/17 up to and including 20 March 2017. At that time, 16 risks remained on the register, with no new risks added and no risks closed. She drew members' attention to Appendix 2 and the additional information that explained why gaps in control and assurance existed and why some could not be closed, and reported that any outstanding gaps in control, as at 31 March 2017, would be identified within the Annual Governance Statement (AGS) for 2016/17.

She advised members that confirm and challenge meetings had taken place on 7 and 21 March 2017 respectively for the Senior Management Team (SMT) to review risks and to establish the framework for 2017/18. She advised that there had been significant discussion, with the latter meeting attended by a representative from Internal Audit, agreeing that a number of the risk scores would reduce, and some gaps in control and assurance would be closed. She advised that the GBAF for 2017/18 would be presented to Governing Body for approval in April.

Dr Sorsbie asked about principal risk 2.2: CCG unable to influence equality of access to health care because of insufficient or ineffective mechanisms to change, and commented that due to the amount of evidence relating to health inequalities available this risk should be worded differently. The Deputy Director of Finance explained that the ownership of this risk had been somewhat dispersed and that health inequalities and equality of access were different and it was how people interpreted the principal objective. She suggested that Dr Sorsbie discuss this with the Interim Director of Delivery – Care Outside of Hospital, who was the owner of the risk, in the first instance.

The Audit and Integrated Governance Committee:

- Noted the position with regard to the GBAF and arrangements in place for managing strategic risks up to 20 March 2017.
- Did not identify any additional controls or mitigating actions which they felt should be put into place to address identified risks.
- Noted the work undertaken by Directors / senior risk owners with regard to the GBAF Refresh 2017/18.

#### **d) Risk Management Strategy and Action Plan 2017/18**

The Corporate Services Risk and Governance Manager presented this report. She advised the committee that there were very few changes from last year, and had been mainly updated to include reference to the team's risk logs. She reminded members that the AIGC had delegated authority to approve the strategy every year.

The Audit and Integrated Governance Committee approved the Risk Management Strategy and Action Plan for 2017/18.

#### **e) Draft Annual Governance Statement**

The Corporate Services Risk and Governance Manager presented the draft Annual Governance Statement (AGS). She advised the committee that it was a first draft and very much work in progress with changes still to be made and it was the key document in the CCG's annual report and accounts that showed how successful we had been as a CCG and how we had coped with the challenges and changes.

The Director of Finance advised that we were mandated on the format of the AGS and confirmed that we were complying with the guidance and that there were no

fundamental changes from last year. She also advised that we had received an early view on the document from Internal Audit who had no issues of concern to raise. She asked that any issues or comments be fed to the Corporate Services Risk and Governance Manager within the next few weeks.

The Director of Finance advised members that the final version would be presented to the AIGC on 25 May as part of the 2015/16 Annual Report.

The Audit and Integrated Governance Committee received and noted the report.

#### **f) Managing Conflicts of Interest Update**

The Corporate Service Risk and Governance Manager presented this report which reminded members that the CCG was required to submit quarterly and annual self-certification returns in order to demonstrate compliance with the requirements of the revised statutory conflicts of interest guidance. She advised that the second quarterly assessment had been submitted to NHS England by the deadline of 13 January 2017 and was attached for members' information. She reported that our return indicated full compliance, however, it did not take into account the outcome of the final Conflicts of Interest Internal Audit report but generally we believed that we were compliant, although discussions in this respect needed to take place with Internal Audit. The Client Manager, 360 Assurance advised members that he had no major concerns with the arrangements the CCG has put in place and that they had to report the outcomes in the way they had. As noted earlier, he acknowledged the hard work that had been undertaken in a very short space of time to implement arrangements.

The Corporate Services Risk and Governance Manager also advised the committee that the annual self-certification had to be completed within the first two weeks of April each year and submitted to the CCGs' relevant NHS England local team. It would cover 2016/17 and was due to be submitted by 14 April 2017, together with the third quarterly self-certification.

The Audit and Integrated Governance Committee noted the content of the report and timely submission of the self-certification to NHS England.

#### **g) Review of CCG Registers of Interests, Register of Procurement, and Register of Gifts and Hospitality and Sponsorship**

The Corporate Service Risk and Governance Manager presented this report which provided members with assurance of the arrangements in place in relation to management of Conflicts of Interest. She advised that the registers would be updated on a six monthly basis. Members noted the low rate of returns of declaration of interest forms from Member practices and CCG staff. The Corporate Service Risk and Governance Manager explained that she had sent out reminder emails and raised this with team leaders, but it was difficult for practices to know what they needed to declare, with some saying that they did not need to declare anything as it was private, rather than being a link to the CCG. However, there had been an increase in the number of returns being received

and, when the committee reviewed the registers again in December, they would find that the numbers had increased significantly. She suggested that, for the committee to be assured that we were doing everything we could to increase the completion and return of forms, she could compile a frequently asked questions list for the conflicts of interest page on the intranet. She also advised that she had emailed the Locality Managers to advise them what we were proposing to do with regard to Member practices.

The Client Manager, 360 Assurance, commented that ultimately it was in the spirit of why we were asking for completion of the form, and that if people were refusing to complete the form, the CCG at a high level would need to consider if that would present a problem and if they would have to take action if there might be something that would have a conflict and expose the CCG to a potential risk.

Finally, the Corporate Service Risk and Governance Manager advised the committee that new conflicts of interest guidance was expected to be published in June, and also that the training had been deferred to June or July but that we had been assured that this would be rolled out in time for us to achieve the CCG's target of 98% compliance for training.

The Audit and Integrated Governance Committee:

- Received the report as assurance of the CCG's arrangements in relation to managing conflicts of interests.
- Noted the Registers of Interests

#### **h) Report on IR35 and its Implications**

The Deputy Director of Finance presented this report which provided members with an overview of Her Majesty's Revenue and Customs (HMRC) IR35 (intermediaries legislation in Chapter 8 Part 2 Income Taxes (Earnings and Pensions) Act 2003 (ITEPA 2003) policy requirements, actions taken and the implications, including risks, to NHS Sheffield CCG. In summary, the legislation requires public sector bodies to deduct employee's income tax and national insurance (NI) contributions (and employer's NI contributions) on payments made to off payroll contractors. Payments made will be net of these deductions, which will be paid over to HMRC. She advised members that this was not something that would normally be brought to the AIGC but it had been brought as it could pose some potential risks to the CCG and to raise their awareness that there was a process in place. She advised that the HMRC had issued a toolkit that we had used, but it was subject to a number of challenges. She advised that we had been told that a revised version of a toolkit would be made available on 6 April 2017, which the CCG would apply to the contracted details of all off-payroll workers. She also advised that there would be a right of appeal for anyone that did not come through the process (the actions being undertaken by officers at the CCG were set out at section 3),

The Audit and Integrated Governance Committee:

- Noted potential financial risks to the CCG and actions to mitigate these.

- Noted actions already taken place and those planned.
- Noted an update paper will be presented to the committee once the legislation was in statute.

#### **i) Sustainability Transformation Plan (STP) Governance**

The Chair gave an oral update and advised members that, following discussions with other Audit Chairs, it seemed that different governance arrangements around the wider STP had been adopted around the country. He advised members that he was proposing to write to the Audit Chairs in the STP area to suggest they get together to discuss existing arrangements for the STP, and also for them to keep an eye on what was going on so that governance was in place at the right moment when things were happening. The Corporate Services Risk and Governance Manager advised members that the South Yorkshire and Bassetlaw governance leads had had the same conversation earlier in the week and had agreed to invite the STP Programme Director to attend one of their sessions to talk about the governance arrangements.

The Director of Finance advised that Terms of Reference were being written for all sorts of STP groups but none of them had any real formal status except for the Joint Commissioning Committee of CCGs (JCCC). She suggested that the Chair discuss his proposal with the CCG's Accountable Officer and the STP Programme Director to make them aware that he was thinking of doing this.

The Audit and Integrated Governance Committee noted the update.

#### **j) Unadopted Quality Assurance Committee minutes 9 March 2017**

The Chair asked that, as Ms Forrest had sent apologies for today's meeting, these minutes be re-presented to the next meeting.

**CRH**

**12/17**

#### **Other reports**

##### **a) Sheffield CCG – Payables and Receivables as at 31 January 2017**

The Deputy Director of Finance presented this paper which provided a summary of the aged payables and receivables for Sheffield CCG based on the latest month end position available at the time of writing the report for AIGC (as at 31 January 2017).

##### Payables

The Deputy Director of Finance advised the committee that two invoices for £2,627k relating to Sheffield Teaching Hospitals NHSFT had been paid since the last meeting. She also advised that the bulk of the outstanding payments relating to a backlog of £2,020k of non contract activity (NCA) invoices due to a number of problems which had led to delays in invoice verification, had now been paid.

## Receivables

The Deputy Director of Finance advised the committee that the largest NHS receivable was Sheffield Teaching Hospital NHSFT of £1,627k which related to recharge of costs for the Walk in Centre, which was now included on the STHFT contract. This invoice was paid in February 2017. There was also £113k due from Doncaster CCG in relation to Individual Funding Requests (IFR) services, which was also settled in February 2017.

The Deputy Director of Finance also advised the committee that no debts had been recommended for write-off in the 2016/17 financial year.

The Audit and Integrated Governance Committee noted the position regarding aged payables and receivables as at 31 January 2017.

### **b) Losses and Special Payments 2016/17**

The Deputy Director of Finance presented this report which provided the committee with a summary of instances where Losses and Special Payments had been approved since 1 April 2016. The committee noted that there had been two ex-gratia payments of this nature to date, one of which had been reported to them in September 2016, and the other relating to special severance payments, as noted on the appended table.

She also advised the committee that a further special payment had just been agreed relating to an out of court settlement for ambulance costs, which would be included in the CCG's accounts at the end of the year.

The Audit and Integrated Governance Committee received and noted the report.

### **c) Competitive Tender Waiver Approvals since 1 April 2016**

This paper was presented by the Deputy Director of Finance and provided the committee with information on instances where the competitive tendering rules have been waived since 1 April 2016.

The Deputy Director of Finance advised that there had been five tender waivers since the last report, which had been authorised by the Director of Finance under the delegated authority arrangements set out in the CCG's Scheme of Reservation and Delegation.

The Chair requested clarity about the tender waiver for payroll services. The Deputy Director of Finance explained that it was a tender waiver as Sheffield CCG is lead for this service for a number of CCGs, although the value for the contract for Sheffield is below the tender limit. She explained when the CCG's human resources service had been part of the Commissioning Support Unit (CSU) they had responsibility for reviewing the market and work indicated that there would be no benefit in going out to tender and so had recommended to stay with the existing provider but with a negotiated reduction in price, but would clarify

as a post meeting note the formal rationale included on the tender waiver document.

**Post Meeting Note: The rationale used was when goods are a partial replacement for, or in addition to, existing goods.**

The Deputy Director of Finance also advised the committee that the last item relating to SMS messaging service for primary care had now been taken off as it had been confirmed that this was part of the national call off order.

The Audit and Integrated Governance Committee received and noted the report.

**13/17 Any Other Business**

There was no further business to discuss this month.

**14/17 Key Highlights for Governing Body**

The Chair proposed to report:

- The committee's overall view of the self assessment exercise, and how well they had done, although there were still pressures of development.
- The committee had approved its workplan for 2017/18.
- The committee had recommended its annual report 2016/17 to Governing Body for information.
- The committee had noted the annual accounts timetable and plans and approved the accounting policies and estimations
- The committee had approved the draft external audit plan for 2017/18
- The committee had approved the draft internal audit plan for 2017/18.
- The committee had approved the Local Counter Fraud 2017/18 Fraud, Bribery and Corruption Risk Assessment Work Plan and noted that they had delivered the 2016/17 plan.
- The committee had reviewed the QIPP audit and noted that there was limited assurance and more work needed to be undertaken on sensitivity analysis and metrics.
- The committee was concerned with continuing delay with responses to completion of the actions relating to quality in care homes and CHC and agreed they would invite the Chief Nurse to attend the next meeting if the actions had not been resolved by that time.
- The committee had recommended changes to the CCG's Standing Orders, Scheme of Delegation and Reservation, Prime Financial Policies and Detailed Financial Policies to Governing Body and Member practices for approval (as part of the next round of changes to the CCG's Constitution.
- The committee had approved the Risk Management Strategy and Action Plan for 2017/18.
- The committee had noted the low rate of returns of declaration of interest forms from staff and Member practices.
- The committee had noted the draft Head of Internal Audit Opinion.



- The committee had agreed that the Chair should communicate with other Audit Chairs in the STP area, following discussion with the CCG's Accountable Officer and STP Programme Director.
- The committee had recommended the useful External and Internal Audit technical updates to Governing Body to make them aware of what was available.

15/17

**Date and Time of Next Meeting**

Thursday 25 May 2017, **10.30 am – 12.30 pm**, Boardroom, 722 Prince of Wales Road