

**Key messages for Governing Body from the
Audit and Integrated Governance Committee (AIGC) meeting
held on 12 December 2013**

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AIGC has previously agreed that it would be good practice and helpful to Governing Body members if the formal minutes of the AIGC meeting were accompanied by a covering note highlighting the key points which AIGC would like to bring to the attention of all Governing Body members. The points agreed at the end of the AIGC meeting on 12 December were as follows:

1. Response to Department of Health (DH) Consultation on Audit Committees

CCGs had been asked to consider Audit Committee membership in light of the demise of the Audit Commission and the expected future function of Trust and CCG Audit Committees to approve the appointment of external auditors. Our main concern was an apparent lack of recognition in the proposals by DH on CCG Governing Body and hence CCG audit committee membership – ie the importance of GP members and the restricted number of lay members which meant we were opposing the suggestion to have a majority of lay members on the audit committee. To do so would require a change in the CCG's Constitution and potentially bring the requirement of extra specific lay members to serve on the audit committee at additional cost.

2. Annual Review of AIGC's Terms of Reference

AIGC are requesting one small technical change as highlighted by Internal Audit to section 2.5 because mandatory "NHS Internal Audit Standards" are now "Public Sector Internal Audit Standards." It is suggested that this technical change is adopted at the next opportunity when the CCG seeks changes to its Constitution.

3. Corporate Sponsorship Policy

AIGC has delegated authority from Governing Body to approve Detailed Financial Policies of which the corporate sponsorship policy is one such policy. Governing Body is asked to note that AIGC approved an updated policy which has been placed on the CCG's intranet for immediate use.

4. Technical Updates by Internal Audit and External Audit

Within their reports to AIGC both Internal and External Audit provided very useful summaries of recently published reports which should be of relevance to the work of the CCG. It was agreed that these will be made available to all Governing Body members.

5. Assurance Framework (AF) and Risk Register at end of Quarter 2 2013/14

AIGC received assurance on the work which was undertaken during Q2 and is subsequently progressing led by Governance sub-committee. In particular it noted the "deep dive" analysis which will be undertaken where work to reduce risk scores is not progressing as expected. However, concerns were raised at the apparent absence of information for some risks on gaps in control and how these are being addressed in the Q2 report and requested that this is addressed by the time the Q3 report is shared.

6. Attendance and Quoracy at Governing Body Committees

AIGC noted that the December Quality Assurance Committee was not quorate at the start of its meeting and asked for re-assurances on the attendance at all Governing Body Committees and sub-committees at its next meeting, given the very important work these committees undertake for the CCG. It was noted that any lack of quoracy at formal meetings has to be reported in the CCG's Annual Governance Statement which is an important document used by External Audit and other external parties reviewing the performance of the CCG and hence AIGC asked all members of Committees to be reminded of the importance of attendance.

Recommendations

The Governing Body is asked to:

- To note the key points set out above
- To support the technical change to section 2.5 of AIGC's Terms of Reference at the next opportunity for a change in the CCG's Constitution.

Paper prepared by Julia Newton, Director of Finance

On behalf of John Boyington, CBE, Audit & Integrated Governance Committee Chair

December 2013

Sheffield Clinical Commissioning Group

Audit and Integrated Governance Committee Unconfirmed minutes of the meeting held on 12 December 2013 Boardroom, 722 Prince of Wales Road

- Present:** John Boyington CBE, Lay Member (Chair)
Dr Andrew McGinty, CCG GP
Dr Leigh Sorsbie, CCG GP (from item 41/13 onwards)
- In Attendance:** Jane Harriman, Deputy Chief Nurse, NHSSCCG (for item 45/13(iv))
Carol Henderson, Committee Administrator, NHSSCCG
Julia Newton, Director of Finance, NHSSCCG
Clare Partridge, Director, KPMG
Janet Siddall, Finance Lead – Corporate Finance and Financial Governance, W&SY&B CSU
Tim Thomas, Director, 360 Assurance
Linda Tully, Company Secretary / Head of Corporate Governance, NHSSCCG
Kevin Watkins, Associate Director, 360 Assurance
Linda Wild, Engagement Manager, KPMG

Minute & AF ref		ACTION
38/13	<p>Apologies for Absence</p> <p>Apologies had been received from Amanda Forrest, Lay Member, and Gary Roe, Local Counter Fraud Specialist, 360 Assurance</p> <p>The Chair welcomed Clare Partridge, Director, KPMG, to her first meeting.</p>	
39/13	<p>Declarations of Interest</p> <p>There were no declarations of interest.</p>	
40/13	<p>Minutes and Matters Arising of the meeting held on 19 September 2013</p> <p>i) <u>Accuracy</u></p> <p>The minutes of the meeting held on 19 September 2013 were agreed as a correct record, subject to the following amendment:</p> <p>Updated Fraud, Corruption and Bribery Policy (minute 32/13(b) refers)</p> <p>Second sentence of first paragraph to read as follows:</p>	

The Director of Finance reminded members that the Committee had delegated authority, through the CCG's Scheme of Delegation, to approve the policy as it formed part of the CCG's Detailed Financial Policies.

ii) Matters Arising

There were no outstanding matters arising that were not on the agenda.

Dr Sorsbie entered the room at this stage.

41/13

AIGC's Own Business

(i) Response to Department of Health (DH) Consultation on Audit Committees

The Chair presented this report. He advised members that CCGs had been asked to make a response in light of the demise of the Audit Commission and the expected future function of Trust and CCG Audit Committees to approve the appointment of external auditors. He highlighted that we had provided a detailed response with a number of suggestions well in advance of 31 December deadline. Our main concern was an apparent lack of recognition in the proposals by DH on CCG Governing Body and hence CCG audit committee membership – ie the importance of GP members and the restricted number of lay members which meant we were opposing the suggestion to have a majority of lay members on the audit committee. To do so would require a change in the CCG's Constitution and potentially bring the requirement of extra specific lay members to serve on the audit committee at additional cost.

The Associate Director, 360 Assurance, advised members that his organisation had responded to the consultation, asking the DH to use language that was responsive to the NHS.

The Director, KPMG, advised the Committee that their interpretation of the definition of "independent non executive members" for these governance arrangements was that GPs could not be classed as independent.

The Committee received and noted the report.

AF 5.5

(ii) Review of AIGC's Terms of Reference

The Director of Finance presented this report. She advised members that we have to review the Terms of Reference once a year and this year she was not recommending any changes, pending the outcome of the consultation in item (i) above. She asked the Committee to be mindful that the Terms of Reference were part of the CCG's Constitution, so according to the NHS Act, any changes would need to go through the process of approval by Governing Body, our 88 member practices, CCG Members' Council, and NHS England Area Team who would send it to the National Commissioning Board for final approval.

The Director, 360 Assurance, asked for a change to be made to section 2.5 in that mandatory NHS Internal Audit Standards were now Public Sector Internal Audit Standards. The Director of Finance responded that this was a technical change and a correction we should make.

The Chair, Director of Finance and Company Secretary would discuss how best to get the change adopted outside of the meeting.

JB/JN/LT

The Chair asked about section 2.3.4, reviewing the adequacy and effectiveness of the CCG's Standing Orders, Scheme of Delegation and Reservation and Prime Financial Policies at last annually. The Director of Finance responded that this would be done at the March Committee meeting, and she would send these to audit colleagues for comment in advance of the meeting.

JN

The Committee received and noted the report, and agreed that the Terms of Reference remained fit for purpose, subject to the technical change as noted above.

AF 5.5 (iii) AIGC Self Assessment Checklist

The Director of Finance presented this report which asked the Committee to consider and agree the approach to the completion of the self assessment for the Committee's activities. She advised members that it was good practice to consider how the committee is functioning and that it would be useful to undertake this nine months into the life of the formal committee following its year of shadow running.

The Committee discussed the self assessment form and agreed that it should be filled in as per the guidance acknowledging that this might result in some significant scoring variations. However, it would give an idea of where people's development needs lie. The results, including the general comments that come back, would be summarised.

The Chair asked the Finance Lead to send a word version of the form to one representative from each of internal and external audit, core members, and the Company Secretary and Director of Finance, as regular attendees, for completion.

**JS
KW/LW/
JN/LT**

42/13 **Internal Audit**

i) Internal Audit Progress Report 2013/14

The Associate Director, 360 Assurance presented this report. He drew members' attention to the key highlights which included final draft reports from the collaborative commissioning review of the 2013/14 contract negotiation process, and budgetary control and financial reporting that were being prepared.

He advised members that the collaborative commissioning review had been

undertaken across the CCGs in South Yorkshire and Bassetlaw, looking at the contract negotiation process for 2013/14, and had covered the areas listed on page 2 of his report. It had been a very intensive piece of work. They had found a good system of control in place, there was a sense of pragmatism of how things get recorded, and there a lot of people around with years of experience, which had benefitted the system. He noted all CCGs were facing challenges, some of which were around best practice, as might be expected. There were challenges around the relationships between commissioning organisations, particularly with the Area Team in relation to specialised commissioning. However, it was noted that the controls are good and things will continue to develop in this new commissioning environment.

He advised members that with regard to budgetary control and financial reporting, they could provide full assurance that the system of internal control had been effectively designed to meet the system's objectives and controls were consistently applied in all areas review. He highlighted the areas of good practice and the one low risk recommendation.

The areas that were work in progress outlined some of the changes they been discussing with the Director of Finance. In particular, their plan now included how they would resource a review of the governance arrangements of the Musculoskeletal (MSK) COBIC (Capitated Outcome Based Incentivised Contract) project. He advised members that he had spoken to the CCG's Chief Nurse earlier in the year about plans to undertake a review of continuing healthcare , which had now been deferred until 2014/15. He reported that there had been a lot of coverage in that area in previous years, especially about monitoring quality in care homes, and this was a good example of where CCGs were wanting assurance.

With regard to other developments, he advised the Committee that they had hosted a series of four Audit and Governance workshops this year, and distributed delegate packs from the most recent workshop held earlier in the week to members. He also advised members that the auditors of the Commissioning Support Units (CSUs) had been invited to give a presentation on the work they were doing around finance.

The Engagement Manager, KPMG, commented that she was not entirely sure if the audit of the CSU covered the whole of the year and that officers might want to consider what other assurances they might need if it did not. The Associate Director, 360 Assurance, advised that they would be auditing this also and would want this as part of his Head of Internal Audit Opinion.

The Chair commented that it was the role of the AIGC to make available the information on the publications listed at section 5 of the report and asked if a word version of this section, contacting the correct links to the publications, could be made more widely available to CCG Governing Body members.

The Associate Director, 360 Assurance, also advised members that they been

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awarded second place in the HFMA's 2013 Governance Awards for their benchmarking and sharing of best practice that had been an integral part of their delivery of internal audit services to their CCG clients.

The Committee received and noted the report.

ii) Terms of Reference for the Musculoskeletal (MSK) COBIC (Capitated Outcome Based Incentivised Contract) Project Governance Review

The Associate Director, 360 Assurance, presented the Terms of Reference, which had been drafted as a result of a recent meeting with the Director of Finance. He reported that the CCG was keen to get an independent view on the process it is following as it develops, particularly in relation to governance arrangements within the process. He reported that this audit was time limited and a draft would hopefully be available in parallel with the CCG's project team report to Governing Body on 9 January 2014. The Chair commented that this would be important.

KW

The Committee received and noted the report.

43/13 Counter Fraud

The Director of Finance presented this report on behalf of the Counter Fraud Specialist, reminding members that it had been agreed they would receive a report to each meeting but the Counter Fraud Specialist would only attend if there were important issues to bring to the Committee's attention.

The Committee received and noted the report.

44/13 Follow Up Report on Audit Recommendations – High and Medium Risks

The Finance Lead presented this report which carried forward the agreed recommendations with Sheffield PCT where there was an action required by the CCG this year. She reported that seven of the 11 actions had been completed since the last Committee meeting.

Outstanding Actions

The Company Secretary advised that the Risk Management actions shown as Amber had been completed and would discuss this with the Finance Lead outside of the meeting.

LT/JS

The Finance Lead explained that she would give an update on progress with the Local Review Panel and the continuing healthcare retrospective close down procedure at the next meeting. She also advised that the key performance indicators for our providers to demonstrate compliance with minimum standards set out in the Adults Safeguarding Policy, were being re-drafted and awaiting sign off by the Chief Nurse at NHS England.

JS

The Director of Finance advised the Committee that recommendations from the 2013/14 reports from Internal Audit would start to be added to the report going forward as the first reports had now been received.

The Committee:

- Noted the progress against all the outstanding high and medium risk actions.
- Agreed that all the 'Green' completed actions could be excluded from any further updates to the Committee.

45/13 Governance – Key Issues for Audit and Integrated Governance Committee

i) Update on Assurance Framework (AF) and Risk Register at end of Quarter 2 2013/14

The Company Secretary presented this report and advised the Committee that no additional risks had been added to the AF in Quarter 2 and none had scored 15 or above. She advised the Committee that significant work continued to embed the use and understanding of the AF across the CCG led by Governance sub-committee. This had agreed a recommendation from Internal Audit to report by exception but to include 'deep dives' into those areas that were not progressing as expected. The first of these would be considered by the Governance sub-committee in February.

She also reported that the West Yorkshire Commissioning Support Unit (CSU) had made some significant improvements to the on-line tool used to update the Risk Register. The new version would be released on 15 January, with training made available to relevant risk leads. She also advised members that considering the Risk Register was a standing item at team meetings.

She reported that seven new risks had been added to the operational Risk Register in the last quarter, with one risk being closed down during this period, and none scoring over 15.

The Chair asked about the gaps in control for a number of the risks that were noted as Red. The Company Secretary confirmed this was being raised with relevant leads as part of the work during Quarter 3.

Dr Sorsbie commented that it was pleasing to see the risk score for 3.2 had reduced from 16 to 12. The Director of Finance responded that through continued good joint working with the Local Authority we had a better understanding of how the Local Authority was managing its in-year financial risks.

The Chair asked, in future, if a footnote could be included giving an update on those areas that showed Red due to a gap in control.

The Committee:

- Received and noted the update on the 2013/14 Assurance Framework and

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Risk Register.

- Noted the actions and recommendations of the Governance Sub Committee.
- Was assured that the CCG's corporate objectives and risks to their achievement were being effectively managed by accountable officers.

ii) Governance Sub Committee Report including unadopted minutes of the meeting held on 6 November 2013

The Company Secretary presented the minutes and drew members' attention to the key highlights:

As reported above, a deep dive exercise was underway to assure the AIGC that the sub committee was making robust challenges on the risks.

A significant amount of work was being undertaken to ensure that the policies inherited from Sheffield PCT were up to date and remained fit for purpose. The sub committee had approved three HR and two corporate policies. She reported that the Public and Patient Involvement Expenses Policy and Procedures was being reviewed in light of comments made by members.

Dr Sorsbie asked about the sub committee's agreement to re-score the new risk that related to the clarification that was needed on our co-commissioning arrangements with NHS England for the vulnerable children and young people, as the impact would be major. The Company Secretary responded that she had discussed this with the Chief Nurse who was the CCG's lead for safeguarding children and would be attending sub committee meetings from now on.

The Committee received and noted the report.

iii) Corporate Sponsorship Policy

The Company Secretary presented the policy, which was recommended by the Governance Sub Committee for approval by the AIGC under delegated authority through the Scheme of Delegation and Reservation, as one of the CCG's Detailed Finance Policies.

She highlighted the policy was very similar to the one adopted from Sheffield PCT. All references to the Director of Public Health for the approval of sponsorship valued in excess of £500 had been removed and replaced with the Chief Nurse or Head of Medicines Management to provide that approval. She confirmed that the policy had also been reviewed by 360 Assurance.

The Chair asked if delegated authority could be given to the AIGC to approve the projects that were valued in excess of £5k that currently required Governing Body approval. The Director of Finance responded that none had been received to date, but it would not be a too onerous process for Governing Body to do.

The Committee asked that amendments be made to the policy in that the version

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control references be removed as it was a new document for the CCG, and references to 'the Trust' be replaced with 'the CCG'.

The Committee approved the policy, subject to the amendments being made, as noted above and confirmed that it should be uploaded on to the CCG's intranet with immediate effect.

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iv) Quality Assurance Committee (QAC) report

Jane Harriman, Deputy Chief Nurse, attended for this item and gave an oral update from the QAC meeting held on 6 December 2013. She advised members that the first part of the meeting was not quorate due to a number of apologies from core members and steps had now been taken to ensure it would not happen again in the future in this or other Committees of the Governing Body. The Company Secretary reported that a note had been sent to core members of all Committees and would also be raised at the Governing Body's OD session taking place on 18 December.

The Chair asked the Company Secretary to present an update on Members attendance at formal committees to the next meeting of the AIGC.

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The Deputy Chief Nurse advised the Committee that Professor Pam Enderby, Chair of Sheffield Healthwatch, had attended the QAC meeting which meant the committee had been constructively challenged on some areas. She drew members' attention to the key highlights of the meeting which included Sheffield Teaching Hospitals NHS Foundation Trust's (STHFT) under performance against targets for Clostridium Difficile (C.Diff) and Never Events. She reported that they were still at risk of not achieving the C.Diff target at the end of the year, which was not unlike any other trust, but were performing well when benchmarked against similar trusts.

The committee had also discussed the Government's final response to the Francis report. A paper would be presented to January Governing Body outlining the key issues and the responsibilities of GPs and primary care. We would be developing a strategy for the CCG on how we were going to address this.

Finally, she reported that the committee had also discussed the problems in the Patient Transport Services (PTS) for the Yorkshire Ambulance Service NHS Trust (YAS), especially around transfers and discharges, and advised that we had started to monitor monthly the quality of these services.

The Committee noted the update.

46/13 External Audit

i) Technical Update

The Engagement Manager, KPMG, presented this report. She advised the

Committee that, going forward, she would have some audit output to start reporting to AIGC, which would become a technical / progress report. The Chair commented that it would be helpful to still have a technical update as a separate document.

She advised the Committee the report had been broken down around KPMG resources and it highlighted the main technical issues that were currently having an impact on the health sector. She particularly drew members' attention to KPMG's work with the NHS Leadership Academy and the excellent opportunities for people to become involved, which she would continue to keep at the front of the report.

She advised that she had not Red Amber Green (RAG) rated the report and not prioritised the areas most relevant to the CCG so as to give the committee a feel of what was important to them, but had tried to put upfront the areas KPMG felt were directly relevant to the CCG. She commented that it was for the committee to consider if they needed any more deep dives, etc, to be undertaken.

The Chair commented that this was really helpful although it was difficult to discern what was helpful to different people. He suggested to make the report available to the CCG's member practices and the CCG's OD Steering Group to make them aware of what was available.

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The Committee received and noted the report.

ii) 2013/14 Audit Plan

The Director, KPMG, presented this report. She advised the Committee that it was the first audit plan for the CCG and very much work in progress.

The Engagement Manager, KPMG, advised the Committee that there were some striking similarities in the format with the plan for Sheffield PCT and some of the terminology was similar, if not identical. She drew members' attention to the high level executive summary at page 2 which outlined Audit's two responsibilities: to ensure financial statements are appropriately prepared in accordance with the relevant directions and requirements and are based on proper account records, and to conclude on whether the CCG has made proper arrangements to secure economy, efficiency and effectiveness in the CCG's use of resources.

She advised the Committee that, over the next few weeks, more detailed audit planning would be done on the approach to completing their systems and governance work to confirm the controls that are in place to facilitate the production of the CCG's annual accounts.

With regard to the Value for Money (VfM) approach, they would be looking at the CCG's arrangements to secure VfM, which would include looking at the CCG's Annual Governance Statement, which tells a story of what has been happening throughout the year, to see if it was in accordance with their understanding, plus

anything from other inspections and any external regulators we might be subject to, as it might relate to their conclusion.

She drew members' attention to page 8 and the summary of what Audit perceived to be CCG risks. For Sheffield, they had not identified any as high risk to them as our auditors, however, there were a couple of areas where they needed more understanding: CCG opening balances, and CSU assurance.

She advised the Committee that the rest of the report related to timings, and how they would plan their work to align to CCG Audit Committees. She reported that it was possible that the deadline for signing off financial accounts would be brought forward from early June to the end of May.

The Chair asked if they had any problems fitting their activity into our AIGC, as the Committee had taken the view it did not need any more than four meetings a year. The Engagement Manager responded that this had not caused them any problems at all and they would continue to work alongside our Committee as planned.

The Committee received and noted the report.

47/13 Other Reports

i) Progress Report on Better Payment Policy and Aged Debtors and Payables Report at 31 October 2013

The Finance Lead presented this report. She advised the Committee that, as requested at the last meeting, comparators showing the position reported to the last AIGC meeting were now included

a) Payables

She advised the Committee that the position had improved from that reported in September with only £34k outstanding over 30 days, the majority of which related to care home fees that could take some time to resolve.

b) Receivables

She advised that as at 31 October there was £2.4m of receivables outstanding, most of which related to an outstanding invoice to Sheffield City Council (SCC) where a technicality about an order number had delayed payment but this was being resolved .

The Committee received and noted the report.

ii) Losses and Special Payments since April 2013

The Finance Lead presented this report and advised the Committee that only

one small special payment had been approved since 1 April 2013.

The Committee received and noted the report.

(iii) Competitive Tender Waivers since 1 April 2013

The Finance Lead presented this report. The Committee noted that only one tender waiver had been approved so far this year, which had been reported to them in September.

The Committee received and noted the report.

(iv) Legal Claims

The Finance Lead presented this report. She advised the Committee that there had been no outstanding claims against the CCG from 1 April 2013.

The Committee received and noted the report.

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Any Other Business

(i) Schedule of Dates for Audit and Integrated Governance Committee Meetings for 2014/15

The Committee received the dates, noting that the 5 June date may be changed once confirmation of the submission date of 2013/14 financial accounts was received

(ii) Briefing Paper to Governing Body

The Committee agreed that a briefing paper would be included with the minutes of this meeting and the key highlights would include:

- CCG's response to DH consultation on Audit Committee membership
- AIGC seeking one technical change to its Terms of Reference
- Internal Audit and External Audit (KPMG) Technical Updates for NHS Sheffield CCG
- AIGC's approval of an updated Commercial Sponsorship Policy.
- AIGC's concerns about the functioning of the Governing Body's committees
- AIGC's review of Assurance Framework and Risk Register

(iii) Meeting between the AIGC Chair and Audit

Members noted that, following conclusion of the AIGC, a private discussion would take place between the AIGC Chair and Audit.

There was no further business to discuss this month.

49/13 | **Date and Time of Next Meeting**

Thursday 27 March 2014, 2.00 pm - 4.00 pm, Bean room, 722 Prince of Wales Road