

**Report from Audit and Integrated Governance Committee  
meeting held on 5 June 2014**

Item 11d

Governing Body meeting

3 July 2014

<b>Author(s)</b>	Linda Tully, Company Secretary
<b>Sponsor</b>	John Boyington, Chair of Audit and Integrated Governance Committee
<b>Is your report for Approval / Consideration / Noting</b>	
Noting	
<b>Are there any Resource Implications (including Financial, Staffing etc)?</b>	
Not applicable	
<b>Audit Requirement</b>	
<b><u>CCG Objectives</u></b>	
4. To ensure there is a sustainable, affordable healthcare system in Sheffield.	
Discussions support Principle Risk 5.5 Inadequate adherence to CCG Constitution and other governance arrangements to support Nolan Principles and e.g. protect against conflicts of interests (Domain 4)	
<b><u>Equality impact assessment</u></b>	
Have you carried out an Equality Impact Assessment and is it attached? NO	
If not, why not? Not applicable	
<b><u>PPE Activity</u></b>	
How does your paper support involving patients, carers and the public? Not applicable	
<b>Recommendations</b>	
The Governing Body is asked to:	
<ol style="list-style-type: none"> <li>1. Note the key messages in the Executive Summary</li> <li>2. Receive the unadopted minutes from 5 June 2014</li> </ol>	

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**Governing Body meeting**

**3 July 2014**

**EXECUTIVE SUMMARY**

**1. CCG 2013/14 Statutory Accounts and Annual Report**

- The final audited accounts for 2013/14 demonstrated that the CCG had met its statutory financial duties and delivered a surplus of £6,920k, in line with plan.

**2. External Audit ISA260 Report**

- A clean unqualified audit opinion from KPMG summarised key issues identified during their audit of the financial statements.
- Three audits included 1) accounts, 2) use of resources and 3) audit certification.
- Other areas of audit focus were detailed on pages 10 and 11 of the report. There were no issues of significant risk.

Summary of decisions made by the Committee:

- Agreed the minor additional changes to be made to the Annual Accounts.
- Recommended to the Governing Body that the final audited accounts, as presented to this meeting, were approved and adopted.
- Recommended that the Governing Body approve the 'Letter of Management Representation' as attached at Appendix A.
- Received and noted the External Audit ISA260 Report.

**3. Annual Report including Remuneration Report and Annual Governance Statement**

- Declarations for all off-payroll engagements have been received, with 100% compliance
- Updated guidance with regard to pension benefits to Governing Body GPs had been received advising that CCGs are required to disclose only information on the element of pensions which relate to GP's CCG work. However, in practice the Pensions Agency can only split information between practitioner and non-practitioner schemes. Thus, the CCG would be disclosing the information on the latter which encompasses the pensions accrued by GPs for their CCG work

Summary of decisions made by the Committee:

- Recommended to the Governing Body that they approve the final Annual Report, incorporating the final Annual Governance Statement.
- Recommended to Governing Body that all relevant sections and declarations be signed by the Accountable Officer.

#### **4. External Audit**

- The Committee received and agreed the Annual Audit Fee Letter for 2014/15.

#### **5. Internal Audit**

- Final Progress Report on 2013/14 Plan presented
- The Governance Structure Review would be presented in September
- One medium risk had been identified related to whether the CCG's Scheme of Delegation had been flexed and approved by Governing Body to enable invoices over £30k to be approved by the Chief Operating Officer and Deputy Director of Finance in the absence of the Accountable Officer or Director of Finance. Members proposed a summary of approvals of invoices over £30k be presented to Governing Body on a six monthly basis
- A fee of £36,705 for 2014/15 had been agreed based on delivery of 130 days. 15 days that were not delivered in 2013/14 would be carried forward into 2014/15.
- Local Counter Fraud 2013/14 Annual Report was presented. In the absence of national guidance from NHS Protect, the CCG would not be quality assessed as PCTs had been in the past.

#### **6. Governance**

- The Committee approved the Revised Policy for the Management of Competitive Tender and Quotation Exercises.
- A full review and refresh of the Assurance Framework for 2014/15 had been led by executive directors.
- The Risk Management Strategy and Action Plan for 2014/15 was approved.
- Quality Assurance Committee (QAC) reported:
  - Underperformance issues by Arriva (managed through the contract route).
  - Further information had been requested on the training of staff at Sheffield Health and Social Care NHS Foundation Trust (SHSCFT)
  - The CCG's Safeguarding Adult Strategy and two clinical audit and effectiveness policies had all been approved.

#### **7. Other Reports**

- Follow-up Report on Audit Recommendations – High and Medium Risks addressed:
  - Four outstanding agreed actions from internal audit reports issued to Sheffield PCT were now complete.
  - Some actions from the review of the Musculoskeletal (MSK) COBIC project were work in progress and rated amber so would remain on the action plan.
  - All 'Green' completed actions could be excluded from any further updates to the Committee.
- Progress Report on Better Payment Policy and Aged Debtors and Payables reported £304k of unpaid receivables outstanding, £146k of which was overdue for more than 30 days (as of 30 April 2014).
- Competitive Tender Waiver Approvals reported only two tender waivers had been approved in 2013/14, with none so far this year.

**Appendix A**

**Audit and Integrated Governance Committee  
Unconfirmed minutes of the meeting held on 6 June 2014  
Boardroom, 722 Prince of Wales Road**

**Present:** John Boyington CBE, Lay Member (Chair)  
Amanda Forrest, Lay Member (up to item 21/14(iv))  
Dr Leigh Sorsbie, CCG GP

**In Attendance:** Carol Allen, NHS Leadership Academy (shadowing)  
Jane Harriman, Deputy Chief Nurse (for item 21/14(ii))  
Carol Henderson, Committee Administrator, NHSSCCG  
Jackie Mills, Deputy Director of Finance (up to item 18/14)  
Julia Newton, Director of Finance, NHSSCCG  
Clare Partridge, Director, KPMG  
Tim Thomas, Head of Internal Audit, 360 Assurance  
Linda Tully, Company Secretary / Head of Corporate Governance, NHSSCCG  
Linda Wild, Engagement Manager, KPMG

Minute		ACTION
14/14	<p><b>Apologies for Absence</b></p> <p>Apologies had been received from Dr Andrew McGinty, CCG GP, Gary Roe, Local Counter Fraud Specialist, 360 Assurance, Janet Siddall, Finance Lead – Corporate Finance and Financial Governance, W&amp;SY&amp;B CSU, and Kevin Watkins, Associate Director, 360 Assurance</p> <p>On behalf of the Committee, the Chair thanked the Company Secretary, who was attending her last meeting of the committee, for all her hard work and contribution to the committee since its inception.</p>	
15/14	<p><b>Declarations of Interest</b></p> <p>There were no declarations of interest.</p>	
16/14	<p><b>Minutes and Matters Arising of the meeting held on 27 March 2014</b></p> <p>i) <u>Accuracy</u></p> <p>The minutes of the meeting held on 27 March 2014 were agreed as a correct record.</p>	

ii) Matters Arising

**a) AIGC's Own Business: AIGC Self Assessment Checklist (minute 04/14(i) refers)**

The Director of Finance advised the committee that she had raised with her Director of Finance colleagues the suggestion to arrange a development session for members of South Yorkshire and Bassetlaw Audit Committees particularly for GP members to be able to talk to others who undertake a similar role. However, as there had been a low uptake of the suggestion, she asked AIGC members how they would like to take it forward.

The Head of Internal Audit advised that 360 Assurance ran audit workshops to which CCGs were invited to attend. He would follow up as to whether a separate session could be arranged towards the end of autumn, which should provide sufficient notice for GPs especially to be able to attend.

TT

The Director, KPMG, advised the committee that KPMG also run workshops, and would give thought to any that could be set up to take place in the autumn, which would probably be a session split with Gary Bellfield who leads their advisory work and with how audit committees work.

CP

**b) Annual Review of CCG's Standing Orders, Scheme of Reservation and Delegation, and Prime Financial Policies (minute 10/14(i) refers)**

The Deputy Director of Finance advised the committee that there were a number of payments authorised and made that did not have official orders, which were mainly for continuing health care packages, and she provided assurance that controls were in place to ensure only appropriate authorisation

**c) Local Counter Fraud Update 2013/14 (minute 08/14(i) refers)**

The Chair suggested that the Local Counter Fraud Specialist be asked to submit a written update on the review of the procedures in place across CCGs regarding recruitment of staff.

LT(CRH)

**17/14 CCG 2013/14 Statutory Accounts and Annual Report**

(i) CCG Audited Annual Accounts

The Director of Finance presented the final audited accounts for 2013/14. She also tabled a paper that drew the committee's attention to a small number of changes made to the accounts at the request of KPMG due to rounding differences, in addition to a few presentational changes that had been made since the draft accounts had been presented to Governing Body in May, which were listed in section 3 of the cover report. She also drew the committee's attention to the Letter of Representation (Appendix A) which the CCG's Accountable Officer

would be asked to sign once approved by the AIGC and Governing Body. She confirmed that the final accounts demonstrated that the CCG had met its statutory financial duties and delivered a surplus of £6,920k, in line with plan.

(ii) External Audit ISA260 Report

The Director, KPMG, presented this report which provided a summary of the work they have carried out to discharge their statutory audit responsibilities to those charged with governance at the time they are considering the financial statements, and which summarised the key issues they had identified during their audit of the financial statements. She advised the committee that it was pleasing to report only a few minor issues had been identified during the audit and so she would be able to give a clean unqualified audit opinion following adoption of the accounts by Governing Body and receipt of the Management Letter of Representation. She drew the committee's attention to the key issues.

Page 2 of the report detailed the three audits that have to be carried out as part of their statutory audit responsibilities – accounts, use of resources and audit certification, which it was planned to issue following approval of the accounts by Governing Body day.

Page 3 of the report summarised the work they had completed and the results of the audit, and recommendations of some presentational changes to the accounts relating to compliance with the annual reporting guidance, which would not impact on the income or expenditure of the CCG. She reported that it was a requirement to submit their conclusion on the whole of the accounts to the National Audit Office, which she would do by 12.00 noon the following day.

She advised the committee that at the time of writing she had still been awaiting receipt of the assurance report relating to the NHS Business Services Authority (NHSBA) (relating to prescribing costs) before her work could be concluded. She confirmed that this had now been received, with no issues arising.

The summary of findings for other areas of audit focus were detailed on pages 10 and 11, with nothing perceived to be of significant risk.

She advised the committee that there were no issues of Declaration of Independence and Objectivity (Appendix B) to bring to their attention. She reported that Appendix C (page 17): National Audit Office Group Assurance, had been updated since the report was issued and would be issuing a clean paper as they do not have to report the inconsistencies detailed to the National Audit Office.

The Director, KPMG, expressed her formal thanks to the Director of Finance and her team for their continued efforts to produce outstanding accounts. The Engagement Manager, KPMG, also expressed her thanks to the Director of Finance and her team for ensuring that operationally it had been a smooth audit.

CP

The Committee:

- Agreed the minor additional changes to be made to the Annual Accounts.
- Recommended to the Governing Body that the final audited accounts, as presented to this meeting, were approved and adopted.
- Recommended that the Governing Body approve the 'Letter of Management Representation' as attached at Appendix A.
- Received and noted the External Audit ISA260 Report.

(iii) Annual Report including Remuneration Report and Annual Governance Statement

The Director of Finance presented this report and tabled a summary of final changes to be made. She advised the committee that the Governing Body had received a copy of the draft report, excluding the Annual Governance Statement, for comment in May, which was in a prescribed format from NHS England. She drew members' attention to the copy of the summary financial statements that were included at pages 26 and 27 of the report (Appendix Aiv), which would have the minor changes incorporated as discussed and agreed earlier. She advised members that the Remuneration Report (pages 41 to 47) has to be audited and drew their attention to section 8 (page 44), off-payroll engagements, which we were now required to disclose, and confirmed that all declarations had now been received, with 100% compliance, and this section would now be updated with the final position.

She advised the committee that Governing Body had discussed the disclosure of their pension benefits at their last meeting. With regard to Governing Body GPs, she explained that updated late guidance had been received that advised that CCGs only needed to disclose information on the element of pensions which relate to GP's CCG work. However, in practice the Pensions Agency can only split information between practitioner and non practitioner schemes. Thus, the CCG would be disclosing the information on the latter which encompasses the pensions accrued by GPs for their CCG work

The Director of Finance drew the committee's attention to the Annual Governance Statement (AGS) (pages 53-89), which the AIGC had had the chance to comment on in March. She reported that helpful comments had been received from audit colleagues, and it included the Head of Internal Audit Opinion statement (Appendix C). The Head of Internal Audit presented his report. He drew the committee's attention to the key issues which included the recommendations for the Governing Body Assurance Framework that had been implemented in full. He reported that as no high risk issues had been identified he was able to give a Good Internal Audit Opinion with Significant Assurance to the CCG.

Dr Sorbsie drew the Committee's attention to an amendment that needed to be made to the table at page 11 of the report in that Mental Health and Learning Difficulties needed to be changed to read Mental Health and Learning Disabilities.

The Committee:

**JN**

- Recommended to the Governing Body that they approve the final Annual Report, incorporating the final Annual Governance Statement.
- Recommended to Governing Body that all relevant sections and declarations be signed by the Accountable Officer.

The Deputy Director of Finance left the meeting at this stage.

**18/14 External Audit**

2014/15 Audit Fee Letter

The Director, KPMG presented the Annual Audit Fee Letter for 2014/15. She had no particular issues to draw to the committee's attention.

The Committee received and agreed the Annual Audit Fee Letter for 2014/15.

**19/14 Internal Audit**

(i) Final Progress Report on 2013/14 Plan

The Head of Internal Audit presented this report. He advised the committee that there were only a few low risk areas and the report had been discussed and agreed with the Director of Finance. With regard to outstanding reports, he advised that the Governance Structure Review report had just been issued, which would be presented to the September meeting of the AIGC. He also advised that they had been successful in being re-appointed to the 10 Clinical Commissioning Groups across Derbyshire and Nottinghamshire and secured the contract with Chesterfield Royal Hospital Foundation Trust.

**KW**

With regard to areas for improvement, he advised the committee that one medium risk had been identified which he would follow up with the Director of Finance, and related to whether the CCG's Scheme of Delegation had been flexed and approved by Governing Body so that invoices over £30k could be approved by members of staff other than the Accountable Officer or Director of Finance. The Director of Finance explained that a process was in place for the Chief Operating Officer and Deputy Director of Finance to sign off invoices over £30k in the absence of either herself or the Accountable Officer. This was noted in the revised detailed Scheme of Delegation incorporate in the Budget Management detailed finance policy presented to AIGC in March 2014. Members suggested a summary of such approvals be presented to Governing Body on a six monthly basis, and the Director of Finance agreed to check that this could be produced from the ledger systems.

**TT**

The Committee received and noted the report.

(ii) Update on 2014/16 Internal Audit Annual Plan Annual Fee

**JN**

The Head of Internal Audit presented this report which outlined the process for



the development of the 2014/15 Internal Audit Plan and the output from discussions that have been held to date. He drew the Committee's attention to the fee of £36,705 for 2014/15 (page 4) that had been agreed with the Director of Finance, and was based on delivery of 130 days. There were also 15 days that were not delivered in 2013/14, which would be carried forward into 2014/15. He advised the committee that they would always keep looking at the plan to ensure flexibility.

The Director of Finance advised the committee that she had reassessed the draft plan with the Associate Director of 360 Assurance and agreed there were no major changes required. She noted that there was still some detail to work through on the content on each of the planned areas, as was usual at this stage of the year.

Ms Forrest asked where the scope of the patient and public engagement audit would be worked up. The Director of Finance responded that the CCG's Director of Business Planning and Partnerships was the CCG's lead for this and would be contacted by audit when they wanted to schedule this piece of work. She would highlight that Ms Forrest would like to be involved in shaping the scope of the work.

JN

The Committee received and noted the report.

#### **20/14 Counter Fraud**

(i) Local Counter Fraud Update 2013/14 Annual Report

On behalf of the Local Counter Fraud Specialist, the Company Secretary presented this report. She advised the committee that it was a collation of work that had already been reported over the past year and there were no new issues to highlight. She also reported that in the absence of national guidance from NHS Protect, the CCG would not be quality assessed as PCTs had been in the past.

The Committee received and noted the report.

#### **21/14 Governance – Key Issues for Audit and Integrated Governance Committee**

(i) Detailed Financial Policies Review: Revised Policy for the Management of Competitive Tender and Quotation Exercises

The Director of Finance reminded the committee that at the last meeting they had discussed the detailed financial policies that support the Prime Financial Policies, with the exception of the Tendering Policy. An updated policy was now presented for approval. She highlighted that only minor changes had been made as set out in the covering report.

Ms Forrest asked how the policy would relate to future joint commissioning with the Local Authority through the Better Care Fund (BCF).

The Director of Finance noted that the detailed arrangements for procurements had still to be worked through as part of BCF governance arrangements and agreed these would need reflecting in the next iteration of the CCG's policy.

The Committee approved the Revised Policy for the Management of Competitive Tender and Quotation Exercises.

(i) Update on Assurance Framework (AF) and Risk Register

The Company Secretary 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 at the end of Quarter 4 2013/14 and up to 20 May 2014 (snapshot at Appendix 1).

She advised the committee that a full review and refresh of the framework for 2014/15 had been led by executive directors. It was important to note that, as we operate a five year plan with a two year operational plan, risk leads had been asked to discuss whether the risks were appropriate for moving forward. The changes to the risks were listed on the table at page 4.

With regard to the risk register, two risks (3.2 and 5.2) continued to remain serious, but were outside of our control. During Quarter 4 six new risks had been added to the register, with the scores reviewed and agreed by the Governance Sub Committee on 30 April.

Dr Sorsbie asked about the gaps in control and assurance on the AF and queried how much information AIGC should receive to be assured that lead managers were reviewing their gaps and ensuring they were addressed where possible. It was noted that some gaps exist due to issues outside the control of the CCG.

The Company Secretary suggested she present an explanation to the AIGC as to why the gaps are there, what was being done to close the gap and why some gaps could not be closed, as the committee needs to be assured that there is a clear process and to be assured when a gap is unavoidable. This information might be contained in a further column to the AF summary table.

LT

The Head of Internal Audit advised the committee that when Governing Body approved the 2014/15 AF, this would help inform the internal audit plan for 2014/15.

The Committee:

- Noted the Assurance Framework and Risk Register position statement and the changes undertaken to the AF for 2014/15.
- Noted the actions of the Governance Sub Committee.
- Was assured that the CCG's corporate objectives and risks to their achievement were being effectively managed by lead officers.

(ii) Quality Assurance Committee (QAC) Report including the unadopted minutes of the meeting held on 16 May 2014

Jane Harriman, Deputy Chief Nurse, presented the minutes. She advised the committee that a number of items had been discussed and were summarised in her report, including certain underperformance issues by Arriva which were being managed through the contract route. Further information had been requested on the training of staff at Sheffield Health and Social Care NHS Foundation Trust (SHSCFT), three annual reports had been received, and the CCG's Safeguarding Adult Strategy and two clinical audit and effectiveness policies had all been approved.

Ms Forrest commented that the QAC had been assured that a process was in place to address the Arriva performance issues.

The Committee received and noted the report.

(iii) Risk Management Strategy and Action Plan for 2014/15

The Company Secretary presented this report. She advised the committee that it now included the role of the Quality Assurance Committee, made sure the risk stratification was in line with the risk register, and included an updated action plan. She reminded members that the AIGC had delegated authority to approve the strategy every year.

The Committee approved the Risk Management Strategy and Action Plan for 2014/15.

Ms Forrest left the meeting at this stage.

(iv) Governance Sub Committee Report including unadopted minutes of the meeting held on 30 April 2014

The Company Secretary presented the minutes. She had no particular issues to draw to the committee's attention. The Director of Finance commented that the report could also be used to give more assurance to the AIGC about the process for managing risks.

The Committee received and noted the report.

**22/14 Other Reports**

(i) Follow Up Report on Audit Recommendations – High and Medium Risks

The Director of Finance presented this report. She advised the committee that the four outstanding agreed actions from internal audit reports issued to Sheffield PCT where the action had carried forward into the CCG were now complete. She commented that some of the actions from the review of the Musculoskeletal

(MSK) COBIC project were work in progress and rated amber and hence these should remain on the action plan.

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.

(ii) Progress Report on Better Payment Policy and Aged Debtors and Payables Report at 30 April 2014

The Director of Finance presented this report.

a) Payables

She drew the committee's attention to the negative figures that appeared in the table, which was due to a timing issue where credit notes had not been taken against payments to providers in the same period. She confirmed that this had now occurred.

b) Receivables

As at 30 April 2014 there was £304k of unpaid receivables outstanding, £146k of which was overdue for more than 30 days.

The Committee received and noted the report.

(iii) Losses and Special Payments 2013/14 and 2014/15

The Director of Finance presented this report. She advised the Committee that one small special payment had been approved since the report was written for an ex gratia payment of £100 to a complaint due to the circumstances pertaining to a particular continuing health care / social care issue. This payment would be included in the report to AIGC in September.

The Committee received and noted the report.

(iv) Competitive Tender Waiver Approvals 2013/14 and 2014/15

The Director of Finance presented this report. The Committee noted that only two tender waivers had been approved in 2013/14, with none so far this year.

The Committee received and noted the report.

(iv) Outcome of National Consultation on Audit Committees

The Chair presented this report. He commented that it had resolved most of the issues that were of concern to us, including that GPs needed to be represented

on Audit Committees to provide patient and clinical focus. He reported that there would be a further consultation in the autumn on their final recommendations.

The Committee received and noted the report.

**23/14 Any Other Business**

There was no further business to discuss this month.

**24/14 AIGC Members' Professional Development Discussion**

It was agreed to defer this discussion to the September meeting.

**25/14 Date and Time of Next Meeting**

Thursday 18 September 2014, 2.00 pm – 4.00 pm, Boardroom, 722 Prince of Wales Road