

## Audit and Governance Committee

### DRAFT MINUTES

**Minutes of the Audit and Governance Committee Meeting Held on 9<sup>th</sup> August 2017 in the Boardroom, Suite 3, Capability House, Wrest Park, Silsoe, Bedfordshire MK45 4HR from 09.15 hours to 11.00 hours**

#### Members Present:

|                |  |           |
|----------------|--|-----------|
| Saqhib Ali     | Lay Member – Audit and Governance (Chair)  | <b>SA</b> |
| Alison Borrett | Lay Member – Patient and Public Engagement | <b>AB</b> |

#### Others in attendance

|              |  |           |
|--------------|--|-----------|
| Ben Jay      | Chief Finance Officer                          | <b>BJ</b> |
| Jane Meggitt | Director of Communications & Corporate Affairs | <b>JM</b> |
| Janet Young  | Governance & Risk Manager                      | <b>JY</b> |
| Steve Lake   | Director TIAA Internal Auditors                | <b>SL</b> |
| Sharon Birdi | Senior Audit Manager, TIAA, Internal Auditors  | <b>SB</b> |
| Marcus Ward  | Manager, Grant Thornton, External Auditors     | <b>MW</b> |

#### Apologies:

|             |                                    |           |
|-------------|------------------------------------|-----------|
| Roland Ginn | Lay Member – Finance & Performance | <b>RG</b> |
|-------------|------------------------------------|-----------|

| 1. | Welcome and Introductions   | Action |
|----|---|--------|
|    | The Chair welcomed all members and attendees to the meeting.  |        |
| 2. | Apologies for absence   |        |
|    | Apologies were received from Roland Ginn, Lay Member for Finance & Performance.   |        |
| 3. | Declarations of Interest  |        |
|    | There were no interests declared  |        |
| 4. | Minutes of the Meeting Held on 12 <sup>th</sup> April 2017  |        |
|    | The minutes of the Committee's meeting held on 12 <sup>th</sup> April 2017 were agreed as a correct record with the exception of one amendment.<br>Page 7 - item 13: Grant Thornton took over as the organisation's external auditors on 1 April <b>2017</b> and not 2018 as minuted. |        |
| 5. | Actions from the Meeting Held on 14 June 2017   |        |

|    |  |                     |
|----|--|---------------------|
|    | <p>Matters arising were tracked through the Committee's Action Tracker as follows:</p> <ul style="list-style-type: none"> <li>• <b>AC051- Clinical Representation of the committee membership</b><br/>Advice has been taken from NHS England and governance experts regarding best practice around membership and quoracy of the Audit &amp; Governance Committee. The advice is that clinical representation is not a requirement for this committee with the specialist knowledge and expertise being provided by lay members. The Terms of Reference will be reviewed in light of this advice.</li> <li>• <b>AC052-staffing progress update</b><br/>BJ advised the committee that staffing arrangements had been discussed in detail at the Finance &amp; Performance Committee (26 July – item 11). <b>Action closed.</b></li> <li>• <b>AC053- Implementation timetable recommendation from Contracts Audit</b><br/>BJ confirmed that the contracts team are using an MDT approach – managing contracts by using staff from different disciplines. More evidence to support this recommendation is in the pipeline. <b>Action closed.</b></li> <li>• <b>AC055-Horizon-Lessons Learnt, Contract Review Plan</b></li> <li>• BJ confirmed that an update will be given to the October meeting.</li> <li>• <b>AC057-Extraordinary internal audit work building into audit plan</b><br/>BJ and SB confirmed that provision has been built into the plan with flexibility for extra-ordinary requirements available at year end. <b>Action closed.</b></li> <li>• <b>AC058-External Audit review of internal audit work</b><br/>MW confirmed that Grant Thornton was speaking to TIAA after the meeting. <b>Action closed.</b></li> <li>• <b>AC059-Review of Governing Body Assurance Framework</b><br/>Updates on the GBAF are part of the agenda for this meeting. <b>Action closed.</b></li> <li>• <b>AC059-Triangulation of acute sector activity data.</b><br/>BJ asked for this action to be closed and agreed that he would set out how the process for forecasting will be taken forward and how it interacts with contracting so that a rounded discussion can take place at the Audit &amp; Governance Committee.</li> <li>• <b>ACO60-Tender waiver thresholds in SFIs.</b><br/>BJ confirmed that SFIs are reviewed annually to ensure they are in line with best practice. The review for 2017 will also align to work being undertaken by the Joint Commissioning Executive which is undertaking a functional review on how CCGs can align more closely on SFIs and also aligning contracts where practicable. <b>Action closed</b></li> </ul> | <p>JM</p> <p>BJ</p> |
| 6. | <p><b>Internal Audit Progress Report</b></p>   |                     |
|    | <p>SL presented the report. The committee's attention was drawn to the following:</p> <ul style="list-style-type: none"> <li>• Conflicts of Interest internal audit would be added to the 17/18 internal audit plan.</li> <li>• The draft internal audit report on Individual Funding Reviews had been sent to the appropriate Manager within the CCG but TIAA were still waiting for management responses. SL requested that the process for providing management responses within the CCG is tightened. On the request of BJ,</li> </ul>   | <p>AC061<br/>SL</p> |

|     |  |   |
|-----|--|---|
|     | <p>JY agreed to be included within the circulation list of all draft reports to ensure that responses were concluded within 10 days. The Chair requested that any report that still remained on draft after the 10 day period was still reported to the Audit &amp; Governance Committee to avoid delays in reporting specific risk areas and this was agreed.</p> <ul style="list-style-type: none"> <li>TIAA had been advised that Deloitts had recently completed a review of the CCG's QIPP arrangements. In light of this TIAA had discussed with the Chair and agreed that the QIPP audit should not proceed and the 8 planned days were therefore available which could be used for work around financial reporting and follow-up on any recommendations from the Deloitts report. BJ confirmed that the Deloitts report was commissioned by NHS England as independent assurance to look at the scope for delivering QIPP across all CCGs. Two or three CCGs across this patch had been targeted. The report sighted that CHC, procedures for limited clinical value and work with care homes could possibly produce savings. BJ agreed to bring the report to the next meeting together with an update on progress against recommendations.</li> <li>The Committee were asked to note that the overdue recommendation on the IG Toolkit had been addressed and future evidence will be sent to TIAA. The outstanding recommendation for the Contracts Management Audit due for completion at the end of July would be chased by BJ but progress had been made to complete it.</li> </ul> <p>The Committee requested that the briefings on developments in governance, risk and control listed in the report should be circulated to members of the Audit &amp; Governance Committee for information.<br/>BJ agreed to circulate further to the Finance &amp; Performance Committee and Executives.</p> <p><b>The Committee noted the report</b></p> | <p>AC061<br/>SL/JY</p> <p>AC062<br/>BJ</p> <p>AC063<br/>SL<br/>BJ</p> |
| 6a. | <b>Internal Audit report – Financial Reporting and Budget Monitoring.</b>  |   |
|     | <p>SL presented the report. He explained that during the course of the audit a number of statements were received from staff that the CCG were not aware of some operational practices.</p> <p>The draft report had been challenged by the CCG management and TIAA therefore met again with the Deputy CFO and Head of Management Accounts where agreement was made to remove any factual inaccuracies. This action resulted in the assurance assessment being changed. BJ commented that the Finance Department already had in mind to put some of the recommendations in place prior to the Audit so completion of recommendations was well underway.</p> <p>SL mentioned that he was not completely clear on the management response for recommendation 1 regarding virements. BJ clarified that the issue around authorising virements had been resolved by approval being signed off by the Accountable Office and the Deputy CFO to gain better alignment.</p> <p>AB requested assurance that the Managers were aware of their accountability and whether they required training so that the Auditors did not need to go back. BJ assured that the appearance of lack of knowledge by some managers would not be repeated but he would keep working with TIAA to deal with any challenges.</p>   |   |

|           |   |  |
|-----------|---|--|
|           | <p>JM requested assurance on recommendation 4 – <i>the risks that pose a threat to the achievement of the budget target be quantified transparently in the report to the F&amp;P Committee</i>. BJ confirmed that he agreed that risks were not quantified at different times last year but could assure that risk is now included at the front of reports to highlight its immediacy acting in a more transparent way.</p> <p><b>The Committee noted the report</b></p>  |  |
| <b>6b</b> | <b>Internal Audit Annual Report 2016-17</b>   |  |
|           | <p>SL presented the report which summarised the outcomes of the reviews carried out in 2016/17 and how the Head of Internal Audit’s Annual Opinion was arrived at. SL assured the committee that “reasonable” assurance was a good outcome for the CCG and very positive.</p> <p>BJ suggested he and the Chair met outside of the meeting to agree a plan on what the CCG needs to do to attain substantial assurance for 17/18. SL forewarned that substantial assurance would only be attained by receiving substantial assurance for each internal audit and would this be seen as cost effective for the CCG. As a consequence, SA further proposed a plan to move those systems currently at reasonable or limited assurance to substantial assurance. BJ agreed that the balance needs to be right and any agreed proposal would be brought back to a future committee.</p> <p><b>The Committee noted the report</b></p>  |  |
| <b>7</b>  | <b>External Audit Progress Report 2017/18</b>   |  |
|           | <p>MW presented the report which provided information on the outputs delivered to-date. MW confirmed that he was meeting with the internal auditors and the finance team to agree dates to carry out some of the early field work.</p> <p>Grant Thornton’s risk review would be carried out early in the new calendar year and reported to the Audit Committee in February. Their final visit to assess VfM conclusion would be reported in May.</p> <p>SA enquired whether the VfM text would be slightly different now that the CCG was out of special measures and MW confirmed that this would definitely influence the conclusion.</p> <p>BJ confirmed that a timetable will be taken to the F&amp;P Committee setting out details of the internal and external audit plans and their sign off process so that dates for completion of the Annual Report can be agreed. BJ agreed to bring this report to the October Audit &amp; Governance Committee.</p> <p>TIAA requested a three-way meeting before the October meeting so that agreed focus areas can be reported.</p> <p>The Committee noted that Grant Thornton also had a programme for up-to-date insight and analysis from their technical teams. JM agreed to speak to the Accountable Officer on the themes of publications that could be circulated within the CCG. It was also agreed that areas such as “Boards for the Future” could be included within the CCG’s Governing Body development plan.</p> <p><b>The Committee noted the report</b></p> | <p>AC064<br/>BJ</p> <p>ACO64<br/>SL/MW/<br/>BJ</p> <p>AC064<br/>JM</p> |
| <b>8.</b> | <b>Review of the CCG Assurance Framework and Corporate Risk Register</b>  |  |

|    |   |  |
|----|---|--|
|    | <p>JY presented the report and brought the following to the attention of the Committee.</p> <p><b>Governing Body Assurance Framework</b></p> <ul style="list-style-type: none"> <li>• One further risk had been reduced on the 15/17 GBAF. Risk 5.2 <i>“Lack of robust performance and contract management systems in place for commission services”</i> The Contracts Team had reviewed the contracts database and updated the contract renewal dates and positions. This revised document is now being used to inform the commissioning intentions with regard to procurements in 18/19.</li> <li>• One risk remained above risk appetite. Risk 3 <i>“Inability to identify and recognise potential failings in service”</i> Whilst there are still on-going changes to significant contracts which may potentially effect patient safety and patient experience; and a major community health services procurement, the responsible Director was not comfortable to reduce the residual scoring for this risk.</li> <li>• The Executive Management Group agreed at its meeting on the 27 July that as most risks had met or exceeded their target score the GBAF could be formally closed in light of the imminent development of a new GBAF based on new 17/18 objectives.</li> </ul> <p>JY reported that new strategic objectives had been developed and a new Governing Body Assurance Framework is being reported to the Extra-ordinary meeting of the Governing Body on the 27 September and would come to the October Audit &amp; Governance Committee.</p> <p><b>The Committee was satisfied that actions were in place to effectively mitigate the strategic risks appearing on 16/17 GBAF and noted that the Executive Team had agreed to close this framework.</b></p> <p><b>Corporate Risk Register</b></p> <p>JY reported that following scrutiny of the CRR at the Executive Team meeting, work was in progress to tighten some of the risk descriptions to ensure they followed “cause, event, effect” best practice.</p> <p>The Risk Management Committee was also scrutinising the controls effectiveness for those risks appearing on the CRR. Updates to the CRR were reflected in the version of the CRR received by the committee.</p> <p>The Committee noted that some of the controls and action plans had been further updated in the submissions to the F&amp;P Committee. This scheduling issue is difficult to overcome but the Risk Manager would try to ensure submissions were as “live” as possible and verbal updates given if necessary.</p> <p><b>The Committee noted the risk on the CRR and the on-going work to improve the controls framework</b></p> |  |
| 9. | <p><b>Revised Conflicts of Interest Statutory Guidance</b></p>  |  |
|    | <p>JY advised the Committee that NHSE produced new guidance on managing conflicts of interest in June 2016. In 20-17 NHSE aligned this guidance with that applicable to all NHS organisations to enable a strong alignment between the NHS and CCG conflicts of interest guidance. In doing so, NHSE identified a few areas where small refinements to the CCG guidance was required to ensure it is fully aligned and consistent. The key changes were:-</p>   |  |

|            |  |  |
|------------|--|--|
|            | <ul style="list-style-type: none"> <li>• To ensure register of interests are updated on an annual rather than six monthly basis</li> <li>• Gifts below a low value (up to £6) such as promotional items can be accepted. Previously this was prohibited.</li> <li>• Gifts under £50 (rather than £10) can be accepted from non-suppliers and do not need to be declared. Gifts with a value over £50 can now be accepted on behalf of an organisation but not on a personal capacity.</li> <li>• Hospitality under £25 does not need to be declared. Hospitality between £25 and £75 can be accepted, but must be declared, and hospitality over £75 should be refused unless senior approval is given.</li> <li>• A new section had been written on sponsored events</li> <li>• A new annex which summarises key aspects of the guidance that need particular consideration within the context of new care models commissioning.</li> </ul> <p>As a result of these changes, it was necessary for the CCG's Conflicts of Interest Policy and the Standards of Business Conduct Policy to be updated. Both policies were presented to the Committee for approval.</p> <p>The Committee were advised that a declarations of interest register will be taken to each GB constituted committee. At the next Audit &amp; Governance Committee members will therefore be asked to sign an attendance register which will also state the declarations declared by each member.</p> <p><b>The Audit &amp; Governance Committee approved the amendments to the Conflicts of Interest Policy and the Standards of Business Conduct Policy</b></p> |  |
| <b>10.</b> | <b>Any Other Business</b><br>There was no other business reported.   |  |
| <b>11.</b> | <b>Items to Raise to Governing Body</b>  |  |
|            | <ul style="list-style-type: none"> <li>• Good progress reported against internal audit programme</li> <li>• Agreed plan for external audit with less condensed programme for year end.</li> <li>• Use of GT and TIAA's briefings to be used for GB development</li> <li>• Minutes to be presented to future Governing Body meetings</li> </ul>   |  |
| <b>15.</b> | <b>Date of Next Meeting</b>  |  |
|            | <b>Wednesday, 11<sup>th</sup> October 2017, 15.00 – 17.00 hours, in the Boardroom, Suite 3, Capability House, Wrest Park, Silsoe, Bedfordshire, MK45 4HR</b>   |  |