

Agenda Item: 15.0

<i>Governing Body</i>	<i>Report</i>
	Date of Meeting: 3 May 2018

Report Title	Audit & Governance Committee Annual Report 2017/18		
Report Author	Presented By	Responsible Director	
Janet Young Governance & Risk Manager	David McNeil Assistant Director Risk, Governance & Corporate Services	Jane Meggitt Director of Risk, Governance & Corporate Affairs.	
Purpose for presenting report	The Audit & Governance Committee's Annual Report summarises the activities of the CCG's Audit & Governance Committee for the financial year 2017/18, setting out how it has met its terms of reference and key priorities.		
Action Required:	For approval		
Approval Route:	The Report was discussed and approved at the Audit & Governance Committee held on the 11 April 2018		
Further Assurance:			
Which Strategic Objectives does this report provide evidence for?			Please Tick ✓
We will commission high quality, safe and sustainable models of care that deliver effective clinical outcomes and patient experience using evidence based decisions and best practice			
We will ensure that there is a financially sustainable and affordable healthcare system in Bedfordshire.			
We will lead, engage and operate as an effective place based and STP wide system partner to achieve greater integration of care delivery.			
We will support local people and stakeholders to have an influence on services we commission to ensure our decisions are informed and shaped by local views and insights.			
We will operate and manage our Governing Body to the highest standards of accountability and transparency.			✓
Implications/Assessments	Yes	No	N/A
Have any financial implications been signed off by the Chief Finance Officer?			✓
Have any quality implications been signed off by the Director of Nursing & Quality?			✓
Have any privacy implications been signed off by the Head of Information Governance?			✓
Have any conflicts of interest implications been signed off by the Corporate Office?			✓
Have any public engagement implications been signed off by the Head of Communications & Engagement?			✓

Has an Equality Impact Assessment been carried out?			√
Key Risks			
Executive Summary	<p>The Audit & Governance Committee is a sub-committee of the Governing Body and as such provides a regular report to the Governing Body on the main issues raised and discussed at its meetings.</p> <p>The Audit Committee Handbook advises that an Audit Committee in line with best practice in other sectors, should prepare a report to the Governing Body that sets out how the Committee has met its Terms of Reference.</p> <p>This Annual Report summarises the activities of the CCG's Audit & Governance Committee for the financial year 2017/18 setting out how it has met its Terms of Reference and key priorities.</p>		

Introduction

The purpose of the Audit & Governance Committee is laid down in its Terms of Reference. In summary, it oversees the establishment and maintenance of an effective system of internal control throughout the CCG. It ensures that there are effective internal audit arrangements in place, reviews the work and findings of external audit, reviews the CCG's annual statutory accounts before they are presented to the CCG Governing Body and maintains oversight of the CCG's counter fraud arrangements.

Committee membership and meetings

The Committee was chaired throughout the year by Saqhib Ali, Lay Member for Audit & Governance. There were 7 meetings held during 2017/18:-

12 April 2017
25 May 2017 (extra ordinary)
14 June 2017
9 August 2017
11 October 2017
13 December 2017
14 February 2018

The members of the Audit and Governance Committee are Lay Members of the Governing Body. Based on the membership of the Committee, a quorum consists of two lay members. All meeting for 2017/18 were quorate. The Committee is provided with a secretariat function by the Corporate Governance team.

Audit Committee members table of attendance

Name	Attendance (out of 7 possible meetings)
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Saqhib Ali (Chair)	7
Roland Ginn	6
Alison Borrett	3

Other members who have attended the meeting to participate in discussions were:

The Chief Finance Officer
The Head of Internal Audit
The Head of External Audit
The Head of Governance
The Counter Fraud Specialist
The Governance & Risk Manager
Other Executive Directors

Terms of Reference

The Audit & Governance Committee's Terms of Reference were reviewed and approved at its meeting on 14 February 2018 only minor changes needed to be made.

The committee carried out a review of its effectiveness and concluded that there were no weaknesses. One minor area of concern was that the Committee did not receive any periodic reports around counter fraud and security during the 2017/18 business year. The Counter Fraud Manager has been made aware of the Committee's observation and this will be rectified during 2018/19.

Reports made to the Governing Body

The Chair of the Audit & Governance Committee delivers a verbal report regarding the most recent meeting of the committee at each next scheduled Governing Body meeting. This verbal report assures the Governing Body of the main items discussed by the Committee and of any matters of concern. In 2017/18 there were no items of concern reported.

In addition to the verbal reports the Governing Body received minutes of each Audit & Governance Committee for information.

The work of the Committee during 2017/18

The Audit & Governance Committee followed the annual reporting cycle to schedule its work throughout the year.

In 2017/18 the Committee approved the work plans for both the internal and external auditors and the counter-fraud service. It received and reviewed regular progress reports which allowed the Committee to determine its level of assurance in respect of progress with various pieces of work and findings.

Assurance Activity

Internal Audit

The internal audit plan was based on a risk base approach centred on discussions with senior staff and Lay Members, to determine the CCG's audit needs for the year. This included reviewing the corporate risk register, the assurance framework, earlier internal audit work for the CCG, external audit recommendations, together with key corporate documentation such as the CCG's corporate plan, standing orders and financial regulations.

The following internal audit reports were issued and reviewed by the Committee during the year.

Audit	Assurance	Date	Recommendations
Continuing Healthcare	Reasonable	15 September 2017	1 important 2 routine 1 operational
Individual Funding Request	Reasonable	12 September 2017	1 important 1 routine 2 operational
Co-Commissioning	Reasonable	7 November 2017	3 important 2 routine
Risk Management – Governing Body Assurance Framework	Substantial	7 February 2018	None
GP Payments	Reasonable	5 March 2018	3 routine 2 operational
Core Financial Systems	Substantial	7 February 2018	1 routine 1 operational
Better Care Fund	Substantial	4 April 2018	None
IG Toolkit	Reasonable	22 March 2018	2 important 1 routine
Conflicts of Interest	Substantial	12 March 2018	2 routine 1 operational

The Committee reviewed the outcome of completed internal audit reviews at each meeting and received updates on the progress against completion of audit recommendations.

The Annual internal audit opinion was received on the 4 April 2018 and the overall assurance opinion provided for the year ended 31 March 2018 was "Reasonable Assurance". This was judged consistent with the Committee's view on the CCG's system of internal control.

Local Counter Fraud Specialist (LCFS)

The counter fraud work plan is risk-based but has been aligned to the Standards issued by NHS Protect in March 2016.

The work plan has been monitored throughout the year by the Chief Finance Officer and the Deputy Chief Finance Officer as Executive lead for Counter Fraud.

The LCFS has had regular contact with the key individuals within the CCG to discuss the progress on investigations involving CCG staff, as appropriate.

The plan identified proactive reviews for Continuing Healthcare and Personal Health Budgets as these had been identified as specific areas of risk.

External Audit

The external auditors set out their plans in August 2017 which set out their proposed approach in order to give an opinion on the CCG's 2017/18 financial statements.

The Committee received regular update reports about the work of the auditors and also information about changes within the health sector which could impact on the CCG.

Review of the annual financial statements for 2016/17

The out-going external auditors provided their annual governance opinion (ISA 260) in relation to the 2016/17 year at the extra ordinary meeting held on the 25 May 2017.

Governing Body Assurance Framework (GBAF)

The GBAF was significantly updated in 2017/18 as a result of the CCG seeking to further strengthen its risk management arrangements by developing the GBAF to adopt the 'Three lines of defence' model.

The Committee reviewed the GBAF regularly to ensure that there was an appropriate spread of strategic objectives and the main risks had been identified.

During 2017/18 the Committee assured itself that the process undertaken to populate the GBAF was appropriate in that the necessary Directors and Managers had been involved and took responsibility for their entries and that there were no major omissions from the list of controls.

An internal audit of the GBAF took place in January 2018 and the findings led to an overall assessment of substantial assurance with no recommendations being awarded.

In reviewing the GBAF it was noted that there were some corporate risks where no Level 3 assurance was received. These risks will be considered when the Internal Audit Strategy is reviewed and updated, and factored into the Internal Audit Annual Plan 2018/19.

Overall, the committee is satisfied that the CCG has mature risk management arrangements in place and is fully aware of the risk profile of the CCG.

Conflicts of Interest

The CCG's conflicts of interest arrangements are overseen by the Audit Committee Chair in his role (under the statutory guidance) as COI Guardian.

The Committee received a report in August 2017 providing assurance that the revisions to new statutory guidance on managing conflicts of interest had been implemented throughout the CCG. As a result of these key changes, it was necessary to amend the CCG's Conflicts of Interest Policy and the Standards of Business Conduct Policy which the Committee approved.

The CCG submitted its annual and quarterly return to NHS England during 2017/18 to demonstrate compliance with the requirements of the statutory guidance on managing Conflicts of Interest for CCGs as part of the CCG Improvement and Assessment Framework.

There have been no conflicts of interest breaches for the year.

The Committee received a report in February 2018 which outlined the conflicts of interest training launched online by NHS England. A list of staff who were required to complete the training was provided

An internal audit of the CCG's conflicts of interest management was undertaken in February 2018. The CCG's arrangements for handling conflicts were assessed as being fully compliant and were awarded substantial assurance.

Registers

The Committee carried out reviews of the Gifts & Hospitality Register and the Register of Sealing to ensure the appropriateness and completeness of the content

Competitive Tender Waivers

Competitive Tender Waivers were periodically reported to the Audit and Governance Committee after they had been noted and approved at the Finance and Performance Committee Meeting.

Conclusion

As the primary governance committee of the Governing Body the Audit & Governance Committee has preserved its independence from operational management by not having executive membership (although executive directors support the committee to provide information and context only).

The Committee has added value by maintaining an open and professional relationship with internal and external audit and counter-fraud. It carried out its work diligently, discussed issues openly and robustly, and kept the Governing Body apprised of any possible issues or risks. The Audit & Governance Committee fulfilled its work programme for 2017/18 and provided assurances to the Governing Body for any issues referred to it.

Members of the Audit & Governance Committee would like to thank those who have responded to its requests during the year and who have supported it in carrying out its duties.