

Agenda Item: 16.0

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| <i>Governing Body held in public</i> | <i>Report</i> Date of Meeting: 16 May 2019 |
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| Report Title | Audit & Governance Committee Annual Report 2018/19 | | |
| Report Author | Presented By | Responsible Director | |
| Janet Young Governance & Risk Manager | Saqhib Ali Lay Member audit & Governance | | |
| 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 2018/19, setting out how it has met its terms of reference and key priorities. | | |
| Action Required: | For approval | | |
| Approval Route: | Audit & Governance Committee held on the 11 April 2019 | | |
| 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 | 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. | | |

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| | <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 2018/19 setting out how it has met its Terms of Reference and key priorities.</p> |
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1.0 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.

2.0 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 2018/19:-

11 April 2018
24 May 2018 (extra ordinary)
13 June 2018
1 August 2018
10 October 2018
12 December 2018
13 February 2019

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. Three meetings for 2018/19 were not quorate. The Committee is provided with a secretariat function by the Corporate Governance team.

2.1 Audit Committee members table of attendance

| Name | Attendance (out of 7 possible meetings) |
|--------------------------------------|---|
| Saqhib Ali (Chair) | 7 |
| Roland Ginn (retired June 2018) | 2 |
| Alison Borrett | 2 |
| Dr Ratan Das (Member since December) | 1 |

The Chief Finance Officer (or his deputy) attended all meetings of the Audit & Governance Committee, and other directors/senior managers as appropriate.

Representatives of the internal and external auditors, counter fraud service and local security management service also attended. Administrative support to the committee was provided by the Corporate Governance Team. These attenders are not members of the committee.

2.2 Terms of Reference

The Audit & Governance Committee's Terms of Reference were reviewed and approved at its meeting on 10 October 2018. The ToR were reviewed to include Dr. Ratan Das, Vice Locality Chair Bedford, as a member of this committee and to change quoracy to *"a quorum will consist of two lay members and one Clinician either the Secondary Care Doctor, GB Registered Nurse or GP member who is not a member of the Finance and Performance Committee."*

2.3 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 2018/19 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.

2.4 The work of the Committee during 2018/19

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

In 2018/19 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.

The Committee also received regular Governing Body Assurance Framework reports on the key risks threatening the strategic objectives of the CCG.

3.0 Assurance Activity

3.1 Internal Audit

The internal audit plan was based on a risk base approach centred on discussions between the Internal Auditors, Audit Committee Chair and Executive Management, based on best practice and national mandated requirements 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 |
|--|-------------|----------------|--------------------------|
| Payments to Clinical Leads | Reasonable | July 2018 | 1 important 1 routine |
| Patient Involvement | Reasonable | September 2018 | 1 important 1 routine |
| Prescribing/Medicines Management | Reasonable | August 2018 | 1 important 3 routine |
| GDPR Compliance Audit | Reasonable | July 2018 | 4 important |
| QIPP – Follow Up | N/A | September 2018 | N/A |
| STP – Partnership Working and Governance | Limited | October 2018 | 8 important 1 routine |
| Payments Health Check | Reasonable | February 2019 | 3 important |
| Kay Financial Assurance, including Financial Reporting | Reasonable | February 2019 | 3 important 5 routine |
| Governing Body Assurance Framework | Substantial | February 2019 | No recommendations |
| Managing Conflicts of Interest | Substantial | February 2019 | 2 routine |
| Data Security and Protection Toolkit | Reasonable | March 2019 | 1 important 3 routine |

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 13 February 2019 and the overall assurance opinion provided for the year ended 31 March 2019 was "Reasonable Assurance". This was judged consistent with the Committee's view on the CCG's system of internal control.

The Internal auditors also provided several benchmarking reports on internal audit theme progress and counter fraud action progress across its client base for the Committee to review and compare our own progress against.

3.2 Local Counter Fraud Specialist (LCFS)

The counter fraud work plan for 2018/19 was presented to the Committee in June 2018

As part of the planning process, LCFS developed a Fraud Risk Assessment approach which was split into several key areas where fraud can occur, also incorporating emerging and national risks thus allowing for analysis of the CCG's fraud risks.

The work plan was cross referenced to the risk assessment as well as detailing ongoing work in order to meet the requirements laid out in the NHS Counter Fraud Authority Standards for Commissioners: fraud, bribery and corruption.

The plan identified proactive reviews for:-

- Continuing Healthcare and
- Personal Health Budgets
- Prescribing
- Conflicts of Interest
- Pre-employment and use of interims
- Gifts, hospitality and sponsorship
- Cyber crime

3.3 External Audit

The external auditors set out their plans for 18/19 in August February 2019 which set out their proposed approach in order to give an opinion on the CCG's 2018/19 financial statements.

During the year the Committee reviewed the work and findings of the External Auditors and considered the implications and management responses to their work.

This was achieved by:

- Discussion and agreement with the External Auditors on the nature and scope of the audit as set out in the annual plan.
- Discussion with the External Auditors of their local evaluation of audit risks.
- Approval of the audit fee for the year.
- Review of the external audit reports, including the report to those charged with governance and the annual audit letter.
- Review of the periodic NHS Policy Updates and Developments that were provided by the External Auditors.

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.

3.4 Review of the annual financial statements for 2017/18

The external auditors provided their annual governance opinion (ISA 260) in relation to the 2017/18 year at the extra ordinary meeting held on the 24 May 2018.

The External Auditor had concluded that the accounts had been properly prepared in accordance with the requirements of NHS England and that there were no issues arising from the annual accounts, annual report, annual governance statement or the Remuneration Report.

3.5 Governing Body Assurance Framework (GBAF)

The GBAF was updated again in 2018/19 as a result of the PWC external reviews. 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 2018/19 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.

3.5.1 Deep Dives

During the year, Senior Managers from the CCG were invited to present update briefings to the Audit Committee on their areas of expertise, explaining in particular how the work in these areas provided the assurances upon which the Audit Committee could rely in discharging its key responsibilities.

The areas covered were:

- Quality & Safety
- Finance & QIPP
- Primary Care

3.5.2 GBAF Internal Audit

An internal audit of the GBAF took place in January 2019 and the findings led to an overall assessment of substantial assurance with no recommendations being awarded for the second year running.

3.5.3 Risk Management Strategy

The committee endorsed amendments to the CCG's Risk Management Strategy at the October meeting. The Strategy had been comprehensively revised to set out new aims as the CCG moves towards transition to an integrated care system. The transition would undoubtedly create significant risks and uncertainty and therefore a clear strategy setting out the CCG's intent, principles, aims and philosophy would play a critical role in helping the

CCG understand the impacts and manage the risks associated with these priorities.

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

3.6 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 CCG submitted its annual and quarterly return to NHS England during 2018/19 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.

To support CCGs to manage conflicts of interest, NHS England launched new online training in January 2018. The training package was developed in collaboration with NHS Clinical Commissioners and aims to raise awareness of the risks of conflicts of interest and how to identify and manage them. In the first year the training was aimed at specific members of staff in the CCG. However, in order to ensure that all staff have a full understanding around conflicts they may face and how to effectively manage these, it was proposed to the Audit Committee in October 2018 that **all CCG staff** are required to undertake module 1 of the national training annually. This will minimise the risk that staff or members engage in inappropriate conduct.

An internal audit of the CCG's conflicts of interest management was undertaken in January 2019. The CCG's arrangements for handling conflicts were assessed as being fully compliant and were awarded substantial assurance.

3.7 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.

3.8 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.

4.0 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 appraised 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.

The Audit Committee looks forward to continuing the work with its Auditors in order to obtain independent views on the systems of governance and control within the CCG. The committee also looks forward to the higher level of collaboration between Luton and Milton Keynes CCG as part of the developing collaborative Integrated Care system. Bedfordshire CCG will seek to ensure effective governance of any revised joint arrangements that develop over the forthcoming year.

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.