

Audit Committee

12.00 noon – 2.00 pm, 21 July 2016
Hardcastle Meeting Room, F Mill, Dean Clough, Halifax

FINAL MINUTES

Present:	David Longstaff (DL) Lay Member (Chair)
	Kate Smyth (KS) Lay Member
	Steven Cleasby (SC) GP Member
In Attendance:	Lesley Stokey (LS) Interim Chief Finance Officer
	Judith Salter (JS) Corporate and Governance Manager
	Martin Pursey (MP) Head of Contracting and Procurement
	Leanne Sobratee (LSO) Internal Audit Manager (West Yorkshire Audit Consortium)
	Ian Halliwell (IH) Internal Audit Manager (West Yorkshire Audit Consortium)
	Alastair Newall (AN) Manager - Public Sector Audit (KPMG)
	Andrew O'Connor (AOC) Corporate & Governance Officer (Minutes)
	Neil Smurthwaite (NS) Observer
Apologies for Absence	Jackie Bird (Registered Nurse), John Mallalieu (Lay Advisor to the Governing Body)

51/16 DECLARATIONS OF INTEREST

There were no declarations of interest.

52/16 MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 19TH MAY 2016 AND MATTERS ARISING

Action Item Min. 84/15: Financial control environment assessment

LS reported that there was no national requirement to repeat the Financial Control Environment Assessment. The CCG had rated itself as "good" for which Internal Audit colleagues had provided assurance. Issues regarding the authorisation of some journals had previously been discussed by the Audit Committee.

NS advised that, while it was not a national requirement, it would be considered best practice to repeat the assessment, both in the context of the changing overall financial position and the requirements of the financial recovery checklist.

In response to a question from JS, NS confirmed that the assessment should be undertaken annually; furthermore, that this should be included in appropriate programmes of work. It was agreed that the assessment should be received by the Finance and Performance Committee with assurance provided by the Audit Committee.

LS

DECISION:

The minutes of the meeting were **APPROVED** as a correct record.

53/16 CONTRACTING REPORT

MP presented the contracting report.

a) Tender Waivers

The committee noted that agreed and potential tender waivers were set out in Appendix 1 along with relevant supporting documentation.

MP reported that work was taking place to understand the implications of adjustments to the Care Closer to Home (CC2H) timeline for the commissioning of services. The committee was also advised that it could expect to receive an increased number of waivers going forward due to the adjustment.

In response to a question from KS regarding resources, MP explained that that, while the planned changes were significant, staff would prioritise and manage the workload. He had no expectation that additional resources would be available.

In response to a question from SCI regarding tender waivers, clinical involvement in commissioning and due process, MP advised that, as part of the commissioning process, clinical colleagues would have input via the Clinical Development Forum. The new Contracts Management System would provide colleagues with an improved overview of contract timelines allowing them to better engage contract owners when contracts were due for renewal.

SCI advised that the “Weight Management Service – Level 4” referenced in the report as a proposed tender should read “Level 3” as a Level 4 service was not available in Calderdale.

Referring to the number of third sector contracts rolling forward, SCI commented that it would be useful to bring all third sector contracts together as part of the contracts renewal process in order that the underlying approach/methodology could be addressed. MP responded that this would be something that contracting could contribute to.

In response to a question from KS regarding CDF’s agreement to the purchase of the StoppStart prescription support software, JS confirmed that CDF does not have formal decision making authority.

b) Contracting Register

Appendix 2 was noted to be the first extract from the new Accord system. MP explained that colleagues were ensuring accuracy and consistency of data and establishing tasks and deadlines as part of commissioning cycles. MP reported that the new system would ensure contracts were reviewed more effectively with better management of commissioning timelines across the CCG.

In response to a question from KS regarding the contract for the provision of emergency patient transport, MP explained that the outstanding documentation had now been received and the rag rating had been changed to green.

In response to a question from SCI concerning the content of the Contracts Register, MP confirmed the register was a full record of all of the CCG’s contractual arrangements, including funding agreements and pharmaceutical rebates.

The Chair made positive comment about the ratings on the Contracts Register.

DECISION:

The Audit Committee **NOTED** the contents of the Contracting Report and the Appendices submitted.

54/16 INTERNAL AUDIT & COUNTER FRAUD UPDATE (INCLUDING APPENDICES B-D) (ATTACHED)

a) Internal Audit and Counter Fraud Update

LSo spoke to the Internal Audit and Counter Fraud Update. There had been no finalised reports since the last Audit Committee meeting.

b) Internal Audit Report – Procurement

LSo provided an update regarding an Internal Audit Report on CCG Procurement in 2016. The report had not been circulated prior to the meeting.

The report focused on four areas including: guidelines and procedures; analysis of service need; stakeholder involvement; and governance arrangements. As the requested review involved assessing previous procurements in order to better understand and improve processes, LSo advised that it had not been appropriate to issue an overall opinion. To aid management with the prioritisation of recommendations, opinion on individual work streams had been supplied. One work stream relating to guidance and procedures had received full assurance. Two work streams relating to the analysis of service need and stakeholder involvement had received significant assurance. An area of limited assurance related to governance arrangements and to the Contracting Team receiving appropriate notification of approvals as part of the decision making process. LSo said that ensuring the Contracting Team receive sufficient support in this respect was one of the chief recommendations made in the report. The committee were advised that a record of recommendations not actioned by commissioners would be collected by the Contracting Team and subsequently followed up by Internal Audit.

c) Internal Audit Plan

LSo updated the committee on the Audit Plan which had been agreed in May. Work was progressing and the IG Audit was underway. The committee were advised that a full report on the Audit Plan would be submitted to the Audit Committee's next meeting.

d) Audit Yorkshire

LSo confirmed that, from 1st July, West Yorkshire Audit Consortium would be called "Audit Yorkshire", following a merger with North Yorkshire Audit Consortium. CCG members would be invited to a launch event on the 6th September 2016 in Harrogate.

DECISION:

- 1) The Audit Committee **NOTED** the content of the Internal Audit and Counter Fraud Update and Appendices A-D

55/16 EXTERNAL AUDIT

a) Technical Update and Annex - July 2016

AN presented the External Audit Technical Update and Annex.

The committee noted those items which were identified as “requiring action” or for which action was “suggested”. The remainder of the content had been supplied to provide an overview of key issues across the sector.

DL noted that the outcome of the staff survey had improved and that this was very positive given the present challenges.

In the context of the changing political landscape, AN commented that KMPG would be holding events in the future, and that he would ensure committee members and colleagues were kept informed.

JS advised committee members that the Audit Committee self-assessment report produced by KMPG would be considered alongside an Audit Committee development report at its next meeting in September. It was agreed that the Audit Committee Self-Assessment Report (KMPG) should be circulated to Audit Committee members.

JS

b) Annual Audit Letter 2015/16

AN advised the committee that the Annual Audit Letter was a requirement of the Local Audit and Accountability Act and was the final piece of documentation relating to the 2015/16 audit cycle. There was no new information to note. The Annual Audit Letter was noted to be a public document.

DECISION:

The Audit Committee:

- c) **NOTED** the content of the External Audit and Technical Update and Annex - July 2016
- d) **APPROVED** the 2015/16 Annual Audit Letter.

In response to a question from SCI concerning being assured that SMT were addressing key issues identified in the Technical Update, it was agreed that the Technical Update would be routinely circulated to SMT members.

AO'C

In response to a question asking whether all Governing Body members should also be routinely supplied with the Technical Update, it was agreed that SMT would address the Technical Update in the first instance and thereafter advise Governing Body members as required. The attendance of SMT members at Audit Committee provided the Audit Committee with the opportunity to gain assurance that key matters on the Technical Update were being addressed and communicated to Governing Body members by SMT.

56/16

RISK REPORT AND HIGH LEVEL RISK LOG

Rob Gibson (Risk and Health & Safety Manager) reported on Risk Cycle 2 of the CCG Risk Register (31.05.2016 to 20.06.2016).

The reporting period had commenced with a risk owner review and concluded with an SMT review on the 20th June. The risks had then been submitted to Finance and Performance and Quality Committees on the 30th June.

A total of 38 risks were reported including 8 marked for closure, leaving 30 open risks compared to 32 open risks at the end of the last reporting cycle.

One critical risk was reported concerning Delays in Transfer of Care. A report concerning this risk was scheduled to be received by the Governing Body in August.

Seven serious risks were reported compared to six at the end of the last reporting cycle. The committee were advised of two new risks, Risk 829 and 826, which related to finance. The committee were asked to note that Risk 826 was a risk during the previous year (161) which been closed and re-opened with the scoring increased from 12 to 16. The remaining 5 serious risks were noted to have been on the risk register for at least one cycle with static scoring, with the exception of Risk 240. The scoring for Risk 240 was noted to have increased from 12 to 15.

Nine risks with a score above 12 were reported. Risk 828 was reported as a new risk. Risk 540's score had increased. All of the other high risk scores remained unchanged from the last risk cycle.

With regard to Risks 829 and 829, LS explained that the increased risk level related to delivery in relation to QIPP schemes, noting that this was the highest scoring that had been attached to these risks.

In response to a question from DL asking why the Risk 709 (Delays in Transfer of Care) had become critical despite action plans and mitigation being in place, JS advised that, while the position had improved against national targets, the CCG was aware that there was still a delay in the transfer of care for the cohort of patients who were medically fit for discharge, which needed to be addressed. Work to better understand this issue and to put actions in place was reported to be ongoing. JS advised that the issue would be considered by Governing Body at its meeting in August. LS also reported that a detailed dashboard had been commissioned to address a key control gap around a systematic lack of intelligence and that this information would now begin to be used to address this risk.

DECISION:

The Audit Committee:

- 1) **RECEIVED** the Risk Report, High Level Risk Log and Risk Dashboard of all risks scoring 12 or more and **RECOMMENDED** reporting to Governing Body.
- 2) **NOTED** the assurance provided by the report on the effectiveness of the CCG's risk management process.

57/16 GOVERNANCE ASSURANCE REPORT - QUARTER 1

Sam Byrnes reported on the Governance Assurance Report for Quarter 1.

a) IG Toolkit Version 14 - 2016/17

Version 14 of the Information Governance (IG) Toolkit had gone live at the end of May 2016. There were no significant changes to report.

b) Information Governance Toolkit - Internal Audit Assurance

Internal Audit was to undertake a two phase piece of work to provide ongoing assurance to the CCG regarding its self-assessment scores. Phase 1 would provide a retrospective review of the evidence and scores from the 2015/16 toolkit. The work would be completed in Quarter 2. Phase 2 would be carried out at the beginning of 2017 and assess a sample of the evidence prior to submission

in March 2017.

c) Information Toolkit Action Plan - 2016/17

The committee was advised that an IG Toolkit Action Plan for 2016/17 would be ready for submission to SMT in July 2016.

d) Updated Privacy Processing Notice

The purpose of the CCG's Privacy Notice was explained. Following a successful application to become a temporary Accredited Safe Haven, the Privacy Notice had been reviewed in line with the Information Commissioner's guidance and subsequently approved by the Health and Social Care Information Centre (HSCIC). The notice was now available on the CCG website.

e) Information Security and Asset Risk Management Plan 2016/17

The plan was reported to maintain the same approach as in previous years but with increased involvement of Information Asset Owners.

f) Risk Stratification and Information Governance Requirements

JS reported that the CCG was in the process of signing off the relevant contract agreements which would enable eMBED to proceed with the required work on behalf of the CCG. Legal advice was being sought by Calderdale and three other CCG's to address some concerns including the implications of the upcoming Data Protection Regulations.

g) National Updates

The committee was advised that CCGs were required to work toward the requirements of the new General Data Protection Data Regulations which would come into force on the 25th May 2018. The committee was advised that the IG Team would be preparing a briefing and developing an action plan. Significant changes were noted including the requirement for a Data Protection Officer, more in-depth audits and special protection arrangements for children's data.

h) Next Steps

Committee members' were asked to note a list of actions that the IG team were undertaking.

In response to a question from DL, SB confirmed that new starters were undertaking the required mandatory IG training.

i) Corporate Incidents

JS reported that there were very few corporate incidents. The committee were advised that reported incidents were split between those occurring on and off site.

j) Local Security Management

An update on the move to Local Security Management Arrangements had been provided in the report. The committee were advised that a detailed report and gap analysis would be brought to the Audit Committee's next meeting in September.

k) Conflicts of Interest

A summary of new statutory guidance concerning conflicts of interest had been provided in the report. The principles were noted to be unchanged; however there were a number of additional requirements in terms of process and record keeping. A detailed action plan had been put in place to address four areas:

- Revision of the Conflicts of Interest Policy
- Governing Body and staff development on managing conflict of interests including a review of provisions
- Roll out of new processes across committees, sub-groups and CCG functions
- Establishing arrangements for reporting compliance to NHSE

JS provided further information regarding some of the required changes including the need to strengthen the provision for managing conflicts of interests in sub-groups.

l) Register of Interest

AOC reported that the updated staff register of interests was almost complete and would be received by the Audit Committee at its meeting in September. JS advised the committee that, under required changes, the register of interests for all staff would need to be published on the CCG website. Staff were noted to have the right to appeal to the Conflicts of Interests Guardian (DL) if they wanted information to be redacted from the published register.

DL advised the committee that the new requirements would need to be managed within existing budgets and resources.

JS explained that the CCG's intention to continue with with two lay members and a lay advisor, rather than the recommended three lay members would need to be reported to NHSE.

DL reported NHS England (NHSE) had originally wanted declaration of interest forms to be completed quarterly but that expectation had since been reduced to once every six months. JS reported that the CCG was working with Greater Huddersfield CCG to automate the process.

DECISION

The Audit Committee **NOTED** the Governance Assurance report for Quarter 1

58/16

INFORMATION GOVERNANCE POLICY AND FRAMEWORK

SB presented the revised Information Governance Policy and Framework for approval. The changes recommended were outlined in the report. An increased focus on cyber security was noted.

With regard to the flowchart on p15 of the report, the Deputy Caldicott Guardian (PW) was noted as needing to be added to the policy. This was agreed.

**JS /
SB**

In response to a question, SB advised the committee that "patient" was being replaced by "service user" for consistency. SCI advised that it also reflected a greater involvement of the individual in their treatment.

DECISION:

The Audit Committee **APPROVED** the revised policy subject to the amendments suggested.

59/16 DRAFT AUDIT COMMITTEE ANNUAL REPORT FOR THE GOVERNING BODY

JS presented the draft Audit Committee Annual Report. The report was noted to be the final committee report in the annual cycle. The content of the report was outlined. JS drew attention to the section of the report concerning work with internal and external auditors; work evaluating the effectiveness of other committees and the effectiveness of the Audit Committee itself.

JS advised the committee that, following planned development work, the terms of reference could potentially require amendment.

DL noted that the committee had functioned well and it had been a positive year in challenging circumstances.

In response to a question concerning Audit Committee Membership, DL agreed to speak to AB regarding the committee's second GP member. **DL**

DECISION:

The Audit Committee **APPROVED** the Audit Committee's Annual report for recommendation to the Governing Body.

41/16 ITEMS FOR GOVERNING BODY AND/OR OTHER SUB-COMMITTEES

DECISION:

That the Audit Committee report the following to the Governing Body at its next meeting:

- Conflicts of Interest - new guidance/changes
- External Auditor - Technical Update
- Contracts - strong position

42/16 DATE AND TIME OF NEXT MEETING:

DECISION:

The Committee **NOTED** that its next meeting would be held on 22nd September 2016, 2.00pm to 4.30 pm in Saville Meeting Room, Dean Clough

29/16 REFLECTIONS OF THE MEETING

- The meeting was agreed to have gone well
- Reports from contributors were said to have been be clear and concise

Internal and External auditors left the meeting at this point.

Audit Committee Action Sheet 21 July 2016

Report name	Action no. @	Action required	Lead	Current status*	Comments (include expected completion date, areas of concern)
Review of committee effectiveness	32/15	It was also noted that the reflections and actions from the recent Audit Committee development session would be brought to the next available Audit Committee meeting for discussions and agreement.	Judith Salter/David Longstaff	Not yet due	Deferred to the meeting in September 2016
Risk Register	101/15	Review whether the risk register needs to be brought to each Audit Committee meeting	David Longstaff/Judith Salter	Not yet Due	Deferred to the meeting in September 2016
Minutes 19/05/2016 & Matters Arising	52/16	To include Financial Control Environment Assessment in the annual work programme of the Finance and Performance Committee.	Andrew O'Connor	Completed	22 September 2016
External Audit	55/16	That the Audit Committee Self-Assessment Report (KMPG) be circulated to Audit Committee members	Andrew O'Connor	Completed	
External Audit	55/16	Technical Update to be circulated to SMT members and SMT to inform members of issues as required	Judith Salter Andrew O'Connor	Completed	
Information governance policy and framework	58/16	Deputy Caldicott Guardian (PW) to be added to flow chart on p15.	Sam Byrnes	Completed	
Audit committee annual report for governing body	59/16	To speak to AB re: second GP Member on Audit Committee	David Longstaff	Due	22 September 2016