

WEST LEICESTERSHIRE CLINICAL COMMISSIONING GROUP



Minutes of the Audit Committee Meeting
Tuesday 28 May 2019 at 13.30 – 14.45
WLCCG Headquarters, Woodgate, Loughborough, Leicestershire LE11 2TZ

Present:

Mr Steve Churton	Lay Member (Chair)
Mrs Wendy Kerr	Lay Member

In Attendance:

Mr Ket Chudasama	Director of Performance and Corporate Affairs
Mr John Gregory	Grant Thornton
Mr Spencer Gay	Chief Finance Officer
Mr Paul Harvey	Grant Thornton
Mrs Michele Morton	Senior Committee Clerk (minutes)
Mrs Jenny Robinson	Client Manager, 360 Assurance
Mr Tony Simpson	Head of Financial Accounting
Ms Amy Stevens	Corporate Affairs Officer
Ms Caroline Trevithick	Interim Accountable Officer
Mrs Julie Warren	Senior Communications and Engagement Manager, MLCSU

Action

AC/19/045 Apologies for Absence

The Chairman welcomed all to the meeting and confirmed that it was quorate. Apologies for absence were received from Mrs Carole Ribbins and Ms Gillian Adams.

AC/19/046 Declarations of Interest on Agenda Topics

The Chairman requested that members declare any potential conflict of interest during the meeting.

AC/19/047 Minutes of the Meeting held on 3rd April 2019

The minutes of the meeting held on 3rd April 2019 were agreed as a correct record, with the exception of:

AC/19/022 Internal Audit Progress Report – action should read: The Audit Committee Received the **Internal** Audit Plan.

ACTION

- The Audit Committee **APPROVED** the minutes of 3rd April 2019.

AC/19/048 Matters Arising Audit Committee Action Log

The updated action log was received and updated.

ACTION

- The Audit Committee **RECEIVED** the action log.

AC/19/049 2018/19 Statutory Accounts

Mr Simpson presented paper C and explained that in accordance with the Department of Health Group Accounting Manual, the CCG was required to submit an audited Annual Report and Accounts, approved in accordance with the CCG's Constitution, as a single document no later than 9am on 29th May 2019. It was intended that the accounts attached as appendix 1 would form part of that submission. Further key points of note:

- Since the draft accounts were submitted on 23rd April, a small number of adjustments had been made either on the finance team's own initiative or on the recommendation of the auditors; those had all been taken into account in the version presented to the committee.
- As the audit by Grant Thornton was still in progress, although there was no reason to anticipate any amendments to the accounts that was a possibility. In such an eventuality the changes would be communicated to the Committee during the meeting so that they could be taken into account when the review took place.
- The accounts were reviewed by the Finance & Planning Committee on 21st May. No amendments were requested and the Committee indicated its approval of the accounts as they stood. However, several items were highlighted and clarification provided on:
 - Other Operating Revenue – Non-patient care services to other bodies
 - 'Other' salaries and wages (Programme)
 - Operating expenses – purchase of social care

Mr Simpson reported that the external auditors had requested details of two extra accounting policies be included into the accounts as follows:

Healthcare Commissioning - West Leicestershire CCG had only one operating segment – the commissioning of healthcare services. Expenses were recognised when, and to the extent that, the goods or services had been received. They were measured at the fair value of the consideration payable.

Net Funding - Revenue did not include allocations received from NHS England, which were drawn down as cash directly into the bank account of the clinical commissioning group and credited to the General Fund.

One further query had been made by Mrs Kerr on why establishment costs had increased compared to the previous year and Mr Simpson explained that had been due to GP IT spend at £480,000.

Mr Gay agreed to change the Finance Board Report around the explanation of management costs. In the reports a much lower budget for running costs was documented than the actual allocation. The CCG had put savings into the planned budget that did not materialise but was well within the allocation of running costs.

Mr Simpson and the finance team were thanked and highly commended for their work on the presentation of the accounts.

ACTION

- The Audit Committee **RECEIVED** the 2018/19 Statutory Accounts

SG

AC/19/051 Annual Report 2018/19

Mr Chudasama presented paper D and explained that CCGs were required to publish, as a single document an annual report and accounts. The NHS Act 2006 required CCGs to prepare their annual report and annual accounts in accordance with directions issued by the Department of Health. The annual report and accounts was a three-part document:

- The Performance Report, which included:
 - An overview
 - A performance analysis
- The Accountability Report, which included:
 - A Corporate Governance Report
 - A Remuneration and Staff Report
 - A Parliamentary Accountability and Audit Report
- The Financial Statements

The draft annual report 2018/19 complied with the requirements laid out in the Manual for Accounts issued by the Department of Health from 2018/19. The draft document had been read by Internal Auditors. The draft document was also submitted to NHS England on 18 April 2019.

Some queries were made as follows:

The ETTF figures which were awaited from NHS England. Mrs Warren had included an approximate amount of £5 million.

A number of queries had been received, however there was a need to achieve a balance between amending what was and what was not possible within the timescale:

Page 11 – clarification on how the 3 federations aligned with the 4 localities – agreed to add a sentence.

Page 18 – performance indicators that showed red – the suggestion of placing an arrow to show if the direction of travel was better or worse. Agreed to include next year.

Page 25 – 3rd line down typo for correction. Also agreed to add a paragraph if possible about what the CCG was doing around workforce to occupy the buildings.

Page 46 – complaints section – suggestion to include general themes. Audit Committee members noted general themes of complaints was routed through the Q&P and through to Board, however they could be added to the annual report for next year. Less theming was carried out on FOIs and Mrs Warren added that themes were not sufficiently robust enough to add to the FOI narrative.

Page 93 – Pay Multiples – Mrs Kerr felt it was insufficiently clear whether pension contributions had been included. Mr Simpson confirmed that was not the case but understood how figures might appear to be misleading, as they were based on the final year of pay. A brief discussion was held on whether to add a paragraph of explanation on how the figures were reached however it was agreed to answer such queries as and when they arose. Committee members noted the highest paid member of the governing body was not the interim accountable officer.

Page 97 – Ms Adams had highlighted through email that due to the small number of people referred to in some of the graphs, that staff might be identified. As a consequence whole numbers had been changed to percentages.

Page 99 – the reference to cancer being the most prominent reason for staff sickness was considered to potentially be too distressing. Not only could staff be

identified but there was also an issue over staff confidentiality. It was agreed to take out the paragraph.

Mrs Kerr referred to the carrying forward of an under-lying non recurrent amount of £8 – 9 million and she felt that should be documented. Mr Gay replied as long as the annual report referred to the financial challenge then that was sufficient. Mrs Trevithick added she would be anxious to do that for the first time in an annual report which she felt would be inconsistent with the previous year. The Annual General Meeting would allow more opportunity to provide further detail on the financial challenge.

Mrs Warren confirmed to Mr Gregory that the pagination of the document was unlikely to change.

Mr Chudasama reported that the next steps, following review by the Audit Committee, would be for the annual report and accounts to be:

- approved by the Board at an Extraordinary Board Meeting on 28 May 2019
- submitted to NHS England by noon on 29 May 2019 along with the NAO disclosure checklist 2018/19.
- published on WLCCG website by 14 June 2019
- presented at WLCCG AGM by 30 September 2019.

ACTION

- Following discussion the Audit Committee **REVIEWED** the content of the Annual Report 2018/19 and;
- **RECOMMENDED** that subject to the above minor amendments, the CCG Board formally approve the Annual Report for the year ending 31 March 2019.

AC/19/052 Update on Transfer of Clinical Equipment

Mr Simpson had requested that the figures on the above be included in the 18/19 accounts. A further update was requested on the 24th April and NHS England had indicated they would continue to pursue the issue. In the meantime Mr Simpson said he would continue to recharge depreciation until informed otherwise.

ACTION

- The Audit Committee **RECEIVED** an update on the Transfer of Clinical Equipment

AC/19/053 Internal Audit Progress Report

Mrs Robinson presented paper E that identified progress made in relation to the completion of the CCG's 2018/19 Internal Audit Plan and commencement of the 2019/20 Plan. The progress report provided a summary of Internal Audit activity in a format agreed with the Audit Committee, ensuring compliance with the Public Sector Internal Audit Standards.

The progress report covered the work undertaken since the last progress report to the Audit Committee meeting on 3rd April 2019 as follows:

2018/19 Internal Audit Plan

Three reports had been issued since the last Committee meeting:

1. Data Security and Protection Toolkit – **Significant Assurance**
2. Governance & Risk Management – **Limited Assurance**
3. Procurement & Mobilisation (Phase I) – Joint LLR CCGs Review – **Limited Assurance**

No high risk issues had been identified in the current reporting period. Mrs Robinson made further comments as follows:

- One follow-up had been completed since the last Committee meeting, which related to the joint LLR CCG Continuing Healthcare review where all recommendations have been implemented. In total, 52 actions had been followed up in 2018/19 of which 45 (87%) had been implemented.
- There were no high risk actions outstanding in the current reporting period.
- The Internal Audit Charter was presented, as a separate paper to the meeting, to demonstrate alignment to the CCG's internal audit requirements. Mrs Robinson highlighted a change in relation to the assurance opinions – although the definitions remained the same 'Significant' assurance was changing to 'Substantial' assurance and 'No' assurance was changing to 'Weak' assurance
- In respect of the 19/20 plan, one quarter 2 audit was around the QIPP schemes, which was an LLR wide joint review. Mr Gay had been identified as the main lead and a planning meeting would be held shortly.

Mr Churton said in respect of the two limited assurance reports, some issues had been identified that raised a number of questions. Ms Trevithick added that it was important to realise the audits demonstrated that there were insufficient processes in place for the CCG to understand what decisions were made in part of the system in terms of governance. The findings for the Procurement & Mobilisation - Phase I review had illustrated that management teams were making decisions on issues in the absence of a process. TASL was used only as a tracer for the audit and whatever had been chosen the same issues as part of procurement would have been identified. The actions were not highlighted to resolve TASL issues, but to identify the governance processes.

Mr Chudasama said one issue arose around the change in the weighting of the TASL contract from being 70/30 to 60/40 and whether under the circumstances another provider might have been chosen. A second issue was around delivery of the actions from the report and how governing bodies approved those actions. Mrs Robinson confirmed to Mr Chudasama the outcome of the procurement exercise in terms of the chosen provider would have remained the same despite a change in the weightings.

Audit Committee members agreed a policy needed to be established on where the materiality sat for decision making and Mr Chudasama agreed that should be clearer.

Mr Churton said he appreciated TASL had been used as a tracer however it was important to focus on the problematic issues for a resolution. Mrs Kerr added that clarification of governance processes was one of the actions from the procurement strategy and policy and she asked if any timelines had been set. Mr Gay replied a

list of all procurements in process would be submitted to the Competition and Procurement Committee, however he acknowledged the procurement strategy and policy was in need of a refresh and the implementation date for that was September 2019.

Mrs Robinson informed Audit Committee members that the one issue from the Governance & Risk Management audit had arisen mainly due to quoracy and terms of reference issues with the Board. She added she had liaised with Mr Chudasama and Mr Fletcher and the situation had been addressed immediately. There were also a couple of medium term risk recommendations around the terms of reference and decisions being made with an insufficient level of information, and those would be picked up.

ACTION

- The Audit Committee:

RECEIVED the report for information and comment;

NOTED progress in delivering the Internal Audit Plans;

NOTED the CCG's progress in implementing agreed actions;

NOTED the information and guidance papers produced by 360 Assurance;
and

NOTED the 2019/20 Internal Audit Charter.

AC/19/054 2018/19 Annual Report and Head of Internal Audit Opinion

Mrs Robinson presented paper F that provided an opinion of Significant Assurance that there was generally a sound framework of governance, risk management and control designed to meet the organisation's objectives, and that controls were generally being applied consistently. Further key points of note:

- The opinion was based on review of the CCG systems of internal control, primarily through the operation of the Board Assurance Framework in the year to date, the outcome of individual assignments completed and the CCG's response to recommendations made.
- Internal audit had reflected on the context in which the CCG operated, as well as the significant challenges currently facing many organisations operating in the NHS, and in their opinion recognised that the system of internal control was designed to manage risk to a reasonable level, rather than eliminate all risk of failure to the achievement of strategic objectives.
- The overall opinion of Significant Assurance was depicted in a pie chart on page 3 of the report

Mr Churton referred to page 6 where one opinion was listed as substantial and Mrs Robinson explained that was the wording of NHS England but had the same meaning as significant.

ACTION

- The Audit Committee **RECEIVED** the 2018/19 Annual Report and Head of Internal Audit Opinion

AC/19/055 Audit Findings Report

Mr Gregory presented paper G that summarised the key findings and other matters arising from the statutory audit of WLCCG and the preparation of

the CCG's financial statements for the year ended 31 March 2019 for those charged with governance. He added that the process had gone smoothly with very little of substance to highlight in the report and the number of changes made as a result of the audit committee findings was minimal.

Mr Gregory commended Mr Simpson and his team for doing an exemplary job in producing the accounts that covered:

- Financial statements
- Value for money arrangements
- statutory duties

The only identified significant risk was financial sustainability and work continued across the LLR QIPP on that issue.

Mrs Kerr said the findings were an excellent outcome and she also thanked Mr Simpson and the Finance team on the standard of the accounts.

ACTION

- The Audit Committee **RECEIVED** the Audit Findings Report

AC/19/056 Letter of Representation

Mr Simpson presented paper H and explained the Letter of Representation was a standard letter from the governing body to Grant Thornton to confirm they were satisfied with the financial statements for the year ended 31st March 2019. The approval of the letter would be minuted by the governing body at its board meeting on the 28th May 2019.

ACTION

- The Audit Committee **RECEIVED** the Letter of Representation.

AC/19/057 Losses and Special Payments 2018/19

Mr Simpson reported that there were currently no losses and special payments.

ACTION

- The Audit Committee **NOTED** the above update

AC/19/058 Off Payroll Remuneration

Mr Simpson presented paper I that documented any off-payroll engagements (agency staff, consultancy etc) entered into by the CCG which were subject to both internal and external authorisation before the related expenditure was incurred.

Mr Simpson reported that in the financial year 2018/19 the CCG entered into, or continued from 2017/18, 18 off-payroll engagements plus one item of consultancy from Deloitte. Of those, only 3 were still active as at 31/3/19.

The final schedule of engagements active during 2018/19 was shown at appendix 2, along with the requirements (if any) for external approval and the dates both internal and external authorisation were obtained.

ACTION

- The Audit Committee **RECEIVED**

AC/19/059 Audit Committee Effectiveness Review

Mr Chudasama reported that a survey on the effectiveness of the Audit Committee had been carried out during April and the themes from the responses were currently be collated. Those themes would be shared with the Chair and circulated to members, notably in the event that the terms of reference might need to be changed as a consequence.

KC

ACTION

- The Audit Committee **RECEIVED** the update on the Audit Committee Effective Review

AC/19/060 Items received for Information

The following audit reports were received for information:

- 19/20 Internal Audit Charter
- Data Security & Protection Toolkit (report reference 1819/WLCCCG/17)
- Governance & Risk Management (report reference 1819/WLCCCG/18)
- Procurement & Mobilisation (Phase 1) – Joint LLR CCGs Review (report reference 1819/WLCCCG/20)
- Continuing Healthcare Review – Joint LLR CCGs review follow up (report reference 1819/WLCCCG/19)

ACTION

- The Audit Committee **RECEIVED** the above reports for information

AC/19/061 Any Other Business

There was no other business.

AC/19/062 Reflection of the Meeting and Items to Escalate to the Board

The Audit Committee members shared a brief positive reflective period before the closure of the meeting.

AC/19/063 Date and Time of Next Meeting

The next meeting of the West Leicestershire Clinical Commissioning Group Audit Committee would be held on Tuesday 17th September 2019, 10.00 am – 12.00 noon, Boardroom 1, at WLCCG Headquarters, Woodgate, Loughborough, Leicestershire LE11 2TZ.