

WEST LEICESTERSHIRE CLINICAL COMMISSIONING GROUP



Minutes of the Audit Committee Meeting
Tuesday 28 March 2017 at 9.30am
WLCCG Headquarters, Woodgate, Loughborough, Leicestershire LE11 2TZ

Present:

Mr Steve Churton	Lay Member (Chair)
Mr Ray Harding	Lay Member

In Attendance:

Mr Adrian Benselin	KPMG
Mrs Ruth Brutnall	Head of Corporate Governance
Mr Spencer Gay	Chief Finance Officer
Mr Alex Holden	Counter Fraud Officer (for AC/17/024 and AC/17/025)
Shindani Ntumba	Observer (Finance Team)
Mr Toby Sanders	Managing Director
Mr Tony Simpson	Head of Financial Accounting
Ms Amy Stevens	Corporate Affairs Officer
Mrs Annette Tudor	360 Assurance
Ms Alison Moss	Committee Clerk (minutes)

Action

AC/17/017 Apologies for Absence

The Chairman welcomed all to the meeting. Apologies for absence were received from Ms Gillian Adams, John Cornett and Yola Geen.

The Chairman agreed to change the agenda so that items
AC/17/024 Counter Fraud, Bribery and Corruption Progress Report
AC/17/025 Counter Fraud, Bribery and Corruption - Risk Assessment and Workplan
were taken before
AC/17/007 Internal Audit Progress Report

AC/17/018 Declarations of Interest on Agenda Topics

The Chairman requested that members declare any potential interest as and when they arose.

AC/17/019 Minutes of the Meeting held on 17 January 2017

It was noted that Mr Chudasama had been present at the meeting.

Mrs Tudor said the minutes in relation to Matters Arising and reference to minute AC/16/027 should be amended to read 'the audit of *LPT* data was still outstanding and that she had *asked for additional data*'. The minute AC/17/008 should be amended to read 'The work on ~~capacity and~~ business continuity and emergency planning was in train and a draft report would be issued shortly. With those amendments the minutes of the meeting held on 17 January 2017 were agreed as a correct record.

Mrs Tudor clarified the minute AC/17/008 regarding the report on Budgetary Control & Key Financial Systems to say that the report next year would focus on payroll *and debtors*. She also clarified that the CCG should be reviewing the HfMA Audit Committee Handbook to assess other sources of assurance.

AC/17/020 Matters Arising (Action Log)

AC/16/027 Internal Audit Progress Report. Mrs Tudor reported that the audit of UHL data had been included in the workplan for 2017/18, subject to the agreement of this work by the CCGs with UHL and the action was complete.

AC/16/102 Internal Audit Progress Report. There had been a discussion at the Board meeting regarding the response to the survey and the action was complete.

ACTION:

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

AC/17/021 Losses and Special Payments

Mr Simpson introduced the report advising the Committee of the Losses and Special Payments in the year to date.

Since the last meeting further guidance had been received from NHS England on the nature of items that must be included in the Register. All debts considered doubtful, and for which a provision had been made in the CCG's Accounts, must also be accounted for as Losses, not just those actually written off. Therefore the seven debts which had been reserved were now shown in the Register in Appendix 1. The debts were shown as 'interim' rather than 'final' until they were written off from the sales ledger. Should any of the debts be recovered, the provision would be reversed and the item removed from the Losses & Special Payments Register.

Mr Churton asked when the debts were written off. Mr Simpson said that generally they were written off when companies went into liquidation but realistically when there was no prospect of getting the money back.

ACTION

- The Audit Committee **RECEIVED** the Losses and Special Payments Register.

AC/17/022 External Auditors Progress Report

Mr Benselin introduced the report which updated the Committee on recent progress by the external auditors. He reported that the work on co-commissioning was further forward than had been the case the previous year. KMPG had approached NHS England regarding the audit requirements and it was anticipated the work would be completed in April. He highlighted the reference on page 3 of the technical guidance to the new requirements for conflicts of interest, noting that the guidelines did not apply until June 2017.

Mr Benselin presented risk management benchmarking data. He noted that the risks recorded by WLCCG were similar to those of other CCGs. WLCCG had recorded a higher than average number of risks. That could be because WLCCG had a higher risk appetite or because it was more prudent in reviewing its position.

It was noted that the term residual risks referred to the risks remaining after controls had been applied. It was noted that the date of the review would affect the score for residual risks, for example, the score of financial sustainability. Mr Benselin noted that WLCCG, in common with a third of the CCGs, included in the data, did not report risk appetite to the Board.

The risks identified by provider clients of KMPG were considered to be reflective of

the position for WLCCG's providers.

Mr Harding asked how the preparations were going for the audit of the Annual Accounts. Mr Benselin said that everything was in place and that the teams would start on 24 April. Mr Simpson said that his only concern was the change in CSU provider.

ACTION

- The Committee **RECEIVED** The External Auditors Progress Report.

AC/17/007 Internal Audit Progress Report

Internal Audit Progress Report

Mrs Tudor introduced the Internal Audit Progress Report.

Mrs Tudor noted the delays, previously reported to the Committee, in completing specific areas of work. She said that there were a number of reviews on-going and with the support of CCG Leads the work programme should be substantially complete by the time that the Head of IA Opinion is due. The terms of reference for the reviews ongoing had been agreed with the CCG and auditors were liaising with officers to get information.

It had been agreed that 35 audit days be carried over in to April/May in order to conclude the IA plan for 2016/17. Mrs Tudor noted that although that was a high number of days ten days had been deferred in Quarter 1 for work on the financial plan and sustainability across the three LLR CCGs, as agreed at a previous Audit Committee meeting. Mr Churton asked whether 360 Assurance had the capacity to manage the changing timelines. Mrs Tudor confirmed that they were able to be flexible. Mr Churton said he did not want WLCCG to be in the same position the following year. Mrs Tudor said she was liaising with Mr Chudasama and that continuity in his staffing had been an issue for 2016/17 has had the capacity generally within the CCG to respond to internal audit work, this had been previously discussed at Audit Committee.

Mrs Tudor noted that the on-going work had not highlighted any high risk issues to date.

Mrs Tudor reported that the audit and governance workshop held in February 2017 had been very successful and excellent feedback had been received on the areas covered (as noted within the progress report).

Mrs Tudor noted that the Key Performance Indicators listed in Appendix B reflected the delays in completing work.

Draft Head of Internal Audit Opinion

Mrs Tudor presented the Draft Head of Internal Audit Opinion noting that it was reflective of work completed by 17 March and may change as a result of any issues arising from work currently being completed.

The Draft Head of Internal Audit Opinion was weighted towards governance and risk management which for WLCCG was considered to be robust. The report summarised good practice and identified minor areas for improvements.

Mr Simpson asked whether Mrs Tudor was confident that the final opinion would be

published by 31 May. Mrs Tudor confirmed that the final HOIA would be published in advance of the 31st May deadline

Mr Churton referring to the Definitions of Assurance Levels said that 'significant assurance' was a good result and asked what proportion of auditees achieved full assurance Mrs Tudor said that the rating of full assurance had not been given the finding of 'significant' included a wider bandwidth, Mr Chudasama considered the draft opinion as reflective of WLCCG's position.

Agreed Terms of Reference

The following terms of reference were noted:

- Performance Monitoring
- Medicines Management
- Personal Health Budgets
- Scheme of Reservation & Delegation Review
- Governance Review
- Capacity & Delivery

Draft Internal Audit Plan for 2017/18

The proposal for the internal audit plan was shown at Appendix A.

Mrs Tudor reported that the three LLR CCGs had met to discuss a three year strategic audit plan and consider what joint work could be undertaken. Agreement, in principle, had been reached and this meant that the number of audit days for 2017/18 would be reduced and but there would be greater coverage. As 360 Assurance had increased the daily fee (with the agreement for the Consortium Board of which WLCCG is a member) the overall costs would remain the same for WLCCG.

It was noted that the fee for the days carried forward would be charged at the 2016/17 applicable fee.

Mrs Tudor cautioned that the plan could change, especially as the landscape STP and governance arrangements were changing. The plan would be kept under review.

Mrs Tudor said that WLCCG's Strategic Objectives were not visible on the CCGs website and that they were seeking clarification of how the goals were cross-referenced on the Board Assurance Framework.

It was noted that a joint review of procurement had not been agreed with the other LLR CCGs. Mr Gay said that the other CCGs did not see this area of work as a priority but that aspects might be covered in other reviews.

Mr Chudasama was surprised that the audit for performance management framework was not happening earlier. It was noted that LCCCG had asked for the date to be put back to allow the changes to PPAG to bed in. Mrs Brutnall had asked whether a compromise could be reached for the audit to be done in Q3 - Q4 of 2017/18. Mr Harding wondered if it was complacent to put the audit back a year when it was clear that providers were missing their targets. It was agreed that Mr Chudasama would pick this point up at the PPAG meeting later in the week.

Mr Churton asked whether the plan had been discussed at CMT. It was noted that the lead officers had been engaged in the planning process so that when it was

discussed at CMT only minor tweaks were made.

Mrs Tudor noted that the LLR CCGs had requested a joint review that needed to be agreed with UHL, around data quality. A similar process had worked well with LPT.

It was noted that there was a need to be clear which officer in which organisations would take responsibility for the areas of work. In the past there had been delays as officers were not always going through the lead officer. It was noted that the lead officer should have the authority to take decisions on behalf of the three organisations. Mr Chudasama said that the a joint approach was the right way to go but that there were inherent risks in joint working and that Audit Committee should review progress.

Mr Sanders arrived at the meeting.

It was considered that the three year strategic audit plan set out in appendix 3 achieved a good and balanced coverage. Some were essential for the Internal Audit opinion and others more risk focused. Mrs Tudor noted that there were risks in the assurance framework that were not covered in the audit plan. She said it would be helpful for the CCG to cross reference with the HfMA to identify alternative sources of assurance.

Mrs Tudor said that the plan should be kept under regular review.

Part B of the report noted those reviews in the 2016/17 strategic plan which had originally been scheduled for 2017/18 which had been removed by the CCG as they felt other assurances were available or that the area was no longer a risk/priority.

Mr Churton noted that primary care co-commissioning had dropped off the plan and he felt that to be a concern. It was noted that elements would be covered in other reviews. The quality governance audit should cover some of the same ground. The governance arrangements had been scheduled for the following year. It was noted that there was a shared concern across the organisations regarding capacity in primary care. Mrs Tudor suggested that WLCCG sought alternative forms of assurance. Mr Chudasama said that the implementation of the GP 5 year Forward View would be the main action to manage the risk.

Mrs Tudor suggested that there be an additional day for budgetary control for the new Service Level Agreement with LPT. It was noted that PPN notices had not been published on the website that this action should have been completed by LPT. There was a need to review the SLA to ensure it was clear on expectations and respective roles and responsibilities.

Commissioner Technical update Q3

Mrs Tudor referred to the technical update and highlighted the revised guidance for conflicts of interest. There was a conflict between the initial and the latest guidance issued by NHS England. Mrs Tudor noted that NHSE had confirmed that the initial guidance, which was aimed specifically at CCG (and is stricter), would take precedence. She noted that there was a new manual for Caldicott Guardians.

ACTION:

- The Audit Committee **RECEIVED** the Internal Auditor's progress report.

AC/17/024 Counter Fraud, Bribery and Corruption Progress Report

Mr Holden introduced the Counter Fraud, Bribery and Corruption Progress Report

noting that delivery against plan was at 95% at the end of February. NHS Protect required the CCG's Self Review Tool (SRT) be submitted by 31 March 2017 which was earlier than the previous year. To achieve this resource had been moved with the agreement of the Chief Finance Officer. The final submission would be reported with the Annual Report. It was noted that the rating overall was green and there were no red ratings as in previous years.

ACTION:

- The Audit Committee **RECEIVED** the Counter Fraud, Bribery and Corruption Progress Report

AC/17/025 Counter Fraud, Bribery and Corruption - Risk Assessment and Workplan

Mr Holden introduced the Counter Fraud, Bribery and Corruption - Risk Assessment and Workplan. The risk levels calculated for areas of fraud, bribery and corruption identified were shown in Appendix A. Mr Harding sought clarification and it was noted that the risks were scored on inherent risk before the application of controls. The table included three columns which would be used to detail what controls were in place.

Mr Chudasama noted the last paragraph of the report which stated 'Accordingly, it is our view that the number and range of fraud, bribery and corruption risks identified suggests that the likelihood of fraud, bribery and corruption being perpetrated against the CCG continues to be substantial'. Mr Chudasama considered it was quite an alarming conclusion. Mr Holden said that was the reality in relation to fraud and the statement applied to all CCGs and not just WLCCG. Mr Holden said that it was important that WLCCG met all the NHS Protect standards but that there was always a chance of fraud regarding whatever controls were in place.

Mrs Brutnall noted that several risks rated as high pertained to conflict of interest. She commented that this area was subject to considerable regulation. Mr Holden noted that these standards applied across the NHS and that there had been several high profile cases. The risks referred to were inherent risks and as the table was completed scores would be given for the risks pertaining to WLCCG.

It was noted that the report would be completed over the next twelve months and Mr Churton asked for an interim report after six months to be presented to the Committee.

AH

ACTION:

- The Audit Committee **RECEIVED** Counter Fraud, Bribery and Corruption - Risk Assessment and Workplan.

AC/17/026 Review Draft Annual Report

Mr Chudasama introduced the draft Annual Report noting that there were several sections yet to be drafted. The initial submission to NHS England would be made by 21 April and a final submission by 31 May 2017 following approval from Audit Committee. An Extraordinary meeting of the Board would be convened.

Mr Chudasama noted that CMT had revised the first draft and it would be circulated to Board members for comment. Mr Churton suggested that the report be divided up into sections for specific leads to review.

ACTION:

- The Audit Committee **NOTED** the draft Annual Report.

AC/17/027 Year-end Accounts Progress

Mr Simpson updated the Committee on progress in producing the end of year accounts. He said that the work was underway and in hand. His only concern was working with a new CSU. It was fortunate that most of the staff had TUPE'd over to the new provider so there would be continuity but there remained a risk. Mr Sanders said that it would be worth picking up at the next Board meeting.

ACTION

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

AC/16/028 2016/17 Accounting Policies

Mr Simpson reported that the CCG was required to approve accounting policies which would be published in the CCG's statutory accounts for financial year 2016-17. Mr Simpson had worked with the External Auditor to specify which policies, from a list provided by NHS England, were applicable to WLCCG. The list was shown at Appendix 1.

ACTION:

- The Audit Committee **APPROVED** the accounting policies laid out in Appendix 1.

AC/17/029 Audit Committee Annual Workplan 2017/18

Ms Stevens introduced the proposed Annual Work Plan for the Audit Committee for 2017/18 which was based on the model work plan contained within the HFMA Audit Committee Handbook. Ms Stevens asked the Committee whether anything else should be added. It was agreed that reference be made to the practice of reviewing the Committee's risk registers.

AS

ACTION:

- The Audit Committee **APPROVED** the Audit Committee Work Plan for 2017/18.

AC/17/030 Draft Annual Governance Statement

Ms Stevens reported that WLCCG was required to publish an Annual Report and submit it in accordance with NHS England's direction and timetable. The Annual Governance Statement (AGS) formed part of the CCG's Annual Report.

The draft AGS had been prepared using NHS England's template for submission on 21 April 2017. This would be signed of the by the Accountable Officer and the Chief Finance Officer.

It was noted that reference should be made to the System Leadership Team and the Finance and Planning Committee.

AS

ACTION

- The Audit Committee **RECEIVED** the CCG's Annual Governance Statement for 2016/17

AC/17/031 Review of Finance and Planning Risk Register

Mr Harding presented the Risk Register for the Finance and Planning Committee noting that it was to be discussed at the Finance and Planning Committee that afternoon.

Mr Harding said that in recent months the Committee had focussed on the financial performance for 2016/17 and the Financial Plan for 2017/18. The plan needed to be reviewed in light of the latest position. In light of the merger of the Finance Sub-group and the Planning and Delivery Sub-group the Finance Risk Register had been amplified to consider planning risks. There was a need to refine the register and remove duplication. Mr Harding said that the Finance and Planning Committee tended to focus on the risks and controls rather than spending time on rating and scoring risks. The main issues were system viability, financial targets, QIPP delivery and 5 year projections. The biggest mitigating action would be the implementation of the STP which Mr Harding said was key.

In relation to specific risks it was noted the no.3 'Failure to assure local health economy financial viability' focussed on the viability of UHL and needed to be reviewed together with the allied risk at no. 29 'Failure to assure local health economy financial viability over the next 5 years'. The actions would need to reflect the STP workplan and would require collaboration across the system. Mr Sanders noted that the position at UHL had deteriorated and the direction of travel was the wrong way.

In respect of risk no. 5 'Failure to deliver planned levels of QIPP savings', Mr Harding said that it had been a very difficult learning process. QIPP development needed to be a continuous process and not an annual activity. The Further Opportunities Group had been established to create a pipeline of ideas. Mr Harding said that management capacity was a concern and there was a need to reprioritise work to ensure QIPP delivery.

Mr Harding said that the biggest financial risk was the delivery of QIPP for 2017/18. Mr Chudasama said there was a concern about how QIPP delivery would be monitored across the three CCGs. Agreement had been reached, that day, regarding the use of standard templates for reporting, but that there needed to be more assurance regarding delivery. Mr Chudasama was discussing PMO arrangements with Mr Gay.

It was noted that risk no. 35 'Failure to maintain control of the East Midlands Ambulance Service contract performance' had a lower score than some may have expected but that it was scored in relation to the finance aspects of the contract and not overall performance.

Mr Sanders noted that in respect of risk no. 4 'Failure to maintain control of CCG financial position and deliver statutory duty to break even' it was less about breaking even and more about the ability to deliver the original position, given the announcement of NHS England regarding the system reserve.

ACTION

- The Audit Committee **RECEIVED** the Finance and Planning Risk Register.

AC/17/013 Reports for Information

The following reports were received for information

Internal Audit: Supplementary Reports

- Cyber Security (1617/ELCCG/03/R)
- Information Governance Toolkit (1617/WLCCG/04/R)

It was noted that there had been limited assurance for cyber-security and the finding related to a very specific issue. Penetration testing of the website demonstrated that

the website was vulnerable to being hacked. The underpinning Content Management System was dated February 2012 and was out of date.

The risk was more about the likelihood of it happening rather than the impact. It was thought that hackers would not be able to access patient data or sensitive information as the CMS was not linked to other databases. However, there was a danger of reputational damage. Mr Sanders said the likelihood could increase as more campaign groups were being established.

Initial discussions had been held with the new CSU provider about migrating the content to a new platform.

Mr Gay said that he had been surprised that the report only made the one recommendation and wanted the internal audit report to provide more direction regarding on-going compliance. It was proposed that the issues be considered as part of the contractual arrangements with the CSU for penetrating testing and on-going assurance.

Mr Sanders said that the website was a static method of communicating and he was more worried about the corporate accounts for social media being hacked as they had the ability to proactively push messages out. It was noted that these accounts had been out of scope of the report.

Mrs Brutnall reported that email security was under review as the volume of phishing emails had increased.

ACTION:

- The Audit Committee **RECEIVED** the reports.

AC/17/033 Any Other Business

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

There was no other business.

AC/17/034 Date and Time of Next Meeting

The next meeting of the West Leicestershire Clinical Commissioning Group Audit Committee would be held on Friday 26 May, Boardroom 1 at the WLCCG Headquarters, Woodgate, Loughborough, Leicestershire LE11 2TZ.