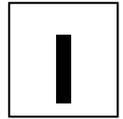


WEST LEICESTERSHIRE CLINICAL COMMISSIONING GROUP



**Minutes of the Audit Committee (AC) Meeting
Tuesday 25th September 2018 at 9.00 am
WLCCG Headquarters, Woodgate, Loughborough, Leicestershire LE11 2TZ**

Present:

Mr Steve Churton	Lay Member (Chair)
Ms Gillian Adams	Lay Member

In Attendance:

Mr Ket Chudasama	Director of Performance and Corporate Affairs
Mr Spencer Gay	Chief Finance Officer
Mr Matt Curtis	Counter Fraud Specialist
Mr John Gregory	Grant Thornton
Mr Tony Simpson	Head of Financial Accounting
Ms Annette Tudor	Interim Deputy Director, 360 Assurance
Ms Louise Guss	Interim Head of Corporate Affairs
Mrs Michele Morton	Senior Committee Clerk (minutes)

Action

AC/18/080 Apologies for Absence

The Chairman welcomed all to the meeting. Apologies for absence were received from Mrs Caroline Trevithick, Mr Paul Harvey and Mr Ray Harding

AC/18/081 Declarations of Interest on Agenda Topics

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

AC/18/082 Minutes of the Meeting held on 22 May 2018

The minutes of the meeting held on 22 May 2018 were agreed as a correct record, with the exception of AC/18/068 where Mrs Tudor provided some comments outside the meeting to place the Head of Internal Audit Opinion narrative in a more appropriate context.

AC/18/083 Matters Arising Audit Committee Action Log

The updated action log was received.

ACTION

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

AC/18/084 External Audit Progress Report

Mr Gregory presented paper C that provided the Audit Committee with a report on progress in delivering their responsibilities as the CCG external auditors. The paper also included:

- a summary of emerging national issues and developments that might be relevant to the CCG.
- a number of challenge questions in respect of those emerging issues which the Committee might wish to consider.

Mr Simpson queried if the auditors would be focusing on several new standards that would be introduced next year. Mr Gregory replied that early conversations would

be held in order to establish any issues with the standards, in particular the new standard on leases where all leases would require to be treated as finance leases and added to the balance sheet. Considerable work would be required in producing the values and accounting for payments from previous years. Mr Gregory confirmed that this was a new international accounting standard and a workshop would be organised to help better understand the requirements.

ACTION

- The Audit Committee **RECEIVED** the External Audit Progress Report

AC/18/085 WLCCG Annual Audit Letter 2017/18

Audit Committee members received paper D, the WLCCG Annual Audit Letter 2017/18 for information. This was a slightly abridged version intended for members of the public.

ACTION

- The Audit Committee **RECEIVED** the WLCCG Annual Audit Letter 2017/18, and **NOTED** that the letter had been added to the WLCCG website.

AC/18/086 Transfer of Clinical Equipment to UHL

Mr Simpson gave an update on clinical equipment currently listed on the balance sheet at WLCCG, though the CCG did not use or control the equipment. The list remained from an historic PCT situation and ongoing attempts were being made to sell it to UHL at its current value. Despite continued communication with NHS England no progress had been made towards a resolution. Audit Committee members noted a similar situation was being experienced in ELRCCG. If sold the CCG would make neither a profit nor a loss; the dialogue between NHS England and NHS Improvement appeared to be causing the delay. As a result WLCCG were left with considerable administrative responsibilities and a potential link to the lease issue.

Mr Gay said the situation needed further escalation as the current value was approximately £1.3 million.

ACTION

- The Audit Committee **RECEIVED** an update on the Transfer of Clinical Equipment to UHL and **AGREED** that the situation should be escalated.

TS

AC/18/087 Financial Scheme of Delegation

Mr Simpson presented paper E and reported that at the meeting of CMT on 30th July 2018, a significant change to the Financial Scheme of Delegation within the Constitution was discussed and agreed that would improve the situation wherein large numbers of purchase invoices were being 'held up' in the system due to the lack of available staff with the appropriate approval limits in Oracle, adversely affecting the CCG's cash flow and BPPC performance, in addition to the relationship with key suppliers. The change agreed was as follows:

Additional invoice approver at the £5 million level - It was agreed that Ms Trevithick's main position of Chief Nurse & Quality Lead should be added to that line in the Scheme of Delegation, so that she was able to approve Commissioning invoices with values higher than her current £100k limit when not acting as MD in Mr Sander's absence.

Section 8(d) of the Financial Scheme of Delegation was therefore revised as follows:

- Previously: **Up to £4,999,999 DSRI or DUEC**
- Revised: **Up to £4,999,999 DSRI or DUEC or CNQL**

Other change - One other small amendment was also agreed. Section 10 (Hospitality) required notification of any declaration in the Hospitality Register to the "AD Corporate Affairs (ADCA)". That post's name had since changed to **Director of Performance and Corporate Affairs**. It was therefore agreed that that section be amended to reflect the change.

The above changes were then formally approved at the WLCCG Board meeting on 14th August 2018. The revised Scheme of Delegation was attached to the report as Appendix 1.

ACTION

- The Audit Committee **NOTED** the amendments to the Financial Scheme of Delegation described above.

AC/18/088 Losses and Special Payments 2018/19

Mr Simpson advised that there were no losses or special payments to report at this stage.

ACTION

- The Audit Committee **NOTED** the Losses and Special payments 2018/19 update.

AC/18/089 Off-Payroll Remuneration

Mr Simpson presented paper F that outlined a number of requirements as follows:

Pre-Engagement Approval Requirements - any off-payroll engagements (agency staff, consultancy etc) entered into by the CCG were subject to both internal and external authorisation before the related expenditure was incurred.

Internal Authorisation - CCG policy was that all off-payroll engagements must be approved in advance by CMT. Mr Simpson confirmed to Mr Churton that one interim worked had not been through the pre-approval process with NHS England and this was under investigation.

External Authorisation - Attached at appendix 1 was a pictorial illustration of the requirements for pre-approval by NHS England of all off-payroll engagements, subject to a number of basic rules.

Attached at appendix 2 was the CCG's formal Guide to Engaging Interim and Temporary Staff which was issued to relevant staff so that they were aware of their duties in those respects. Ms Guss added it also provided increased vigour and control over the process. Mr Simpson added the pre-approval process through CMT had recently been tightened up as was the pre-approval process by NHS England.

2018/19 Engagements

- In financial year 2018/19 the CCG had entered into, or had continued from 2017/18, 15 off-payroll engagements.

- Those engagements were shown in appendix 3, along with the requirements (if any) for external approval and the dates both internal and external authorisation were obtained.
- As could be seen from the appendix, for one engagement (Michelle Heap) where NHS England approval was required, a business case had still not been submitted. This was being addressed as a matter of urgency.

Audit Committee members noted many interim staff had ceased working at the CCG, and only a small number remained.

A discussion was held on the numbers of interim staff employed within the CCG which Mr Simpson confirmed had reduced significantly, though had recently started to increase. Ms Adams expressed concern that the CCG did not have a workforce committee and she also felt there was a lack of strategic HR support to the organisation. She felt HR expertise was required to guide the CMT, notably when dealing potentially with expensive staff positions. She added some senior roles were interim, thus creating a financial pressure and there was also an issue of losing corporate memory on the departure of those staff.

Ms Guss reported that the CCG had a contract with MLCSU for the provision of HR advice, however recruiting managers were responsible for individual posts and should be able to seek advice on their options. CMT discussion on appointments was thorough and also validated by the Chair and an ILM, and a full range of options were always considered. Ms Adams asked if HR was inputting into that discussion and Ms Guss replied that was not the case, however the appointing managers were expected to be aware of the HR implications.

Mr Gay said the use of agency staff was always the final option. Agencies were on a commissioning framework and did not take a huge margin. Ms Adams felt more focus should be put on staff development and succession planning for CCG staff to be able to fill those vacant roles. Mr Gay said it was important to consider the situation within the context of all potential organisational developments.

Mrs Tudor referred to the review around capacity and capability and one issue flagged was around flexibility where changes were occurring at such a pace it was difficult to produce a long term HR strategy. Succession planning had been raised where people should be encouraged to move through the organisation. Mr Gay confirmed to Mrs Tudor that unlike the large providers, the CCG did not have access to a staff bank but tended to use agencies.

ACTION

- The Audit Committee **NOTED** the contents of the report.

AC/18/090 Detailed Financial Policy Waivers and Single Tender Actions

Mr Simpson reported that he had not been made aware of any detailed financial policies, waivers or single tender actions for the current financial year. He confirmed that procedures were in place that would alert him to any in existence.

ACTION

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

AC/18/091 Suspension of Standing Orders at WLCCG Governing Body Meetings

Ms Guss presented paper G that sought assurance on the reasonableness of the suspension of standing orders during a number of WLCCG Board meetings in 2018.

ACTION

- The Audit Committee **AGREED** on the reasonableness of the suspension of WLCCG standing orders on the occasions listed in the report

AC/18/092 Audit Plan 2018/19 – Removal of Joint LLR STP Governance Audit

Ms Guss presented paper H and explained that approval was being sought for the removal of the SLT Governance Audit from the internal audit workplan 2018/19. An internal audit plan was received by the Audit Committee at its March 2018 meeting. The plan included a joint audit for LLR on STP Governance arrangements, which was deferred to Q1 2018/19 as the scope had not been agreed. Each CCG had allocated approximately 10 days in their internal audit plans for a two stage audit, the details of which were attached as appendix A.

Following discussion at a recent SLT meeting it was agreed in principle that the STP would undertake its own governance review following an SLT away-day to take place during September or shortly thereafter. As a consequence of that the heads of governance from WLCCG, ELRCCG and LCCCGs were of the view that the joint LLR STP audit should be removed from the audit plans and that the surplus days in the CCG individual 2018/19 plans be used for other pieces of work.

The above proposal was discussed and supported at the WLCCG CMT meeting held on Monday 30th July 2018.

Mr Churton sought clarification on the 'in principle' suggestion by the SLT. Ms Guss explained that several questions needed to be answered prior to the commencement of the review that had not yet been undertaken and discussions remained ongoing. Mr Gay felt there was a risk that the review might not happen at all.

Mrs Tudor said 360 Assurance had been involved in discussions on a proposed STP audit since 2016, with no conclusions and the Head of Internal Audit Opinion was based on work completed so far. The situation remained a risk in respect of the governance arrangements. Mr Gay replied the governance arrangements were established but had not been tested out. Mr Gregory added that if any fundamental flaws existed it would be important to be aware of them.

Mr Churton asked if the decision to take the STP audit out of the plan was made on the understanding it would take place elsewhere. Ms Guss replied that was the case and furthermore once Mr Sanders had left the organisation a positive steer would be required for his successor.

Mrs Tudor confirmed to Mr Churton that the spare capacity had now been filled with other work, however should the decision to go ahead be reversed then ways would be found to continue with the STP audit. The audit had been delayed on several occasions and would need to be considered as additional to the current years plan.

Audit Committee members noted their disappointment that the work had been removed from the plan and agreed the issue should be raised at Board level so that Board members were made aware of the situation.

ACTION

- The Audit Committee **APPROVED** the removal of the Joint LLR STP Governance Audit from the Internal Audit workplan 2018/19, but **AGREED** that a review should still take place.

LG

LG

AC/18/093 Review of Board Assurance Framework Quarter 1

Ms Guss presented paper I, the latest version of the Board Assurance Framework. Audit Committee members were invited to provide any comments regarding the presentation of the BAF. Key points of note:

Left hand columns had been updated. This was following recommendations in the Head of Internal Audit report surrounding a question about the organisational goals and objectives and how individual risks on the BAF were presented.

The nature of the risks had shifted from the previous 12 months, with an increase in the total number from 24 to 31 since July 2017/18. The majority of those risks were in relation to finance and workforce, both GP resilience and CCG staff. There were also two new risks that related to collaboration and CCG leadership. No risks had been removed.

Mr Gregory pointed out a number of risks had been on the BAF for several years, for example, urgent and emergency care and mitigations had not made a great deal of difference. Ms Guss agreed and clarified these were system-wide risks and unlikely to become any easier.

ACTION

- The Audit Committee **RECEIVED** the Board Assurance Framework Quarter 1

AC/18/094 Review of PCCC Risk Register

Mr Chudasama joined the meeting.

Ms Adams presented paper J and updated the Audit Committee on the above risk register. She reported on the following:

PCCC2 – Threat to sustainability of GP workforce in terms of existing capacity and morale, retention and succession planning – alternative ways were being considered for patients to access primary care, through ANP, ECPs and federations were working to mitigate the situation with the GP workforce. There was a clear understanding of the GPFV which was being actively applied, both locally and LLR wide. An LLR GP workforce group was looking at workforce issues system-wide. Funding had also been secured for a retention plan and an NHS England Scheme was in exploration around the promotion of retaining GPs planning to retire. Several new appointments had also been made in the primary care team at the CCG headquarters.

Mr Chudasama said many initiatives were being introduced but a resolution would take considerable time. He raised the importance of showing evidence that actions were being taken through other means of reporting, for example, development of multi-disciplinary teams, work on RSS and finding ways of providing alternative services to produce a positive impact on the GP workload. Ms Adams added that if all locum GPs converted to salaried GPs the risk would significantly reduce and ways were being looked at to make that more attractive. One of the federations was also looking into the establishment of a GP bank to support practices.

PCCC3 – Co-commissioning budget was overspent at the end of the financial year – due mainly to prescribing issues. Monthly monitoring meetings had been established and Mr Roberts, Head of Management Accounts was working more closely with the Head of Prescribing to reduce spend.

PCCC11 – Implementation of GPFV at WLCCG and LLR Level – Mr Potter and 2 GP representatives sat on a programme board and regular workforce reports were

received. It had been agreed the programme board needed to demonstrate more of an overview and leadership role to show that plans were in existence and that they were being implemented.

Two new risks included:

PCCC14 – Reduced influenza vaccination rates in patients aged over 65 – Ms Guss agreed to investigate which risk register the risk should be listed on. Mr Churton asked if the risk was significant and Ms Adams replied Dr McHugh had explained at the PCCC meeting that it was unclear if vaccines intended for the under 65's could be administered to the over 65's and concluded this could happen in emergencies only. Audit Committee members noted that the shortage of vaccine was a national issue.

PCCC15 – incomplete pension records at NHS Pensions Agency following failures in administration processes – the risk particularly affected recently retired GPs and GPs nearing retirement age. Mr Gregory confirmed the auditors were aware of failings by recent provider Capita, particularly around pensions. Mr Simpson reported that the issue was relevant to the SAR.

LG

ACTION

- The Audit Committee **RECEIVED** and **REVIEWED** the PCCC risk register.

AC/18/095 Review Audit Committee Terms of Reference

Ms Guss presented paper K and informed Audit Committee members that NHS England had recently reviewed the CCG's revised constitution. As part of that review they had identified an area for consideration in the Audit Committee Terms of Reference. NHS England advised that section 2.1 of the Terms of Reference should confirm which Lay Member would undertake the deputy chair role. The appended iteration of the Terms of Reference had been provisionally updated (via track changes) to confirm that the Lay Member for Finance and Performance should act as deputy chair, when required, due to the alignment of their portfolio with the business of the Audit Committee.

A number of other minor amendments had been made to the Terms of Reference as follows:

- All references to NHS Protect had been updated to NHS Counter Fraud Authority
- All references to Assistant Director Corporate Affairs had been updated to Director of Performance and Corporate Affairs.

Subject to members' approval of the amendments outlined above, the Terms of Reference would then be presented to the CCG's Governing Body for approval.

ACTION

- The Audit Committee **APPROVED** the Audit Committee Terms of Reference

AC/18/096 Service Auditor Report

Mr Simpson presented paper L and reported that for the financial year ending 31st March 2018 the CCG received nine service auditor reports from five different service providers regarding seven different services as follows:

Midlands & Lancashire CSU: Finance & Payroll (2 reports covering different

periods)
 NHS Shared Business Services Ltd: Finance and Accounting (1 report)
 Employment Services (1 report)
 Capita Business Services Ltd: Primary Care Support (2 reports – one as at 30/9/17, the other for the period after that date)
 NHS Business Services Authority: Prescription Payments Process (1 report)
 Dental Payments Process (1 report)
 NHS Digital:
 GP Payments (1 report)

Appendix 1 summarised the reports received, showing the auditors' conclusion in each case and the basis (if applicable) for any qualified or adverse opinion. It also showed, in each case, comments by CCG Finance, any mitigating or subsequent work carried out either by the service provider or the CCG, and the current situation.

As could be seen, of the nine reports received:

- **Six** received **unqualified** opinions;
- **Two** received **qualified** opinions due to small numbers of control failures; and
- **One** received a **qualified** opinion due to a large (seven) number of control failures.

For the services which received qualified opinions, the finance department was satisfied that the controls and procedures in place at the CCG mitigated any risk associated with the failures in the controls in the service providers' systems – hence the 'green' risk ratings for all weaknesses. The auditors of the 2017/18 Accounts concurred with that conclusion.

Mr Simpson said it was disappointing to identify failures from Capita and that the finance team were obliged to work on handling services that should be carried out by external organisations. Mr Gregory added this was a known historic position and work continued to look at control weakness and any impact as a result of the failings

ACTION

- The Audit Committee **NOTED** the contents of the report and also **NOTED** their disappointment in the failings of Capita.

AC/18/097 Internal Audit Progress Report

Mrs Tudor presented paper M that identified progress made in relation to the completion of the CCG's 2017/18 Internal Audit Plan and the delivery of the 2018/19 plan. The report brought to the attention matters relevant to members of the Audit Committee and covered the work undertaken since the last progress report to the Audit Committee on the 22nd May 2018. Some delays were being experienced in the 2018/19 plan, notably in agreeing terms of reference for joint reviews. Once these were agreed it would be important to receive information promptly. Of the six reviews remaining at the time of the previous report, two reports had been issued:

- CSU Mobilisation – joint LLR CCGs Review – Significant assurance.
- UHL Contract Management including Data Quality for performance data (only) – Joint LLR CCGs review – Significant assurance.

Section 2 highlighted the key changes since the previous report with a number of reports having been issued and circulated with the main report. These were listed in AC/18/098. Of particular note:

- A draft CHC report had been issued in August to ELRCCG as the lead CCG and the lead officer had given assurance she would review the report shortly. MLSCU had inherited a significant backlog of cases from the previous provider Arden GEM, who had not been particularly helpful with requests for additional information. The contractual arrangements with Arden GEM were such that there was no legal recourse for the CCGs to obtain co-operation from the CSU at the point of handover, however the contractual arrangements were more robust in respect of MLCSU. It was clear from initial findings that there would be further discussion on the opinion level.

Mrs Tudor reported that 360 Assurance had originally agreed a piece of work around people management for quarter 4, however, at the request of the CCG this had been brought forward to quarter 2. At the point of arranging meetings to discuss the scope the CCG requested that the scope was amended as the planned management of change process had not taken place. 360 Assurance requested that the CCG revisit the planned scope and agree with relevant parties (including the Independent Member with a specific interest in this area, Ms G Adams) and advise 360 accordingly. It was agreed that the revised scope proposed by the CCG linked to the earlier discussion around workforce and a HR strategy and should be agreed.

Fieldwork was ongoing for a quarter 2 audit on budget setting and planning meetings had been arranged for the three quarter 3 audits.

Three follow up reviews were in the process of being finalised and a number of actions had been cleared. The current reported clearance rate was 74%, a reduction on the 92% clearance at the time of the 2017/18 Head of IA opinion and annual report. Some follow-ups required responses from the CCG prior to issue and these related to 2016/17 pieces of work. Mr Chudasama added that some follow-up actions were being led by ELRCCG.

Section three noted completion of the 2017/18 and commencement and delivery of the 2018/19 audit plan. At the end of July, actual delivery stood at 20%. Mrs Tudor noted that this was lower than she would have liked at the point in the financial year and related to the delays experienced in the agreement of terms of reference and reports by the CCG (in CCG specific reviews) and the LLR CCGs (for joint reviews). It was hoped that, subject to the provision of prompt responses from the CCG(s), 360 was aiming for 50% delivery before the November Audit Committee meeting. Mr Chudasama acknowledged that 20% was somewhat on the low side but was confident that 50% could be achieved as planned.

The following points were noted in respect of WLCCG specific review.

- Infection control; 360 was currently agreeing the draft report with the CCG Leads
- Head of IA opinion work – stage 1 completed and reported and stage 2, a survey, would be issued shortly.
- Project Management Office Arrangements review; following delays in the agreement of the report, this was issued following the distribution of the meeting papers but was tabled. Delays were also experienced with the review as a result of changes with the functions of the PMO which needed to be reflected.

Section 4.3 showed a summary of progress. A number of planning meetings had been held that would progress work. In respect of the high risk follow-up issue, previously referenced in the Head of Internal Audit, and which remained outstanding, Mr Chudasama reported that the primary, care team was currently under significant pressure. Some interim staff were in place at present and conversations on resilience were ongoing within the team. The CCG was looking to

ring fence resource to help the primary care team to deliver on the findings from that audit. Ms Guss said a focus at present was on governance in the current year and the challenges being faced.

Other work ongoing included the development of the programme of work in response to the mandated Primary Medical Care Commissioning and Contracting Internal Audit Framework, Mrs Tudor noted that 360 Assurance was looking to gather information for benchmarking as benefits would be gained from comparisons across CCGs.

Mr Chudasama asked in respect of the 2019/20 audit workplan, whether the Audit Committee would prefer more or less joint audits. He felt approximately one third of the plan could be taken up with joint audits and the remainder as WLCCG. Mrs Tudor noted that delays were often experienced with joint reviews. Audit work needed to be timely for it to be of any value, though she added that the CCGs benefitted from joint work as it reflected the current health community arrangements.

A brief discussion was held around delays experienced in joint working. Mr Churton said it was important to be aware of the difficulties experienced and to be aware that issues that were unlikely to improve. Mr Gay said it would be important to identify practical steps to remove some of the current barriers in existence. CCGs could also work differently with the auditors on joint pieces of work, with an objective of making savings and improved efficiencies. Mr Chudasama suggested a possible standing JMT agenda item might cover some of the issues.

KC

ACTION

- The Audit Committee **RECEIVED** the Internal Audit Progress Report.

AC/18/098 Reports received for Information

- UHL Contract Management – including Data Quality for Performance
- CSU Mobilisation Review
- Head of Internal Audit Opinion Work Programme, Stage 1
- Conflict of Interest Follow Up
- Preparedness for the GDPR Follow Up
- 2017-18 IG Tool Follow-Up
- Client Technical Update Q1
- 17/18 Board Survey Findings
- MIAA Assurance Framework Benchmarking Report
- HfMA Revised AC Handbook

AC/18/099 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/18/100 Any Other Business

There was no other business.

AC/18/101 Date and Time of Next Meeting

The next meeting of the West Leicestershire Clinical Commissioning Group Audit Committee would be held on Tuesday 27th November 2018, Boardroom 1 at the WLCCG Headquarters, Woodgate, Loughborough, Leicestershire LE11 2TZ.