

HARROGATE AND RURAL DISTRICT CLINICAL COMMISSIONING GROUP

Minutes of the Meeting of the Harrogate and Rural District Clinical Commissioning Group Audit Committee

22 April 2014

Boardroom, 1 Grimbald Crag Court, St James Business Park
Knaresborough HG5 8QB

Present

Rachel Mann	Vice-Chair and Lay Member, HaRD CCG (Chair)
David Hall	Lay Member, HaRD CCG
Dr Rob Penman	HaRD CCG GP Member

In Attendance

Bernard Chalk	Chief Finance Officer, HaRD CCG
Alison Simm	Corporate Affairs Officer (Secretariat)
Alec Cowell	Head of Finance, HaRD CCG
Steve Appleton	Senior Manager, Mazars (External Auditors)
Mark Kirkham	Director, Mazars (External Auditor)
Sharron Murray	Deputy Head of Internal Audit, North Yorkshire Audit Service
Helen Kemp-Taylor	Head of Internal Audit, North Yorkshire Audit Service
Steven Moss	Local Counter Fraud Specialist

1.0 Introductions and Apologies

Rachel Mann welcomed the attendees of the Audit Committee and introductions were made.

2.0 Declarations of Interest in Relation to the Business of the Meeting

None.

The Audit Committee:

Noted the above.

3.0 Minutes of the meeting held on 11 March 2014

The minutes for the meeting held on 11 March 2014 were reviewed by the Committee for accuracy and no amendments were made.

The Audit Committee:

Noted the above.

4.0 Matters Arising from the Minutes

The action log was reviewed by the Committee and the following was noted:

Item 9.2 CSU Assurance Update

The Service Audit Report should be available by the end of May.

5.0 Review of Audit Committee Timetable

The Committee reviewed the Audit Committee Timetable and it was noted that Review Internal Audit had moved to the May meeting.

Rachel Mann noted that a new timetable for next year was required to be drawn up.

The Audit Committee:

Noted the above.

6.0 Finance Governance

6.1 Review of:

Annual Accounts and Financial Statements

Bernard Chalk talked through the Annual Accounts 2013/14.

The key actions and dates are:

- Production of a set of draft Accounts and Annual Report by 23 April 2014, when the accounts will be submitted to NHS England and our External Auditors. At the same time, our ledger will be closed, and NHS England will take information directly from the ledger to produce their consolidated accounts.
- Audit Committee to meet on 22 April 2014 to receive and review the draft Report and Accounts. There is then a period for review by our External Auditors (Mazars), which must be completed, and the accounts and associated financial elements adopted and signed, by the 6th June. (Associated financial elements are the financial information for inclusion in the annual report, such as the remuneration report, which must be audited). There is then a period for review by our External Auditors (Mazars), which must be completed, and the accounts and associated financial elements adopted and signed, by the 6th June. (Associated financial elements are the financial information for inclusion in the annual report, such as the remuneration report, which must be audited).
- Following conversations with our auditors, we are planning for the audit work to be complete by the 23 May 2014.
- Audit Committee to meet on 27 May 2014 to receive the Auditors Report for those Charged with Governance, and to adopt the Accounts and associated financial elements. If the Audit Committee deems that there are significant issues, they can either call an extraordinary Governing Body meeting or defer the issue until the Governing Body meeting on 6 June 2014.
- The CCG then has until the 30 September to hold its Annual General Meeting.

Bernard Chalk explained that there were four main statements:

- Statement of Comprehensive Net Expenditure
- Statement of Financial Position

Confirmed

- Statement of Changes in Taxpayers' Equity
- Statement of Cash Flow

Bernard Chalk talked through the four main statements.

Dave Hall raised the question where was the assurance for figures from organisations outside of HaRD CCG. Bernard Chalk said that HaRD CCG had an overview of their accounts and that there were meetings with heads of finance of all organisations.

Bernard Chalk concluded the annual accounts show that (subject to audit) the CCG will achieve the following:

- Manage within Revenue Resource Limit.
- Work within cash limit.
- Work within running costs (CCG has underspent this year).
- Better payment practice code.

Bernard Chalk confirmed that the draft accounts were on target to be submitted on Wednesday 23 April.

The Audit Committee:

Accepted the above.

Director Declarations

Bernard Chalk updated the meeting on the Director Declaration that had been prepared jointly by Bernard Chalk, Alec Cowell and Rachel Mann in response to a request lodged by the External Auditors (Mazars). No concerns were raised by the committee.

The Audit Committee:

Approved the above.

Going Concern Statement

Bernard Chalk presented the report to the meeting which provides the necessary assurance to support the view that the CCG can continue to function as a going concern.

The Audit Committee:

Approved the above.

Annual Governance Statement

Bernard Chalk presented the Annual Governance statement of the Chief Accountable Officer. This has been written by Amanda Bloor with involvement from Rachel Mann and support from Sharron Murray. It has been written in conjunction with the guidance and gives a true narrative of HaRD CCG position.

The Audit Committee:

Approved the draft Governance Statement.

Annual Report

Bernard Chalk informed the committee that the Annual Report was not ready to be presented to this meeting. Bernard Chalk confirmed that the Annual Report will be ready by Wednesday 23 April. Rachel Mann requested that a copy of the Annual Report is circulated to the audit committee when it was available.

The committee raised concerns as to the process of the Annual Report and the timescales and agreed that this should be reviewed for next year and to feed that back to the Governing Body.

The Audit Committee:

Noted the above.

Head of Internal Audit Opinion

Helen Kemp-Taylor presented the report to the committee, this report details the Head of Internal Audit opinion for NHS Harrogate and Rural District Clinical Commissioning Group's system of internal control based on the work undertaken by Internal Audit during 2013/14. The purpose of the Opinion is to contribute to the assurances available to the Accountable Officer and the Governing Body and in turn assist the Governing Body in the completion of its Governance Statement (GS).

The report details the Head of Internal Audit Opinion to be submitted on 23 April 2014. My overall opinion is that **Significant Assurance** can be given that there is a generally sound system of internal control, designed to meet the organisation's objectives, and that controls are generally being applied consistently.

The Audit Committee is requested to receive the Head of Internal Audit Opinion for 2013/14.

Rob Penman asked if there was any update on the Partnership Commissioning Unit (PCU) position. Helen Kemp-Taylor confirmed that actions had been taken but they had not yet been tested as it was too near the year end. Rachel Mann said that she was reassured that a lot of audit was going into PCU next year.

Helen Kemp-Taylor said that where limited assurance had been given then there would be a need to go back and re-audit.

Bernard Chalk said that there had been significant progress made with PCU in the last 12 months and that there was more assurance compared to last year.

Sharron Murray confirmed that the PCU were responding positively to the audits.

Helen Kemp-Taylor recommended that the outstanding Third Party Assurances are followed up by Bernard Chalk and then handed over to the interim Chief Finance Officer.

Rachel Mann thanked everyone that had been involved in preparing the Year End Accounts.

The Audit Committee:

Noted and received the head of Internal Audit Opinion for 2013/2014.

7.0 Internal Audit

7.1 Internal Audit Periodic Report

Sharron Murray presented the report to the committee, the report summarises activity undertaken in relation to the NHS Harrogate and Rural District CCG 2013/14 Internal Audit Operational Plan for the period 1 April to 14 April 2014.

The Audit Committee is requested to note progress with the delivery of the 2013/14 Internal Audit Plan.

The Audit Committee:

Noted the above.

7.2 Internal Audit Reports

Sharron Murray presented the report to the committee, the report summarises the findings, recommendations and responses for internal audit reports issued in the period since the last audit Committee meeting:

- 2013/04 Information Governance Toolkit
- 2013/05 Payroll Verification: Follow Up
- PCU 01/20013 Partnership Commissioning Unit: Financial Reporting

Sharron Murray presented the highlights of each:

7.2a Information Governance Toolkit

The review concluded that the Clinical Commissioning Group has sufficient evidence available to demonstrate that it meets level two for the Information Governance Toolkit and a **Significant Assurance** opinion was awarded.

7.2b Payroll Verification: Follow Up

The objective of the review was to provide an update on the accuracy of the Clinical Commissioning Group's (CCG) payroll following the previous audit report (2013/03) where a Limited Assurance opinion was awarded.

The CCG has made good progress in addressing the recommendations made in the initial audit report.

Internal audit has increased the assurance level for the accuracy of the payroll from Limited to **Significant Assurance**.

7.2c Partnership Commissioning Unit (PCU): Financial Reporting

The objective of the review was to provide assurance that the controls within the system produce reliable, accurate and timely information on the areas of commissioning expenditure managed by the PCU on behalf of the CCGs.

Limited Assurance was given to the audit as a result of the control weaknesses identified in the system potentially impacting on the reliability of the figures reported to CCGs. The impact of the key findings can be split between those that have

Confirmed

impacted on the reliability of the monthly reports issued to CCGs and those that expose control weaknesses in the PCU processes.

Sharron Murray told the committee that audit work was continuing with the PCU with additional testing planned in Quarter 1.

Janet Probert will provide the committee with assurance updates and the audit committee could hold Janet Probert to account if had any concerns.

Rachel Mann requested that the audit reports provided by Internal Audit also include a completed date.

Bernard Chalk informed the committee that the payroll supplier was to be moved over in the summer. Time has been allocated in the internal audit plan to review the process.

The Audit Committee is asked to note the findings, recommendations and responses for the audit report.

The Audit Committee:

Confirmed its assurance from the audits it has received.

7.4 Audit Recommendations Status Report

Sharron Murray presented the paper to the committee which provides an update on the status and progress in implementing audit recommendations at the CCG.

Sharron Murray confirmed to the committee that the Audit recommendations status had been taken to the Senior Management Team Meeting for review and any amendments had been reported back to Sharron Murray.

Sharron Murray said that the date for the payroll validation had been revised and that this would need to go to the Senior Management Team meeting for documenting and approving.

The committee was recommended to receive the report.

The Audit Committee:

Noted the above.

8.0 External Audit

8.1 The Local Audit and Accountability Act 2014

Steve Appleton presented the paper to the committee, the paper sets out the key provisions of the Local Audit and Accountability Act 2014 which requires health service bodies to appoint their own external auditor.

The requirements apply at the expiry of the existing contracts let by the Audit Commission. It has yet to be determined whether the new arrangements will apply for the audit of the 2017/18 accounts or the 2020/21 accounts.

The Audit Committee is asked to note the new requirements and the uncertainty about when they will first apply.

Confirmed

The Audit Committee:

Noted the above.

9.0 Governance and Assurance

9.1 Counter Fraud Update Report

Steve Moss presented the report to the committee, the purpose of which is to update the Audit Committee on ongoing work being done by the Local Fraud Specialists (LCFS).

Steve Moss confirmed that LCFS were working on mapping local fraud risks which will be shared with the committee when available.

Steve Moss confirmed that still no guidance had been received from NHS Protect on counter fraud arrangements.

The Audit Committee is asked to note the update.

The Audit Committee:

Noted the above.

9.2 Approval of Counter Fraud Plan

Steve Moss presented the paper which outlines the counter fraud work to be undertaken throughout 2014/2015. Steve Moss confirmed that eight days had been allocated for the coming year; however additional resource may be bought if required for reactive work.

The eight days are allocated in accordance with the generic counter fraud areas of action as noted below:

- Strategic governance
- Promoting an anti-fraud culture
- Preventing fraud
- Where it cannot be deterred, detecting fraud
- Professionally and objectively investigating suspicions of fraud where they arise
- Consistently applying a range of sanctions where fraud is proven
- Seeking redress to recover funds obtained through fraud

In addition the Chief Financial Officers across the four North Yorkshire Clinical Commissioning Groups are in discussion regarding the allocation of counter fraud resources for the Partnership Commissioning Unit. Sharron Murray confirmed to the meeting that she is putting together a plan for this.

The Audit Committee:

Noted and approved the above.

9.3 Review Audit Terms of Reference

Rachel Mann presented to the committee a paper she has written on the Membership of Audit Committee.

Audit Committee members are asked to consider whether we need to change the terms of reference of the audit committee membership to minimise the risk of being non quorate.

The meeting agreed that the terms of reference should be amended to four members. It was agreed that the proposed changes would be submitted to the

Confirmed

Governing Body and subject to approval to formally advertise and appoint an independent member with finance or audit skills as the fourth member of the audit committee.

Rachel Mann will discuss and progress with Amanda Bloor.

The Audit Committee:

Noted and approved the above.

10.0 Any Other Business

Rachel Mann offered thanks to Bernard Chalk for the support that he had given to the Audit Committee.

11.00 Key Messages to the Governing Body

1. Accounts to be presented to the Governing Body
2. Review of the writing of the annual report
3. Rachel Mann to present the Internal audits
4. Approval of the Counter Fraud Plan
5. Update on the Local Audit Act and Accountability Act.
6. Recommended change to Audit Committee Terms of Reference

11.0 Next Meeting

27 May 2014, Boardroom, 1 Gimbald Crag Court, St James Business Park
Knaresborough, HG5 8QB. 11.00 – 13.00

The Audit Committee:

Noted the above.

Follow Up Action

The actions required as detailed above in these minutes are attached at Appendix A.

HARROGATE AND RURAL DISTRICT CLINICAL COMMISSIONING GROUP
Actions from the Audit Committee on 11 March 2014

Appendix A

Meeting Date	Item	Action	Responsibility	Action Completed / Due to be Completed (as applicable)
		To update time		
22 April 2014	5.0 Review of Audit Committee Timetable	Produce a new Audit Committee Timetable	Rachel Mann Alison Simm	27 May 2014
22 April 2014	6.1 Annual Report	Circulate to Audit Committee when available.	Alec Cowell	23 May 2014
22 April 2014	6.1 Head of Internal Audit Opinion	Follow up Outstanding Third Party Assurance	Bernard chalk/Dilani Gamble	23 May 2014
22 April 2014	9.3 Review Audit Terms of Reference	Recruit fourth member of Audit committee	Rachel Mann	27 May 2014

Confirmed