

## Harrogate and Rural District Clinical Commissioning Group (HaRD CCG)

**Audit Committee**  
 Tuesday 22 May 2018, 14:00 – 16:00

Boardroom 1, HaRD CCG  
 1 Gimbald Crag Court, St. James Business Park, Knaresborough, HG5 8QB

### **Present**

Sheenagh Powell	Chair of Audit Committee and Vice Chair of Governing Body
Lance Gilroy	Lay Member, Patient and Public Involvement

### **In Attendance**

Dilani Gamble	Chief Finance Officer, HaRD CCG
Alec Cowell	Head of Finance, HaRD CCG
Campbell Dearden	External Audit Manager, Mazars LLP
Mark Kirkham	External Audit, Mazars LLP
Helen Kemp Taylor	Head of Internal Audit, Audit Yorkshire
Anne Ellis Playfair	Internal Audit Manager, Audit Yorkshire
Angela Warters	Secretariat

### **Apologies**

Dr Rick Sweeney	GP Governing Body Member (Vulnerable People and Primary Care)
Steve Moss	Head of Anti-Crime Services, Audit Yorkshire
Sasha Sencier	Corporate Governance Manager
Helen Sanderson	Information Governance Officer, eMBED

### **1.0 Introductions and Apologies**

Apologies were received from Dr Rick Sweeney, Steve Moss, Sasha Sencier and Helen Sanderson.

**The Audit Committee:** noted the above

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

Sheenagh Powell has an ongoing Declaration of Interest due to her position within the Vale of York Clinical Commissioning Group as the Audit Chair.

**The Audit Committee:** noted the above

### **3.0 Minutes of the Meeting held 24 April 2018**

Sheenagh Powell advised that due to the unusual turn around for the audit committee minutes they are not ready to be presented.

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Sheenagh Powell proposed that only the draft accounts are presented at the April meeting of the Audit Committee going forward, there were no objections to this.

**The Audit Committee:** noted the above.

#### **4.0 Matters Arising**

Sheenagh Powell deferred the action log until the next full meeting (August 2018).

**The Audit Committee:** accepted the above.

#### **5.0 Audit Committee Forward Plan**

This was deferred to the next full meeting of the Audit Committee on Tuesday 21 August 2018.

**The Audit Committee:** noted the above

#### **6.0 Finance**

##### **6.1 Final Accounts, Financial Statements, Annual Governance Statement and Annual Report**

Clinical Commissioning Groups have a statutory requirement to produce and publish an Annual Report each year in line with detailed national guidance regarding content.

The draft annual report was presented to Audit Committee on 24 April 2018 and also submitted to NHS England for review. The final version is now presented to the Committee; this includes any changes reflected from feedback from NHS England and External Auditors and also with the inclusion of the final accounts and statements.

Alec Cowell presented a summary of the changes made from draft to final version, for the annual report as follows:

- Updated the Health and Wellbeing Strategy section to include how the Clinical Commissioning Group has contributed to joint strategies.
- Updated the Health and Wellbeing Strategy section to include how the Clinical Commissioning Group has aligned our work to existing joint strategies.
- Updated the performance section to include our end of year positions where these are available.
- Updated the performance section to compare 2017/18 performance to 2016/17 performance where the information is available.
- Added leadership ratings for 2016/17 and 2017/18 through quarter 3 (end of year ratings are not yet available).
- Included a statement around year-end assessment data and web link to the mynhs web page detailing that the information will be published in July 2018.
- Additional section giving a financial summary for the year
- Added in the remuneration section which wasn't required at draft stage. Certain elements of this section are subject to audit.

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- Updated the Risk Management Arrangements and Effectiveness section to include a paragraph on how staff are equipped to manage risk in a way appropriate to their authority and duties.
- Updated the Information Governance section to state that there have been no serious incidents relating to information governance, including data loss or confidentiality breaches.

The Annual Report has been looked at by audit for consistency.

Amendments made to the Statutory Accounts between 'draft' and 'final' are as follows:

- Note 1.24 (accounting policies) – adjustments to some of the percentages/figures with regards to the recharge of hosted services provided by other Clinical Commissioning Groups
- Note 4 (employee benefits) – Sickness disclosure has been removed as it is no longer required in the statutory accounts (as it is covered in the annual report)
- Note 5 (operating expenses) – Movement between non-NHS services line and Services from Foundation trusts line totalling £532k
- Note 10.1 (trade & other receivables) – Expected update of the amount of recovered debt post year-end from £423k as at 17th April to £473k as at 15th May.
- Note 13 (Trade & other payables) – Movement between non-NHS accruals to NHS accruals of £152k
- Note 20 (related party transactions) – Adjusted disclosure figures for HDFT. 'Payments to related parties' increased by £532k (per note 5 adjustment noted above) and 'amounts owed to related parties' increased by £152k (per note 13 adjustment noted above).
- Note 22 (financial performance targets) – previously disclosed as the CCG's cumulative position rather than its in-year position. 'Expenditure not to exceed income' target adjusted from £215.395m to £221.176m. Also 'Revenue resource use does not exceed the amount specified in Directions' target adjusted from £213.568m to £219.349m.

With regards to the Statutory Accounts, the main financial statements haven't changed since draft accounts were submitted.

Please also note that the second phase of the Agreement of Balances exercise is now complete. The movement from phase one differences are:

- Debtor/Creditor exercise – £723k decrease of the reported absolute difference from £3.009m to £2.286m
- Income/Expenditure exercise - £288k decrease of the reported absolute difference from £2.662m to £2.374m

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Alec Cowell advised that the Clinical Commissioning Group is not in the top 100 organisations listed by NHS England with significant agreement of balances differences. However although these differences are not classed as significant nevertheless, the CCG will strive to get better.

**The Audit Committee:** approves the Final Accounts, Financial Statements, Annual Governance Statement and Annual Report 2017-18.

## **7.0 Corporate and Governance**

### **7.1 Service Auditor Reports**

All CCGs rely on nationally provided services, namely;

- NHS Shared Business Services – provision of financial ledgers and reporting
- NHS Business Services Authority – provision of prescribing payment mechanisms and reporting
- NHS Digital – provision of GP payments (through Capita system)

To provide assurance to Clinical Commissioning Groups that these services have appropriate controls in place and that they are adhering to them, they commission external auditors to undertake testing. The resulting reports are called 'Service Auditor Reports'.

In summary, the three entities named above have received service auditor reports from Price Waterhouse Coopers Accountants for the period 1 April 2017 to 31 March 2018 that give the assurance CCGs sought.

The draft report for the Pay Expenditure 360 Assurance Report was received after Audit Committee papers were distributed, which gives an opinion of significant assurance.

The Committee commented that it would have been good to have had the audit results sooner – Alec Cowell will feed back to eMBED who have the contract with the payroll provider – Dilani Gamble advised that this report is always the last one to be received.

The committee discussed the service auditor reports, particularly the Pay Expenditure 360 Assurance Report.

The Audit Committee were advised that there are no further service auditor reports outstanding.

**The Audit Committee:** note service auditor reports.

## **8.0 Information Governance**

### **8.1 Information Governance Work Programme 2018/19**

An Information Governance work plan for 2018/19 was presented to the committee, the main elements of which are to complete and embed the requirements of the General Data Protection Regulations (GDPR) and develop an action plan to meet the requirements of the new Data Security and Protection Toolkit.

The work programme has been reviewed by the Clinical Commissioning Group's Caldicott Guardian and discussed with the Alec Cowell, Clinical Commissioning Group Information Governance Lead, and no amendments were requested. Dilani Gamble also had input to the plan as the CCG's Senior Information Risk Owner (SIRO).

Helen Sanderson has pulled together a robust and challenging plan for the Clinical Commissioning Group in order to meet our statutory requirements. Sheenagh Powell asked if there were any risks involved with this programme but Alec Cowell expressed that he doesn't feel that there are any significant risks as the CCG has been preparing for the implementation of GDPR for the last 12-18 months.

The only area that may have a risk is Medicines Management who visit the GP Practices to do medicines management reviews. Ken Latta, Head of Medicines Management has been working with Helen Sanderson to ensure that GP privacy impact statements are correct.

A requirement of GDPR is that the CCG has a Data Protection Officer (DPO). The CCG has commissioned this service from eMBED. The DPO post is out to advert at the moment and Alec Cowell has requested a name as soon as possible. In the interim, Caroline Million will be the postholder.

The committee would like to thank Helen Sanderson for her excellent support, this was echoed by Dilani Gamble. Alec Cowell also added that Helen Sanderson supports the HaRD GP Practices which has resulted in 100% compliance of submitted information governance toolkits.

**The Audit Committee:** approves the Information Governance Work plan for 2018/19.

## **9.0 Internal Audit**

### **9.1 Internal Audit Periodic Progress Report**

IAnne Ellis Playfair presented the final progress report to the Audit Committee, this summarised the plan for 2017/18.

The audit plan is agreed with the Audit Committee on an annual basis. This report sets out performance against the agreed plan and identifies the scope of work undertaken and the assurances provided.

Five audit reports had been finalised with Management since the last Audit Committee meeting with an additional report issued in draft, the reports were as follows:

- Management of Conflicts of Interest – Significant Assurance
- Risk Management Arrangements – Significant Assurance
- Referral Management Service (part 2) – Significant Assurance
- QIPP (part 2) – Significant Assurance
- Continuing Healthcare – Limited Assurance
- PCU Transition (DRAFT) – Awaiting audit assurance

Lance Gilroy had a query with regard to responses from management, the key performance indicators attached to the audit show that the responses are down, Anne Ellis Playfair responded that this applied to two audits; one was missed by 2 days and the other one by a little longer. Alec Cowell advised the committee that an action from the last meeting regarding the key performance indicators had been taken to the Senior Management Team meeting to remind everyone that there are key performance indicators attached to the audits.

Lance Gilroy also commented that he was pleased with significant assurance

**The Audit Committee:** notes the work undertaken to complete the 2017/2018 Internal Audit Plan as at 22 May 2018.

## 9.2 Receipt of Internal Audit Annual Report and Head of Audit Opinion

This report was presented by Helen Kemp-Taylor and summarises the activity undertaken in relation to the 2017/18 Internal Audit Operational Plan, it also includes the Head of Audit Opinion for 2017/2018.

The Public Sector Internal Audit Standards requires the Head of Internal Audit to prepare a report summarising activity and achievement against plan, together with a Head of Internal Audit Opinion in support of the Annual Governance Statement. This is the annual report for 2017/18

The audit plan for 2017/2018 has been delivered and a total of 90.25 days were delivered against a plan of 107.25. The balance of days is to be carried forward following the deferment of two audits at the request of management and the balance of days in relation to the PCU Audit days in agreement with the Audit Committee.

In relation to the Head of Audit Opinion for 2017/2018 an overall opinion of Significant Assurance has been awarded.

A total of 17 days will be carried forward to 2018/2019 in relation to the deferred Right Care and Compliance with Procurement Regulations audits and the balance of the PCU and Client Directed days to be carried forward.

CONFIRMED

Helen Kemp-Taylor was pleased to advise that there has been only one limited assurance the rest of the assurances are significant.

Sheenagh Powell expressed her thanks to the internal audit team as this is an excellent result for the Clinical Commissioning Group.

**The Audit Committee:** receives the Internal Audit Annual Report and Head of Audit Opinion for 2017/2018.

### 9.3 Update on Pan-North Yorkshire Audit Plan for 2018/19

Each of the three North Yorkshire Clinical Commissioning Groups has contributed 15 days from their respective Internal Audit budgeted days for 2018/19. This paper provided a plan for the areas to be audited to provide assurance on the areas previously provided by the Partnership Commissioning Unit. This Audit Plan has been developed with the Chief Finance Officers’.

Personal health budgets are a particular risk along with the Continuing Healthcare which has limited assurance.

Sheenagh Powell asked if Dilani Gamble / Alec Cowell were involved – Dilani Gamble responded that they both have and gave an outline of some of the process, Alec Cowell said that the Clinical Commissioning Group need to be more pro-active to ensure that audit can start in a timely manner.

**The Audit Committee:** approves the proposed audit plan for pan-North Yorkshire services for 2018/19.

## 10.0 External Audit

### 10.1 Annual Completion Report

The external audit team presented the Audit Completion Report for NHS Harrogate and Rural District Clinical Commissioning Group for the year ending 31 March 2018.

The scope of their work, including identified significant audit risks, was outlined in their Audit Strategy Memorandum which they presented to the Audit Committee in February 2018.

At the time of issuing this report and subject to the satisfactory conclusion of the remaining audit work, they anticipated issuing an unqualified opinion on the financial statements.

The external audit team expected to issue a qualified regularity opinion as the Clinical Commissioning Group failed to meet its statutory duties under:

- section 223H(1) of the NHS Act 2006 (as amended) to ensure expenditure did not exceed income in 2017/18; and
- section 223I(3) of the NHS Act 2006 (as amended) to ensure revenue resource use does not exceed the amount specified in the Direction.

The external audit team anticipate issuing a qualified Value for Money Conclusion opinion in respect of the Clinical Commissioning Group's arrangements to secure economy, efficiency and effectiveness in its use of resources. This is due to the failure to meet its statutory duties as set out above.

With the exception of the issue noted above, they were satisfied that, in all significant respects, Harrogate and Rural District Clinical Commissioning Group put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

They expect to certify to the National Audit Office that your consolidation data is consistent with the audited financial statements.

Campbell Dearden took the Audit Committee through several matters of note which are detailed below:

### **Significant matters discussed with management**

An accrual for £336k has been classified in note 5 operating expenses as 'purchase of healthcare from Non NHS bodies' but an element of this balance should be shown in 'services from foundation trusts'. This is a generic accrual in relation to disputed contractual expenditure with Clinical Commissioning Group's providers (NHS Foundation Trusts and Non NHS bodies) and is the Clinical Commissioning Group's estimate as to how much they may have to pay. It is also shown as non NHS accruals in note 13 'trade and other payables' but an element should be in NHS accruals.

Management assert that at this stage reclassification of an element of this balance as 'NHS' would mean the amounts would be visible to counterparties through the year end balances process which could jeopardise the Clinical Commissioning Group's position in forthcoming negotiations. This approach is similar to that followed by some other NHS organisations in recent years. A similar amount was identified in 2016/17 for £759k. The amount is not material and therefore management have decided not to adjust.

### **Disclosure amendments**

There were a small number of rounding and arithmetic errors which have been amended.

#### Misclassification of expenditure (Note 5)

Officers identified a total of £483,470 within expenditure (Note 5), as 'purchase of healthcare from non-NHS' when it should have been classified as 'services from foundation trusts'. The client has amended the disclosure note and there is no impact on the primary statements. It is correctly shown in payables (Note 23) as 'NHS Accruals'. The related party note has also been amended accordingly.

#### Misclassification of creditors (Note 23)

Officers identified a total of £200k within NHS Creditors (Note 23) which should have been included in Non-NHS Creditors. This has been amended and there is no impact on the primary statements.

#### Financial performance targets

The financial performance targets show a cumulative financial position but should reflect performance only in 2017-18. The note has been amended. This does not affect the value of the Clinical Commissioning Group's overall financial position.

#### Remuneration report

The entries in the Pension Benefits Table were found to have been calculated using the incorrect inflation rate. This resulted in the real increase in CETV being disclosed incorrectly. The overall impact was £31k and this has been amended.

The Pension Benefits Table and Salaries and Allowances tables included negative entries for pension amounts; The guidance states that where a pension value is negative this should be replaced by a nil in the disclosure. This has been amended.

The draft staff report did not include a disclosure of staff costs as required by the guidance. This has been amended.

Sheenagh Powell expressed concern regarding £336k – not ideal situation to be categorising expenditure as none NHS when it could be – as audit chair she is disappointed that it has been done this way and hopes that next year the issue will be eliminated.

Campbell Dearden thanked Alec Cowell and his team for their work on the audit. Sheenagh Powell also thanked Alec Cowell too; Alec Cowell said that he will pass their thanks on to the team involved.

**The Audit Committee:** noted the Audit Completion report.

### **11.0 Any Other Business**

Sheenagh Powell mentioned that at the recent National Audit chairs conference, there had been a presentation by the Head of Primary Care of NHS England. He had written to Audit Chairs in February 2018 saying that there was a proposal that internal audit days would have to build in for a primary care co-commissioning audit.

The initial email had not been received by many Audit Chairs. However the Audit Chair for NHS England has since forwarded it to all the Audit Chairs. There was an expectation that details would be confirmed before the beginning of the audit plan year. However there has been a delay. Anne Ellis Playfair has investigated and concluded there is a draft framework covering a 3 – 4 year programme of work but is still in draft. The draft programme states that CCGs should start the programme in 18/19 unless audit plans are already committed and beyond change (in which case start with 19/20 plans).

CONFIRMED

At the conference there had been a lot of agreement in the room that it was worth doing. There was also a lot of discussion as to whether Primary Care colleagues who already have CQC inspections and may not be in favour of this. We are still awaiting further information regarding the Framework.

Sheenagh Powell suggested that this is put on the agenda for the next Audit Committee meeting to discuss.

## **12.0 Feedback on the Meeting**

No feedback given.

## **13.0 Key Messages to Governing Body**

- External Auditors Mazars presented the annual completion report which was accepted by the committee. The annual completion report stated that external audit have awarded an unqualified opinion on the financial statements, a qualified regularity opinion, and value for money conclusion due to the Clinical Commissioning Group failing its financial performance targets. Audit Committee thanked the finance team for completing the statutory accounts work.
- Internal Audit presented the final 2017/18 audit reports to the committee. The committee accepted these reports.
- The committee also received and accepted the Head of Internal Audit's opinion for 2017/18 which gave significant assurance.
- Service auditor summaries for NHS SBS, NHS Business Services Authority & NHS Digital were presented to the committee for assurance. Verbal assurance was given to the committee for the draft payroll service auditor report
- The committee approved the Clinical Commissioning Group's annual report (incorporating the annual governance statement and the annual head of internal audit's opinion) and its' statutory accounts.
- The Information Governance work plan for 2018/19 was presented to the committee and approved.
- Internal Audit presented the pan-North Yorkshire plan for 2018/19. The committee approved the plan.

Sheenagh Powell suggested that the Audit Committee should thank all those for their work during the year, preparation for the year end and the auditors for their work to provide assurance to the Governing Body.

Sheenagh Powell and Lance Gilroy agreed that the Annual Governance Statement should go to Governing Body for them to receive it officially in public and to ratify it

**ACTION** – Alec to check the constitution regarding Governing Body receiving annual accounts

CONFIRMED

**14.0 Next Meeting:-** Tuesday 21 August 2018 at 14:00  
Meetings for 2018/19 will be held in Boardroom One at the Clinical Commissioning Group.

Tuesday 6 November 2018, 14:00 – 16:00

Tuesday 26 February 2019, 14:00 – 16:00

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Appendix A

NHS Harrogate and Rural District Clinical Commissioning Group  
 Actions from the Audit Committee on 28 November 2017

Meeting Date	Item	Action	Responsibility	Action Completed/ Due to be Completed (as applicable)
22/5/18	13.0 Key Messages to Governing Body	Alec to check constitution regarding Governing Body receiving Annual Accounts	Alec Cowell	21/8/18
24/4/18	7.1 Draft Accounts, Financial Statements, Annual Governance Statement and Annual	Alec Cowell to send out Analytical Review and the Agreement of Balances to Sheenagh Powell, Lance Gilroy and Dr Rick Sweeney for them to scrutinise	Alec Cowell	22/5/18
24/4/18	10.1 Internal Audit Periodic Progress Report	Alec Cowell to feed back the Key Performance Indicators management responses to the Senior Management Team.	Alec Cowell	22/5/18
24/4/18	11.2 Joint Declarations from Management and those charged with Governance	Alec Cowell to send updated Joint Declarations from Management and those charged with Governance round the Audit Committee to ensure the auditors have the assurance they need for the audit.	Alec Cowell	1/5/18
24/4/18	13.0 Any other Business	Alec to look into the website about Financial Resilience as discussed at the April meeting.	Alec Cowell	20/8/18
20/2/18	8.4 Committee Effectiveness 2017/2018	Governing Body Workshop to plan to review all committee effectiveness reviews to give assurance to Governing Body.	Sasha Sencier	31/8/18