

Oxfordshire Clinical Commissioning Group Board Meeting

Date of Meeting: 24 May 2017

Paper No: 18/40a

Title of Paper: Audit Committee Annual Report 2017/18

Paper is for:

(please delete tick as appropriate)

Discussion



Decision



Information



Purpose and Executive Summary:

The NHS Audit Committee handbook 2014 sets out best practice for Audit Committees and recommends that Audit Committees should assess their own performance and effectiveness annually and report the results to the Board.

This Report for 2017/18 is submitted to the Board to provide assurance that the Audit Committee is operating effectively and in accordance with the terms of reference.

In particular, the Board's attention is drawn to the Conclusion and the Looking Forward sections at the end of the document.

Financial Implications of Paper:

None

Action Required:

The Board is asked to note the Audit Committee Annual Report and to consider whether any further matters should be considered by the Committee in the current year.

The Board is asked to approve the updated Terms of Reference set out in Appendix A.

OCCG Priorities Supported (please delete tick as appropriate)

<input checked="" type="checkbox"/>	Operational Delivery
<input checked="" type="checkbox"/>	Transforming Health and Care
<input checked="" type="checkbox"/>	Devolution and Integration
<input checked="" type="checkbox"/>	Empowering Patients
<input checked="" type="checkbox"/>	Engaging Communities
<input checked="" type="checkbox"/>	System Leadership

Equality Analysis Outcome:

Not Applicable

Link to Risk:

The Audit Committee is responsible to the Board (in conjunction with the Finance and Quality Committees) for reviewing the risks relating to the business and activities of the CCG and ensuring the levels of risk and mitigations of those risks are appropriate and are properly recorded in the Risk Register of the CCG.

Author: Roger Dickinson, Audit Committee Chair

Clinical / Executive Lead: Catherine Mountford, Director of Governance

Date of Paper: 16 May 2018

Draft Annual Report from the Audit Committee April 2017 to March 2018

Executive Summary

As a formal committee of the Board and in accordance with best practice, the Audit Committee present an Annual Report to the Board.

This report was approved by the Audit Committee electronically on 16th May 2018 and is now submitted to the Board to provide assurance that the Committee has been operating effectively and in accordance with its terms of reference.

Introduction

The NHS Audit Committee handbook 2014 sets out best practice for Audit Committees and recommends that Audit Committees should assess their own performance and effectiveness annually and report the results to the governing body. Consideration should be given to a number of over-arching key measures of success e.g.:

- What difference has the Committee made to the organisation's governance, risk and control environment?
- Did the Committee encounter any surprises during the year e.g. unexpected adverse inspection reports?
- Did the committee have to re-focus its planned activities during the year – if so was this a pro-active decision or for reactive reasons?

Overview of Committee

The Audit Committee is a formal committee of the Board with defined Terms of Reference. The terms of reference were last reviewed by the Committee at its February 2017 meeting and approved at the Board meeting on 30 March 2017. They are attached as Appendix A.

Ernst & Young had been re-appointed as External Auditors and RSM UK appointed as Internal Auditors - both with effect from 1 April 2017.

Membership and meetings

The Committee met six times in the period covered by this report (April 2017 to March 2018) all but one of which were quorate.

The membership of the Committee has been as follows:

Member	Title	Attendance
Miles Carter	Locality Clinical Director	3/6
Roger Dickinson (Chair)	Lay Vice Chair	6/6
Mike Delaney	Lay member	4/6
Duncan Smith	Lay member	6/6

The following officers of the CCG attended the Committee during the year: Chief Finance Officer and Director of Governance. In addition, the CCGs Internal Auditors (RSM), external Auditors (Ernst and Young), Local Counter Fraud Specialists (RSM UK) and Security Management Specialists (RSM UK) attended to present the results of their work during the year. Former Internal Auditors (TiAA) also attended at the beginning of the year to present their final reports.

Mike Delaney resigned as a member of the Board (and therefore the Committee) with effect from 31 March 2018 and is thanked for his services over the past four years.

Duties within Terms of Reference

The purpose of the Committee is:

“to provide assurance and advice to the Clinical Commissioning Group (CCG) Board and the accountable officer, on the proper stewardship of resources and assets, including:

- *value for money,*
- *financial reporting,*
- *the effectiveness of audit arrangements (internal and external),*
- *risk management,*
- *internal control*
- *and integrated governance arrangements within the CCG.*

In particular, the Committee will review the CCG’s annual audited financial statements and the CCG’s annual statements on internal control and governance and its compliance and recommend them to the governing body.”

The work of the Committee in discharging its duties was as follows:

Integrated governance, risk management and internal control

The Committee critically reviewed the maintenance of an effective system of integrated governance, risk management and internal control, and financial reporting. It reviewed the work undertaken by both the Quality Committee and Finance Committee by reviewing the minutes and feedback from members of the Committees

In particular, the Committee reviewed:

- The CCG Strategic Risk register (Assurance Framework) and relevant operational risks and related risk action plans at every main meeting, to ensure that risks were appropriately prioritised and adequately controlled and mitigated, and that high and extreme risks were communicated to the CCG Board.
- Quality in primary care
- Governance arrangements for the Oxfordshire Transformation Board

- Pooled Budgets
- Local region STP Digital Transformation
- Data Quality in IT across Oxfordshire system
- IM&T progress on strategy and plans
- RTT management and enforcement
- Human Resources in OCCG
- Information Governance update and Toolkit submission
- The Annual Governance Statement together with appropriate independent assurances, prior to endorsement by the Board.
- Regular reports on the work and findings of the NHS and Local Counter Fraud and Security Management Service.
- Revisions to the Conflict of Interest Policy to ensure it complied with the revised statutory guidance issued by NHS England

Internal audit

The Committee ensured that there was an effective internal audit function that met mandatory NHS Internal Audit Standards and provided appropriate independent assurance to the Committee. This was achieved by:

- Reviewing and approving the internal audit strategy, operational plan (and associated cost) and more detailed programme of work, to ensure that this was consistent with the audit needs of the organisation, as identified in the assurance framework.
- Ensuring that the internal audit function was adequately resourced and had appropriate standing within the CCG.
- Consideration of the major findings of internal audit work (and management's response) and ensuring co-ordination between the internal and external auditors to optimise audit resources.
- Ensuring that an appropriate relationship with internal auditors was maintained;
- Reviewing recommendations from the findings of other internal audit providers on the CCG's outsourced functions.

The following internal audits have been received during the year:

- Conflicts of Interest
- Procedures of Limited Clinical Value
- Board Assurance Framework
- Information Governance Toolkit
- Informatics – Cybersecurity
- Delayed Transfers of Care
- NICE Governance
- Performance Management
- Financial Management and Saving Plan Delivery

External audit

The Committee reviewed the work and findings of the external auditors and considered the implications and management's responses to their work. This was achieved by:

- Consideration of the performance of the external auditors, as far as the rules governing the appointment permit.
- Discussion and agreement with the external auditors, before the audit commenced, on the nature and scope of the audit as set out in the annual plan
- Discussion with the external auditors of their local evaluation of audit risks and assessment of the CCG and associated impact on the audit fee.
- Approval of audit fee after taking into consideration the factors above
- Reviewing all external audit reports, including the report to those charged with governance and agreement of the annual audit letter before submission to the CCG
- Ensuring an appropriate relationship with external auditors is maintained

Counter fraud

The Committee satisfied itself that the CCG had adequate arrangements in place for countering fraud and reviewed the outcomes of counter fraud work. The counter fraud work programme for the CCG was agreed in June 2016.

No instances of fraud or financial misdemeanor were discovered.

Financial reporting

The Committee reviewed accounting policies and the arrangements and timetable for closing the accounts and Month 9 draft accounts in February 2018. The Committee has since held two special meetings: the first on 18 April 2018 to consider the draft accounts and annual report before submission and another on 22 May 2018 to consider the audited final accounts and annual report, including the annual governance statement. The Board will review the final accounts and annual report on 24 May 2018 before submission to NHS England. In accordance with the Scheme of Delegation approval for minor changes between papers and the submission date of 31 May 2018 are delegated to the Chair of the Audit Committee, the CFO and one of either the Accountable Officer or qualified accountant Lay member of the Audit Committee, to be made following discussion with External Audit.

Review of effectiveness

Two members of the Committee completed the self-assessment checklists from the NHS Audit Committee Handbook. The outcomes were discussed in May 2018; the answers were consistent and actions to improve effectiveness were agreed. The Committee assessed itself as fully compliant with best practice in this area, as it was properly constituted; reports regularly to the Board; members have sufficient

experience and knowledge; it prepares an annual report; and assesses its own effectiveness.

Conclusion

The Committee has complied with its terms of reference during 2018. It has:

- Received and approved the external auditors (Annual Audit Letter) ISA260 for 2017/18
- Reviewed the Head of Internal Audit Opinion for 2016/17 and confirmed that it was consistent with the Committee's assessment of control
- Reviewed the Annual Report and Accounts, including the Annual Governance Statement for 2017/18 (these were undertaken at meetings held in April and May 2018 in line with reporting timelines)
- Reviewed reports prepared by internal auditors, external auditors, the local counter fraud specialist and the security management specialist, along with management actions where appropriate
- Reviewed the Assurance Framework and operational risk register to ensure that all relevant risks had been identified and were being mitigated appropriately by senior management
- Reviewed its effectiveness using the self-assessment checklists from the NHS Audit Committee Handbook

The Committee would also like to record the close working relationships and cooperation between the committees of the Board facilitated by lay members sitting on more than one committee.

Recruitment of a Lay Member to succeed Mike Delaney is proceeding as a matter of urgency.

Looking Forward

The Committee continues to be proactive in planning its activities. The work-plan for the Committee has been reviewed and in addition to its regular activities, and in order to ensure overview systems are in place and appropriate levels of assurance are received, the Committee is planning to look at the following areas:

- requirement for integrating financial and outputs/outcomes performance monitoring in respect of the pooled budgets within a developing Oxfordshire Integrated Care System (ICS);
- reviewing and strengthening governance as Oxfordshire moves towards an ICS
- continuing the development of comprehensive performance reporting across the OCCG, bringing together finance, activity, quality and outcomes, if the OCCG is going to effectively and comprehensively monitor performance of the Oxfordshire system and the developing ICS;
- strengthening governance and the monitoring of the development and security of IT and business intelligence systems to support and underpin the Oxfordshire system working and a developing ICS;

- developing closer working relationships with the Audit Committees of the other bodies involved in the Oxfordshire system to enable better governance and monitoring of performance and to gain further assurance in a developing ICS;
- monitoring and gaining further assurance of the timeliness, quality and consistency of the data shared between the bodies involved in the Oxfordshire system working and integrated commissioning;
- having regard to the continuing statutory obligations of the OCCG, to keep under review the local region Sustainability Transformation Plan to the extent it affects the OCCG and its activities.
- Review the Terms of Reference of the Board and its Committees in the light of the development of an ICS