



OXFORDSHIRE CLINICAL COMMISSIONING GROUP BOARD

Date of Meeting: 23 May 2019	Paper No: 19/37a
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Title of Paper: Audit Committee Annual Report 2018/19
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Paper is for: (please delete tick as appropriate)	Discussion ✓	Decision	Information ✓
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Conflicts of Interest (please delete tick as appropriate)	
No conflict identified	✓
Conflict noted: conflicted party can participate in discussion and decision	
Conflict noted, conflicted party can participate in discussion but not decision	
Conflict noted, conflicted party can remain but not participate in discussion	
Conflicted party is excluded from discussion	

<p>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.</p> <p>This Report for 2018/19 is submitted to the Board to provide assurance that the Audit Committee is operating effectively and in accordance with the terms of reference.</p> <p>In particular, the Board's attention is drawn to the Conclusion and the Looking Forward sections at the end of the document.</p>
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Engagement: clinical, stakeholder and public/patient: Not Applicable
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Financial Implications of Paper: None.
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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.

OCCG Priorities Supported (please delete tick as appropriate)

✓	Operational Delivery
✓	Transforming Health and Care
✓	Devolution and Integration
✓	Empowering Patients
✓	Engaging Communities
✓	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.

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Clinical / Executive Lead: Catherine Mountford, Director of Governance

Date of Paper: 16 May 2019

Annual Report from the Audit Committee June 2018 to May 2019

Executive Summary

As a formal sub-committee of the Board and in accordance with best practice, the Audit Committee present an Annual Report to the Board. The report covers the twelve-month period from June until the May meeting to ensure it covers the work on producing and agreeing the annual report and accounts.

This report was considered at the Audit Committee meeting on 21 May 2019 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 2018 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. There were no changes to the terms of reference proposed by the Committee in the last year.

Membership and meetings

There were three regular meetings and two additional meetings in the period covered by this report (June 2018 to May 2019). Three of the meetings held were inquorate.

The membership of the Committee has been as follows:

Member	Title	Attendance
Miles Carter	Locality Clinical Director	2/5
Roger Dickinson (Chair)	Lay Vice Chair	5/5
Duncan Smith	Lay member	5/5

The following officers of the CCG attended the Committee during the year: Director of Finance and Director of Governance. In addition, the CCGs Internal Auditors (RSM), external Auditors (Ernst and Young) and Local Counter Fraud Specialists (RSM) attended to present the results of their work during the year.

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.
- The IM&T strategy and main programmes of work including development of an understanding of data quality. This led to inclusion of a data quality overview in the CCG Performance reports.
- The Annual Governance Statement as part of the review of the draft Annual Report (April 2018) 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 Service.
- Conflict of Interest Policy

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. Audits completed:
 - Collaborative Working
 - Risk Management and Assurance
 - Saving Plan Delivery
 - Conflicts of Interests
 - Continuing Care (Draft)
 - Data Security and Protection Toolkit including GDPR actions
 - Incident Management and Cyber Security Follow Up (Draft)
 - Clinical Governance
- 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 e.g. CSU/Payroll Service Auditor reporting

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 April 2018.

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 on 21 February 2019. The Committee held two special meetings: the first on 18 April to consider the draft accounts and annual report before submission and another on 22 May 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 21 May 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 were 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 April 2019; the answers were consistent and actions from 2018 had been taken forward where possible in the fast changing development of the Oxfordshire healthcare system. 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. During the year the Committee also:

- Introduced and complied with new CCG financial planning, control & governance self-assessment
- Reviewed the Management of Conflicts of Interest Policy and its implementation
- Reviewed the Scheme of Delegation (including the inclusion of a new Executive Committee) before approval by the Board

The Committee would also like to record the benefit of now having a formally constituted Executive Committee of the Board to provide the other committees of the Board additional assurance on the activities and decisions of management. Close working relationships and cooperation between the Audit and Finance Committees of the Board has been facilitated by lay members sitting on both committees. The Committee regrets the loss of a similar arrangement with the Quality Committee arising from the loss of one lay member in 2017.

Conclusion

The Committee has complied with its terms of reference during 2018/19. It has:

- Received and approved the external auditors (Annual Audit Letter) ISA260 for 2018/19
- Reviewed the Head of Internal Audit Opinion for 2018/19 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 2018/19
- 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

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:

- developing closer working relationships with the Board Committees of the other bodies involved in the developing Oxfordshire Integrated Care System (ICS) working and integrated commissioning to enable better governance and monitoring of performance and to gain further assurance;

- inputting to and taking an overview of the emerging ICS governance framework and keep major decisions relating to service proposals for investment or service changes under review as part of the development of governance arrangements to underpin the ICS;
- developing comprehensive reporting across the OCCG and across the Oxfordshire integrated care system, bringing together finance, performance, quality and outcomes, if the parties to the ICS are going to effectively and comprehensively monitor performance of the Oxfordshire system to meet the requirements of their respective statutory duties and review post implementation reports on use of resources and the realisation of agreed benefits;
- ensuring there is regular review of the CCG risks by management and support the commissioning by the Health and Wellbeing Board of an ICS system risk assessment process.
- strengthening governance on using Verto throughout the OCCG and across the Oxfordshire integrated care system (ICS) in relation to business case approval, investment decisions and benefits;
- strengthening governance and the monitoring of the development and security of IT and business intelligence systems to support and underpin the ICS activities;
- Monitoring the introduction, implementation and use of healthcare technologies across the ICS
- gain 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.

Roger Dickinson
 Chair of Audit Committee
 Oxfordshire Clinical Commissioning Group
 16 May 2019