

Agenda Item 14: Item 14e

Meeting: BOB Governing Bodies in Common
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Date of Meeting	10 June 2021
Title of Paper	Audit Committee Annual Report 2020/21
Lead Director	Roger Dickinson – Chair of Audit Committee
Author(s)	Roger Dickinson – Chair of Audit Committee
Paper Type	<ul style="list-style-type: none"> The Report is for noting
Action Required	The Governing Bodies members are asked to note the Report

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 2018/19 was submitted to the OCCG Audit Committee to provide assurance that the Audit Committee is operating effectively and in accordance with the terms of reference.

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

Annual Report from the Audit Committee June 2020 to May 2021

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.

During the reporting financial year 2020/21 the COVID-19 pandemic has continued; the scale of pandemic and the challenges faced by the NHS over the past 12 months has been unparalleled. The pandemic has had a significant impact on public sector resources; the OCCG has been under considerable pressure, with new and changing working arrangements affecting teams across the CCG and its partners to varying degrees.

During the past year all the CCG resources have been focused on the response to the COVID-19 pandemic and the oversight of the Audit Committee and other committees of the CCG Board have been, with the agreement of those committees, restricted to the essentials. Although meetings were suspended in Quarter 4 due to the urgency of the CCG pandemic response, the relevant assurance pack was circulated to the committees

This report was considered at the Audit Committee meeting on 27th May 2020 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 in the last year.

Membership and meetings

There were five on-line meetings in the period covered by this report (June 2020 to May 2021).

The membership of the Committee has been as follows:

Member	Title	Attendance
Roger Dickinson (Chair)	Lay Vice Chair	5/5
Duncan Smith	Lay member	5/5

The Committee continues to believe that as the CCG is a member-led organisation there is significant benefit in having a clinical representative on each of the Committees of the Board and recommends that this is carried forward into the new ICS.

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 agree activity and 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 Board and the Chief Executive, 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 Information Governance Report providing assurance to the Audit Committee in relation to organisational compliance for Information Governance (IG), Data Security and Protection and Confidentiality
- The Matrix of NHS Oversight Metrics – a self-assessment demonstrating where NHS mandated oversight is carried out across the CCG Board and Committees
- Joint Commissioning Executive (JCE) Governance Project. The CCG was involved in a project to bring CCG and Oxfordshire County Councils (OCC) staff structure together in relation to commissioning. This proposed moving the governance of Section 75 agreements away from the current joint management and towards sitting with OCC with clinician involvement. The new JCE was implemented in March 2021. The JCE Terms of Reference did not formally come to the Audit Committee but was approved by all the Audit Committee members at the Finance Committee meeting on 18th March 2021.

- The Annual Governance Statement as part of the review of the draft Annual Report (May 2021) 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.
- Six internal audits were reported to the Audit Committee during 2020/21 – there was an improvement on last year with five were assessed as providing reasonable assurance and one (on Financial Governance Arrangements) providing substantial assurance. In the audits shown as providing reasonable assurance, controls were found to have been adequately designed and generally well applied to mitigate the associated risks to the CCG. However, some control weaknesses were identified, and the actions will be implemented by the CCG.
- Two advisory reviews were also undertaken in respect of Cyber Security and Governance – Alignment of Arrangements. The former did not identify any significant issues and the latter identified that the work in aligning the governance of the three CCGs was underway despite the impact of the pandemic with workstreams identified; director objectives documented; and draft terms of reference and “in common” working proposed for the Board Committees of the three CCGs.
- Ensuring that an appropriate relationship with internal auditors was maintained;

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.
- Reviewing all external audit reports, including the report to those charged with governance and agreement of the annual audit letter before submission to the Board
- 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.

Staff are encouraged to report any suspicions of fraud to our accredited Local Counter Fraud Specialist (part of the Internal Audit team) which are then investigated in accordance with the CCG's Counter Fraud policy. The independent LCFS reports regularly to Audit Committee on its programme of work and keeps the Committee abreast of issues raised by NHS Protect and more widely in the UK.

Of particular concern is the potential for fraud during the COVID 19 pandemic with rapid decisions being made. All staff have been notified of the potential risks and what to be particularly aware of.

During 2020/21 there have been seven allegations of fraud (1 in 2019-20 which was dealt with internally). Of these, three had not resulted in any financial loss to the CCG and have been closed and one remains extant. The extant allegation is that a personal carer providing services to a CHC client had claimed for time not worked.

There have been no other allegations investigated by the LCFS. Where allegations are investigated, and fraud is not proven, reports would be issued detailing action taken and highlighting systems weaknesses, where found.

Financial reporting

The Committee reviewed accounting policies and the arrangements and timetable for closing the accounts and Month 9 draft accounts on 23rd February 2021.

The Committee held two special meetings: the first on 24th April to consider the draft accounts and annual report before submission and another on 27th 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 10th June before submission to NHS England. In accordance with the Scheme of Delegation approval for minor changes between papers and the final submission date 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

In view of the OCCG involvement in the response to the pandemic, it was considered that a self-assessment of the reduced Audit Committee working would not be of value. At the previous assessment the Committee was considered fully compliant with best practice in this area, as it was properly constituted; reports regularly to the Board; members have sufficient experience and knowledge; and it prepares an annual report.

The operation of a formal Executive Committee of the Board - and the circulation of its papers during the pandemic - has provided 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 continues to regret the loss of a similar arrangement with the Quality Committee. Cross-committee membership was recommended as a way forward for the new ICS to ensure broader insight by lay members and provide succession planning.

The additional activities the Committee planned to monitor during the year have been affected primarily by the pandemic constraining normal working across the OCCG, the Oxfordshire providers and Oxfordshire County Council; but also, in the pandemic

environment, the roll out of Primary Care Networks across the county and the development of the BOB ICS.

However, though the Committee has had a limited overview of the emerging ICP and BOB ICS governance frameworks, it has, together with the Board and the other Committees of the Board, had oversight of major decisions relating to service proposals for investment or service changes under review as part of the development of both.

Also, the development and security of IT and business intelligence systems and the introduction, implementation and use of healthcare technologies across providers and GP practices across Oxfordshire has been significantly accelerated to address the pandemic to the benefit of all stakeholders.

The Committee has complied with its terms of reference during 2020/21. It has:

- Received and approved the external auditors Annual Audit Letter for 2020/21
- Reviewed the Head of Internal Audit Opinion for 2020/21 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 2020/21 and the Going Concern Statement
- 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

Looking Forward

OCCG remains the statutory commissioning organisation for commissioning health services in Oxfordshire, however in February 2021 the Department of Health and Social Care published a white paper that included a broad set of proposals for legislation which will be introduced to parliament later this year with a view that they will be enacted ahead of March 2022.

The white paper proposes putting each ICS onto a statutory footing and has described the governance at system level. The core CCG functions will be subsumed by the ICS. While there is much that will be defined in guidance and legislation later in 2021 it is likely that a new commissioning organisation will be created across Buckinghamshire, Oxfordshire & Berkshire West. In the meantime, the three CCGs remain separate statutory bodies. However, OCCG must organise itself so that it is able to deliver the CCGs functions effectively and efficiently in 2021/22 whilst also planning the transition of these functions to the new ICS body. This work has already started by reviewing the governance arrangements across the BOB ICS.

The Prime Financial Policies of all three BOB CCGs were reviewed as part of the work to align the three BOB CCGs' processes and governance. It was agreed by Audit Committee chairs that no material changes were needed that required immediate action until a new set of PFPs are agreed for the ICS as a whole. Until then each CCG continues to operate under their current PFPs, Scheme of Delegation and Standing Orders. Preparations have been made to move to Committees in Common across the BOB CCGs in May 2021 for most of the Committees. The intention is that Audit Committees for the BOB CCGs will move to working as Committees in Common in July 2021 following completion of the 2020/21 Audit process.

It should be noted that provider organisations across BOB are being asked to recover to

85% of 2019/20 levels of activity in the first half of 2020/21 so waits are likely to continue to build. The requirements to be set by NHSE for the second half of the year are also expected to be very challenging.

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 has rolled forward the following objectives into 2020/21:

Buckinghamshire, Oxfordshire, Berkshire Integrated Care System (BOB ICS):

- Manage and facilitate the integration of governance oversight across the BOB ICS through the creation and operation of committees-in-common in the period leading up to a formal merger of BOB CCGs to ensure **statutory compliance, constitution, So, SFIs, policy and procedures are not compromised.**
- Demonstrate that within the statutory constraints, **the CCG working as efficiently and effectively as possible with its BOB partners** to underpin the single Accountable Officer and management team.

Oxfordshire Integrated Care Partnership (ICP) – Place based activity:

- Monitoring with other Committees of the Board the evolving development and integration of PCN and PCN network systems:
- Monitor and contribute to the developing governance and oversight processes of the Oxfordshire ICP:
- **All to provide assurance to the Board that the systems of integrated governance, risk management and internal control are working effectively.**

Covid-19 Pandemic:

- Ensure any changes to leadership and operational arrangements do **not compromise OCCG SO and SFIs over the Covid-19 pandemic**, through testing clear and transparent management arrangements and proper documentation.
- During the Covid-19 pandemic, the risk of fraud and corruption increases. Maintain a programme of cost-effective proactive testing based on a risk-based approach, to enable the **Audit Committee to provide assurance to the Board that the increased risk of fraud or corruption has been managed effectively.**

Roger Dickinson
Chair of Audit Committee
Oxfordshire Clinical Commissioning Group
27th May 2021