

**Wolverhampton Clinical Commissioning Group**  
**Audit and Governance Committee**

Minutes of the meeting held on 23<sup>rd</sup> February 2016 commencing at 11.00am  
In Main Meeting Room, Science Park, Wolverhampton

**Attendees:**

**Members:**

Mr J Oatridge	Chairman
Mr P Price	Independent Lay Member
Mr L Trigg	Independent Lay Member

**In Regular Attendance:**

Mr J Kelly	Local Counter Fraud Specialist, WMAS (part meeting)
Mr C Larby	Deputy Head of Audit and Assurance, WMAS (part meeting)
Mr P McKenzie	Corporate Operations Manager, WCCG (part meeting)
Mr G Mincher	Internal Audit, WMAS (part meeting)
Mr H Rohimun	Executive Director, E&Y LLP
Mrs C Skidmore	Chief Finance and Operating Officer, WCCG
Mr M Surridge	Senior Manager, E&Y LLP
Mrs H Pidoux	Administrative Officer, CCG

**In Attendance**

Mrs S Southall	Head of Quality and Risk, WCCG (part meeting)
Mrs M Tongue	Head of Financial Resources, WCCG (part meeting)
Mr N Mohan	Counter Fraud Senior Manager, PWC
Mrs J Watson	Internal Audit Manager, PWC (part meeting)

**Apologies for attendance:**

AGC/16/01 Apologies for absence were submitted by Ms A Breadon.

**Introduction to PWC, Internal Auditors from 2016/17**

AGC/16/02 The Chair welcomed Mrs Watson and Mr Mohan to the meeting and informed the Committee that PWC had successfully bid to provide the CCG's internal audit and local counter fraud services from 1<sup>st</sup> April 2016.

Mr Mohan shared with the meeting an introductory report and explained that transitional arrangements have been put in place with the existing auditors. An introductory meeting and discussions have taken place with Mrs Skidmore and regular meetings have been arranged going forward. A meeting is also planned with the Chief Officer.

It has been arranged for PwC to attend the April CCG staff meeting and it is planned to meet with the Chair of the AGC. A draft plan internal audit/counterfraud plan will be brought to the AGC April meeting.

Mrs Skidmore reported that she felt that the meeting with PWC was constructive and focused on the practicalities of the handover period. She stated that she will continue to work with WMAS to close down for year end.

Resolved: The Committee noted the contents of the introductory report and the process for the transitional period.

### **Declarations of Interest**

AGC/16/03 There were no declarations of interest.

### **Minutes of the last meeting held on 20<sup>th</sup> October 2016**

AGC/16/04 The minutes of the last meeting, both private and public were agreed as a correct record.

### **Matters arising (not on resolution log)**

AGC/16/05 There were no matters arising.

### **Resolution Log**

AGC/16/06 The resolution log was discussed and it was noted that all items were on the agenda

*Mrs Watson left the meeting.*

*Mr Larby, Mr Mincher and Mr Kelly joined the meeting.*

### **Chief Internal Auditor Progress Report**

AGC/16/07 Mr Larby asked the Committee to consider the current status and outcomes review contained in the report. He explained that the report shows progress against the agreed plan which is shared on a monthly basis with Mrs Skidmore with an update brought to this Committee.

The overall internal audit opinion of 'requires improvement' following IT penetration testing was considered. Management actions have been taken away and a range of improvements to increase robustness will be implemented. A phishing email was only accessed by one person and this is being dealt with on an individually basis. Assurance was given that the CCG website is unlikely to be directly compromised. It was noted that the penetration test was limited to the website, however, there are safeguards in place to protect other systems used by the CCG.

Mr Oatridge asked that progress against the audit plan is considered so that reports are received by the AGC more evenly throughout the year and

not all at the year end meeting. Mrs Skidmore agreed to pick this up with PwC as part of the planning process for 2016/17.

RESOLUTION: The Committee;

- noted the updates given.
- Mrs Skidmore to discuss the timetable for presentation of reports to AGC to ensure a more even spread of reports throughout the year with PwC.

### **Management Action Plan Update**

AGC/16/08 Mr Mincher reported that the outstanding actions were taken to the Senior Management Team for consideration on 9<sup>th</sup> February. 3 items were given a revised implementation date including Medicines Optimisation which forms part of a larger piece of work.

RESOLUTION: The Committee:

- Noted the contents of the report and current position.

### **Draft Head of Internal Audit Opinion**

AGC/16/09 Mr Larby explained that the purpose of the paper was to provide an annual opinion, based upon and limited to the relevant Internal Audit work performed, on the overall adequacy and effectiveness of the organisation's risk management, control and governance processes. As previously brought to the Committee's attention, in accordance with guidance from the Department of Health and NHS England (NHSE), the report has been prepared for submission to the latter by 22<sup>nd</sup> February 2016.

Mr Larby reported that his overall opinion to date is Significant Assurance, which is underpinned by domain opinions. There is outstanding work to be completed which will feed the opinion, however, it is not anticipated that this will cause the overall opinion to change.

It was noted that this is the first time that a draft opinion has been required by NHSE prior to the year end. A final version and will be brought to the April meeting for review as part of the suite of documents for year end.

RESOLUTION: The Committee:

- Noted the contents of the report and the overall opinion of 'Significant Assurance'.
- Final version to be received at April meeting.

### **Draft Internal Audit Plan 2016/17**

AGC/16/10 As previously noted, introductory report from PwC was considered.

RESOLUTION: An update report to be brought to the April meeting.

## **Local Counter Fraud Specialist (LCFS) Progress Report**

AGC/16/11 Mr Kelly reminded the Committee that it had previously been agreed that a proactive exercise looking at the possibility of care homes continuing to submit invoices for patients that are deceased should be carried out. However, NHSE have confirmed that it is not possible to share patient data, therefore, it is not possible to conduct the proposed proactive exercise.

Mr Oatridge queried how the issue was being addressed regarding the payments being made. Mrs Skidmore reported that the CHC Team have good relationships with homes which enables good communication and there are also checks and balances within current process which give assurance that the risk is minimised as far as possible.

Following discussions with Mrs Skidmore it was agreed that a proactive exercise will be undertaken to verify the pre-employment checks undertaken on clinical staff. This will include verification of NMC registration.

A LCFS enquiry in Staffordshire and Surrounds CCG has raised issues which may affect the wider NHS including Wolverhampton CCG relating to Market Forces Factor. This will be discussed by Mr Kelly with Mrs Skidmore.

Mr Kelly reported that from April 2016 there will be some amendments to the Self Review Tool standards for commissioners. The main change is that providers no longer have to provide the CCG with proof that the Operational Crime Profile has been completed. This is now covered in the standard contract.

RESOLUTION: The Committee noted the updates in the report.

## **Anti-Fraud, Bribery and Corruption – Fraud Sanctions and Redress Policy**

AGC/16/12 Mr Kelly asked the Committee to consider and approve the new Policy which relates to the application of Sanctions and Redress against anyone that commits fraudulent acts against the CCG. He stated that the policy has been developed in line with NHS guidance and with the support of Mr McKenzie.

The reporting process was discussed and it was agreed to clarify this within the policy.

An amendment to the related policies section was noted as follows;

- Standing Financial Instructions to be changed to Prime and Detailed Financial Policies.
- 'Fraud Sanctions Policy' to be removed.

The dissemination of the policy once ratified was raised and it was confirmed that this would follow the CCG's normal procedures for

sharing policies and would also be included in the Local Counter Fraud newsletter.

RESOLUTION: The Committee approved the policy with the caveat that the noted amendments are made.

### **Fraud, Bribery and Corruption Standards for Commissioners, Self Review Tool (SRT) and CCG Work plan**

AGC/16/13 Mr Kelly informed the Committee that these have been updated since the last Committee meeting. The Work plan is on track with the staff survey and pre-employment checks proactive exercise to be completed by the end of March.

It was confirmed that the Local Counter Fraud Opinion will be brought to the Committee's April meeting.

Mr Price raised a query regarding standard 4.4 under Hold to Account of the work plan. It was clarified that this cannot be reduced from a Red rating until the CCG has an incident to investigate.

RESOLUTION: The Committee noted the contents of the report.

### **Draft Counter Fraud Plan**

AGC/16/14 As previously noted, introductory report from PWC was considered.

RESOLUTION: An update report to be brought to the April meeting.

### **External Audit Progress Report**

AGC/16/15 Mr Surridge reported that following the initial Audit Planning Report shared at the October meeting, further guidance has been received from the National Audit Office on the new approach to the value for money conclusion and the Audit Plan has been refreshed.

The four key areas under review are;

1. The local health economy, including adult social care, and in particular the outcome measures of the Better Care Fund and the extent to which the CCG's arrangements are impacted by the financial challenges faced by Wolverhampton City Council and Royal Wolverhampton Hospitals NHS Trust.
2. The work and reports of regulators, such as the Care Quality Commission and NHS England.
3. Year-end financial performance and the achievement of statutory financial reporting measures.
4. The outcome of other aspects of assurance work, such as Head of Internal Audit's opinion.

Mr Trigg asked for an explanation around how the CCG is achieving the planned surplus by utilising reserves and Mrs Skidmore clarified the position.

Mr Oatridge asked whether the final report could consider how much reliance is placed on by 3<sup>rd</sup> party/service auditor reporting. It was agreed that this would be considered by the External Auditors and shared with members of the Committee.

*Mrs Southall joined the meeting.*

RESOLUTION: The Committee

- noted the update
- noted the scope of the external audit plan
- EY to share with the committee how much reliance is placed on by 3<sup>rd</sup> party/service auditor reporting and include in their report.

### **Risk Register Reporting/Board Assurance Framework**

AGC/16/16 Mrs Southall presented the Committee with a summary of red risks and risk scores as at the end of Quarter 3. She gave an overview of the current red risks and the 4 new red risks added since the last report. It was noted that 4 risks have been downgraded to amber and one risk closed.

Mrs Southall reported that the Risk Management Strategy is under review and a consultation process has commenced. The aim of the review is to improve process, systems and reporting.

Mr Oatridge asked whether the degree of movement was indicative of genuine active management. Mrs Southall stated that the risks are regularly discussed with the Senior Management Team and it was felt that they are appropriate. She commented that management handling of risk is improving and risks are quickly identified; however, there is a need to promote improved proactive recording of changes to risk status.

Mr Price suggested benchmarking against other CCGs. Mrs Southall stated that she was not aware of this but would look into it.

The possibility of linking management of risks with personal objectives was raised. It was considered a possibility and it was thought that there was now better ownership of risk at team level.

Mrs Southall reiterated that work to relaunch the Strategy would include supporting staff to address risks and manage them with confidence.

It was agreed to consider having a Deep Dive from the risk register on a quarterly basis going forward.

RESOLUTION: The Committee noted

- the contents of the report and actions being undertaken.
- consideration of a Deep Dive from the Risk Register on a quarterly basis.

*Mrs Southall left the meeting*

### **Annual Governance Statement (AGS)**

AGC/16/17 Mr McKenzie shared with the Committee an overview of the initial considerations and work being undertaken to prepare the Statement for 2015/16.

He reported that work is ongoing to update the CCG's self-assessment against the UK Corporate Governance Code as part of reference for best practice. A paper was circulated at the meeting for information.

It was confirmed that the Chief Officer has overview of the AGS as it stands. Mrs Skidmore has considered the document and given her comments. It has not yet been shared with the Senior Management Team.

RESOLUTION: The Committee

- noted the current draft.
- to consider the document and forward any comments to Mr McKenzie
- an updated draft will be brought to the April meeting.

### **Committee Annual Report**

AGC/16/18 Mr McKenzie explained that the approach to the report was similar to the one taken last year. The responsibilities of the Committee from the Terms of Reference will be shown as themes to give an overview of the work of the Committee.

The following points were noted;

- It was agreed to add to the report (item 2.1.8) that deep dives have been piloted and this approach will be adapted as regular business.

*Mrs Tongue joined the meeting.*

- Auditor Panels (item 2.11) to be updated to state that a decision is required by December 2016 for the new audit arrangements to be in place by 2017/18.
- Accounting matters – need to reflect the need for a Pooled Budgets Policy in the CCG's accounts for this year.

RESOLUTION: The Committee;

- noted the contents of the draft report
- agreed to raise any comments with Mr McKenzie

- requested that the CCG's Chief Officer and Chair were invited to attend the April and May meetings of the Committee.

### **Review of Conflict of Interest Policy**

AGC/16/19 Mr McKenzie presented the reviewed policy to the Committee stating that only minor changes have been made and these were summarised in the report.

Further guidance is due to be issued by NHSE in April and this will be reviewed once issues with a view of further updating the policy if required.

RESOLUTION: The Committee;

- Considered the Policy and the minor changes made
- Recommends the revised Policy to the Governing Body.

*Mr McKenzie left the meeting.*

### **Auditor Panel**

AGC/16/20 Mr Skidmore updated the Committee on progress to date regarding the creation of an Auditor Panel and asked that the draft terms of reference be considered and formal support given.

Mrs Skidmore reported that an informal agreement has been made between local Chief Finance Officers to share the administration arrangements for the procurement process. Each CCG will choose their preferred provider and have separate contracts however, interviews will be held in one central location with CCGs attending.

A concern was raised regarding the quoracy arrangements for the Panel. It is proposed that the Chair of the Panel is the same as the AGC. The Chair is the only member of the Governing Body on the Panel. Quoracy requires at least one Governing Body member at the meeting, therefore if the Chair is not in attendance this cannot be achieved. It was agreed that this was a risk that could be dealt with as if the Chair is unavailable for a length of time provision could be made from the current Governing Body membership.

A conflict of interest for internal and external auditors was considered and it was noted that there was a conflict for the Ernst and Young. PwC would not have a conflict as they are ineligible to bid due to their current contract with the CCG as internal auditors. It was clarified that reports from the Audit Panel would go to the Governing Body and not the AGC.

RESOLUTION: The Committee;

- noted the contents of the report.
- Forward the Terms of Reference for the Committee for final approval by the Governing Body in March.
- first auditor Panel to be held on 19<sup>th</sup> April 2016



### **Final Accounts and their preparation plan**

AGC/16/21 Mrs Tongue advised the Committee of the outcome of the Month 9 interim accounts process and reported that only a couple of minor issues occurred which will be fixed by year end.

She explained that the process and timescales are similar to last year. The main concern is assurance around the transition between Midlands and Lancashire CSU and Arden and Gem CSU following the recent procurement outcome. The transition period goes over the year end process. Mrs Tongue reported that she has been informed that the CCG will be supported by the same finance team members as last year and assurance was taken from this. A meeting is also taking place with the leading finance contact at Arden and Gem CSU to discuss the transition.

As the Local Authority works to different reporting timescales to the CCG there is a concern as to when their information relating to pooled budgets will be received. A meeting is to be held to raise this with them.

It was confirmed that the CCG submitted its Month 9 financial statements to NHSE ahead of the deadline. The template included all mandatory information at month 9 and additional, optional information which the CCG chose to include. As yet, no feedback has been received from NHSE.

RESOLUTION: The Committee

- noted the outcome of the Month 9 Interim Accounts Process
- noted that a potential issue re CSU transition was recognised and addressed

### **Losses and Compensation Payments – Quarter 3 2015/16**

AGC/16/22 The CCG has not recorded any losses during quarter 3 of 2015/16 and has not made any special payments during the same time period.

RESOLUTION: The Committee noted the contents of the report.

### **Suspension, Waiver and Breaches of SO/PFPs**

AGC/16/23 There have been no suspensions of SO/PFPs. The four waivers raised have been dealt with appropriately.

RESOLUTION: The Committee noted the contents of the report.

### **Receivable/Payable Greater Than £10,000 and over 6 months old**

AGC/16/24 The Committee noted that as at 31<sup>st</sup> December 2015 there were;

- 1 sales ledger invoice greater than £10k and over 6 months old
- 8 purchase ledger invoices greater than £10 and over 6 months old- these relate to NHS Property Service which are a national issue.

RESOLUTION: The Committee noted the contents of the report and updates given.

**Financial Control Environment Assessment (FCEA)**

AGC/16/25 Mrs Skidmore stated that the report was shared with the Committee to provide an update on progress in delivering the FECA metrics.

RESOLUTION: The Committee noted the update.

**Any other business**

AGC/16/26 There were no items raised under any other business.

**Date and time of next meeting**

Tuesday 19<sup>th</sup> April 2016 at 11.00am in the CCG Main Meeting Room, Science Park

**Signed:**

**Dated:**