

GOVERNING BODY REPORT

1. **Date of Governing Body Meeting:** 17th May 2018
2. **Title of Report:** Audit Committee Report
3. **Key Messages:**

This report provides an overview of the key items of business from the Audit Committee meeting held on 19th April 2018. The key items for the governing body to note are:

 - Submission of the Information governance toolkit at the required 91% compliance
 - Progress with the 2017-18 internal audit plan
 - Agreement of the 2018-19 internal audit plan by the Audit committee
 - The Director of Internal Audit Opinion provides *Moderate* assurance
 - The update on the statutory audit by the external auditors
 - The agreement of the 2018-19 anti-fraud plan
4. **Recommendations** The governing body is asked to:
 - note the key items of business discussed and decisions made at the Audit Committee on 19th April 2018, including approval of the 2018/19 internal audit and anti-fraud plans.
5. **Report Prepared By:** Debbie Bryce
Head of Governance

Alignment of this report to the clinical commissioning group's corporate objectives	
Corporate objectives	Alignment of this report to objectives
We will deliver financial sustainability for the health economy providing value for money for the people of West Cheshire	The audit committee ensures that there are sound systems of governance in place to support delivery of financial duties.
We will improve patient safety and the quality of care we commission by reducing variation in standards of care and safeguarding vulnerable people	
We will support people to take control of their health and wellbeing and to have greater involvement in the services we commission	
We will commission integrated health and social services to ensure improvements in primary and community care	
We will commission improved hospital services to deliver effective care and achieve NHS constitutional targets	
We will develop our staff, systems and processes to more effectively commission health services	The audit committee ensures that there are sound systems of governance in place to support delivery of financial duties.

Alignment of this report to the governing body assurance framework

Risk No	Risk Description	Assurance / mitigation provided by this report	Proposal for amendment to risk as a result of this report (revised risk description, revised mitigation or scoring)
3	Failure to embed systems and processes of good governance.	The audit committee ensures that the clinical commissioning group has adequate systems of governance and internal control. The report to the governing body provides assurance from both internal and external auditors.	No change.
4	Failure to embed sound systems of information governance.	The audit committee report demonstrates progress on compliance with information governance requirements.	No change.

NHS WEST CHESHIRE CLINICAL COMMISSIONING GROUP GOVERNING BODY AUDIT COMMITTEE REPORT

PURPOSE

1. The purpose of this report is to provide the governing body with an overview of the key items of business at the Audit Committee meeting held on 19th April 2018.

BACKGROUND

2. As a formal committee of the governing body, the purpose of the Audit Committee is to:
 - a. Provide assurance to the Governing Body that its systems of governance, risk management and internal control are effective and are being maintained across the organisation;
 - b. Monitor compliance with the Clinical Commissioning Group's constitution and other principal policies, including the group's policies on conflicts of interest, whistle blowing and counter fraud arrangements;
 - c. Advise the governing body on internal and external audit services;
 - d. Make recommendations to the governing body in respect of:
 - The schedules of losses and compensations;
 - The annual financial statements;
 - Suspension of standing orders;
 - The Scheme of Reservation and Delegation.
3. The key issues discussed at the April 2018 Audit committee are summarised in the paragraphs below.

INFORMATION GOVERNANCE

4. A representative from Midlands and Lancashire Commissioning Support Unit (MLCSU) provided an update on our information governance arrangements. The committee considered the following issues:
 - The clinical commissioning group's information governance (IG) toolkit was submitted with the target reached at 91%.

- Work is continuing to ensure compliance with the forthcoming General Data Protection Regulations, from 25th May, 2018, and assurances were received from MLCSU that this work is on track.
- A root cause analysis has been completed for a Level 2 information governance breach which was declared to the Information Commissioners Office. The breach involved MLCSU sharing some of our data with other clinical commissioning groups. The audit committee considered the root cause analysis and the actions MLCSU had taken, along with lessons learned.

INTERNAL AUDIT

5. Mersey Internal Audit Agency (MIAA) provided an update in respect of assurances, key issues and progress towards delivery of the 2017/18 internal audit plan. Since the previous meeting of the Audit Committee the following reports have been finalised:
 - Contract Management
 - Conflicts of Interest
 - Assurance Framework
 - Information Governance Toolkit
6. It was reported that the contract management audit received limited assurance. The Chief Finance Officer updated on the work in place to overhaul and develop a working, up to date contract repository and ensure contracts are subject to timely and appropriate sign off. The committee were informed that the clinical commissioning group has a new member of staff who is working on these two recommendations as his primary role.
7. In relation to the briefing note on the clinical commissioning group's assurance framework, MIAA reported that, *the organisation's Assurance Framework is structured to meet the NHS requirements, is visibly used by the Governing Body and clearly reflects the risks discussed by the Governing Body.*
8. The audit committee considered the conflict of interest review by MIAA, as commissioned by NHS England. The review showed two partially compliant areas that are being progressed by the clinical commissioning group, which includes the roll out of the on-line conflicts of interest training.
9. The Audit Committee received an audit follow up report from MIAA updating on progress with recommendations from previous audit reports. The Head of Governance updated that these recommendations are being tracked monthly via the audit tracker, which has been refreshed following a meeting between the Head of Governance and MIAA.
10. MIAA presented the draft internal audit plan for 2018-19 to the Audit Committee. The internal audit plan has been drafted following engagement

with the Clinical Commissioning Group's executive team, review of the board assurance framework and consideration of some of the pan-Cheshire assignments and work with the provider partners. The Audit Committee approved the 2018-19 internal audit plan.

11. The Audit Committee considered the Director of Internal Audit Opinion which provided overall *Moderate* assurance. The committee discussed how the opinion was reached in terms of the context in relation to NHS England directions and the recent financial position. The overall opinion will be used within the clinical commissioning group's governance statement within the 2017-18 annual report. The Audit Committee agreed the Director of Internal Audit Opinion.

EXTERNAL AUDIT

12. External auditors, Grant Thornton, presented an overview of the planned scope and timing of the statutory audit our 2018/19 accounts. The significant risks that require special audit consideration were outlined as:
 - The revenue cycle includes fraudulent transactions
 - Management override of controls
 - Operating expenses – purchase of secondary healthcare
13. The external auditors outlined their responsibilities under the Audit Code of Practice in their report to the Audit Committee. The concept of 'materiality' was covered, along with the with auditors being required to carry out sufficient work to satisfy themselves that proper value for money arrangements are in place at the Clinical Commissioning Group.
14. The external auditors assured the Audit Committee that there are no significant facts or matters that impact on their independence as auditors
15. The Audit Findings Report will be presented to the clinical commissioning group in May, 2018, by the external auditors.

COUNTER FRAUD UPDATE

16. The risk-based anti-fraud plan for 2018-19 was presented by the Anti-Fraud Specialist from MIAA which includes core work that takes account of the NHS Counter Fraud Authority's (NHSCFA) Organisational Strategy 2017-2020.
17. The clinical commissioning group's anti-fraud plan includes bi-monthly newsletters, alerts and briefings, an anti-fraud policy staff survey, completion of the NHSCFA self-review tool and preparatory, review and follow-up anti-fraud work. The Audit committee approved the anti-fraud plan for 2018-19.

18. An updated Anti-Fraud, Bribery & Corruption policy was also presented to and approved by the Audit Committee (see separate policy paper to Governing Body).

DRAFT GOVERNANCE STATEMENT FOR 2017-18 ANNUAL REPORT

19. The Head of Governance presented the draft Governance Statement to the audit committee for consideration. Some minor changes were agreed and then it was agreed by the committee that the governance statement could be provided to the external auditors.
20. The Governance Statement will form part of the 2017/18 annual report which will be presented to the May 2018 extraordinary Audit Committee and extraordinary Governing Body meetings.

MANAGING CONFLICTS OF INTEREST POLICY

21. The Audit Committee was asked to consider an updated Managing Conflicts of Interest Policy. The Audit Committee approved the policy (see separate policy paper to Governing Body).

RECOMMENDATIONS

22. The Governing Body is asked to note the key items of business discussed and decisions made at the Audit Committee on 19th April 2018, including approval of the 2018/19 internal audit and anti-fraud plans.

Gareth James
Chief Finance Officer

May 2018