

Annual Report of the Audit Committee For the Year Ended 31 March 2018

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Introduction

The purpose of the report is to provide assurance to the Governing Body that the Audit Committee has carried out its objectives in accordance with its terms of reference for the year ended 31 March 2018. The Committee reviewed its terms of reference on two occasions during the year as part of its effectiveness review and the resultant changes were approved by the Governing Body at its meetings held on 23 May and 21 November 2017.

Role of the Audit Committee

The role of the Audit Committee is to provide assurance to the Governing Body that the CCG's systems of governance, risk management and internal control for clinical and non-clinical activities are effective and being maintained consistently across the organisation.

Composition of the Audit Committee

The Committee operated in accordance with its Terms of Reference (Appendix 1) as amended by the Governing Body as noted above. The Committee met four times during the year and was quorate at all meetings. Committee membership comprises the Lay Member for Audit and Governance (who is also the Chair) the Lay Member for Patient and Public Engagement and the Lay Member who is the Secondary Care Doctor (and also Vice Chair). Quoracy is two Lay members, one of whom should be the Chair or Vice Chair.

In addition other officers have been invited to attend the committee where it is felt that to do so would assist the committee to fulfil its responsibilities effectively. During the year ended 31 March 2018 the following were in attendance:

Chief Operating Officer
Chief Finance Officer
Chief Nursing Officer
Acting Executive for Governance, Patient Safety and Risk
External Auditor representative
Internal Audit representative
Anti-Fraud Officer
Senior Technical and Financial Accountant
Head of Finance and Business Support
Urgent Care Lead for the Fylde Coast
Quality and Performance Specialist from MLCSU

All minutes are taken by the Governing Body Secretary who also maintains the CCG Conflicts of Interest Registers and advises thereon accordingly. In addition the Chief Clinical Officer attended the meeting on 25 May 2017 to present the Annual Governance Statement.

Separate meetings have also been held between the committee members and both external and internal audit without CCG officers being present.

Audit Committee Activities

The Committee activities were in accordance with the agreed Workplan (Appendix 2) which was refreshed at each meeting. The scope of activity during the year was as follows.

Financial Reporting

The Audit Committee complied with all aspects of financial reporting as set out in the Annual Workplan as follows:

At its meeting on 25 May 2017 the committee reviewed the Annual Accounts and Governance Statement and also received the ISA 260 Report from its external auditors. It also received and reviewed at this same meeting the Letter of Representation and Statement of Accountable Officer Responsibilities. The Committee recommended that the Annual Accounts and supporting documents should go forward to the Governing Body and Member Council for approval. These meetings took place on 25 May 2017 where the Annual Accounts were unanimously approved. Throughout the year the committee reviewed and monitored the following:

- Schedule of Waivers
- Revised schedule of Standing Orders and Scheme of Delegation.
- Claims and write-offs, if any
- Progress on Annual Accounts processes
- Service Auditor Reports reviewed
- Technical updates
- Annual Audit letter from KPMG on the 2016/17 audit published on CCG website.

Internal Control and Risk Management

Throughout the year the Committee received reports from both internal and external auditors and senior CCG officers concerned with the adequacy of the systems of internal control. These included:

- Reviewing the risk registers and the Assurance Framework at three of the Audit Committee meetings.
- Review of the Annual Governance Statement presented by the Chief Clinical Officer
- Reviewed the Annual Report of the Medicines Management Group.
- Regular reviews throughout the year of the Register of Interests, Register of Gifts and Hospitality and Corporate Sponsorship Register
- Regular review and update of this Audit Committee Workplan.
- Regular reviews of the Governance Workplan and oversight of the effectiveness reviews of all Governing Body main Committees, which have now moved to a two year review cycle, unless the committee has significantly altered its terms of reference or ways of working.
- Received a presentation on a Risk Profiling Tool which in turn led to the development of a Governing Body training session on Risk Awareness.

External Audit

The external auditors, KPMG, were appointed by the CCG Auditor Panel for a period of two years with effect from 1 April 2017 at an annual fee of £45,000 excluding VAT fixed for this period. As the term of office for the appointment of the External Auditors will come to an end on 31 March 2019, it will be necessary to re-establish the CCG Auditor Panel during the next few months in order for that Committee to consider the alternatives for the ensuing years.

In addition to the Annual Accounts work referred to under the Financial Reporting Section of this report our external auditor also reviewed:

- The extent and adequacy of the internal audit work programme.
- Regularly presented and discussed their Health Technical Update
- Considered the adequacy of the Service Auditor Reports in relation to delegated commissioning and to perform additional testing in relation thereto.

Internal Audit

The Committee has reviewed and considered the work and findings of the internal auditor, Mersey Internal Audit Agency (MIAA) through the year, as follows:

- Discussing and agreeing the nature and scope of the Annual Internal Audit Plan.
- Receiving and discussing the progress reports against the plan.

- None of the reports gave a Limited Assurance opinion.
- Received the Director of Audit Opinion at its meeting on 20 April 2017 which concluded that 'significant assurance could be given that there was a generally sound system of internal control to meet the organisation's objectives'.
- Received technical updates and information on topical training courses for lay members and officers. Regularly reviewed committee effectiveness reports and discussed the development of different assessments for future years.

Other Matters

- Received regular reviews and updates from the Anti-Fraud, Bribery and Corruption Officer.
- Ensured that an 'anti-fraud' culture was embedded throughout the organisation.
- Reviewed and updated the Anti-Fraud, Bribery and Corruption CCG Policy, the Conflicts of Interests CCG Policy, the CCG Whistleblowing Policy and the CCG Sponsorship Policy. All these policies were ratified by the Governing Body at its meeting in November 2017.
- Consider and develop the clinical information received by the Audit Committee, particularly from the Chief Nursing Officer and clinical committees of the CCG.
- Received a presentation on the Provider Trust Profiling Tool from the CSU.
- Regular reviews of current risks facing the CCG, together with a Governing Body session on Risk Appetite.
- Review of presentation made at the NHSE Audit Chairs Conference and its relevance thereof to the Audit Committee Workplan.
- Reviews of Month 9 'closedown' and trading balances.
- Reviews of NHS England Governance Statement (no significant governance issues noted).
- Review of Service Auditor reports for year end and associated additional work needed by external audit.

Conclusion

From the work outlined in this report together with the Internal and External Audit opinions, the Audit Committee can provide assurance to the Governing Body that for the year ended 31 March 2018 the CCG has established effective systems of Governance, risk management and internal control.

Looking ahead

The principle areas of concern for 2018/19 and beyond are the governance structures which are to prevail in the transformation of services across the Fylde and indeed Lancashire. The development of Integrated Care Systems and Multi-Specialty Community providers will create an environment where good governance will provide the foundation for mutual trust and certainty. The 2018/19 workplan of our internal auditors, MIAA, provides for work to be done on this aspect of governance. Joint working across the Fylde area between commissioners and providers will become even more important, particularly with regard to the agreement of control totals between the trading partners.

In addition, the pressure to deliver ever increasing QIPP targets for cost reduction and new ways of working make the financial environment more uncertain than at present. This will necessitate continual vigilance over our internal systems of risk management, control and governance.

This is my last Audit Committee Annual Report as I will be retiring at the end of May 2018. I have enjoyed working at the CCG over the last five years since its inception and have every confidence in the executive and management going forward. Service to the patient is at the heart of all that is done by the CCG. I thank everybody I have worked with and hope my successor enjoys the post as much as I have.

P A Olive
Audit chair

Appendix 1

**NHS FYLDE AND WYRE CLINICAL COMMISSIONING GROUP
AUDIT COMMITTEE OF THE GOVERNING BODY
TERMS OF REFERENCE**

1) CONSTITUTION

- a. The Clinical Commissioning Group's Governing Body hereby resolves to establish a Committee of the Governing Body known as the Audit Committee. The Committee is established in accordance with Fylde and Wyre Clinical Commissioning Group's Constitution, Standing Orders and Scheme of Delegation as approved by the Group's Member Council.
- b. These terms of reference set out the committee's membership, its role, responsibilities and reporting arrangements and shall have effect as if incorporated into the clinical commissioning Group's constitution and standing orders.

2) ACCOUNTABILITY

- a. The committee is accountable to the Governing Body and the Group's Member Council. Any changes to these terms of reference must be agreed with the Governing Body and approved by the Group's Member Council.

3) PURPOSE

- a. The purpose of the audit committee is to:
 - i) provide assurance to the Governing Body that its systems of governance, risk management and internal control for clinical and non clinical activities are effective and are being maintained across the organisation;
 - ii) monitor compliance with the Group's constitution and other principal policies, including the Group's policy on conflicts of interest, whistle blowing and counter fraud arrangements;
 - iii) advise the Governing Body on internal and external audit services;
 - iv) make recommendations to the Governing Body in respect of the committee's reviews of:
 - (1) the schedules of losses and compensations,
 - (2) the annual financial statements
 - (3) suspension of standing orders

4) MEMBERSHIP AND ATTENDEES

- a. The Audit Committee comprises the following voting members who are all members of the Governing Body:
 - i) The Lay member responsible for Audit and Governance
 - ii) The Lay member responsible for Patient and Public Engagement
 - iii) The Secondary Care Doctor
- b. The lay member with responsibility for governance and audit will chair the committee. The Committee Vice Chair is the Secondary Care Doctor who will act in the event that the Chair is unavailable.
- c. There is no provision for deputies to represent voting members at meetings of the committee.
- d. A decision put to a vote at the meeting shall be determined by a majority of the votes of members present. In the case of an equal vote, the Chair of the Committee shall have a second and casting vote.
- e. The following non-voting officers will attend meetings of the committee:
 - i) the Group's Chief Finance Officer;
 - ii) the Group's Chief Nursing Officer
 - iii) the representative of the Group's internal audit service;
 - iv) the representative of the Group's external audit service;
 - v) the Group's commissioned local counter fraud specialist
 - vi) the secretary to the committee
- f. The committee may also extend invitations to other personnel with relevant skills, experience or expertise as necessary to enable it to deal with matters before the committee. The Clinical Chief Officer (Accountable Officer) would normally be invited to attend the committee to discuss the process for assurance that supports the annual governance statement and to discuss the annual accounts.
- g. At least once a year the Committee should have the opportunity to meet privately with the External and Internal Auditors.
- h. The Chair of the Governing Body will not be a member of the Committee.

5) QUORUM

- a. A meeting will be quorate if a minimum of two voting members are present.

- b. A decision put to a vote at the meeting shall be determined by a majority of the votes of members present. In the case of an equal vote, the Chair of the Committee shall have a second and casting vote.

6) MEETINGS

- a. Meetings will be held at least four times a year.
- b. Other meetings may be convened as appropriate to deal with relevant business including meetings via telephone or video conference.
- c. The CCG will nominate a member of staff to act as Secretary to the Committee. Their responsibility will be to assist the Chair in convening meetings, preparing agendas and papers and keeping the minutes of the meeting and generally ensuring that the administrative arrangements for the Committee comply with the standards set by the CCG for the conduct of all meetings.

7) AUTHORITY

- a. The committee is authorised to:
 - i) investigate any activity within its terms of reference and produce an annual work programme to discharge its responsibilities;
 - ii) take responsibility for ensuring compliance with the principles of good governance and the Group's constitution when undertaking its terms of reference;
 - iii) establish and approve the terms of reference of such sub-reporting groups, or task and finish groups as it believes are necessary to fulfil its terms of reference

8) DUTIES

8.1 Governance, Risk Management and Internal Control

- a. The committee shall review the establishment and maintenance of an effective system of integrated governance, risk management and internal control, across the whole of the organisation's activities (both clinical and non-clinical), that supports the achievement of the organisation's objectives.
- b. In particular, the committee will review the adequacy of:
 - i) all risk and control related disclosure statements (in particular the annual governance statement and declarations of compliance), together with any accompanying head of internal audit statement, external audit opinion or other appropriate independent assurances, prior to endorsement by the Governing Body. The underlying assurance processes that indicate the degree of the achievement of the Group's objectives, the effectiveness of

the management of principal risks and the appropriateness of the above disclosure statements;

- ii) the policies for ensuring compliance with relevant regulatory, legal and code of conduct requirements including the policies and procedures for all work related to fraud and corruption as set out in the NHS Standard Contract and as required by NHS Protect.
- c. In carrying out this work the committee will primarily utilise the work of internal audit, external audit and other assurance functions, but will not be limited to these functions. It will also seek reports and assurances from elected members, managers and people working on behalf of the Group as appropriate, concentrating on the overarching systems of integrated governance, risk management and internal control, together with indicators of their effectiveness. This will be evidenced through the committee's use of an effective assurance framework to guide its work and that of the audit and assurance functions that report to it.

8.2 Internal Audit

- a. The committee shall ensure that there is an effective internal audit function that meets mandatory NHS internal audit standards and provides appropriate independent assurance to the committee, Clinical Chief Officer (Accountable Officer) and Governing Body. This will be achieved by:
 - i) consideration of the provision of the internal audit service, the cost of the audit and any questions of resignation and dismissal;
 - ii) review and approval of the internal audit policy and operational plan, ensuring that this is consistent with the audit needs of the organisation as identified in the assurance framework;
 - iii) consideration of the major findings of internal audit work (and management's response);
 - iv) ensuring co-ordination between the internal and external auditors to optimise audit resources;
 - v) ensuring that the internal audit function is adequately resourced and has appropriate standing within the organisation;
 - vi) annual review of the effectiveness of internal audit

8.3 External Audit

- a. The committee shall review the work and findings of the Group's external auditor and consider the implications and response to their work. This will be achieved by:
 - i) consideration of the appointment and performance of the external auditor, the cost of the audit and any questions of resignation and dismissal in so far as the Audit Committee rules permit;
 - ii) discussion and agreement with the external auditor, before the audit commences, of the nature and scope of the audit as set out in the annual plan;

- iii) discussion with the external auditors of their local evaluation of audit risks and assessment of the Group and associated impact on the audit fee;
- iv) review all external audit reports, including agreement of the annual audit letter before submission to the Governing Body and any work undertaken outside of the annual audit plan, together with the appropriateness of management responses;
- v) ensuring that there is in place a clear policy for the engagement of external auditors to supply non audit services.

8.4 Other Assurance Functions

- a. The Audit Committee shall review the findings of other significant assurance functions, both internal and external to the organisation, and consider the implications to the governance of the organisation. These will include, but will not be limited to, any reviews by the Department of Health, the NHS Commissioning Board or regulators/inspectors. In addition, the committee will review the work of other committees within the organisation, whose work can provide relevant assurance to the audit committee's own scope of work.
- b. In reviewing the work of the Quality Improvement, Governance and Engagement Committee, and issues around clinical risk management, the Committee will wish to satisfy itself on the assurance that can be gained from this review.

8.5 Management

- a. The committee shall request and review reports and positive assurances from elected members, managers and people working on behalf of the Group on the overall arrangements for governance, risk management and internal control. The committee shall have full authority to commission any reports or surveys it deems necessary to help it fulfil its obligations.

The committee shall endorse the self-assessment proforma to be used by all Governing Body committees as part of their annual report

8.6 Counter Fraud

- a. The committee shall satisfy itself that the Group has adequate arrangements in place for countering fraud. It shall approve the counter fraud work plan and review the outcomes of the counter fraud work.

8.7 Financial Reporting

- a. The committee shall review the annual report and financial statements before submission to the Governing Body and membership council, focusing particularly on:
 - i) the wording in the annual governance statement and other disclosures relevant to the terms of reference of the committee;

- ii) changes in, and compliance with, accounting policies and practices;
 - iii) unadjusted mis-statements in the financial statements;
 - iv) major judgemental areas;
 - v) significant adjustments resulting from the audit
- b. The committee should also ensure that the systems for financial reporting to the Governing Body, including those of budgetary control, are subject to review as to completeness and accuracy of the information provided to the Governing Body.

8.8 Whistleblowing

The Committee shall review the effectiveness of the arrangements in place for allowing staff to raise (in confidence) concerns about possible improprieties in financial, clinical or safety matters and ensure that any such concerns are investigated proportionately and independently.

8.9 Conflicts of Interest and Gifts and Hospitality

The Committee shall review, at least twice per year, the effectiveness of the arrangements and systems of control governing Conflicts of Interest, declarations of interest and the register of gifts and hospitality. The Audit Committee Chair, in his/her role of Conflicts of Interest Guardian, shall submit to the Committee an annual report on the effectiveness of the systems together with any recommendations for improvements to be made thereto.

9) REPORTING ARRANGEMENTS

- a. The committee will have the following reporting responsibilities:
- i) to ensure that the minutes of its meetings are formally recorded and submitted to the Governing Body;
 - ii) to ensure that conflicts, and declarations of interest are managed in accordance with the Group's policies and procedures and the register of interests reviewed at each meeting
 - iii) to bring to the attention of the Governing Body in a separate report, any items of specific concern which require Governing Body's approval to act;
 - iv) to provide exception reports to the Governing Body, highlighting any key developments /achievements or potential risks/ issues.
- b. the Audit Committee Chair has the responsibility on a quarterly basis to review and sign off the CCG's assurance return – delegated functions..

10 RESPONSIBILITY OF COMMITTEE MEMBERS AND ATTENDEES

- a. Members of the committee have a responsibility to:
- i) attend 75% of meetings, having read all papers beforehand;

- ii) act as 'champions', disseminating information and good practice as appropriate;
- iii) identify agenda items to the secretary fifteen working days before the meeting;
- iv) submit papers for distribution at least ten working days before the meeting

11 ADMINISTRATIVE ARRANGEMENTS

- a. The Secretary to the Committee will ensure:
 - i. correct minutes are taken, and once agreed by the chair distributing minutes to the members;
 - ii. conflicts of interest are recorded along with the arrangements for managing those conflicts;
 - iii. a record of matters arising is produced with issues to be carried forward;
 - iv. an action list is produced following each meeting and ensuring any outstanding action is carried forward on the action list until complete;
 - v. they provide appropriate support to the chair and committee members;
 - vi. the agenda is agreed with the chair prior to sending papers to members no later than five working days before the meeting;
 - vii. the annual programme of work is up to date and distributed at each meeting;
 - viii. the minutes of the meeting are distributed within five working days of the meeting taking place;
 - ix. the papers of the committee are filed in accordance with the Group's policies and procedures

12 REVIEW

- a. The Committee shall conduct its business in accordance with national guidance, relevant codes of practice including the Nolan Principles and the Conflict of Interest policy, and remain independent from operational matters to retain independence and governance.
- b. The Committee will review its performance, membership and terms of reference annually or sooner if required.
- c. The Committee will review its own effectiveness every two years unless there is any significant change to its remit.
- d. An annual report of its own performance and terms of reference with any recommendations will be submitted to the Governing Body for agreement and to the Group's Member Council for approval.

April 2013

Reviewed and agreed: 24.6.13

Reviewed and agreed: 1.10.14

Reviewed : 1.10.15

Agreed by Governing Body on 19 July 2016

Amended by Audit Committee: 20 April 2017 - Agreed by Governing Body on 23 May 2017

Amended by Audit Committee: 18 October 2017 - Agreed by Governing Body on 21 November 2017

Audit Committee Annual Work Programme - 2017

	Source of report	January	April	May	October
Approve Annual Workplan	Secretary	✓			
Approve Internal Audit Plan	IA	Draft	✓		
Internal Audit Progress Reports	IA	✓	✓		✓
Agreement of External Audit plans and fees	EA	Draft	✓		
Review of External Audit Reports – Progress	EA	✓	✓		✓
Approval of Anti-Fraud Annual Plan	LCFS	Draft	✓		
Anti-Fraud Progress Reports	LCFS	✓	✓		✓
Anti-Fraud Annual Report	LCFS		✓		
Agreement of final accounts timetable and plans	CFO	✓			
Agreement of annual accounts	CFO			✓	
ISA 260 Report to those charged with governance	EA			✓	
Annual Governance Statement	AO			✓	
Director of Internal Audit Opinion	IA		✓		
Annual Audit Letter	EA				✓
CCG Annual Report and Annual Accounts	CFO			✓	
Review Risk Register and/or Governing Body Assurance Framework	CNO	✓	✓	✓	✓
Financial Matters referred from Finance and Performance (allocations, tenders, waivers, losses and compensations)	CFO	✓	✓	✓	✓
Monitor compliance with the Group's constitution and other principal policies, inc, policy on conflicts of interest, whistle blowing and anti-fraud arrangements.	CNO	✓	✓	✓	✓
Review Audit Committee performance, membership and terms of reference	Chair		✓		
Annual Report of the Audit Committee	Chair		✓		
Financial Control Environment Assessment	CFO	✓	✓		✓
Training and Development – Update	Chair/ Secretary	✓	✓	✓	✓
Review CCG Assurance – delegated functions – self certification	CNO	✓	✓		✓
Review registers of interests and register of gifts and hospitality	CNO	✓	✓	✓	✓
Service Auditor Reports	CFO	✓	✓	✓	✓
Review of Internal Audit and External Audit Effectiveness	Chair	✓			
Meetings held in private with Internal Audit, External Audit and Anti-Fraud Service	Chair CFO/	✓	✓	✓	✓
Review matters arising from other committees	Chair	✓	✓	✓	✓

13/1/17