

<b>MEETING DATE:</b>	13 June 2013	 <b>North Lincolnshire Clinical Commissioning Group</b>  <b>REPORT TO THE CLINICAL COMMISSIONING GROUP GOVERNING BODY</b>
<b>AGENDA ITEM NUMBER:</b>	Item 7.7	
<b>AUTHOR:</b>	Therese Paskell	
<b>JOB TITLE:</b>	CFO & Business Support	
<b>DEPARTMENT:</b>	CCG	

## AUDIT GROUP ANNUAL REPORT

<b>PURPOSE/ACTION REQUIRED:</b>	Decisions for Approval
<b>CONSULTATION AND/OR INVOLVEMENT PROCESS:</b>	<i>Audit Group</i>
<b>FREEDOM OF INFORMATION:</b>	Public

<b>1. PURPOSE OF THE REPORT:</b>					
To update the Governing Body on the work of the audit group during the year.					
<b>2. STRATEGIC OBJECTIVES SUPPORTED BY THIS REPORT:</b>					
Continue to improve the quality of services	X				
Reduce unwarranted variations in services					
Deliver the best outcomes for every patient					
Improve patient experience					
Reduce the inequalities gap in North Lincolnshire					
<b>3. IMPACT ON RISK ASSURANCE FRAMEWORK:</b>					
<table border="1" style="display: inline-table;"> <tr> <td style="width: 25%;">Yes</td> <td style="width: 25%;">X</td> <td style="width: 25%;">No</td> <td style="width: 25%;"></td> </tr> </table>		Yes	X	No	
Yes	X	No			
Provides independent assurance around risk control and assurance frameworks					
<b>4. IMPACT ON THE ENVIRONMENT – SUSTAINABILITY:</b>					
<table border="1" style="display: inline-table;"> <tr> <td style="width: 25%;">Yes</td> <td style="width: 25%;"></td> <td style="width: 25%;">No</td> <td style="width: 25%;">x</td> </tr> </table>		Yes		No	x
Yes		No	x		

**5. LEGAL IMPLICATIONS:**

Yes	X	No	
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Challenge whether the organisation has met legal requirements is part of the Audit groups remit

**6. RESOURCE IMPLICATIONS:**

Yes	X	No	
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Audit group provides independent assurance around use of resources in its widest sense

**7. EQUALITY IMPACT ASSESSMENT:**

Yes		No	x
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This is not a policy/procedure/guidance

**8. PROPOSED PUBLIC & PATIENT INVOLVEMENT AND COMMUNICATIONS:**

Yes	X	No	
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Already approved by Audit group

**9. RECOMMENDATIONS:**

The CCG is asked to: -

- Review, challenge and endorse the work of the audit group in accordance with its authorised workplan for the year 12/13.

# **NHS NORTH LINCOLNSHIRE CLINICAL COMMISSIONING GROUP**

## **AUDIT GROUP REPORT FOR THE PERIOD TO 4 JUNE 2013**

### **1 Introduction**

The work of the Audit Committee for NHS North Lincolnshire PCT was assumed by the Humber Cluster Audit Committee (hereafter HCAC), which relied on the work of the CCGs Audit Group.

The aim of the Group is to review and provide assurance to the CCG in respect of:-

- Financial systems;
- Financial information used by the organisation;
- Compliance with law, guidance and Codes of Conduct;
- The arrangements for safeguarding assets, preventing waste and inefficiency and securing value for money;
- Reviewing the adequacy of structures, processes and responsibilities for identifying and managing key financial risks facing the organisation;
- Corporate arrangements for providing assurance and managing risks;
- The delivery of the Value for Money Framework, and associated action plans

and to advise the CCG of the adequacy of the systems of integrated governance, risk management and internal control of clinical and non clinical matters. More details are set out in our Terms of Reference which are aligned to guidance and also NHS Audit Committee Handbook 2010. The Terms of reference were first approved by the CCG at its meeting on 8<sup>th</sup> March 2012.

This annual report is prepared to supplement the written reports and minutes provided throughout the period. It will both look at the review period and the plan for the current year.

The Audit Group has met on 6 times since May 2012. It has sought to develop effective mechanisms for scrutinising risks and controls and provide assurance on all aspects of the CCG business within its remit.

Members of the Group have attended a number of learning events on behalf of the CCG.

The Group sends minutes to the Governing Body for review and Council of Members for information.

### **2 Membership and Attendance**

The Terms of Reference approved by the CCG require 2 lay members and clinical representatives. Quoracy requires 3 members to be present, one of whom must be a clinical representative.

Mr S Shreeve, Associate Non-Executive Director and Paul Evans (from 1.10.12) Lay member have acted as Chair in 12/13. Mr Ian Reekie, Lay member (previously Associate Non-Executive Director) also attends. GP representatives have attended from May 2012.

The Chief Financial Officer and Business Support, the Senior Officer and Assistant SO of Quality and Standards, along with representatives of Internal and External Audit have attended meetings.

### **3 Principle Review Areas**

This report, which follows the guidelines in the NHS Audit Handbook 2010, has been divided into the sections reflecting the key duties of the Committee as delegated to us by the CCG within our terms of reference.

#### **a) Governance, Risk Management and Internal Control**

The period under review has been one of great activity for the CCG. The Group has thus been active in supporting the development of governance of the CCG. In addition the Committee has reviewed the following documents in their various iterations:-

- The CCG constitution, including scheme of delegation and Standing Orders/Financial Instructions
- Inter Practice Agreement
- HCAC locality governance reports

By 5th June the Audit Group has reviewed relevant disclosure statements, in particular the Annual Governance Statement, Head of Internal Audit Opinion and External Audit Opinion.

The Group has reviewed the developing Board Assurance Framework (BAF) for the CCG and other documents in respect of risks during the period under review. The BAF is also presented to meetings of the CCG. The maintenance and management of the key risks and BAFs are the responsibility of management and these matters are considered in depth at the Quality Group. From June 2013 extracts of the Quality Group minutes in relation to risk and the top 5 risks will be reviewed by the Audit Group who provides independent assurance.

#### **b) Internal Audit**

Throughout the period the Group has sought to work effectively with internal audit to review and develop internal control processes for the CCG. We have reviewed progress against the agreed work plan for 2012/13 and have started discussions with regard to the 2013/14 work programme. The Group has received a number of internal audit reports which offer Significant Assurance. Limited assurance reports and action agreed is included in the Annual Governance Statement. We have considered all significant findings of internal audit and wish to note a review of recommendations made indicates that these are generally few in number and most recommendations have been implemented within the timescales agreed. The Audit Group has also reviewed a self-assessment of the internal audit service.

The Group has received regular reports from the Internal Audit Counter Fraud Specialist and note that efforts to promote awareness of counter fraud, and that there were very few matters raised during the period that remain unresolved.

For 13/14 internal auditors ECAC will work in partnership with the Mersey consortium allowing access to further expertise. Early areas of work for 13/14 will be in advising the CCG on financial policies and what assurances from the CSU are required.

#### **c) External Audit**

As the Cluster is the de-facto statutory body for 2012/13 the HCAC has the formal relationship with external auditors.

The External Auditors have attended all meetings of the Group, including private meetings with members.

KPMG took over from the Audit Commission during the year, with a degree of continuity due to retention of key staff. At all meetings we have received and discussed verbal and written

reports from KPMG. However due to the timing of the writing of this report the formal audit conclusions for 2012/13 accounts are awaited.

Capita have sent their final report on PbR data assurance to be reviewed at the next meeting.

#### **d) Financial Reporting**

The Group has reviewed the annual financial statements before submission to the CCG, Auditors and Department of Health and we understand these were in agreement with our accounting records and the current D of H requirements. At the time of writing we await the audit opinion on the financial statements, but not aware of any issues that would lead to a qualification of the accounts.

Prior to the preparation of 2012/13 financial statements, the Group reviewed and agreed the detailed accounting policies and principles.

#### **e) Management**

The Group has requested and reviewed reports and received verbal assurances from Directors and management in relation to relevant areas of enquiry for the period. Thanks go to all those who have assisted in these matters.

#### **f) Other Matters**

The CCG participated in a learning event when a “page turn” presentation of the 2012/13 accounts was given by the CFO on 19<sup>th</sup> April. In addition the Group reviewed the key features of the 2012/13 unaudited accounts at a meeting on 24 April 2012. It is pleasing to record that a surplus of £2.0 m was reported and that all Financial Targets had been achieved with the exception of the 95% 30 day payment of invoices target and even here in some groups it had been achieved and progress made.

The Group wishes to record the hard work of the CFO, Mrs Therese Paskell and all the Finance staff involved for their efforts, and reflect that in times of great change (and some uncertainty) the team have ensured a high standard of service to the CCG and Cluster.

### **4 Conclusion and Plans for 2013/14**

The Group has acted as a full subcommittee of the CCG for 2012/13. The work plan for 2013/14 is being developed and will go to the next Audit Group meeting. The Group will be active in reviewing the risks, internal controls, reports of auditors and audit recommendations and will press for improvements where required.

The Group have reviewed its compliance with the NHS Audit Committee Handbook 2010 and completed a self-assessment, allowing the Group to continue to improve its effectiveness.

**Paul Evans**

**Chair of Audit - NHS North Lincolnshire Clinical Commissioning Group**

**24 May 2013**