


MEETING DATE:	12 July 2012	 North Lincolnshire Clinical Commissioning Group REPORT TO THE CLINICAL COMMISSIONING GROUP COMMITTEE
AGENDA ITEM NUMBER:	Item 7.4	
AUTHOR:	Therese Paskell	
JOB TITLE:	Chief Financial Officer	
DEPARTMENT:	Finance	

DRAFT AUDIT GROUP MINUTES 31 MAY 2012

PURPOSE/ACTION REQUIRED:	To Receive and Note
CONSULTATION AND/OR INVOLVEMENT PROCESS:	
FREEDOM OF INFORMATION:	Public

1. PURPOSE OF THE REPORT:							
The Draft Audit Group Minutes dated 31 May 2012, are attached for CCGC to receive and note, for information only.							
2. STRATEGIC OBJECTIVES SUPPORTED BY THIS REPORT: <i>(will be populated following agreement with Council of Members)</i>							
3. IMPACT ON RISK ASSURANCE FRAMEWORK:							
			<table border="1" style="display: inline-table;"> <tr> <td style="width: 20px;">Yes</td> <td style="width: 20px;"></td> <td style="width: 20px;">No</td> <td style="width: 20px;">x</td> </tr> </table>	Yes		No	x
Yes		No	x				
Not directly. The group provides assurance on risks through its work.							
4. IMPACT ON THE ENVIRONMENT – SUSTAINABILITY:							
			<table border="1" style="display: inline-table;"> <tr> <td style="width: 20px;">Yes</td> <td style="width: 20px;"></td> <td style="width: 20px;">No</td> <td style="width: 20px;">x</td> </tr> </table>	Yes		No	x
Yes		No	x				

5. LEGAL IMPLICATIONS:

Yes		No	x
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Not directly. Highlights some contracts recently agreed e.g. payroll.

6. RESOURCE IMPLICATIONS:

Yes		No	x
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Not directly.

7. EQUALITY IMPACT ASSESSMENT:

Yes		No	x
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Not a policy or plan.

8. PROPOSED PUBLIC & PATIENT INVOLVEMENT AND COMMUNICATIONS:

Yes		No	x
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Agreed that Council of Members would also receive the minutes.

9. RECOMMENDATIONS:

The CCG is asked to: -

- Receive and Note.

MEETING:	NHS North Lincolnshire Audit Group Meeting	 North Lincolnshire Clinical Commissioning Group Audit Group
MEETING DATE:	Thursday 31 May 2012	
VENUE:	Boardroom, Health Place, Brigg	
TIME:	12:00 – 14:00	

PRESENT:		
NAME	TITLE	SERVICE/AGENCY
Stan Shreeve (SS)	Locality Associate Non-Executive Director <i>(Chair)</i>	NHS North Lincolnshire
Therese Paskell (TP)	Chief Financial Officer	NHS North Lincolnshire
Ian Reekie (IR)	Locality Associate Non-Executive Director	NHS North Lincolnshire
Dr Andrew Lee (AL) <i>(Item 9.2 onwards)</i>	Member of CCG / General Practitioner	NHS North Lincolnshire
Allison Cooke (AC) <i>(Item 8.2 onwards)</i>	Chief Operating Officer	NHS North Lincolnshire
Helen Varey (HV)	Locality Chair	NHS North Lincolnshire
Benita Jones (BJ)	Director of Audit Services	East Coast Audit Consortium
John Pougher (JP)	Deputy Director of Quality & Standards	NHS North Lincolnshire
Jackie Rae (JR)	Audit Manager, Audit Practice, Audit Commission	Audit Commission
Annette Watkinson (AW)	Senior Financial Reporting Accountant	NHS North Lincolnshire
Shaun Fleming (SF) <i>(Items 10.3 onwards)</i>	Local Counter Fraud Specialist	East Coast Audit Consortium
Bill Lovell (BL) <i>(Items 7, 8.1 & 8.2 only)</i>	Head of Finance	NHS North Lincolnshire
Tim Fowler (TF) <i>(Item 14 only)</i>	Associate Director of Contracting	NHS North Lincolnshire
Gemma Taylor (GT)	Personal Assistant <i>(Note Taker)</i>	NHS North Lincolnshire

SUMMARY OF DISCUSSION	DECISION/ACTION <small>(including timescale for completion or update)</small>	LEAD
1. APOLOGIES		
Andy Grows Karen Rhodes Dr Frank Baker Dr Ajay Vora Paul Lundy TP advised that AL would not arrive at the meeting until approximately 13:00 and until this time the meeting would not be quorate. It was confirmed that AL had read all papers in advance of the meeting and had submitted two questions in particular to TP. The group agreed that all items discussed would be summarised to AL upon arrival for comment.		
2. DECLARATIONS OF INTEREST		
SS asked for those with a Declaration of Interest to make them known. No declarations were received. SS advised that this was his last meeting before taking up a new post with NLaG. HV was in attendance by invitation and for continuity until a replacement Lay Member is appointed. HV will Chair future meetings if the Lay Member appointment is not made in time for the next scheduled meeting.		

SUMMARY OF DISCUSSION	DECISION/ACTION (including timescale for completion or update)	LEAD
3. NOTES FROM THE AUDIT GROUP MEETING HELD ON 12 APRIL 2012		
The notes from the meeting were accepted as an accurate record and were signed by SS.		
4. MATTERS ARISING (NOT COVERED ON THE AGENDA)		
None.		
5. REVIEW OF TOR AGAINST NATIONAL GUIDELINES		
<p>SS advised that following review of the National Guidelines and the existing Terms of Reference, no further revisions are required to the existing ToR. IR requested a copy of the ToR for a final review and agreed to submit any additional comments to TP.</p> <p><u>Post Meeting Note</u> IR has reviewed - no further changes required.</p>	Circulate ToR to IR for final comment.	GT IR
6. AUDIT GROUP ANNUAL REPORT		
<p>SS advised that this was the first Annual Report of the Audit Group. Additional detail has been included to ensure continuity following SS departure from the organisation, and recognising that the Humber Cluster Audit Committee is the Committee reporting to the Statutory Body. Item 6 was 'taken as read'. The following amendments were suggested:</p> <ul style="list-style-type: none"> • Page 1 - NHS Audit Handbook – remove '2010'; • Page 2 - Amend Principle to Principal; and • Page 3 - Internal Audit, first paragraph to read 'The Committee has received a number of internal audit reports, all but two of which offer Significant Assurance'. <p>SS was thanked for an excellent resume that will provide good evidence for accreditation. <i>The Audit Group received and noted, and agreed for the report to be presented to the CCGC on 12 July 2012 for information; after the suggested amendments have been made.</i></p> <p><u>Post Meeting Note</u> Amendments have been made and the final version will be presented to the CCGC on 12 July 2012.</p>	<p>GT to make amendments and email to SS.</p> <p>GT to add to CCGC agenda & submit amended final version.</p>	<p>GT</p> <p>GT</p>
7. SIGNED PAYROLL WAIVER		
<p>BL was in attendance for this item.</p> <p>A revised waiver with the payroll service of Northumbria Healthcare NHS Foundation Trust has been approved virtually by SS and Alan Barton, Cluster Director of Finance, in order to proceed urgently. Meetings with the new provider have taken place.</p> <p>BL gave a progress update on implementation. The following key points were noted:</p> <ul style="list-style-type: none"> • Meetings with McKesson regarding the hardware and process of transfer will be taking place; • Further meetings with Northumbria are being held week commencing 4 June 2012; • Work with NLaG is being undertaken to ensure that existing records and all history is maintained; • Employees will have named individuals to ring re pensions, advice, queries etc; • Pension Seminars will be available; and 		

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<ul style="list-style-type: none"> Feedback received is positive. <p>Following discussion, attention was drawn to:</p> <ul style="list-style-type: none"> The need for Key Performance Indicators; and Third Party Assurance is essential for the new arrangements. 		
8. ACCOUNTS		
<p>8.1 Annual Report Information</p> <p>BL was in attendance for this item and advised that Item 8.1 is a 'working paper' that includes the financial information used to produce the Annual Report based on the audited accounts. BL highlighted some of the new additions to the Annual Report.</p> <p>After discussion on the information included within item 8.1; the following amendments were agreed:</p> <ul style="list-style-type: none"> Footnote to be added to Financial Information overview – operating costs statement to clarify that 2012 'other costs' include the provider costs for 2010/11; Footnote to be added re 11/12 costs; Footnote to be added re the change of guidance on running costs & removal of Public Health employees from this section; Footnote to be added re PH Directors. <p>Particular attention was drawn to the Greenbury Disclosures 2011/12 for NHS North Lincolnshire. It was noted that:</p> <ul style="list-style-type: none"> Some titles are incorrect / out of date; clarification and amendment is required. It was suggested to include all titles and include the dates from and to. All figures included within this section to be checked. BL & HV to discuss further outside of the meeting. <p>The document to be proof read for 'typos' before submission. BL was thanked for his attendance.</p> <p>It was advised that NHSNL AGM is to be held on Thursday 13 September 2012 at 16:00 in the Boardroom, Health Place, Brigg.</p> <p>8.2 Draft Audited Annual Accounts</p> <p>TP advised that on 19 April 2012 the accounts were reviewed and considered by CCGC and Transition Programme Board members at an extra-ordinary CCGC meeting. At that meeting, presentations from TP and JR were given; and achievement of financial targets confirmed. A briefing note including key issues within the accounts, achievement of financial targets, issues to be resolved, and progress made was presented to the HCAC on 25 April 2012.</p> <p>A query was raised regarding the format and font size differences within the accounts. It was noted that this is partly how the templates are received from the Department of Health, and partly ensuring that the required information fits on one page having been 'exported' from other documents.</p> <p>TP summarised the following changes that have been made:</p> <ul style="list-style-type: none"> For consistency, related party format amended; Note 2 – segmental reporting – amended in line with 'good practice' 	<p>All suggestions to be checked / included.</p> <p>All suggestions to be checked / included.</p> <p>BL to proof read.</p> <p>Members to add date to diary.</p>	<p>BL / TP</p> <p>BL / TP</p> <p>BL</p> <p>ALL</p>

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<p>from the Cluster;</p> <ul style="list-style-type: none"> • Amendments have been made due to late guidance received e.g. going concern, transition related redundancy payments; • All section 256 Local Authority allocations have been shown as grants following advice from external audit and confirmation from the SHA that ok to do so; • Heading notes on 5, 7, & 15 have been amended due to formatting issues, and duplicate lines to note 1 removed; • Further explanation added to notes where required; • Minor amendments made to notes where required – position not affected. <p>TP advised members of an issue regarding the Ironstone Centre Bond and its inclusion on the FMA forms (but not shown within the accounts). The SHA and DoH have been advised of this and are fully aware; no alternative solution has been given.</p> <p>Particular attention was drawn to the final page of the document which lists the changes made to the accounts (as summarised by TP). JR confirmed that all changes requested by External Audit are mainly categorisation changes and do not affect bottom line figures.</p> <p>AW advised members on the following amendments / updates that have been made since document 8.2 was produced:</p> <ul style="list-style-type: none"> • Foreward has been updated; • Staff sickness absence figures now included; • Pension costs updated following further information received from DoH; • Note 3.5 amended due to miss-classification of drugs costs; • 5.1 – Additional line for Local Authority grants added for clarity; • 17 – Intra-Government and other balances amended; • 30 – Narrative added regarding Finance Lease for car park at the Ironstone Centre. <p>No further questions, queries, or issues were raised.</p> <p>TP and Finance staff were thanked for all of their hard work, professionalism and high standards, within organisation uncertainty and times of change. <i>It was noted that it was not in the remit of the Audit Group to approve the accounts, although the group agreed that the changes were reasonable in response to the Audit.</i></p> <p>AL arrived at the meeting. SS updated and summarised what had been covered already.</p> <p><i>Items 8.3, 9.1, 9.2, and 9.3 were taken out of order to enable JR to leave and attend another meeting.</i></p> <p>9.2 Draft Annual Governance Report including Audit Opinion & Draft Letter of Representation for 2011/12</p> <p>JR presented Item 9.2 and advised that it is a ‘working document’ and will be presented to the HCAC meeting on 7 June 2012. The document is a standard document produced in line with auditing standards. It was advised that the NHSNL accounts were produced on time; with good quality working papers, and</p>		

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<p>prompt responses to queries were given by staff. JR proposed that an unqualified opinion on the financial statements will be issued by the deadline of 11 June 2012.</p> <p>Attention was drawn to page 5 of the report and JR advised that since producing the report, a further 'Uncorrected error' has been identified, and confirmed that all four 'Uncorrected errors' are trivial and are all below the materiality level so do not have to be changed, but do have to be reported. JR advised members that the further 'Uncorrected error' identified relates to a non-cash Ltd control account for pharmacy payments. It was noted that all PCT's are in the same position; guidance from the DoH on action to take is awaited.</p> <p>JR brought the following to the attention of the Audit Group:</p> <ul style="list-style-type: none"> • Corrected errors (already discussed throughout the meeting); • Page 6, risks and findings identified as part of the planning process – none have had an impact on the opinion; • Significant weaknesses in Internal Control identified following walk through testing (non identified); • Other matters identified (already covered throughout the meeting); • Annual Governance statement – recommendations have been made to improve future documents. <p>BJ advised that benchmarking annual governance statements is being explored and a survey is to be undertaken to look at the different approaches undertaken in producing the annual governance statement; findings will be presented to a future Audit Group meeting.</p> <p>Value for money conclusion JR advised that it is intended for an unqualified VFM conclusion will be issued. All efforts to address identified risks have been seen in year.</p> <p>Draft Letter of Representation JR advised that there have been minor amendments / additions made to the letter of representation as in previous years.</p> <p>TP advised that due to being informed of the additional 'uncorrected error' the draft letter of representation would not be tabled at this meeting. Once updated, the draft would be circulated to members.</p> <p>AL sought clarification and assurance regarding the internal control issues that had been identified and how they will be addressed in the future. TP advised that the signatory issue has been raised with the Cluster Director of Finance and the Director of the CSS. Limits will be reviewed and confirmed, although the Cluster Scheme of Delegation & Standing Financial Instructions will not be amended. AW advised that the authorisation matrix has been updated, and reports generated by the new financial services Genysis system will be reviewed regularly to ensure that payments are only being processed with the correct authorisation.</p> <p>8.3 Third Party Assurance Update TP gave a verbal update and advised that all required electronic documents have now been received. The document is to be updated and will be circulated to members for information.</p>	<p>To address when guidance received.</p> <p>Survey findings to be presented to the next Audit Group meeting.</p> <p>TP to update and circulate to the group.</p> <p>TP to update and circulate to members.</p>	<p>AW</p> <p>BJ / GT</p> <p>TP</p> <p>TP</p>

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<p>9.1 External Audit presentation to CCGC (For Information) TP advised that this has been shared with members for information to ensure that all members have had sight of. No questions or comments were raised.</p> <p>9.3 KPMG Slides (For Information) TP advised that as from 1 October 2012 KPMG will be allocated as the external auditor. TP and SS briefed members on the KPMG welcome event attended on 15 May 2012. Particular risks highlighted by TP and SS at the event were:</p> <ul style="list-style-type: none"> • Less knowledgeable; • Less prepared; • Lack of staff training on specific organisations; and • Lack of working paper understanding. <p>KPMG agreed to address the above following the session.</p> <p>8.4 Final Annual Governance Statement (For Information) JP presented Item 8.4 and gave a brief verbal update. The item was 'taken as read'. <i>The Audit Group noted and approved the Annual Governance Statement subject to identifying any omissions / errors.</i></p> <p>8.5 Understanding Management Process Arrangements (For Information) TP advised that the letter had been included for information to update members on the current position and management processes. The letter is in response to a letter received from External Audit requesting assurance in a number of areas, for example, accounts and counter fraud. No further comments were received from External Audit. <i>The Audit Group received and noted.</i></p>		
9. EXTERNAL AUDIT		
<p>9.1 External Audit presentation to CCGC (For Information) This item was taken out of order and discussed after item 8.3.</p> <p>9.2 Draft Annual Governance Report including Audit Opinion & Draft Letter of Representation for 2011/12 This item was taken out of order and discussed after Item 8.2.</p> <p>9.3 KPMG Slides (For Information) This item was taken out of order and discussed after Item 9.1.</p>		
10. INTERNAL AUDIT		
<p>10.1 Head of Internal Audit Opinion Statement for 11/12 BJ presented item 10.1, the Head of Internal Audit Opinion Statement for 2011/12 and advised that all audit work carried out during 2011/12 has been reported previously to the Audit Group and HCAC within progress reports presented at these meetings. Significant Assurance can be given for all audit assignments undertaken with the exception of two:</p> <ul style="list-style-type: none"> • IG Toolkit (Significant / Limited); and • IT SLA (Significant / Limited) <p><i>The Audit Group noted the report and the assurances it offers.</i></p>		

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<p>10.2 Annual Internal Audit Report 11/12 BJ presented Item 10.2, Annual Internal Audit Report 2011/12 and advised that the report summarises:</p> <ul style="list-style-type: none"> • follow-up undertaken; • Internal Audit KPI's; • Key Issues Identified; • Progress – actions to be undertaken. <p>Attention was drawn to pages 5 and 6 detailing the two audit areas of significant / limited assurance. All issues identified have previously been discussed at Audit Committee and HCAC meetings. Issues are being addressed as required. The position overall is very positive.</p> <p>TP advised on the following action taken to date:</p> <ul style="list-style-type: none"> • All future Internal Audit progress report recommendations will include systemic improvements required and review dates in order to highlight processes required to continue; • Third Party Assurance next year to be extended to non-finance services provided by the CSS. • The Quality Working Group is now monitoring and reporting on Information Governance and regular reports / updates will be presented to the Audit Group. <p><u>Post Meeting Note</u> IMT to attend all future Audit Group meetings to update on progress, at the request of Allison Cooke, Chief Operating Officer.</p> <p><u>IT SLA</u> BJ advised that a review on the service currently provided by informatics has been undertaken with significant / limited assurance being given.</p> <p>AL informed members that a poor informatics service is received at GP Practices. TP confirmed that issues have been escalated and the primary care issue will also be raised.</p> <p>Future Internal Audit Arrangements are not yet known; a self-assessment and five year peer review is required to be undertaken. Following discussion, it was agreed for this to be incorporated into the self - assessment session of the Audit Group planned for 30 August 2012.</p> <p><i>The Audit Group noted the report and the themes and assurances provided within it.</i></p> <p>10.3 Internal Audit & Counter Fraud Progress Report (To include progress on IT issues) BJ presented Item 10.3 Internal Audit Progress Report. All issues regarding Information Governance and IT SLA had been captured and discussed throughout the meeting. One minor issue regarding control accounts had been identified and an action plan agreed.</p> <p>SF presented Item 10.3 Counter Fraud Progress Report; the following key points were highlighted:</p> <ul style="list-style-type: none"> • Appendix 4 – 2011/12 fraud plan <i>Plan is on target with a slight overspend;</i> 	<p>Assurances required at future meetings that the evidence is being produced.</p> <p>Planning assurances required for further review at the earliest opportunity.</p> <p>Inform Paul Frear of primary care issues.</p> <p>Agenda: 30 August 2012</p>	<p>TP</p> <p>TP</p> <p>TP</p> <p>TP</p>

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<ul style="list-style-type: none"> Appendix 5 – Fcr10310#58695133602 <i>Case to be closed following prosecution.</i> Appendix 5 – Lcfs0157#60917133603 <i>Subject currently abroad, work on-going.</i> <p>The Audit Group agreed the results of Internal Audit & Counter Fraud activity and is assured, on the basis of the work undertaken, that the main controls are operating as expected and that agreed actions for improvement are being implemented. The Group are assured of satisfactory progress in delivering the audit and counter fraud plans and which continues to represent appropriate coverage as part of the wider assurance framework.</p> <p>10.4 Counter Fraud Annual Report SF presented Item 10.4, Counter Fraud Annual Report. The report summarises all counter fraud work completed in 2011/12 and previously reported to the audit group within the fraud progress reports submitted throughout the year. The report was 'taken as read'. The Audit Group noted the report.</p> <p>10.5 National Fraud Initiative Report 2011 SF presented Item 10.5, National Fraud Initiative Report 2011. The report was 'taken as read'. No instances of fraud against the organisation were identified by the Local Counter Fraud Specialist or other officers involved in the exercise. No significant system weaknesses were identified and any minor issues were resolved whilst work was undertaken.</p> <p>A query was raised regarding reports 80 and 81 relating to 'salary advances'. It was confirmed that these were not salary advances but payments made to employees where late paperwork was submitted / employees had been missed off the payroll.</p> <p>The Audit Group noted the report and were assured that the systems interrogated are robust and that no fraud was identified for the period under review.</p>		
11. PLANNING FOR WORKSHOP ON BAF, ASSURANCE MAPPING ETC		
Due to the large agenda and limited time; it was agreed for this item to be deferred to a separate session prior to CCG Authorisation.		
12. HCAC LOCALITY GOVERNANCE ASSURANCE REPORT		
<p>TP presented Item 12, HCAC Locality Governance Assurance Report and asked for any comments before the report is submitted for the meeting on 7 June 2012.</p> <p>The Audit Group noted accepted the content of the report and agreed for it to be submitted to the HCAC.</p>	To be submitted to HCAC 7 June 2012	TP
13. PROGRESS ON CCG GOVERNANCE (INCLUDING CCG CONSTITUTION)		
JP gave a verbal update and advised that there have been no significant updates; work is on-going. Two GP Practices have yet to return their signed inter-practice agreement to the draft interim constitution; although this was approved by vote at the Inaugural Council of Members meeting held on 22 February 2012.	JP to chase signed inter-practice agreements.	JP

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14. PBR REPORTS		
<p>TF was in attendance for this item and gave a verbal update advising that all concerns have been raised to NLaG within contract meetings. The £4k will not be pursued due to no redress in PBR guidance and not material. The actions detailed within the Audit Commission Report will be pursued with a particular focus on the robustness of case notes and how they are filed; and discharge summaries. The action plan detailed within the report is inadequate; a further action plan has been requested.</p> <p>AL advised of on-going issues around the complexity of cases regarding the number of conditions listed on discharge diagnosis, in particular unsubstantiated diagnoses included. TF advised that this has been captured within the report and could possibly be due to clinical coding issues; although will be addressed with NLaG.</p>	<p>Updates on any further progress to TP in preparation for HCAC on 7 June 2012.</p> <p>TF to raise with NLaG</p>	<p>TF</p> <p>TF</p>
15. ANY OTHER BUSINESS		
<p>SS was thanked for setting up the Audit Group and for all input and work undertaken.</p>		
16. DATE & TIME OF NEXT MEETING		
<p>30 August 2012 13:30 – 16:00 Boardroom Health Place Time out re: Audit Group & Internal Audit Self-Assessment including any urgent business and feedback on IT audit recommendations progress.</p>		