


MEETING DATE:	12 July 2012	 North Lincolnshire Clinical Commissioning Group REPORT TO THE CLINICAL COMMISSIONING GROUP COMMITTEE
AGENDA ITEM NUMBER:	Item 7.5	
AUTHOR:	Therese Paskell	
JOB TITLE: DEPARTMENT:	Chief Financial Officer Finance	

AUDIT GROUP ANNUAL REPORT

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

1. PURPOSE OF THE REPORT:

Provides independent assurance that the Audit Group workplan and necessary developments have been covered as well as governance issues addressed in year leading up to CCG authorisation.

Helps CCGC understand role of Audit Group prior to authorisation.

2. STRATEGIC OBJECTIVES SUPPORTED BY THIS REPORT: *(will be populated following agreement with Council of Members)*

3. IMPACT ON RISK ASSURANCE FRAMEWORK:

Yes	x	No	
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This report provides some assurance that risks identified internally and by audit and the mitigating actions have been reviewed by the Audit Group in 11/12. This report will form part of the Trust Legacy documentation.

4. IMPACT ON THE ENVIRONMENT – SUSTAINABILITY:			
Yes	<input type="checkbox"/>	No	x
The Audit group as part of its activities in 11/12 has reviewed the information to support the sustainability report within the annual report and this report therefore provides some assurance in this area, although it does not impact directly on it.			
5. LEGAL IMPLICATIONS:			
Yes	<input type="checkbox"/>	No	x
This report does provide some assurances but has no direct legal implications.			
6. RESOURCE IMPLICATIONS:			
Yes	<input type="checkbox"/>	No	x
This report explains the activities of the audit group in 11/12. Whilst the group's remit includes ensuring value for money, the report in itself has no direct resource implications.			
7. EQUALITY IMPACT ASSESSMENT:			
Yes	<input type="checkbox"/>	No	x
This is a report explaining activities of the audit group in year only, not a policy, procedure or guidance.			
8. PROPOSED PUBLIC & PATIENT INVOLVEMENT AND COMMUNICATIONS:			
Yes	<input type="checkbox"/>	No	x
This paper has already been to CCG Audit Group and the Humber Cluster Audit Committee.			
This paper could also go for information to the Council Of Members.			
9. RECOMMENDATIONS:			
The CCG is asked to:			
<ul style="list-style-type: none"> Receive and note the Audit Group Annual Report; the significant progress made in year, and the assurances provided within it. 			

NHS NORTH LINCOLNSHIRE CLINICAL COMMISSIONING GROUP

AUDIT GROUP REPORT FOR THE PERIOD TO 30 APRIL 2012

1 Introduction

In 2011 as part of the health reforms the Primary Care Trusts within the Humber area were consolidated within the Humber Cluster (hereafter the Cluster) and NHS North Lincolnshire PCT delegated powers to the Cluster, which became the de-facto statutory body for NHS North Lincolnshire for 2011/12 (and 2012/13)

In July 2011 the NHS North Lincolnshire Clinical Commissioning Group Committee (hereafter the CCG) came into being as a sub-committee of the Cluster with the intention that it will become the statutory body for North Lincolnshire from 2013/14.

The work of the Audit Committee for NHS North Lincolnshire PCT was assumed by the Humber Cluster Audit Committee (hereafter HCAC) from 1 October 2011 which meets regularly to review all Cluster members. HCAC will produce its own annual report.

It is a statutory requirement that CCG's have an audit committee as part of their governance arrangements and the Audit Group (hereafter "the Committee") came together informally for the first time in January 2012 and has met regularly since. Whilst the Committee has no formal standing for 2011/12 it is an essential part of the accreditation procedure and provides important evidence that appropriate Governance is in place for the CCG.

The aim of the Committee 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. The Terms of reference were approved by the CCG at its meeting on 8th March 2012.

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

During the period under review the Committee has met on a number of times since December 2011, initially informally, and formally from February 2012 on 3 occasions. 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 Committee have attended a number of learning events for the CCG including two Governance workshops and a learning review of financial reporting.

The CCG, when accredited will be a member based organisation. The Committee ensures that the Council of Members receive, and have an opportunity to review, the Committees work program, proposed agendas and action notes of meetings.

2 Membership and Attendance

The Terms of Reference approved by the CCG require 2 lay members (until appointed the Associate Non Executive Directors) 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 has acted as Chair and has attended all informal and formal meetings. Mr Ian Reekie, Associate Non Executive Director joined the Committee for 4th April 2012. Clinical representatives will be attending from May 2012.

The Chief Financial Officer, the Director and Deputy Director of Quality and Standards, along with representatives of Internal and External Audit have attended all formal meetings.

Formal meetings to date have not been quorate as there has been no clinical member present. Accordingly, any decisions or recommendations made by the Committee for the period under review have been referred to and ratified by the CCG. GP members have now been identified.

3 Principal 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 as it develops its operating principles and prepares for accreditation. The Committee has thus been active in supporting the development of integrated governance of the CCG including the development of Terms of Reference for the Committee, which were ratified by the CCG on 8th March 2012. In addition the Committee has reviewed the following documents in their various iterations:-

- The CCG interim constitution
- Inter Practice Agreement
- Standing Orders/Financial Instructions
- The Cluster Scheme of Delegation
- Scheme of Delegation
- Quality Working Group Terms of reference (formal sub committee of the CCG)
- Engine Room Terms of reference (formal sub committee of the CCG)

The Committee has reviewed relevant disclosure statements, in particular the draft Statement of Internal Control (SIC)/Annual Governance Statement. The Head of Internal Audit Opinion and External Audit Opinion are not yet available. A draft Head of Internal Audit Opinion received at the meeting on 4th April 2012, and indicated an overall opinion of significant assurance, whilst stating that their continuing review of the Information Governance (I G Toolkit) was compliant, that only limited assurance can be given for IT planning and monitoring processes. The Committee also received a draft Statement of Internal Control (SIC)/Annual Governance Statement and subject to the suggested revisions at our 4th April 2012, the Committee considers that the SIC is consistent with the CCG's and PCT's system of internal control.

The Committee has reviewed the developing Board Assurance Framework (BAF) for the CCG (and for those areas not under CCG control, but still part of the PCT) 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 we understand these matters are considered at the Engine Room, and for risk with a score of 15 or less at directorate level. Based on these processes, and a planned workshop at the CCG in July 2012 to be managed with the assistance of Internal Audit, the Committee is satisfied that sufficient effort is being made to identify, consider and review risks.

The Committee notes the work undertaken by the Cluster Governance Group, and actively support the Director and Deputy Director of Quality and Standards in their participation in this group.

b) Internal Audit

Throughout the period the Committee 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 2011/12 and have started discussions (in conjunction with the HCAC) with regard to the 2012/13 work programme. The Committee has received a number of internal audit reports, all but two of which offer Significant Assurance. 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 Committee 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.

c) External Audit

As the Cluster is the de-facto statutory body for 2011/12 and 2012/13 the HCAC has the formal relationship with external auditors.

With the consent of HCAC the External Auditors have attended all formal meetings of the Committee, although to date there have been no private meetings with the External Auditors, which we will endeavour to initiate during 2012/13.

At our March 2012 meeting we considered and acknowledged the proposed work programme for 2011/12 which included audit, value for money and certification work. At all meetings we have received and discussed verbal and written reports from the Audit Commission, our external auditors. However due to the timing of this report the audit conclusions for 2011/12 accounts are awaited.

External Audit presented their findings with regard to the national clinical coding audits of the Payment by Results system operated by NHS Acute Providers. This highlighted a continuing number of coding errors, which whilst statistically significant did not have a major financial impact on the CCG for the period under review. The Deputy Director of Contracting will attend the Committee meeting in May 2012 to explain redress options for the CCG.

During the course of the next financial year the External Auditors will change as the Audit Commission gives way to KPMG. Introductory meetings are being held on 16th May 2012.

d) Financial Reporting

The Committee 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.

Prior to the preparation of 2011/12 financial statements, the Committee reviewed and agreed the detailed accounting policies and principles.

e) Management

The Committee has requested and reviewed reports and received verbal assurances from Directors and management in relation to relevant areas of enquiry for the period. We thank those who have assisted us in these matters.

f) Other Matters Worthy of Note

The CCG participated in a learning event when a “page turn” presentation of the 2011/12 accounts was given by the Director of Finance on 19th April. In addition the Committee reviewed the key features of the 2011/12 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 Committee wishes to place on record the very hard work of the Chief Financial Officer, Mrs Therese Paskell and the staff of the Finance Department for their efforts, and reflect that in times of great change (and some uncertainty) the team have delivered a first class service to the CCG and Cluster.

4 Conclusion and Plans for 2012/13

The Committee has been active for a short period and is still essentially establishing itself. However, the work plan for 2012/13 has been completed and is attached to this report. This plan has been discussed with Internal and External auditors and ratified by the CCG. It has been circulated to the Council of Members. The Committee will be active in reviewing the risks, internal controls, reports of auditors and audit recommendations and will press for improvements where required.

We have reviewed its compliance with the NHS Audit Committee Handbook 2010 and plan to complete the self assessment at an internal workshop with our auditors to be held during the coming year (provisionally planned for 31st August).



Stanley Shreeve FCCA

Chair of Audit - NHS North Lincolnshire Clinical Commissioning Group

16 May 2012