

Presented to:	Governing Body - Public
Date of Meeting:	22 May 2018
For:	Decision

Agenda Reference:	GOV/18/05/10
Title:	Governing Body Sub Committee Items for Approval
Executive summary:	
<p>The Audit and Assurance Committee is a standing sub-committee of the Governing Body, with delegated authorities through the Scheme of Delegation.</p> <p>The May meeting was quorate and at least three Governing Body Members were present to agree and recommend this paper for approval.</p> <ul style="list-style-type: none"> Audit and Assurance Committee – Audit and Assurance Committee Annual Report 2017/18 	
Recommendations:	The Governing Body is asked to approve the Audit and Assurance Committee Annual Report 2017/18.
Previously considered by:	Audit and Assurance Committee Members
Author(s):	Peter Lucas – Audit and Assurance Committee Chairman Steve Perkins – Chief Financial Officer
Sponsoring Director / Clinical Lead/ Lay Member:	Peter Lucas – Audit and Assurance Committee Chairman
Risk and Assurance:	N/A
Financial / Resource Implications:	N/A
Legal, Policy and Regulatory Requirements:	The CCG is required to show that these documents have been approved by the Governing Body in line with the Scheme of Reservation of Duties.
Communications and Engagement:	These documents should be treated as public documents and would be available for release under the FOI Act.
Equality & Diversity Assessment:	<input type="checkbox"/> N/A

WILTSHIRE CLINICAL COMMISSIONING GROUP

Audit and Assurance Committee

Chairman's Annual Report 2017/18

Summary for the Year

The Audit and Assurance Committee (AAC) for NHS Wiltshire Clinical Commissioning Group (CCG) continues to provide assurance to the CCG Governing Body on the control environment that operates across the organisation.

The Audit and Assurance Committee consists of three lay members – the lay member for Audit and Assurance (who is also the Chair), the lay member for Patient and Public Involvement (the Vice Chair) and the Secondary Care representative lay member, together with a voting GP member of the CCG Governing Body.

The Committee has met 6 times throughout the financial year (attendance as follows: A and A member – 6, PPI member – 5, Secondary Care member – 5 and GP member – 6), together with one extraordinary meeting at the beginning of the year to review the CCG's annual report and annual accounts for the previous year, and has discharged its responsibilities for scrutinising the risks and controls which have affected all aspects of the organisation's business.

The committee has also invited clinical leaders of the CCG and Corporate Directors to separate meetings to present on how they identify and manage operational risk within their specific areas of work. This has been enlightening and informative for the Committee as it seeks assurance on the application of the control environment across the CCG.

Principal review areas

This Annual Report is divided into five sections reflecting the five key duties of the Committee as set out in the terms of reference.

Governance, risk management and internal control

In order to fulfil this duty the Committee has undertaken the following:

- It has reviewed relevant guidance and disclosure statements issued by the Department of Health (DoH) and NHS England (NHSE).
- It has reviewed the Annual Governance Statement to ensure that it reflects the Committee's view on the CCG's system of internal control. It has sought assurance from the Internal Auditors, External Auditors and other appropriate independent assurances in order to gain a view of the CCG's system of internal control.
- The Committee has reviewed the Assurance Framework. It believes that the Framework used during the year was fit for purpose and has reviewed evidence to support this. The Framework is in line with Department of Health

expectations and has been reviewed by Internal Audit and will be reviewed by External Audit to give additional assurance that this opinion is well founded.

- The Committee has reviewed the completeness of the risk management system and the extent to which it is embedded throughout the organisation. The Committee believes that while adequate systems for risk management are in place, more work is required to ensure that these are embedded throughout the whole organisation. In particular, with the acceptance by the CCG of delegated Primary Care Commissioning from NHSE, additional risks have become the responsibility of the organisation. The Committee's opinion is that this issue requires continuing executive management focus and support.

Internal audit

The CCG internal auditors are PWC who retired at the end of the financial year covered by this Annual Report when their contract with the CCG expired. PWC have been the CCG's internal auditors since the organisation was established in April 2013. It is good governance practice for the CCG to periodically test the market to ensure that it is getting value for money for its services. Accordingly the Internal Audit service was tendered during the year with a contract period 1st April 2018 to 31st March 2021. To save time and money this process, with the aid of our CSU, was tendered jointly with 6 other health organisations. In conclusion of this process KPMG, our external auditors to 31st March 2017, were appointed as internal auditors.

Throughout the year the Committee has worked effectively with Internal Audit to strengthen the CCG's internal control processes. The Committee has also in year:

- Received and considered the External Audit review of the effectiveness of Internal Audit and considers the provision of the retiring internal audit service sufficient in supporting the Committee in fulfilling its role.
- Reviewed and approved the Internal Audit operational plan and more detailed programme of work at its March 2017 meeting.
- Considered the major findings of Internal Audit and is assured that management have responded in an appropriate manner.
- Continued to challenge Directors on making sure that Internal Audit recommendations are implemented in a timely manner.
- Noted that Internal Audit issued two high risk reports in its analysis of the workings of the CCG. The first was on children's continuing healthcare and the second was on business continuity. In both cases the CCG has recognised and accepted the internal audit findings and corrective measures are being put in place. Overall, there are more high risk findings compared to the prior year (5 compared to none). There are also more medium risk findings this year (12 compared to 7). There are fewer low risk findings compared with the prior year (8 compared to 12).

- Noted that the good performance in relation to the prompt management of outstanding issues as reported by Internal Audit on the Internal Audit Recommendation Tracker has been maintained throughout the year.
- Noted that the Internal Audit opinion expressed in their draft Annual Report for 2017/18 was “Generally satisfactory with some improvements required” – a good result for the CCG. The improvements required have been noted.
- The Internal Audit Plan for 2018/19 is being developed through discussions with the Interim Accountable Officer, the Interim Chief Operating Officer, the Chief Financial Officer and other Directors and will be presented to the Audit and Assurance Committee for discussion at the May meeting.
- The Committee has ensured that the CCG responds to all follow up actions in a timely manner which will be evidenced at the May 2018 Audit and Assurance Committee meeting.

External audit

New external auditors, Grant Thornton, were appointed with effect from 1st April 2017 through a joint procurement process (alongside BANES CCG, Swindon CCG and Gloucester CCG), this process being completed in the previous year.

The throughout the year the Committee has reviewed and commented on reports prepared by the External Auditors. Our experience with the new External Auditors has been good.

The External Auditors will be producing their opinion of the 2017/18 accounts and annual report which will be reported through the ISA 260 report. This will be reported to the Audit and Assurance Committee in May allowing the Committee to recommend the accounts and annual report to the CCG Governing Body. Draft copies of both these reports were commented on and approved at the extraordinary meeting of the AAC in April. All deadlines for the production of the accounts and annual report have been achieved.

Management

The Committee has continually challenged the assurance process when appropriate and has requested and received assurance reports from CCG management and various other sources both internally and externally throughout the year. This process has also included calling CCG Directors and Clinical Leaders to account when considered necessary to obtain relevant assurance.

A particular area of concern was raised by our Secondary Care representative on the AAC in his 8 March 2018 letter to the Chair of the AAC concerning the management of CHC patients and the outstanding issues that the CCG has with Wiltshire Council. Following a discussion within the AAC this matter was referred to a private session of the Governing Body. Following discussion at this level, a letter seeking progress on these issues was written by the Chair of the CCG to the leader of Wiltshire Council.

In June Dr Peter Jenkins retired as the Chair of the CCG and, following an election process amongst the GP members in Wiltshire, was replaced by Dr Richard Sandford-Hill. Richard has been a voting member of the board of the CCG since its inauguration. In July Tracey Cox relinquished her role as Interim Accountable Officer of the CCG and returned to her position as Accountable Officer of Bath and North East Somerset CCG. The Committee should like to thank Tracey for all her commendable work for the CCG. Tracey has been replaced by Linda Prosser as Interim Accountable Officer.

Annual Accounts

The Committee has reviewed the process and controls the CCG has put in place to achieve its financial obligations throughout the year and has reviewed the changes in accounting policy that NHS England has promoted in 2017/18.

Effectiveness of the Audit and Assurance Committee

The Committee has been active during the year in carrying out its duty in providing the CCG Governing Body with assurance (or not) that effective internal control arrangements are in place. Specifically the Committee has:

- Reviewed its compliance with the *Audit Committee Handbook*. An Audit and Assurance Committee self-assessment will be conducted and the results and any actions arising from this self-assessment will be reported in the May 2018 Audit and Assurance Committee.
- Cost/benefit analysis - It has not been possible to accurately quantify the benefits of the work of the Committee during the year as it is impossible to determine the financial impact of risks mitigated and costs avoided and the proportion of these that could be apportioned to the Committee work. However, in respect of the work of the Committee, it is clear that the risk profile of the CCG has been reduced. Furthermore the current and future costs associated with loss of reputation have also been mitigated as a result of the work performed by the Committee.

Conclusion

The Committee is of the opinion that this Annual Report is consistent with the draft Annual Governance Statement, the Head of Internal Audit Opinion and the External Audit review and there are no matters that the Committee is aware of at this time that have not been disclosed appropriately.