

MEETING OF THE GOVERNING BODY

Title	AUDIT & GOVERNANCE SUB-GROUP ANNUAL REPORT	Public/ Closed:	Public
Date	24 April 2013		
Paper Author and Job Title	Tony Gerrard Lay Member - Audit	Director responsible	Tony Gerrard
Response required from the meeting	Receive and note this report and comment as appropriate		
Summary	<p>The report details how the Sub-Group has fulfilled its Terms of Reference during the year.</p> <p>On the basis of that activity, it is the view of the Audit & Governance Sub-Group that the system of integrated governance, risk management and internal control is operating effectively at a time of great turbulence.</p>		
Assessment of implications in respect of:			
Patient Safety	None		
Finance/Resource	No additional resource implications identified		
Risk Assessment	No additional risks identified		
PPI considerations	None		
Equality and Diversity	None		
Legal issues	None		
FOI Exemption category	Open		
Previously considered by:			
Committee/Group	Audit & Governance Sub-Group		

GREATER HUDDERSFIELD/NORTH KIRKLEES CCGs

AUDIT & GOVERNANCE SUB-GROUP ANNUAL REPORT TO 31 MARCH 2013

1 Purpose of Report

- 1.1 To demonstrate to the Clinical Commissioning Groups that the Audit & Governance Sub-Group has met its Terms of Reference
- 1.2 To give assurance that the system of integrated governance, risk management and internal control is effective.
- 1.3 To identify future areas of development for the two successor Audit Committees.

2 Background

- 2.1 Audit Committees are established and constituted to provide Boards with an independent and objective review of financial systems, financial information and compliance with laws, guidance and regulations governing the NHS.
- 2.2 The Committee's Terms Of Reference, modelled on NHS guidance, cover the following areas: Governance, Risk Management and Internal Control; Internal Audit; External Audit; Management; and, Financial Reporting.
- 2.3 This Annual Report is based on work carried out for the two shadow CCGs and reported to the CKW Cluster Audit Committee since April 2012. For the 2012-3 year, this Sub-Group's terms of reference are somewhat wider than the NHS Audit Committee guidance.
- 2.4 All incomplete actions were transferred from the NHS Kirklees Audit Committee work programme to the Audit & Governance Sub-Group in January 2012.
- 2.5 This report will identify how the terms of reference have been met since April 2012 and indicate areas for development. As the approved terms of reference represent a lengthy list of duties, this report has used the descriptions as listed in the NHS Audit Committee Handbook to structure and summarise the report.

3 Governance, Risk Management and Internal Control

“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”

- 3.1 The Sub-Group considered and accepted the Annual Governance Statement. In so doing, it took into account the significant assurance given by the Head of Internal Audit Opinion which was confirmed by the Annual Governance Report from the external auditors.

- 3.2 The Board Assurance Framework has not been formally reviewed by this Sub-Group since its inception. An overall Framework for NHS Kirklees was considered by CKW Cluster Board and the Sub-Group is aware of work being carried out at CCG development sessions and by the Senior Management Teams. The identification of risks forms part of the routine agendas of CCEs and their sub-groups. The Risk Assurance Framework and risk management arrangements were considered; the Risk Reporting System was reviewed; the Sub-Group has received periodic updates on high-level risks, with specific discussion on financial management arrangements, clinical governance and QIPP performance. Nevertheless, the production of a Board Assurance Framework should be pursued as a matter of urgency.
- 3.3 The Sub-Group receives regular updates from the Local Counter Fraud Specialist (LCFS). For 2012-13 it agreed to increase the number of days assistance purchased from the LCFS to bring NHS Kirklees in line with the other PCTs in the Cluster; this enabled more proactive work to take place.
- 3.4 The Sub-Group received and considered the minutes of the Cluster Governance Committee at each meeting, together with those of the Quality and Safety Sub-Group.

4 Internal Audit

“The Committee shall ensure that there is an effective Internal Audit function established by management that meets mandatory NHS Internal Audit Standards and provides appropriate independent assurance to the Audit Committee, Chief Executive and Board.”

- 4.1 The internal audit function is currently provided by the West Yorkshire Audit Consortium which operates at arms length from its clients. During 2011/12 the Consortium’s management board commissioned Deloitte LLP to undertake an effectiveness review of WYAC. The review overall confirmed that WYAC has effective arrangements in place that comply with the NHS Internal Audit Standards. This view was endorsed by the external auditor at a recent meeting.
- 4.2 The Sub-Group has received and approved the internal audit plan. As referred to in the last annual report, involvement of members of the Sub-Group in developing the Plan was still less than had been the case in previous years although some opportunities for input had been made available. Greater engagement needs to be programmed into the timetable for 2013-4. The Sub-Group Chair is now receiving Audit Briefs; this allows greater understanding of the work being carried out by the Consortium; advance knowledge of the level of assurance to be gained from this activity; and, the ability to influence, where appropriate, the scope of audits. Ideally, this practice should be extended to all Committee members in 2013-4.
- 4.3 Internal Audit report progress at each meeting of the Sub-Group. Their major findings are presented and discussed. Significant attention is paid to those audits where only limited assurance has been obtained. It was pleasing to note that no such reports had been received during the year. Where appropriate, the relevant

manager attended to discuss the actions to be taken to rectify any weaknesses identified. Progress is checked by Internal Audit and reported back to the Sub-Group.

- 4.4 When they occur, limited assurance audit reports are referred to the relevant sub-committee for further consideration.

5 External Audit

“The Committee shall review the work and findings of the External Auditor appointed by the Audit Commission and consider the implications and management’s responses to their work.”

- 5.1 The Annual Plans of both Internal and External Audit were considered in tandem by the Sub-Group. It was clear that detailed co-ordination takes place to avoid duplication of effort.
- 5.2 The Committee received and approved the external audit plan.
- 5.3 The External Audit function attends alternate meetings and contributes to discussions and the Committee’s understanding of the issues under consideration, as well as presenting its own reports.
- 5.4 The Committee received and accepted a report on the Payment by Results Data Assurance Framework at both CHFT and MYHT. In the case of MYHT, a decline in performance was noted; discussions are taking place with Wakefield District CCG, as lead commissioner, to identify necessary actions to improve this position.

6 Management

“The Committee shall request and review reports and positive assurances from Directors and Managers on the overall arrangements for governance, risk management and internal control.”

- 6.1 The Sub-Group received and commented on reports and presentations on the proposed constitutions, governance arrangements, sub-committee structures and terms of reference, for the Clinical Commissioning Groups. In addition, it monitored the work and views of the Cluster Governance Committee, in relation to transitional arrangements moving towards April 2013.
- 6.2 The newly-formed Sub-Group received reports and presentations on both the traditional Audit Committee responsibilities and its expanded terms of reference, including: Information Governance; Serious Untoward Incidents; Equality Act 2010; Emergency Preparedness.

7 Financial Reporting

“The Audit Committee shall review the Annual Report and Financial Statements before submission to the Board. The Committee should also ensure that the systems for financial reporting to the Board, including those of budgetary control,

are subject to review as to the completeness and accuracy of the information provided to the Board”

- 7.1 The Sub-Group considered both draft and audited financial statements, verifying compliance with accounting policies. There were no significant adjustments resulting from the audit. The Sub-Group was happy to endorse the statements for approval.
- 7.2 The External Auditor’s judgement on arrangements to secure economy, efficiency and effectiveness stated “through its locality and cluster arrangements the PCT has continued to exercise effective financial, risk and performance management in the year”.
- 7.3 The Sub-Group received and considered the minutes of the Finance and Performance Committee.

8 Audit Committee Development

The Sub-Group consisted, in the main, of members without any formal previous experience of Audit Committee work. Accordingly, some of its work has been in familiarising itself with the key responsibilities indicated by its Terms of Reference.

In the coming year, each CCG will operate its own Audit Committee. It is anticipated that they will: engage, to a greater extent; in the development of the internal audit plan; review information governance arrangements; use the newly-developed Board Assurance Frameworks to receive a series of presentations on all significant risks.

9 Conclusion

On the basis of the above activity, it is the view of the Audit & Governance Sub-Group that the PCT’s system of integrated governance, risk management and internal control is operating effectively at a time of great turbulence.

10 Acknowledgements

The Sub-Group has been supported throughout the year by the Directors of Finance and Corporate Governance and their staff, the Audit Commission, West Yorkshire Audit Consortium, and Local Counter Fraud Service. Various senior PCT managers have attended as appropriate. The Sub-Group wishes to acknowledge its gratitude for their efforts.

11 Recommendation

That the Governing Bodies receive and note this report and comment as appropriate.

Tony Gerrard
Audit & Governance Sub-Group Chair