

**NHS SCARBOROUGH AND RYEDALE CLINICAL COMMISSIONING
GROUP AND NHS VALE OF YORK CLINICAL COMMISSIONING GROUP**

**Minutes of the meeting of the Initial Audit Committee held on 5 October
2012 at Malton Hospital, Malton**

Present: Scarborough and Ryedale Clinical Commissioning Group

Mr Philip Hewitson

Lay Member. Vice Chair and Audit Committee Chair

Present: Vale of York Clinical Commissioning Group

Mr Keith Ramsay (Chair)

Lay Member and Audit Committee Chair

In Attendance (unless otherwise stated for both CCGs)

Mr Steve Appleton	Audit Manager, Audit Commission
Mrs Sally Brown	Head of Programme Management and Integrated Governance, Scarborough and Ryedale CCG
Mr Simon Cox	Chief Operating Officer, Scarborough and Ryedale CCG
Mrs Helen Kemp-Taylor	Head of Internal Audit
Mr Mark Kirkham	District Auditor, Audit Commission
Mr Paul Mohun (for item 6)	Local Security Management Specialist
Mr Steven Moss (for item 5)	Local Counter Fraud Specialist
Ms Sharron Murray	Deputy Head of Internal Audit
Mrs Rachel Potts	Chief Operating Officer, Vale of York, CCG
Ms Michèle Saidman	Executive Assistant, Vale of York Clinical Commissioning Group
Mr Adrian Snarr	Chief Finance Officer
Mrs Carrie Wollerton	Executive Nurse

1. Welcome and Apologies

Adrian Snarr welcomed attendees at the joint Audit Committee. No apologies had been noted.

2. Introduction

Adrian Snarr explained that in view of a number of joint appointments between Scarborough and Ryedale CCG and Vale of York CCG it was proposed that a joint approach be taken to appropriate items on the Audit Committee agendas. The format proposed for future meetings was a meeting of one CCG Committee, followed by a joint meeting, and thereafter a meeting of the second CCG Committee. The meetings would be minuted separately as the CCGs will each be statutory organisations in their own right.

The Committee:

Agreed the approach proposed for future meetings

Keith Ramsay took over as Chair of the meeting.

3. Draft Audit Committees' Terms of Reference

3.1 Vale of York CCG and 3.2 Scarborough and Ryedale CCG

Adrian Snarr reported that the terms of reference were based on the national template issued to CCGs noting that the main area for local decision was membership. The two CCGs had taken a different approach to this: Scarborough and Ryedale CCG membership being both Lay Members and a GP from a membership practice; Vale of York CCG membership being one Lay Member and seeking a practice representative, potentially a practice manager.

Amendments agreed to the terms of reference were: Scarborough and Ryedale CCG at 5.1 Membership should read 'two Lay Members of the Governing Body' and addition to the Vale of York CCG document of a section 'Review of Committee Effectiveness' in line with the Audit Committee Handbook

Both terms of reference required addition of the Executive Nurse under attendance and at the first bullet point under External Audit addition of 'independence' to read '... performance and independence of the external auditors...'

Helen Kemp-Taylor and Mark Kirham confirmed that the terms of reference fulfilled requirements of Internal and External Audit.

Further discussion included noting that recruitment for a secondary care clinician had been delayed, the Board Assurance Framework would require consideration as a separate item, and training for Audit Committee members. In regard to the latter Helen Kemp-Taylor noted the regional event in February (see Any Other Business at item 11 below) and current practice of one to one induction meetings for new members. It was proposed that a development session be arranged to follow the January meeting of the Committee.

It was agreed that the terms of reference be presented at the January Committee meeting for final agreement.

The Committee:

1. Agreed that, following incorporation of the respective amendments detailed above, the terms of reference be presented at the January meeting.
2. Agreed that a development session be held after the January meeting.

4. Review of Audit Committee Draft Timetable

Adrian Snarr introduced this item noting that the format of the Audit Committee Timetable presented was as per the PCT Audit Committee for planning purposes.

Helen Kemp-Taylor advised that this approach was based on the Audit Committee handbook and established best practice. She noted that it provided a flexible framework for the work of the Committee.

Members discussed the process for the 2012/13 accounts in view of the demise of the PCT on 31 March 2013 noting that issues would emanate from disaggregation of the balance sheets and the requirement for assurance that Internal and External Audit recommendations were progressed by the Finance Team. It was agreed to maintain the option for a special Committee meeting between April and August for consideration of the accounts.

It was agreed that members' private discussion with Internal and External Audit would take place before each meeting.

The Committee:

Agreed the Audit Committee timetable subject to the amendment that meetings with Internal and External Audit would take place before each meeting.

5. Counter Fraud Approach

Steven Moss attended for this item

Steven Moss presented the report which provided information on the work undertaken by NHS Protect and North Yorkshire Audit Service's Counter Fraud Department and of developments at NHS Protect. He advised that work included a pro-active approach to fraud prevention, fraud detection, investigation on behalf of clients and recovery of fraud monies. Counter fraud arrangements for CCGs and in regard to the requirements of the NHS Standard Contract, which included security management, were also detailed. CCGs required a counter fraud plan to be in place with effect from 1 April 2013; a strategy was currently being developed by the Department of Health and NHS Protect.

Members sought and received clarification in regard to the roles of NHS Protect, which was a regulator, and the North Yorkshire Audit Service, which was required to comply with standards and regulations. They noted that Steven Moss was a member of the Internal Audit team and that where lessons learnt from counter fraud investigations indicated system weakness recommendations were incorporated into the Internal Audit programme which also included resources for counter fraud work.

Discussion included legacy arrangements, clarification of objectivity in terms of North Yorkshire Audit Service providing services to both commissioners and providers, and development of collaborative working with local authorities on a holistic approach. National data matching exercises were expected to continue. There was also the potential for “bespoke” data matching exercises jointly with External Audit to provide assurance.

The Committee

Noted the Counter Fraud report.

6. Future Role of Local Security Management Service

Paul Mohun attended for this item

Paul Mohun presented the report which comprised information on the security management requirements recently published by NHS Protect for the NHS provider and commissioning organisations and their implementation, including the revised Standard Contract, the Crime Assessment Toolkit, the role of a local security management specialist from the commissioner perspective and conflict of interest issues.

Members noted that guidance was awaited as to whether CCGs were required to employ a local security management specialist or whether the requirement was for them to have access to accredited arrangements. Paul Mohun described his current role with particular reference to aspects of training relating to conflict resolution and violence and aggression noting that these would be less relevant to commissioners.

Adrian Snarr highlighted that Paul Mohun was the only accredited local security management specialist in NHS North Yorkshire and York which gave rise to issues following the commissioner / provider split. Additionally, much of his work related to buildings which would transfer to the NHS Property Company. Adrian Snarr noted that discussions about security management were ongoing across the Yorkshire and Humber footprint.

Paul Mohun clarified that any additional security requirements would be agreed through contracts and would be appropriately monitored. He agreed to keep the Committee updated on the emerging arrangements.

The Committee:

Noted the report and the ongoing work to agree security management arrangements.

7. Finance Governance

7.1 Update and Assurance (including any changes to key financial policies)

Adrian Snarr reported that, following focus on the authorisation requirements, work was now required on financial procedures. The PCT policies would be

reviewed to ensure they remained fit for purpose with effect from 1 April 2013. Detailed work was ongoing in respect of the financial scheme of delegation, working practice and training of budget holders. The main challenge noted was the split of invoice and ordering roles in view of the low staff numbers.

Adrian Snarr confirmed that policies would be presented for adoption as appropriate at the Shadow Governing Body meetings in advance of implementation on 1 April 2013.

7.2 a) Integrated Single Financial Environment and b) NHS SBS Implementation Programme – North Region

Adrian Snarr referred to the two presentations advising of the mandate for CCGs to implement an Integrated Single Financial Environment and that the NHS Commissioning Board had procured NHS Shared Business Services (SBS) to provide ledger and transactional services. As the CCGs already used SBS services requirements related to retraining on the upgraded system and establishment of super users.

Adrian Snarr reported that as Scarborough and Ryedale CCG and Vale of York CCG were not buying financial services from the CSU who were implementing the programme for the NHS Commissioning Board it had been agreed to establish a North Yorkshire team to deploy the ledger. All CCGs would have an identified lead. Additionally, it was noted that there was no local flexibility in the implementation, however this would facilitate presentation of information from the national spine.

Adrian Snarr expressed his confidence in the package described but noted the potential to reconsider future payroll arrangements from 1 April 2013 as the PCT contract with SBS in that regard was due to end. Helen Kemp-Taylor advised that monitoring of payroll arrangements would be incorporated in the audit process and that a third party assurance assessment on SBS would be sought annually.

The Committee:

1. Noted the ongoing work on financial procedures.
2. Noted the implementation of an Integrated Single Financial Environment to be commissioned from SBS.
3. Noted the potential for alternative payroll arrangements from 1 April 2013.

8. Internal Audit

Sharron Murray informed members that the three reports at this item had been discussed at the August meeting of the PCT Audit Committee and were presented for information and to inform discussion of members' expectations of this agenda item.

8.1 Internal Audit Reports – Appendix A (as at 31 July 2012)

- CCG Budgets and Financial Reporting (*Significant Assurance*)
- Medical Revalidation Follow Up (*Significant Assurance*)

Members discussed the overall assurance classifications – high, significant, limited and low – and noted that these had had recently been agreed nationally. They sought clarification on the two reports and agreed to consider the medical revalidation report further at the next meeting.

8.2 Periodic Report

Helen Kemp-Taylor advised that this report provided a commentary of progress against the annual programme and raised any issues. She highlighted the inclusion of client directed days and noted that a three year plan was being developed, taking into account early assurance requirements; this would be presented for consideration and agreement.

8.3 Audit Recommendations Status Report

Sharron Murray reported that progress had been made to clear the recommendations in this report but that any remaining as at 1 April 2013 would require allocating to the appropriate successor body. She noted the practice of the PCT Audit Committee to focus on high priority recommendations and the principle that no recommendations should be outstanding for more than 12 months.

The Committee:

1. Noted the findings, recommendations and responses for the listed audit reports in Appendix A.
2. Requested that the Medical Revalidation Report be considered again at the next meeting.
3. Noted the Internal Audit periodic report
4. Noted the Audit Recommendations Status Report.

9. Governance and Assurance

9.1 Update and Assurance

It was agreed that:

- Terms of Reference of the CCGs' Quality and Performance Committees be included on the January agenda
- Minutes of the Quality and Performance Committees be received by the Audit Committee
- Board Assurance Frameworks be a regular agenda item to identify gaps and ensure implementation of appropriate measures to address them
- Integrated governance would be an item on the January agenda

9.2 *Relationship with Commissioning Support Unit*

Members noted that the Commissioning Support Unit (CSU) process maps, service specifications, including key performance indicators, schedules and reporting arrangements were currently being finalised. The CSU would be requested to attend the Committee at least once a year to provide assurance.

9.3 *Relationship between Audit Committee and other Governance Groups*

As discussed at 9.1 above.

9.4 *Assessment of Assurance*

As above.

The Committee:

1. Agreed that the Quality and Performance Committees' Terms of Reference be presented at the January meeting.
2. Agreed that the Quality and Performance Committees' minutes be a standing agenda item.
3. Agreed that the Board Assurance Framework be included in the work plan.
4. Agreed that integrated governance be an agenda item at the January meeting.
5. Noted the information in respect of the Commissioning Support Unit.

10. External Audit

Steve Appleton referred to the update which highlighted key emerging national developments and on this occasion referred to updates on the outsourcing of the Audit Practice and the residual Audit Commission, key findings from NHS audits for 2011/12, publication of a report on the Audit Commission's Payment by Results data assurance programme for 2011/12 — 'Right Data, Right Payment' – and the Audit Commission's Payment by Results Data Assurance Framework 2012/13.

In regard to the awarding of the Audit Practice in the North East and North Yorkshire to Mazars members noted that Audit Practice staff would transfer to the firm from 1 November 2012. Adrian Snarr highlighted the need for a mechanism to ensure any residual matters identified by the PCT Audit Committee were passed on to CCGs.

The Committee:

1. Noted the update.
2. Noted the requirement for a mechanism for residual matters from the PCT Audit Committee.

11. Any Other Business

Helen Kemp-Taylor informed members that the annual event for Audit Committee members would be held on 18 February 2013 at the National Railway Museum in York. She explained the format and draft programme requesting comments.

The Committee:

Noted the information about the annual event for Audit Committee members.

12. Key Messages to the Shadow Governing Body

- Clarity of ownership of the Assurance Framework
- Clarity of accounts processes following the demise of the PCT
- Counter Fraud and Local Security Management Specialist arrangements
- New External Audit arrangements

The Committee:

Agreed the above would be highlighted by the Committee Chairman to the Shadow Governing Body.

13. Next Meeting

Adrian Snarr to propose January meeting date.