

Item

**Minutes of the Meeting of the CCG Audit Committee  
Wednesday, 23<sup>rd</sup> May 2018 10.00am – 12.00pm  
WNCCG Offices, King's Court, Chapel Street, King's Lynn**

**Present:**

Revd Hilary De Lyon (Meeting Chair)	Deputy Chair & Lay Member (Audit)	(HDL)
Rob Bennett	Lay Member (Finance)	(RB)
Dr Imran Ahmed	Governing Body GP Member (from item 18.67a)	(IA)

**In attendance:**

Heather Farley	Head of Corporate Affairs	(HF)
Howard Martin	Chief Finance Officer	(HM)
Emma Kriehn-Morris	Deputy Chief Finance Officer	(EKM)
Zoe Thompson	External Auditor, BDO	(ZT)
Barry Pryke	External Auditor, TIAA	(BP)
Cathy Hudson	Governance Officer (Minutes)	(CHu)

**Apologies:**

Tim Bishop	Governing Body Lay Member	(TBi)
Kevin Limn	Internal Auditor, TIAA	(KL)
Neil Abbott	Internal Auditor, TIAA	(NA)
Lisa George	Counter Fraud, TIAA	(LG)

**ACTION**

**Welcome**

HDL welcomed Howard Martin, West Norfolk CCG's new Chief Finance Officer, to the organisation and to the committee.

**18.63 Declarations of Interest**

HDL reminded committee members of their obligation to declare any interest they may have on any issues arising at committee meetings which might conflict with the business of West Norfolk Clinical Commissioning Group.

The register of interests for members of the Committee was made available as a paper and noted by the committee.

No additional declarations were required beyond those on the register.

**18.64 Apologies for Absence**

Apologies were received as above.

**18.65 Confirmation of any part of the Minutes that is currently considered Freedom of Information Act (FOIA) exempt**

None

**18.66 Internal Audit**

- a) **Internal Audit Annual Report** – The report had been seen by committee members at a previous meeting and the contents were noted.

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## 18.67 Annual Report and Accounts

- a) **Annual Report** – HF presented the final draft Annual Report to the committee. HF explained the report is prepared to a template produced by NHS England. The contents have been read through by the auditors. An earlier addition of the report was presented at the April Committee meeting. To help members note changes that had been made HF included an amendment log. Changes made this year include an additional column to the performance report to show data from previous years for a more informed comparison. The Governance Statement has been re written to reflect accurately, the challenges faced within the organisation during the year 2017/18.

Due to taking on the delegated commissioning responsibilities through 2017/18 there had been an increase in the amount of third party assurances included within the report from last year. Some of these had not met their control objectives. HF and EKM have read through the assurances in detail and established there was no direct impact on West Norfolk CCG. Advice was sought on how best to present this in the report.

HDL thanked EKM, HF and the team for their work on producing the annual report.

- b) **Accounts** – EKM told the committee of timing issues between the draft accounts and the final accounts. This was out of the CCGs control. There had been two principal changes. First, highlighted in Note 15 of the cover paper for 18.67, Financial Performance Targets. Guidance had come out from NHS England after the submission of the draft accounts to change the accounts being completed on a cumulative basis to an in year basis. This has had an impact on the figures. West Norfolk CCG did not meet their financial duty. BDO have therefore issued a Section 30 letter to the Secretary of State to advise them of the position. Secondly changes to the way data which is used to complete information on pensions was received has impacted the final numbers. The data was received late and incomplete. RB asked EKM to confirm the changes between the draft and the final report were not significant. EKM confirmed this, confirming changes where due to the way data was reported and not to final figures. Differences in figures presented at the Finance and Performance Committee in April were not the same as those presented at Audit. EKM confirmed the figures had been reconciled and would take away and look to see where the difference in comparisons would produce a different figure.

RB are EKM if there were any significant judgements within the accounts that the Audit Committee should be made aware of. EKM responded to say key areas of significant judgements are made reference to within the accounts. BDO have taken the view that the values are slightly less. The judgements have been made principally round prescribing, activity for month 12 with acute providers and some CHC. Any judgments made are reflected within the accounts. No estimates, other than those declared within the accounts have been

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made. It is confirmed that no financial support from other CCGs have been received within the 2017/18 financial year.

**ACTION**

**HDL asked for an explanation as to how the spend for Purchase of Social Care, listed under Operating Expenses, went from £0 in 2016/17 to £846k in 2017/18. EKM will look into this as get back to HDL to confirm.**

**EKM**

HDL also queried legal fees which had also gone from £0 to £31k. HF told the committee that there had been several queries this year that had required legal advice, including lease fees and a legal issue for the quality team. The increase in Establishment costs has been due to the changes within Primary Care commissioning.

HDL thanked the finance team for their hard work in preparing the end of year accounts.

**18.68 Service Auditor Report**

- a) **SBS Finance and Accounting**
- b) **SBS Prescription Payments Process**
- c) **NHS SBS Employment Services**
- d) **NEL CSU**
- e) **SERCO**
- f) **CAPITA**
- g) **NHS Digital GP Payments**

The contents of the Service Auditor Reports had been taken as read and the committee had no queries on the reports.

**18.69 External Audit**

- a) **Audit Results Report** – ZT thanked HF, EKM and their teams for their support during the audit work.

No additional significant audit risks were identified during the course of the audit subsequent to the Audit Plan presented to the committee in April. The materiality has increased slightly from £4.1m to £4.2m to reflect the gross expenditure reported in the draft financial statements. There were no significant changes to the planned audit approach. No material misstatements had been identified and two unadjusted audit difference of £120k relating to the over accrual of prescribing costs and £155k relating to a misclassification of a prepayment/accrual had been identified. Only one of these is referred to in the report as the second had only recently come to light. Neither are considered material.

The £120k comes from over accrual of prescribing costs. An error from NEL CSU. The £155k comes from an error in the balance sheet where a time was posted as a negative creditor rather than a debtor. An error from NHS England. This has no impact on the bottom line.

The report will be updated to reflect the two unadjusted audit differences along with EKMs comments following the report being seen.

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The final version will be ready by Friday (25<sup>th</sup>) morning and will be circulated to the committee.

No significant deficiencies in internal controls were identified and three items were identified in the review of the draft financial statements. These were alluded to by EKM earlier. Including the changes to guidance issued by NHS England. The auditors have looked at the STP across Norfolk CCGs and have no matters to report.

A modified regularity opinion will be issued due to the CCG failing to meet its statutory financial duties. This will be issued on Thursday 24<sup>th</sup>. Along with any other modifications. The wording will be seen by the committee as soon as it is received, for noting and agreement. HDL expressed concerns on the timing of this as it was not ready for the Audit Committee meeting and the deadline was only days away. It did not give the committee much time to review and approve and it would not be discussed at the appropriate meetings.

The final check will involve checking the CCG template with the financial statement.

The remuneration and staff report will receive an unmodified opinion.

There were a number of matters outstanding following the release of the report;

1. **Receipt of evidence to support a sample of primary care co-commissioning transactions.** This had been an issue across Norfolk CCGs. Evidence has now been received. This is now complete.
2. **Completion of procedures relating to accounting estimates, cut off of income and expenditure, NHS and non-NHS expenditure and payables.** This work is now complete subject to final review.
3. **Completion of engagement lead and manager review and clearance of review points by audit team.** This work is now complete subject to final review.

**The remaining four items were end of audit processes and would not be expected to be complete at this stage.**

Confirmation of there being no prior period adjustments will be sent to committee members once received.

RB asked if the two significant differences highlighted in the agreements of balances exercise (QEH and NCC) have been looked at during the audit and if the auditors were happy with how they had been treated. These had been looked at and gave no cause for concern.

BP updated the committee on the areas of risk highlighted within the report. The risk on management override of controls, investigations found no inappropriate entries or adjustments. Work is ongoing and updates will be given to the Audit Committee. Expenditure and revenue

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recognition work is ongoing. Some errors in estimate calculations had been identified. This was not considered material and a prior period adjustment is not recommended.

Fully delegated primary care co commissioning risk work is concluded and no matters to report.

The risk on the disclosure of senior officer remuneration came to be from the changes within the senior management team over the year. All areas with errors have been corrected and the correct information will be in the annual report.

BP told the committee of work going on with Accounting treatment of Norfolk Community Care Partnership (NCCP). From November 1<sup>st</sup> 2017, the Continuing Health Care (CHC) Service previously provided by NEL CSU has been hosted by Norwich CCG. The service is treated as a separate business unit within Norwich CCG known as NCCP. BDO work has shown that each CCG should be accounting for their own share of income, expenditure, assets and liabilities. This has not been the case. This has no impact on the value of expenditure recognised by West Norfolk CCG, which represents re charges raised by Norwich CCG for the administration of NCCP. The error will not be adjusted this year as it has not been identified as material and had not been identified until late in the accounting process. It will reviewed again for the coming year.

The 2018/19 planned numbers quoted within the report were based on the first draft submission and not the final, actual numbers.

The report will be updated and a new version issued to the committee. The committee members were happy with the recommendations set out by BDO on adjustments and satisfied they are not material and therefore the adjustments do not need to be made.

**b) Letter of Representation** – This will be ready for signing by Friday afternoon in time for submission.

#### **18.70 Date of Next Meeting**

The next meeting of the Audit Committee will be on Wednesday 25<sup>th</sup> July 2018 and will remain an afternoon meeting. The exact time will be shared with the committee once agreed.

This will be Rob Bennett's last meeting. HDL thanked Rob for all he has done for the CCG. RB wished the CCG success going forward and thanked everyone for their support over his term.

There being no further business the meeting concluded at 11.20am