

**NHS HULL CLINICAL COMMISSIONING GROUP
INTEGRATED AUDIT AND GOVERNANCE COMMITTEE
CHAIRS ANNUAL REPORT
2018-2019**

**Karen Marshall
Integrated Audit and Governance Chair
NHS Hull CCG
July 2019**

Committee Chair's Annual Report

1 April 2018 to 31 March 2019

1 Introduction

This report covers the work of the Integrated Audit and Governance Committee (IAGC) throughout the 2018-19 financial year. This has been, in my opinion, yet another successful year of working for the Clinical Commissioning Group (CCG). Although the constitutional targets continue to pose huge challenges, the CCG continues to discharge its other duties and functions in a professional and competent manner, achieving an outstanding rating for a second consecutive year. The local health economy continues to be a challenging environment and credit goes to the entire team for their endeavours. The shared leadership arrangements with North Lincolnshire CCG continue, with no end point in sight, which one assumes will become permanent as we see more mergers within the Health Economy.

The purpose of this report is to give the CCG Board and Committee members an assurance and confidence in the progress of the work of the IAGC. It also serves to provide details of how the IAGC has, through its terms of reference, carried out an independent assessment of how well the CCG has delivered its responsibilities in regard to progress in achieving strategic objectives and the effective management of internal controls, risk management and all governance arrangements. It also reflects my personal opinion on the progress made throughout a year which has built upon and further developed exciting partnership developments. This achievement is not to be underestimated as it has continued to improve health care whilst at the same time working with some challenging, and at times very difficult, issues whilst establishing new ways of working which encourage more honest and open transactions and encourages cohesive working between partner organisations.

2 Summary

The IAGC can confirm from evidence provided throughout the year that:

- 2.1 the Annual Governance Statement is consistent with its views on the CCG's system of internal control and that it supports the Board's approval of the Statement;
- 2.2 the risk management systems in the CCG have been further refined and are adequate in identifying risks and allow the Board/CCG to understand the appropriate management of those risks;
- 2.3 it has reviewed and used the Board Assurance Framework and believes that it is fit for purpose, and
- 2.4 there are no areas of significant duplication or omission in the systems of governance in the CCG that have come to the Committee's attention.

The basis for the above opinion (paragraph 2.1 to 2.4) is drawn from evidence highlighted in the Annual Governance Statement and from discussion and rigorous debate and challenge in the IAGC.

3 Membership and Role of the Integrated Audit and Governance Committee

3.1 The IAGC has consisted of the following members:

Karen Marshall- Chair (Lay Member) April 2015 - present

Paul Jackson – Vice Chair (Lay Member) April 2015 – May 2019

Jason Stamp – (Lay Member) April 2015 – present

Our colleague Paul Jackson passed away in May and he will be sadly missed for his frank and honest contributions.

3.2 The role of the IAGC in its Audit capacity in conjunction with our Internal and External Auditors has not changed since the last report and can be summarised as follows:

Review the adequacy and effective operation of the CCG's overall internal control system, predominantly focusing on the framework of risks, controls and related assurances that underpin the delivery of the CCG's objectives as defined in the Assurance Framework. Consequently the Committee reviews the disclosure statements that flow from the assurance processes with particular reference to the Annual Governance Statement (AGS), included in the Annual Report and Accounts.

In addition, the Committee independently monitors, reviews and reports to the Board/CCG on the process of all governance issues and where appropriate, facilitates and supports the attainment of effective processes.

In order to fulfil its role, the Committee relied on the assistance of Internal Auditors (Audit One) and the External Auditors (Mazars) throughout the review year. These relationships are now established and are moving into a third year of working with us. Third party assurances were received in letter form and assured us that our commissioning support processes were adequate.

I, and my fellow lay Committee members, held three private meetings with the auditors over the period of the financial year in order to have an open and honest debate on any issues that the auditors had found and to give the Committee members an informal opinion of how the organisation conducts its business.

4 Governance and Risk Management

4.1 The IAGC provides an independent and objective review of the CCG's Governance and Risk Management arrangements and assurances to the Board, to enable the Statement of Internal Control to be signed off.

4.2 The IAGC had an approved plan of work for 2018-2019, the scope of which enabled it to discharge its responsibilities. Key areas of work to provide assurances to the Board/CCGC have been:-

- Ensured the Annual Governance Statement (AGS) is consistent with other relevant assurance information such as the Internal Audit Opinion and the Internal Audit Annual Report
- Monitored and reviewed governance processes, including the development of a more detailed Conflicts of Interest policy.
- Ensured the Primary Care mandated audit is now on the work plan and has been carried out accordingly.
- Reviewed all Assurance Framework action plans and progress towards strategic aims.
- Reviewed proposed changes to the Corporate Governance Framework as required
- Reviewed proposed changes to Governance arrangements including Committee terms of reference as required
- Reviewed minutes of the Board's Committees and requested information as required to ensure that corporate and clinical governance issues are being addressed appropriately.
- Agreed the Internal Audits work plan for the year to ensure that significant risks highlighted in the Assurance Framework are suitably monitored to provide assurances on the management of those risks
- Ensured action is taken following audit recommendations
- Ensured satisfactory progress in delivering the counter fraud plan and monitor the process and outcomes of investigations
- Continually monitored the effective use of financial resources, particularly in light of the changing profile of spend on Continuing Health Care and the Aligned Incentive Contract and Better Care Fund.
- Monitored the support services in terms of third party assurances.

4.3 The IAGC ensured the Internal Audit Plan 2018-2019 was aligned to the key risk areas highlighted in the Board Assurance Framework (BAF). Work in the high risk areas included assurance that the Assurance Framework is fit for purpose, that assurances and controls are suitably evidenced and that the framework informs declarations made on the Annual Governance Statement. In year there have been significant improvements to the monitoring and management of the Board Assurance Framework and the Risk Register, with each Board Committee now scrutinising their associated risks at each meeting, resulting in a more robust process. The organisation has performed well with Internal Audit offering Significant Assurance on all areas. The full list of internal audits is detailed in appendix 1.

4.4 During the course of the year, Mazars have presented a number of papers relating to governance and risk management (see appendix 2). Several key messages evolve from these reports including:-

The External Audit Report 2018-19 disclosed sound performance around financial statements, with no recommendations for the sixth consecutive year.

With reference to Value for Money, the report also concluded that the CCG has robust systems and processes to effectively manage financial risks and opportunities and to secure a stable financial position that enables it to operate for the foreseeable future. The CCG had proper arrangements for challenging how it secures economy, efficiency and effectiveness, whilst moving forward with an ambitious strategic plan and dealing with a challenging provider landscape.

The External Audit Report 2018-2019 again disclosed no significant matters around their area of investigation namely impact of organisational change on the control environment, fraud and regularity risk.

- 4.5 Notwithstanding shortcomings highlighted in the reports of both internal and external auditors which are scrutinised by the Committee in the presence of the relevant directors/managers, the Committee is satisfied that it can provide overall assurance to the Board/CCG regarding governance and risk management statements in the Annual Governance Statement.

The Committee is confident that follow-up procedures are in place to act upon all recommendations made through the audit process.

5 Financial and Counter Fraud Reporting

- 5.1 The Annual Report and Financial statements were closely reviewed and approved by the Audit Committee for the financial year 2018-2019. The review included scrutinising the wording in the Annual Governance Statement and other disclosures relevant to the Terms of Reference of the Committee; i.e. changes in, and compliance with, accounting policies and practices; unadjusted misstatements in the financial accounts; major judgmental areas; and any significant adjustments resulting from the audit, of which there were none.
- 5.2 Financial reporting has been robust and available between meetings for Committee members whenever requested.
- 5.3 It is pleasing to report that the development of benefits realisation, cost pressure and programme management techniques have provided strong management of circa. £457m of funding, whilst ensuring that service development and major change continues at pace.
- 5.4 All significant financial risks facing the CCG are analysed at each IAGC meeting to determine any demonstrative changes and review actions in hand to manage the risks. The Committee satisfies itself that the financial risks are appropriately reflected in the year-end financial forecast.

- 5.5 The Local Counter Fraud Specialist's annual report has been reviewed by the Audit Committee and the Committee has assured itself that the plan gives adequate coverage in all aspects of fraud and counter-fraud at this point in time.

Reports from the Local Counter Fraud Specialist will be considered and approved on a regular basis.

- 5.6 Notwithstanding recommendations highlighted in the reports of both internal and external auditors, which are scrutinised by the Committee in the presence of the relevant directors/managers, the Committee is satisfied that it can provide overall assurance to the Board regarding financial and counter fraud management.

The Committee is confident that follow-up procedures are in place and adhered to in activating all internal and external audit recommendations.

6 Effectiveness of the Integrated Governance and Audit Committee

- 6.1 The IAGC is an independent Committee comprising of three Lay Members. The Committee has been quorate at all meetings and the terms of reference are reviewed as required, at least annually.
- 6.2 The agenda for each meeting is structured and planned in accordance with the agreed annual work plan recognising the significance of the BAF, governance and risk management. The annual work plan is constantly reviewed to ensure appropriate balance between all facets of the Committee's area of responsibility and remains flexible when required to instigate reviews which may be required in year.
- 6.3 There are standing agenda items which include the Corporate Governance Framework (amendments to Standing Orders and Standing Financial Instructions), outstanding debtors and creditors, better payment practice code and losses and special payments.
- 6.4 The Committee invites lead directors, managers and, where appropriate, providers to debate their particular areas of responsibility as they arise.

7 Internal and External Auditors- Quality and Approach

7.1 Internal Auditors

The Committee believes we are enabling a good working relationship with the Internal Auditors, characterised by open, challenging and constructive debate.

Key performance indicators are built into the service level agreement and their quality objectives are referred to in their Annual Report

The Internal Auditors have progressed their work well with the mixed agenda of Audit and Governance, giving constructive criticism and support to the IAGC.

7.2 External Auditors

The Committee believes we have enjoyed a good working relationship with our External Auditors, characterised by open and constructive debate. This has resulted in another positive year end experience, in both the relationship and attitudes to External Audit requirements by both parties with no recommendations. I consider this to be a reflection of the professional manner in which the Management team and the Auditors have conducted themselves.

8 Key Challenges in 2019-2020

8.1 As always we find ourselves working in a changing NHS landscape and the development of new ways of working in a challenging financial environment are evolving. The national movement to Integrated Care Partnerships and systems brings fresh challenges to an already challenging environment, organisational structures will inevitably have to flex and change and where necessary much more closely aligned working will emerge. As inevitable as this appears to be, we must not lose focus and continue our efforts to ensure we sustain the new ways of working, embedding and improving our processes in order to achieve the best outcomes we can with our guardianship of the “Hull pound”, whilst also maintaining our standards and achieving statutory responsibilities.

The Jean Bishop centre has had a successful first year, demonstrating how changing old ways of working can achieve huge benefits to the population. Primary Care is facing a huge change in the way it works whilst coping with a worrying workforce deficit, whilst the demand on acute, community and mental health services continues to grow.

All of these developments will need careful oversight whilst not losing touch with the day to day running of the organisation in its current statutory position within the NHS. The Humber Coast and Vale Integrated Partnership will continue to add a more widespread geographical approach to the commissioning of health and social care. We have to ensure that whilst the strategic plans offer certain advantages and economies of scale, we don't want our current standards and ways of working diluting it in any way. The IAGC will endeavour to ensure that its principal functions will not be lost in any way and recognise the need to ensure effective systems and processes are in place to secure high quality standards of care regardless of provider and, more importantly, systems that appear persuasive on paper actually work in practice.

9 Conclusion

In presenting this Annual Report, I have illustrated how the IAGC has faced the challenges of meeting not only its responsibilities around monitoring internal financial control systems, but also embracing its enhanced role by linking its activities to the CCG's wider assurance framework. The Committee believes it has covered sufficient areas of risk to the organisation during the year to be able to assure the CCG Board with respect to the conclusions in the Annual Governance Statement.

The Committee would like to acknowledge the positive participation of executive directors and senior managers to constructive and rigorous challenge in their areas of responsibility; to the Internal and External Auditors for their professional guidance and cooperation; to the CCG finance and performance personnel who provide the backbone to the Committee's work and last but not least our administrative support which is invaluable.

I personally would like to add my congratulations and thanks to the entire workforce of the CCG on their dedication to ensuring that it embraces a professional and positive approach to working. The CCG continues to demonstrate that it works in an effective and proper way regardless of the challenges faced by our Chief Officer and Chief Finance Officer in their dual roles.

For the sixth consecutive year we have achieved a clean bill of health from external audit without any recommendations, however, we need to recognise that complacency cannot occur as a result of these achievements.

This last year has demonstrated a fantastic achievement and I congratulate and commend the whole organisation on this reflection of their work.

A handwritten signature in blue ink, appearing to read 'Karen Marshall', is positioned above the typed name.

Karen Marshall
Chair of Integrated Audit and Governance Committee
July 2019

APPENDIX 1

Internal Audit Reports submitted to the Integrated Audit and Governance Committee 2018 - 2019

SUBJECT	LEVEL OF ASSURANCE
Financial Management / Financial Control	Significant
Quality Innovation Productivity & Prevention (QIPP)	Significant
Provider Contract Management	Significant
Assurance Framework	Significant
Conflicts of Interest	Significant
Primary Care Commissioning	Significant
Medicines Management/Prescribing	Significant
Partnership Working – Aligned Incentive Contract	Not Applicable
Information Governance (Data Security & Protection Toolkit)	Not Applicable

APPENDIX 2

External Audit Reports relating to the management of financial systems and control

Annual Audit Letter 2018 - 2019

Annual Completion Report 2018 – 2019 including;

- Opinion on Financial Statements – unqualified with no recommendations
- Opinion on Regularity – unqualified
- Value For Money Conclusion – satisfied
- Wider Reporting – consolidation data is consistent with financial statements