

Agenda item 6.1i

**NHS HULL CLINICAL COMMISSIONING GROUP
INTEGRATED AUDIT AND GOVERNANCE COMMITTEE
CHAIRS ANNUAL REPORT
2020-2021**

**Karen Marshall
Integrated Audit and Governance Chair
NHS Hull CCG
July 2021**

Committee Chair's Annual Report

1 April 2020 to 31 March 2021

1 Introduction

This report covers the work of the Integrated Audit and Governance Committee (IAGC), throughout the 2020-2021 financial year. This has been, despite unprecedented challenges due to the Covid19 pandemic, yet another successful year of working for the Clinical Commissioning Group (CCG). Although the constitutional targets and recovery from the pandemic continue to pose huge challenges, the CCG continues to discharge its other duties and functions in a professional and competent manner.

The purpose of this report is to give the CCG Board and Committee members an assurance and confidence in the progress and output 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.

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.
- 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 IAG Committee.

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

Jason Stamp – (Lay Member) April 2015 – present

Ian Goode – (Lay Member) November 2019- present

It is supported predominantly by the Chief Finance officer (CFO) and Assistant Director of corporate affairs and the PA to the CFO.

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) until October 2020, subsequently Audit Yorkshire (who took over the internal audit contract) and the External Auditors (Mazars) throughout the review year. The relationship with Audit Yorkshire was quickly established with no detriment to organisational processes and we find ourselves working in a sound and

effective manner. 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 Audit Committee had an approved plan of work for 2020-21, and despite the change in internal audit provision and some necessary adjustments due to this and also the pandemic, the scope of the work enabled it to discharge its responsibilities fully. 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.
- 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 Audit work plan for the year to ensure that significant risks highlighted in the Assurance Framework are suitably monitored to provide assurance 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 uses 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 2020-21 was aligned to the key risk areas highlighted in the Board Assurance Framework (BAF) and any emergent risks arising due to the Pandemic and subsequent central government led changes to resource allocations. Work in the high-risk areas included assurance that the BAF 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 / High Assurance on all areas. The full list of internal audits is detailed in appendix 1.
- 4.4 Due to delays caused by the by the Covid 19 pandemic the deadline for the production of the Annual Audit Report 2020-21 has been extended to mid-September. However; the Mazars have provided an Audit Completion Report to the IAGC. This indicates they anticipate issuing an unqualified opinion, without modification, on the financial statements. It also states that audit work undertaken did not identify any significant weaknesses in arrangements to secure value for money.
- 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 2020-21. 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 scrutinised at every meeting and available between meetings for Committee members whenever requested.
- 5.3 It is pleasing to report that cost pressure and programme management techniques have provided strong management of circa. £560m of funding, achieving system balance whilst ensuring that Hull CCG achieved its statutory responsibilities. All this was achieved whilst ensuring that service delivery was achieved under exceptional circumstances.
- 5.4 All significant financial risks facing the CCG and the Humber system were 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.

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 our 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 and in a timely manner, despite commencing their work halfway through the year in question and in an online arena, with the mixed agenda of Audit and Governance, giving constructive criticism and support to the IAGC.

7.2 External Auditors

The Committee believes it has 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 during a difficult year.

8 Key Challenges for 2021-22

We currently find ourselves still in the midst of an unprecedented national dilemma as a result of the ongoing Covid19 global pandemic. Healthcare has had to respond speedily and efficiently to develop new ways of working under difficult circumstances which under normal circumstances would have taken years to achieve. The vaccination campaign has demonstrated how well Primary Care and Community services can mobilise and respond to extra workloads. This has resulted in rising waiting lists across all specialities for the public and also given rise to logistical problems for working arrangements for all healthcare providers and commissioners of care. There will be opportunities to continue to embed some of the new ways of working which have proved effective but also massive challenges in managing expectations against what can and cannot be delivered safely.

The current restructure of the NHS is now moving through the legislative process and NHS Hull CCG will cease to exist in April 2022. As the new Integrated Care system takes shape and evolves into the new statutory body, we must ensure that staff are well supported through the transition and that we, through our remaining year with statutory responsibilities continue to deliver efficient and effective management of our systems and processes ensuring the legacy of NHS Hull reflects the sound and professional organisation that it is.


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, particularly throughout this difficult and challenging year. The CCG continues to demonstrate that it works in an effective and proper way regardless of the challenges we currently face.

This last year has demonstrated a fantastic achievement in the face of adversity and I congratulate and commend the whole organisation on this reflection of their work and the legacy I am assured it will hand over to the new system going forward.

A handwritten signature in black ink, appearing to read 'K Marshall', written in a cursive style.

Karen Marshall
Chair of Integrated Audit and Governance Committee
June 2021

APPENDIX 1

Internal Audit Reports submitted to the Audit Committee for 2020-2021 are detailed below:

<u>SUBJECT</u>	<u>LEVEL OF ASSURANCE</u>
Governance, Risk and Performance	
• Governance Structures and Risk Management Arrangements	High
• Conflicts of Interest	High
Commissioning and Contracting	
• Primary Care Commissioning	High
Finance	
• Financial and Strategic Planning, including QIPP Planning	High
• Key Financial Controls	High
Information Governance	
• Data Security and Protection Toolkit	High