

Governing Body meeting (held in public)

DATE: 26 May 2016

Title	Annual Report of the Audit & Integrated Assurance Committee (AIAC)
This paper is for Information	
Recommended action for the Governing Body	<p>That the Governing Body:</p> <ol style="list-style-type: none"> 1. Note the attached Report and self–assessment. 2. Consider when reviewing the committee’s terms of reference to include the requirement for the committee to produce an Annual Report to the Governing Body. 3. Note the need to appoint a fifth committee member.
Potential areas for Conflicts of interest	The self-assessment is by definition subjective but this has been mitigated by the inclusion of five non committee members in the self-assessment and by benchmarking against 16 other CCGs.
Executive summary	<p>The Terms of Reference for the AIAC do not require it to produce an Annual Report but it is considered best practice so to do and the AIAC’s Annual Report is attached.</p> <p>The Terms of Reference do however require that it carries out an annual self–assessment and this forms the appendix to the Annual Report.</p> <p>For the first time the AIAC engaged in a benchmarked self–assessment with 16 other CCGs carried out by our Internal Auditors, KPMG. There are four dimensions to the self–assessment:</p> <ol style="list-style-type: none"> 1. How the AIAC’s own performance is rated. 2. How that performance compares to what is perceived as ideal by the AIAC. 3. How the AIAC’s performance compares with its peers. 4. How the AIAC’s perception of ideal compares with that of its peers. <p>2 above has then been RAG rated but one should not lose sight of the</p>

Clinical Commissioning Group

<p>differences thrown up by 3 & 4.</p> <p>The areas with a red RAG rating are succession planning for the AIAC and the focus on risk management versus risk identification.</p> <p>The former is an issue for all 17 CCGs concerned and steps are being taken by the CCG chair to address the matter.</p> <p>The AIAC's assessment of its performance on the latter falls short of its ideal but compares reasonably with that of our peers and our ideal is "tougher" than theirs. All AIAC members are benefiting from training at Governing Body level on the assurance framework and I believe that our degree of challenge is becoming more robust. Finance training has been provided to all members during 2015/16.</p> <p>The AIAC "set the bar higher" than its peers on 55 of the criteria and this should be borne in mind when considering the RAG ratings.</p> <p>There are relatively few instances where our actual performance is below that of our peers.</p> <p>The Annual Report is based on the Executive Summaries of each meeting; the Governing Body should note that the AIAC has functioned without one of its clinical members since October 2015 when Dr Kanani was appointed chair of the CCG. Steps are being taken to appoint a fifth member and this needs to be expedited.</p> <p>There are no particular matters that need to be brought to the attention of the Governing Body but it should note the issue addressed in paragraph 2.5.</p> <p>The Governing body can be assured through the work of the AIAC that:</p> <ul style="list-style-type: none"> • The system of risk management is effective in identifying risks and enabling the Governing Body to understand the management of those risks. • The AIAC has reviewed and used the assurance framework and considers it fit for purpose and supports the Governing Body's decisions and declarations. • No significant areas of omission in the systems of governance came to the attention of the AIAC. 		
How does this paper support the CCGs objectives?	Patients:	Indirectly.
	People:	Indirectly.
	Pounds:	Provides assurance.
	Process:	Provides assurance.
What are the	Key risks	None identified.

Clinical Commissioning Group

Organisational implications	Equality	None identified.	
	Financial	Provides assurance.	
	Data	N/A	
	Legal issues	Assures compliance with statutory requirements.	
	NHS constitution	Compliance addressed as part of statutory compliance.	
	Engagement	N/A	
Audit trail	This report has not been to any other committee.		
Comms plan	N/A		
Author: Keith Wood Chair AIAC	Clinical lead: N/A	Executive sponsor: Theresa Osborne Chief Financial Officer	
Date	13 May 2016		

NHS BEXLEY CLINICAL COMMISSIONING GROUP

AUDIT AND INTEGRATED ASSURANCE COMMITTEE (“AIAC”)

ANNUAL REPORT

1 Introduction

- 1.1 This is the third Annual Report of the AIAC to the Governing Body. The AIAC is established as a committee of the Governing Body in accordance with the Constitution approved by the membership & by NHS England
- 1.2 Every CCG is required to establish committee of the Governing Body to act as the Audit Committee. The AIAC fulfils this role and plays a central role in the organisation’s governance processes by providing the Governing Body with a source of independent and objective assurance across the full range of financial and organisational controls; the AIAC’s remit does not directly cover clinical governance activity which is overseen by the Quality and Safety Sub -Committee.
- 1.2 The membership of the AIAC is as follows:
- Keith Wood FCA – Chair
Tina Khanna
Dr Graham Rehling
Mary Currie (appointed with effect from May 2015)
- Dr Nikita Kanani also served until her appointment as Chair of the Clinical Commissioning Group with effect from 1st October 2015. There is currently one vacancy on the AIAC.
- 1.4 The Terms of Reference for the AIAC require it to undertake annual assessments of its own processes and effectiveness and this is summarised at **Appendix A** in respect of the 2015/6 Financial Year. For the first time this has been carried out under a framework devised by our internal auditors KPMG and has enabled benchmarking against other CCGs. Although no significant issues arising from the current arrangements have been identified, the AIAC has learned from the assessment and is taking steps to improve its effectiveness.
- 1.5 The Terms of Reference for the AIAC are required to be reviewed at least annually by the Governing Body; they were amended and approved by the Governing Body on 26th March 2015.

2 Committee Work Plan 2015/6

- 2.1 The AIAC met five times during the 2015/16 financial year and intends to meet at least for times in 2016/7 in order to fulfil the requirements of its Terms of Reference. All work

Clinical Commissioning Group

has been carried out in accordance with both the AIAC's terms of reference and with Department of Health Guidance, contained in the NHS Audit Handbook.

- 2.2 The AIAC members have kept up to date with developments through briefings by the internal & external auditors as well as by interaction with other external bodies and have benefited from events organised by NHS England. NHS England hosts a bi-annual forum for Audit Chairs and the issues arising are shared with all members of the AIAC. A training session on the NHS finance regime was attended and welcomed by all members of the AIAC.
- 2.3 The AIAC has utilised a detailed rolling work plan with work streams feeding into the regular meetings held during the year.
- 2.4 During 2015/16, the AIAC has addressed the following issues. It has:
- Approved the submission of the 2014/5 draft accounts.
 - Approved the 2014/5 Final Accounts, Annual Report and Annual Governance Statement on behalf of the Governing Body.
 - Agreed annual work plans for internal audit, external audit and counter fraud work and monitored progress on a regular basis, calling for specific management responses where appropriate.
 - Through delegated action considered the interim accounts and report for the nine months to 31 December 2015 submitted to NHS England in January 2016
 - Agreed the timetable for production of the Annual Accounts and subsequently considered the draft for 2015/6 together with the Chief Officer's statement on internal controls and the draft internal auditor's assurance related to that statement. It will, in due course, consider the external auditor's opinion on the accounts.
 - Reviewed the work of the Local Counter Fraud Specialist on a regular basis.
 - Monitored KPIs for both internal and external audit
 - Received and reviewed reports from the Internal Auditors covering:
 - Safeguarding Children
 - Financial Management & reporting
 - Information Governance
 - Performance Reporting
 - Declaration of interest administration
 - Received reports on the adequacy of internal controls at the South East CSU from its Internal Auditors
 - Regularly reviewed the accounts receivable of the CCG and was assured by the processes for their management & control.

Clinical Commissioning Group

- Undertaken “deep dives” into acute/community contract management and the process for developing commissioning intentions.
 - Received the annual report from the Integrated Commissioning Unit.
 - Noted the waiver of tenders.
 - Carried out a self-assessment of the AIAC’s processes and effectiveness and produced an Annual Report to the Governing Body
 - Considered the interests recorded for Governing Body members and employees as well as entries recorded in the gifts and hospitality register
 - Approved the Financial Control Environment return submitted to NHS England
 - Received regular reports detailing progress with audit recommendations. The AIAC was pleased to note the proactive way in which recommendations had been addressed and the high degree of satisfaction contained in the Internal Auditors reports.
 - Been assured by the CCG Assurance Framework and risk management processes and initiated changes to them.
 - Received assurance on the CCGs compliance with statutory requirements
 - Considered the suitability of the AIAC to act as an Auditor Panel (“ AP”) and endorsed the AP’s proposed Terms of Reference
 - Received regular reports from those Committees which it is charged with overseeing
 - Invited private meetings with both Internal and External Audit
 - Reflected on the proceedings at each meeting.
- 2.5 In response to the Internal Audit report on the administration of interests the AIAC made further specific recommendations with regard to the recording of conflicts of interest training, guidelines for committee chairs and the evidencing of conflicts management on GB executive summaries.
- 2.6 In addition to its agenda activities associated with providing an independent assurance on internal controls such as overseeing audit activity, reviewing the annual accounts and monitoring risk management work, the AIAC will, during 2016/17, undertake specific reviews as required.

3 Committee Work Plan 2016/17

The Committee’s workplan for 2016/17 was approved at its meeting on 17th March 2016

Keith Wood
AIAC Chair
April 2016



cutting through complexity™

Audit Committee Self-Assessment Survey

NHS Bexley CCG

March 2016

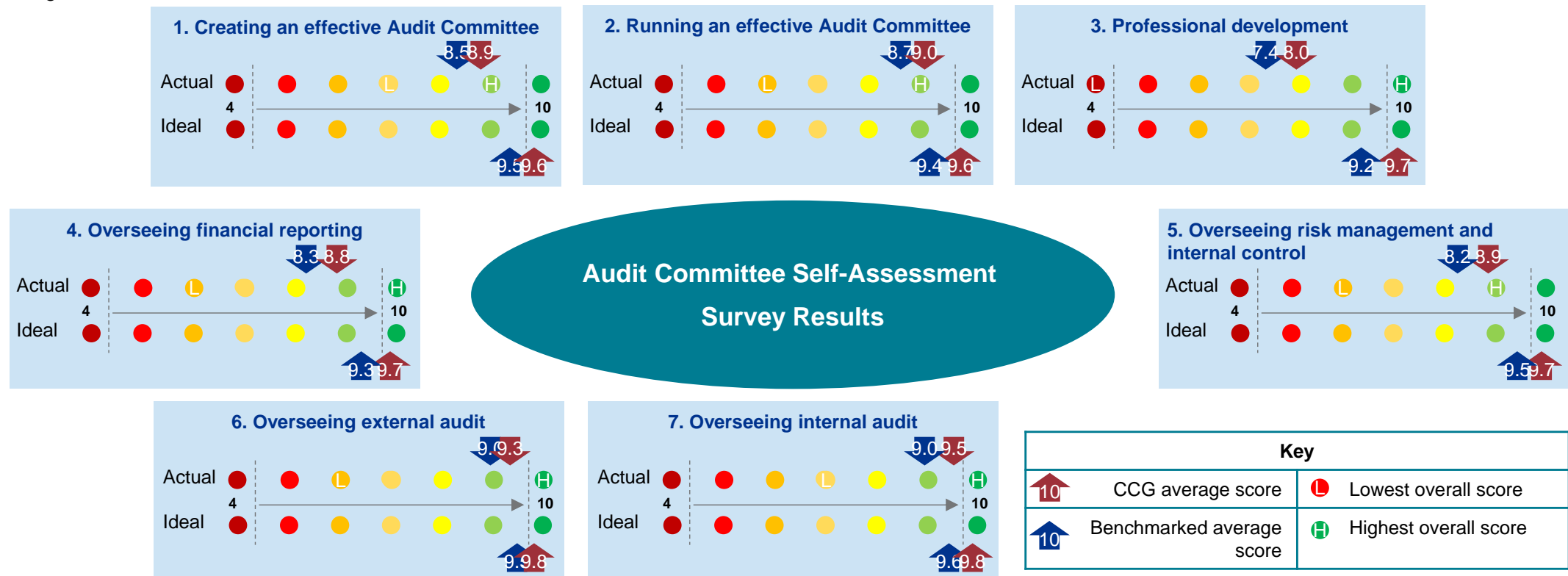
Audit Committee Self-Assessment Survey

Introduction

Background

We undertook an online survey of Audit Committee members which was distributed to 17 CCG clients in London and South England. We asked members to score each question using a scale of 1 (low) to 10 (high). 'Actual' represented their view of the current position of the Audit Committee on that issue. 'Ideal' represented the score that members would like to see. The difference will allow us to see the size of the issue and, therefore, its relative priority. We asked members to provide an 'Ideal' response to account for areas where the Audit Committee spends too much time and effort on an activity which should be done by someone else, in which case the 'Ideal' score would be lower than 10. We have set out the results in graphs on the following pages. We have also RAG rated the differences between the 'Actual' and 'Ideal' scores, as the largest differences represent potential areas for improvement. It is important to note that the report is comprised entirely of responses from the Audit Committee members that responded to our survey.

With nine responses, Bexley CCG had the most responses from a single CCG. We note the CCG intends to use the findings of this exercise to feed into the Audit and Integrated Assurance Committee's annual review of effectiveness.



Audit Committee Self-Assessment Survey Results

Below, we have outlined the results of the survey, across three columns. In the first column, we show the results in graph format. The blue results correspond to the 'Actual' scores, and the purple results correspond to the 'Ideal' scores. The darker shades are results specific to NHS Bexley CCG, and the lighter shades show the average scores across the rest of our CCG clients. In the second column, we outline the question as it was asked, and in the final column, we highlight the difference between the 'Actual' and 'Ideal' score for NHS Bexley CCG. The difference column is RAG rated, as it is where there are the greatest differences that the Audit Committee has areas for improvement.


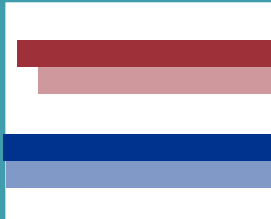
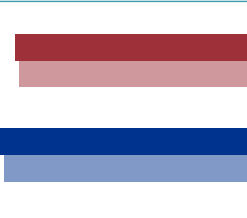
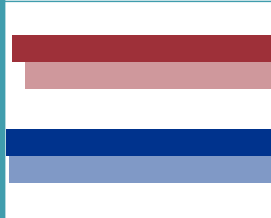
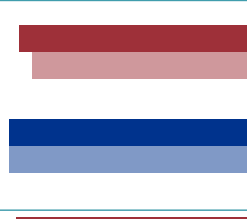


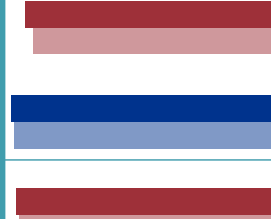
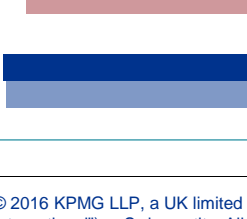

Results	Question	Difference	Results	Question	Difference
1. Creating an effective Audit Committee					
<p>Bar chart showing Actual (dark red) and Ideal (dark blue) scores for NHS Bexley CCG, and Overall average (light red and light blue) scores. The difference is 0.4.</p>	Appropriate steps have been taken by the Audit Committee/Board to review/approve the committee's terms of reference on a timely basis?	0.4	<p>Bar chart showing Actual (dark red) and Ideal (dark blue) scores for NHS Bexley CCG, and Overall average (light red and light blue) scores. The difference is 1.0.</p>	Audit Committee members, as a whole, have sufficient skills, experience, time and resources to undertake their duties?	1.0
<p>Bar chart showing Actual (dark red) and Ideal (dark blue) scores for NHS Bexley CCG, and Overall average (light red and light blue) scores. The difference is 1.1.</p>	Audit Committee members, both individually and collectively, understand what is expected of them and the committee ?	1.1	<p>Bar chart showing Actual (dark red) and Ideal (dark blue) scores for NHS Bexley CCG, and Overall average (light red and light blue) scores. The difference is 0.6.</p>	The Audit Committee includes at least one member with sufficient recent and relevant financial experience ?	0.6
<p>Bar chart showing Actual (dark red) and Ideal (dark blue) scores for NHS Bexley CCG, and Overall average (light red and light blue) scores. The difference is 0.4.</p>	Audit Committee members are independent of the organisation's management and exercise their own judgement; voice their own opinions; and act freely from any conflicts of interest?	0.4	<p>Bar chart showing Actual (dark red) and Ideal (dark blue) scores for NHS Bexley CCG, and Overall average (light red and light blue) scores. The difference is 1.9.</p>	The Audit Committee is not over reliant on any individual member ?	1.9
<p>Bar chart showing Actual (dark red) and Ideal (dark blue) scores for NHS Bexley CCG, and Overall average (light red and light blue) scores. The difference is 1.0.</p>	The process by which Audit Committee members are appointed is appropriate?	1.0	<p>Bar chart showing Actual (dark red) and Ideal (dark blue) scores for NHS Bexley CCG, and Overall average (light red and light blue) scores. The difference is 0.6.</p>	Audit Committee members have a sufficient understanding of the organisation and the sector in which it operates?	0.6

■ Ideal – NHS Bexley CCG ■ Actual – NHS Bexley CCG
■ Ideal – Overall average ■ Actual – Overall average

Audit Committee Self-Assessment Survey Results

Results	Question	Difference	Results	Question	Difference
1. Creating an effective Audit Committee					
	Appropriate succession planning is in place?	2.6		Audit Committee members demonstrate the highest level of integrity (including maintaining utmost confidentiality and identifying, disclosing and managing conflicts of interest)?	No Difference
	The level of 'secretarial support' placed at the Audit Committee's disposal is appropriate?	-0.6		The process by which funds are made available to the Audit Committee to take independent legal, accounting or other advice (when it reasonably believes it necessary to do so) is appropriate?	No Difference
2. Running an effective Audit Committee					
	The Audit Committee chairman's leadership style is appropriate (e.g. are they decisive, open minded and courteous; do they set a good example, allow members to contribute and hold members to high standards; do they relate well to other members/attendees,	0.1		The relationship between a) the Audit Committee and b) the CEO, CFO and members of the senior management team, strikes the right balance between challenge and mutuality?	0.5
	The Audit Committee's workload is dealt with effectively?	0.4		The Audit Committee's discussions enhance the quality of management's decision making (e.g. the committee engages those reporting to the committee in dialogue that stimulates and enhances their thinking and performance)?	1

Audit Committee Self-Assessment Survey Results

Results	Question	Difference	Results	Question	Difference
2. Running an effective Audit Committee					
	Audit Committee members work together and constructively as a team?	1		The Audit Committee provides effective support to the board in fulfilling its responsibilities and adds value to the organisation?	0.5
	The Audit Committee maintains constructive working relationships with those individuals who attend Audit Committee meetings?	0.6		The Audit Committee's work plan covers the committee's main responsibilities and maps across to any regulatory requirements?	0.2
	The committee's meeting arrangements (e.g. frequency, timing, duration, venue and format) enhance its effectiveness?	0.4		Committee meetings are free from inappropriate management influence?	0.3
	Audit Committee meetings allow sufficient time for the discussion of substantive matters?	0.5		All meeting attendees (e.g. Audit Committee members, executive directors, management and auditors) are appropriately involved in Audit Committee meetings?	0.4
	Audit Committee meeting agendas and related background information are circulated in a timely manner to enable full and proper consideration to be given to the important issues?	0.7		Appropriate arrangements are in place for the Audit Committee to meet with external/internal audit without management being present?	0.5

Audit Committee Self-Assessment Survey Results

Results	Question	Difference	Results	Question	Difference
2. Running an effective Audit Committee					
	Audit Committee papers are of an appropriate quality (e.g. not overly lengthy and clearly explain the key issues and priorities)?	0.9		Are private meetings with the internal and external auditors useful?	1.3
	Sufficient time is allowed between Audit Committee meetings and meetings of the full board to allow any work arising to be carried out and reported to the board as appropriate?	0.8		The Audit Committee's meeting minutes are clear, accurate, consistent, complete and timely? They include key elements of debates and appropriate details of recommendations and any follow up action?	No Difference
	Outstanding actions arising from Audit Committee meetings are properly followed up?	0.5		Appropriate processes are in place for ensuring the Audit Committee is kept fully informed on all material matters between meetings (including appropriate external information e.g. emerging risks and material regulatory changes)?	1.7
	The Audit Committee takes appropriate steps to ensure internal and external audit cooperate appropriately to ensure the completeness of assurance coverage?	No Difference		The Audit Committee reports to the board on a timely and accurate basis and such communications are comprehensive, meaningful and focused?	0.5
	There is an appropriate dialogue between internal/external audit and management? Is 'bad news' communicated to the Audit Committee in a timely manner?	0.5			

Audit Committee Self-Assessment Survey Results

Results	Question	Difference	Results	Question	Difference
3. Professional Development					
	New Audit Committee members are given an appropriate induction covering issues like: the role of the Audit Committee; its terms of reference; members' expected time commitment; an overview of the organisation; and the main operational and financial dynamics and risks?	1.6		Audit Committee members are given appropriate opportunities to attend formal courses and conferences, internal talks and seminars, and briefings by external advisers such as the auditors and legal advisers?	1.3
	The ongoing professional development received by the Audit Committee (e.g. regulatory matters, accounting and financial reporting, audit and risk) is both appropriate and timely?	2		The induction and professional development programmes adequately equip Audit Committee members to understand the business environment in which the organisation operates?	1.5
4. Overseeing financial reporting					
	Appropriate processes are in place to enable members to understand the appropriateness of the organisation's critical accounting policies, estimates and judgements?	0.8		The Audit Committee robustly challenges the proposed financial reporting and seek appropriate changes where necessary?	0.7
	Appropriate processes are in place to enable members to understand the clarity and completeness of disclosures in the financial statements?	1		The Audit Committee understands and approves the degree of management bias inherent within the financial statements and other documents within its remit?	0.7

Audit Committee Self-Assessment Survey Results

Results	Question	Difference	Results	Question	Difference
4. Overseeing financial reporting					
	Appropriate processes are in place to enable members to understand the impact on the financial statements of any developments in accounting standards or generally accepted accounting practice?	1.7			
5. Overseeing risk management and internal control					
	The Audit Committee fully understands its role in providing oversight over internal financial controls; the wider aspects of internal control; and risk management systems?	0.6		Appropriate processes are in place to provide the Audit Committee with suitable reports on the effectiveness of the systems of internal control?	0.2
	Does the Audit Committee understand the organisation's risk appetite for each material category of risk falling within the committee's remit?	1.2		Appropriate processes are in place to ensure the risk management and internal control systems are fit for purpose and working as intended?	0.3
	Does the Audit Committee have an appropriate understanding of the processes in place to identify, evaluate and monitor the key risks facing the organisation?	0.8		The reports presented to the Audit Committee are sufficient and timely? The focus on risk trends and management action is appropriate?	0.7
	Appropriate processes are in place to enable the Audit Committee to understand how each material risk will impact the organisation's operations and financial condition?	0.5		The Audit Committee splits its time appropriately between focusing on risk identification and assessment, and time spent focused on the effectiveness of the risk management framework itself?	2.2

Audit Committee Self-Assessment Survey Results

Results	Question	Difference	Results	Question	Difference
5. Overseeing risk management and internal control					
	Appropriate processes are in place to monitor changes in the organisation's risk profile?	1			
6. Overseeing external audit					
	The Audit Committee plays an appropriate role in recommending the appointment of the external auditor?	0.8		The process by which the Audit Committee reviews and assesses the external audit work plan is appropriate?	0.7
	External audit staff are appropriately qualified and experienced (taking into account the skills and the breadth and depth of experience necessary) to cover the organisation's operations?	0.3		The external audit work plan focuses on the organisation's key audit risks?	0.4
	The Audit Committee takes appropriate steps to ensure the external auditor has direct access to the Audit Committee and makes appropriate use of that access through informal as well as formal meetings?	1		The quality of the external audit reports (and other documents) presented to the Audit Committee is appropriate?	0.2

Audit Committee Self-Assessment Survey Results

Results	Question	Difference	Results	Question	Difference
6. Overseeing external audit					
	The Audit Committee has taken the appropriate steps to ensure the independence and objectivity of the external auditor is not compromised – including where the external audit provides non-audit services?	0.3		The Audit Committee has an appropriate dialogue with the external auditor regarding the major issues that arose during the course of the audit; the key accounting and audit judgements; and the levels of errors identified during the audit?	0.5
	The Audit Committee takes appropriate steps to ensure management respond to the external auditor's enquiries and recommendations in a timely and fitting manner?	0.4		The process by which the Audit Committee reviews the effectiveness of the external audit is both timely and rigorous?	0.3
7. Overseeing internal audit					
	The Audit Committee plays an appropriate role in approving the appointment of the internal audit provider?	0.5		The independence and objectivity of internal audit is not compromised in any way?	0.2
	The internal audit function is appropriately resourced taking into account the skills and the breadth and depth of experience necessary to cover the organisation's operations?	0.5		The process by which the Audit Committee reviews and assesses the internal audit work plan is appropriate?	0.2

Audit Committee Self-Assessment Survey Results

Results	Question	Difference	Results	Question	Difference
7. Overseeing internal audit					
	The Audit Committee takes appropriate steps to ensure the head of internal audit has direct access to the Audit Committee and makes appropriate use of that access through informal as well as formal meetings?	0.7		The internal audit work plan focuses on the key risks and controls?	0.5
	The process by which the Audit Committee reviews and approves internal audit's remit is appropriate?	0.5		The quality of internal audit reports (and other documents) presented to the Audit Committee is appropriate?	0.2
	The Audit Committee takes appropriate steps to ensure management respond to internal audit recommendations in a timely and fitting manner?	0.4		The process by which the Audit Committee reviews the effectiveness of the internal audit is both timely and rigorous?	0.2

Key findings

Bexley CCG performed above the benchmarked average in all seven of the sections in our survey. Compared to benchmarked averages, the CCG performed particularly well in Overseeing Risk Management and Internal Control and Overseeing Internal Audit. However there is potential room for improvement with regards to professional development, where the CCG's average 'Actual' score was 1.7 points below the CCG average 'Ideal' score.

Succession planning is also an area for management consideration, as the 'Actual' score specific to the CCG for this section was 2.6 points below the CCG 'Ideal' score. We note that this is consistent with other CCGs, where the benchmarked difference between the 'Actual' and 'Ideal' scores is 2.7, meaning this issue is not unique to Bexley CCG. Another area for consideration is the proportion of time spent on risk identification and the time spent analysing the effectiveness of the risk management process, where the difference between the CCG 'Actual' and 'Ideal' scores was 2.2.