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right place
right time
right outcome

**MERTON CLINICAL COMMISSIONING GROUP
GOVERNING BODY**

Date of Meeting: 24th November 2016

Agenda No: 10.1

Attachment: 12

Title of Document: Approved Minutes of the Audit & Governance Committee	Purpose of Report: For Note/Discussion
Date, author details: As per details on each attachment.	
Executive Summary: The minutes of the following meeting are attached: 23.06.16. This item will also include a verbal summary from the Committee Chair regarding key issues, risks and mitigations.	
Key sections for particular note (paragraph/page), areas of concern etc: Whole document	
Recommendation(s): For Note & Discussion	
Committees which have previously discussed/agreed the report: N/A	
Financial Implications: N/A	
Implications for CCG Governing Body: N/A	
How has the Patient voice been considered in development of this paper: N/A	
Other Implications: N/A	
Equality Assessment: N/A	
Information Privacy Issues: N/A	
Communication Plan: All formal committee minutes are posted on the CCG's website as part of the Governing Body papers	



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MINUTES

MERTON CLINICAL COMMISSIONING GROUP AUDIT AND GOVERNANCE COMMITTEE

Thursday, 23rd June 2016

11.00am – Noon

Meeting Room 2.4, 120 The Broadway, Wimbledon

In attendance:

Members:

Peter Derrick (PD)	Lay Member and Chair of the Audit & Governance Committee
Claire Gummatt (CG)	Lay Member, Patient & Public Engagement Lead
Stephen Powis (SP)	Secondary Care Consultant (from 11.40pm)

In Attendance:

Andrew Hyslop (AH)	Interim Chief Financial Officer, MCCG
Adam Doyle (AD)	Chief Officer, MCCG (Item 5.6 only)
David Cotter (DC)	Associate Partner Corporate Affairs and Assurance, SECSU
Nick Atkinson (NA)	RSM, Internal Audit
Terri Burns (TB)	Senior Associate, Corporate Affairs SECSU
Ade Oyerinde (AO)	Grant Thornton, External Audit
Gemma Higginson (GH)	Counter Fraud - RSM
Tony Foote (TF)	Note Taker, SECSU

Apologies:

No apologies were received for this meeting

NO.	AGENDA ITEM	BY
1.	Welcome and Introductions	
	The Chair welcomed all in attendance to the meeting.	
2.	Declarations of Interest	
2.1	The Audit and Governance Committee APPROVED the Register of Interests	
3.	Minutes of Previous Meetings	
	(i) <u>17th March 2016</u> The minutes were APPROVED as a full and accurate record of the meeting.	
	(ii) <u>20th May 2016</u> It was noted that for “Date of Next Meeting” 2015 was stated. This should be amended to 2016. With this amendment, the minutes were APPROVED as a full and	

	accurate record of the meeting.	
4.	Action Log/Matters Arising	
	<p>The Committee received the following update:</p> <p><u>5. Planning for commencement of local audit arrangements</u> AH explained that 5 of the 6 SWL CCGs currently employed Grant Thornton as external auditors. Accordingly if different auditors were chosen (and in place by the end of 2016) there would be a period of overlap with Grant Thornton.</p> <p>AH added that although a collective SWL procurement process had been agreed each CCG would be free to make its own appointment. As part of this process the approval of the Governing Body would be needed for the Audit and Governance Committee to act as the Audit Panel overseeing the procurement process. The Panel would, in turn, delegate day to day matters to a working group and there would be regular reports back to both the Panel and the Committee. AH said he would be putting a paper regarding this to the July Governing Body meeting for approval. CG asked if the Audit and Governance Committee members could see the paper before it went to the Governing Body and AH agree to circulate it accordingly.</p>	AH
5.	For Approval	
	<p>Prior to the consideration of this section NA commented that, where items would go on for final consideration by the Governing Body, it was not within the remit of the Audit and Governance Committee to approve these. A more appropriate directive for the Committee with regard to such items was to "Review & Recommend for Governing Body Approval".</p> <p>This was agreed by the Committee.</p>	
5.1	<p><u>Corporate Objectives</u> DC explained that each year the CCG reviewed and, as necessary, updates its Corporate Objectives. The objectives for 2016/17 had been through a number of iterations and reviewed by the individual directors and subsequently by the Executive Management Team, resulting in the current draft objectives.</p> <p>Should the Committee give its recommendation, the draft objectives will be presented for final approval at the Governing Body on 23 June 2016, with the caveat that any comments from the Governance Committee are taken into account.</p> <p>There were no questions from the Committee.</p> <p>The Audit and Governance Committee REVIEWED AND RECOMMENDED the Corporate Objectives 2016/17 for Governing Body Approval.</p>	
5.2	<p><u>Board Assurance Framework (BAF)</u> TB presented this item and informed the Committee that the risks contained in the BAF were essentially unchanged since the last review, but there had been some updates including the introduction of Primary Care Commissioning and Transformation issues. LDS added that the BAF had been reviewed by the Executive Management Team on 22nd June with only a minor amendment requested.</p> <p>PD then proposed that the Committee review each of the "red rated" risks.</p>	

	<p><u>Risk 692</u> PD noted that this risk concerned the tension between financial constraints upon the NHS and the need to meet quality standards. It was agreed that the red rating of this risk continued to be merited.</p> <p><u>Risk 1029</u> This risk related to possibility that the Transformation Programme may not deliver £10m QIPP. The Committee noted that work on this remained on-going.</p> <p><u>Risk 798</u> The impact of the failure by the CCG to deliver its planned budget on the delivery of commissioning intentions. The Committee agreed this was a very significant risk.</p> <p><u>Risk 961</u> The dangers of lack of collaboration between SWL CCGs and providers. PD noted that discussions were on-going between Merton and the other SWL CCGs.</p> <p><u>Risk 1000</u> Continuing poor performance of the Continuing Care service. The Committee was informed that the CCG was currently in the process of procuring a new provider of this service.</p> <p><u>Risk 938</u> Over performance of acute contracts. It was noted that mitigating actions were being taken but that this matter would remain a high risk.</p> <p>The Audit and Governance Committee REVIEWED AND RECOMMENDED the Board Assurance Framework for Governing Body Approval.</p>	
5.3	<p><u>Procurement Register</u> AH explained that a draft register came to the Audit and Governance Committee in April, but the one presented today was “99% complete” although it contained exclusively clinical contracts.</p> <p>On the Register, CG noted that in the “Core Podiatry Service” it was “not possible to locate relevant documentation”. AH assured the Committee that he would look further into this and report back to the September Committee meeting.</p> <p>LS asked whether there was a register of non-clinical contracts. AH was not sure but both he and PD agreed that there should be and AH would report back to the September meeting on this matter.</p> <p>The Audit and Governance Committee APPROVED the Procurement Register.</p>	<p>AH</p> <p>AH</p>
5.4	<p><u>Register of Gifts & Hospitality</u> PD declared himself happy with the Register.</p> <p>CG asked whether such a level of detail as was on the Register was required. AH confirmed that this was in line with the CCG’s SFIs and LS thought it demonstrated a good, open culture at the CCG.</p> <p>The Audit and Governance Committee APPROVED the Register of Gifts & Hospitality.</p>	

5.5	<u>Freedom Of Information Q3/4 Report</u> The Committee NOTED & APPROVED the Freedom Of Information Q3/4 Report.	
5.6	<u>Financial Governance Review</u> PD declared that this item was to be moved to the end of the meeting and the Committee would be joined then by Adam Doyle. See Item 8.	
6.	For Note	
6.1	<u>RSM Financial Recovery Tender Waiver</u> AH explained that RSM was engaged, in May 2016, by the CCG to undertake a governance audit. Believing that the knowledge of the CCG the firm acquired during this audit would be beneficial, the CCG engaged RSM again, to perform a financial recovery plan (FRP). The FRP has been jointly procured with Richmond CCG with a discount secured as a result. The rates agreed are consistent with national framework rates for similar work. Consequently, the CCG believe that value for money is being achieved. Due to the value of the work (£143,100 estimated), this waiver must be approved by the Finance Committee and reported to the Audit and Governance Committee. PD confirmed that the waiver had been approved by the Finance Committee. The Audit and Governance Committee NOTED the RSM Financial Recovery Tender Waiver.	
6.2	<u>CAMHS Transformation Plan 2016/17 The Wish Centre Tender Waiver</u> AH explained that this matter had already been considered by the Executive Management Team and the Finance Committee. The Audit and Governance Committee NOTED the Wish Centre Tender Waiver.	
7.	Tender Reports	
7.1	<u>External Audit Report – Grant Thornton</u> This report was presented by AO who explained that all was going well. He added that the Planned Audit Fee Letter 2016/17, also presented to the Committee, contained “no surprises”. The Audit and Governance Committee APPROVED the External Audit Report and the Planned Audit Fee Letter 2016/17.	
7.2	<u>Internal Audit Report – RSM</u> This report was presented by NA who highlighted the following areas: <ul style="list-style-type: none">• Update on on-going/planned audits• Review of Audit of Safeguarding Vulnerable Adults and Children With regard to the latter, NA stated that the opinion was that Merton CCG has demonstrated reasonable progress in implementing actions agreed to address internal audit recommendations. However, RSM have also raised four additional management actions. Specifically: <ul style="list-style-type: none">• That the CCG reviews its Safeguarding Adults at Risk Policy and Procedure to reflect the Pan London Policy.	

	<ul style="list-style-type: none"> • The Designated Nurse Safeguarding Children and Children Looked After to develop a Merton Protocol similar to what has been drafted for Safeguarding Adults (Pan London Multi-Agency Safeguarding Adults at Risk Policy and Procedure with Merton CCG local arrangements) • A formal action plan to be developed to address the six areas assessed to have limited assurance in the Deep Dive assurance by NHS England. • To put in place a system to ensure that providers of healthcare understand the toolkit and apply it to practise and monitor compliance. <p>LS commented that the Audit had not highlighted any issues that were not already known. With regard to the action plan, LS stated that all actions had implementation dates with the exception of action 3.4; work on that was on-going and may be placed on the risk register.</p> <p>The Audit and Governance Committee APPROVED the Internal Audit Report.</p>	
7.3	<p><u>Counter Fraud Report – RSM</u> <u>Merton CCG 2015/16 Annual Report and 2016/17 Workplan</u> This report was presented by GH who explained that it included:</p> <ul style="list-style-type: none"> • Summary of the outcome of work completed since the last reporting period • A status of on-going reactive investigations work undertaken • An overview of emerging fraud risks across the NHS sector, and wider, of relevance to Merton CCG • Highlights any current counter fraud matters that the Audit Committee should be aware • The 2016/17 Workplan <p>AH stated that he had already reviewed the report and workplan and was happy with both. PD commented that both the report and the workplan were clear and well presented.</p> <p>The Audit and Governance Committee APPROVED the Merton CCG 2015/16 Annual Report and 2016/17 Workplan.</p>	
8.	Financial Governance Review	
	<p>AD joined the meeting for this item and provided some background to this matter.</p> <p>He stated that up until the March 2016 Finance Committee meeting the CCG had been reporting a break even position. However, at that meeting members became concerned at the deteriorating financial situation. The CCG then notified NHSE about this who, in turn, expressed concern at not being notified earlier.</p> <p>The Financial Governance Review was commissioned to establish the causes of the recent financial challenges at the CCG; evaluate the state of financial governance in the organisation and assess the scale of the financial deficit for 2016/17. Its findings were as follows:</p> <ul style="list-style-type: none"> • That there were some weaknesses in financial governance 	

- That evidence suggests that run rates at the end of 2014/15 were above the planned levels for 2015/16
- That governance processes did not lead to the identification of all the risks facing the CCG
- That there is collective responsibility for the lack of challenge.
- That the CFO would have been expected to have flagged this risk.
- That, in total, this is not thought to be a significant breach of governance.

This report also included a series of recommendations:

- That the financial recovery process is fully embedded in the wider management and governance of the CCG. The Governing Body needs to own and drive this process and all members need to commit to being part of a team that makes the hard decisions to return the organisation to financial health. It was noted that a weekly Financial Recovery Group had been established to lead and drive this work.
- The culture of accepting verbal reassurance unsupported by evidence at the Finance Committee must cease.
- Greater scrutiny and more effective challenges required. The Governing Body needs to take more responsibility and ownership of the position.
- Separation of chair duties across governance forums. The CCG's proposal to appoint a third Lay Member to allow responsibilities for these committees to be shared was welcomed. .
- More robust QIPP governance arrangements incorporating a formal QIPP Programme Board, identified work streams which better integrate individual projects and increased challenge and capacity at project management level
- Improved client relationships and contract management with SELCSU which includes active management and delivery of service level specifications, particularly in relation to responding to information requests
- The Financial Recovery Group meeting to formally report on a regular basis as a standing agenda item for both Finance Committee and Governing Body
- The Finance Report should be action orientated and expressly refer to both the underlying and in-year position and key drivers of performance
- Improved financial awareness and understanding at Governing Body – a specially convened seminar to discuss the Financial Recovery could help members develop further skills in financial management.

AD felt that the Executive Management Team could have been stronger and there was a need to highlight the key risks. The intention was now for LS to combine the findings of this review along with that recently undertaken by Capsticks to produce a comprehensive Action Plan that would go to the July Governing Body meeting for approval.

	<p>AD then invited comments and questions from the Committee.</p> <p>CG said that, as a Governing Body member, she felt some responsibility; that the Governing Body had not been sufficiently challenging and was too reliant on the Finance Committee for assurance.</p> <p>PD felt the report was unbalanced and failed to take into account the actual context of the situation - acute demand, on-going problems with Continuing Healthcare, underperformance of the SECSU in supporting the CCG – and without this the inference would be that all would have been well if only the Finance Committee and EMT had been stronger in their role. PD disagreed strongly with this view.</p> <p>PD also felt that the general tone of the report was too eager to apportion blame, although he was in general agreement with recommendations. SP also agreed with the recommendations but shared PD’s concern at the lack of context in the report, particularly the impact upon the CCG of issues relating to St George’s and the financial position of the NHS in general.</p> <p>AD felt the key learning for the CCG from the report was:</p> <ul style="list-style-type: none"> • Being more clear and open with the Governing Body about problems • As soon as a problem is perceived, to diagnose it and bring to the attention of the relevant regulator <p>The Audit and Governance Committee REVIEWED AND RECOMMENDED the recommendations of the RSM report and that these should be combined with the Capsticks to form a combined Action Plan for Governing Body approval.</p>	
9.	Any Other Business	
9.1	<p><u>Governing Body Summary</u></p> <p>The following issues were highlighted:</p> <ul style="list-style-type: none"> • Board Assurance Framework • Financial Governance Review • Safeguarding Internal Audit 	
9.2	<p><u>Date of Next Meeting</u></p> <p>Thursday 21st July 2016, 11.30am to 12noon. 120 The Broadway, Wimbledon</p>	