



**Thurrock  
Clinical Commissioning Group**

**Audit Committee Annual Report and  
Self-Assessment  
April 2015**

Period of Assessment:	<b>2014/15</b>
Date of Report:	<b>12<sup>th</sup> April 2015</b>
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Name of responsible committee/individual:	<b>Audit Committee</b>
Date Presented to Committee:	<b>28<sup>th</sup> April 2015</b>
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## 1 INTRODUCTION

- 1.1 As a formal sub-committee of the Governing Body and in accordance with best practice, the Audit Committee presents its Annual Report to the Governing Body. This report will be considered at the Audit Committee on the 28th April 2015 and then will be submitted to the Governing Body to provide assurance that the Committee has been operating effectively and in accordance with its terms of reference.
- 1.2 The NHS Audit Committee Handbook sets out best practice for Audit Committees and recommends that Audit Committees should assess their own performance and effectiveness annually and report the results to the Governing Body. Consideration should be given to a number of over-arching key measures of success, for example:
- What difference has the committee made to the organisation's governance, risk and control environment?
  - Did the committee encounter any surprises during the year, e.g. Unexpected adverse inspection reports?
  - Did the committee have to re-focus its planned activities during the year – if so was this a proactive decision or reactive reason?
- 1.3 In accordance with the NHS Audit Committee Handbook and good practice guidance, the Audit Committee has therefore also carried out an assessment of its effectiveness during 2014/15.
- 1.4 This report sets out the findings of committee business during the year and that of the self-assessment and establishes the programme of work to address any gap in effectiveness during 2015/16.

## 2 Committee Governance

- 2.1 The Audit Committee is a formal sub-committee of the Governing Body with defined Terms of Reference. The Terms of Reference were reviewed on 29<sup>th</sup> May 2014 and ratified at the Governing Body at their meeting on the 27<sup>th</sup> August 2014.
- 2.2 There were 6 regular meetings in the period covered by this report (April 2014 – March 2015) all of which were quorate.
- 2.3 The membership of the committee has been as follows:

<b>Member</b>	<b>Title</b>	<b>Attendance</b>
Ms L Buckland	Audit Chair & Lay Member	6/6
Mr L Green	PPI Lay Member	6/6
Mr T Hitchcock	Sessional Lay Member	4/6

- 2.4 The following officers of the CCG and external representative attended the committee during the year: Head of Corporate Governance, Chief Finance Officer, Chief Operating Officer, Chair of the Board (required to attend for 1 meeting). In addition, the CCGs Internal Auditors (Mazars), External Auditors (Ernst & Young), Local Counter Fraud Specialists (Mazars) attended to present the results of their work during the year.
- 2.5 Attendance of committee members and other invited attendees has been assessed in more detail as part of the self-assessment below.
- 2.6 The terms of reference for the committee has been reviewed again as part of the self-assessment process, however some consideration is being given to the role of the Audit Committee and the Quality & Governance Committee going forward and consequently any update of the terms of reference is currently on hold pending the outcome of that review.

### **3 Achieving our Role and Compliance with our Terms of Reference**

- 3.1 The Committee has reviewed the establishment and maintenance of an effective system of integrated governance, risk management and internal control across the whole of the CCG activities through monitoring the Board Assurance Framework, review and approval of key governance policies and review of assurances from external bodies such as Internal Audit, External Audit and the Counter Fraud Service.
- 3.2 Audit Committee members have also reviewed the content of the Annual Governance Statement, endorsing it for submission to NHS England.
- 3.3 The Committee has achieved its role in relation to third party assurance by:
- Considering the provision of the Internal and External Audit services and the associated costs to ensure value for money is achieved.
  - Approving the Internal Audit Strategy, operational plan, Counter Fraud and External Audit Plans.
  - Receiving assurances from the external providers and has considered the findings of report when assessing its own risks
  - The Committee has sought assurances throughout the year as to the adequacy of resources from the external providers.

### **4 Scope and Methodology of the Self-Assessment**

- 4.1 The Healthcare Financial Management Association (HFMA) published an updated Audit Committee Handbook in 2014 that included an Appendix with two checklists to assess the effectiveness of the committee; one designed to focus on committee administration and one to focus on an assessment of how well the committee operated in a number of categories.

- 4.2 NHS Thurrock CCG also operates a policy that all committees complete an assessment of their effectiveness each year, which includes a review of the terms of reference for the committee. A standard assessment form is used for all committees.
- 4.3 An assessment has also been made of Committee business during the year, the achievements made and assurances provided to the Governing Body in relation to systems of Internal Control.

## 5 Findings and Conclusions of the Self-Assessment

5.1 The findings of checklist one: Committee Processes revealed that the committee is administered and supported appropriate to allow it to receive all relevant assurances on the CCG risk and internal control framework.

- Although there is some inherent consideration of other committees generally through the review of minutes of other committee meetings, there was no formal consideration of how the Audit Committee integrates with other committees that are reviewing risk.
- It was evident that the Internal Audit Plan considered risks that were appropriate to the CCG, however internal audits were not mapped to the GBAF to specifically link to CCG risk.
- The Internal Auditors confirmed that they complied with the Public Sector Internal Audit Standards; however there was no specific report to evidence this assessment.
- NHS Protect recently issued guidance for LCFS provision at CCGs, as it had only recently been issued; it was not evident within the LCFS plan that NHS Protect requirements were being addressed.
- There were four areas that could not be assessed as insufficient information was available, potentially indicating non-compliance. The following questions should be followed up:
  - Does the committee require assurance from external audit about its policies for ensuring independence?
  - Has the committee approved a policy to govern the nature and value of non-audit work carried out by the external auditors?
  - Does the committee receive information on all non-audit work undertaken by external audit?
  - Does the committee review the proportion of audit and non-audit work every time the external auditors change?

5.2 The findings of checklist two: Committee Effectiveness showed that the committee does run effectively, however there are some areas for improvement.

- Although the committee 'agreed' that it actively challenges both management and other assurance providers during the year to gain a clear understanding of their findings, this

could be strengthened further by management and providers being invited to attend the committee to present reports and provide any explanations personally.

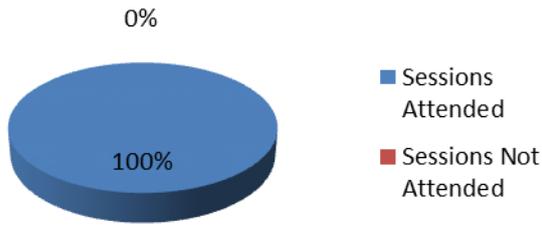
- The work of the committee is clearly defined and minuted, however there isn't a formal reflection at the end of the meeting regarding outcomes and decisions made, i.e. what worked well and what not so well etc.
- There wasn't explicit experience of holding providers to account for late or missing assurance; this was primarily due to a lack of opportunity to do so.
- Due to Internal Audit reports being presented late in the year, there had been limited opportunity to ensure that appropriate Executive Directors attend audit committee meetings to enable the committee to secure the required level of understanding of the reports and information it receives.
- The current audit committee work plan does not cover areas such as data quality, quality and performance targets. In some cases this is covered by the Quality and Governance Committee from whom the audit committee received committee minutes. This may not however be sufficient to provide assurance over these areas.
- It was noted that the audit committee has not generally received all relevant service auditor reports as third party assurance.
- The committee receives various reports from internal and external sources, however, it has not formally considered and made a conscious decision about how it wants to operate in terms of the level of information it would like to receive for each of the items on its cycle of business, this is instead inherent within the business as it is conducted.

5.3 The findings of the NHS Thurrock CCG self-assessment showed that the committee had achieved its objectives as established in the Governing Body approved terms of references set out within the CCG Constitution. There were however some suggestions as to how the committee could be strengthened in the coming year.

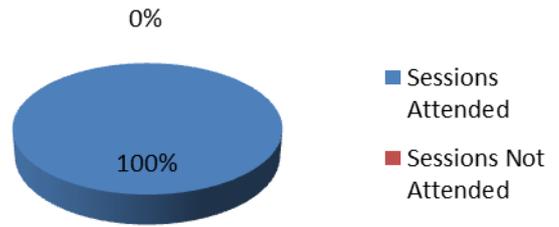
- There was some scope for developing the GBAF processes further and how these were presented to relevant Committees and the Board. It was felt that there could be some duplication and that reports to the Board could be streamlined, or more focussed.
- As stated above it was found that executive leads and external providers were not called to account and present reports to the Audit Committee.
- It was noted, in particular, that there was a lack of attendance at audit committee meetings of the Senior Partner from the External Auditors. It was felt that previously before attendance reduced, there was more engagement and informed feedback which was useful to the committee.

5.4 Committee attendance was generally good throughout the year and all meetings were quorate. Attendance is depicted in the charts below for information.

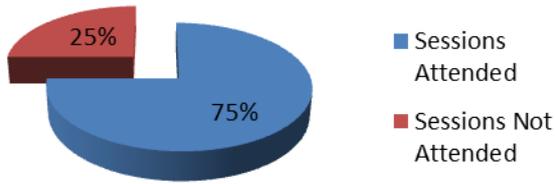
### Audit Lay Member



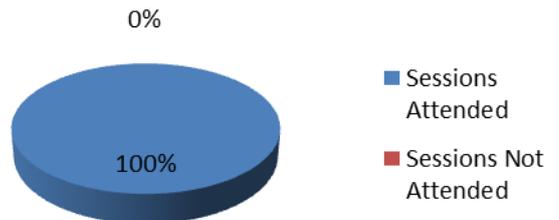
### PPI Lay Member



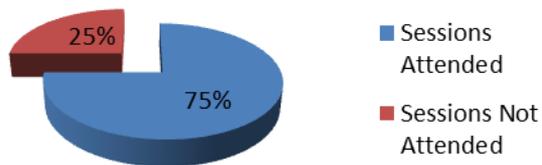
### Sessional Lay Member



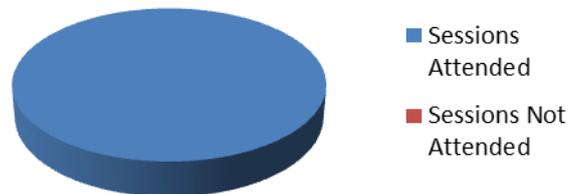
### Chair



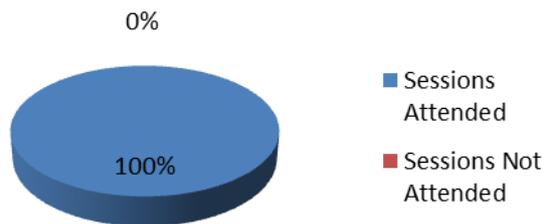
### Head of Corporate Governance



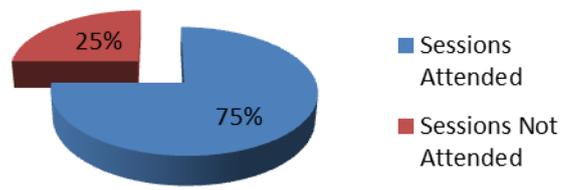
### CFO



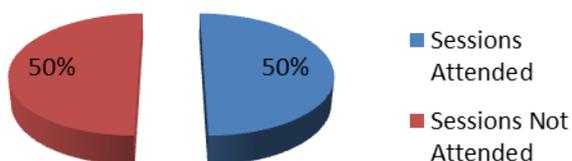
### Internal Audit



### LCFS



### External Audit



## 6 Recommendations

Ref	Recommendation	Implementation Date
SA1	The Committee formally considers how it integrates with other Committees that are reviewing risk.	
SA2	Internal Audits are specifically mapped to the GBAF going forward.	
SA3	The Internal Auditors provide a report outlining how they comply with the Public Sector Internal Audit Standards.	
SA4	The LCFS be asked to confirm that the Counter Fraud Plan adequately addresses the guidance from NHS Protect.	
SA5	Outstanding questions for the external auditors be followed up and checked for any aspects of non-compliance.	
SA6	Management and other assurance providers be asked to attend audit committee meetings as and when required to present reports.	
SA7	Where possible, at the end of committee meetings, a short time of reflection is held to discuss the outcomes and decisions made in addition to what did and did not work well.	
SA8	Where limited assurance reports are presented, the relevant executive director is invited to attend the committee to provide any required level of understanding as to the issues identified in the internal audit report.	
SA9	Consideration be given to assurances required over data quality and whether additional assurance is required from the Quality and Governance Committee in relation to quality and performance targets.	
SA10	All relevant Service Auditor Reports be obtained and presented to the audit committee.	
SA11	The GBAF and risk management processes be reviewed to see how they could be streamlined and how reports to the relevant Committees and Board could potentially be improved.	
SA12	Risk leads be asked to attend audit committee meetings to present their element of the GBAF on a rolling rota basis.	
SA13	The External Audit Senior Partner be asked to attend audit committee meetings more frequently.	

## Appendix A – HFMA Self-Assessment Checklists

### Checklist One: Committee Processes

Area / Question	Yes	No	Comments/Action
<b>Composition, establishment and duties</b>			
Does the audit committee have written terms of reference that adequately define the committee's role in accordance with relevant guidance (for example from the Department of Health; NHS England; NHS Trust Development Authority or Monitor)?	✓		Committee Terms of Reference updated at last audit committee (December 2015). Also reviewed as part of the self-assessment process.
Have the terms of reference been adopted by the governing body?	✓		Revised terms of reference approved by Governing Body
Are the terms of reference reviewed annually to take into account governance developments and the remit of other committees within the organisation?	✓		As above.
Are committee members independent of the management team?	✓		Lay member Governance Lay member PPI, and Sessional Lay Member
Are the outcomes of each meeting; the actions taken and the committee's view on the organisation's systems of internal control reported to the next governing body meeting?	✓		Minutes of the AC are presented to the Board.
Does the committee prepare an annual report on its work and performance in the preceding year for consideration by the governing body?	✓		2014/15 annual report to be presented to May Board meeting.
Does the committee assess its own effectiveness periodically?	✓		Annual self-assessment
Has the committee established a plan of matters to be dealt with across the year?	✓		Annual work programme prepared, draft presented to February with final programme to be presented to April 2015 meeting.
Are committee papers distributed in sufficient time for members to give them due consideration?	✓		Papers are distributed one week before the committee meeting.
Has the committee been quorate for each meeting this year?	✓		All meetings have been quorate.

Area / Question	Yes	No	Comments/Action
<b>Compliance with the law and regulations governing the NHS</b>			
Does the committee review assurance and regulatory compliance reporting processes?	✓		Internal and External Audit reports as well as assurances from other sources and internal reports, co-ordinated via the BAF.
Does the committee have a mechanism to keep it aware of topical, legal and regulatory issues?	✓		Via Internal Audit briefings, Head of Corporate Governance signed up to newsletters etc.  Audit Committee Chair attends national forums.
<b>Internal control and risk management</b>			
Has the committee formally considered how it integrates with other committees that are reviewing risk – for example, risk management, quality and clinical governance committees?	✓		QGC reviews quality and governance issues including review of the BAF and clinical governance. Explicit reporting of this to the Audit Committee could be strengthened further.
Has the committee reviewed the robustness and effectiveness of the content of the organisation's assurance framework?	✓		BAF is reviewed quarterly.
Has the committee reviewed the robustness and content of the draft annual governance statement before it is presented to the governing body?		✓	Agreed with External Auditors that due to timing this is not possible. AC Members have reviewed the AGS prior to submission to be ratified at the AC meeting.
Is the committee's role in reviewing and recommending to the governing body the annual report and accounts clearly defined?	✓		The audit committee terms of reference includes the requirement to review the annual governance statement as delegated by the Board.
Does the committee consider the external auditor's report to those charged with governance including proposed adjustments to the accounts?	✓		The audit committee review the external auditors report.
<b>Internal audit</b>			
Is there a formal 'charter' or terms of reference, defining internal audit's objectives, responsibilities and reporting lines?	✓		A formal Charter exists and was presented to the April meeting.

Area / Question	Yes	No	Comments/Action
Does the committee review and approve the internal audit plan at the beginning of the financial year?	✓		Internal Audit plan approved by the Audit Committee. Draft plan presented to February meeting, final plan to be presented to April meeting.
Does the committee approve any material changes to the plan?	✓		This is incorporated into the work programme.
Is the committee confident that the audit plan is derived from a clear risk assessment process that links closely to the assurance framework?	✓		There are links to the GBAF, but they could be made clearer by including GBAF references for each audit area.
Does the committee receive periodic progress reports from the Head of Internal Audit?	✓		Internal Audit Progress Report and final reports presented to each Audit Committee Meeting.
Does the committee effectively monitor the implementation of management actions arising from internal audit reports?	✓		Report on the implementation of recommendations presented to the audit committee by the Head of Internal Audit.
Does the Head of Internal Audit have a right of access to the committee and its Chair at any time?	✓		Right of access set out in Charter. Part II meeting held during the year for AC Chair to meeting separately in private with Internal and External Audit.
Is the committee confident that internal audit is free of any scope restrictions and, if not, has it considered the impact of these on the annual Head of Internal Audit opinion?	✓		Internal Audit free of any scope restrictions. Confirmed during private meeting with Audit Committee Chair.
Is the committee confident that internal audit is free from any operational responsibilities or conflicts of interest that could impair its objectivity?	✓		Internal audit to not have any operational responsibilities. This is evidence from the contract being outsourced.
Does the committee hold periodic private discussions with the Head of Internal Audit?	✓		Private discussions held on a regular basis
Has the committee evaluated whether internal audit complies with the <i>Public Sector Internal Audit Standards</i> ?	✓		IA self-assessment against PSIAS is completed on an annual basis. To be presented to the Audit Committee.
Has the committee agreed a range of internal audit performance measures to be reported on a routine	✓		Key performance indicators agreed and included in each progress report.

Area / Question	Yes	No	Comments/Action
basis?			
Does the committee receive and review the Head of Internal Audit's annual opinion?	✓		HoIAO expected at April 2015 meeting.
<b>External audit</b>			
Do the external auditors present their audit plans and strategy to the committee for agreement and approval?	✓		Audit Plan / strategy presented for approval.
Does the committee receive and monitor actions taken relating to prior years' reviews?	✓		Recommendations followed up via Internal Audit Tracker and actions from committee meetings followed up via action log.
Does the committee review the external auditor's ISA 260 report (the report to those charged with governance)?	✓		
Does the committee review the external auditor's value for money conclusion?	✓		
Does the committee hold periodic private discussions with the external auditors?	✓		Part II meeting held during the year for AC Chair to meeting separately in private with Internal and External Audit.
Does the committee assess the performance of external audit?	✓		External Audit reviewed as part of annual audit committee review and report to the Board.
Does the committee require assurance from external audit about its policies for ensuring independence?	✓		
Has the committee approved a policy to govern the nature and value of non-audit work carried out by the external auditors?		✓	
Does the committee receive information on all non-audit work undertaken by external audit?	✓		
Does the committee review the proportion of audit and non-audit work every time the external auditors change?	✓		Not formally documented
<b>Counter (or anti-) fraud and security</b>			
Is the committee aware of NHS Protect	✓		LCFS Services commissioned and keeps

Area / Question	Yes	No	Comments/Action
requirements in relation to counter fraud and security activity?			the audit committee up to date on key issues etc. including NHS Protect.
Does the committee review the planned counter fraud and security work at the beginning of the financial year and in particular its scope and coverage?	✓		Annual plan presented to and approved at April Audit Committee meeting.
Does the committee satisfy itself that the work plan is derived from clear processes based on risk assessments and that coverage is adequate?	✓		Annual Plan explains the methodology by which it was established.
Does the committee receive notification of any material changes to the plan?	✓		No material changes so far this year.
Does the committee receive periodic reports about counter fraud and security activity?	✓		Progress report from LCFS received at each Audit Committee meeting.
Does the committee effectively monitor the implementation of management actions arising from counter fraud and security reports?	✓		Schedule of recommendation follow-up presented to the AC Meetings.
Do those working on counter fraud and security activity have a right of direct access to the committee and its Chair?	✓		Part II meeting held during the year for AC Chair to meeting separately in private with Internal, External Audit and Counter Fraud.
Do those working on counter fraud and security activity have the necessary technical knowledge and experience to ensure that work is carried out as it should be?	✓		Assurances provided by LCFS as part of annual report.
Does the committee receive and review an annual report on counter fraud and security activity?	✓		Annual report to be received at April Audit Committee meeting.
Does the committee receive and discuss reports arising from inspections by NHS Protect in relation to the quality of the counter fraud (and security) provision?	✓		Reports from inspections by NHS Protect would be presented by the LCFS, however there has been none to date.
<b>Annual report and accounts and disclosure statements</b>			
Is the committee's role in the approval of the annual	✓		As set out in the Audit Committee

Area / Question	Yes	No	Comments/Action
report and accounts clearly defined?			Terms of Reference.
Is a committee meeting scheduled to discuss proposed adjustments to the accounts and issues arising from the audit?	✓		See timetable for accounts. Audit committee review final accounts before presenting to the Governing Body.
Does the committee specifically review: <ul style="list-style-type: none"> <li>• Changes in accounting policies?</li> <li>• Changes in accounting practice due to changes in accounting standards?</li> <li>• Changes in estimation techniques?</li> <li>• Significant judgements made in preparing the accounts?</li> <li>• Significant adjustments resulting from the audit?</li> <li>• Explanations for any significant variances?</li> </ul>	✓		Explanations provided by CFO as to any changes in accounting policies / practice, estimation techniques, judgements, adjustments and any significant variances.
Does the committee ensure it receives explanations for any unadjusted errors in the accounts found by the external auditors?	✓		External Audit reports on annual accounts.
Does the committee receive and review a draft of the organisation's annual governance statement?	✓		Initial draft presented to December 2014 meeting, revised draft to be presented to April meeting. Members to review outside of meeting prior to submission to NHS England.
Does the committee receive and review a draft of the organisation's annual report and accounts?	✓		Draft annual report and accounts - expected at the April meeting post submission to NHS England. This was agreed with External Auditors.
<b>Other issues</b>			
Does the committee provide a summary report of its meetings to the next available governing body meeting?	✓		Minutes of AC meeting provided to next Board meeting. This could be developed further by providing a short report rather than just minutes.
Has the committee reviewed its performance in the year for consistency with its: <ul style="list-style-type: none"> <li>• Terms of reference?</li> <li>• Programme for the year?</li> </ul>	✓		Annual review and report to be prepared and reviewed at April meeting to be presented to May Board meeting.

## Checklist Two: Committee Effectiveness

Statement	Strongly Agree	Agree	Disagree	Strongly Disagree	Unable to Answer	Comments / Action
<b>Theme 1 – committee focus</b>						
The committee has set itself a series of objectives it wants to achieve this year.		✓				
The committee has made a conscious decision about how it wants to operate in terms of the level of information it would like to receive for each of the items on its cycle of business.		✓				Not sure if this has been done formally
Committee members contribute regularly across the range of issues discussed.		✓				
The committee is fully aware of the key sources of assurance and who provides them in support of the controls mitigating the key risks to the organisation.	✓					
The committee clearly understands and receives assurances from third parties the organisation uses to manage/ operate key functions –for example, financial services operated by NHS Shared Business Services, other NHS bodies, commissioning support units or private contractors.		✓				Scope to increase the assurance received from providers, perhaps by inviting officers from the providers to present reports to the Audit Committee on how they are dealing with known issues, other areas of concern. Need to obtain all service auditor reports
Equal prominence is given to both quality and financial assurance.	✓					
<b>Theme 2 – committee team working</b>						
The committee has the right balance of experience, knowledge and skills to fulfill the role described in the <i>NHS Audit Committee Handbook</i> .		✓				
The committee has structured its agenda to cover, quality, data		✓				Not sure if data quality is specifically discussed. Not sure all of these are

Statement	Strongly Agree	Agree	Disagree	Strongly Disagree	Unable to Answer	Comments / Action
quality, performance targets and financial control.						covered but also not sure all of these are within the committee's ToR
The committee ensures that the relevant executive director /manager attends meetings to enable it to secure the required level of understanding of the reports and information it receives (i.e. the right executive lead is there to discuss risk and internal matters in their area of responsibility rather than the committee having to rely on the CFO to act as conduit to the executive team).			✓			This will become more apparent as more internal audit reports are finalised. This is planned to commence This would be a key development area of the committee
Management fully briefs the committee via the assurance framework in relation to the key risks and assurances received and any gaps in control / assurance in a timely fashion thereby eradicating the potential for 'surprises'.	✓					
Other committees provide timely and clear information in support of the committee thereby eradicating the potential for 'surprises'.		✓				
I feel sufficiently comfortable within the committee environment to be able to express my views, doubts and opinions.	✓					
I understand the messages being given by the organisation's assurance advisors (external audit / internal audit /counter fraud specialists).	✓					
Internal audit contributes to the debate across the range of the agenda and not just on the papers they present.	✓					
Members hold their assurance providers to account for late or missing assurances.		✓				Not sure that the committee is in a position to do this.
When a decision has been made or action agreed I feel confident that it will be implemented as agreed and in line with the timescale set down.	✓					
<b>Theme 3 – committee effectiveness</b>						

Statement	Strongly Agree	Agree	Disagree	Strongly Disagree	Unable to Answer	Comments / Action
The quality of committee papers received allows me to perform my role effectively.		✓				
Members provide real and genuine challenge – they do not just seek clarification and/or reassurance.	✓					
Debate is allowed to flow and conclusions reached without being cut short or stifled due to time constraints etc.	✓					
Each agenda item is 'closed off' appropriately so that I am clear what the conclusion is; who is doing what, when and how etc and how it is being monitored.	✓					
At the end of each meeting we discuss the outcomes and reflect back on decisions made and what worked well, not so well etc.			✓			Not sure if we do this formally at present This is something we need to do
The committee provides a written summary report of its meetings to the governing body.		✓				
The governing body challenges and understands the reporting from this committee.	✓					
There is a formal appraisal of the committee's effectiveness each year which is evidence based and takes into account my views and external views.	✓					
<b>Theme 4 – committee engagement</b>						
The committee actively challenges both management and other assurance providers during the year to gain a clear understanding of their findings.		✓				Other management should attend at appropriate times
The committee is clear about the complementary relationship it has with other governing body committees that play a role in relation to clinical governance, quality and risk management.		✓				
The committee receives clear and timely reports from other governing body committees which set out the assurances they have received and their impact (either positive or not)		✓				

Statement	Strongly Agree	Agree	Disagree	Strongly Disagree	Unable to Answer	Comments / Action
on the organisation's assurance framework.						
I can provide two examples of where we as a committee have focused on improvements to the system of internal control as a result of assurance gaps identified.		✓				
<b>Theme 5 – committee leadership</b>						
The committee Chair has a positive impact on the performance of the committee.	✓					
Committee meetings are chaired effectively and with clarity of purpose and outcome.	✓					
The committee Chair is visible within the organisation and is considered approachable.	✓					
The committee Chair allows debate to flow freely and does not assert his/ her own views too strongly.	✓					
The committee Chair provides clear and concise information to the governing body on the activities of the committee and the implications of all identified gaps in assurance / control.	✓					