

AUDIT COMMITTEE ANNUAL REPORT 2016/17

Introduction

The purpose of this annual report is to update the Governing Body on the work of the Audit Committee as part of Lancashire North CCG's (now Morecambe Bay CCG) Governance process. The report details how, through its terms of reference, the Audit Committee has ensured the CCG has utilised its resources effectively and efficiently.

The report covers the work of the Audit Committee from 1 April 2016 to 31 March 2017.

Objectives of the Committee

To meet the requirements of the Committee highlighted in the Terms of Reference for 2016/17.

Membership

The Members, roles and attendance are recorded below. Membership consists of:-

Voting membership:-

- The Governing Body's two Lay Members.
- The Governing Body's Secondary Care Doctor.

In attendance non-voting officers:-

- Chief Finance Officer/Director of Governance.
- Head of Internal Audit.
- Representative of the Group's External Audit Service.
- Local Counter Fraud Specialist.
- Secretary to the Committee.

The Chair of the Committee is Mr Clive Unitt, Lay Member.

Record of Attendance

There were five meetings held during the period 1 April 2016 to 31 March 2017.

Voting Members

Name	Title	24/5/16	11/8/16	10/11/16	9/2/17	30/3/17	Meetings Attended %
Mike Flanagan	Secondary Care Doctor for the Governing Body, MBCCG	✓	✓	✓	✓	✓	100%
Sue McGraw	Lay Member, MBCCG	✓	✓	✓	✓	✓	100%
Clive Unitt	Lay Member, MBCCG	✓	✓	✓	✓	✓	100%

Non-Voting Members

Name	Title	24/5/16	11/8/16	10/11/16	9/2/17	30/3/17	Meetings Attended %
Jessica Boothroyd	Manager, KPMG	✓	✓	✓	Left November 2016		100%
Sharon Brock	Local Anti-Fraud Specialist, MIAA			✓	✓	✓	60%
Barbara Carter	Corporate Affairs Manager, MBCCG	✓		✓	✓		60%
Roger Causer	Senior LCFS Manager, MIAA		✓				20%
Sue Cole	Personal Assistant, MBCCG		✓			✓	40%
Tim Cutler	Partner, KPMG				✓		20%
Christopher Paisley	Manager, KPMG	From February 2017			✓		50%
Kevin Parkinson	Chief Finance Officer/Director of Governance, MBCCG	✓	✓	✓	✓	✓	100%
Liz Squires	Senior Audit Manager, MIAA		✓	✓	✓	✓	80%

Summary of Work

The Terms of Reference require the Audit Committee to:-

Governance, Risk Management and Internal Control

- a) The committee shall review the establishment and maintenance of an effective system of integrated governance, risk management and internal control, across the whole of the organisation's activities (both clinical and non-clinical), that supports the achievement of the organisation's objectives.
- b) In particular, the committee will review the adequacy of:-

- i) All risk and control related disclosure statements (in particular the annual governance statement and declarations of compliance), together with any accompanying head of internal audit statement, external audit opinion or other appropriate independent assurances, prior to endorsement by the Governing Body. The underlying assurance processes that indicate the degree of the achievement of the group's objectives, the effectiveness of the management of principal risks and the appropriateness of the above disclosure statements.
 - ii) The policies for ensuring compliance with relevant regulatory, legal and code of conduct requirements.
 - iii) The policies and procedures for all work related to fraud and corruption as set out in the CCG authorisation process and as required by the Counter Fraud and Security Management Service.
- c) In carrying out this work the committee will primarily utilise the work of internal audit, external audit and other assurance functions, but will not be limited to these audit functions. It will also seek reports and assurances from elected members, managers and people working on behalf of the group as appropriate, concentrating on the overarching systems of integrated governance, risk management and internal control, together with indicators of their effectiveness. This will be evidenced through the committee's use of an effective assurance framework to guide its work and that of the audit and assurance functions that report to it.

Internal Audit

- d) The committee shall ensure that there is an effective internal audit function that meets mandatory NHS internal audit standards and provides appropriate independent assurance to the committee, Accountable Officer and Governing Body. This will be achieved by:-
- i) Consideration of the provision of the internal audit service, the cost of the audit and any questions of resignation and dismissal.
 - ii) Review and approval of the internal audit policy and operational plan, ensuring that this is consistent with the audit needs of the organisation as identified in the assurance framework.
 - iii) Consideration of the major findings of internal audit work (and management's response).
 - iv) Ensuring co-ordination between the internal and external auditors to optimise audit resources.
 - v) Ensuring that the internal audit function is adequately resourced and has appropriate standing within the organisation.
 - vi) Annual review of the effectiveness of internal audit.

External Audit

- e) The committee shall review the work and findings of the group's external auditor and consider the implications and response to their work. This will be achieved by:-

- i) Consideration of the appointment and performance of the external auditor, the cost of the audit and any questions of resignation and dismissal.
- ii) Discussion and agreement with the external auditor, before the audit commences, of the nature and scope of the audit as set out in the annual plan.
- iii) Discussion with the external auditors of their local evaluation of audit risks and assessment of the group and associated impact on the audit fee.
- iv) Review all external audit reports, including agreement of the annual audit letter before submission to the Governing Body and any work undertaken outside of the annual audit plan, together with the appropriateness of management responses.

Other Assurance Functions

- f) The Audit Committee shall review the findings of other significant assurance functions, both internal and external to the organisation, and consider the implications to the governance of the organisation.
- g) These will include, but will not be limited to, any reviews by the Department of Health, NHS England or regulators/inspectors. In addition, the committee will review the work of other committees within the organisation, whose work can provide relevant assurance to the audit committee's own scope of work.

Management

- h) The committee shall request and review reports and positive assurances from elected members, managers and people working on behalf of the group on the overall arrangements for governance, risk management and internal control. The committee may also request specific reports as they may be appropriate to the overall arrangements.
- i) The committee shall endorse the self-assessment proforma to be used by all Governing Body committees as part of their annual report
- j) The committee shall satisfy itself that the group has adequate arrangements in place for countering fraud. It shall approve the counter fraud work plan and review the outcomes of the counter fraud work.

Financial Reporting

- k) The committee shall review the annual report and financial statements before submission to the Governing Body and Membership Council, focusing particularly on:-
 - i) The wording in the annual governance statement and other disclosures relevant to the terms of reference of the committee.
 - ii) Changes in, and compliance with, accounting policies and practices.
 - iii) Unadjusted mis-statements in the financial statements.

- iv) Major judgemental areas.
- v) Significant adjustments resulting from the audit.
- l) The committee should also ensure that the systems for financial reporting to the Governing Body, including those of budgetary control, are subject to review as to completeness and accuracy of the information provided to the Governing Body.

Auditor Panel

- m) To act as the CCG's Auditor Panel as and when required, to advise the Governing Body on the selection and appointment of its external auditor.

Achievements

Throughout 2016/17 the Audit Committee has achieved the following:-

Governance, Risk Management and Internal Control

- Received and reviewed:-
 - ❖ Register of Interests.
 - ❖ Reports on CSU Audit Assurance.
 - ❖ The Assurance Framework.
 - ❖ Risk Register updates.
 - ❖ Reports on Losses and Compensations.
 - ❖ Reports on Waivers of Constitution.
 - ❖ Minutes of the Quality Improvement Committee.
 - ❖ Minutes of the Finance and Performance Group.
- Reviewed the Annual Work Programme and Sources of Assurance Framework.
- Reviewed and made recommendations on new or amended policies and procedures.
- Reviewed the Audit Committee's Terms of Reference.

Internal Audit

- Agreed the Internal Audit Work Plan.
- Received and reviewed Internal Audit Reports.
- Reviewed the effectiveness of Internal Audit.

External Audit

- Reviewed the Annual Report and Accounts for the year ended 31 March 2016.
- Received the Annual Audit Letter.
- Received the ISA 260 Report.
- Agreed the External Audit Work Plan.

Auditor Panel

- Recommended to the Governing Body the appointment of its external auditor.

Other Assurance Functions

- Agreed the Anti-Fraud Plan.
- Received and reviewed Counter Fraud Reports.

Assessment of Effectiveness of Committee, including Performance against the Scope and Terms of Reference of the Committee

As a result of the work that it has performed during the year the Audit Committee can give assurance to the Governing Body that its systems of governance, risk management and internal control for clinical and non-clinical activities are effective and are being maintained across the organisation.

**C UNITT
LAY MEMBER/
CHAIR OF AUDIT COMMITTEE**

18 JULY 2017