

Approved – 29 September 2022

**Minutes: Audit Committee**  
**26 July 2022, 9am-10am, via MS Teams**

	Name	Job Title	Organisation
Members	Mr J Birrell	Audit Chair/Non-Executive Member	LSC ICB
	Mr R Fisher	Non-Executive Member	LSC ICB
	Mrs S Cumiskey	Non-Executive Member	LSC ICB
Co-opted Member	Mr I Cherry (Excluded from part of the discussion at Item 1)	Co-opted Member	LSC ICB
Participants	Ms S Proffitt	Chief Finance Officer	LSC ICB
	Mrs D Atkinson	Head of Corporate Business	LSC ICB
	Mrs K Hollis	Place and Programme Finance Lead	LSC ICB
	Miss L Talbot	Corporate Governance Manager	LSC ICB
Apologies	None		

Item	Note	Action
1.	<p><b><u>Proposal for a Co-opted Member</u></b></p> <p><b>RESOLVED: That Mr Cherry be excluded from the discussion during this item.</b></p> <p>Mr Birrell advised that the ICB Chair had invited Mr Cherry to be a Co-opted member on the Audit Committee in light of his previous CCG role relating to the closedown of the CCG accounts and the corporate memory he could bring to the committee. He sought members' comments on the proposal.</p> <p>Mr Fisher sought clarification on the timescale of the temporary arrangement and whether it would be for a three-month period. Mr Birrell advised that there may be a delay in respect of the accounts closedown process and that the timing of the proposed appointment may need to be considered further in light of this.</p>	

	<p>Mrs Hollis advised that she was a former CCG Chief Finance Officer and had responsibility in respect of the co-ordination of closedown of the CCGs. She explained that Mr Cherry was the Chair of the Finance Transition Group which provided governance and oversight of the closedown process. Due to external audit capacity, Mrs Hollis advised that it was unlikely the accounts process would be completed until Quarter 4. Mr Birrell commented that there needed to be discussions with the auditors to complete the process as soon as possible.</p> <p>Mr Fisher asked if the position could be reviewed by Audit Committee members in three months by which time there would be more information available in respect of external audit capacity. Mr Birrell commented that in going forward, an invitation may be extended to Mr Cherry to be a permanent member of the Audit Committee and that a fourth member on the committee would be welcomed.</p> <p>Mr Fisher referred to conflicts of interest and sought clarification as to whether Mr Cherry had completed a declaration of interest form. The Secretary would action accordingly.</p> <p><b><i>Mr Cherry joined the meeting.</i></b></p> <p>Mrs Cumiskey welcomed Mr Cherry's knowledge and continuity and thanked him for agreeing to provide support. She supported the co-option of Mr Cherry with a review in three months' time.</p> <p>Mr Birrell thanked the members for their comments following which it was,</p> <p><b>RESOLVED: That Mr Cherry be Co-opted as a member on the Audit Committee for a three-month period in order to provide his expertise, corporate memory and legacy knowledge relating to the closedown of the CCGs' accounts process following which a review of the position would be undertaken.</b></p>	<p>LJT (✓)</p> <p>DA/LJT</p>
<p>2.</p>	<p><b><u>Welcome, Introductions and Apologies</u></b></p> <p>Mr Birrell welcomed everybody to the first meeting of the ICB Audit Committee. There were no apologies for absence.</p> <p>Mr Birrell referred to the Audit Committee Handbook which was a useful publication for members and arrangements would be made to order copies for the members via the administrator.</p> <p>Mr Birrell commented that one of the key areas was, 'How do we know it is true?' which he felt was a good starting point for the Audit Committee. He advised that under normal circumstances, the committee agenda would have more items however, there was a requirement to hold the meeting in order that Audit Committee Terms of Reference could be received and to approve the appointment of both the internal auditors and external auditors to the ICB.</p>	<p>LJT (✓)</p>

	<p>Mr Fisher welcomed Louise Talbot who would be providing administrative support to the committee. Ms Proffitt had invited Mrs Hollis to the meeting and thanked her for the work undertaken relating to the internal audit and external audit appointments processes.</p>	
3.	<p><b><u>Declarations of Interest</u></b></p> <p><b>RESOLVED:</b> It was noted that Mr Cherry declared an interest in respect of his former role as manager at KPMG. He also declared that Grant Thornton were the auditors to the former Chorley and South Ribble and Greater Preston CCGs.</p> <p><b><u>Post meeting note:</u></b> As the declarations were not material, they would not be recorded on the Audit Committee's declarations of interest.</p> <p>That there were no other declarations of interest received.</p>	
4.	<p><b><u>Terms of Reference of the Audit Committee</u></b></p> <p>Mr Birrell reminded members that the Terms of Reference of the Audit Committee had recently been approved by the Board (1 July 2022) and set out how the committee will function and included sections on the committee's authority and purpose. The Terms of Reference also gave committee members a wide remit and a number of responsibilities.</p> <p>Mr Cherry commented whether the Terms of Reference allowed for a Co-opted member, suggesting that an amendment may need to be made to reflect this. Mrs Atkinson advised that upon reviewing the ICB Constitution and the Audit Committee Terms of Reference, interpretation of the Constitution allowed this. She suggested that given the current arrangement to co-opt Mr Cherry for a short time period, it would be acceptable however, if this were to be a longer period, a review of the Terms of Reference would need to be undertaken. Audit Committee members were comfortable with the proposals.</p> <p><b>RESOLVED:</b> That members receive the Audit Committee Terms of Reference noting the arrangements in respect of a Co-opted member.</p>	DA/LJT
5.	<p><b><u>Appointment of Internal Audit</u></b></p> <p>Ms Proffitt spoke to a circulated report which provided Audit Committee members with background information, procurement options and the work undertaken in securing the internal audit provision to the ICB from 1 July 2022. She advised that there was a move to a consolidated contract with MIAA in terms of value for money. Mrs Hollis had undertaken a lot of groundwork and a very thorough process had been carried out in respect of the procurement options with a proposal for a direct award for both</p>	

internal audit and counter fraud which resulted in a significant saving as we move forward. Ms Proffitt advised that there was more scope to review as we move forward and some of the risks were understood.

Mrs Hollis advised that the SBS framework agreement allows for a direct award and the report outlined the reasons for moving down this route, the work in terms of closedown, processes and governance and because we have a long history with MIAA, all of which formed the basis of the recommendation.

Mr Fisher concurred with the comments made about MIAA and work undertaken around CCG closedown and from his experience on the closedown committee, MIAA colleagues were invaluable to the process. He also commented that robust assurance was provided and on that basis he would accept the recommendation.

Mrs Cumiskey was comfortable with the proposal, recognised the work undertaken and noted the cost reduction which would be expected. She also recognised the work undertaken by MIAA in the transitional phase. Mrs Cumiskey noted the proposal for a 21-month period to March 2024 commenting that it would provide an opportunity to explore what further economies of scale could be driven through from this change.

Mrs Hollis advised that the current framework agreement would run out before March 2024 however, renegotiations would be undertaken by SBS and it was anticipated that they would look at building in efficiencies. She explained that the new framework can be used at the point at which new arrangements are put in place from March 2024.

Mr Cherry reiterated the comments made by Mr Fisher in terms of the work undertaken by MIAA and provided assurance on the transition process from CCGs to the ICB. He would very much endorse their appointment. In terms of cost reduction, Mr Cherry suggested a proposal be considered for MIAA to undertake additional pieces of work however, he recognised the difficulties at the current time of not being able to draw up a fully costed proposal until the ICB's strategic objectives had been set. Mr Birrell was mindful that there needed to be economies of scale and anticipated that MIAA would be looking at a whole system.

Ms Proffitt advised that there would be opportunity to negotiate in the future however, there was a high level of risk which was why the proposed fee was being suggested at the current time. It was recognised that there will be risks as the organisation becomes more established and that additional pieces of work would need to be considered.

**RESOLVED: To approve the appointment of the internal auditors of a direct award to MIAA for a 21-month contract to 31 March 2024 and advise the Board accordingly.**

6.

**Appointment of External Audit**

Ms Proffitt spoke to a circulated report which provided Audit Committee members with a proposal for the provision of the external audit services for Lancashire and South Cumbria ICB.

During 2021/2022 across Lancashire and South Cumbria, KPMG provided the external audit service for three CCGs whilst Grant Thornton covered the remaining five CCGs.

Mrs Hollis and Mrs Disley had provided invaluable support and had explored the procurement options in respect of an external audit service for the ICB.

Ms Proffitt advised of the challenges in the market in securing an external audit service. Two firms were explored, ie, KPMG and Grant Thornton, both of which are very reputable firms and similar levels of references had been received for both.

Consideration had been given to a mini-tender however, it was not considered an option, therefore, either a full tender was required or direct award, the latter of which was the preferred route.

Both firms had a very similar approach and other than initial costings, there were difficulties to distinguish between the two. However, in terms of the two fee structures, KPMG was considerably a lower cost which was subsequently checked. Ms Proffitt advised that there were differences when looking at skill mix.

The committee considered the following points:

- Risk if Grant Thornton withdraws from the three-month audit.
- If KPMG has the capacity to deliver as the ICB would be a much larger organisation for KPMG to pick up in comparison to Grant Thornton.

Ms Proffitt advised that both Grant Thornton and KPMG had both been very clear that they would complete their audits. She further commented that reputationally it would be damaging if they did withdraw from their respective audits.

In terms of the three-month audit, Mrs Hollis did not envisage any ongoing issues and was mindful that the accounts required to be signed off.

Reference was made to skill mix and in respect of the qualitative nature of those undertaking the audits, it was recognised that there will be a difference in the level of audits.

Further discussion ensued regarding capacity issues, price and assurances that the three-month audits could be undertaken. It was suggested that additional assurance be sought around these issues.

	<p>Mr Birrell sought clarification on the timescale for appointing the external auditors to the ICB and Ms Proffitt advised that a decision would need to be made prior to the Board meeting on 7 September 2022.</p> <p>Mrs Atkinson reminded members of the verbal update to be provided to the Board the following day however, an update could be given advising that confirmation of the appointment would be made at the September Board meeting. In order to resolve in advance, a Chair's Action would be undertaken by Mr Birrell.</p> <p>Ms Proffitt would seek further clarification from KPMG in respect of their capacity, particularly their existing capacity in terms of completing audits in 2022/23. She would also contact Grant Thornton with a view to them considering their costing prior to a decision being made.</p> <p>Mr Cherry commented that it would be helpful to understand how the audits will be staffed and to provide assurance around this.</p> <p><b>RESOLVED: That members of the Audit Committee await further information as outlined above, noting the arrangements to inform the Board the following day (27 July 2022) and approve that a Chair's Action be undertaken to resolve the matter, appoint the external auditors and report to the Board on 7 September 2022.</b></p>	<p>JB</p> <p>SP</p> <p>JB/SP</p>
<p>7.</p>	<p><b><u>Internal Audit Plan 2022/23 (Early draft)</u></b></p> <p>Ms Proffitt spoke to a circulated report which was an early draft of the internal audit plan for 2022/23. She stressed the importance of commencing the work outlined in the plan and was comfortable with the audits concentrating on a risk-based approach. Ms Proffitt was less comfortable with place level reviews as the model had not yet been agreed and no structure in place. A further updated plan would be submitted to the Audit Committee in September however, in the meantime focus would be given to the areas required at the current time.</p> <p>Mrs Atkinson referred to governance, risk management and conflicts of interest advising that a sense check was being undertaken to ascertain the current position and when looking at place. She advised that it would be helpful for an MIAA Place Governance checklist to be presented to the September Audit Committee meeting as assurance of the work being developed.</p> <p>Mr Birrell welcomed the early draft of the internal audit plan and referred to a number of key areas contained within the plan that he had asked for a broad opinion on, on a quarterly basis. It would then provide assurance in terms of mapping and what could be undertaken in the short term and on an ongoing basis but allowing the committee to focus on the key risks of the organisation.</p>	<p>DA</p>

	<p>Ms Proffitt advised members that the Executive team had undertaken detailed work around strategic objectives, ie, key risks and objectives at system level for the Board Assurance Framework (BAF) which would shape the audit plans and provide an understanding of the risks.</p> <p>Mrs Atkinson provided information on the work being undertaken on the BAF, risk management strategy, policy and procedures which would be submitted to the Audit Committee in due course. Consideration was being given in having a Board organisational development session following which there would be more clarity on the BAF, risks, strategic objectives, risk management policy and procedures.</p> <p>Mrs Cumiskey welcomed the update and informed members that in her role as Chair of the Quality Committee discussions had been held regarding the setting up arrangements of the committee and that a preparatory session would be held in August in readiness for the first formal meeting of the Quality Committee in September. The intention was to bring the work of the Quality Committee and look at how we further enhance the internal audit plan so that they dovetail. Audit Committee members welcomed this approach.</p> <p>Mr Birrell expressed concern that a Finance Committee had not been established however, Ms Proffitt was mindful of this and the timing around this needed to be considered given the level of financial risk in the system.</p> <p><b>RESOLVED: That the Audit Committee receive the early draft of the internal audit plan 2022/23 noting the work taking place to date.</b></p>	
8.	<p><b><u>Audit Committee Workplan – Proposed Future Dates of Meetings 2022/23</u></b></p> <p>The following dates of Audit Committee meetings were proposed:</p> <ul style="list-style-type: none"> <li>- September 2022 (10am-12noon) – Date to be confirmed (29<sup>th</sup>)</li> <li>- 15 December 2022 (10am-12noon) - Confirmed</li> <li>- 16 March 2023 (10am-12noon) - Confirmed</li> <li>- Final Accounts May or June 2023 – To be confirmed</li> </ul> <p>Mr Birrell advised that consideration would be given in holding training sessions/one off meetings and members would be advised well in advance.</p> <p><b>RESOLVED: That the dates of Audit Committee meetings be agreed as outlined above, noting that all meetings would be held at Chorley House.</b></p>	LJT (✓) LJT
9.	<p><b><u>Items for the Risk Register</u></b></p> <p><b>RESOLVED: That completion of the CCG audits was raised as a key risk.</b></p>	DA

	Mr Cherry was mindful of the corporate knowledge which could be lost if sign-off of the CCG accounts was not undertaken until May 2023. Ms Proffitt advised that finance teams were coming together and the ICB was retaining a lot of former CCG staff in the new structure so there was minimal risk.	
10.	<p><b><u>Any Other Business</u></b></p> <p><b>Conflicts of Interest Guardian</b> – Mr Birrell advised that in his role as Audit Committee Chair, he was also the Conflicts of Interest Guardian. He suggested that discussion be held at a future meeting around conflicts of interest and consideration be given as to how we gather assurances from other ICB committees and groups. This would be included on the committee workplan for the December meeting of the committee.</p> <p><b>Business of the Audit Committee</b> – Mr Birrell was keen for the business of the Audit Committee to commence and he would reflect outside of the meeting on the work to be undertaken.</p>	<p>LJT (✓)</p> <p>JB</p>
11.	<p><b><u>Date, Time and Venue of Next Meeting</u></b></p> <p>Availability would be sought for the September meeting and advised accordingly. The meeting would be held at Chorley House.</p> <p>The Chair thanked colleagues for their contributions to the first meeting of the Audit Committee and the meeting closed.</p>	LJT