

Approved 21 June 2023

Minutes of the ICB Audit Committee Held on Monday, 24 April 2023 in Boardroom 1, Chorley House, Leyland

Name	Job Title	Organisation
<u>Members</u>		
Jim Birrell	Chair/Non-Executive Member	L&SC ICB
Sheena Cumiskey	Non-Executive Member	L&SC ICB
Roy Fisher	Non-Executive Member	L&SC ICB
<u>Co-opted Member</u>		
Ian Cherry	Co-opted Lay Member	L&SC ICB
<u>Attendees</u>		
Katherine Disley	Director of Operational Finance	L&SC ICB
Kirsty Hollis	Place and Programme Finance Lead	L&SC ICB
Asim Patel	Chief Digital Officer	L&SC ICB
Debra Atkinson	Company Secretary/Director of Corporate Governance	L&SC ICB
Louise Cobain	Executive Director of Assurance	MIAA
Lisa Warner	Senior Internal Audit Manager	MIAA
Debra Chamberlain	Director	KPMG
Neil Greaves (Item 7)	Director of Communications and Engagement	L&SC ICB
Louise Talbot	Board Secretary and Governance Manager	L&SC ICB

Item No	Item	Action
1.	<p><u>Welcome, Introductions and Chair's Remarks</u></p> <p>The Chair welcomed everybody to the meeting commenting that as the financial year end was approaching, work to close the accounts would normally be further ahead but the ICB has had to deal with some unique circumstances that have slowed the exercise down. However, the draft Annual Governance Statement, draft Head of Internal Audit Opinion and draft auditor reports were included on the agenda for discussion. In addition, he wished to draw out some helpful sources of assurance and register some alerts for committee member's attention.</p>	
2.	<p><u>Apologies for Absence</u></p> <p>Apologies for absence had been received from S Proffitt, T Cutler and P McGrath.</p>	
3.	<p><u>Declarations of Interest</u></p> <p>RESOLVED: That there were no declarations made relating to the items on the agenda.</p> <p>(a) Audit Committee Register of Interests – Noted.</p>	
4.	<p><u>Minutes of the Previous Meeting Held on 16 March 2023</u></p> <p>RESOLVED: That subject to some minor amendments to be made, the minutes of the meeting held on 16 March 2023 be approved as a correct record.</p>	LJT (✓)

5.	<p><u>Matters Arising and Action Log</u></p> <p>Improving Financial Sustainability in the NHS – Internal Audit Review – Whilst there were a number of updates on the action log, the Chair sought further assurance and it was anticipated that significant improvements had been made since the original assessment was undertaken. L Cobain and K Disley would liaise outside of the meeting with a view to submitting a progress report to the committee.</p> <p>Finance and Performance Committee Terms of Reference – To be submitted to the ICB Board on 3 May 2023 for approval. Item to be closed on the action log.</p> <p>Freedom to Speak Up – Vacant posts were being advertised. Post meeting note – <i>Posts had been subsequently filled and the system was up and running. D Atkinson liaised with the Chief People Officer and agreed that an update would be provided to the next meeting of the Audit Committee and a report taken to the July meeting of the People Board.</i></p> <p>Sources of Assurance – External Documents – K Hollis confirmed that a report would be submitted to the next meeting listing documents issued, how they were disseminated and actions taken.</p> <p>ICB AGM – D Atkinson advised that the AGM was likely to coincide with the ICB Board meeting scheduled to be held on 6 September 2023. She would update the committee in due course.</p> <p>Managing Conflicts of Interest (including Gifts and Hospitality) – D Atkinson advised that the wording in the register had been corrected as the ICB had suggested that a donation be made to a charity. The action was closed on the log.</p> <p>Committee Meeting Dates – L Talbot to issue calendar invitations for meetings during 2023/24 – June, September, November, January and March. A Patel to liaise with Executives regarding their attendance at future meetings.</p>	<p>LC/KD</p> <p>LJT (✓)</p> <p>DA</p> <p>KH</p> <p>DA</p> <p>LJT/ AP</p>
6.	<p><u>Mental Health Investment Standard 2021/22 - Presentation of the CCGs' Audited Returns</u></p> <p>K Hollis spoke to a circulated report which provided the Audit Committee with the outcome of the recent audits of the eight now demised CCGs by external audit and was the audit of the full 12-month period ended 31 March 2022.</p> <p>The report detailed the outcome of the findings of the 2021/22 Mental Health Investment Standard and following audit adjustments, the findings showed that one CCG marginally failed to make compliance whilst the remaining seven met the standard. Following the audit findings adjustments, the overall compliance on the ICB footprint had increased from £3,420k over-achievement to £5,985k over-achievement.</p> <p>K Hollis conveyed her thanks to the teams involved in bringing the report together and responding to some very late queries from one of the audit firms.</p> <p>K Hollis advised that the Audit Committee was asked to recommend the audit findings to the Chief Executive to sign the letters of representation and the compliance statements which would then be returned to NHS England and the external auditors.</p> <p>S Cumiskey stressed the importance of the reasons that the standard was established to ensure mental health services received sufficient investment from a parity point of view. She recognised the difficulties in undertaking the work retrospectively however, was</p>	

	<p>comfortable to see that the audited evidence met the requirements. She commented that as we look forward in terms of spend in the future, that there are assurances that the investment will be spent across that particular population. S Cumiskey was supportive of the Chief Executive signing off the documents.</p> <p>The Chair was mindful of the 2022/23 process and asked if colleagues could also look at 2023/24 to ascertain if there would be any growth in the commissioning level and whether the standard would be met. K Hollis advised that for 2022/23, the compliance statement would be made and audited on the 12 months. KPMG would be undertaking a separate assessment however, whilst there was no guidance available currently it was likely to be issued approximately two months after the accounts had been completed. K Hollis advised that provision had been made in the plan, the ICB will comply and make the level of investment required. Updates on the plan would be submitted to the Audit Committee during the year.</p> <p>RESOLVED: On behalf of the predecessor CCGs, recommended the submission of the Mental Health Investment Standard Compliance Statements for 2021/22 for sign off by the Chief Executive. It was noted that whilst one former CCG marginally failed to achieve the standard, total expenditure across the ICB significantly exceeded the prescribed investment target.</p>	
7.	<p><u>Progress on Annual Report and Accounts Submissions 2022/23</u></p> <p>(a) Q1 – CCGs Annual Reports and Audited Accounts – Thanks were conveyed to I Cherry and K Hollis for the work undertaken on the Q1 CCGs annual reports and audited accounts. I Cherry advised that meetings had been held with both auditors. In respect of the work with KPMG, three audits were on track with a couple of items awaiting further information however, there was nothing significant to report. In respect of the work with Grant Thornton, closedown meetings had been held however, there remained a number of outstanding issues to resolve. They anticipated closing the matters by the end of the week.</p> <p>D Chamberlain referred to the closedown timetable and was awaiting further communication from Grant Thornton to access the files. She anticipated agreeing a date with them for mid-May. I Cherry asked that he be advised should there be any issues. He also commented that he had kept the Audit Committee Chair informed by way of progress notes.</p> <p><i>N Greaves arrived at the meeting.</i></p> <p>(b) Q2-Q4 – ICB Draft Annual Report – Performance and Annual Governance Statement (AGS) – The draft documents were presented to members for comment recognising that they were a working progress. D Atkinson and N Greaves were overseeing the accountability and performance sections of the documents. D Atkinson referred to the AGS and acknowledged that there were some areas of governance that needed to be strengthened also referring to committee effectiveness advising that there had been challenges in balancing this. The CEO statement would reflect the current position and recognise the achievements of the ICB over the last nine months.</p> <p>In order to meet national submission deadlines of the draft documents and due to the timing of the Audit Committee meeting, further updates had been undertaken since the early draft documents were issued which incorporated comments received by the Executives. D Atkinson advised that weekly working group meetings were taking place, working to a full project plan and included lead Directors. A Patel suggested that in order that there was Executive oversight, the draft documents also be a standing item on the weekly Executive team agenda.</p>	

<p>N Greaves anticipated that the narrative sections of the performance report would be completed by the end of May.</p> <p>It was noted that the Annual Report and Accounts would be laid before Parliament by the end of June and the ICB AGM was likely to be held in September.</p> <p>Audit Committee members expressed concern at the current content of the documents however, reassurance was given that work was taking place to further refine them and updated documents would be circulated outside of the meeting. It was suggested that the use of language be reviewed and that subjective comments were not required.</p> <p>The Chair referred to a HFMA questionnaire/checklist and whether a review of the judgements and estimates should have been undertaken by the Audit Committee. I Cherry confirmed that that process had been followed. K Disley advised that a note had been included in the accounts that two fundamental material issues had been articulated in the accounts. The checklist would be addressed at the next meeting.</p> <p>(c) Q2-Q4 – ICB Draft Accounts Submission – K Disley spoke to a circulated report which summarised the key headlines of the ICBs annual accounts for the nine-month period to 31 March 2023. She confirmed that the ICB had met all of its statutory duties and met the statement of compliance relating to the mental health investment standard 2022/23. K Disley was confident that the ICB would meet the submission deadline of the draft accounts and annual report to NHS England by 9am on 27 April 2023. Once submitted, both documents would be circulated to Audit Committee members for review and comment. Any amendments would be noted and confirmed as included in the final versions to the Audit Committee meeting on 21 June 2023.</p> <p>K Disley advised that the only area of difference to a usual set of accounts would be the capital allocation in-year to enable the lease for the offices at County Hall. She also commented that whilst they had encountered difficulties in-year to manage the cash position each month, she had no areas of concern.</p> <p>Consideration would need to be given to the start time of the Audit Committee meeting on 21 June 2023 when reviewing the AGS and annual report prior to Board sign-off later that morning. The Secretary would issue calendar invites with a provisional start time of 8.30am for the time being. The Chief Executive would be invited to the meeting.</p> <p>D Atkinson advised that within the Scheme of Delegation, the Audit Committee is required to review the Annual Report and Accounts for recommendation to the ICB Board for final approval. In the event of any late technical changes that may need to be made, delegation would be sought from the Board for the Audit Committee to address.</p> <p>On behalf of the Audit Committee, the Chair conveyed thanks to the staff for the work involved in producing and finalising the both the Q1 CCG and Qs2-4 Annual Reports and Accounts.</p> <p>RESOLVED: That the Quarter 1 CCG and Quarters 2–4 ICB Accounts were progressing towards completion, that all statutory duties had been met and anticipated that submission deadlines would be achieved. The ICB Annual Report was in draft format and the final version, excluding the 2022/23 accounts, would be completed by the end of May.</p> <p><i>N Greaves left the meeting.</i></p>	<p>KD</p> <p>LJT (✓)</p>
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Internal Audit - MIAA

(a) Progress Report – L Warner spoke to a circulated report which provided an update on progress with delivery of the internal audit plan together with summaries of completed audits. Since the previous meeting, audit work had been completed in the following areas:

- Assurance Framework
- Risk Management
- Governance
- Conflicts of Interest
- Key Financial Systems
- Financial Governance
- ESR Payroll
- Post Integration Information Governance and Digital review
- NICHE Urology review
- An update was also provided on legacy recommendations.

In going forward, the committee requested that highlight reports on audits be provided to members at the earlier opportunity and where limited assurance is given, full reports be provided.

The Chair referred to the internal audit review of the assurance framework commenting on the importance of developing and extending its use. L Cobain advised that an action plan was being developed and the committee would monitor progress.

It was pleasing to see that the audits relating to key financial systems and ESR HR/Payroll both received substantial assurance.

Other reports stated that controls were being effectively developed and implemented, which added considerably to the committee's level of assurance on the Board's systems, controls and governance.

L Cobain referred to the audit relating to post integration information governance and digital review advising that whilst there was a focus on core controls around digital and IT, it was quite complex. A Patel reminded members of the discussion at the previous meeting in relation to high priority controls which had resulted in the MIAA report. He advised that there was a difference between risk and control and it could be added back if required. In the absence of the full report, L Cobain would pick up how it could be framed in the summary report. A Patel confirmed that there were no outstanding issues in respect of high priority controls.

It was noted that further work was required in producing a quality governance framework. The Chair referred to the internal audit report relating to Niche urology services which concluded that the ICB quality team had processes and mechanisms in place to monitor the quality of services and to identify potential areas of concern. Substantial assurance was received and the Chair welcomed this positive outcome.

RESOLVED: That the Audit Committee note the progress report and the actions being taken forward.

(b) Draft 2022/23 Head of Internal Audit Opinion – L Cobain spoke to a circulated report which provided an overall opinion for the period the period 1 July 2022 to 31 March 2023 of:

Limited Assurance: there is a compromised system of internal control as weaknesses in the design and/or inconsistent application of controls impacts on the overall system of internal control and puts the achievement of the organisation's objectives at risk.

LC/
DA

	<p>It was noted that the opinion was not limited in scope but was provided in the context of the maturity of the organisation during the time of reporting. L Cobain commented that a lot of work had been undertaken in Q4 relating to risk management.</p> <p>L Cobain would provide a paragraph to draw out the financial assurance on the core systems in respect of payroll and would also provide more detailed and context as to why limited assurance had been given. She advised that benchmarking work had been carried out both nationally and regionally, there was no national guidance and there were complex challenges. She further commented that the North-west was very different in comparison to the rest of the country. L Cobain advised that there should be positive messages in the AGS in respect of core assurance in respect of the financial systems relating to payroll.</p> <p>I Cherry commented that it would be helpful to describe what could have taken the ICB to moderate assurance. L Cobain advised that there wasn't much difference between the two however, she would provide information around this.</p> <p>RESOLVED: That the Audit Committee note that the Head of Internal Audit Opinion was likely to be Limited Assurance and the external auditor's Value for Money risk assessment (as referenced at Item 9) would probably conclude that the ICB had significant risks around financial sustainability and governance. Whilst it was accepted that the assessments were, to an extent, inevitable due to systems and controls being developed and implemented as the period progressed, both internal and external auditors acknowledged the significant work undertaken in reaching the current position. The ICB was required to focus early attention on the identified areas of concern.</p> <p>(c) Draft 2023/24 Internal Audit Plan – L Cobain advised that the draft plan had been taken through the ICB Executive Team and would be shared with the Quality Committee once approved. She advised that some pieces of work were in place and she would work with D Atkinson to discuss the mapping assurance exercise. The Chair asked that the plan be reviewed during the year and made reference to the auditing cross-over of the ICB from the ICS, ie, vertical integration, suggesting that further discussion be held at the September meeting.</p> <p>RESOLVED: That the Audit Committee approve the 2023/24 Internal Audit Plan.</p> <p>(d) The Internal Audit Network Report – April 2023 – Noted. L Cobain would ensure attachments within the report are circulated individually.</p>	<p>LC</p> <p>LC/ DA</p>
<p>9.</p>	<p><u>External Audit – KPMG</u></p> <p>(a) Update and VFM Risk Assessment 2022/23 – D Chamberlain spoke to a circulated report which provided an update on the VFM risk assessment to date which had resulted in two significant risks being identified relating to financial sustainability and governance as well as two medium-priority recommendations being proposed to the ICB.</p> <p>The report made reference to a small number of areas in which KPMG's risk assessment was ongoing. They would provide an update on their findings in respect of those areas, in addition to their findings on the two significant risks identified, in their Auditor's Annual Report in June 2023.</p> <p>K Disley advised that whilst the ICB was a statutory body in its own right, a break-even</p>	

	<p>position had been delivered and a financial plan in place, the risks related to providers having a deficit position. A programme of work was being taken forward and regular discussions with KPMG.</p> <p>D Chamberlain referred to the audit report on financial statements and clarified that KPMG would comment on VFM and statements and would state if there were any significant weaknesses. The Auditors' Annual Report would contain the full detail.</p> <p>R Fisher commented that the report provided a fair reflection of the ICB's position at the current time recognising that there will be changes in the financial position in the future.</p> <p>Bearing in mind the feedback from KPMG, the Chair referred to the effectiveness of the committee. Whilst it was progressing well in a number of areas, it had not been as influential as the committee would have wished in assuring and alerting the Board. A Patel and D Atkinson would raise with the Executives.</p> <p>RESOLVED: That the Audit Committee receive the report and note the resolution as referenced at minute 7b.</p>	AP/ DA
10.	<p><u>Financial Management Report</u></p> <p>K Disley spoke to a circulated report which provided an update on the following corporate registers for the ICB:</p> <ul style="list-style-type: none"> (a) Losses, Write-offs and Special Payments Register – Two new entries – Noted. (b) Single Tender Waivers - One new tender waiver approved – Noted. (c) Procurement Decisions Register – Two new entries – Noted. (d) NHSE Protocol Breaches – Nil – Noted. <p>Particular reference was made to the new tender waiver regarding the direct award of the contract with the Midlands and Lancashire Commissioning Support Unit (MLSCU) for the provision of End-to-End Support Services for Lancashire and South Cumbria ICB for 3 years (with the option to extend for a further 3 years) with an annual value of £24,137,927 with effect from 1 April 2023. The committee discussed the work undertaken on the benefits to the ICB of utilising the CSU, particularly VFM, and asked that a more detailed analysis be brought to a future meeting.</p> <p>K Disley provided the committee with the background surrounding the renegotiation of the contract with effect from 1 April 2023 informing the tender waiver presented to the committee and advised that a detailed report had been submitted to the Executive Team in order that they had full oversight of the process.</p> <p>I Cherry questioned whether the single tender waiver documentation complied with legislation. K Disley confirmed, as documented in the single tender waiver, that all appropriate frameworks were reviewed by the Head of Procurement to confirm there were no suitable alternative providers offering the range of services provided by the CSU.</p> <p>It was also suggested that a piece of work be commissioned to undertake a deep dive and D Atkinson and K Disley would take the actions forward. D Atkinson posed a question as to where it sat in terms of the ICB Strategy and whilst it was commercial in confidence, suggested that further discussion be held at a Board Development Session. The Chair commented that the Audit Committee would need to discuss in more detail the purpose and scope of a deep dive should it be agreed to commission such an exercise.</p> <p>K Disley advised that it had been mandated that a number of services provided by the CSU were protected by NHSE and, therefore, could not be in scope for either in-housing</p>	DA/KD

	<p>or reprourement. This was considered necessary to ensure no destabilising the organisation through significant contract reductions. It was suggested that this be included in the documentation. K Disley further advised that within Lancashire and South Cumbria, there was no other provider CSU that could undertake the work. It was also noted that the proposed changes to the provider selection regime are not yet in place.</p> <p>S Cumiskey asked how the committee ensured it obtained value from the contract. K Disley advised that the Commissioning Resource Group (which is not a Board assurance committee) has oversight of the contract.</p> <p>RESOLVED: That the Audit Committee:</p> <ul style="list-style-type: none"> • Note the report. • Requested further information to ensure that the documentation complied with legislation. • Have full a more detailed explanation on the efforts made to approach other organisations. 	<p>KD</p> <p>KD</p>
<p>11.</p>	<p><u>Items for the Risk Register</u></p> <p>RESOLVED: That there were no items to raise.</p>	
<p>12.</p>	<p><u>Audit Committee Highlights Report to the Board</u></p> <p>(a) Sources of Assurance from ICB Committees of the Board – The committee was provided with a report that provided an overview of triple A (advise, alert, assure) highlights of all committees presented to the ICB Board to date. D Atkinson advised that a piece of work was being taken forward to review the process of reporting to the Board as part of assessing individual committee’s effectiveness. The Chair gave an overview of the information required. D Atkinson also advised that discussions would be held with each committee Chair and the Chair of the ICB Board as to how they could be best supported. She further commented that some of the committees do not fit as well as others in respect of the triple A report, eg, Public Involvement and Engagement Advisory Committee is not an assurance committee. Consideration was also being given in reviewing the format of committee cover reports and whether the triple A should be determined at the end of each item or at the end of the meeting. A toolkit proforma would be developed.</p> <p>RESOLVED: That the process of triple A reports needed to be further enhanced and that more definitive guidance be provided on the format and content. It was noted that the Audit Committee had a particular interest in the assurance section.</p> <p>At this juncture, the Chair provided a verbal summary of the items for inclusion in the committee highlights report to the Board relating to ‘Advise, Assure and Alert’.</p>	
<p>13.</p>	<p><u>Review of the Meeting</u></p> <p>The Chair reflected on the meeting:</p> <ul style="list-style-type: none"> • Recognition of the work that has been undertaken to date. • The Audit Committee’s focus was to seek assurance and challenge where required, the committee is very grateful for the work that has taken place. • Key areas of work are starting to flow through, eg, completed internal audit reports. • Significant governance and control improvements have been made in comparison to the previous six months. 	

	<ul style="list-style-type: none"> • A review of committee effectiveness will be undertaken at the next meeting. • Feedback from Board committees suggests they are fulfilling their specific remits/business. <p>RESOLVED: That the Audit Committee note the areas to be taken forward.</p>	
14.	<p><u>Any Other Business</u></p> <p>21 June 2023 Meeting - The committee Chair would liaise with the Chief Executive prior to the June meeting in order that he is aware of relevant issues that may be raised. He asked members to provide him with their thoughts/questions beforehand.</p> <p>Meeting Papers/Updates – The Audit Committee asked that the frontispiece on all reports submitted be appropriately completed stressing the importance of the Executive Summary. Also commented was that it would be useful for members to have sight of any supporting/background information to relevant reports.</p> <p>LSC Audit Chairs' Group – Notes of previous meetings would be included on the next agenda of the Audit Committee.</p>	<p>Members</p> <p>JB/ LJT</p>
15.	<p><u>Date, Time and Venue of Next Meeting</u></p> <p>Confirmed - The next meeting would be held on Wednesday, 21 June 2023 commencing at 8.30am-10.30am in the Boardroom, Chorley House, Leyland.</p>	