



**North East and
North Cumbria**

**North East and North Cumbria Integrated Care Board
Extraordinary Audit Committee**

**Minutes of the meeting held on Thursday 13 June 2024 at 09:30 a.m.
via MS Teams**

Present: David Stout, (Chair) Non-Executive Director
Jon Rush, Non-Executive Director

In Attendance: Richard Henderson, Director of Finance, Corporate (ICB)
Deborah Cornell, Director of Corporate Governance and Board Secretary
Lynda Hutchinson, Head of Corporate Governance, ICB
Carl Best, Associate Director, AuditOne
Gillian Robson, Group Audit Manager, AuditOne
Cameron Waddell, Partner, Mazars
Rebecca Herron, Corporate Committee Manager, ICB
Joanne Leadbitter, Executive Assistant, ICB (minutes)

AC/2024/27 Welcome and introductions

The Chair welcomed all those present to the meeting.

AC/2024/28 Apologies for Absence

Apologies for absence were received from Eileen Kaner, Non-Executive Director, ICB; David Chandler, Chief Finance Officer, ICB; Claire Riley, Chief Corporate Services Officer, ICB; and Martyn Tait, Counter Fraud Specialist, AuditOne.

AC/2024/29 Confirmation of Quoracy

For the meeting to be quorate, a minimum of two independent non-executive members were required, including either the Chair or Vice-Chair.

It was agreed the meeting was quorate.

AC/2024/30 Declarations of interest

There were no declarations of interest raised. The Chair confirmed that if any interests were raised during the meeting, they would be dealt with accordingly.

AC/2024/31 Minutes of the previous meeting held 22 April 2024

RESOLVED:

The Committee **AGREED** that the minutes from the meeting held on 22 April 2024 were a true and accurate record.

AC/2024/32

Minutes by exception for approval at ICB Private Board

RESOLVED:

The committee **AGREED** there were no confidential areas within the minutes of 22 April 2024, and the minutes in their entirety should be presented to the Public Board meeting.

AC/2024/33

Matters Arising from Minutes and Action Log

There were no matters arising from the minutes.

The action log was reviewed by the Committee with updates revised accordingly.

AC/2024/011 – a copy of the terms of reference for the performance oversight group had been received and were under review. The performance oversight group would report to the executive committee, and this was being sense-checked. A further update would be provided at the July meeting.

AC/2024/34

Draft Annual Report and Accounts 1 April 2023 to 31 March 2024

Annual Report

The Director of Corporate Governance and Board Secretary presented the latest draft of the Annual Report and highlighted some amendments that had been made since publication of the meeting papers.

The following changes had been made to the report since publication of the meeting papers: -

- inclusion of updated CEO summary, signed off by communications team;
- inclusion of further updated Head of Internal Audit Opinion;
- removal of the paragraph in relation to the annual audit of conflicts of interest as this was no longer required to be reported;
- inclusion of external audit report.

Work was underway to further refine the annual report with final amendments to spelling and formatting before submission to the ICB Board meeting on 25 June 2024.

The report had been reviewed by the Executive Committee and no further comments had been received. Feedback received from the Health and Well Being Boards had been incorporated into the annual report.

The Director of Corporate Governance and Board Secretary confirmed an easy read version of the annual report and accounts would be produced.

The following amendments were suggested: -

- amend the wording of the Chief Executive's annual governance statement given some of the audit ratings;
- remove the final bullet point on page 111 "North Cumbria Integrated Care Private Finance Initiative Business Case";
- add a bullet point to "Infrastructure Board Update".

ACTION:

Director of Corporate Governance and Board Secretary to amend the wording of the Chief Executive's annual governance statement; remove the final bullet point on page 111 and add a bullet point to "Infrastructure Board Update".

Members felt it was positive to see inclusion of research engagement and network development, public involvement and the overall issues prevention and population health come out strongly within the report. It was felt that the report was more rounded and contained more information than those from previous years.

It was noted that the involvement section of the report would be supplemented with the Involvement and Engagement Annual Report which would be published alongside the main report.

The committee extended thanks to the Head of Corporate Governance and Corporate Committee Manager for all their hard work in development of the annual report.

It was agreed that any material changes to the Annual Report would be raised with the audit committee chair, prior to board meeting on 25 June 2024.

RESOLVED:

The committee **RECEIVED** and **REVIEWED** the latest draft version of the ICB annual report and accounts for 2023/2024; **RECOMMENDED** that the draft ICB annual report and accounts are presented to the ICB Board on 25 June 2024 for review and approval prior to submission to NHS England by 9am on 28 June 2024 - subject to any final adjustments required following completion of all external audit work.

Accounts Briefing Note and Draft Annual Accounts

The Director of Finance (Corporate) presented the Accounts Briefing Note and Draft Annual Accounts.

Within the accounts, note 19 summarised the ICB's performance against its

financial performance targets. This demonstrated the ICB had delivered its statutory financial duties. An overall revenue surplus of £4,489k was delivered in line with previous forecasts; this was unchanged from the draft accounts.

A number of minor presentational changes had been made to the draft accounts previously approved by the audit committee following review by external audit. These were largely changes to the wording in the accounting policies note and other disclosure updates within the notes of the accounts to ensure consistency with the DHSC Group Accounting Manual (GAM).

In relation to exit packages, it was noted that there had been three individuals at risk of redundancy at the end of March 2024. However, all three individuals had since identified suitable alternative employment, and as such would be removed from the final exit packages note, totalling £94,000.

It was noted that there was a minor disclosure amendment within note 11 of the accounts unpayables. This was purely a movement between lines and did not change the figure within the note.

The accounts remained subject to completion of audit work, and any further adjustments required following the audit process would be reported back to the audit committee chair prior to final sign-off by Board on 25 June 2024.

RESOLVED:

The Committee **RECEIVED** the accounts briefing note for information and review; **RECEIVED** and **APPROVED** the final draft ICB financial statements prior to submission to NHS England on 28 June 2024.

AC/2024/35

Internal Audit Annual Report 2023-24 (including Head of Internal Audit Opinion)

The Associate Director, AuditOne, presented the Internal Audit Annual Report including the Head of Internal Audit Opinion 2023-24 and highlighted the key points from the report.

The final version of the opinion confirmed overall good assurance on the systems of internal control, governance risk management designed to meet the ICB's objectives and that controls were generally being applied consistently.

The report included information on the delivery of the programme; 17 reports had been issued with the majority at a good or substantial assurance rating, and 6 reports had been issued with a limited or reasonable assurance level.

A theme had been identified in relation to evidence of controls where there were outsourced processes within North East Commissioning Support (NECS), however it was acknowledged that this was the first time these

processes had been subject to audit and a period of bedding-in and maturing would be required.

The brought forward internal audit assurances gave a level of assurance of good. Two reports had been issued with an assurance level of reasonable and it was reported that good progress was being made in those areas and would be subject to follow up in the coming programme.

There had been a largely positive response to internal audit recommendations with approximately 70% of actions being implemented.

Members noted a concern regarding the number of audit recommendations which had been delayed by 12 months since the original target implementation dates and related to issues identified in the former CCGs. It was advised that although updates were being provided, these were not enough to provide a resolution to the outstanding recommendations. The next step in the escalation process was for a summary of the outstanding recommendations to be raised with the Chief Executive of the ICB and as part of the Executive Team meeting on 18 June 2024.

A question was asked as to whether the planned audits for 2024-25 would be achievable going forward, given the changes to staffing structures, both in the ICB and NECS, as a result of ICB 2.0 and whether the sign-off process had gone well. It was confirmed that the programme of work for 2024-25 had been approved and signed off, with work due to commence imminently.

It was noted that should there be any further changes within NECS, and areas of work being in-housed in the ICB, consideration should be given as to whether an early audit would be required to check that any new systems and process were working as effectively as they had done within NECS and whether the plan should be reviewed/amended as a result.

A mechanism was in place to ensure the programme remained risk based and relevant and a half year sense-check of the work programme would take place between colleagues from AuditOne and the ICB.

ACTION:

Director of Corporate Governance and Board Secretary to consider whether an early audit would be required to check any new systems and processes were working effectively as a result of any changes within NECS and potential in-housing of work to the ICB.

RESOLVED:

The Committee **RECEIVED** the final Head of Internal Audit Opinion (HoIAO) report for information prior to submission to NHS England on 28 June 2024.

AC/2024/36

Audit Completion Report

The Partner, Mazars presented the Audit Completion report for the year ended 31 March 2024, which summarised audit findings and conclusions.

The scope of the work, including identified significant audit risk and other key judgement areas, was outlined in the Audit Strategy Memorandum issued in March 2024.

It was reported a significant amount of audit work had been completed, with a number of areas still in progress. There were no matters which would require modification of the audit opinion, subject to a satisfactory resolution of those outstanding matters.

The report set out conclusions and significant findings from the audit including conclusions on the audit risks and areas of management judgement in the Audit Strategy Memorandum.

An unqualified opinion was anticipated, without modification, on the financial statements. Materiality had been increased to reflect the actual expenditure of the ICB following receipt of the draft accounts.

In relation to value for money, it was anticipated there would be no significant weaknesses in arrangements to report in relation to arrangements the ICB had in place to secure economy, efficiency, and effectiveness in its use of resources.

An unqualified regulatory opinion was expected to be issued, which indicated that in all material respects, the expenditure and outcome recognised in the financial statements had been applied for the purposes intended by Parliament.

Due to the size of the organisation, it was likely that the National Audit Office would select the ICB annually for additional audit procedures relating to Whole of Government Accounts (WGA), and there were no anticipated issues in relation to this.

An updated position status was provided in relation to the areas of work in progress: -

- journals testing work was complete with no issues;
- purchase of goods and services: work was ongoing and close to completing with a minor number of queries to resolve. Likely to result in an unadjusted misstatement of approximately £1-3m, which was below materiality;
- accruals: work had been completed with an improved process in place. There would be some unadjusted errors, totalling £11m, which was below the performance materiality figure. The ICB would be requested to provide representation on not amending for errors on

- grounds of materiality;
- pooled budgets: work was progressing and expected to complete this week;
- remuneration report disclosures: work was now complete with a small number of disclosure amendments made;
- Annual Report and Annual Governance Statement: to be finalised for the Board meeting, with no issues anticipated;
- audit completion and review – will take place prior to Board meeting
- final accounts and letter of representation – no issues anticipated;
- whole of Government Accounts – no issues anticipated.

It was highlighted that the accounts were of a good quality with working papers received in a timely manner. There were a number of disclosure amendments where feedback had been provided and corrections made.

Exit packages had been included this year with lower materiality applied; specific materiality at £3.3m reflected the value of exit packages in-year, with all individual exit packages above £100,000 and a sample from the remaining balance being tested.

The report included a summary of the misstatements and disclosure misstatements identified during the audit. These areas would be updated in advance of the Board meeting.

In relation to value for money, the Auditor's Annual Report was being drafted and it was anticipated there would be no matters of significant weakness to report.

There were no significant issues to highlight on the management representation letter. It was highlighted that this year, for the first time, the letter included references to the annual governance statement and a reference to value for money.

A question was asked in relation to misstatements and whether were any lessons to be learned. It was advised that the two areas that would have an impact on expenditure would be prescribing and pharmacy, the data would not be 100% accurate due to reporting timescales and forecasting difficulties. The Director of Finance (Corporate) was comfortable that the differences were not significant in the overall context of prescribing spend.

It was felt that although the accruals process was much improved this year, refinement of the process would continue during the coming year.

RESOLVED:

The Committee **NOTED** the status of the audit and **CONSIDERED** the findings within the report.

AC/2024/37 Data Security and Protection Toolkit

The Director of Corporate Governance and Board Secretary presented the Data Security and Protection Toolkit (DSPT) Report which provided assurance that the DSPT was on track for submission on 30 June 2024.

It was highlighted there were now 35 remaining assertions in progress to be finalised, with no expected problems or issues anticipated.

The internal audit final inspection had been delayed and the completed report was expected, however the inspection team had not highlighted any areas of concern or incomplete assertions.

RESOLVED:

The Committee **RECEIVED** the update for assurance; **NOTED** the timeline; **NOTED** the progress towards the final submission was expected to complete with no foreseeable issues.

AC/2024/38 Assurance Over Outsourced Services

The Director of Finance (Corporate) presented the Assurance Over Outsourced Services Report which summarised the assurances received by the ICB in respect of outsourced services and systems for 2023/24.

The ICB had a number of outsourced services and systems managed by external providers where assurance was needed to be obtained over the effectiveness of controls operating over those outsourced functions as part of the ICBs overall assessment of the internal control framework within the annual governance statement. The services were listed in the report which all remained the same as last year apart from the addition of dental payments process which had been included from April 2023.

Assurance had been received on these services for 2023/24 via the work of independent auditors with no significant issues identified. A small number of control exceptions had been highlighted but were not considered to have any material impact on the ICB, and a number of other mitigating controls were in place.

One service auditor report remained outstanding which related to the GP extraction and processing of GP data services operated by NHS England. This report was being chased up with NHS England and a verbal update would be provided at the committee meeting in July 2024.

ACTION:

Director of Finance (Corporate) to provide an update on the GP extraction and processing of GP data services, following receipt of service auditor report, at the July 2024 meeting, for assurance purposes.

RESOLVED:

The Committee **RECEIVED** the report and **CONSIDERED** the findings from the relevant service auditor reports; were **ASSURED** that no significant issues had been identified in the effectiveness of controls during 2023/24.

AC/2024/39

To Recommend and Provide Assurance to the Submission of Annual Accounts to the ICB Board

The Chair of the committee asked members if they were willing to recommend the ICB's annual report and accounts for assurance and submission to Board on 25 June 2024 for approval.

The Audit Committee members had an opportunity to consider the annual report and accounts and had received assurances around the ICB's systems and internal controls in the form of the head of internal audit opinion and the management assurances set out in the letter of representations.

The Committee also heard from external audit who had given their unqualified opinion and confirmed that there were no significant matters to raise in relation to the ICB's value for money position.

The accounts remained subject to completion of final audit work and any further proposed changes will be reported back to the audit committee chair prior to final sign-off by Board on 25 June 2024.

RESOLVED:

The Committee **AGREED** to provide assurance and **RECOMMENDED** approval to the Board of the annual report and accounts, with authority to be delegated to the Chief Executive of the ICB to sign the necessary statements.

AC/2024/40

Any Other Business

There were no items of any other business.

AC/2024/41

Review of the Meeting

The chair requested feedback with any learning points following the meeting.

The chair took the opportunity to thank everyone for the work undertaken and the high quality of the reports presented.

The Associate Director AuditOne commented that the meeting had gone well and was happy at how internal audit's contribution had been received.

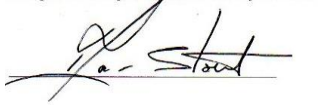
It was highlighted that this was the final meeting for the Group Audit Manager, AuditOne due to moving to another role within the organisation. The Committee thanked her, and her team, for all of their work and wished her well for the future.

AC/2024/42 Date and Time of Next Meeting

The next meeting of the audit committee was scheduled to take place on Thursday 23 July 2024, 14:00 to 16:00 p.m., Joseph Swan Room, Pemberton House.

Meeting Closed: 10:40 a.m.

Signed:

A handwritten signature in black ink, appearing to read 'J. A. Stout', written over a horizontal line.

Position: Audit Committee Chair
Date: 23/07/2024