

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

**Minutes of the meeting held on Thursday 9 January 2025 at 10:00 a.m.
via MS Teams**

- Present:** David Stout, (Chair), Non-Executive Director, ICB
Jon Rush, Non-Executive Director, ICB
Eileen Kaner, Non-Executive Director, ICB (until 11:30 a.m.)
- In Attendance:** David Chandler, Chief Finance Officer, ICB
Deborah Cornell, Director of Corporate Governance & Board Secretary, ICB
Sharon Fatkin, Senior Internal Audit Manager, AuditOne
April Coulson, Associate Director of Internal Audit, AuditOne
Marty Tait, Counter Fraud Specialist, AuditOne
Richard Henderson, Director of Finance (Corporate), ICB
Mark Kirkham, Partner, Forvis Mazars
Diane Harold, Senior Manager, Forvis Mazars
Tom Kennedy, Clinical Fellow, ICB (observer)
Joanne Leadbitter, Executive Assistant, ICB (minutes)

AC/2024-25/88 Welcome and introductions

The Chair welcomed all those present to the meeting.

A warm welcome was given to Tom Kennedy, Clinical Fellow, ICB, who was in attendance as an observer.

AC/2024-25/89 Apologies for Absence

Apologies for absence were received from Lynda Hutchinson, Head of Corporate Governance, ICB.

AC/2024-25/90 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/2024-25/91 Declarations of Interest

External and Internal Audit colleagues had a conflict of interest in relation to item 16.1, Review of Internal Audit (Annual Review of Effectiveness). It was

agreed that the Chair would ask the relevant colleagues to leave the meeting at the appropriate point.

The Chair confirmed that if any interests were raised during the meeting, they would be acted on accordingly.

AC/2024-25/92 Minutes of the previous meeting held 10 October 2024

RESOLVED:

The Committee **AGREED** that the minutes from the meeting held on 10 October 2024 were a true and accurate record.

AC/2024-25/93 Minutes by exception for approval at ICB Private Board

RESOLVED:

The Committee **AGREED** there were no confidential areas within the minutes of 10 October 2024, and the minutes in their entirety should be presented to the Public Board meeting.

AC/2024-25/94 Matters Arising from Minutes

There were no matters arising from the minutes.

AC/2024-25/95 Action Log Updates

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

AC/2024-25/96 Comments in relation to risk from committee chairs

The Chair invited the members to raise any comments, by exception, in relation to risk management from the individual committees that may be relevant to the Audit Committee.

A number of concerns were raised including:

- The financial position of the ICS including the potential of one trust having to implement the overspend protocol.
- The grip and control work recently undertaken.
- The potential costs and prescribing of diabetes devices.
- Access to mental health and learning disability treatment, particularly for young people.
- An update to the lack of progress and limited activity in relation to workforce efficiency savings.
- Clear movement was noticeable from the old CCG legacy; however issues do arise on occasion where a review of historical decisions require re-examination.

- Would have hoped the ICB would have a period of stability following ICB 2.0, leadership turnover was becoming clearer in relation to the two Executive Director roles that had interim arrangements in place.
- Clear steps in place for consideration of succession planning.
- Allocation of redundancy payments to chairs of old CCG structures due to contestations. A number have been escalated to employment tribunals with a number referred to the ICB for consideration of settlement.
- The authority of the ICB around losses and compensations.

The Chief Finance Officer informed the committee that the delivery of the financial plan for 2025-26 was a significant risk and a review of the risk register was underway to ensure the information on the risk along with detailed mitigations were captured accurately.

AC/2024-25/97 ICB Board Assurance Framework and Risk Management Report

The Director of Corporate Governance and Board Secretary presented the Board Assurance Framework (BAF) and Risk Management report which provided a refreshed Board Assurance Framework for quarter 3 2024-25 and an updated corporate risk register for review and consideration.

The report included information on the BAF, corporate risk register, and place risks with a residual risk score of 12 and above. It was highlighted that the BAF was reviewed by the Executive Committee, Quality and Safety Committee and Finance, Performance and Investment Committee for additional assurance prior to submission to the ICB Board.

Committee members were advised that section 3 of the report highlighted the movement in relation to risks, with the inclusion of the new identified and closed risks.

The Director of Corporate Governance and Board Secretary advised that risk management was under continuous improvement, due to the nature of the work. There was a sense that the ICB was in a good position in terms of understanding the risks, with processes in place to manage risks accordingly.

The next challenge would be around system risk and how that would be managed, with very different processes in place across partner organisations. Work was progressing with the System Leadership Group, as the vehicle for managing system risks, with the aim to establish a process for system risks within the next six months.

There would be a requirement for a system Board Assurance Framework (BAF) to monitor key priorities and risks, with an incremental approach due to the significant challenges of managing risks as a system.

A question was raised in relation to weight loss injection drugs and the right to choose, and whether the protocol that had been developed and shared with GPs. The Chief Finance Officer advised that the protocol had been circulated with advice provided to GPs, and the ICB's Clinical Director had submitted a proposal for an NHS service for funding weight management drugs with defined conditions.

A further question was posed around the risks related to Section 75 agreements with Local Authorities and whether this remained an ongoing issue. The Chief Finance Officer confirmed that those risks still existed and were being managed individually on a case-by-case basis.

Discussions around potential IFR submissions for weight management drugs and concerns were expressed in relation to financial implications and the ability to manage prescriptions.

It was agreed that an update should be provided to the next Finance Performance and Investment committee on the risks and mitigations of weight loss drugs.

ACTION: Chief Finance Officer and Chair of Finance Performance and Investment Committee to include the risks and mitigations of weight loss drugs to the agenda for next Finance Performance and Investment Committee.

RESOLVED:

The Committee was **SATISFIED** that the BAF accurately reflected the principal risks to achieving our objectives as well as their current mitigations; **RECOMMENDED** the approval of the BAF for quarter 3 2024/25 by the Board; **RECEIVED** and **REVIEWED** the corporate risk register for assurance; **NOTED** the place risks with a residual rating of 12 and above.

AC/2024-25/98 Interim Baseline Submission Cyber Assurance Framework (CAF) – Aligned Data Protection Toolkit 2025-26 Report

The Director of Corporate Governance and Board Secretary introduced the Interim Baseline Submission Cyber Assurance Framework (CAF) – Aligned DSP Toolkit 2025-26 report.

It was advised that the Data Security and Protection Toolkit (DSPT) had changed to Cyber Assurance Framework (CAF) from October 2024 for the 2025-26 assessment. The framework had a greater focus on technical security, cyber security and data protection tools; however, the overall principles and evidence required to submit the assessment remained similar to previous DSPT submissions.

The publication of baseline CAF assessment and baseline audit report for 2024-25 had not been achievable due to the baseline submission date being brought forward and the late publication of the audit guidance.

To ensure the ICB successfully followed the new guidance of the CAF, a deep dive on the framework had been agreed with AuditOne. It was acknowledged this was not in line with the interim audit assessment but would allow the ICB to rectify any identified gaps or make required improvements prior to the final toolkit submission in June 2025.

Given the previous submission for the toolkit was six months ago, a significant amount of the information and evidence remained relevant and in date with only slight amendments required.

RESOLVED:

The Committee **RECEIVED** the update for assurance; **NOTED** the key dates for expected assurance/feedback; **NOTED** progress towards the final submission, expected to be completed with no foreseeable issues.

AC/2024-25/99 ICB Finance Update Report

The Chief Finance Officer presented the finance report and highlighted the key points.

It was reported that the Month 7 report indicated a slight off-plan status, however forecasts were on track for delivery. Month 8 showed a slight improvement on year to date; with Month 9 expected to be on track.

Some risks were being managed by provider organisations and were being monitored to ensure delivery of year-end positions. The main area of risk was in relation to a larger acute foundation trust, who had flagged significant concerns about a material level of risk and variance to their financial plan of approximately £10m to £15m.

The Chief Finance Officer was working with the foundation trust to address financial concerns with a developed plan and required actions to alleviate some of the pressure. The Audit Committee Chair and Finance Performance and Investment Committee Chair had been made aware of the position and would be kept informed of progress.

Following a review of aged debtors, a small number of significant aged debt had been identified for write-off, where the supplier had either been dissolved or in liquidation with no chance of recovery, or all avenues for recovery had been exhausted. The total value of this debt was £31,860.

The report included information on three tender waivers that had been agreed since the last report to the committee in October 2024.

It was anticipated there would be no additional funding to support the system which would have an impact on a number of organisations with deficit plans. A proposal was being developed around a reduction of the ICB surplus to

allow deficits to be reduced in other organisations, which would enable funds to be reallocated in the system; an agreement of this proposal would be sought at the ICB Board meeting on 28 January 2025.

A comment was raised around the activity and political nature of dental funding and to ascertain whether discussions had taken place around the current issues. The Chief Finance Officer advised that dental resources could only be applied to dental services and a plan was being implemented around the utilisation of dental resources in the medium term, in addition to the establishment of emergency centres in every locality.

A concern was raised in relation to waste management with 22 of the 42 ICSs involved in a legal process regarding primary care clinical waste management and whether NENC ICB was part of this group. The Chief Finance Officer confirmed that the ICB was part of the group. It was advised that the process for legal risk management would be overseen by the Executive Committee in the first instance, however the legal process was in its early stages and details were limited at this stage.

RESOLVED:

The Committee **RECEIVED** the report for information and were **ASSURED** around the content; **NOTED** the aged debt write-offs which had been approved in line with ICB Financial Delegations; **NOTED** the tender and quotation waivers that had been approved in line with ICB Financial Delegations.

AC/2024-25/100 ICS Financial Grip and Control Review Report

The Chief Finance Officer presented the ICS financial grip and control review report which provided an update on the work commissioned across the ICS and presented the full consolidated system report for review and assurance.

NHSE had mandated a review by a number of systems deemed to be at high risk of overspend, with a focus on actions that could be taken to reduce the rate of expenditure and support delivery of the financial plan.

An independent review of financial grip and control measures had been commissioned across all ICS organisations, supported by AuditOne and Price Waterhouse Coopers (PwC). The review provided details on the controls over workforce and non-pay spend, including efficiency plans across the system to ensure the plans were in place for delivery with clear actions.

Internal audit conducted a review of grip and control measures, including an assessment of the effectiveness of controls and sharing of best practice. This work was undertaken across all organisations within the ICS.

PwC had been appointed to support the review around cost improvement programmes, including related programme management arrangements, in identifying any gaps in 2024/25 financial plans with a review of governance around delivery of financial plans. This work focused on eight provider trusts within the ICS, with other organisations deemed to be of lower risk to delivery of the overall ICS financial plan.

The outcome included a full consolidated system report as well as a summary of the findings from AuditOne. The reports were being reviewed across the system to agree relevant actions and to take forward potential opportunities. Action plans would be requested from each organisation to be presented to a future Audit Committee meeting for assurance.

In addition, action plans for both the ICB and the wider ICS were being developed and would be shared with the Audit Committee and Finance Performance and Investment Committee in due course.

A comment was raised around whether investment in project management would be required across the system, and whether there was capacity and capability to undertake programme/project management within trusts. The Committee acknowledged the importance of a functional PMO and recognised there was variability in PMO structures across organisations.

RESOLVED:

The Committee **NOTED** the update on the financial grip and control review work and the report attached; **NOTED** that action plans were currently being developed and would be reported back to committee.

AC/2024-25/101 Annual Report and Accounts 2024-25: Provisional Timetable

The Director of Corporate Governance and Board Secretary presented the Annual Report and Accounts 2024-25: Provisional Timetable report which provided information on the key submission dates for 2025.

It was reported that the final deadline for the audit of accounts had moved forward by one week, to 23 June 2025, and assurance was noted that the necessary information would be submitted accordingly.

A comment was made in relation to ensuring the Audit Committee meeting dates aligned with the annual report and accounts 2024-25 provisional timetable and it was agreed that this would be reviewed to ensure alignment.

ACTION: Head of Corporate Governance and Committee Secretariat to review the annual report and accounts 2024-25 provisional timetable against the dates for the Audit Committee to ensure alignment.

RESOLVED:

The Committee **NOTED** the provisional annual report key dates timeline for 2025.

AC/2024-25/102 Internal Audit Progress Report

The Senior Internal Audit Manager, AuditOne presented the Internal Audit Progress Report and highlighted the key points.

The report provided an update on progress against the plan since October 2024. Four final reports had been issued since the last meeting, three of which received good assurance; one did not have an assurance level assigned, this related to the ICB's financial controls review.

The Committee was informed that a further two draft reports had been issued, one of which had been finalised, and a further four audits had been completed and under review.

In relation to delivery of the plan, it was reported that four audits were behind schedule, partly due to two members of the team being deployed to work on trust ICS financial controls audits.

There had been a decrease in the number of high and medium graded overdue recommendations since the last meeting and there were no overdue recommendations that required an update. There were three recommendations where the agreed target dates had been exceeded by more than one year, two of which related to the former Clinical Commissioning Groups around CHC.

The report included information on the benchmarking exercise that had been carried out by AuditOne, comparing the Head of Internal Audit Opinions given by AuditOne to its eleven member clients.

The committee was requested to support the updated scope of the DSPT interim review and the Primary Care complaints audits.

The Chair raised comment to the noted benchmarking data detailing three organisations at reasonable assurance level. Discussions took place to ascertain the consistency of the rating level in line with the other organisations and the importance of understanding any implications to the ICB to the levels of assurance.

Consideration to be given on whether a conversation should take place between the Chief Executive of the ICB and the Chief Executives of the organisations at reasonable assurance level around their intention to achieve a good level of assurance.

RESOLVED:

The Committee **RECEIVED** the progress report as a form of assurance; **NOTED** the updated scope for two audits in the plan.

AC/2024-25/103 External Audit Progress Report

The Senior Manager, Forvis Mazars, presented the External Audit Progress Report which provided a progress update on the 2024-25 external audit, initial planning assessment of significant risks and national publications for information.

It was reported that the significant risks, at this stage, included management override of controls, the risk of fraud in expenditure recognition and the prescribing estimate.

A highlight was noted to the national publication of the entire Government Accounts 2022/23 where the Comptroller and Auditor General issued a disclaimed opinion on the entirety of Government Accounts for the first time.

It was reported that in the coming months a number of Local Government colleagues would have disclaimed opinions under the backstop arrangements. Whilst not directly relevant to the ICB, it was deemed to be important to the wider capacity of the audit market and therefore flagged for awareness purposes.

The Chair commented that the national publications section of the report was helpful in providing a wider perspective of what was happening outside of the ICB.

RESOLVED:

The Committee **NOTED** the external audit report.

AC/2024-25/104 Counter Fraud Progress Report

The Counter Fraud Specialist, AuditOne presented the Counter Fraud Progress Report which provided an update on progress of counter fraud work undertaken between 20 September 2024 and 03 December 2024.

The counter fraud work plan was on track for delivery by 31 March 2025, with year-end tasks due to be commenced imminently. It was highlighted that one late had been reported in connection with the absence management local proactive exercise (LPE), and this area would be covered in more detail later in the report.

The national proactive procurement exercise work had been finalised, which reviewed the due diligence in contract management, with desk top based exercise around producing evidence for the Counter Fraud Authority.

The absence management work had been completed with the report circulated to the process followed in relation to receiving recommendations. Some challenges were encountered with key staff in that area of work with contact made with the Interim Chief People Officer to reach a solution.

In addition, there were some implementations from pre-employment checks undertaken in the last financial year, which had similar challenges in receipt of recommendations. A similar process was being followed with the Interim Chief People Officer for a resolution to this issue.

The LPE on conflict of interest had commenced and the governance team had provided the information required in accordance to the timeframes.

Work to commence on NFI matches related to trade creditors, which may lead to some conflict-of-interest work. Payroll matches had been received, with minimal issues expected.

It was reported that the recommendation tracker was in progress and the fourth and final LPE on personal health budgets was being developed. Scoping work had been undertaken, however there had been a slight delay which was being addressed with support from internal audit colleagues.

The Committee was informed there had been five new referrals in the reporting period; four cases had been closed and one remained open which would likely be a management concern rather than a fraud or disciplinary matter.

A1CF/23/0240 ongoing case had been discussed with committee members during the pre-meet. The allegation was being investigated by the NHS Counter Fraud Authority and the criminal investigation was ongoing. An interview under caution had been conducted with the National Investigation Service at the Counter Fraud Authority and the file sent to the Crown Prosecution Service for potential prosecution and financial recovery.

The Committee expressed concern around the delays in management responses in relation to a significant number of HR reports with multiple requests for information being requested with no response to. The Committee discussed a suggested escalation process for the unresolved issues and the Director of Corporate Governance and Board Secretary agreed to raise with the Interim Chief People Officer at their upcoming meeting.

ACTION:

The Director of Corporate Governance and Board Secretary to discuss response delays to requests for management responses in relation to the HR reports with the Interim Chief People Officer.

RESOLVED:

The Committee **RECEIVED** the Counter Fraud Progress report for information.

AC/2024-25/105 ICB Freedom to Speak Up Policy

The Chair advised the Committee that a written update on Freedom to Speak Up (FTSU) had been agreed due to the part-time status of Freedom to Speak Up Guardian.

The Chair highlighted the key points in relation to the FTSU programme of work as follows:-

- FTSU Guardian will retire at the end of March 2025 and work was underway to consider how to progress the future of the role.
- There had been an increase in cases, with five raised with the guardian since August 2024. One case was in relation to potential conflict of interest and all other cases raised were in relation to inappropriate leadership attitudes and behaviours towards staff.
- The conflict of interest case had been referred to the Audit Committee Chairman as Non-Executive for Conflict of Interest Guardian. The interim report indicated the need for further investigation, potentially leading to an internal audit review.
- FTSU Guardian was in the process of completing the FTSU NHSE Self Reflection Improvement tool with support from the Governance Team.
- A Champion Agreement had been completed, with FTSU Champions to be appointed. The Chair reiterated the importance of having FTSU Champions within the organisation in addition to the part-time role of the guardian.
- FTSU Guardian had conducted educational visits to raise staff awareness.
- The importance of maintaining progress during times of change was emphasised.
- The Guardian was the endpoint when issues were raised, but it was highlighted that prevention was key.
- Consideration to be given to where FTSU should sit within Executive Directors portfolios and the importance of having an Executive Director able to provide sufficient support.

A comment was made about collating and analysing leadership-related interventions with the requirement to identify patterns and grievances for audit purposes.

RESOLVED:

The Committee **RECEIVED** the Freedom to Speak Up written update.

AC/2024-25/106 Review of Audit Committee Terms of Reference

The Director of Corporate Governance and Board Secretary presented the updated Audit Committee Terms of Reference for consideration and review.

It was reported an annual update and review of the Audit Committee terms of reference had been undertaken, with some minor changes proposed, to ensure consistency in line with the HFMA NHS Audit Committee Handbook.

One minor amendment was highlighted in relation to the proposed inclusion of the following sentence "create task and finish groups to take forward specific programmes of work as considered necessary by the Committee's members".

There were no further amendments suggested to the annual review of the Audit Committee Terms of Reference.

RESOLVED:

The Committee **REVIEWED** and **APPROVED** the proposed amendment to the Audit Committee Terms of Reference; **RECOMMENDED** submission of the terms of reference to the Board for formal ratification.

AC/2024-25/107 Audit Committee Cycle of Business Work Plan 2024-2026

The annual cycle of business work plan for 2024-2026 was presented for information and comment.

RESOLVED:

The Committee **RECEIVED** the Audit Committee Cycle of Business Work Plan 2024-2026.

AC/2024-25/108 Any Other Business

There were two items of any other business for discussion; All Age Continuing Care (AACC) – Standing Financial Instructions (Scheme of Delegation) report and the Review of Internal Audit (Annual Review of Effectiveness).

AC/2024-25/109 All Age Continuing Care (AACC) – Standing Financial Instructions (Scheme of Delegation) Report

The Director of Finance, (Corporate) presented the All Age Continuing Care (AACC) – Standing Financial Instructions (Scheme of Delegation) report which required revisions to the ICB Delegated Financial Limits, to support effective delivery of the ICBs AACC statutory function.

The report set out a number of proposed amendments to the Scheme of Delegation which will address the practical issues in improving all-age continuing care packages.

It was highlighted that the report had been considered and supported at the Executive Team meeting on 17 December 2024.

The Chief Finance Officer and Director of Finance, Corporate were both supportive of the proposal with two caveats to be followed up:

1. A discussion should be undertaken with the Interim Chief Nurse regarding alternative solutions, and to explore ways to avoid changes to financial limits.
2. A proposal subject to review for six months if approved, with monitoring for any unintended consequences to take place.

RESOLVED:

The Committee **CONSIDERED** and **RECOMMENDED** to Board the approval of the amendments to the Standing Financial Instructions as set out in the report, subject to the two caveats highlighted.

AC/2024-25/110 Review of Internal Audit (Annual Review of Effectiveness)

11:53 a.m. April Coulson, Associate Director of Internal Audit, AuditOne, Sharon Fatkin, Senior Internal Audit Manager, AuditOne, Martyn Tait Counter Fraud Specialist, AuditOne, Mark Kirkham, Partner, Forvis Mazars and Diane Harold, Senior Manager, Forvis Mazars left the meeting at this point.

Members of the committee reviewed the effectiveness of internal audit, with discussion and feedback from colleagues as appropriate. The following points were noted:

- Mainly positive experiences with some areas for improvement noted.
- Main area for improvement identified as communication; mixed messages noted, but generally positive feedback received.
- Importance of setting expectations for the new internal audit team for the coming year with the aim of clarifying appreciated aspects of service for future improvement.
- Desire for internal audit to add value rather than just meet minimum requirements.
- A proposal to the plans from AuditOne to address the current backlog of work
- Emphasis to the requirement for even distribution of work throughout the year, to avoid a backlog of work in the last quarter of the year.

ACTION:

Head of Corporate Governance to draft formal correspondence to AuditOne to provide feedback on the review of internal audit effectiveness.

RESOLVED:

The Committee **REVIEWED** and **APPROVED** the annual Internal Audit Effectiveness Survey results for AuditOne; **RECOMMENDED** the feedback and outcome of the survey data to be relayed to Internal Audit to support future improvements and ways of working.

AC/2024-25/111 Review of the Meeting

Discussion on the review process and assurance from the reports on the agenda.

The Chair and Non-Executive Director were keen to hear the reflections of the Clinical Fellow who had observed the meeting, and it was agreed that those colleagues would hold a private debrief immediately after the meeting.

AC/2024-25/112 Date and Time of Next Meeting

The next meeting of the Audit Committee was scheduled to take place on Thursday 10 April 2025, 10:00 a.m. to 12:00 noon, Joseph Swan meeting room, Pemberton House.

Meeting Closed: 12:05 p.m.



Signed:
Position:
Date:

Audit Committee Chair
10 April 2025