

Governance and Audit Committee Meeting

Wednesday 6 June 2018 at 10.00am

Fifth Floor Meeting Room, 12-22 Linenhall Street, Belfast

Present

Mr Leslie Drew	- Chair
Mr John Patrick Clayton	- Non-Executive Director
Ms Deepa Mann-Kler	- Non-Executive Director
Mr Joseph Stewart	- Non-Executive Director

In Attendance

Mr Ed McClean	- Interim Deputy Chief Executive / Director of Operations
Miss Rosemary Taylor	- Assistant Director, Planning and Operational Services
Mr Simon Christie	- Assistant Director of Finance, HSCB
Ms Jane Davidson	- Head Accountant, HSCB
Mr David Charles	- Internal Audit, BSO
Mr Brian Clerkin	- ASM
Ms Anu Kane	- Northern Ireland Audit Office
Mr Robert Graham	- Secretariat

Apologies

Ms Una Turbitt	- Assistant Director, Public Health Nursing
Mr Paul Cummings	- Director of Finance, HSCB
Mrs Catherine McKeown	- Internal Audit, BSO

		Action
28/18	Item 1 – Welcome and Apologies	
28/18.1	Mr Drew welcomed everyone to the meeting. He especially welcomed Mr John Patrick Clayton and Mr Joseph Stewart who were attending their first Governance and Audit Committee meeting.	
28/18.2	Apologies were noted from Ms Una Turbitt, Mr Paul Cummings and Mrs Catherine McKeown.	
29/18	Item 2 - Declaration of Interests	
29/18.1	Mr Drew asked if anyone had interests to declare relevant to any items on the agenda. No interests were declared.	

- 30/18** | **Item 3 – Minutes of previous meeting held on 9 April 2018**
- 30/18.1 | The minutes of the previous meeting, held on 9 April 2018 were **approved** as an accurate record of that meeting.
- 31/18** | **Item 4 – Matters Arising**
- 25/18.2 | Emergency Planning
- 31/18.1 | Miss Taylor advised that the 2017/18 Report on Emergency Preparedness would be brought to the next meeting of the Committee.
- 32/18** | **Item 5 – Chair’s Business**
- 32/18.1 | The Chair advised that the two items listed under Chair’s business would be picked up under other agenda items in today’s meeting.
- 33/18** | **Item 6 – Internal Audit**
- Shared Services Update [GAC/23/06/18]*
- 33/18.1 | Mr Charles explained that although Shared Services functions are provided by BSO, PHA is reliant on these functions and therefore receives a summary report of relevant internal audits. BSO is responsible for implementation of the recommendations. He advised that four reports had been completed and that one of these, relating to Payroll, had provided an unacceptable level of assurance. He said that one of the issues which led to this finding related to structures, staffing and resourcing. However, he advised that there is a Payroll Improvement Project under way. He advised that the second main issue related to the underpayment of superannuation, but that this did not have implications for PHA. He added that BSO had been levied with a fine due to delays in implementing the national living wage.
- 33/18.2 | Mr Stewart asked if any underpayments in superannuation would be reflected in the accounts. Mr Christie confirmed that this would be the case.
- 33/18.3 | Mr Clayton noted that there are a number of issues for BSO to take forward. Mr Charles acknowledged that a significant number of recommendations had been made, but that a number of implementation working groups have been established. He said that Internal Audit would be undertaking a follow up audit in September.
- 33/18.4 | Mr Clayton asked what the main barriers would be to progress.

Mr Charles advised that historically there have been staffing issues, but that these are slowly being resolved. He added that staff using the system need to have a certain level of competence. He added that staff are being recruited and that the follow up audit will determine what progress has been made. Mr Drew advised the new members of the Committee that the Governance and Audit Committee has been discussing this issue over a long period of time and had previously written to the BSO expressing its concerns.

33/18.5 Ms Mann-Kler said it was positive that 89% of previous recommendations across all audits have been fully implemented; however 65% of the recommendations within the Payroll audit have not been fully implemented. She asked whether the targets for implementation were too ambitious, and if improvements were anticipated for the next audit. Mr Charles said that he had no doubt that BSO was taking these audits seriously, and that there is a lot of work to be done, but that some of the recommendations will take time. Ms Mann-Kler asked if there are adequate resources. Mr Charles advised that one of the workstreams is about resources, but he added that BSO is receiving assistance from HSC Trusts.

33/18.6 Mr McClean asked whether the recommendations that have been implemented have had the desired effect. Mr Charles advised that sufficient action has been taken which has led to the overall level of assurance moving from unacceptable to limited.

33/18.7 Mr Christie said that, from a finance point of view, he was satisfied that BSO is giving this work sufficient priority. He added that while some of the issues are not as material for PHA as for other organisations, there have been some difficulties.

33/18.8 Mr Clayton asked about another pay award having to be implemented. Mr Drew said that if the previous 1% award had now been implemented he hoped that the system would be able to cope with another pay award. He added that although there are plans in place, the Committee would continue to monitor this closely.

33/18.9 Mr Charles advised that the audit of Accounts Payable had provided a satisfactory level of assurance, as had the audit on Shared Services Governance.

HIA Annual Report [GAC/24/06/18]

33/18.10 Mr Charles moved onto the Head of Internal Audit Annual Report. He gave an overview of the KPIs, and advised

	members that during 2017/18, a total of five audits had been carried out. He went through each of the audits and the levels of assurance provided and highlighted the significant findings which had resulted in the limited assurances being provided within three of the audits.	
33/18.11	Mr Charles advised that the Department of Health requires Internal Audit to verify four of the Controls Assurance Standards, and that following verifications, Internal Audit endorsed PHA's self-assessment of substantive compliance against each of the four.	
33/18.12	Mr Charles advised that at the year end, PHA had fully implemented 73% of outstanding recommendations, with the remaining 27% partially implemented.	
33/18.13	Mr Charles informed the Committee that overall the Head of Internal Audit is providing a satisfactory assurance on the adequacy and effectiveness of the organisation's framework of governance, risk management and control.	
33/18.14	Mr Drew asked what was going to replace Controls Assurance Standards. Miss Taylor said that she would bring a paper to the next meeting regarding this as there is a suite of different arrangements coming from different policy leads within the Department and that this is still being worked through. Mr Drew expressed concern that there will not be a consistent approach.	Miss Taylor
33/18.15	Mr Clayton asked about the issues pertaining to procurement of contracts within the community and voluntary sector. Mr Charles explained that PHA has a large number of contracts with a range of providers and although there is a procurement plan in place, there has been slippage against this plan and that there are issues around value for money and testing the market. Mr McClean advised that many of the contracts are long standing contracts, some of which will be ending in the next 12/24 months. He said that the EU procurement regulations demand that PHA produces a specification, undertakes market testing, awareness sessions and engagement with service users, and that the capacity is not there for this volume of work. He added that PHA needs to consider if it is undertaking this work in the most appropriate way.	
33/18.16	Mr Stewart said that, from a Board perspective, there is a risk of embarrassment, and that when deadlines slip it is more likely that mistakes will be made. He noted that only 6 procurement exercises have been completed in the last year, and that there are 170 outstanding. Mr McClean explained that	

while the procurements range in size, the PHA would ensure that no shortcuts are taken.

33/18.17 Mr Drew advised that he has met with Mr McClean and appreciates that the issues mainly relate to capacity and skill set and that it would be useful to see a proposal on a way forward. He cited the example of the Lifeline contract and how well it was done. Mr McClean said that this particular procurement had taken required significant time and resources to complete.

33/18.18 Mr Clayton asked about the access to the information on the Child Health System. Mr McClean said that it is not a constraint on the PHA not having the access to the information from the other Trusts.

33/18.19 Mr Charles presented the update on the Internal Audit work plan for 2018/19 and said that following correspondence from the Permanent Secretary, Internal Audit was carrying out an audit of travel in all HSC organisations. He said that this audit should not have as much of an impact on PHA compared to other organisations. He noted that as a result of this additional audit the number of days for the financial audit would have to be reduced.

33/18.20 Members acknowledged the importance of the audit of travel given recent issues, but did not wish to see the number of days for the financial review greatly reduced.

34/18 Item 7 – Finance

Annual Report and Accounts incorporating Governance Statement and Letter of Representation

34/18.1 Mr Christie presented the PHA Annual Report and Accounts for 2017/18 which he said were being recommended for approval by the Committee to go to the PHA Board. He advised that the accounts had been presented in draft form in May prior to the auditors undertaking their work, and that following the audit there are no changes to be made to the accounts.

34/18.2 Mr Christie took members through the Annual Report which he said was largely unchanged, but he advised that there had been some amendments made to the Governance Statement where a section on fraud has been included. He said that under the internal control divergences the section on Recruitment and Selection Shared Services has been moved to be a control issue which is no longer an issue. Mr Christie advised that a section on neurology will also be included, but that the wording for this has not yet been finalised.

- 34/18.3 Mr Christie gave an overview of the remuneration report saying that in the main PHA staff numbers had remained consistent. Moving onto the financial statements, he said that PHA had achieved a year-end break even position as the surplus of £140k was within the $\pm 0.25\%$ tolerance level.
- 34/18.4 Mr Christie finished by saying that subject to receipt of the auditors certificate, this report is ready for recommendation by the Committee to the Board.
- 34/18.5 Ms Mann-Kler said that the range of work undertaken by PHA, as outlined in the Report, is impressive. However, she noted that some areas of work could be emphasised in the next report.
- 34/18.6 Mr Clayton commended the work in respect of the financial outturn. With respect to the narrative, he asked when this had been submitted to the Department of Health. Miss Taylor explained that the draft Governance Statement had been submitted to the Department, and their comments have been incorporated. Mr Clayton suggested that next year there should be more narrative on health inequalities.
- 34/18.7 Mr Drew said that the Report is a useful reminder of the breath and scope of the work of the Agency, but wished it could be more succinct. Miss Taylor said that the format of the Report is largely set, but that it has been agreed that next year PHA will commence work on the Report earlier and look to see how it can be made more meaningful. Mr McClean added that there is a missed opportunity as this Report is a useful marketing tool. Ms Mann-Kler suggested putting messages out on social media once it has been published. Mr McClean confirmed that PHA would seek to do this.
- 34/18.8 Members **APPROVED** the Annual Report and Accounts and recommended that these be brought to the PHA Board on 11 June for approval.
- 35/18 Item 8 – External Auditor’s Report to those Charged with Governance**
- 35/18.1 Mr Clerkin presented the NIAO Report to those Charged with Governance and began by thanking staff for their co-operation in enabling the audit to be completed within the tight timescales. Overall, he advised that there was an unqualified audit opinion.
- 35/18.2 Mr Clerkin advised that there were no adjustments on the accounts and there were no Priority One recommendations, but there were three outstanding issues. He advised that there

were no issues of significant risk highlighted before the audit commenced, but there were three areas of risk which were reviewed which related to BSTP, the ability to break even and the Lifeline contract.

- 35/18.3 Mr Clerkin gave an overview of the main audit findings and highlighted two of these as being of particular interest, namely the financial outlook and the closure of HSCB. He noted that the Department has provided a form of words for the Governance Statement regarding the financial outlook, and that there is reference to the closure of HSCB in the letter of representation.
- 35/18.4 In terms of the main audit findings, Mr Clerkin said that there were three which related to apprenticeship levy, IR35 and Direct Award Contracts. He said that the appendices to the report included the letter of representation and audit certificate.
- 35/18.5 Mr Drew asked about IR35. Ms Davidson advised that PHA is working through the HMRC toolkit. Mr Clerkin explained that the main change in the public sector is that HMRC has passed the responsibility from the individual to the public sector organisation. Mr Christie said that he did not think that there would be many cases that this would apply to in PHA.
- 35/18.6 Mr McClean picked up on the issue regarding Direct Award Contracts and said that for Etain, PHA used that organisation to ensure data protection for the transition of Lifeline records. Mr Christie added that while management would accept the recommendation, in both cases there were extenuating circumstances.
- 35/18.7 Mr Drew thanked Mr Christie and his team for their work in putting the accounts together and to Internal and External Audit for their work in completing the audits within a tighter timescale.

36/18 Item 9 – Annual meeting with Auditors (External and Internal) without officers present

Officers left the meeting for this item.

37/18 Item 10 – Corporate Governance

At this point Ms Davidson left the meeting.

Corporate Risk Register (at 31 March 2018) [GAC/25/06/18]

- 37/18.1 Miss Taylor advised that, following the most recent review, there had been no risks added or removed from the Corporate

Risk Register. She said that following a request by the Committee, the Register will be looked at in more detail at the Board workshop on 21 June.

- 37/18.2 Members **APPROVED** the Corporate Risk Register which will be brought to the PHA Board on 11 June.

PHA Whistleblowing Policy [GAC/26/06/18]

- 37/18.3 Miss Taylor said that, as a result of an RQIA review on whistleblowing arrangements, it was recommended that a regional policy be developed and that following receipt of a model policy from the Department, the PHA has updated its policy. She added that PHA will liaise with HSCB with regard to training for senior managers and that staff will be made aware of this new policy through the Intranet and staff newsletter.

- 37/18.4 Ms Mann-Kler said that this policy is a much improved policy and should be used as a model for other policies. She asked about next steps. Miss Taylor said that there will be training commencing in June.

- 37/18.5 Mr Clerkin noted that the contact details for the Chair and the Non-Executive Director are internal numbers, and that staff may be reluctant to use internal numbers. Ms Mann-Kler said that it would not be appropriate for personal numbers to be given out.

- 37/18.6 Mr Clayton asked if the policy has been agreed with trade unions and Miss Taylor advised this would have been at a regional level. He also asked about grievances and bullying, but it was noted that these are covered under a separate policy.

- 37/18.7 Members **APPROVED** the Whistleblowing Policy which will be brought to the PHA Board on 11 June.

38/18 Item 11 – Information Governance

Information Governance Action Plan [GAC/27/06/18]

- 38/18.1 Miss Taylor advised that the Information Governance Action Plans have been considered by the Information Governance Steering Group. She said that a lot of work has been carried out, but that some of the 2017/18 actions remained rated as “amber”.

- 38/18.2 Miss Taylor advised that training is an ongoing issue, but that staff will continue to be encouraged to undertake their

- mandatory training. She added that the Information Asset Registers have now all been updated, and that although this took longer than intended, it is hoped that this process will be earlier in 2018/19.
- 38/18.3 Miss Taylor moved onto to the action plan for 2018/19, and said that this year's Plan incorporates the additional requirements under GDPR.
- 38/18.4 Members noted the Information Governance Action Plan.
- Information Governance Policies updated to reflect changes brought about by GDPR [GAC/28/06/18]*
- 38/18.5 Miss Taylor advised that the Access to Information Policy, Data Breach Incident Response Policy and Data Protection Policy have all been revised in the light of GDPR. She highlighted some of the key changes, including the reduction in the deadline for responding to Subject Access Requests, and that organisations are no longer able to charge a fee for these.
- 38/18.6 Mr Drew acknowledged the amount of work required by organisations to implement GDPR. Ms Mann-Kler asked if there was a summary of the key points which could be made available for staff. Miss Taylor said that for the most part, the policies are not that different and that for staff the message remains the same in terms of protecting data and confidentiality. She advised that once the policies are approved by the Board there will be information placed onto the Intranet and staff newsletter about these. She added that Information Asset Owners and the Information Governance Steering Group will ensure that appropriate information is disseminated.
- 38/18.7 Mr Clayton noted that there is a lot of legal terminology within the Data Protection Policy, some of which is quite complex. He suggested that some of this terminology needed to be more clearly explained to readers within the body of the policy.
- 38/18.8 Members **APPROVED** the Information Governance policies which will be brought to the PHA Board on 11 June.
- 39/18 Item 12 – Audit Committee Self-Assessment Checklist [GAC/29/06/18]**
- 39/18.1 Mr Drew said that members had had an opportunity to go through the checklist and that he was content with the responses made.
- 39/18.2 Members **APPROVED** the Audit Committee self-assessment

checklist.

At this point Miss Taylor left the meeting.

40/18 Item 13 – SBNI Declaration of Assurance [GAC/30/06/18]

- 40/18.1 Mr McClean explained that PHA acts as a corporate host for SBNI, a decision that was made by the Department of Health. As part of this arrangement, he said that SBNI is required to produce a Declaration of Assurance which states that it is complying with PHA policies. He advised that there is an MOU between SBNI, PHA and the Department of Health and that this is currently being reviewed, and that in the future there could be a greater role for PHA.
- 40/18.2 Ms Mann-Kler asked about the underspend and what happens to that funding. Mr Christie said that any underspend is returned to the Department of Health, and that in PHA's accounts SBNI funding and expenditure are recorded as being identical.
- 40/18.3 Mr Clayton asked about the corporate hosting arrangements and any expansion of those under the revised MOU. Mr McClean said that the biggest issue of concern for PHA would be that if, in the future, the social care function of HSCB moves into PHA, it would not be appropriate for PHA to have an arrangement with SBNI.
- 40/18.4 Members noted the SBNI Declaration of Assurance.

41/18 Item 14 – Update on Use of Direct Award Contracts [GAC/31/06/18]

- 41/18.1 Mr McClean advised that for 2017/18 a total of 17 Direct Award Contracts had been made, a reduction from 19 the previous year. He drew members attention to the list appended to the paper and said that for some of these, there have been previous agreements in place, for example with the Family Nurse Partnership programme, as this is a licensed programme.
- 41/18.2 Mr McClean explained that there is a process whereby all DACs come through PALS before the Chief Executive or Deputy Chief Executive approves and signs off, and that the Permanent Secretary and the Department of Health takes a great interest in this area.
- 41/18.3 Ms Mann-Kler asked why the Safetalk DAC is rated as "amber". Mr McClean said that this initiative had reached a stage where it was felt that a procurement exercise should be undertaken.

41/18.4 Mr Christie advised that the ratings on the DACs are provided by PALS, who have a compliance manager who reviews all DACs.

41/18.5 Members noted the update on Direct Award Contracts.

42/18 Item 15 – Any Other Business

There was no other business.

43/18 Item 16 – Date and Time of Next Meeting

Thursday 4 October 2018 at 10am

Fifth Floor Meeting Room, 12/22 Linenhall Street, Belfast.

Signed by Chair:

Leslie Drew

Date: 4 October 2018