

MINUTES

**Minutes of the Governance and Audit Committee
Monday 5th June 2017 at 1.30pm,
Fifth Floor Meeting Room, 12/22 Linenhall Street,
Belfast, BT2 8HS**

PRESENT:

- Mr Brian Coulter - Chair
- Mr Leslie Drew - Non-Executive Director
- Mr Thomas Mahaffy - Non-Executive Director
- Ms Deepa Mann-Kler - Non-Executive Director

IN ATTENDANCE:

- Miss Rosemary Taylor - Asst. Director, Planning and Operational Services
- Mrs Michelle Tennyson - Asst. Director, Nursing and AHPs
- Mr Paul Cummings - Director of Finance, HSCB
- Ms Jane Davidson - Head Accountant, HSCB
- Mr David Charles - Internal Audit, BSO
- Mr Brian O'Neill - NI Audit Office
- Mr Brian Clerkin - ASM
- Mr Robert Graham - Secretariat

APOLOGIES:

- Mr Ed McClean - Director of Operations
- Mrs Catherine McKeown - Internal Audit, BSO

		Action
30/17	Item 1 – Welcome and Apologies	
30/17.1	The Chair welcomed everyone to the meeting. Apologies were noted from Mr Ed McClean and Mrs Catherine McKeown.	
31/17	Item 2 - Declaration of Interests	
31/17.1	The Chair asked if anyone had interests to declare relevant to any items on the agenda. No interests were declared.	

32/17 Item 3 – Chair’s Business

- 32/17.1 Mr Coulter said that the PHA Chair had asked if it would be possible to review the schedule of Governance and Audit Committee meetings in order to allow for more timely reporting to the PHA Board. He asked the Executive to consider if this can be achieved and to bring forward suggestions.
- 32/17.2

Mr Coulter proposed that Item 9, the meeting with the Internal and External Auditors, is dealt with at the end of the meeting.

33/17 Item 4 – Minutes of previous meeting held on 12 April 2017

- 33/17.1 The minutes of the previous meeting, held on 12 April 2017, were approved as an accurate record of the meeting, subject to one amendment, the removal of the words, “Mr Coulter said that the Committee should write to the Chief Nursing Officer regarding these”, in paragraph 22/17.9

34/17 Item 5 – Matters Arising

- 34/17.1 There were no matters arising.

35/17 Item 6 – Internal Audit

Shared Services Update [GAC/28/06/17]

- 35/17.1 Mr Charles began the Internal Audit update by presenting the summary report on the BSO Shared Services Audits. He said that while these are the responsibility of BSO, the summary report is shared with PHA as a customer relying on the functions.
- 35/17.2 Mr Charles advised that Internal Audit provided a limited assurance on the Payroll Shared Service in relation to payroll processing, and an unacceptable assurance in relation to the payroll system and function stability. He said that there are a number of Priority 1 findings identified in this area and it has been recommended that

these issues are escalated to the BSO Corporate Risk Register. He went on to say that within payroll staffing and resourcing, there has been limited progress made in implementing repeat recommendations and that there is a large dependence on a small number of individuals. Finally, he said that Internal Audit have recommended that a review of the management resourcing and structuring within Payroll SSC should be commissioned by BSO.

- 35/17.3 Mr Drew said that the contents of the report were very concerning and asked what BSO was doing. Ms Mann-Kler added that the Chief Executive of BSO had been invited to the Governance and Audit Committee last year, and undertook to ensure that all Priority 1 recommendations would be dealt with within 3 months, but that the situation seemed to be worsening. Mr Drew asked whether the Department could impose special measures.
- 35/17.4 Mr Cummings advised that there have been changes to the system since September that have impacted on the service. He said that the Directors of Finance have contacted Deborah McNeilly at the Department of Health to pass on their concerns. He acknowledged that while the impact on PHA is minimal the Committee is right to be concerned.
- 35/17.5 Mr Coulter asked if this had been raised with the Audit Committee of BSO. Mr Charles said that although he does not attend its Audit Committee, he said that the report has been received and that the Committee is taking its findings very seriously. Mr Drew suggested that special measures may be required. Mr Cummings noted that the Northern Ireland Civil Service is considering a larger shared service that could include Civil Service, HSC and other public sector organisations.
- 35/17.6 Mr Cummings said that this issue was raised at the last Board meeting of HSCB and that members requested that the Chief Executive write to the Department. He suggested that the PHA Board could make a similar request. He added that one of the key issues was that

many of the payroll staff did not move to the new location for the service.

35/17.7 Ms Mann-Kler asked if there was anything else that the Governance and Audit Committee could be doing. Mr Drew said that he would expect to see some form of recovery plan. Mr Cummings said that the Directors of Finance would wish to see some form of review, but it is currently a “live” project with Deborah McNeilly as Senior Responsible Officer. Mr Coulter said that he would write to the Chair of the BSO Audit Committee to communicate the Committees concerns and ask what action is proposed. Mr O’Neill added that this could feature as a value for money study by the Comptroller and Audit General and that he would speak to him about this.

Mr
Coulter

35/17.8 Mr Charles moved on to the other areas of Shared Services. He said that following the audit of Recruitment a limited assurance had been given, which was an improvement on the unacceptable assurance given at the last audit, but that there remained some Priority 1 recommendations.

35/17.9 For accounts payable, Mr Charles said that there was a satisfactory level of assurance, with a small number of Priority 1 recommendations, and for income there was also a satisfactory level of assurance given.

35/17.10 Mr Charles advised that some audit work had been carried out around the FPL upgrade project, but further work would be undertaken in 2017/18.

35/17.11 Members noted the Shared Services update.

HIA Annual Report [GAC/29/06/17]

35/17.12 Mr Charles moved onto the Head of Internal Audit Annual Report which he explained summarises the work done during the previous financial year. He advised that 6 audits had been undertaken and that all of the Priority 1 weaknesses (7 in total) were listed. He said that Internal Audit had verified PHA’s substantive compliance against five of the Controls Assurance Standards.

- 35/17.13 Mr Charles said that the next section covered Shared Services which has already been discussed.
- 35/17.14 Mr Charles said that overall, it was the opinion of the Head of Internal Audit that PHA has a satisfactory system of internal control.
- 35/17.15 Mr Drew referenced the audit on Connected Health and queried how this area is performance managed. Mr Coulter recalled that there had been a recommendation regarding this and Miss Taylor advised that management had responded to this recommendation.
- 35/17.16 Members noted the Head of Internal Audit Annual Report.
IA Strategy incorporating IA Annual Plan [GAC/30/06/17]
- 35/17.17 Mr Charles presented the Internal Audit Plan for 2017/18. He explained how the Plan had been developed and then highlighted the summary page showing each of the proposed assignments. He explained that Information Governance had been proposed, but given that there are new Data Protection regulations being introduced, this is proposed for Year 2.
- 35/17.18 Ms Mann-Kler asked if cyber security should feature given the recent NHS UK incident. Mr Charles said that as BSO provides PHA's IT infrastructure, it would be most appropriate to look at this under BSO's audit work. He added that Internal Audit had recently appointed an Audit Manager specifically in the area of IT.
- 35/17.19 Ms Mann-Kler asked about how VES is managed and targeted and its impact on the organisation given the lack of clarity about finance, restructuring and functions. It was noted that this is more relevant to the Corporate Risk Register. Mr Coulter said that it is the responsibility of management to keep the Board informed.
- 35/17.20 Members **APPROVED** the Internal Audit Strategy and Annual Plan.

HSCNI Cyber Security Assessment [GAC/31/06/17]

- 35/17.21 Mr Charles advised that Internal Audit had designed a questionnaire which was issued to the 5 HSC Trusts and the BSO and the results analysed. He said that this work was particularly relevant given the recent NHS cyber attack.
- 35/17.22 Mr Charles said that there were a series of recommendations emanating from the Report and he highlighted monitoring as an area where there were particular issues. Miss Taylor said that this Report was considered at a recent SIRO meeting, and that all organisations are taking its findings very seriously. She added that BSO had carried out an initial scoping exercise to assess the cost of implementing all of the recommendations.
- 35/17.23 Ms Mann-Kler asked if there was an action plan and if it had been agreed that all of the actions would be taken forward. Miss Taylor advised that this is being taken forward regionally. Mr Coulter noted that the cost of the recent attack in England was large. Mr Cummings advised that one of the reasons that Northern Ireland had not been affected, was because there had been investment to ensure that the HSC systems were upgraded to the latest software.
- 35/17.24 Ms Mann-Kler returned to the issue of where the risk for cyber security sits. Mr Drew said that PHA should receive assurance from BSO and if there is any learning from the recent incident in England. Mr Cummings said that there is an IT Strategy Board which is part of the eHealth Strategy. Mr Coulter suggested that there should be an update for the PHA Board.
- 35/17.25 Members noted the HSCNI Cyber Security assessment.

36/17 Item 7 – Finance

Annual Report and Accounts Incorporating Governance Statement and Letter of Representation

- 36/17.1 Mr Cummings advised that the Annual Report and Accounts were submitted to the Northern Ireland Audit Office on 4 May. Since then, he explained that there have been some minor typographical changes and that the Governance Statement had been revised following a request from the Department. He said that a statement has been inserted outlining the financial challenge, and that this is consistent with other HSC organisations.
- 36/17.2 Mr Coulter said that this wording reflects the uncertainties facing all HSC bodies. Mr Cummings said that he was content.
- 36/17.3 Mr Cummings moved onto the Accounts section and said that the key finding is that PHA achieved a break-even position finishing with a year-end surplus of £75k. He said that it was a clean set of accounts.
- 36/17.4 Members **APPROVED** the Annual Report and Accounts.

37/17 Item 8 – External Auditor’s Report to those Charged with Governance

- 37/17.1 Mr Clerkin circulated the draft report and thanked Jane Davidson and the Finance team for their co-operation during the course of the audit. He said that there were no issues arising from the audit which would prevent the accounts from being signed off at the PHA Board meeting next week.
- 37/17.2 Mr Clerkin went through the draft Report to those Charged with Governance. In the section on risk, he said that the issues relating to BSO Shared Services did not impact on the accounts, and that for any other identified risks, PHA has controls in place to mitigate these as much as possible.
- 37/17.3 Within the Annual Report and Accounts, Mr Clerkin said

that no major issues had been identified, but he suggested that the Chair's section, Chief Executive's foreword, the management report and accountability report should be streamlined to avoid duplication. He advised that the prompt payment statistic may be incorrect as BSO had included some payments made to staff within their calculations.

37/17.4 Mr Clerkin advised that there were no significant adjustments required and that the draft letter of representation could be signed off following the PHA Board meeting.

37/17.5 Mr Coulter queried whether the recent information governance incident should be referenced in the report. Miss Taylor said that it was not included as it had not been classified as a breach by the Information Commissioner's Office. Mr O'Neill said that it has been seen before that an organisation would declare that there had been an incident, but it wasn't classed as a breach. Miss Taylor agreed to review the wording.

Miss
Taylor

37/17.6 Mr Coulter asked about the provision for employers liability of £370k, but Mr Cummings said that he would not be privy to the detail but it relates to one case.

37/17.7 Members noted the draft Report to those Charged with Governance.

38/17 Item 9 – Annual Meeting with Auditors (External and Internal) without officers present

38/17.1 At the end of the meeting the Non-Executive Directors held a separate meeting with the auditors.

38/17.2 At that meeting the auditors said that they had no specific to raise regarding the audit process this year.

38/17.3 The members raised various concerns regarding Shared Services and cyber security.

38/17.4 There was also discussion regarding whether the Chief Executive should attend the Committee and it was

agreed that this is considered to be good practice if only occasionally.

39/17 Item 10 – Corporate Governance

Corporate Risk Register (as at 31 March 2017)
[GAC/32/06/17]

- 39/17.1 Miss Taylor presented the Corporate Risk Register as at 31 March 2017 and explained that two of the risks had been removed.
- 39/17.2 Ms Mann-Kler asked whether there should be a risk on PHA's Corporate Risk Register relating to cyber security given the recent incident in the UK. Mr Cummings suggested that at the next review of the Register a decision could be made as to whether it should appear on a directorate risk register or the Corporate Risk Register. It was agreed that Miss Taylor would speak to the Chief Executive regarding this so that the Chief Executive can further brief the Board at the meeting on 13 June.
- 39/17.3 Ms Mann-Kler asked about the market testing of roll forward contracts and if an approximate value could be given. She noted that information had been shared with members following the recent Board workshop that she was unable to attend. Miss Taylor said that if there was anything that members were not clear about following the workshop, then the relevant staff would be happy to deal with any queries.
- 39/17.4 The Committee **APPROVED** the Corporate Risk Register which will be brought to the PHA Board on 13 June.

40/17 Item 11 – Update on Use of Single Tender Actions **[GAC/33/06/17]**

- 40/17.1 Miss Taylor explained that an update on the use of Single Tender Actions (or Direct Award Contracts) is brought to the Committee twice a year. She said that of 24 DACs undertaken in 2016/17, 19 related to goods and services and 5 to social care procurement. She added that of the 19 that related to goods and services, 2 were deemed to

the grant awards, 15 were rated as “green” and 2 as “amber”. The amber DACs related to the appointment of locum consultants, in line with HR advice.

40/17.2 Ms Mann-Kler asked about the EU thresholds and noted that some of the DACs were in excess of these, and asked how they were approved. Mr Cummings explained that awards of that value would have to be approved by the Permanent Secretary.

40/17.3 Members noted the update on the use of Single Tender Actions.

41/17 Item 12 – Information Governance Action Plan Update

41/17.1 Miss Taylor advised that an updated Action Plan was not available for members as the Information Governance Steering Group had met only last week. She said that the Action Plan had been reviewed, and that the one of the key actions was in the areas of training where a new e-learning programme had been launched. She added that Information Asset Registers had been reviewed.

41/17.2 Miss Taylor noted that one of the challenges for this year will be the new Data Protection regulations.

41/17.3 Members noted the Information Governance Action Plan update.

42/17 Item 13 – Audit Committee Self-Assessment Checklist [GAC/34/06/17]

42/17.1 The Chair presented the Audit Committee Self-Assessment checklist and asked if members had any queries. No queries were raised.

42/17.2 Members **APPROVED** the Audit Committee self-assessment checklist.

43/17 Item 14 – Any Other Business

43/17.1 There was no other business.

44/17 | Item 15 – Date and Time of Next Meeting

Date: Wednesday 11 October 2017
Time: 9.30am
Venue: Fifth Floor Meeting Room
Belfast
BT2 8BS

Signed by Chair: **Brian Coulter**

Date: **11 October 2017**