

**Minutes of the Governance and Audit Committee  
Monday 15 April 2013 at 9:30am  
Held in the PHA, Conference Room,  
18 Ormeau Avenue, Belfast, BT2 8HS**

**Present:**

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|----------------------|--------------------------|
| Mrs Julie Erskine    | - Chair                  |
| Mrs Miriam Karp      | - Non-Executive Director |
| Mr Thomas Mahaffy    | - Non-Executive Director |
| Alderman Paul Porter | - Non-Executive Director |

**In Attendance:**

- |                       |                                      |
|-----------------------|--------------------------------------|
| Dr Eddie Rooney       | - Chief Executive                    |
| Mr Ed McClean         | - Director of Operations             |
| Miss Rosemary Taylor  | - AD Planning & Operational Services |
| Mr Paul Cummings      | - Director of Finance, HSCB          |
| Mr David Charles      | - Internal Audit, BSO                |
| Mr Gary Christie      | - Northern Ireland Audit Office      |
| Mrs Catherine McKeown | - Internal Audit, BSO                |
| Mr Martin Pitt        | - Pricewaterhouse Coopers            |
| Mr Robert Graham      | - Secretariat                        |

**Apologies:**

- |                   |                             |
|-------------------|-----------------------------|
| Dr Carolyn Harper | - Director of Public Health |
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**17/13 | Item 1 – Welcome and Apologies**

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|---------|--|
| 17/13.1 | Mrs Erskine welcomed everyone to the meeting. There were no apologies but Mrs Erskine advised that Dr Rooney would cover Item 7(iii) as Dr Harper was not available. |
| 17/13.2 | Mrs Erskine welcomed Mrs Karp who has taken up a role on the Audit Committee following the recent departure of Mr Orr.   |

**18/13 Item 2 – Declaration of Interests**

18/13.1 Mrs Erskine asked if anyone had interests to declare relevant to any items on the agenda. None were declared.

**19/13 Item 3 – Chair’s Business**

19/13.1 Mrs Erskine briefed members on various events which she had attended since the last GAC meeting.

*Meetings*

- Audit Chairs meeting at Stormont
- Meeting with Internal Audit

*Training*

- Tender Evaluation (CIPFA)
- Fraud (PWC)
- Bribery training (Department of Justice)
- Successful Procurement and Application of Legislation Policy (Department of Finance)
- Annual Governance Statement and what it means to Boards (David Nicholl)

**20/13 Item 4 – Minutes of the GAC Meeting held on 13 December 2012**

20/13.1 Members agreed the minutes of the GAC meeting held on 7 February 2013 as an accurate record of the meeting, subject to one amendment. In paragraph 5/13.1 the title of the item should read, “Internal Audit Partnership Forum”.

**Secretariat**

**21/13 Item 5 – Matters Arising**

21/13.1 3/13.2 – Code of Conduct and Accountability  
Mr Cummings confirmed that he had written to DHSSPS regarding the issue of whether non-executives could sit on both the Audit Committee and the Remuneration Committee, but to date he

had not received a response.

**22/13 Item 6 – Corporate Governance**

*Item 6.1 - Controls Assurance Standards Update*

22/13.1 Miss Taylor advised that 15 of the 22 Controls Assurance standards were applicable to PHA, and that of the 15 self-assessments that had been carried out, 6 will be verified by Internal Audit. She noted that improvements had been made in all areas assessed.

22/13.2 Alderman Porter asked who carries out the self-assessment. Miss Taylor explained that for each standard, a group of staff would prepare the reports and in some cases this would be a joint meeting with HSC Board staff.

22/13.3 Mrs Erskine commended the work of the staff to achieve these outcomes, particularly in the area of records management where a significant improvement had been noted.

22/13.4 Members noted the update on Controls Assurance Standards.

*Item 6.2 – Corporate Risk Register*

22/13.5 Mr McClean presented the updated Corporate Risk Register and advised that three risks had been removed from the register and one risk had been reduced in rating. He invited questions from members regarding the updated register.

22/13.6 Mrs Erskine asked if the review referenced in Risk 19 had been completed. Dr Rooney confirmed that the initial work had been completed but that it would be two months before a full update would be brought to the PHA board.

22/13.7 Members approved the Corporate Risk Register.

*Item 6.3 – Standing Orders*

22/13.8 Mr McClean advised that the Standing Orders had been reviewed and brought up to date in line with relevant DHSSPS guidance and revised PHA systems.

22/13.9 Members approved the changes to Standing Orders which will be brought to the board on 18 April

*Item 6.4 – Standing Financial Instructions*

22/13.10 Mr Cummings said that the Standing Financial Instructions had been reviewed in line with DHSSPS guidance. He said that there were also references to the new financial system within the updated SFIs.

22/13.11 Members approved the changes to Standing Financial Instructions which will be brought to the board on 18 April.

*Item 6.5 – Waste and Environmental policies*

22/13.12 Miss Taylor explained that as part of Controls Assurance Standards, PHA was required to develop these policies. She said that the Environmental Policy set out PHA's principles to be an environmentally friendly organisation and cited examples such as videoconferencing and cycle to work schemes as ways of achieving these.

22/13.13 Alderman Porter asked about arrangements for disposal of confidential waste for board members. Mr McClean suggested that board members could be given confidential waste bags.

22/13.14 Miss Taylor moved onto the Waste Management Policy and said that it dealt with issues such as paper waste, confidential waste and appropriate use of MFDs. She said that PHA was working with

**Secretariat**

HSC Board in this area.

22/13.15 Mrs Erskine said that the Committee would have to give an assurance to the board that there are no issues in these areas. Miss Taylor said that there is an HSC-wide contract for confidential waste disposal. Mr McClean added that PHA may wish to consider removing wastepaper bins from offices, as has happened in Civil Service premises, replaced by central waste bins for specific categories of waste.

22/13.16 Members approved the Environmental Policy and Waste Management Policy.

### **23/13 Item 7 – Internal Audit**

#### *Item 7.1 – Progress Report*

23/13.1 Mrs McKeown advised Committee members that the report following the recent Finance audit was not yet available and that, with regard to Controls Assurance Standards, the year-end work was not yet complete.

23/13.2 Mrs McKeown said that PHA had fully implemented 82% of its outstanding internal audit recommendations. She noted that the five recommendations not yet implemented related to the Suicide Awareness Support Group audit.

23/13.3 Mrs McKeown gave an overview of the recent Business Cases audit and said that a satisfactory level of assurance had been given. There were two Priority 2 recommendations relating to the maintenance of central records for business cases and for Post Project Evaluations.

23/13.4 Members noted the progress report.

*Item 7.2 – Head of Internal Audit Report*

- 23/13.5 Mrs McKeown said that this report was not yet available, but would be completed in time to finalise the PHA Governance Statement, and would be brought to the meeting in June.

*Item 7.3 – Action plan in respect of Management of Voluntary and Community Organisations IA Report*

- 23/13.6 Dr Rooney updated the Committee on the implementation of the recommendations from the recent audit in respect of voluntary and community organisations. He said that this had been an important audit and that there had been significant work carried out by staff at all levels of the organisation to ensure that there was a comprehensive and meaningful action plan in place. He said that from an internal point of view, significant work had been done to develop a business process manual which covered all aspects of contracts. Secondly, from an external point of view, there had been a review of management arrangements and finally he said that all Directors and Assistant Directors had attended accountability training.
- 23/15.7 Mrs Karp said she felt more assured following the work that had been done in terms of training and standardisation of processes but she queried whether PHA required specific internal expertise in the area of contracts. Dr Rooney said that, from a governance point of view, staff should be aware of their responsibilities but he admitted that there was a skills deficit in terms of procurement but that BSO had undertaken some training with staff in this area.
- 23/15.8 Alderman Porter thanked the Chief Executive for the update and said that although he welcomed the additional training, he asked whether PHA could account for how it was spending its money,

and whether this was being done in a strategic way or if staff were operating within silos. Dr Rooney said that the development of a training programme should ensure consistency of working practices across the whole organisation.

23/15.9 Alderman Porter asked about the number of community organisations which received additional funding in 2012/13 and whether this additional funding was planned holistically, he said that analysis of this would assist with future planning.

23/15.10 Dr Rooney returned to the issue of procurement and said that up to £20m of PHA's funding would be going through the new procurement arrangements. Mr McClean confirmed that the Procurement Plan, which has recently been approved by AMT, could be brought to the board at its next meeting.

**Mr McClean**

23/15.11 Mrs Erskine thanked the staff for their work on progressing the implementation of the recommendations, she said that it was important that the Committee could give an assurance to the board and was pleased that to date 73% of the recommendations had been fully implemented.

23/15.12 Members noted the update.

*Item 7.4 – Internal Audit Plan 13/14*

23/13.13 Mrs McKeown presented the proposed Internal Audit plan for 2013/14 to 2015/16 and gave an overview of the proposed work schedule.

23/13.14 Members approved the Internal Audit Plan.

**24/13 Item 8 – Finance**

*Item 8.1 – Fraud Liaison Officer Update*

24/13.1 Mr Cummings gave an update on cases of suspected fraud and said that there was one

possible case but that it had not yet been substantiated.

24/13.2 Mr Cummings said that the Annual Report for Counter Fraud and Probity Services had been completed. He assured members that in any case of suspected fraud, there is a rigorous process. Alderman Porter asked about the process for dealing with members of staff who make false allegations. It was noted that there are HR policies which would address these situations.

24/13.3 Members noted the Fraud Liaison Officer update.

*Item 8.2 – BSTP Update*

24/13.4 Mr Cummings presented the BSTP update and said that since the introduction of the FPL system, there had been ongoing problems such as delays with invoices and orders and inaccuracies in stock bills. He said that the success rate for scanning of invoices was around 50%. He also outlined the issues regarding the payroll system and the interface between that system and the general ledger. He hoped that PHA would be able to receive an accurate set of year-end accounts but that there may be a delay in producing these.

24/13.5 Alderman Porter expressed concern about local companies experiencing delays in receipt of payments. Mr Cummings said that while there may be delays, over 90% of PHA bills are normally paid within 30 days. Mr Mahaffy asked whether anyone would be held responsible. Mr Cummings said that a Post Project Evaluation would be carried out and that NIAO and PWC will also provide comments in their audit reports.

24/13.6 Mr Pitt said that his concern was whether the system was working. He said that it was likely that external audit would not be able to provide any assurance in this area and he highlighted three key areas. Firstly, the governance of the new

system has been poor; secondly the user acceptance testing was inadequate and thirdly, the change controls process appears to be inadequate.

24/13.7 Mr Pitt said that he had held a meeting with BSO, NIAO and KPMG to flag up these issues and that NIAO had written to BSO regarding this. He acknowledged that staff were under extreme pressure. Mr Christie added that this issue could be of interest to the Public Accounts Committee.

24/13.8 Alderman Porter asked why the system was changed. Mr Cummings said there had been a need for some time to have a new system.

24/13.9 Mrs Karp said that there was a legal and contractual responsibility on staff to declare any errors in salary. Mr Cummings agreed with this.

24/13.10 Mr McClean said that there were issues with both the FPL and HRPTS systems, in that they were not user friendly, and that staff confidence in both systems was low.

24/13.11 Mrs Erskine said it was important to recognise those staff working to rectify the issues, but she felt that this was an issue that needed to be brought to the attention of the PHA board.

24/13.12 Members noted the BSTP update.

### **25/13 Item 9 – SBNI Declaration of Assurance**

25/13.1 Mr McClean noted apologies from Sharon Beattie, SBNI who was due to present this item. He explained to Committee members that PHA is the corporate host for SBNI and is therefore required to provide this declaration of assurance. He advised that SBNI has confirmed that it complies with all PHA policies in respect of finance, HR and facilities, including those set out in PHA Standing Orders and Standing Financial Instructions. SBNI

has also developed its own corporate and business planning arrangements and Assurance Framework. It also has risk management processes in place. Mr McClean advised that with regard to performance against objectives, SBNI would report directly to DHSSPS.

25/13.2 The Governance and Audit Committee noted the SBNI Declaration of Assurance.

### **26/13 Item 10 – GAC Annual Report**

26/13.1 Mrs Erskine presented the GAC Annual Report which outlined the key activities of the Committee during 2012/13.

26/13.2 Members noted the report.

### **27/13 Item 11 – Draft Governance Statement**

27/13.1 Miss Taylor presented the draft Governance Statement and said that this replaced the Statement on Internal Control (SIC). She said that the Statement followed DHSSPS guidance in terms of its completion and contained the following sections: governance, board, business planning processes, risk management, accountability and reporting of information risks, assurance and controls assurance standards. Miss Taylor noted that the section on Internal Audit was not yet complete.

27/13.2 Miss Taylor advised members that section 9, internal governance divergences, contained two items brought forward from the previous SIC, namely accommodation and campaigns. She identified two new issues which were management of contracts and BSTP. Mrs McKeown suggested that the management of contracts section needed to contain further information on the audit recommendations, even though many of them had already been implemented.

27/13.3 Members approved the draft governance statement which will also be brought to the PHA board on 18 April.

**28/13 Item 12 – External Audit Update**

28/13.1 This was discussed at Item 8.2 above.

**29/13 Item 13 – Draft Annual Report**

29/13.1 Mrs Erskine shared the draft Annual Report with members and explained that the Report would be brought to the Board meeting on Thursday 18 April.

29/13.2 Members approved the draft report.

**30/13 Item 14 – Any Other Business**

30/13.1 Mrs Erskine proposed that she would write to the Chair of the BSO Audit Committee regarding the issues related to BSTP. The Committee approved this approach.

**Chair**

**31/13 Item 15 – Date and Time of next meeting**

Date: 7 June 2013  
Time: 9:00am  
Venue: PHA Conference Room  
18 Ormeau Avenue  
BELFAST  
BT2 8HS