



Public Health  
England

# Minutes

**Title of meeting** Audit and Risk Committee  
**Date** Thursday 6 June 2013  
**Time** 4.00pm – 5.45pm  
**Venue** 4<sup>th</sup> floor Boardroom, Wellington House, 133-155 Waterloo Road, London SE1 8UG

<b>Present</b>	Derek Myers (Chair)	Non-executive member of PHE Advisory Board
	Bronwyn Baker	Head of Internal Audit
	Geoff Barratt	PHE Director of Financial Operations
	Stuart Bartlett	Internal Audit
	Michael Beaumont	Formerly HPA Audit Committee Chair
	Michael Brodie	Finance and Commercial Director
	Adrian Brook	Moore Stephens, External Audit Partner (to minute 13/021)
	Kate Davies	Formerly NTA non-executive and NTA Audit Committee member (minute 13/022 to minute 13/032)
	Stephen Hodges	PHE Infrastructure Programmes Director, former NTA Director of Corporate Services (to minute 13/032)
	Tim James	PHE Head of Risk Management
	Frances Knight	PHE Head of Corporate Governance
	Victor Knight	PHE Board Secretary
	Kate Mathers	National Audit Office, Audit Director
	Suzanne Oliver	PHE Head of Accounting Services (to minute 13/021)
	Tony Sannia	Legacy HPA Director of Finance and Resources (to minute 13/021)
	Simone-Davis	PHE Deputy Head of Internal Audit
	Alex Sienkiewicz	PHE Chief of Staff
<b>Apologies</b>	Martin Burgess	National Audit Office, External Audit
	Martin Hindle	Non-executive Advisory Board Member
	Marjorie Hylton	PHE Finance/ formerly NTA Finance
	George Griffin	Non-executive Advisory Board Member
	Duncan Selbie	PHE Chief Executive and Accounting Officer

## Introduction and apologies

- 13/001 The Chair opened the first meeting of the Committee and introduced himself. He welcomed attendees to the Committee and invited them to introduce themselves.
- 13/002 Apologies were received from Martin Burgess, Martin Hindle, Marjorie Hylton, George Griffin and Duncan Selbie.
- 13/003 Written comments had been received from Martin Hindle, which were introduced by the Board Secretary at the relevant agenda item.

- 13/004 The PHE Advisory Board had not yet been able to hold its initial meeting following the recent round of initial non-executive appointments on 3 May and so had not had the opportunity to make appointments to the Audit and Risk Committee other than its Chair, whose appointment as such was determined by the Secretary of State for Health.
- 13/005 The first meeting of the Audit and Risk Committee needed to be held in advance of the first meeting of the Advisory Board in order to meet the timetable of the audit and laying of the annual report and accounts of the two legacy bodies, the Health Protection Agency (HPA) and National Treatment Agency for Substance Misuse (NTA).
- 13/006 Martin Hindle and George Griffin, non-executive members of the Advisory Board, were willing to serve on the Committee but were unable to be present on this occasion, and members of the audit committees of the two legacy bodies were invited to give substance and independent presence to the proceedings.
- 13/007 The decisions of the meeting in approving the internal audit plan would be ratified by a future properly constituted meeting. In relation to signing the two legacy annual reports, the Committee made recommendations to the Accounting Officer of Public Health England, who had the responsibility to sign.

#### **TERMS OF REFERENCE**

##### **1. Audit and risk committee draft terms of reference (Enclosure AR/13/001)**

- 13/008 The draft terms of reference were reviewed. The following amendments were proposed:
- a) The Head of Corporate Governance should be included as an attendee of the committee meeting.
  - b) A specific timescale should be added to ensure timely receipt of the draft minutes following each Committee.
  - c) A recurring agenda item should feature at each Committee meeting for a risk presentation by a risk owner.
  - d) Wording “to receive or propose new strategic risk items” and “and emerging significant risks” to be added.

- 13/009 So amended, the Terms of Reference would apply until formally adopted.

Victor Knight  
Sept 13

#### **LEGACY BODIES' ANNUAL REPORT AND ACCOUNTS**

##### **HPA head of internal audit opinion 2012/13 (Enclosure AR/13/002)**

- 13/010 The Head of Internal Audit reported that the audit plan for HPA had been fully completed by March 2013 and a satisfactory opinion given: “Reasonable assurance that the Agency (HPA) has had adequate and effective risk management, control and governance processes in operation in respect of the year ending 31 March 2013.” No common weaknesses had been identified in the course of the year’s audit work; however there were a small number of areas where weaknesses were identified which needed to be addressed.

- 13/011 The Chair of the former HPA Audit Committee confirmed that his Committee had given a clean bill of health at the point the HPA closed down. The Legacy HPA Director of Finance and Resources agreed. Only the financial information in the accounts had been added since that time.
- 13/012 The Committee noted that an audit of the Chrysalis Programme (PHE Science Hub) had been planned during the year, but was deferred pending an update to the Outline Business Case, due to be completed in nine months' time.
- 13/013 The Committee noted the formal opinions supporting the governance statement of the HPA.
- HPA annual report and accounts 2012/13 (Enclosure AR/13/003)**
- 13/014 The Legacy HPA Director of Finance and Resources presented the draft Annual Report and Accounts. The text was as correct as it could be at the time of abolition of the HPA. Since then it had been updated, but not in any substantial way, and the financial figures included. The Balance Sheet has been discussed with the PHE Finance and Commercial Director and there were no significant adverse items. The clinical negligence case was prudently valued.
- 13/015 The former HPA Audit Committee Chair agreed with this assessment. No material issues had emerged subsequently so the original opinion of the HPA Audit Committee to the final HPA Board meeting still stood.
- 13/016 The Chair thanked the HPA Legacy Director of Finance and Resources for his work in handing things over in such good order, and the PHE Commercial and Financial Director echoed these sentiments. The HPA Legacy Director of Finance and Resources contrasted the position ten years previously, when HPA had come into being with a wide variety of properties, staff terms and IT systems. These had been greatly improved during the HPA era.
- 13/017 The meeting agreed the audited drafts of the former Health Protection Agency for recommendation to the Accounting Officer to sign subject to certain changes:
- a) Page 4 Chairman's forward: date to reflect the commencement order ie. 1 April 2013 (replaces 31 March 2013).
  - b) Page 30 Operating Review: rewording of third bullet point to read : More than £2.5 million was generated from R&D grants and contracts outside of the DH's National Institute for Health Research block grant.
  - c) Page 50: Governance Report: Additional sentence to first paragraph left hand column:  
"In August 2012, a SUI panel was established to investigate concerns around the efficiency, timeliness and appropriateness of the investigation of tuberculosis incidents in a health protection unit

during the period from the start of 2011 to summer 2012. The panel's recommendations included actions to address; failures of leadership at a number of levels; inefficient working practices across the professional teams; poor documentation of risk assessments, actions taken and future plans; and poor communication with both HPA and external colleagues. The investigation panel found no evidence that any person had suffered significant delay in the treatment of clinical or infectious tuberculosis. PHE have advised us that it is reviewing its systems and processes for handling the investigation of TB incidents, to take account of both the specific circumstances of this unit and also the wider lessons in other areas and localities systems and processes for handling the investigation of TB incidents, to take account of both the specific circumstances of this unit and also the wider lessons in other areas and localities."

- d) Page 63: Additional paragraph to be inserted between two existing paragraphs under the Statement of Comprehensive Net Expenditure: "Within the net operating costs shown above, an amount of £64,442,000 (2012: £56,282,000) is classified as programme costs and £84,856,000 (2012: £104,536,000) is classified as administration costs. In this context, the term administration means the costs are not programme costs."

## **2. HPA audit completion report / management letter 2012/13 (Enclosure AR/13/004)**

- 13/018 The NAO Audit Director reported that the NAO would be giving a clean opinion on the HPA accounts. She added her own thanks for the work of the Director of Finance and Resources.
- 13/019 The Moore Stephens Audit Partner took the Committee through the Audit Completion Report which had been circulated. The Committee was asked to review particularly the report findings, the representation letter and the audit opinion certificate, and also the table of unadjusted misstatements.
- 13/020 Two issues were highlighted: accruals and property valuation. Assets fully written down in the asset register which were still in use should be given a new life. This had previously been to the HPA Audit committee and was referred to in the representation letter. There had been a change of payroll provider. The clinical negligence provision was high. There were two adjusting journal entries, with no net impact.
- 13/021 The Chair queried £2.3 million of adjustments not reflected in the accounts. The largest element was the clinical negligence provision which stood at £3.3 million in HPA books. The next largest item was a royalty amount of £526k. The total unadjusted amount was within HPA materiality limits.
- 13/022 The former HPA Audit Committee Chair referred to the interim management letter received by the HPA and was informed that the treatment of PHE transition costs had been satisfactorily resolved.
- 13/023 Referring to other matters in the audit completion report:

- a) Further promotion of the use of purchase orders was recommended, and was reflected in the PHE's "No PO No Pay" policy.
- b) The weakness of the provision of printed bank statements under the government banking service was noted.
- c) The HPZone system presented contractual, technical and business process issues and needed a champion for its future in PHE. It was relied on by local health protection teams and not felt sufficiently robust.
- d) The Committee might wish to overview VAT as it had been a perennial concern in HPA.

13/024 The Committee noted the NAO report arising from the audit.

13/025 On the basis of the evidence from internal and external audit and those present the meeting recommended that the Accounting Officer sign off the HPA Annual Report and Accounts for 2012/13.

**NTA head of internal audit opinion 2012/13 (Enclosure AR/13/005)**

13/026 Kate Davies, former non-executive member of the NTA and its Audit and Risk Committee joined the meeting for the items on the NTA Annual Report and Accounts.

13/027 The former NTA Director of Corporate Services presented the report of the internal auditors. NTA internal audit work had been outsourced to RSM Tenon and the contract had ended. There was no representative from the firm at the meeting but the favourable internal audit opinion on the adequacy and effectiveness of the risk management, control and governance processes in NTA for the year ended 31 March 2013 was set out in para 1.2 of the agenda paper. This had also been received at the final meeting of the NTA Audit Committee on 21 March 2013. It included seven audit reviews and the status was 'green' across all the areas. The Chair noted the good visual presentation of the report and the impression of an organisation under control.

13/028 The former member of the NTA audit and risk committee had nothing to add to the positive report. She expressed her gratitude to the former NTA Director of Corporate Services for his diligent commitment to the NTA and its Audit Committee, and to the National Audit Office for its work over the years.

13/029 The meeting noted the formal opinions supporting the governance statements of the NTA.

**NTA annual report and accounts 2012/13 (Enclosure AR/13/006)**

13/030 The National Treatment Agency annual report was provided in three parts. The report had also been to the NTA Audit Committee in March and had been little changed since except for the addition of the financial results. The Finance and Commercial Director reported that there were no adverse legal or financial issues handed over to Public Health England except for the treatment of a £1.7 million Home Office funding stream.

- 13/031 The Chair noted the small overspend which was offset against reserves and asked whether Public Health England would benefit from NTA's financial position. There were some small provisions which would protect PHE income in the new year and the reserves of the sender bodies would pass to PHE.
- 13/032 The former member of the NTA audit and risk committee was comfortable with the reported results.

13/033 Page 23 'note 12' should read 'note 10'.

**NTA audit completion report / management letter 2012/13 (Enclosure AR/13/007)**

- 13/034 The National Audit Office Audit Director introduced the report. This was a straightforward audit and a clean audit opinion was anticipated. The paragraph in the draft audit certificate about 'going concern' status was routine for a transferring organisation. During the audit £23k of adjustments had been identified and posted. A standard representation letter was proposed.
- 13/035 The Audit Director thanked the former NTA Audit and Risk Committee, Director of Corporate Affairs and Finance Head for their work and co-operation.
- 13/036 On the basis of the evidence from internal and external audit and those present the meeting recommended that the Accounting Officer sign off the NTA Annual Report and Accounts for 2012/13.

**RISK ASSURANCE**

**3. Strategic risk information (Enclosure AR/13/008)**

- 13/037 The PHE Chief of Staff provided the Committee with an overview of the strategic risk management processes within PHE, which were in the early stages of their development. The Risk Management Policy had been approved by the National Executive, whose responsibility it was to apply it to PHE business processes and to ensure that the required training was provided.
- 13/038 The agenda paper had been to the National Executive, but had not yet been finalised or endorsed by it. A revised version was now available, which had been provided to the recent in-year review meeting with the Department of Health sponsor. Details of controls and the assurances of controls would be added to the next iteration.
- 13/039 The Chair stated that the Committee would return to the matter when the register was fully populated and the Committee itself complete. The presentation format had to meet the needs of the National Executive as well as the Audit and Risk Committee.
- 13/040 Early observations included that there needed to be clarity over whether this was an organisation or a system risk register. Risks arising from the nature of PHE's business were well summarised. The process of letting members of the National Executive state the key risks to their directorates' operations

Victor Knight  
Sept 13

in isolation could encourage a silo-based thought process and this should be avoided.

- 13/041 Corporate and strategic risks might be defined and grouped as:
- a) Public risks arising from PHE's responsibilities to its customers.
  - b) Systems and staff risks arising from the use and implementation of systems.
  - c) Staff risks arising from our responsibilities to PHE staff.
  - d) Internal activities risks arising from the nature of PHE's business.
- 13/042 The Head of Corporate Governance advised the Committee that a system was in place for promulgating lessons learnt but additional assurance was needed to ensure they had been implemented. The Integrated Governance report could be used as the driver and reporting mechanism to update the Committee, as well as the National Executive, on progress.
- 13/043 The former HPA Audit Committee Chair commented that the register built on previous work and he emphasised the issues around 'lessons learned' and whether these stayed within silos or were widely promulgated and embedded across the organisation.
- 13/044 The Chair suggested that the Audit Committee should scrutinise particular risks with the risk owners present and this would be scheduled for future meetings. Victor Knight  
Sept 13
- 13/045 The Committee noted progress in the development of the risk register.
- 10. Integrated governance report (Enclosure AR/13/009)**
- 13/046 The PHE Chief of Staff and Head of Corporate Governance introduced the Integrated Governance Report. The aim of the paper was get the Committee's view on its usefulness going forward. The former HPA Audit Committee Chair commented that the report had been refined in the Health Protection Agency. It was not easy to remove too much detail while still maintaining awareness of the front line issues. The future of the former HPA structure through its Integrated Governance Group was to be determined. The quality and safety functions were managed by the Director for Health Protection and Medical Director, the Director of Nursing and the Chief Operating Officer.
- 13/047 The Chair commented that it was important that what was on the Committee's agenda linked into the real world. The Integrated Governance Report should be aligned with the Corporate/Strategic risk register, analysis on clinical health protection matters should be amplified while other areas could move to reporting 'by exception'. The report covered various PHE duties so the National Executive would want to develop the report for its own use and the Audit and Risk Committee would benefit from it.
- 13/048 The Finance and Commercial Director identified an opportunity to introduce an assurance map using the 'three lines of defence' model which he would develop alongside the Chief of Staff and bring back to the Committee. Michael Brodie  
Sept 13
- 13/049 The Committee noted the report.

**INTERNAL AUDIT****11. Audit actions from senders bodies (Enclosure AR/13/010)**

- 13/050 The Head of Internal Audit provided the Committee with an overview of open actions from audit recommendations in the HPA. The established Integrated Governance Information system (IGI) system inherited from the Health Protection Agency would be used in PHE. Managers would still be required to update the system with progress made against audit actions, and their responses would continue to be challenged. In each instance where a recommendation was stated as being complete a follow-up exercise would be undertaken. The agenda paper contained only the 'critical' and 'high level' HPA recommendations outstanding out of a total of some 75 actions.
- 13/051 The Chair questioned whether there was a culture where actions were not closed off properly. This had been the case in the HPA: internal audit followed up all recommendations and reported on the major items to the Audit and Risk Committee. This process could arguably diminish management responsibility and encouraged dependency. However the Head of Internal Audit wished to encourage managers to be confident in signing off actions otherwise they accumulated.
- 13/052 The former Chair of the HPA Audit Committee emphasised that internal audit was there to help and less to impose. The transition period had created excuses for delay in the HPA for the adoption of audit recommendations but Public Health England needed to proceed with their implementation.
- 13/053 The Head of Internal Audit would be following up with executives the equivalent actions outstanding from the NTA and other sender organisations relating to their areas of their responsibility.
- 13/054 The PHE Director of Financial Operations was concerned that minor audit points could become magnified in contrast to business priorities. The distinction should be clear in the format of the follow up report and those recommendations which were merely desirable should be resisted by managers if they didn't agree, or agree for the present. The Chair noted that managers should do what they had agreed to do.
- 13/055 The Committee noted the report.

**12. Internal audit strategy and plan for 2013/14 (Enclosure AR/13/011)**

- 13/056 The Head of Internal Audit introduced the Internal Audit Strategy and Plan for 2013/14. It had been prepared in the absence of a strategic risk register or assurance framework at the time, but a working plan had been developed with management. There was provision for some *ad hoc* work, as had proved useful in the Health Protection Agency. The plan was deliverable but some reviews might slip into the following year if the business area was not ready to be audited. The Chair noted that the plan engendered great confidence.
- 13/057 The Committee agreed the report, to be ratified by a quorate meeting.

**13. Information papers (Enclosure AR/13/012)**



13/058 The Committee **NOTED** the content of the paper on the PHE handover issues process regarding matters carried forward into PHE from the sender organisations.

**14. Review of agenda, resources and conduct of meeting**

13/059 The Committee **AGREED** that Committee papers had been sufficient and timely and that there had been sufficient opportunity to ask questions and raise issues.

13/060 The Chairman thanked the former HPA Audit Committee Chairman for attending and for his several contributions to the meeting.

**15. Any other Business**

13/061 The Committee discussed local government responsibilities in Health Protection and specifically the associated need for PHE to share data, taking into account the outcomes of the second Caldicott review. It was proposed that the Chief Knowledge Officer should be invited to a future meeting to brief the Committee on the steps being taken by PHE to safeguard patient identifiable data.

Victor Knight  
Sept 13

**16. Date of the next meeting**

13/062 The next meeting of the Audit Committee was to be on 11 September 2013 at an earlier time of day, subject to the availability of Committee Members. [Subsequently set for 11.00 am on Friday 13 September 2013.]

**17. Meeting of members and auditors in the absence of officers**

13/063 There being no other business the Chairman declared the meeting closed at 17.45 and the officers withdrew.

13/064 The Chair and auditors remained and action points were reported as follows:

- a) The Director of Programmes should be invited to the Committee to give a presentation on the delivery and governance arrangements surrounding PHE Programmes.
- b) A discussion should be held with the Finance and Commercial Director in respect of assurance on the expenditure of monies granted to local authorities for public health purposes. An entry should be made in the Corporate/Strategic Risk Register accordingly.

Victor Knight  
Sept 13

NAO & Michael  
Brodie  
Sept 13

**Victor Knight**  
*Board Secretary*  
June 2013