



Public Health  
England

## Minutes

**Title of meeting** Audit and Risk Committee  
**Date** Thursday 21 November 2013  
**Time** 9.00am – 10.50am

<b>Present</b>	Martin Hindle Gill Laver Derek Myers (Chair) Allan Robertson	Non-executive member of PHE Board Independent Member Non-executive member of PHE Board Independent Member
<b>In attendance</b>	Bronwyn Baker Geoff Barrett Stuart Bartlett Tim Baxter  Michael Brodie Martin Burgess Simone Davis Tim James Frances Knight Victor Knight Kate Mathers Suzanne Oliver Duncan Selbie Alex Sienkiewicz	Department of Health, Group Chief Internal Auditor Deputy Director - Finance Department of Health, Internal Audit Department of Health, Deputy Director of the Public Health Development Unit Finance and Commercial Director National Audit Office, Audit Manager Deputy Head of Internal Audit Head of Risk Management Head of Corporate Governance Board Secretary National Audit Office, Audit Director Head of Accounting Services Chief Executive and Accounting Officer (to minute 13/175) Chief of Staff from (from minute 13/175)

### 1. Introduction, apologies and declarations of interest

13/136 The Chair opened the third meeting of the Committee and invited the independent members, Gill Laver and Allan Robertson, to introduce themselves. Their appointment had been agreed by the non-executive members of the PHE Board in correspondence, and by the Chief Executive in the meeting, to serve for the remainder of the financial year. The Chair thanked the Department of Health for its help in securing the two members.

13/137 Gill Laver was a member of the Human Fertilisation and Embryology Authority. No other relevant interests were declared.

13/138 Apologies were received from George Griffin.

### 2. Minutes of the meeting of 13 September 2013 (Enclosure AR/13/023)

13/139 Minute 13/104 should read "...to be assessed by 4 October..." With this correction the minutes of the last meeting were **AGREED** to be an accurate record for signature by the Chair: the independent members noting that they had not been present or appointed at the date of the last meeting.

### 3. Matters Arising from the meeting of 13 September 2013 (Enclosure AR/13/024)

13/140 Minute 13/127 of Enclosure AR13/023 The Chair asked whether a go/no-go

date for the shared business services proposal had been set. It had not, but the Finance and Commercial Director advised the Committee that there was PHE representation on the Department of Health's Shared Service Board, providing early warning to the Committee of any issues that arose. The National Audit Office (NAO) commented that, given the scale of the project, it would also be following its development so that the Committee would be made aware of any issues and concerns if they arose.

- 13/141 The Chair asked the Secretary to circulate a summary of the second Caldicott review, noting that the Chief Knowledge Officer would be attending the next meeting. Board Secretary/  
Chief Knowledge  
Officer  
Jan 2014
- 13/142 The Committee **NOTED** the progress made on matters arising from the last meeting.

#### **ASSURANCE ISSUES**

##### **4. Integrated Governance report (Enclosure AR/13/025)**

- 13/143 The Chair invited the Chief Executive to make any introductory comments and report on the organisation's progress. The Chief Executive thanked the Committee for its work in supporting him as Accounting Officer and outlined the priorities for the organisation.

- 13/144 PHE had commissioned a quantitative and qualitative stakeholder survey, which would be circulated to the Committee, and a staff survey had been conducted. Both of these had highlighted issues concerning the ease at which it was possible to do business with, and within, PHE and a programme of work to address this was being led by the Finance and Commercial Director. The Framework Agreement between Public Health England and the Department of Health had been agreed, signed and published. Board Secretary/  
Director of  
Communications  
Dec 2013

- 13/145 The Committee commented on the information governance report.

- 13/146 Paragraph 3/29 of Enclosure 13/025 noted that the software for medical staff revalidation was not in place, and no contract signed. The Committee queried the risks arising. The Chair also recalled the lessons of NHS software for handling junior doctors' data some years previously and an unrecognised risk over sensitive data. The Head of Security and Sustainability was invited to write a note on the system, subject to this being covered by an internal audit review which was about to commence. Head of  
Security and  
Sustainability  
Dec 2013

- 13/147 The integrated governance report was **NOTED**. It showed that business as usual was being responsibly carried out. The present format should continue as the Committee was familiar with it.

##### **5. Directorate risk presentation**

- 13/148 The agenda item was deferred to the next meeting.

##### **6. Internal audit actions register (Enclosure AR/13/026)**

- 13/149 The Deputy Head of Internal Audit advised the Committee that the number of outstanding actions reported had increased since the previous meeting as actions with both a 'High' and 'Medium' risk ratings were now included. Since the report had been extracted for the agenda, a significant number of open actions had been closed, reflecting the efforts of internal auditors with operational managers. The Chair requested that action owners ensured all relevant fields on the report were fully populated in future. Deputy Head of  
Internal Audit  
Jan 2014

- 13/150 The outstanding actions listed included those from the predecessor body, the

Health Protection Agency, and any that were no longer deemed relevant to PHE were being closed as their implementation date fell due. Directors taking on other predecessor body actions were responsible for obtaining these and ensuring these were logged and completed as appropriate.

- 13/151 Progress was noted on Action 15188 to enhance the staffing numbers and experience in the procurement department. Three new members of staff had been recruited, and a review was underway to streamline processes, as well as to consider the work undertaken by category managers. The challenge of public sector and commercial pay scales for procurement staff was noted.
- 13/152 The Committee was advised that across PHE a review of was being undertaken of business processes to remove bottlenecks, digitise processes and increase capacity. In particular systems that were adequate for steady state demands were less suitable under heavy demand – for example, the recruitment process. The Oracle based 'FARM' enterprise software however had proved robust and scaleable.
- 13/153 The Committee **NOTED** the internal audit actions register.

#### **7. Internal Audit progress report (Enclosure AR/13/027)**

- 13/154 The Group Chief Internal Auditor introduced the internal audit progress report and invited the Committee to comment. The previous meeting of the Committee had sought to increase management priority in progressing the audit plan, and this had been achieved.
- 13/155 PHE was a new organisation, still settling down. It was not being reviewed as a mature organisation, where all risk mitigation steps would be fully embedded. Some areas reviewed were still 'work in progress' and internal audit had given an assurance level of 'satisfactory' in such areas meaning satisfactory subject to completion of actions already underway by the end of financial year, and proceeding in the right direction. Internal audit was content that progress was being made in risk management but that there was still work to do. The assurance levels provided in individual reviews reflected this overall view.

#### Human Resources: Transactional Processing

- 13/156 The Committee **NOTED** the report and the strong assurance provided. The Deputy Head of Internal Audit advised the Committee that the assurance provided related solely to the management of incidents arising from PHE first payroll report and was not a full systems review.

#### Corporate Governance

- 13/157 The Committee **NOTED** the report and the satisfactory assurance provided. The fact that an assurance framework had yet to be developed and implemented was a concern, but the Committee took comfort from the expectation of the Head of Corporate Governance that it would be completed by the first quarter of 2014/15. A staged approach to assurance was being implemented across PHE. This commenced with template assurance statements presented to a recent National Executive meeting.

#### Legislative Compliance

- 13/158 The Committee **NOTED** the report and the satisfactory assurance provided. A review had been commissioned by the Chief of Staff to fully map PHE's legal duties and to ensure the recommendations of the Harris review were acted upon. The Department of Health sponsor and Public Health England had engaged constructively on the review project. The work would provide useful support for the governance statement.

- 13/159 The audit review included one detailed analysis of compliance with legislation, the Disclosure and Barring Service (DBS) checking of staff. This had identified some matters for management to address.
- 13/160 The 'satisfactory' rating given was dependent on the legislative compliance mapping being completed in reasonable time.
- Risk Management
- 13/161 The Committee **NOTED** the report and the weak assurance provided. The Committee queried the extent of progress in respect of the development of risk management across the organisation. PHE had inherited a number of the risk management approaches from its predecessor bodies. It was stated that evidence of good practice was available in some parts of the organisation but not others.
- 13/162 The implementation of risk management across PHE was led by the Head of Risk Management and supported by an independent review by Professor Georges Selim. Findings from the latter's review of risk management and development of the new risk management framework were imminent and would be reviewed by the National Executive.
- 13/163 At the last meeting of the Committee the Group Chief Internal Auditor had agreed to raise the issue of a risk management framework and approach for the health family with the Department of Health's risk manager. She advised that a series of workshops, was planned, the outcomes from which would be used to inform a system-wide process across the Department of Health, its executive agencies, and other arm's length bodies. There was not an appetite for a single comprehensive system, but for a consistent and cooperative approach.
- 13/164 PHE's current risk management arrangements in some laboratories, Centres and Regions were a continuation of pre-existing processes. Risks in areas such as health and safety, or data management in the cancer registries, were also carefully managed. Elsewhere arrangements were still being assessed, facilitated by a number of visits across the organisation in conjunction with a review of operational risks. There were Directorate risk registers as well as a corporate strategic risk register.
- 13/165 The Committee requested that the latest version of the strategic risk register be sent to members, and provided to each Committee meeting as a regular agenda item, with a report from a Director. Chief of Staff  
February 2014
- 13/166 The Chief Executive emphasised that risk management processes should address PHE's primary public health purpose of preventing people dying, not just the operational risks of the organisation.
- 13/167 The external auditor stated that despite the tolerance in other internal audit assessments for a new organisation, there was a need for all the organisation's main risks to be covered.
- 13/168 Existing risk management systems needed to continue and provide a sound basis for assurance to the Chief Executive on risks in the governance statement for the first year of operation. The draft governance statement should be provided at the February meeting of the Committee. Head of  
Corporate  
Governance  
Feb 2014
- 13/169 The Chair informed the Committee that a substantial item on the next agenda would be devoted to risk. The Committee was concerned for the actual risks Board Secretary  
Feb 2014

faced by the organisation, not only the systems for their management.

Information and Communication Technology (ICT) "Outages" review

- 13/170 The high level review covered aspects of the migration of systems to the new organisation and the resources of the ICT function. The Committee **NOTED** the report and the weak assurance provided.

Professional Advice

- 13/171 The Committee **NOTED** the report and the weak assurance provided. The review covered the publication and quality assurance of materials and their delivery to proposed end-users.
- 13/172 The Deputy Head of Internal Audit provided the Committee with an overview. Peer review was undertaken, an evidenced-based approach to the provision of advice was taken in every instance, but in order to be effective the process by which users of advice could access records should be streamlined. This area of review would be revisited in due course once aspects of PHE's presence on the central government website had been resolved.
- 13/173 The Committee was advised that a review of PHE's presence on the government's GOV website was being undertaken, focusing on the extent of visibility to end-users. It was stated that the Government Digital Service (GDS) was a good system but was insufficient for PHE's needs. The ability to control the upload and renewal of information in a timely manner was needed, particularly in an outbreak. PHE's web presence was of strategic importance to end-users both nationally and internationally.

**EXTERNAL AUDIT**

**8. Accounting policies (Enclosure AR/13/017)**

- 13/174 The Finance and Commercial Director introduced a paper on accounting policies. As a new organisation, PHE needed to adopt a full set of policies, on which the National Audit Office had been consulted. Many were based on the policies of the former Health Protection Agency, from which significant assets and activities had been inherited.
- 13/175 It had been proposed that annual leave should not to be accrued in PHE. This was based on the limit in the civil service of only five days that could be carried forward into a new financial year, and the changed materiality of any accrual in the larger organisation.
- 13/176 PHE was not liable for corporation tax, and there was no liability brought forward from the Health Protection Agency for its returns up to 31 March 2013.
- 13/177 The complex issues of irrecoverable VAT in PHE had been addressed by agreement with HM Revenue and Customs, but some substantial areas had remained subject to change. The Finance and Commercial Directorate had increased PHE's in-house competency to manage VAT issues.
- 13/178 The Committee recommended that the sentence in section 1.20 on inventories "Where the difference is found to be material the stockpiled goods are revalued to fair value" should be removed.
- 13/179 The Committee **AGREED** the resulting accounting policies for adoption by PHE.

Head of  
Accounting  
Services  
Nov 2013

**9. Audit planning report on the 2013/14 (Enclosure AR/13/018)**

- 13/180 The audit planning report on the 2013/14 financial statements was introduced by the National Audit Office. The financial management of PHE presented a

number of new challenges and these were reflected in the section on significant financial statement risks: in particular the verification and valuation of vaccine stocks previously held by the Department of Health, and the regularity of expenditure of substantial public health grants paid by PHE to local authorities. The Finance and Commercial Director advised the Committee that the timing of assurances which would be provided by local authorities in August would be brought forward to May 2014 for the first year to support the Accounting Officer's Annual Governance Statement for PHE. The Chair suggested that the date of the final assurance by the Accounting Officers of local authorities for 2013/14 could be brought forward further to April 2014, based on month 10 information and 'subject to audit'.

13/181 The Finance and Commercial Director would provide a short paper on the 'three lines of defence' model, and the issues around accounting for the local authority grants, for the new members of the Committee.

Finance and  
Commercial  
Director  
February  
2014

13/182 The National Audit Office advised that a programme of value for money audits was planned, the outcome of which would be brought to the Committee for its review and comment.

13/183 In relation to International Standard on Auditing ISA 240, relating to an auditor's responsibility to consider fraud in the audit of financial statements the Audit and Risk Committee was invited to disclose to the National Audit Office any fraud concerns, particularly the fraud risk from management. No matters were disclosed. The Finance and Commercial Director outlined the anti-fraud measures in PHE including the segregation of duties and the system controls built into the FARM enterprise software, system interrogation routines conducted regularly, and anti-fraud arrangements in place with the internal auditors. A 'fraud and error capacity assessment' return had been completed for the Cabinet Office recently as part of a government wide exercise. A copy would be provided to the new members.

Board Secretary  
February 2014

13/184 The Committee was advised that the National Audit Office would not be placing reliance on the work of internal audit in forming its opinion. This reflected the lower emphasis on detail testing in internal audit work, and the relative timing of the external audit and financial controls review work. However there were aspects of completed internal audit work which informed the external audit.

13/185 The National Audit Office envisaged no significant risk of material misstatement from the risk factors it had identified.

13/186 The notional fee for the external audit was £200k.

## **OTHER MATTERS**

### **10. Any other business**

13/187 Non-executive member, Martin Hindle would brief the next PHE Board meeting on the Committee's business on behalf of the Committee Chair who could not attend.

### **11. Information papers**

13/188 There were no information papers.

### **12. Date of the next meeting**

13/189 The next meeting of the Audit and Risk Committee would be at 1.00pm on Thursday 24 February 2013 at Wellington House 133-155 Waterloo Road, London SE1 8UG.

- 13. Meeting of members and auditors in the absence of officers**  
13/190 The non-executive members of the Committee met with the auditors in the absence of the PHE officers. There were no further actions arising.

**Victor Knight**  
*Board Secretary*  
November 2013