



PHE Board Paper

Title of meeting	Public Health England Board
Date	Wednesday 30 April 2014
Sponsor	Derek Myers, Chair of Audit and Risk Committee
Title of paper	PHE Audit and Risk Committee Annual Report to Board

1. Purpose of the paper

- 1.1 This paper reports to the Board on its work during 2014/15 and its self assessment process.

2. Recommendation

- 2.1 The Board is asked to **NOTE** and **COMMENT** on the report.

3. Report of the Audit and Risk Committee Chair

- 3.1 The brief annual report of the Committee is attached.
- 3.2 Good practice and the Treasury Handbook indicate that each year an Audit and Risk Committee should conduct a review of its effectiveness.
- 3.3 The Treasury Handbook describes five principles against which any self assessment ought to be judged.
- 3.4 Opinion on these principles and any other issues or concerns was sought from the National Audit Office; the internal Department of Health Group Auditors; two independent members of the Committee (both of whom had extensive experience on other audit committees) and representatives of executive management. All but the later submitted comments.
- 3.5 All those consulted were satisfied with the Committee's first year of work, and made helpful suggestions for developments during the second and subsequent years. These suggestions will be taken into account and likely adopted, following discussion at the June 2014 meeting.
- 3.6 Attendance by senior staff has been good. The Accounting Officer has only been able to attend briefly for part of one meeting and Treasury guidance recommends "routine attendance". Given the pressure on the Chief Executive's diary the Committee will request that he attends, as a minimum, once a year for the June Committee when the accounts are considered.
- 3.7 The work to get to a good standard of risk register has been extensive if slow. The conclusion of this work will provide the Committee with a key platform for the rest of its assurance overview.

- 3.8 The Committee will enter its second year with a full complement of four members drawn from the Board. This settled membership will deepen understanding and strengthen the insights we can generate for the Accounting Officer and senior staff.
- 3.9 Members of the Committee have appropriately attended wider meetings on behalf of PHE.
- 3.10 I am grateful to Martin Hindle for his steadfast contribution over the past twelve months.

Derek Myers

Chair PHE Audit and Risk Committee

April 2014

Annual Report of the PHE Audit and Risk Committee

The Committee operates under written terms of reference, developed from the HM Treasury model and adopted by the PHE Board during the year.

The Committee initially comprised two non-executive members of the PHE Board : Derek Myers (Chair) and Martin Hindle, and briefly, George Griffin. The small pool of Board members, and their appointment only in May 2013, led to a number of inquorate meetings. This was remedied by the additional of two experienced independent members, Gill Laver and Allan Robertson, who served for two meetings, until they could be replaced with two second wave Board members from March 2014.

Several PHE officers including the Finance and Commercial Director are invited to attend meetings, as well as internal and external audit representatives, and the Board Secretary as secretary to the Committee. The Committee holds a closed session with the auditors at the end of each meeting.

The Committee has met four times starting in June 2013 following the first Board appointments.

The meetings covered:

- The statutory audit of the final accounts of the legacy bodies: the Health Protection Agency and the National Treatment Agency
- The approval of the internal audit plan, monitoring of its completion, and review of internal audit reports
- The development of the system of risk management
- The development of an assurance framework based on the three lines of defence model
- A governance report at each meeting collating information on incidents, public information access requests, parliamentary questions, complaints, clinical governance, health and safety and information governance. This provided insight into critical perspectives of PHE infrastructure.

One instance of a qualifying disclosure under the public interest disclosure act was handled, relating to a predecessor entity.

Internal audit

Over 30 internal audit reviews were planned for the year. In addition *ad hoc* assurance work was carried in four areas.

Audit reviews which resulted in a “weak” assurance level included: IT outages, professional advice, the clinical governance framework, risk management, and the National Mycobacterium Reference Laboratory in London.

Audit actions identified as outstanding from sender bodies were carried forward into PHE. New audit recommendations were tracked and monitored by the Committee until resolved.

In several review areas it was recognised that systems which would be judged 'weak' in a developed organisation were judged 'satisfactory' in the first year of operation where the progress of controls towards a steady state was deemed appropriate.

At the time of the last meeting of the Committee in February 2014 there was no indication that internal audit reports remaining to be completed for 2013/14 would result in an overall opinion below 'satisfactory'.

External audit

The audit plan was developed with the National Audit Office as external auditors. A number of significant areas of audit interest have been addressed during the year, including the valuation of vaccine stocks, and the assurance processes surrounding ring fenced local authority grants of £2.6 billion which are disbursed by PHE.

Risk management

The risk management system was developed during the first year of operation, including an external review by an academic expert, and another by internal audit. Two Directors appeared before the Committee to present their approach to risk management. A top-down strategic risk register for PHE was examined by the Committee. Engagement by the Board with risk management is constrained by the Department of Health's stance on the publication of the Departmental risk register.

Other matters

Other issues included the invitation from the Department of Health to endorse its shared services proposal across the health sector's Arm's Length Bodies.

The process for producing PHE's first annual report and accounts for 2013/14 was managed as a disciplined project with cross-directorate representation. A draft of the report was available before the end of the financial year.

The Committee has conducted a process of self-assessment on its performance for the first year.

The Committee Chair took up an invitation to observe the Department of Health Audit and Risk Committee review of PHE.

Conclusion

The Audit and Risk Committee is of the opinion that this annual report is consistent with the draft Governance Statement, the Head of Internal Audit Opinion and the External Audit review and that there are no matters that the Committee is aware of at this time that have not been disclosed appropriately.

Derek Myers

Chair, PHE Audit and Risk Committee Chair

April 2014