

MINUTES

**Minutes of the Governance and Audit Committee
Thursday 6th October 2016 at 10:00am,
Fifth Floor Meeting Room, 12/22 Linenhall Street,
Belfast, BT2 8HS**

PRESENT:

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

IN ATTENDANCE:

- Mr Ed McClean - Director of Operations
- Miss Rosemary Taylor - Asst. Director, Planning and Operational Services
- Mrs Michelle Tennyson - Asst. Director, Nursing, Midwifery and PPI
- Mr Simon Christie - Asst. Director, Finance, HSCB
- Ms Tracey McCaig - Head Accountant, HSCB
- Mr David Charles - Internal Audit, BSO
- Ms Christine Hagan - ASM
- Mr Brian O'Neill - NI Audit Office
- Mr Robert Graham - Secretariat

APOLOGIES:

- Mr Thomas Mahaffy - Non-Executive Director
- Mr Paul Cummings - Director of Finance, HSCB
- Mrs Catherine McKeown - Internal Audit, BSO

		Action
57/16	Item 1 – Welcome and Apologies	
57/16.1	The Chair welcomed everyone to the meeting and noted apologies from Mr Thomas Mahaffy, Mr Paul Cummings and Mrs Catherine McKeown.	
58/16	Item 2 - Declaration of Interests	
58/16.1	The Chair asked if anyone had interests to declare relevant to any items on the agenda. No interests were declared.	

59/16 Item 3 – Minutes of previous meeting held on 3 June 2016

59/16.1 The minutes of the previous meeting, held on 3 June 2016, were approved as an accurate record of the meeting.

60/16 Item 4 – Chair’s Business

60/16.1 The Chair advised that he had attended a meeting of the Information Governance Steering Group on 19 September at which he was saddened to hear that Joan Farley was leaving the post of Information Governance Manager. He went on to say that within the area of Information Governance, all aspects were working well but there remained some issues with regard to compliance with training, but he hoped that managers and Directors would continue to push this forward.

60/16.2 The Chair said that the Committee had received a report about an internal FOI and queried the appropriateness of HSC organisations submitting FOIs within the HSC family.

61/16 Item 5 – Matters Arising

37/16 Assurance Framework

61/16.1 The Chair asked Mr McClean about the Assurance Framework and the diagrammatic summary. Mr McClean said that an amendment to a similar framework used by another HSC is currently being considered.

42/16 Shared Services

61/16.2 The Chair said that the Committee would leave open the possibility of arranging to meet with the Chair of the Governance Committee of BSO as the Chief Executive of BSO is attending today’s meeting.

Meeting with Mr Liam McIvor, Chief Executive, BSO

61/16.3 The Chair welcomed Mr Liam McIvor, Chief Executive, BSO, and Ms Maxine Paterson, Acting Head of Shared Services, BSO, to the meeting. He said that the Committee were concerned with the impact on PHA of the findings within the Shared Services Internal Audit reports and had held a similar meeting in the past

with the previous Chief Executive.

- 61/16.4 Mr McIvor began by saying that these reports had also been brought to the Audit Committee and Senior Management Team of BSO. He said that there was a recognised need for BSO to work with the Trusts to get solutions to the recruitment and payroll issues. He advised that a Task and Finish Group has been established and that this Group meets regularly to review progress against established KPIs.
- 61/16.5 Ms Paterson said that the Task and Finish Group will continue to meet until December. She explained that it is seeking to enhance the eRec system and what it can deliver by looking at the operational information it produces to see where the blockages are and to address these by, for example, providing training for managers. She advised that the database of requisitions is being analysed in order to see if any processes can be improved. Finally, she said that there are a number of different forums being set up for customers.
- 61/16.6 Ms Paterson said that of the recommendations within the latest Internal Audit report, the majority of the Priority One recommendations had been implemented and that the remaining ones should be completed within the next 3 months. The Committee was informed that the Western and South Eastern Trusts, as well as the Ambulance Service, will be brought on board soon.
- 61/16.7 Ms Mann-Kler thanked Mr McIvor and Ms Paterson for attending and providing this update. She noted that many of the recommendations had existed for 2/3 years. She also asked about any lessons learnt, and expressed concern that the introduction of new customers may bring new issues. However, she was assured by the fact that 82% of recommendations have been fully implemented.
- 61/16.8 Ms Paterson said that, with regard to recruitment, a key lesson learned related to need for standardisation and having training in place where everyone is aware of their contribution and role. She acknowledged that the recruitment system wasn't fit for purpose as a year ago, there was no reporting. She said that another lesson learnt was that there needed to be a collaborative approach from the outset with customers working alongside the

supplier to develop the system. Ms Paterson noted that the work of the Group is very focused with very positive collaboration.

61/16.9 Mr Mclvor noted that when the Southern Trust had come on board, their processes were different than those of other organisations and this highlighted the need for standardisation. He said that there is now better data to assess performance with metrics being shared with the Task and Finish Group representatives. He added that the next piece of work was to review the way the recruitment team work and whether to align staff to professional groupings or geographical areas. He emphasised the need for training and ensuring that in future where any problems are identified that issues are fixed immediately to prevent further damage further along the process.

61/16.10 Ms Mann-Kler asked about the issues in relation to payroll. Mr Mclvor said that he had only been in post for 5 months and that in that period changes have been made based on the most recent audits, but there will be a consolidation done of all other outstanding audits. Ms Mann-Kler said that this is an area the Committee will continue to keep an eye on, given the potential for reputational damage. Mr Mclvor said that from this point on, there will be an unrelenting focus on resolving the outstanding issues.

61/16.11 Mr Drew said that he was encouraged to see the Service Improvement Plan in place, and asked about the end date. Ms Paterson said that the remaining priority one areas should be addressed within the next 4/5 months and advised that in relation to overpayments, a workshop has been arranged. Mr Drew suggested that the original timelines in the project plan were unrealistic. He said it appeared that there was a lot of work required to reconfigure the system and train managers. He also asked if systems are in place to identify and share learning from this process.

61/16.12 Mr Mclvor noted that the original BSTP project was led by the Department of Health and that there is a piece of work to, “close down” ongoing. He said that from his perspective, BSO is responsible for delivering the service and that he will ensure that any lessons learnt are taken forward. Mr Drew asked if any consideration had been given to involving the organisation who had been responsible for developing the system. Ms Paterson

advised that the system is an “off the shelf” package, and the focus is more on the users rather than on the supplier.

61/16.13 The Chair thanked Mr McIvor and Ms Paterson for attending and for their frankness and honesty in presenting the key issues. He said that the main issues for PHA had been about the efficiency and effectiveness of the systems and he acknowledged the level of detail provided in the responses. He added that it was reassuring that Internal Audit has noted improvements in its most recent audit.

62/16 Item 6 – Internal Audit

BSO Internal Audit Annual Report 2015/16 [GAC/36/10/16]

62/16.1 Mr Charles presented the first Internal Audit annual report which gives an overview of all Internal Audit activity across the HSC. He said that Internal Audit had appointed an IT Audit Manager, and therefore there is capacity to interrogate large amounts of data and look at trends. He noted some of the themes in relation to which areas received limited assurance and noted that 77% of recommendations had been fully implemented across the HSC. He highlighted PHA’s performance within the report in terms of assurance levels and follow-up performance.

62/16.2 Mr Drew said that it was very encouraging to see that there are robust processes in place and asked how many staff are employed. Mr Charles said that there are 34 staff within Internal Audit across 4 locations. Mr Drew expressed surprise at there being audit recommendations not implemented from 2010/11, but Mr Charles said that it may be the case that organisations have implemented them as far as they can, but are relying on others to complete the implementation.

62/16.3 Ms Mann-Kler commented on PHA having 4% of recommendations not implemented at the end of 2015/16 and how this is represented in the graph. Mr Charles accepted that the graph may appear skewed as PHA had a much lower number of recommendations than other organisations.

62/16.4 Mr Coulter asked about the performance in terms of finalising reports and receiving management comments. Mr Charles noted that the response times for draft reports can depend on the

timing of Governance and Audit Committee meetings.

62/16.5 Mr Coulter asked if Internal Audit had ever conducted an investigation at short notice. Mr Charles said that this has sometimes happened, but would depend on the piece of work.

62/16.6 Members noted the BSO Internal Audit Annual Report.

*Internal Audit – New Definitions Cover Note [GAC/37/10/16]
HSC(F) 47-2016 – Internal Audit Opinions and Prioritisation of Recommendations [GAC/38/10/16]*

62/16.7 Mr Charles advised that a new circular changing classifications has been issued and these changes will take effect from 2017/18. He said that the definition of the priorities has changed and that Internal Audit will now be undertaking some work in their own team studying these new definitions and how they will be applied.

62/16.8 Ms Mann-Kler asked if the definitions were being used across the UK. Mr Charles said that in Northern Ireland, this was already the system in place across other Civil Service departments.

62/16.9 Ms McCaig asked if previous recommendations will be required to be reclassified, but Mr Charles said that Internal Audit had not yet had the opportunity to consider that.

62/16.10 Members noted the new definition cover note and the circular.

Progress Report [GAC/39/10/16]

62/16.11 Mr Charles said that the Internal Audit Progress Report gives a snapshot of the Internal Audit activity for 2016/17 to date.

62/16.12 Mr Charles went through the audit conducted on contracts with the community and voluntary sector. He noted that in these contracts, there is reliance on organisations outside PHA's control. He said that 6 organisations had been visited, 2 of which had been visited in a previous audit. He said that overall there was a satisfactory level of assurance for PHA in terms of its management, and a satisfactory level of assurance for 5 of the 6 organisation, but limited assurance with regard to 1.

- 62/16.13 In terms of the priority one weaknesses in respect of the PHA management of contracts, Mr Charles highlighted the auditing of accounts and procurement. He noted that the issue which emanated from the auditing of accounts did not relate to PHA funding, and with regard to procurement he accepted that PHA is on a journey and significant progress has been made.
- 62/16.14 Mr Drew asked if PHA has the skills and capacity to carry out audits of accounts. Mr Christie explained that there is a finite resource and that initially accounts would be reviewed by the budget manager, and any areas of concern flagged up with the HSCB finance team.
- 62/16.15 Ms Mann-Kler asked about the organisation where this issue had emanated from and implications. Mr Charles reiterated that there is no risk to PHA as PHA normally provides funding on a quarterly basis on receipt of confirmation that specific objectives have been completed. Ms Mann-Kler asked about governance oversight. Mr Charles said that there are normally SLAs, and within these there should be expectations outlined regarding governance and financial management. Mr McClean agreed that there would be an expectation that organisations are functioning on a proper basis. Mr Coulter made reference to the role of the Charity Commission. Mr O'Neill added that irregularities in expenditure could lead to accounts being qualified.
- 62/16.16 Ms McCaig said that this is an area of concern, but PHA cannot assume a duty of care for every organisation that it deals with. She said having Internal Audit carry out these audits is one form of assurance. Mr McClean said that there are probity checks and governance checks for all organisations who apply for tenders.
- 62/16.17 Mr Charles moved onto the audit concerning the Centre for Connected Health. He said that the main contract is Telemonitoring and there are a small number of other European projects. He said that a satisfactory level of assurance had been provided in terms of the project management, but a limited level in terms of governance and oversight.
- 62/16.18 Mr Charles advised that there were some Priority One weaknesses identified, including how performance management information is fed up to senior level, the need to formalise the relationship between PHA and HSCB and a formal process for

reviewing projects once they have been completed. He added that there was a need to share learning with other HSC organisations and develop SMART objectives.

62/16.19 Ms Mann-Kler asked about the outcomes based approach in the absence of SMART objectives. Mr McClean said that PHA is on a journey in relation to outcomes, and that there is a challenge in developing these outcomes, but also delivering them in a short period of time.

62/16.20 Mr Coulter said that he was concerned about the application of technologies within HSC settings and noted that this is an area of interest to the PHA Board.

62/16.21 Mr Charles moved on to the BSO Shared Services update report. He said that the area that requires greatest work is overpayments, but added that in some other areas there has been substantial progress and that it would be the intention of Internal Audit to carry out a further review in February/March 2017.

62/16.22 Members noted the progress report.

Follow Up Report [GAC/40/10/16]

62/16.23 Mr Charles advised that the follow up report which tracks the progress of implementation of previous recommendations shows that 49 of the 60 recommendations have been fully implemented, and that there has been good progress with the remaining 11 being partially implemented.

62/16.24 Members noted the follow up report.

Mid-Year Assurance Statement [GAC/41/10/16]

62/16.25 Mr Charles presented the Internal Audit Mid-Year Assurance Statement which is compiled from the information in all of the other audit reports. He explained that, although the Shared Services Audit is the responsibility of BSO, it appears within this report because of its impact on PHA.

62/16.26 Members noted the Mid-Year Assurance Statement.

63/16 Item 7 – Finance

Fraud Liaison Officer Update Report [GAC/42/10/16]

63/16.1 Ms McCaig advised that the two cases previously reported to the Committee remained ongoing. She advised that the National Fraud Initiative for 2016 had commenced and that International Fraud Awareness Week would take place from 13-19 November 2016.

63/16.2 The Chair asked whether the amount involved in the first fraud case was substantial. Ms McCaig replied that it was a number of thousand pounds.

63/16.3 Members noted the report.

Fraud and Bribery Policy and Response Plan Review [GAC/43/10/16]

63/16.4 Ms McCaig said that the Fraud and Bribery Policy and Response Plan had been approved several years ago and required to be updated. She highlighted the key changes. Mr O'Neill asked if there was reference within the Policy to the Comptroller and Auditor General. Ms McCaig advised that all cases would be reported to the Department of Health who have a responsibility to advise the Comptroller and Auditor General.

63/16.5 Members **approved** the policy and it was agreed that it should be brought to the PHA Board for approval.

R&D – Changes to Funding Streams and Implications [GAC/44/10/16]

63/16.6 Ms McCaig advised that this paper was being brought to the Committee to formally record that PHA and HSCB are working through this change process. Mr Coulter said that the PHA Board was aware of this and thanked Ms McCaig for the paper.

63/16.7 Members noted the changes to R&D funding streams and implications.

HSC(F) 47-2016 Internal Audit Opinions and Prioritisation of Recommendations [GAC/45/10/16]

63/16.8 This was covered under Internal Audit update.

HSC(F) 52-2016 Revision of Delegated Limits [GAC/46/10/16]

63/16.9 Ms McCaig presented the updated Circular and highlighted the key changes. She said that the delegated limits for capital are now significantly different. She added that there is a change in terms of the limits for gifts and this will require a minor revision in the PHA Gifts and Hospitality Policy.

63/16.10 Members noted the circular.

64/16 Item 8 – Corporate Governance

Corporate Risk Register (as at 30 June 2016) [GAC/47/10/16]

64/16.1 Miss Taylor advised that the Committee was today considering the Corporate Risk Register as at 30 June 2016, but that a further review, as at 30 September 2016, is under way. She said that at the end of June there had been no changes to the Register, with no new risks identified, and none of the risk ratings changed.

64/16.2 Mr McClean informed members that with regard to the procurement plan, there is reduced capacity with the impact of VES and that arrangements are being put in place, but there may be an impact of approximately 6 months in some aspects of the Plan.

64/16.3 Members noted the Corporate Risk Register.

Assurance Framework 2015/17 (at 30 September 2016) [GAC/48/10/16]

64/16.4 Miss Taylor said that the Assurance Framework has been amended and drew members' attention to the key changes.

64/16.5 Members **approved** the updated Assurance Framework.

*Controls Assurance Standards Assessment Process for 2016/17
[GAC/49/10/16]*

64/16.6 Miss Taylor explained to members that of the 22 Controls Assurance Standards, 15 are applicable to PHA and each year some are selected for external verification. In addition to the three core standards which are verified each year, Miss Taylor said that Emergency Planning and Human Resources will also be reviewed. She advised that processes are in place for the completion of the self-assessments with this work lead by the Senior Operations Manager.

64/16.7 Members noted the Controls Assurance Standards Assessment Process for 2016/17.

*Freedom of Information Internal Review Procedures
[GAC/50/10/16]*

64/16.8 Miss Taylor said that the Information Governance Steering Group had reviewed these procedures and that there were no substantial changes. She explained that the internal process review is instigated if an individual making an FOI request is not content with how their query was resolved and wishes this to be reviewed. If the complainant remains dissatisfied, Miss Taylor said that they can contact the Information Commissioner's Office.

64/16.9 Ms Mann-Kler asked if PHA had ever received any complaints relating to FOI. Miss Taylor said that there had been a small number and that PHA's procedures had been amended in light of learning from these.

64/16.10 Members **approved** the Freedom of Information review procedures which will be brought to the next meeting of the PHA Board.

Information Governance Action Plan [GAC/51/10/16]

64/16.11 Miss Taylor advised that the Information Governance Action Plan had been updated, and that one of the key pieces of work completed was the development of guidance relating to small cell size publication.

64/16.12 Miss Taylor said that many of the other work areas have standing

actions which are undertaken routinely. She highlighted the review of Information Asset Registers and explained that this work would normally be conducted later in the year but IGSG members had agreed that there would be more capacity in the third quarter to complete this. She added that there are some issues with regard to training which also need to be resolved.

64/16.13 Members noted the updated Information Governance Action Plan.

65/16 Item 9 – SBNI Declaration of Assurance

65/16.1 Miss Taylor explained that PHA is the corporate host for SBNI and that SBNI must comply with PHA policies and procedures and as part of that, develop its own Declaration of Assurance. She said that the SBNI have not raised any new issues, but advise that previous issues are being addressed.

65/16.2 Ms Mann-Kler asked whether there had been an external review of SBNI. Miss Taylor said that the Jay Review had been published. Mr Christie also said that the report contained some strong recommendations.

65/16.3 Referring to the Declaration of Assurance, Ms McCaig expressed concern about the reference to finance and explained that HSCB finance staff had been working with key staff in SBNI who are no longer there. Miss Taylor said that it was her understanding that the Director of Human Resources in BSO was working with the Department of Health regarding the staffing issue.

65/16.4 Mr Coulter said that he would be interested in getting further information around the transfer of the Child Death Overview Panel function to PHA.

65/16.5 Members approved the Declaration of Assurance.

66/16 Item 10 – PHA Mid-Year Assurance Statement

66/16.1 Miss Taylor said that PHA is required to submit its Mid-Year Assurance Statement to the Department of Health. She advised that key assurances are in place. She drew members' attention to the Internal Control Divergences which had come from the previous Governance Statement and have been updated to

reflect the position as at 30 September 2016. Members asked for a small amendment to reflect Governance and Audit Committee continuing to watch BSTP progress.

66/16.2 Members approved the Mid-Year Assurance Statement and recommended that it go to the PHA Board for approval.

67/16 Item 11 – Any Other Business

67/16.1 The Chair asked the non-executive members to remain behind to discuss a confidential issue.

68/16 Item 12 – Date and Time of Next Meeting

Date: Wednesday 7 December 2016

Time: 9:30am

Venue: Fifth Floor Meeting Room
Belfast
BT2 8BS

Signed by Chair: **Brian Coulter**

Date: **3 February 2017**