

## Yorkshire and the Humber Strategic Health Authority

### Audit Committee

#### Minutes of the Meeting Held on Monday 27<sup>th</sup> November 2006 at Blenheim House, Leeds

<b>Present:</b>	Mr M Collier	Chairman
	Mrs J Fenwick	
<b>In attendance:</b>	Mr R Cooper	YHSHA
	Mrs W Ambler	YHSHA
	Mr M Curtis	YHSHA
	Ms J Dally	YHSHA
	Mr M Joyce	YHSHA
	Mr N Bell	Internal Audit
	Ms S Murray	Internal Audit
	Mr P Lundy	Audit Commission
	Mr A Marr	Audit Commission
	Mr S Gregg	Audit Commission

#### 06/01 Establishment of the Committee

The Chairman welcomed those present to the first meeting of the Authority's Audit Committee.

##### i. **Membership**

It was noted that the Board had not yet determined membership of the Committee. Mr Collier undertook to raise this with Mrs Riddle at the Board meeting on 1 December. Membership of the Committee comprised Chairman and two non-executive directors.

**Action: Mr Collier**

##### ii. **Terms of Reference**

The Committee noted that its Terms of Reference had been approved by the SHA Board at its first meeting and were included in the Authority's Corporate Governance Framework Manual.

The Committee discussed the importance of balancing its internal as well external focus. Consideration would be given to splitting the agenda into internal and external business.

It was agreed that the Committee must have an external view, but that this would not be as recipients of external organisation's own finance or audit reports. The role of the Committee would be to ensure the SHA had effective systems in place effectively to monitor and ensure delivery of the financial performance of PCTs and Trusts within Yorkshire and the Humber.

The Committee noted and accepted its terms of reference

iii. **Regular Attenders**

Those present were noted as the regular attenders at the Committee. Other officers would be invited to attend as appropriate to the business under consideration.

iv. **Frequency of Meetings**

The Committee elected to meet four times a year, including the meeting that would consider the SHA's Annual Accounts.

06/02

**Minutes of the Last Meetings of the Three Predecessor SHA Audit Committees**

The Committee received copies of the minutes of the final meetings of the Audit Committees of each of the three former SHAs, superceded by Yorkshire and the Humber. The Committee also received a schedule summarising outstanding issues and the action reported since the final meetings had been held.

It was noted that an outstanding issue had been raised by the former West Yorkshire SHA Audit Committee regarding the continuity of Workforce Development Confederation (WDC) audit experience on the new Committee.

Mr Lundy reported that previously in West Yorkshire there had been separate Audit Committees for the SHA and WDC. It was agreed that all audit business should now be channelled through a single Audit Committee. Mr Curtis's responsibilities for Workforce

budgets, as well as for Administration budgets, was noted in relation to the issue of continuity.

Mr Collier highlighted outstanding concerns on the progress of NPfIT as a theme common to all the former audit committees. The Committee requested that the SHA's newly appointed Chief Information Officer, Phil Molyneux, be invited to attend the next meeting to report on the latest position across the SHA area.

**Action: Secretary (agenda)**

06/03

### **Review and Approval of the Internal Audit Service**

The Committee received details of the arrangements for Internal Audit Services agreed by the audit committees of the three former SHAs.

Mr Bell confirmed that although Internal Audit Services for the year to March 2007 were being provided jointly, managerial accountability was clearly defined. Mr Bell would be responsible for giving Head of Audit Opinion for the current financial year.

Mr Lundy confirmed that External Audit were content that the arrangement was a pragmatic solution in the circumstances and there were no concerns over quality of work.

Mr Collier thanked the combined Internal Audit Services for taking the initiative for the current year.

The Committee agreed that Mr Collier and Mr Cooper should discuss and agree how to take forward the provision of Internal Audit Services for 2007/08, with a view to determining who should be invited to compete for the work.

**Action: Mr Collier / Mr Cooper**

06/04

### **Draft Internal Audit Plan 2006/07**

The Committee considered a proposed audit plan for the period to 31 March 2007. The plan proposed a total of 240 audit days, with priority being given to ensuring the continued effectiveness of key controls.

The plan was presented as an initial proposal. Where necessary, management request days could be used to supplement indicative audit days.

The Committee was advised that only a small amount of the time identified had been utilised to date. Most of the work would be focused towards the year end, which would enable a longer period of the year's work to be reviewed and would strengthen the assurances that could be given. Mr Cooper commented that there was a balance to be struck as the SHA needed sufficient advance warning of any problems associated with major systems so that these could be addressed before the year-end.

The Committee requested that priority be given to audit of the migration of major systems. It was agreed that it was particularly vital that assurances could be given that there was no possibility of duplicate payments being made to suppliers. Mr Bell confirmed that the relevant systems would begin to be audited from mid-December.

The Committee agreed the proposed draft Internal Audit Plan, subject to the priorities agreed in discussion.

06/05

### **External Audit**

#### **i. Notification of Appointment of External Audit Services**

The Committee received a copy of a letter dated 3 August 2006 from the Audit Commission about consultation with the SHA on the appointment of External Auditors.

Mr Lundy reported that nationally it had been agreed that all SHAs should be audited by one supplier. Mr Lundy undertook to seek clarification as to whether the appointment of the District Audit Service as the SHA's External Auditors had now been formalised.

**Action: Mr Lundy**

#### **ii. Annual Audit Letters**

The Committee received draft copies of the Annual Audit Letters (AALs) to each of the three predecessor SHAs.

Mr Lundy explained that the Letters had been brought to the Committee because they had not been received by the responsible SHAs, due to the timing of their disestablishment. Mr Lundy confirmed that letters were marked as draft pending consideration by the Committee.

It was noted that there was no requirement for the Letters to be considered in detail by the Authority's Board, as the minutes of the Audit Committee would be reported to the Board as a matter of routine.

Mr Marr indicated that publication of the AALs by the Audit Commission would not be until the New Year. Mr Collier requested that the SHA be given advance notice of the timing of the publication so that an appropriate handling strategy could be put in place by the SHA.

Mr Collier asked that copies of the AAL in final form be made available to all the SHA non-executive directors.

Mr Lundy confirmed the Audit Commission's expectation that the SHA would produce an action plan to address the issues highlighted in the AALs. Mr Collier indicated that the action plan would also need to be considered by the Audit Committee and asked for a report to the next meeting.

Mr Cooper reported that in terms of the current position, the AALs remained an accurate reflection of status.

**Action: Mr Cooper / Mr Curtis**

iii. **Planning Document 2006/07**

The Committee received a provisional External Audit Plan.

Mr Lundy confirmed that the Audit Commission was no longer proposing to publish Auditors Local Evaluation (ALE) scores for SHAs for the current year. An assessment, using the ALE process and the key lines of enquiry would however be undertaken for the SHA.

Members noted the audit fee outlined in appendix 3 of the report. Mr Lundy confirmed that the fee was within the mid-range of the scale agreed between the Audit Commission and the Department of Health. The fee covered the 9 month

period from 1 July 2006. The Audit Letter covering the first 9 months of the SHA's operation would be submitted to the Committee in around September or October 2007.

In the context of the SHA's need to reduce management costs, there was discussion about the fee level and the fact that it represented an £85k increase on the previous year. Mr Lundy reported that fee levels for 2007/08 had not yet been agreed and that the SHA would be consulted on these.

Mr Cooper requested that a more detailed breakdown of the costs be provided.

Mr Marr reported that the progress of the audit of accounts for the final three month period of the former SHAs (1 April-30 June 2006) was being hampered by difficulties in obtaining full working papers to support them. It was acknowledged that this was due to staff changes resulting from the organisational restructuring. Mr Curtis confirmed that the SHA was aware that this was an issue and was working to ensure that the appropriate information was made available.

Mr Collier asked that Mr Cooper be briefed to be able to report to the Board on 1 December on the actions being taken to address this issue and the time scales for these.

The Committee noted the Audit Plan and the further detail requested, which it was agreed should be considered at the next meeting.

**Action: Mr Curtis/Mr Cooper (Progress of accounts)  
Mr Lundy (Audit fees)  
Secretary (agenda)**

06/06

### **Counter Fraud and Corruption**

i. **Nomination of Local Counter Fraud Specialist**

The Committee noted that Sharon Murray had been appointed as Local Counter Fraud Specialist for the SHA.

ii. **Update/Progress Report**

Ms Murray reported that there were no ongoing counter fraud investigations and no referrals to the Counter Fraud Service had been inherited from the former SHAs.

iii **Draft Counter Fraud and Corruption Plan 2006/07**

The Committee received a draft plan of activities for the 9 month period 1 July 2006 – 31 March 2007, which was based on 27.5 proactive days, plus reactive days as required.

Ms Murray reported that the total number of proactive days recommended by the Counter Fraud and Security Management Service (CFSMS) for a full year was 72.5 days. However, the indicative provision of 58.5 days for 9 months included 31 days for national and local pro-active studies, to be agreed as required.

Ms Murray would be working with Mr Joyce to develop a work plan. Any days not utilised in-year could be carried forward or refunded. Costs would equate to Internal Audit day rates, with an estimate of £6-7k for 2006/07.

iv. **Draft Counter Fraud and Corruption Policy**

The Committee received for comment a draft of the Fraud and Corruption policy, which subject to approval by the Board, was intended for circulation to all staff.

The Committee recommended approval of the policy by the Board.

**Action: Secretary**

06/07

**Board Assurance Framework**

The Committee received a draft proposed approach to Assurance and Risk.

Ms Dally confirmed that the proposed strategic objectives, based on the Standards for Better Health, were subject to approval by the Authority's Board.

The Committee endorsed the principle of basing the strategic objectives on the Standards for Better Health, but suggested that consideration be given to merging objectives 1 (Safety and Care Environment) and 6 (Care Environment and Amenities) into a single objective. It was also suggested that an additional objective be considered for inclusion to reflect the risks to the future management and reputation of the SHA.

Noting the proposal for an officer-based Assurance Group, the Committee was strongly of the view that there was a need to ensure Director-level engagement in the process and that this needed to be more pro-active than simply receipt by the Senior Management Team of the minutes of the Assurance Group. It was felt that director-level Chairmanship of the Assurance Group would achieve engagement at the most senior level.

**Action: Ms Dally**

06/08

**Patch Wide Financial Governance: Auditors Local Evaluation (ALE) Scores**

The Committee received a paper setting out the 2005/06 ALE scores for NHS organisations in Yorkshire and the Humber and the Audit Commission's assessment of overall performance in England.

It was explained that ALE scores related to financial governance and contributed to the Healthcare Commission's annual assessment of the use of resources by NHS organisations.

Mr Lundy confirmed that the Audit Commission would be producing a version of the report for Yorkshire and the Humber, with recommendations for action. Individual organisations had already received details of their own outcomes.

Mr Collier asked that the Committee be kept updated with follow-up work in response to the ALE scores.

**Action: Mr Curtis**

06/09

**Tender Waivers**

The Committee noted expenditure approved under competitive tender waiver procedures.

06/10

**Date of Next Meeting**

To be notified following the appointment of members to the Committee.

**Action: Secretary**