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Yorkshire and the Humber Strategic Health Authority

Audit Committee

Minutes of the meeting held 10 December 2007 at Blenheim House, Leeds

Present: Mr M Collier (Chairman)
 Mr I Walker Non Executive Director
 Mrs J Jack Non Executive Director

In attendance:

Mr P Lundy	Audit Commission
Mrs J Matthews	Audit Commission
Mr S Gregg	Audit Commission
Mr N Bell	Internal Audit
Ms S Murray	Internal Audit
Mr M Curtis	YHSHA
Ms J Dally	YHSHA
Mr M Joyce	YHSHA
Mr J Hampson	YHSHA (item 07/67 only)
Mr S Vickers	YHSHA (Minutes)

The Chairman welcomed those present. Apologies were received from Mr R Cooper.

07/53 **Minutes of the meeting of the Audit Committee held 18 September 2007**

It was agreed that the minutes were an accurate record of the meeting.

It was agreed that the pages would be numbered.

Matters arising not covered by agenda items:

i. Training Issues Update

The Chairman informed the Committee that Mr Hunter (Appointments Commission) had drawn up a questionnaire to be sent to all Non Executive Directors across Yorkshire and the Humber. Results would be brought to a meeting in February to guide future education and training events.

Action: Chairman (Forward Programme - FP)

D R A F T

Mr Collier also reported on a well attended meeting of Audit Chairs the previous week which discussed issues including IFRS, risk registers, how audit committees do their work etc.

Mr Collier stated that he would like an education and training session for the Non Executive Directors prior to receipt of Annual Accounts. Mr Lundy said that the Audit Commission could adapt a workshop run for Chief Accountants. This proposal was accepted.

Action: Mr Lundy

Mr Walker suggested that a networking event for Yorkshire and the Humber Audit Committee members would be helpful.

Mrs Jack reported on an Audit Commission seminar she attended some time ago. Papers had been previously circulated. She also noted that there was only one attendee from an SHA, most were from Trusts and PCTs. Mrs Jack felt that the event had been helpful raising as it did issues such as the role and responsibility of the Audit Committee in relation to performance management across the patch.

ii. Project specifications for Workforce and NPfIT

Mrs Matthews reported the earlier completion of the project specification for Workforce and presented the completed specification for NPfIT. Copies were tabled. Work was underway and in particular there had been positive messages on governance. It was agreed that a joint presentation by the Audit Commission and the SHA would be helpful and should be brought to the next meeting.

Action: Mrs Matthews and Chief Information Officer (FP)

iii. Assessment of External Audit

It was reported that the assessment had not been undertaken. It was agreed that the auditors would complete a self assessment for consideration at the meeting of the Audit Committee on 12 June.

Action: External Audit (FP)

iv. Board Assurance Frameworks across the patch

The scope for and benefits of synergy relating Performance reports, ALE outcomes and Assurance Frameworks were noted, allowing a 'helicopter view' of performance across the patch. The Chairman said he would write to the SHA Chairman and

D R A F T

Chief Executive on this issue. There needed to be follow-up on the oversight of the development of risk registers across the patch in the context of other measures including HealthCare Commission reviews, Annual Audit Letters, etc.

Action: Chairman

Mention was made of a document prepared by Monitor (Service Line Reporting). Mr Curtis said he would circulate the document.

Action: Mr Curtis

v. Corporate Manslaughter

The Committee requested that legal advice be obtained on the implications of legislation on Corporate Manslaughter for the SHA and wider NHS in Yorkshire and the Humber.

Action: Ms Dally

07/54 Internal Audit Progress Report December 2007

Ms Murray presented the report. She noted that the detailed plan and a provisional timetable had been agreed. Ms Murray also noted that the plan was focusing initially on core financial systems. Attention would then turn to payments and transactional workforce systems.

It was agreed that work on the data quality review was particularly helpful and was supported by the Director of Commissioning & Performance, Mrs Laban. An audit-planning memorandum had been drafted.

The final report for 2006/07 on personnel policies had been given full assurance. There was some discussion as to whether full assurance was appropriate and how it might be calibrated. It was reported that the SLA on the provision of Human Resources services had been signed.

07/55 Counter Fraud Plan 2007/2008 and Update December 2007

Ms Murray presented her report in her role as Local Counter Fraud Specialist (LCFS). She reported that she had met with Human Resources and agreed a protocol for dealing with investigations. Ms Murray also noted that four bulletins had been issued and that no fraud referrals had been received nor investigations commenced. A risk assessment questionnaire had been developed and sent to all directors for completion.

DRAFT

Ms Murray alerted the Committee to the fact that compound indicator scores were being published and reports sent to SHA DoFs. It was likely that the SHA would receive a 2. A report would be brought to the next meeting.

Action: Ms Murray (FP)

07/56 Fraud and Corruption Policy

Ms Murray reported changes made to the policy. Advice had been received that contact details should be removed for all except Director of Finance and the Local Counter Fraud Specialist.

Action: Miss Murray

07/57 Audit Committee Briefing Note

Mrs Matthews noted the main headlines including: ALE across the patch, Your Business at Risk, Annual Audit Letters, Accounts and arrangement for closing down, Self Assessment, Student Grants, Acute Hospitals Portfolio.

07/58 2006/07 Annual Audit Letters

Mrs Matthews presented Annual Audit Letters (AALs) for the SHA and its three predecessor organisations.

Among specific comments was the wisdom of encouraging organisations to see ALE as part of an approach to good management arrangements. The Acute Hospitals Portfolio would be picked up as part of the ALE work, with Auditors probing in detail the SHA's use of benchmarking data, such as this.

It was noted that the Acute Hospitals' Portfolio did not include Foundation Trusts (FTs) and it was of concern that it wasn't possible to have a comprehensive strategic review. There was an available route via Commissioners, but assurance was needed that PCTs had accurate data on which to base their questioning of FTs.

The AAL for the SHA summarised key messages and recommendations. Mr Curtis confirmed that he would be meeting Mrs Matthews to draw up an action plan to address the recommendations. Progress against the action plan would then be monitored.

DRAFT

The AALs would be presented to the SHA Board at its' meeting in February and published on the SHA website.

Action: Ms Dally (Board FP)

It was commented that the report indicated that the SHA performed relatively poorly on diagnostic services and Members discussed how this related to the Performance reports to the Board. With regard to the conclusions on medicines management it was noted that data on this was not routinely contained in Performance reports.

It was suggested and agreed that these issues could be picked up at a Board Development session. The Chairman of the Committee said he would raise these issues with the SHA Chairman.

Action: Chairman

It was noted that the AALs on the three predecessor SHAs were consistent with governance reports for those former organisations. All recommendations from these AALs had been consolidated within the AAL for the new SHA.

07/59 **'Your Business at Risk'**

Mrs Matthews introduced this report. She explained that it was based on staff surveys and highlighted areas where work was needed. The response to the findings was being picked up by the Chief information Officer and his team. It was agreed that Mr Kidd be invited to the next meeting of the Committee to report on the response to the findings. It was noted that the survey would be repeated next year, to enable year on year comparative performance ratings.

Action: Mr Curtis to invite Mr Kidd (FP)

07/60 **Board Assurance Framework and Risk Register**

Ms Dally introduced the papers noting that changes had been made at the request of the Committee, notably to process and format, but also to content. The changes were welcomed by the Committee and the improvement in presentation and content noted.

It was agreed that it was not the function of the Committee to evaluate all and every risk in detail, rather it was a matter of seeking assurance that appropriate systems were in place to manage and mitigate risks. A number of queries were raised concerning specific entries in the register. Four aspects were picked out; terrorism, ISTC provision, education and training and commissioning. The Committee asked for a briefing paper on these areas for the next meeting.

Action: Ms Dally (FP)

DRAFT

It was agreed that individual Directors should be invited to attend an Audit Committee meeting to discuss the risks and assurances for which they were responsible. The Committee decided that Mr Cooper would be invited first, followed by Mrs Laban, Dr Proctor, Prof Johnstone, Mr Gilpin, Ms Roughton and Mr Milner.

The Committee expressed its appreciation for the not inconsiderable work that had gone into developing the Framework/Register to meet the suggestions of the Committee. It was proposed that the revised document and comments of the Committee should be passed back for review by SMT.

Action: Ms Dally

Mr Walker identified the absence of a risk on the deployment of surpluses. The Committee resolved to raise this with Mr Cooper.

The Committee considered draft revisions to the Risk Strategy and Responsibilities Statement, which was subject to annual review. A small number of further minor amendments were proposed, including the requirement for a short covering report on actions arising from the Assurance Group, in addition to receipt of the minutes of that group by the Audit Committee.

Action: Ms Dally

07/61 **Value for Money and Financial Improvement Tool (formerly ALE)**

Mrs Matthews introduced the report. The main conclusions at this interim stage were that the issue of self-assessment was understood and taken seriously by the SHA. A number of gaps needed to be addressed and there were some areas where arrangements were not yet in place, where it would be difficult to demonstrate embeddedness.

The areas identified for urgent action were:

- The need for a medium-term financial strategy pulling all the various strands together
- Directorate operational risk registers
- Student grant funding shortfall

The Committee requested an update on these areas at its next meeting.

Action: Mr Curtis (FP)

DRAFT

07/62 Audit Committee Self-Assessment

The Committee had held a discussion on this item earlier in the day. Mr Joyce had taken a note of the discussion.

Action: Mr Joyce

07/63 Hosted Programmes Governance Arrangements

Mr Curtis introduced a brief paper. A question was asked as to how the SHA assured itself that it was meeting its obligations and responsibilities in respect of hosted programmes and budgets. Mr Curtis explained that the requirements and controls were the same as those for mainstream SHA activity.

07/64 Review of Standing Orders, Standing Financial Instructions and Scheme of Reservation and Delegation of Powers

Mr Joyce introduced the annual review of the above. The covering paper noted a number of minor changes. A more significant change was reported to the Terms of Reference of the Audit Committee, to enable the Committee to approve the SHA's accounts. It was noted that executive powers would not be delegated to the Remuneration and Terms of Service (RATS) Committee as had at one stage been considered. Instead the RATS Committee would continue to provide a report to the Board, with confidential minutes retained on file.

The proposed amendments to the Corporate Governance Manual would be reported to the Board at its meeting in February.

Action: Mr Joyce & Ms Dally (Board FP)

07/65 Tender Waivers

Three waivers were noted and accepted by the Committee.

07/66 Auditors Local Evaluation – NHS Organisations across Yorkshire and the Humber

Mrs Matthews introduced the report that summarised organisations' performance in the ALE assessment across the patch. Some organisations were performing well but others were failing to achieve minimum standards in key areas. Nine organisations were assessed as inadequate. Some organisations were reported to be 'marking time' and were concerned that the added value of moving from category three to category four did not currently merit the management costs

DRAFT

required. It was suggested that a report should be presented to the next meeting on the progress of action plans and there would be a further discussion on the appropriate level of response for some 'coasting' organisations.

Mr Lundy responded by saying that a level 2 score, particularly for organisations emerging from recent restructuring, should be recognised as a good score and a demonstration of sound systems in place. Improvements in many cases depend on embedding changes to systems, policies and practices and will therefore take time to be delivered.

Action: Mr Curtis(FP)

07/67 National Programme for Information Technology

John Hampson, Deputy Chief Information Officer, joined the meeting to present his report. His detailed presentation covered a wide range of issues including organisational responsibilities, performance management, finance and governance.

The Chairman explained that he had had the benefit of an extended discussion with Mr Hampson, which had helped to clarify a number of issues. Mrs Jack requested that a similar session be scheduled for her.

Action: Mr Hampson

Mr Hampson outlined some of the most significant risks to the Programme. These included: the late delivery of an adequate product for further deployment in secondary care; difficulties faced by the SHA in trying to reconcile delivery of contracts and volume commitments.

Mr Hampson reported that a strategy for Yorkshire and the Humber had been agreed by the NPfIT Programme Board, chaired by Rob Cooper. An integrated product would provide a primary and community solution, which would be subject to an accelerated roll out. The ambition was to achieve 70% take up by GPs by March 2009.

By the end of the week, it was expected that all 14 PCTs in Yorkshire and the Humber would commit to deploying the same community and child health system, enabling the sharing of clinical records in primary and community care.

The Committee was informed that the timetable for 'Lorenzo' had changed. There would now be four smaller releases phased over a period from 2008 to 2011. The ongoing late delivery of products has meant that CSCA (Computer Science Corporation Alliance), the Local

DRAFT

Service Provider has lost £5.1 m of income against the three contracts that relate to North, Midlands and East.

The Committee resolved to pick-up risks to the NPfIT deployment with Mr Cooper at the next meeting.

The Chairman expressed the view that progress had been made in increasing the Committee's understanding of issues around the NPfIT. He commented that he would like the Board to have something against which it could monitor progress, confirming deployment, confirming costs and performance against targets. The Committee proposed that this information should be incorporated into the Performance Report to the Board.

Action: John Hampson

07/68 **Audit Committee Workplan**

Mr Joyce introduced the paper. A number of changes were made. The Annual Audit Letter needed to be taken to the Board in September 2008. The Counter Fraud Annual report should be available in June 2008 for consideration by the Committee. It was agreed that a special meeting of the Committee was needed to review draft accounts on 6 May. At its May meeting, the SHA Board would be asked to authorise the submission of accounts. The main scrutiny of the accounts would be by the Audit Committee on 12 June 2008.

07/69 **Any Other Business**

The loss of two mobile phones was reported. One of these had been used to make a quantity of premium-rate calls before its loss was reported and the account closed. In accordance with the SHA's governance arrangements, a formal note would be sent to the Director of Finance.

Post meeting note

The Department of Health wrote to the SHA on 31 December 2007 to inform the SHA that 2007/8 accounts submission should be made by

Unaudited	1 st May 2008
Audited	23 rd June 2008

This is earlier than previous years as part of the Department's effort to support early closure of the whole of the government's accounts.

D R A F T

The SHA has also agreed that Board dates will be

1st April 2008 and 1st July 2008

As is evident the accounts submission dates fall between Board dates; this does not allow for Board adoption.

Following consultation between Mike Curtis of the SHA and Janet Matthews of the Audit Commission (and the SHA Audit Manager) the following process is proposed.

1 April 2008 present year end process to the Board

1 May 2008 draft accounts submitted to DH and Auditors

3 June 2008 Board Development session. A copy of the draft accounts and supporting report provided to all Board members

12 June 2008 Audit Committee to receive report of the external auditors on the draft accounts. Detailed scrutiny and approval of the accounts

Circa 19 June 2008 Chairman to action adoption of the accounts on behalf of the Board. Chairman signs balance sheet

23 June audited accounts submitted to DH
Audit certificate issued.

07/70 Dates of next meetings: 13 March 2008
12 June 2008
11 September 2008
11 December 2008