

## Yorkshire and the Humber Strategic Health Authority

### Audit Committee

#### Minutes of the meeting held on 14 April 2008 at Blenheim House, Leeds

<b><u>Present:</u></b>	Mr M Collier	Chairman
	Mr K Ramsay	Non Executive Director
	Mr I Walker	Non Executive Director
<b><u>In attendance:</u></b>	Mr N Bell	Internal Audit
	Mr R Cooper	Yorkshire and the Humber SHA (Items 1 and 2 only)
	Mr M Curtis	Yorkshire and the Humber SHA
	Ms J Dally	Yorkshire and the Humber SHA
	Mr S Gregg	Audit Commission
	Mr M Joyce	Yorkshire and the Humber SHA
	Mrs J Matthews	Audit Commission
	Ms S Murray	Internal Audit
	Mr R Powell	(Minutes)
<b><u>Apologies:</u></b>	Mrs J Jack	Non Executive Director
	Mr P Lundy	Audit Commission

The Chairman welcomed those present to the meeting and introduced Mr Ramsay as a new member of the Committee.

#### **08/01 Minutes of the meeting of the Audit Committee held on 10 December 2007**

The minutes of the meeting held on 10 December were agreed as a correct record.

i) 'Your Business at Risk'

Due to the change of meeting date, Mr Kidd was unable to attend the Committee to discuss the status of activities relating to the delivery of actions arising from and related to the 'Your Business at Risk' Audit 2007. However, the Committee noted that there had been a particular drive on IT / data security and data flows following recent guidance issued by the Department of Health.

Based on the information provided, Mrs Matthews suggested that the staff survey should now be repeated to enable year on year comparative performance ratings. This was agreed.

**Action: Mrs Matthews**

ii) NEDs Training and Development

Mr Collier made reference to the notes of a meeting which he had attended on 28 February 2008 to discuss the training and development needs of Non Executive Directors.

Mr Collier confirmed that Mr Hunter had now transferred his employment from the Appointments Commission to the SHA. Members felt that this move would be of distinct benefit and would enable the SHA to have a greater influence into the training packages designed for Non Executive Directors.

Following his attendance at a workshop organised by the National Audit Office, the Chairman commented on the increasing pressure and workload of Non Executive Directors, particularly those within Trusts which were in the process of applying for FT status. Mr Collier asked for copies of the papers he received at the workshop to be circulated to Mr Ramsay, Mr Walker and Mrs Jack.

**Action: Mr Joyce**

iii) Annual Accounts Arrangements

Mr Curtis outlined the process for the sign off of the SHAs Annual Accounts. The following key dates were suggested and agreed;

1 May 2008 – Draft accounts completed and submitted to the Department of Health and Auditors

3 June 2008 – Draft accounts reviewed by the Board at the Board Development Session

12 June 2008 – Final accounts signed off by the Audit Committee

23 June 2008 – Final accounts submitted to the Department of Health

The Non-Executive members confirmed that they did not wish to review the draft accounts prior to the Board Development Session but agreed to raise any concerns or issues as appropriate.

**Action: Mr Curtis**

iv) Corporate Manslaughter

It was noted that a session on the implications of legislation relating to Corporate Manslaughter was held at the Board Development Session on 6 May. It was also agreed that the Audit Committee would receive an update at its meeting on 12 June.

**Action: Mr Powell (forward plan)**

v) Audit Committee Self-Assessment

Following discussion at the last meeting, Mr Collier reported that he had written to the Chairman of the SHA outlining the views of the Committee in terms of its self-assessment. It was also noted that he had recommended that the Chairman and the Chief Executive of the SHA be asked to attend an Audit Committee meeting as an observer, from time to time.

Mr Collier asked for clarification on the elements and functions of the Corporate Secretary role and how these were being handled by the SHA. Ms Dally confirmed that elements of the corporate agenda, formerly within the remit of the Associate Director of Corporate Executive, would be picked up by the newly appointed Associate Director of Business Planning and Continuity, Bridget Gill. An update would be provided for the next meeting.

**Action: Ms Dally**

vi) Auditors Local Evaluation – NHS Organisations across Yorkshire and the Humber

Following discussion at the last meeting, it was noted that feedback to the SHA had indicated that there had been a general improvement in the ALE assessments across the patch but some organisations were not making enough progress to improve levels of performance.

It was agreed that the Audit Committee should actively encourage improvement to ensure that more consistent and sustainable assurances were maintained. Mrs Matthews agreed to speak to Mr Curtis outside of the meeting to discuss how this could best be facilitated and monitored.

**Action: Mrs Matthews and Mr Curtis**

**08/02 SHA Assurance Framework and Risk Register**

i) Update

Following significant discussion at the meeting held on 10 December 2007, Ms Dally presented a paper which provided information and progress on a number of categories of risk which had been identified from the Assurance Framework. The Committee welcomed the summary and the latest iteration of the Assurance Framework which had been updated following the comments and suggestions made at the previous meeting.

Mr Walker queried the colouring of the 'Risk Level' on page 5 of the Framework. Given the score, it was agreed that this should be amended to green.

Mr Walker also queried the risks associated with the Procurement Collaborative. Ms Murray confirmed that she was currently undertaking a piece of work to look at this. Ms Dally also confirmed that the SHA Board had raised similar concerns and that a paper on the work of the Collaborative was being taken to the July meeting. Regular updates would then be scheduled.

**Action: Ms Dally**

ii) Focus on Finance & NPFIT Risks

Following a request made by the Committee, the Director of Finance and Investment, Rob Cooper, had been invited to attend the meeting to discuss the risks which he felt were associated with Finance and NPFIT. A paper was circulated to aide discussion. The following six areas were highlighted;

- Board understanding
- Corporate expenditure
- Control totals
- Accounting treatments
- Data security
- Organisations at risk

Following a query raised by Mr Collier regarding the processes in place to overcome the issues, Mr Cooper reassured the Committee that although the issues raised were of concern, the SHA had proper and robust systems in place to ensure that they were being appropriately managed.

The Committee agreed that the discussions had been fruitful and that other Directors should be asked to attend future meetings to discuss areas of risk within their own portfolio. Once all the Directors had been seen, it was recommended that the Committee should undertake a brief analysis to consider whether any common themes had emerged.

**Action: Ms Dally**

**08/03 Third Party Liability Insurance**

As part of the SHAs Standing Financial Instructions, Mr Curtis confirmed that the Board had an obligation to decide whether it was appropriate to insure through the NHS Litigation Authority (NHSLA) for some or all of the risks covered by the NHSLA risk pooling schemes, or to self insure.

Mr Curtis made reference to the paper which had been circulated and Ms Dally and Mr Joyce highlighted some of the key points.

It was noted that SMT had considered the proposals and recommended membership of the Risk Pooling Scheme in the interests of limiting risks associated with potential employer and other third party liability claims.

Following careful consideration, the Committee also agreed that the SHA should insure against such risks through the NHSLA but suggested that 'market contestability' be looked into for future years.

#### **08/04 SHA VFM & FMIT (former ALE) 2007/08 Assessment – Update**

Mrs Matthews reported that the SHA had provided a very comprehensive assessment with good supporting evidence. Scores of 2 or 3 were anticipated against all key lines of inquiry.

#### **08/05 Internal Audit Progress Report**

Ms Murray referred to the Internal Audit progress reports which had been circulated with the papers. It was noted that work had been completed on the following areas;

- Financial Ledger
- Orders, Receipts and Payments
- Debtors
- Payroll

Overall, Ms Murray reported that the audits had established that the SHA had good systems and processes in place for each of the areas considered. Although members noted that a number of the actions had already been completed, the action plans still highlighted some areas where improvement could be made.

Mr Curtis confirmed that the recommendations from the audit report had been incorporated into the risk register for the finance directorate.

#### **Action: Mr Curtis**

Ms Murray also referred to a paper which had been circulated separately about the Internal Audit Quality Assurance Procedures. However, it was agreed to defer the paper until the September meeting of the Committee when it could be more appropriately discussed as part of the annual review of Internal Audit Services.

#### **Action: Mr Powell (forward plan)**

## **08/06 Counter Fraud**

### **i) Counter Fraud Plan and Progress Report**

Ms Murray referred to her report which gave an update on the progress against the Counter Fraud Workplan for 2007/2008. It was noted that since the last meeting, a number of further key actions had been undertaken to address some of the outstanding issues. The points raised in the action plan were also noted.

In terms of the compound indicators, members were made aware that the SHA had been awarded a score of two for its compound indicators self-assessment for 2006/07 which translates to an 'adequate' banding. A list showing the scores for each individual organisation across the patch was tabled.

Following notification of the banding, Ms Murray referred members to a copy of a letter which the SHAs Director of Finance and Investment had sent to the Acting Head of Quality at the NHS Counter Fraud and Security Management Service on 20 December 2007 expressing concern about the scoring process and the consequent impact on ratings.

Ms Murray confirmed that the concerns raised by Mr Cooper weren't unique and that the entire documentation for 2007/08 had been completely re-written to take account of the apparent anomalies with the weighting criteria.

### **ii) Fraud Risk Assessment**

Following an analysis of the questionnaires which had been issued to each directorate within the SHA, Ms Murray referred to a report on Counter Fraud Assessment which outlined her key findings as well as a number of areas within the assessment which may need to be taken forward and considered in the counter fraud plan for 2008/09.

When making the assessment, Ms Murray confirmed that each directorate had been asked to calculate its perceived level of risk using the scoring methodology outlined in the SHA's Risk Management Strategy.

Mr Ramsay raised concern about the scoring for Workforce and Education. Ms Murray agreed to clarify the figures.

#### **Action: Ms Murray**

Members were also made aware that a similar exercise to that completed internally would be undertaken for hosted programmes.

iii) Assessment against CIPFA Guidelines

A self assessment against each criteria had been undertaken. The assessment identified that the SHA has satisfactory arrangements in place that address the good practice identified in the self assessment checklist.

The completed self assessment was received and approved.

**08/07 Reports from SHA External Auditors**

i) Audit Committee Briefing Note

Mrs Matthews referred to the External Audit Progress Report which summarised the progress against the key aspects of the SHA's external audit letter for 2007/08. The report also included other matters of interest. The report and accompanying table will be updated for each Audit Committee meeting.

Mrs Matthews reported that she and Mr Curtis meet on a regular basis to discuss any issues of outstanding concern. Mrs Matthews confirmed that she found this particularly helpful.

ii) Annual Audit Letter – Action Plan

Members noted the action plan relating to the Annual Audit Letter together with the summary of recommendations and current position statements. In particular, Mrs Matthews commented on the robust processes which the SHA had in place to encourage all organisations to see ALE as part of their overall approach to developing good management arrangements and not simply as a financial requirement.

In considering recommendation R3 *Develop arrangements to maximize the benefits of the ESR system*, members asked that a report giving an update on progress be brought to the next meeting.

**Action: Mr Curtis / Ms R Smith**

The Committee agreed that actions which had been completed could now be removed from the list

iii) Review of Workforce Training and Education

Mrs Matthews presented the draft 2007/08 audit report on the review of workforce training and education. It was noted that although the SHA's strategic planning framework for workforce and education was developing, there was still a significant amount of work needed to bring it in line with current requirements.

Despite the need for additional work, Mrs Matthews was pleased to note that the SHA had gone back to basics in terms of looking at its figures for workforce and had not just taken the figures previously used by the three predecessor organisations.

It was acknowledged that the Director of Workforce and Education would be presenting a session on Workforce Strategy at the Board Development Session scheduled for 6 May. It was agreed that Mr Gilpin be asked to include a copy of the main conclusions and recommendations from the report in his presentation.

It was also suggested that the action plan be updated for the next meeting of the Committee and the Director of Workforce and Education be invited to come and give a progress report on the areas which are still outstanding and have not been fully addressed.

**Action: Ms Dally / Mr Powell (forward plan)**

iv) Draft Audit Plan 2008/09

Mrs Matthews presented the draft Audit Plan for 2008/09 which sets out the proposed work of the Audit Commission in relation to the 2008/09 accounts.

Members were made aware that the fee of £181,000 highlighted on page 6 of the Plan would likely be reduced to £178,000.

**08/08 Audit Committee Annual Report**

Mr Joyce presented a copy of the draft Audit Committee Annual Report which outlined the work undertaken by the Committee during 2007/08. Following consideration of the report, the Committee commended Mr Joyce for his efforts and confirmed that it gave a true reflection of the Committees activities.

Subject to amending 'District Audit' to 'Audit Commission' on section iii of page 4 , the Committee agreed that that report could be put forward for Board approval.

**Action: Mr Joyce**

**08/09 Audit Committee Work Plan Review and Forward Agenda**

Following discussions held at the December meeting regarding the self-assessment checklist, Mr Joyce presented a paper which highlighted those issued which had been discussed and required further action.

The Committee noted the paper and agreed that the actions should be taken forward as appropriate. It was acknowledged that a number of the actions had already been completed but others required further consideration.

In relation to issue 2, clinical governance, it was agreed that an internal audit report would be presented to the next meeting. Considering issue 3, Standards for Better Health, members requested a paper for the September meeting which outlined how compliance against the standards was being monitored.

Mr Joyce also made reference to a draft work plan for the Committee. Members approved the plan and agreed that the entries should be scheduled as appropriate.

**Action: Mrs Laban / Mr Cooper**

#### **08/10 Final Accounts Timetable**

This item was discussed under matters arising (iii).

#### **08/11 Tender Waivers**

Mr Curtis presented a paper which highlighted expenditure approved under the competitive tender waiver rules.

The Committee noted the report but raised concern about the amount of expenditure relating to Journey Management. Mr Curtis agreed to raise the Committees concerns with the Director of Communications and Public Relations, Mr Milner, and to report back.

**Action: Mr Curtis**

#### **08/12 Any Other Business**

There was no other business to report.

#### **08/13 Date of next meeting**

The next meeting of the Audit Committee is scheduled to take place on Thursday 12 June 2008 at 2:00 p.m. Auditors will meet with non executive directors in private at 1:30 p.m.