

## Yorkshire and the Humber Strategic Health Authority

### Audit Committee

#### Minutes of the meeting held on Wednesday 3 June 2009 at Blenheim House, Leeds

**Present:**

Mr M Collier	Chairman
Mr K Ramsay	Non Executive Director
Mr I Walker	Non Executive Director

**In attendance:**

Mr P Lundy	Audit Commission
Mrs J Matthews	Audit Commission
Ms J McDonough	Audit Committee (09/77, 07/78 & 07/79 only)

Mr N Bell	Internal Audit
Ms S Murray	Internal Audit
Mr M Walters	Internal Audit

Ms J Brittain	YHSHA (09/81 only)
Mr R Cooper	YHSHA
Mr M Curtis	YHSHA
Ms J Dally	YHSHA
Mr J Hampson	YHSHA (09/88 only)
Mr M Joyce	YHSHA
Mr K Milner	YHSHA (09/77 only)
Ms S Mitchell	YHSHA (09/77 only)
Mr R Powell	Minutes
Mrs G Pullan	YHSHA (09/77 only)
Mr G Smith	YHSHA (07/91 only)
Mrs V Smith	YHSHA

### **09/77 Annual Report and Accounts**

#### i) 2008/09 Financial Statements and Accounts

Mrs Smith gave a presentation and overview of the SHA's Financial Statement and Accounts for 2008/09. Mrs Smith highlighted that the SHA Finance team routinely produced 'monthly accounts', enabling the SHA to produce Annual Accounts earlier than ever before. It was also noted that the SHA had worked closely with External Audit throughout the year to enable any issues to be resolved on an on-going basis.

Mr Collier expressed his thanks and appreciation for the work which Mrs Smith and the finance team had undertaken in drawing the accounts together in what had been a shorter timescale than previous years due to the deadlines imposed by the Department of Health.

It was noted that the cash transactions during the year had led to a reduction in working capital. Although this did not present an immediate problem, it did highlight for the SHA's medium term plans, the dependency that the Authority had on the understandings with the DH that this would be restored in the future if circumstances required it, in the same way that it was expected that overall patch surpluses would be carried forward for access in future years.

It was agreed that an explanatory note should be included in the financial statements and annual report about this assumption made in relation to cash and the carry forward and the planned delivery of services.

**Action: Mrs Smith**

Subject to amendments to the notes, the Committee agreed that the Financial Statements and Accounts for 2008/09 should be formally approved.

ii) Annual Report

The Director of Communications and Public Relations, Karl Milner, referred to the draft Annual Report for 2008/09 which had previously been circulated and gave a brief summary of its content.

Within the section about the Directorate of Strategy and System Reform, Mr Ramsay asked whether the bullet point about the Regional Leadership Executive could be expanded to include more about the joint work being undertaken with the Jönköping County Council in Sweden. Within the same section, Mr Walker suggested that a paragraph highlighting the work around FTs should also be included.

Mr Ramsay asked whether the section on Serious Untoward Incidents involving data loss could be slightly amended to make it clear that it referred to the SHA and not the wider patch across Yorkshire and the Humber.

A query was raised about the way in which PCT names (i.e. NHS Sheffield) were written throughout the document. It was agreed that a paragraph would be included at the beginning of the report to address this issue.

In order to maintain transparency, a further query was raised about the remuneration of both the Interim Chief Executive and the Medical Director. Following a brief discussion, it was suggested that a note be included in the report to clarify their working arrangements.

Mr Collier thanked Mr Milner and his team for their efforts.

**Action: Mr Milner / Ms Mitchell / SSR**

iii) Head of Audit Opinion 2008/09

Mr Bell outlined his paper on the effectiveness of the System of Internal Control for the year ending 31 March 2009.

In summary, Mr Bell felt that much good work had been undertaken by the SHA over the past 12 months and that a Significant Assurance could be given around the sound system of internal control which had been put in place to meet the organisation's objectives.

iv) External Audit Annual Governance Report

Mr Lundy presented the External Audit Annual Governance Report. The key messages on page 4 of the report were noted. Mr Lundy and Ms Matthews commended the work of the SHA and, in particular, the finance team for providing very good working papers and dealing promptly with any queries.

The overall opinion on the arrangements for securing economy, efficiency and effectiveness in the use of resources at the SHA was Unqualified.

In terms of the Annual Accounts and Financial Statements, it was noted that once the amendments discussed earlier in the meeting had been made, the accounts would need to be re-submitted to the Auditor's for final sign-off.

**Action: Mrs Smith / Mrs Matthews**

**09/78 Minutes from the meeting held on 10 March 2009**

The minutes of the meeting held on 10 March 2009 were agreed as a correct record. The following matters arising were raised;

09/61 SUI – review of arrangements

It was understood that the Independent Investigations Committee had received the paper from Mrs Matthews and were in the process of looking at how it might impact on their work.

09/64 University payments

Following a query raised by Mr Walker at the last meeting, Mr Curtis confirmed that the SHA was now only making advance payments (e.g. rent, rates), where allowable or required. It was noted that previous advance payments had been made to help manage the SHA's cash position at year end. However, as a result of improvements to the SHA's cash flow forecasting, prepayment to the University sector at the year end to manage the SHA cash position was not necessary.

### Security of data transfers

Ms Murray confirmed that further evidence on the security of data transfers had been supplied by Mr Hampson and his team.

### 09/67 Health Inequalities Audit Report

Mr Lundy confirmed that the work to map the themes of the audit report against the delivery plan was nearing completion and would be issued shortly.

**Action: Mr Lundy**

### 09/71 Write off of unrecoverable debts

Mr Curtis confirmed that the SHA was still working to recover debts from the Department of Health and Siemens Shared Services. It was agreed that a further report would be brought to the next meeting.

In view of the recent media coverage, Mr Collier requested a paper on private patient income debts which had recently been written off by Leeds Teaching Hospitals NHS Trust. Mr Curtis agreed to prepare a short summary for the next meeting.

**Action: Mr Curtis**

### **09/79 Comprehensive Area Assessments**

The Committee received a presentation from the Audit Commission's Comprehensive Area Assessment (CAA) Lead, Joanne McDonough. It was noted that the introduction of the Comprehensive Area Assessment was a landmark in the development of independent assessment of public services.

Ms McDonough summarised the key elements of the new system which came into force on 1 April 2009 and explained how they linked into 5 main CAA characteristics.

A copy of Ms McDonough's presentation was circulated for reference.

Mr Collier queried how the CCA would impact on the work of the Audit Committee and what its responsibilities might be in the future. Mr Collier also suggested that it may be appropriate for any issues to be considered by the Board at some point in the future.

Ms McDonough confirmed that as the programme was still in its early stages, it was difficult to assess the level of impact which the assessments may have. The first report was expected in November 2009.

## **09/80 Matters arising not covered by the agenda items**

### **i) Handbook Self-Assessment Checklist Action Plan**

At its meeting on 10 December 2008, the Committee undertook an annual review of the Audit Committee Handbook checklist. As a result, a number of points were identified which required further action.

Mr Joyce presented a schedule which showed the relevant Checklist items, together with the Committee's response to those items and any further actions. A suggested approach to implementing the actions was also included.

The Committee agreed the schedule and the proposed way forward to implementing the actions.

### **ii) Update on the Review of Assurance Frameworks**

The Committee received an update on the Review of Assurance Frameworks for NHS Organisations within the Region.

It was noted that the deadline for submitting reports to the Department of Health was 19 June. It was therefore agreed that a further report outlining the results of the submission would be brought to the next meeting.

**Action: Mrs Ambler / Mr Powell (for forward plan)**

### **iii) IFRS reporting procedures**

Mrs Smith presented a paper relating to the new arrangements which NHS bodies are expected to adhere to when preparing their accounts. The new system requires all NHS organisations to meet the requirements set by the International Financial Reporting Standards (IFRS).

Mr Collier asked Mrs Smith and her team to review the documentation to ensure that the SHA's own accounting procedures were fit for purpose and mirrored the requirements expected by the IFRS. It was agreed that a further report outlining that work and any potential issues or areas of concern should be brought to the Audit Committee meeting in either September or December 2009.

**Action: Mrs Smith / Mr Powell (for forward plan)**

### **iv) NEDs Development Update**

On behalf of the SHA's Development Manager for Chairs and Non Executive Directors, John Hunter, who had been unable to attend the meeting, Mr Collier circulated a brief paper which outlined the learning and development activities for Non Executive Directors and Chairs.

The contents of the report were noted and it was agreed that future reports and associated minutes of meetings should be brought to the Committee twice a year.

**Action: Mr Hunter / Mr Powell (for forward plan)**

#### **09/81 Approval and Reporting of Resource Limit Transfers**

Following reports to a previous meeting, Ms Brittain presented a paper on the approval and reporting of resource limit transfers.

The Committee's attention was drawn to section 3 of the report which highlighted the different categories for the varying types of transaction and criteria applied.

Mr Ramsay raised a query regarding the proposed process for approving the transfers and questioned how the Committee could approve a process in which they would have no future involvement, as information would be reported direct to SMT and the Board. Following discussion, the proposals in the paper were agreed and a further update would be presented to the next Audit Committee.

**Action: Ms Brittain / Mr Powell (for forward plan)**

#### **09/82 Internal Audit**

##### **i) Internal Audit Progress Report**

Ms Murray presented a progress report on the work of Internal Audit. It was noted that seven audit reports relating to the 2008/09 audit plan had been undertaken throughout the year. Five had been completed and two were in the final draft stage:

YH03/2009 – Financial Ledger  
YH08/2009 – Budgetary Control  
YH09/2009 – Payroll  
YH10/2009 – Order, Receipt and Payment  
YH11/2009 – Financial Patch Performance Management  
YH12/2009 – Training of Postgraduate Trainees  
YH13/2009 – ESR Probity Review

In relation to YH03/2009, Ms Murray confirmed that the actions highlighted on page 6 of the report had all now been completed.

In discussion, particular attention was drawn to the action plan of report YH08/2009 which reminded staff that all virements should be authorised in line with the documented policy in the Budget Manual.

Turning to the report on Financial Patch Performance Management (YH11/2009), reference was made to the section of key findings and, in particular, the first paragraph about documenting procedures for IAT requests and other activities within the Performance Management function.

ii) Internal Audit Annual Report 2008/2009

Ms Murray presented the Internal Audit's Annual Report for 2008/09. The contents of the report were noted and accepted.

Mr Collier thanked Mr Bell and Ms Murray for the work that they had undertaken throughout the year.

iii) Internal Audit Plan 2009/2010

The Committee noted the Internal Audit Plan for 2009/2010. Mr Collier requested that an audit of SHA expenses was incorporated into the plan.

**Action: Ms Murray**

**09/83 Assurance Framework – Discussion of risk relating to Strategy and System Reform**

Ms Roughton outlined the process for identifying, managing and monitoring risks within her areas of responsibility. This included regular review of operational risks with her senior team and monthly review with the whole directorate.

Ms Roughton explained that although she had not yet agreed her personal objectives for the year ahead with Bill McCarthy, in the interim she was leading on a number of the functions formerly carried out by the Director of Performance and Delivery.

Ms Roughton identified her top three risks going forward. Firstly, maintaining momentum of the FT pipeline. The SHA had been clear that deviation from agreed trajectories would be unacceptable. However, given the challenges faced by some of the remaining organisations, work was taking place in parallel to identify possible alternative solutions should FT progression ultimately not prove possible.

The second high level risk was around Transforming Community Services and specifically for the SHA, how it reached a strategic view about the overall shape of the supply side in Yorkshire and the Humber.

The third issue was the service strategy for Mid-Yorkshire and the prospect of a consultation on changes affecting three hospitals, against a context of complex financial issues.

Underpinning all the risks was the impact of the economic position and political uncertainty leading up to the next election.

Ms Roughton commented that in the medium term (2012 onwards), she perceived the major risk to be around the ability to staff smaller hospitals, with a tension between Royal College views of clinical risk and public expectations around local access to services.

The Committee thanked Ms Roughton for her contribution and noted that it would be helpful to set aside Board time at some stage to review medium term risk.

The Committee noted the Assurance report and deferred consideration of the future attendance of directors at meetings until after the first round was complete.

#### **09/84 Counter Fraud**

Ms Murray introduced Michael Walters as the new Local Counter Fraud Specialist for Yorkshire and the Humber.

i) Annual Counter Fraud Report

The Committee received the Annual Report of Counter Fraud Work for the SHA. Ms Murray summarised her work over the past year and the report was accepted

ii) SHA Fraud Work Plan 2009/2010

The draft Counter Fraud and Corruption work plan for 2009/10 was received and accepted by the Committee.

#### **09/85 External Audit**

i) External Audit Progress Report

Mrs Matthews summarised the progress on the key aspects of the SHA's External Audit Plan for 2008/09. Mrs Matthews confirmed that the work relating to the Value for Money and Financial Management Tool was nearing completion and made reference to a document titled 'Figures You Can Trust' which was tabled for information.

It was noted that the work on 'Your Business at Risk' would be presented to the September meeting of the Committee.

**Action: Mrs Matthews / Mr Powell (for forward plan)**

ii) Governance Arrangements

A report on the Governance Arrangements of the SHA was presented to the Committee. It was noted that whilst the Audit concluded that the Board carried out all six of its key functions, there was a need for it to reflect on the degree to which each function was addressed and how this might be improved.

Given some of the issues contained within the report, the Committee felt that it would be helpful if Mrs Matthews were to attend a future meeting of the Board to discuss its content in further detail. Mr Collier undertook to discuss this recommendation with the Chairman.

**Action: Mr Collier**

iii) External Audit Plan 2009/2010

Mr Lundy referred to a copy of his letter to Mr Cooper dated 17 March 2009 which outlined the work which the Audit Commission planned to undertake for the 2009/10 financial year. It was noted that the fee for the work was based on the risk based approach to audit planning as set out in the Code of Audit Practice and work mandated by the Audit Commission for 2009/10.

Mr Lundy also confirmed that he met with Mr Cooper on a regular basis and planned work was continually reviewed in light of their discussions.

The proposed audit plan for 2009/10 was noted and agreed.

iv) Triennial Review of Internal Audit

Mr Lundy presented a report which had been compiled following the Triennial Review of Internal Audit.

Mr Lundy confirmed that the Commission's approach was two-fold. The first stage involved the Head of Internal Audit completing a self assessment against the NHS Internal Audit Standards and the second involved a review and evaluation of the self-assessment and supporting evidence.

Overall, it was concluded that the Audit had highlighted a number of areas of good practice and one or two areas where improvements could be made. An action plan had been developed and would be reviewed regularly.

Mr Cooper confirmed that the internal review of Internal Audit services across the region was still on-going and that a paper would be brought to the next meeting.

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

#### **09/86 Procurement Process**

As a result of the discussions held at the meeting held on 10 March 2009, Mr Curtis presented a paper which gave a number of suggestions for an amendment to the SHA's single tender approval / tender waiver process.

Following some debate, it was agreed that the current process should be left in place for the time being and reviewed again at a later date.

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

For the next meeting, Mr Collier suggested that it would be helpful to have a brief analysis of the reasons given for undertaking single source tenders, over the last 12 months.

**Action: Mr Curtis**

#### **09/87 Tender Waivers**

The Committee noted the waivers of Standing Financial Instructions in respect of formal tendering procedures.

#### **09/88 Information Governance**

Mr Hampson presented an update on a number of matters of Information Governance both internal to the SHA and across organisations within the SHA area.

It was noted that from 2009/10 onwards NHS organisations must baseline their performance within the IG Toolkit self-assessment at the end of July and update the assessment with any improvements at the end of October to enable performance and actions to be tracked by SHAs, commissioners and other monitoring bodies.

The current position was noted.

#### **09/89 Audit Committee Annual Report to the Board**

Mr Joyce presented a draft of the Audit Committee's Annual Report to the Board. Subject to minor amendments, the report was agreed by the Committee and would be submitted to the Board.

**Action: Mr Joyce**

#### **09/90 SHA Use of Resources 2009/10**

The Committee received and noted a paper from Mr Curtis which set out the changes to the mechanism for assessing SHA performance on value for money and use of resources. The paper also highlighted the steps being taken by the SHA to respond to this change.

#### **09/91 Travel and Subsistence Policy**

Mr Smith presented a policy statement on the reimbursement of travel and subsistence expense for the SHA.

After some discussion, it was agreed that the paper should be submitted to the Remuneration and Terms of Service Committee for ratification. In addition, Mr Smith was asked to check that the proposed rates were in line with other SHAs outside the south east.

**Action: Mr Smith / Mr Powell (for RATS Committee forward plan)**

#### **09/92 Audit Committee Forward Plan**

The Committee noted the Audit Committee Forward Plan.

#### **09/93 Any Other Business**

There was no other business to report

#### **09/94 Date and time of next meeting**

The next meeting of the Audit Committee is scheduled to place on Wednesday 30 September between 12:30 and 4:30 p.m. in the Boardroom at Blenheim House in Leeds.

#### **Post meeting note:**

Due to a clash with the Annual Audit Committee Conference the SHA Audit Committee meeting scheduled for 30 September has been moved to 28 September to accommodate those NEDs wishing to attend the conference.