

## **Yorkshire and the Humber Strategic Health Authority**

### **Audit Committee**

#### **Minutes of the meeting held on 14 March 2011**

<b>Present:</b>	Mr I Walker	Chairman
	Mr G Johnston	Non-executive Director
	Mr K Ramsay	Non-executive Director
<b>In attendance:</b>	Mr P Lundy	Audit Commission
	Mrs J Matthews	Audit Commission
	Mr N Bell	Internal Audit
	Ms S Murray	Internal Audit
	Ms J Brittain	Y&tH SHA (item 11/07 only)
	Mr M Curtis	Y&tH SHA
	Mr B Jackson	Y&tH SHA (item 11/04 only)
	Prof. P Johnstone	Y&tH SHA (item 11/08 only)
	Mr M Joyce	Y&tH SHA
	Mr B McCarthy	Y&tH SHA
	Mrs V Smith	Y&tH SHA
	Mr J Hunter	Development Manager for Chairs and Non-executive Directors (item 11/06 only)
	Mr R Powell	Secretary
<b>Apologies:</b>	Mr R Cooper	Y&tH SHA
	Ms J Dally	Y&tH SHA
	Mr M Walters	Local Counter Fraud Specialist (LCFS)

#### 11/01 **Apologies for absence**

The above apologies were noted.

#### 11/02 **Minutes of the previous meeting**

The minutes of the meeting held on 14 December 2010 were agreed as a correct record.

#### 11/03 **Matters arising**

##### a) **10/20 (e) – Write off of irrecoverable debts**

Following a request made by members at the last meeting, Mr Powell reported that Court papers relating to this case were currently being finalised and would be filed at Leeds Combined Court shortly. It was anticipated that a final judgement would be available for the May meeting.

**Action: Mr Powell**

b) 10/42 – Internal Audit Progress Report – YH08/2010

Mrs Smith reported that this matter was now concluded and the outstanding debt had been written off.

c) 10/73 (i) – Procurement procedures

Mrs Smith advised the Committee that the procurement manual had now been updated and was available to all staff via the intranet. It was reported that two training sessions on procurement had already taken place and that further sessions were being organised in conjunction with Hempsons Solicitors and would be aimed at senior managers. Mrs Smith reported that feedback from the sessions already held had been positive. And agreed to circulate a copy of the procurement manual to non-executive members for reference.

Following a query raised by Mr Ramsay about including staff from the Commercial Procurement Collaborative (CPC) in future training, Mrs Smith confirmed that it was the SHA's intention to invite members of the CPC to one of the future sessions.

**Action: Mrs Smith**

Mr Johnston raised a query in relation to the training that will be provided to staff within the emerging GP Consortia. Mr Curtis advised the Committee that this was an important issue which needed addressing by those involved in GP Consortia development.

d) Board Assurance Framework and Risk Register

On behalf of Ms Dally, Mr Powell reported that the Board Assurance Framework and Risk Register had been considered by the Board during the development session on 1 March 2011.

11/04 Information Governance update

The Chairman welcomed Mr Jackson to his first meeting of the Audit Committee and acknowledged that he was undertaking some of the work previously carried out by Trevor Parsons.

Following an action assigned to Mr Parsons at the last meeting, Mr Jackson reported that a letter had been sent to all NHS organisations across the patch by the SHA's SIRO, Tim Gilpin, on 5 January 2011 asking each organisation to identify those areas within the IG Toolkit which would only score 0 or a level 1 when their submission was sent to the DH at the end of March.

The Committee raised concerns with regards to the number of organisations on the matrix which had either not responded to the letter or was showing as red and therefore was unlikely to meet the required targets. It was noted that

requirements IGT 8-112 and IGT 8-324 were proving to be particularly challenging and those organisation which had not responded were being chased.

Mr Jackson re-assured members that although a number of Trusts were showing as red, this did not represent any increased risk to the confidentiality or security of any data, either personal or corporate. Mr Jackson reported that he was working with those organisations to try and address any significant issues and would also be taking the opportunity to look at what improvements each organisation had been made over the past few years.

Re-iterating his continued concerns, Mr Johnston confirmed that he was still unhappy with the overall process and the fact that an organisation would either pass or fail. Mr Jackson reported that the Mr Johnston's concerns were not unique and that representations had been made to the Department of Health on numerous occasions.

Mr Jackson also presented a paper which set out the SHA's position in relation to the annual IG Toolkit submission. The Committee noted that there were still one or two areas requiring attention but was re-assured that an action plan had been put in place to ensure that all of the key standards were met by the 31 March deadline.

The Committee recognised that once the IG data was published, organisations would need to be mindful of any reputational issues which may be highlighted as a result.

## 11/05 **Draft Audit Plans – 2011/12**

### a) Internal Audit

Ms Murray presented the draft audit plan for 2011/12. It was noted that the plan had been based on the following key audit risks:

- Continued functioning of core processes
- Robustness of plans to manage the transition to successor organisations
- Management of the migration of functions and hosted programmes

In considering the draft plan, the Committee recognised that in order to meet changing priorities, the proposed areas of work needed to be flexible and interchangeable. It was also acknowledged that any work undertaken needed to be monitored against the key risk areas and would be subject to a regular assurance process to ensure that systems were not relaxed during the transition period.

It was also noted that the SHA had already identified a number of lead officers to manage key risk areas arising from the transition and members noted the proposed scope of work for the forthcoming year.

Mr Curtis reminded members that it was important to leave behind a strong legacy for new organisations.

Ms Murray made the Committee aware that the number of core audit days had reduced from 206 days in 2010/11 to 178 days in 2011/12. However, this did not include an additional 35 days which had been identified for work on the management of the transition.

In answer to a question about fees, Mr Bell confirmed that he anticipated the rate to remain at £250 per day.

The draft audit plan for 2011/12 was approved.

b) External Audit

Mrs Matthews referred to the annual audit fee 2011/12 letter which had been sent to Mr Cooper at the end of February and reported that there was a 20% reduction in fees compared to 2010/11.

Mrs Matthews confirmed that she was working with internal audit to ensure that any work was not duplicated and would be taking a flexible approach to meet the needs of the SHA during the period of transition. It was suggested that one area of work could be to prepare a rolling legacy document outlining key issues.

The content of the letter was noted and agreed.

11/06 NEDs training and development update

Mr Hunter referred to the key points in the NEDs training and development report and provided details of the proposed learning and development programme for 2011/12.

The Committee were made aware that the only training which had not been included in the 2011/12 programme was that relating to chairing skills. However, Mr Hunter confirmed that this could be re-instated if there was sufficient demand.

Following a question raised by Mr Walker as to how the courses were being publicised, Mr Hunter reported that information relating to all courses was generally e-mailed to each and every NED across the patch.

Mr Johnston raised a query about the NEDs training and development programme going forward. Mr Hunter confirmed that this was an area he was currently looking into and was working with colleagues in other areas to share ideas, good practice and develop a way forward to ensure that any training delivered was fit for purpose.

The report presented by Mr Hunter was noted.

## 11/07 **Approval and reporting of resource limit transfers**

At its meeting on 3 June 2009, the Committee agreed a protocol for the approval and reporting of revenue resource limit transfers from 2009/10 onwards.

A recent review of the protocol by Internal Audit had provided significant assurance that the agreed protocol had been implemented and was being complied with. As part of the audit, it was recognised that a number of recommendations had been made and incorporated into a revised protocol for consideration by the Committee.

Noting the content of the updated protocol, the Committee acknowledged that the majority of non-routine transactions were now reported to and approved by the Board and noted by SMT rather than the other way round.

Mr Walker asked Ms Murray to comment on the updated protocol. Ms Murray confirmed that the protocol gave a true reflection of the audit recommendations and, in her opinion, had been updated appropriately.

In considering a way forward, it was agreed that a schedule of all resource limit transfers would be shared with the SHA Board for 2011/12 basis for those months where DH allow resource limit transfers. Ms Brittain would circulate the information to members by e-mail.

### **Action: Ms Brittain**

The Committee agreed that the updated protocol be approved.

## 11/08 **Health inequalities and the public health agenda**

Mr Walker welcomed Professor Paul Johnstone to the meeting.

Following the audit report on health inequalities and discussions at the last meeting, Professor Johnstone was invited to give an overview of the work which he and his team were doing to tackle health inequalities across the patch.

Professor Johnstone outlined the content of the delivery plan which was presented to the SHA Board at its meeting on 1 March 2011 and the five key areas of work were noted.

Professor Johnstone reported that in terms of performance, a spearhead approach had been adopted across Yorkshire and the Humber. As a result, it was acknowledged that a number of work areas had seen a significant improvement although it was recognised that much work still needed to be done.

Following a question raised by Mr Johnston about a common pathway of approach, Professor Johnstone confirmed that work was currently underway to develop local linkages which would allow the different work streams to move forward in parallel and take a systematic approach.

Professor Johnstone also reported that he had met with a number of Local Authority Chief Executives regarding a collaborated way of working with Directors of Public Health to take forward the work associated with addressing the wider determinants of health and supporting people to improve their lifestyles.

Focusing on the recommendations highlighted in the audit report, Mr Walker asked what actions had been taken to date. Mrs Matthews confirmed that the SHA was beginning to work through the recommendations and that she had recently met with Dr Cathy Reid to discuss progress. Members were also made aware that Mrs Matthews would be meeting with Professor Johnstone towards the end of March to discuss progress further.

Noting the content of the delivery plan, the Committee also raised concern to whether the key milestones were achievable within the resources available. Professor Johnstone confirmed that this would be considered as part of the overall workforce issue and would be discussed with Mrs Matthews later in the month.

Mrs Matthews agreed to provide feedback on the discussions with Professor Johnstone at the next meeting.

**Action: Mrs Mathews**

Finally, it was suggested that a 'legacy' document be produced which sets out progress to date in reducing health inequalities in Yorkshire and the Humber and identifies the priorities for action by successor bodies.

**11/09 Internal audit progress report**

Ms Murray presented the internal audit progress report and members were made aware that good progress against the 2010/11 plan had been made. It was noted that four audit reports had been discussed and agreed with management since the last meeting.

In relation to the first report – YH04/2011, Financial Systems, the Committee noted that the audit had provided significant assurance that the objectives for the three financial systems reviewed had been achieved. The majority of actions from the audit were noted to have been completed.

In terms of the second report – YH05/2011, University Payments, the Committee were again made aware that the audit had provided significant assurance and that the one action had been completed.

Considering the third report – YH06/2011, Innovation Service, Mr Ramsay highlighted the first paragraph of the key findings with regards to the audit identifying a significant number of learning points from the procurement exercise. Mr Curtis referred to the comments made by Mrs Smith earlier in the meeting and confirmed that the procurement manual had been updated.

The Committee were made aware that the report made several references to the advice provided by the Commercial Procurement Collaborative. Mr Curtis confirmed that the SHA was in discussion with the CPC regarding the report and the recommendations made within it.

In terms of the action plan relating to the third report, Mr Joyce reported that all of the actions had been completed.

The Committee noted that the fourth report relating to audit YH08/2011, Learning and Development Agreements, was given full assurance and that the only action was due to be completed by the end of June 2011.

In respect of the outstanding actions arising from audit YH10/2010, Safeguarding, the Committee noted that the completion date for the outstanding action was September 2010. Ms Murray was asked to continue to pursue this action with the SHA's safeguarding lead.

**Action: Ms Murray**

#### 11/10 **External audit progress report**

Mrs Matthews presented a report which summarised the progress on key elements of the SHA's external audit for 2010/11 as well as other matters of interest.

The Committee were made aware that the timetable of audit work for the year end accounts was scheduled to begin on 26 April 2011.

Noting points 142-144 in the other matters of interest, the Committee raised concern about the increased risk and fraudulent use of the published financial data to prepare spurious invoices and bank account details. Mrs Matthews confirmed that she was not aware of any such cases relating to the SHA.

In relation to the various publications and other issues raised in the 'key considerations' section of the report, Mr Curtis agreed to prepare a briefing paper for the next meeting.

**Action: Mr Curtis**

11/11 **Audit Committee handbook checklist – outcome and actions of self-assessment exercise**

The Committee were made aware that members met prior to the full Audit Committee on 14 December 2010 to consider their annual self assessment based on the checklist contained in the latest version of the Audit Committee Handbook.

Noting item 49 of the checklist regarding the compliance of internal audit against the *NHS Internal Audit Standards*, it was agreed that a Charter of working practices be drawn up by internal audit and brought to a future meeting for future consideration.

**Action: Mr Bell / Ms Murray**

Turning to item 81, the Committee noted that a meeting had been held between internal and external audit to discuss and agree a scope of work which would result in the SHA seeing a slight reduction in costs relating to the Committee's expenditure.

11/12 **Financial Reporting Council – key questions for audit committees**

At its meeting in December 2010, the Committee's attention was drawn to a report issued by the Financial Reporting Council (FRC) in November 2010 which included a schedule of key questions for audit committees with regards to corporate reports. The Committee agreed to consider this further at their meeting in March.

The Committee noted that whilst the FRC report was mainly aimed at the private sector, the schedule of questions posed to audit committees did have some parallels in the public sector.

The Committee considered the draft responses which had been prepared by Mr Joyce and agreed that they all be accepted. The Committee were also satisfied that in respect of question 1, risks were also set out in the annual statement of internal control and therefore agreed that 'No' be changed to 'Yes'.

**Action: Mr Joyce**

Members thanked Mr Joyce for his work in preparing the draft responses.

11/13 **2010/11 annual accounts timetable**

Mrs Smith presented the annual accounts timetable for 2010/11 and outlined the key dates which had been agreed with external audit. The Committee were made aware that the new Director of Finance, Alan Wittrick, would be

taking up post at the beginning of April and would therefore present the accounts at the next meeting.

The Committee also noted that the SHA's draft annual report would also need to be considered at the meeting in May and therefore asked that Mr Milner be invited to present it.

**Action: Mr Powell**

11/14 **Tender waivers**

The Committee noted that in line with the SHA's Standing Orders, the Director of Finance had agreed to waive competitive tendering on two occasions since the last meeting.

11/15 **Audit Committee work plan**

The updated Audit Committee work plan was noted and agreed.

11/16 **Any other business**

There was no other business to report.

11/17 **Date and time of next meeting**

The next meeting of the SHA's Audit Committee is scheduled to take place on Friday 27 May 2011 in the Boardroom at Blenheim House, Leeds. The main meeting will start at 10:00 a.m. with a pre-meeting between NEDs and auditors at 9:30 a.m.