



Protecting and improving the nation's health

Minutes

Title of meeting	Audit and Risk Committee	
Date	Tuesday 7 June 2016	
Time	13:00 – 15:00	
Venue	Wellington House, 133-155 Waterloo Road, London SE1 8UG	
Present	Rosie Glazebrook	Non-executive member of PHE Board
	Michael Hearty	External Independent Adviser
	Martin Hindle	Non-executive member of PHE Board
	Sir Derek Myers (Chair)	Non-executive member of PHE Board
In attendance	Michael Brodie	Finance and Commercial Director
	Richard Gleave	Deputy Chief Executive (<i>for risk management deep-dive item</i>)
	Kishor Mistry	Deputy Director, Corporate Risk and Assurance
	Abdul Mohib	Lead Risk Management Adviser (<i>for risk management items</i>)
	Naseem Ramjan	National Audit Office
	Graham Reid	Department of Health
	David Robb	Department of Health Group Internal Audit
	Duncan Selbie	Chief Executive
	Alex Sienkiewicz	Director of Corporate Affairs
	Radhika Sriskandarajah	Head of Planning and Performance (<i>observer</i>)
	Alan Stapley	Deputy Director, Finance
	Andrew Strodder	Lead Assurance Adviser (<i>for assurance and IA actions item</i>)
	Felicia Wright	National Audit Office
	Mike Yates	ARC Secretary
Apologies	Simon Reeve	Department of Health

Introduction and apologies

16/066 Apologies were received from Simon Reeve.

16/067 The Chair mentioned that due to competing priorities, Poppy Jaman would no longer be a member of the Audit and Risk Committee. The Chair expressed his sincere thanks for the support Poppy had provided to the Committee in the past.

16/068 The Chair also acknowledged the departure of Bronwyn Baker from the Internal Audit team and also put on his record his thanks for the significant contribution Bronwyn had made to the Committee's work.

Minutes of the meeting on 23 February 2016

16/069 The minutes of the meeting held on 23 February 2016 (enclosure AR/16/18) were **AGREED** as an accurate record.

Matters arising

16/070 Enclosure AR/16/19. There were no matters arising due that were not covered elsewhere on the agenda.

Strategic risk register

16/071 Kishor Mistry, Deputy Director, Corporate Risk and Assurance, presented the updated Strategic Risk Register and the heatmap (Enclosure AR/16/20). He was accompanied by Abdul Mohib, Lead Risk Management Adviser.

16/072 Rosie Glazebrook asked how often senior management considered and discussed the register. Kishor Mistry told the Committee that national directors and their teams were asked to review the content on a quarterly basis, with an updated risk register going to the Management Committee for discussion. The process was robust, with all directors taking their responsibilities in this regard seriously.

16/073 The risk register was also reviewed and submitted as part of the papers for the Department of Health/PHE Accountability Meetings.

16/074 Alex Sienkiewicz, Director of Corporate Affairs, mentioned that the list of 'enterprise' risks on the Strategic Risk Register would be re-labelled as 'wider public health system' risks.

16/075 Rosie Glazebrook suggested that the mitigating actions for risk 1, relating to PHE's budget, should include something on the development of PHE's commercial strategy.

Action: Kishor Mistry, with Michael Brodie, to include a mitigating action to the SRR on the development of PHE's commercial strategy.

- 16/076 On risk 2, relating to workforce and capability, Rosie Glazebrook suggested that some re-working was needed to mitigating action 4 on the establishment of a working group to evaluate the appraisal process and propose updated arrangements for 2016. More detail was needed on timing, and the role and task of the group. Action: Kishor Mistry, with HR, to strengthen the wording of risk 2, mitigating action 4.
- 16/077 On risk 22, relating to local authority access to data, the Director of Corporate Affairs, Alex Sienkiewicz, said the interested parties would be getting together to determine how best to take this work forward. PHE/HSCIC senior bilateral meetings were now taking place regularly and these were proving helpful in working towards a resolution for this issue. The mitigations for risk 22 should be updated to reflect current joint and future work. Action: Kishor Mistry, with CKO colleagues, to update the wording of risk 22 to reflect current and future working and engagement.
- 16/078 It was suggested that now might be a good time to refresh the content of the Strategic Risk Register generally. Alex Sienkiewicz said a deep-dive session at a future Management Committee meeting would be arranged. Action: Alex Sienkiewicz and Kishor Mistry to plan a session with the Management Committee for reviewing the risks and content on the PHE SRR.
- 16/079 Referring to previous matters arising, Rosie Glazebrook asked whether a risk on terrorism had been considered. Kishor Mistry said it had, but it was felt that escalation of the issue to the Strategic risk Register was not needed at this time.
- 16/080 There was still some concern that without a Communications Director, the production of a communications strategy would not be possible by the date suggested. Although recruitment was taking place, it was suggested that the production of a strategy be put back to the end of the year. The wording of risk 13 should be amended accordingly. Action: Kishor Mistry and Abdul Mohib, with Comms, to amend the communications strategy date in risk 13.
- 16/081 Finally, Rosie asked that all dates for further mitigating actions be reviewed and that more had specific dates rather than just being labelled as 'ongoing'. Action: Kishor Mistry and Abdul Mohib to get firm dates where 'ongoing' is currently listed on the SRR.

Risk management deep-dive – Regions and Centres

- 16/082 Richard Gleave, Deputy Chief Executive and Director of Operations, described the region and centre governance, assurance and risk management environment. He spoke about the governance arrangements in regions and centres, the framework under which they operated and what elements of the strategic risk register related to them.
- 16/083 Centres represented PHE's 'front door' to the local health and care community and the public. Centres were also the primary interfaces with local government. For centres to operate effectively, line – management needed to be clear and centres needed to be supported with the right level and mix of resources. It was also important for good engagement and working between centre operations and central corporate functions (e.g. knowledge and health protection) to ensure that local delivery reflected national policy and to avoid duplication. *Securing our Future* had helped ensure that the delivery of corporate priorities at a local level happened effectively, and the governance was in place to ensure effective communication and decision-making (through the Delivery Board and other meetings).
- 16/084 The role of regions had changed with their role now being one of assurance rather than delivery. They were there to add value and to help ensure co-terminosity within the NHS footprint, working with centres to develop a tailored regional approach. The Delivery Board was receiving regular reports from regions, but each had tackled the reporting differently with different focuses. The regional directors would be getting together in the summer to consider the lessons learned from the first few reports and build on these. The Chair suggested that the report on the deliberations of the regional directors and the way forward be shared with the Committee.
- Action: Richard Gleave to provide an information paper when the regional directors have drawn up actions arising from a review of the Delivery board deep-dive sessions.
- 16/085 The regional and centre arrangements were working effectively, which meant the related risks on the strategic risk register:
- Influencing at all levels in the NHS;
 - Return on investment for the ring-fenced grant; and
 - The establishment of the Science Hub
- were also being managed well.
- 16/086 Rosie Glazebrook asked how effective the working relationships between PHE's regions and centres and other organisations, particularly NHS England, were. Richard Gleave said organisations were much clearer now about their individual and collective roles, and good working arrangements were developing.

16/087 The Chair suggested that the key test on risk management was to make sure that risks happening at the local level – closest to the public – could be identified, managed and escalated if necessary. The Committee heard that risk management processes were developing well and centres were part of the internal risk management development and scrutiny function delivered through the Risk Leads Group (which had representation from all PHE business areas). Escalation of risk was discussed at each meeting of the Group.

16/088 The Chair thanked Richard for his report.

Integrated Governance Report

16/089 Kishor Mistry presented the report (Enclosure AR/16/21).

As part of the work to embed quality and clinical governance across PHE, there had been an increase in the reporting of clinical incidents, which was encouraging.

16/090 Rosie Glazebrook informed members that a discussion had taken place at the Quality and Clinical Governance Committee on the scrutiny of revalidation on behalf of the PHE Board. It had been suggested that this would rest most comfortably with the Quality and Clinical Governance Committee rather than the Audit and Risk Committee. The Chair agreed.

16/091 The Committee **NOTED** the report.

PHE Assurance Framework

16/092 Andrew Strodder, Lead Assurance Adviser, presented the framework (Enclosure AR/16/22).

16/093 Andrew Strodder began by taking the Committee through the information and reporting arrangements, and the role of the Audit and Risk Committee.

16/094

It was important to put in place a consistent approach to assurance across the organisation and the framework would ensure that this happened. The process would feed into the completion of the annual governance statement.

16/095

Key risk areas had been identified for initial assurance investigation, including:

- Information governance;
- Quality and clinical governance;
- A number of systems-based reviews (e.g. workforce and capability; communications);
- Reviews of emerging areas (e.g. Science Hub; CRCE); and,
- Accountability.

16/096 Michael Hearty had reviewed the documentation and said it was comprehensive and exemplary. Although this represented an excellent implementation plan, it would be important to ensure that the process was followed through as described. But the Committee was happy to support and endorse the approach.

16/097 It would also be important to ensure that suitable media were used to share and report information.

16/098 The Committee **NOTED** the paper and **ENDORSED** the process described.

Agreed internal audit actions summary

16/099 Enclosure AR/16/23. Martin Hindle led this item with David Robb, Internal Audit, and Andrew Strodder, Lead Assurance Adviser, responding.

16/100 Martin Hindle was pleased with the good progress that had been made in this area over the last year, and continued to be made. There was clearly still some work to do, but things were heading in the right direction.

16/101 David Robb said PHE and Internal Audit had worked very closely on this and the process improvements that had been introduced were beginning to work well.

16/102 The Committee **NOTED** the report.

Internal Audit progress report for 2015/16 and annual assurance report

16/103 David Robb, Internal Audit, presented this report (Enclosure AR/16/24).

16/104 Substantial progress had been made recently. The indicative audit plan presented to the last Committee meeting had been reviewed by the PHE Management Committee with a view to minimising expenditure, whilst simultaneously maximising necessary assurance. A revised 2016/17 plan was presented for approval.

16/105 All but one report had been presented with two reviews carrying over into 2016/17:

- VFM; and
- Vaccine programme expenditure

16/106 Four reviews had been deferred:

- The National Infection Service;
- Science Hub update;
- The tri-partite Improvement Hub; and,
- Data quality and data flow.

- 16/107 The Chief Executive asked that plans for taking forward the four deferred reviews be discussed at Management Committee. Action: Alex Sienkiewicz and David Robb to ensure the four deferred reviews are discussed at Management Committee.
- 16/108 The Chief Executive also requested that David Robb send him updates on programme slippage. Action: David Robb to provide the Chief Executive with regular (monthly) reports on IA review programme slippage.
- 16/109 Some work was still needed on the internal controls for agreeing and managing review actions, but the organisation had shown good improvement in this area. Overall, Internal Audit was happy to give PHE a reasonable assurance opinion.
- 16/110 The Committee **NOTED** the report.
- Internal Audit 2016/17 audit plan**
- 16/111 David Robb, Internal Audit, presented the plan (Enclosure AR/16/25).
- 16/112 The 2016/17 audit plan had been the subject of significant discussion between PHE and Internal Audit. 25 audits had been agreed.
- 16/113 David Robb confirmed that Internal Audit could carry out this number of reviews with the resources it had.
- 16/114 The Chair asked that an updated report on the VFM and Vaccine expenditure reviews being carried over from 2015/16 be presented as part of the Internal Audit report at the next meeting. Action: David Robb to update the Committee at the September meeting on the VFM and Vaccine expenditure audits.
- 16/115 The Committee **NOTED** and **AGREED** the programme.
- Losses and special payments**
- 16/116 AR/16/26. There were no particular items that needed discussion.
- 16/117 The Committee **NOTED** the report.

Update on meeting NAO/PAC recommendations

- 16/118 The Finance and Commercial Director, Michael Brodie, provided an update to the Committee on meeting the NAO/PAC recommendations (Enclosure AR/16/27). This would be the final update to the Audit and Risk Committee.
- 16/119 The Committee was asked to agree that the progress against actions was acceptable, and note that this final report would form the basis of the response of PHE's evidence to NAO.
- 16/120 The Committee duly **AGREED** the content and **NOTED** that the information would be communicated with NAO.

National Audit Office – Audit Completion Report

- 16/121 Felicia Wright and Naseem Ramjan presented the report (Enclosure AR/16/28). The audit report was substantially complete and NAO thanked the Finance and Commercial Director and his staff for their co-operation. NAO colleagues anticipated recommending to the Comptroller and Auditor General (C&AG) that he should certify the 2015-16 financial statements with an unqualified audit opinion, without modification.
- 16/122 The Audit and Risk Committee was asked to:
- review the findings set out in the report, including the draft letter of representation and audit certificates; and,
 - consider whether the identified unadjusted misstatements should be corrected.
- 16/123 Six significant risks had been highlighted:
- Regularity of grants to local authorities;
 - Risk of Fraud through management override of controls;
 - Accounting for inventories and stockpiled goods;
 - Accounting for Porton BioPharma Ltd;
 - Risk of Fraud through revenue recognition; and,
 - Impact of the Harlow move.
- 16/124 Each was considered and discussed.
- 16/125 On Porton BioPharma Ltd., NAO told the Committee that there was some evidence still outstanding, but the process of obtaining this was in train and they did not perceive a particular problem.
- 16/126 On the identified misstatements, NAO noted particularly that some control strengthening was needed regarding expenditure on the digital programme.

16/127 The NAO then described their recommendations on internal controls for the organisation, and the proposed letter of representation was discussed.

16/128 The Committee thanked the NAO for its report and **AGREED** the findings and recommendations, the letter of representation and the audit certificate, and **ACCEPTED** the unadjusted misstatements.

Annual report and accounts 2015/16

16/129 Enclosure AR/16/29. Michael Hearty led the item with Alex Sienkiewicz, Director of Corporate Affairs, and Michael Brodie, the Finance and Commercial Director responding.

11/130 Michael Hearty said he was content with the annual accounts and that the budget had been landed within an acceptable tolerance. This suggested robust financial management practices were in place.

11/131 Alex Sienkiewicz asked that the Committee **AGREE** the Annual Governance Statement forming part of the Annual Report, which it duly did.

Any other business

11/132 There was no other business.

Date of next meeting

11/133 Friday 23rd September 2016, 10:00-12:00, PHE Boardroom, Wellington House.

Meeting of members and auditors in the absence of officers

11/134 The meeting closed at 14:56.

Mike Yates
Board Secretary
June 2016