



Protecting and improving the nation's health

Minutes

Title of meeting	Audit and Risk Committee	
Date	Friday 23 September 2016	
Time	10:00 – 12:00	
Venue	Wellington House, 133-155 Waterloo Road, London SE1 8UG	
Present	Rosie Glazebrook	Non-executive member of PHE Board
	Michael Hearty	External Independent Adviser
	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 Science Hub deep-dive item</i>)
	Tim Harry	Science Hub Programme Manager (<i>for Science Hub deep-dive item</i>)
	Catherine Hepburn	National Audit Office
	Kishor Mistry	Deputy Director, Corporate Risk and Assurance
	Abdul Mohib	Lead Risk Management Adviser (<i>for risk management items</i>)
	John Newton	Chief Knowledge Officer (<i>for CKO risk deep-dive item</i>)
	Naseem Ramjan	National Audit Office
	Graham Reid	Department of Health
	David Robb	DH Internal Audit
	Cameron Robson	DH Internal Audit
	Duncan Selbie	Chief Executive
	Alex Sienkiewicz	Director of Corporate Affairs
	Alan Stapley	Deputy Director, Finance
	Andy Stephenson	Snr Planning and Performance Manager – IBMO (<i>for CKO risk deep-dive item</i>)
	Andrew Strodder	Lead Assurance Adviser (<i>for assurance and IA actions item</i>)
	Mike Yates	ARC Secretary

Apologies	Martin Hindle Simon Reeve	Non-executive member of PHE Board Department of Health
------------------	------------------------------	---

Introduction and apologies

16/137 Apologies were received from Martin Hindle and Simon Reeve.

Minutes of the previous meeting

16/138 Paragraph 16/121: should read “audit report” rather than “completion report”. Otherwise, the minutes of the meeting held on 7 June 2016 (enclosure AR/16/37) were **AGREED** as an accurate record.

Matters arising

16/139 Enclosure AR/16/19. There were no matters arising due that were not covered elsewhere on the agenda.

Science Hub ‘deep-dive’

16/140 Enclosure AR/16/43. The purpose of this presentation was to provide the Committee with details of the assurance arrangements in place for the programme.

16/141 The Outline Business Case (OBC) submitted in 2014 had been reviewed by the Department of Health (DH), Cabinet Office and HM Treasury in September 2015. The Chancellor announced £400m capital funding to create the PHE Science Hub in Harlow over the next eight years.

16/142 The programme had ramped up and was now progressing across a broad range of activities including:

- Construction procurement, with the recent issue of an OJEU notice;
- Town & Country planning pre-application work;
- Formation of a Business Change Strategy to link transition, benefits realisation, operational blueprint and people project;
- People project work including HR related policies and creation of an extranet site for staff and their families.

Assurance

16/143 The approach to assurance for the Science Hub was based on three ‘levels of defence’:

- line management within the programme assuring good stewardship;
- management oversight from within PHE but external to the programme;
- audit and review by sources external to the programme.

16/144

The strategy and plan was based on Managing Successful Programmes (MSP) quality and assurance methodology. The high level deliverables for the assurance strategy were:

- Ongoing assurances of progress against plan;
- Specific assurances around key outputs such as FBC, prior to approval;
- Assessment of whether the programme will delivery to time cost and quality;
- Reporting on assurance and outcomes to higher level for scrutiny;
- Internal informal and formal reviews;
- External reviews by independent subject matter experts/peer reviews;
- Gateway Reviews by DH on behalf of OGC.

16/145

The Chair asked the presenters what they were most pleased about and what their main concerns were. Tim Harry explained that there were some key town planning issues to resolve relating to Town & Country planning, including the compilation of an Environmental Impact assessment and extensive Harlow community and stakeholder engagement. This would require careful handling. The procurement strategy had progressed well and the organisation was where it expected to be at this stage. Overall, the programme was in good shape.

16/146

The Chair asked for clarification of the role of the Audit and Risk Committee. What would the Accounting Officer and the PHE Board like the ARC (ARC) to scutinise? Richard Gleave suggested that the ARC's views be taken on a regular basis, tying in with key Gateway reviews taking place over the next 2 and a half years.

16/147

The Chair asked what Internal Audit's input to scrutiny had been. David Robb said that a review would be commencing soon on how PHE was managing and engaging with its staff over the relocation.

16/148

The Chair thanked Richard and Tim for their presentation and agreed that good progress had been made thus far, and that the assurance processes and documentation was exemplary. He suggested that a deep-dive session on the programme take place with the ARC each September, taking account of Gateway reviews and findings and Internal Audit scrutiny (who might also offer specific views on programme assurance).

16/149

The Committee **NOTED** the report.

Action: Richard Gleave and Tim Harry to present an update on assurance of the Science Hub programme each September (MY to timetable).

Strategic risk register

16/150

Enclosure AR/16/39. Kishor Mistry and Abdul Mohib presented the

latest strategic risk register (SRR) and associated heatmap. Since the last ARC meeting, the total number of risks (15) had reduced by one; there was one new risk (PHE procurement processes); and two risks (Behavioural change and messaging; and Quality and clinical governance) had been de-escalated to directorate-level risk registers. The risk management team had also held a series of meetings with national directors to improve the quality of the information contained in the SRR.

- 16/151 Michael Hearty asked whether the meetings with national directors had been successful, how much progress had been made and how much more development was needed. Kishor Mistry said good progress had been made but there was still work to do. The wording of mitigating actions and controls still required further improvement and clarification, and better differentiation was needed between the PHE risks and enterprise risks. Ensuring that correct dates were included for individual actions had always been a challenge, but this was improving.
- 16/152 Michael Hearty also asked whether the risk management 'culture' in PHE was good. Kishor Mistry confirmed it was positive – there was good management of the strategic risks through the Management Committee.
- 16/153 Michael Hearty asked how wider health system risks were identified and managed. Graham Reid from DH explained that a full discussion of PHE's strategic risks were discussed at regular accountability meetings, and DH with PHE and its other agencies and arm's-length bodies had been working together on common processes for risk management. Internal Audit was also conducting piece of work looking at risk management across the sector.
- 16/154 On risk 1 (PHE's core operating budget), Michael Hearty asked whether the medium-term financial plan had been progressed. Michael Brodie said this was progressing. An organisational structure report was being done with spend relating to business objectives being assessed. This work was in its early stages and continued to be refined. The plan would be put to the Management Committee in the third quarter.
- 16/155 Michael Brodie was also asked about the risks associated with the ring-fenced grant. The key risk would be how PHE influenced the provision of local public health services without the statutory levers associated with managing the grant. The devolution debate was currently taking place with the Department of Health and others.
- 16/156 On risk 13 (PHE Communications), Rosie Glazebrook asked if the provision of a publications standard ought to be included as a key control or mitigation. Kishor Mistry said he would discuss this with

Action: Kishor Mistry to discuss the inclusion of

communications colleagues.

the publications
standard to risk
13 with
communications
colleagues.

16/157 The Committee **NOTED** the report.

Risk management deep-dive – Chief Knowledge Officer

16/158 Enclosure AR/16/40. John Newton, Chief Knowledge Officer presented. Andy Stephenson was also present.

16/159 The CKO division's remit included knowledge and intelligence but also a number of other functions including National Disease Registration, Research Translation and Innovation, and Digital.

16/160 Risk management within the division was sound, with all key functions using the PHE risk register tool and conforming to policies and procedures.

16/161 There were three strategic risks relating to the directorate's work:

- Local authority access to data;
- PHE's access to patient identifiable data is constrained; and,
- PHE suffers a major information governance failure.

16/162 All were fairly high risk but all were being well mitigated.

16/163 On local authority access to data, the current legal and policy framework means local authorities are unable to access the identifiable patient data many have stated is necessary to protect and improve local health. There is limited analytical capability and capacity in many local authorities. PHE is continuing to work with DH, NHS Digital and local authorities to clarify the capability deficit created by ongoing issues in accessing anonymised and identifiable public health data.

16/164 On PHE's access to patient identifiable data, discussions to continue the data exchange Memorandum of Understanding (MoU) with NHS Digital are still to be concluded. National proposals to extend the rights of patients to opt out of their identifiable data being processed present a serious risk to many PHE services. Work continues with NHS Digital and DH to ensure that PHE access to business-critical data continues.

16/165 Michael Hearty asked what the key element of risk was, as all things seemed to be in place. John Newton said agreeing the MoU had been problematic and there had been hard discussions with NHS Digital on its renewal. But progress was being made.

16/166 On the major information governance failure risk, relating to compliance with data protection law and the Caldicott principles, the limited corporate resources supporting IG and the delegated structure for managing information systems means consolidating and strengthening PHE's IG Toolkit performance is challenging. Directorate action plans are being agreed to focus work on key IG

priorities. The Caldicott function is being strengthened and all third party data sharing is coming under the central control of the Office for Data Release.

The Committee **NOTED** the report.

16/167

Integrated governance report

16/168 Enclosure AR/16/41. Kishor Mistry presented the report.

16/169 Michael Hearty asked whether the increased reporting of adverse incidents was good or bad. Kishor Mistry said it was good as there had been a problem in the past with all parts of the organisation reporting (and the problem did still exist in some parts of the organisation to some extent).

16/170 Michael Hearty asked about progress with the assurance process that had recently been initiated (paragraph 4.4 of the report). Andrew Strodder said good progress was being made with a high level of engagement across PHE. There had been a good level of acceptance of the programme. A particular challenge would be how limited assurance should be reported. Thought was being given to this.

16/171 The Committee **NOTED** the report.

Outstanding Internal Audit actions summary

16/172 Enclosure AR/16/42. Andrew Strodder and David Robb presented the report.

16/173 What was an unsatisfactory situation a few months ago had now stabilised and good progress had been made due to close working between PHE and Internal Audit. There were still some minor issues associated with people's ability to use TrackWise, but guidance and training was being offered.

16/174 In the report, Rosie Glazebrook asked what the difference was between "action progress" and "action made". Andrew Strodder explained the difference related to the significance of the action taken and when. It was accepted that the descriptors were not absolutely clear and consideration would be given to how they could be made clearer.

Action: Andrew Strodder and David Robb to consider how the descriptors in the audit actions summary report on 'action progress' and 'action made' might be made clearer.

16/175 The Committee **NOTED** the report.

Internal Audit progress report for 2016/17

16/176 Enclosure AR/16/44. Cameron Robson presented the report.

16/177 From 1st October 2016, the DH Internal Audit team will formally join the Government Internal Audit Agency (GIAA). Team members would

continue to work from the Department of Health buildings, and will provide the shared audit service to the Department and its Arm's-Length Bodies (ALBs) as before. There was actually an opportunity to improve audit services across the group.

16/178 David Robb confirmed that the audit plan was on track. Quarter 4 was kept intentionally light to ensure that any postponed work could be completed.

16/179 Two reports from 2015/16, which had begun but not been completed prior to the last Committee meeting were now presented for consideration. There were two outstanding reviews from 2014/15:

- Accounts Payable and Receivable - the fieldwork had been completed, but issuing the draft report was on hold;
- VFM - fieldwork in progress and expected to be completed by October 2016.

16/180 Michael Hearty asked whether the Accounting Officer should be worried about the 'limited' report on data management and releases. David Robb said there were no substantial risks and the management response suggested that the necessary actions would be taken.

16/181 The Committee **NOTED** the report.

Losses and special payments

16/182 Enclosure AR/16/45. Michael Brodie presented the report. There were no significant issues to discuss and the Committee **NOTED** the report.

National Audit Office – PHE compliance with procurement processes

16/183 Enclosure AR/16/46. Naseem Ramjan presented her report.

16/184 In February 2016, three correspondents contacted the NAO to express concern that parts of PHE's business had not followed PHE's stated policies for awarding work to suppliers. This prompted an investigation by the National Audit Office

16/185 The NAO suggested a number of actions including the following:

- further tighten its procurement processes, and enforce them rigorously, particularly relating to competing work before awarding contract, and appropriate use of single tender action;
- further build a strong culture of compliance across the organisation by promoting the wider business training available;
- ensure the single tender action (STA) log is kept up to date and is complete, so that management can track trends over time, to see if their use is increasing over time by certain departments in both number and value;
- further improve the reporting of single tender action, by reporting these to the Audit and Risk Committee, as well as to the Management Committee. Relevant Directors could attend if

the Committee so wishes;

- PHE should ensure that STAs are reported within the first quarter that they occur, and that where these arise from a lack of adequate planning by the business that this is made clear;
- the reports should also include more granular information on the lifetime value of each contract, when it was last competed, and why single tender action is appropriate in this instance;
- breaches of standing financial instructions should also be reported to the Audit and Risk Committee; and,
- PHE should develop an action plan to address these recommendations and report progress to the Audit and Risk Committee on a regular basis.

- 16/186 Michael Brodie informed the Committee that the NAO's recommendations had been accepted and an action plan had been drawn up to meet the NAO's recommendations (this had been tabled). The NAO were asked to submit their comments on the action plan after the meeting. The Chair requested that the response be copied to him. Michael went on to say that PHE's procurement processes and controls were generally robust, but there were a few examples of non-compliance. Action: NAO to submit comments on the procurement processes action plan to Michael Brodie, copying their response to the ARC Chair.
- 16/187 Single Tender Actions (STAs) were focused on particularly. Although there would always be occasions when STAs were the only option, the number of STAs was higher than it should. These were being scrutinised and action was being taken to reduce the number. Action: Michael Brodie to provide reports to on i) STAs to every other Committee meeting; and, ii) meeting the NAO's recommendations to every meeting.
- 16/188 The Chair asked that regular progress reports be provided to the Committee on STAs every other meeting, and meeting the NAOs recommendations at each meeting.
- 16/189 The Committee **NOTED** the report and the action plan.
- Any other business**
- 16/190 There was no other business.
- Date of next meeting**
- 16/191 10:00 – 12:00, Thursday 24 November 2016, PHE Boardroom, Wellington House.
- Meeting of members and auditors in the absence of officers**
- 16/192 The meeting closed at 11:50.

Mike Yates
Board Secretary
October 2016