



# Minutes

<b>Title of meeting</b>	Audit and Risk Committee	
<b>Date</b>	Tuesday 6 <sup>th</sup> June 2017	
<b>Time</b>	14:00 – 16:00	
<b>Venue</b>	Wellington House, 133-155 Waterloo Road, London SE1 8UG	
<b>Present</b>	Sir Derek Myers (Chair)	Non-executive member of PHE Board
	Michael Hearty	External Independent Adviser
	Martin Hindle	Adviser, PHE Board
<b>In attendance</b>	Michael Brodie	Finance and Commercial Director
	Paul Cosford	Director for Health Protection ( <i>for the risk management item</i> )
	Catherine Hepburn	National Audit Office
	Sam Lloyd	Team Leader, Network and Security ( <i>for the cyber-attack item</i> )
	Kishor Mistry	Deputy Director, Corporate Risk and Assurance
	Abdul Mohib	Lead Risk Management Adviser ( <i>for risk management items</i> )
	Fiona Moore	ICT Programme Manager ( <i>for the cyber-attack item</i> )
	Naseem Ramjan	National Audit Office
	David Robb	Group Internal Audit
	Duncan Selbie	Chief Executive
	Alex Sienkiewicz	Director of Corporate Affairs
	Alan Stapley	Deputy Director, Finance
	Andrew Strodder	Lead Assurance Adviser ( <i>for assurance and IA actions item</i> )
	Mike Yates	ARC Secretary
<b>Apologies</b>	Simon Reeve	Department of Health
	Graham Reid	Department of Health
	Cameron Robson	Group Internal Audit

## Introduction and apologies

17/048 Apologies were recorded as indicated above. There were no declarations of interest.

**Minutes of the previous meeting: 6<sup>th</sup> June 2017**

17/048 The minutes (Enclosure AR/17/15) were accepted as an accurate record.

**Matters arising**

17/049 Enclosure AR/17/16. Action: 17/019: Tony Vickers-Byrne to provide a brief verbal update in November on the HR external review. Following an internal reorganization, this would now be done by Deborah McKenzie.

Action: Mike Yates to inform Deborah McKenzie that she will provide the HR external review update in November.

**Strategic Risk Register**

17/050 Enclosure AR/17/17. The latest Strategic Risk Register was presented by Kishor Mistry and Abdul Mohib.

17/051 Risk 2 relating to PHE's scientific workforce was discussed. There had traditionally been a high turnover of scientific staff, particularly in the junior grades, but a series of actions were being taken to mitigate the risks associated with this: a review of the Commercial Strategy was taking place; learning and development opportunities across the regional labs were being reviewed; and, a financial and reward strategy was being discussed with HM Treasury.

17/052 Risk 19 relating to Britain's exit from the European Union was also discussed. This was an important risk for PHE as a number of EU citizens were employed by the organisation. It would be important to maintain the good working relationships that had developed between PHE and DH on this, to ensure negotiations reflected the importance of on-going, high quality public health provision. The risk would be monitored closely.

Action: Michael Brodie with Adrian Masters (Director of Strategy) to do more work on profiling the consequences of Brexit on PHE funding and income consequences.

17/053 Michael Hearty suggested that more work might be done to determine the potential costs of exit; it did have the potential to directly or indirectly affect PHE's budgets and income, and any risks to funding would need to be robustly mitigated. Specialist recruitment might also be adversely affected.

17/054 Duncan Selbie suggested that PHE's relationship with the World Health Organization was a key mitigation.

**Risk management deep-dive – Health Protection & Medical**

17/055 Enclosure AR/17/18. Paul Cosford, director for Health Protection and Medical Director, described his directorate's risk management

processes and its key risks.

- 17/056 Health Protection and Medical Directorate (HPMD) included a number of divisions including: the Centre for Radiation, Chemical and Environmental Hazards (CRCE); Emergency Response Division (ERD); Global Health Public Health; and Medical.
- 17/057 Risk management was taken seriously in HPMD. There were tactical risk registers in place for all divisions, and regular discussions on risk management took place at Senior Management Team meetings.
- 17/058 5 key tactical risks were highlighted:
- **Financial:** Unable to achieve a balanced budget across the HPM Directorate, and understand the cost and income drivers behind each division for any potential overspend/underspend;
  - **Global Public Health Programme:** Risk of PHE not delivering its global public health programme effectively;
  - **Public Health Emergencies:** PHE will not be able to work effectively with other delivery partners to respond to Public Health Emergencies;
  - **Pandemic Influenza:** PHE are unable to supply clinical countermeasures in good time and sufficient quantity to the public, the NHS and Social Care;
  - **Air pollution:** Work programme is criticised or insufficient.
- 17/059 All were being robustly managed.
- 17/060 Michael Hearty asked why the risk around global health had been escalated to the Strategic Risk Register. Paul Cosford said the global health public health strategy had developed well, but it was still a relatively new programme of work. It had a new director and budgets for the work had only recently been agreed. Because of the significance of the work to PHE, it was felt that rigorous scrutiny of the programme and its risks at a corporate level was appropriate in the short term.
- 17/061 The air pollution risk was also discussed, particularly PHE's role in what is a wider governmental issue. Paul Cosford said that there were a number of different strands to the risk, some of which PHE was able to influence and some that were outside its scope. Neither DH nor PHE had the lead role for this issue. CRCE's Air Quality Project Group provided cross departmental and directorate support. An annual stakeholder group presented and appraised aspects of PHE air quality programme.
- 17/062 CRCE also provided the secretariat to the Committee on the Medical Effects of Air Pollutants (COMEAP).
- 17/063 All parties, including industry, needed to work together and

communicate well, and PHE would continue to play a key role in this important and high-profile area.

17/064 The Board **NOTED** the report with thanks.

#### **Integrated governance report**

17/065 Enclosure AR/17/19. Kishor Mistry presented the report.

17/066 Michael Hearty asked why there had been a 26% increase in incidents reported in Q4 2016/17 compared with Q3. Kishor said that this was because of the way incidents had been reported rather than an actual increase in the number of incidents. That had been some delays in reporting certain incidents.

17/067 In the medical revalidation section, it was reported that there had been an 18% drop in the number of medically qualified public health consultants employed by local authorities. Michael Hearty asked if this was of particular concern. Duncan Selbie suggested that we needed to keep a close eye on this, but because of the changing workforce and changing provision of services, the future mix and levels of consultants would be different to that provided historically. PHE was working collaboratively with local authorities on this, and the figures did not pose an immediate concern.

17/068 The Committee **NOTED** the report.

#### **Outstanding Internal Audit actions summary**

17/069 Enclosure AR/17/20. David Robb presented the report.

17/070 The Committee was pleased to see that the progress made last year had been maintained.

17/071 The Committee **NOTED** the latest report.

#### **The Internal Audit progress report for 2016/17 and annual assurance**

17/072 Enclosure AR/17/21. David Robb presented the report.

17/073 David told the Committee that substantial progress on the 2016/17 plan since the last Committee meeting and all reports except one had been issued. Two reviews were being carried over into 2017/18. There had only been two reviews concluded with LIMITED assurance:

- Records management in PHE; and,
- Contract management in PHE.

17/074 Management actions were in the process of being agreed for each.

17/075 On the latter, Michael Brodie suggested that there were some good examples of contract management in PHE. However significant actions were being taken to bring a consistent and robust approach to

all of the organisation's contract management.

17/076 The Committee **NOTED** the report.

17/077 The Committee then considered Internal Audit's assurance report.

17/078 David Robb said they were happy with the continued progress that PHE had made and an overall MODERATE assurance opinion was being given. The Chair suggested this was, in his view, just the right level of opinion for PHE to expect at this stage in its development. The opinion was **NOTED** and **AGREED** by the Committee and the Chief Executive.

17/079 David then took the committee through the 2017/178 audit plan. A good working relationship had developed between Internal Audit and PHE's management, and this would need to continue to complete the extensive audit programme. This time round, internal Audit had conducted a scoping exercise in Q1 of all the audits. David suggested that establishing the contacts for each audit and having some early engagement would head off potential delays later in the year. David was confident that the resource was available to complete the programme on time.

17/080 The Committee **AGREED** the 2017/18 programme.

#### **Losses and special payments**

17/081 Enclosure AR/17/22. Michael Brodie and Alan Stapley presented the paper.

17/082 There were some very significant write-offs included in the paper and Michael Hearty asked for clarification. Michael Brodie explained that it was common practice to write-off as losses the cost of some stockpiled goods that were eventually not needed.

17/083 The Committee **NOTED** the report.

#### **Fraud assurance processes**

17/084 Enclosure AR/17/23. Michael Brodie presented the paper, which provided the Committee with an update on progress towards developing a comprehensive fraud risk register and counter fraud framework. These were aligned with PHE's broader Taxpayer Value Strategy.

17/085 As a first step in the development of a clear and comprehensive fraud risk register, a desktop exercise had been undertaken within the Finance and Commercial Directorate and subsequently workshopped by the Directorate Senior Leadership Team. A number of fraud risks were identified.

Action: Michael Brodie to present a further fraud assurance report to the June 2018 Committee

17/086 The work would be expanded to pick up risks across PHE. meeting.

17/087 In developing a broader counter-fraud network, as in other Organisations, PHE would focus on four elements:

- Fraud Prevention;
- Fraud Detection;
- Fraud Response;
- Fraud Deterrence.

17/088 In doing so, it would work with DH Counter Fraud colleagues and produce an annual counter fraud action plan, detailing a range of actions in all four of these areas. The Chair asked that a further report be presented to the Committee at the June 2018 meeting.

### **National Fraud Initiative**

17/089 Enclosure AR/17/24. Alan Stapley presented the paper, which provided a summary of PHE's participation in the National Fraud Initiative (NFI) for the 2016/17 year. The NFI is an integral counter fraud tool to help prevent and detect fraud. It is designed to help participating bodies identify possible cases of fraud or error, enabling the organisation to recover some of the losses that may have occurred as a result of that activity. It is free to participate in the initiative.

17/090 Data for the NFI is provided by some 1,300 participating organisations from across the public and private sectors. The data is cross matched and also compared to key data sets provided by other participants, including government departments. The NFI also works with public audit agencies in all parts of the UK and key data sets provided by government departments to prevent and detect fraud.

17/091 PHE participated in the previous (2014-15) exercise for the first time and gained a lot from doing so.

17/092 The Committee **NOTED** the report and the reassurance gained from PHE's participation in the NFI exercise.

### **Cyber attack**

17/093 Enclosure AR/17/25. Michael Brodie, Fiona Moore and Sam Layne presented the paper, providing the Committee with an update on the development of a cyber-security strategy for PHE, and an update on the recent ransomware attack and the actions taken.

17/094 PHE has developed a Cyber Security Strategy based on industry best practice and guidance from the government's national technical authorities. The strategy has received positive external

17/095 A number of key projects are being taken forward as part of this programme of work, including:

- Threat intelligence and operational security monitoring;
- Windows 10 deployment;
- Next generation firewall deployment.

17/096 The team described the actions taken as a result of the recent ransomware incident. PHE had managed greatly to mitigate the risks because of its planning and the speed with which actions were taken; having less reliance on legacy systems; a good security patch regime; and the fact that some cyber-attack testing had already taken place within the organisation. Committee was asked to note that information on the incident had been included in the Annual Governance Statement. The PHE Board had been briefed.

17/097 The Committee **NOTED** the report and thanked the team for their significant efforts.

#### **National Audit Office – 2016/17 Audit Completion Report**

17/098 Enclosure AR/17/26. NAO colleagues presented their completion report. NAO anticipated recommending an unqualified audit opinion, without modification, to the Comptroller and Auditor General.

17/099 NAO said PHE's financial controls were good and strong management action had been taken to maintain the good progress made.

17/100 PHE had also made good progress this year to provide NAO with early drafts of the 2016/17 Annual Report, and was on track for completion within the set timeframes.

17/101 PHE officers and the Committee were **CONTENT** with the adjusted misstatements.

17/102 The Committee was also **CONTENT** with the proposed letter of representation, recommending that the Accounting Officer should sign it.

17/103 The Chair thanked the NAO for their report.

#### **2016/17 Annual Report and Accounts**

17/104 Enclosure AR/17/27. Alex Sienkiewicz updated the Committee on progress with the 2016/17 Annual Report.

17/105 Although the report was now largely complete, comments on the Governance Statement from the Chair and any comments received from NAO colleagues were still to be included.

17/106 Other Committee members were asked to send any final comments to Alex (Michael Hearty said he had some which he would send).

17/107 Subject to some suggested minor suggested changes, the Chair said he was **CONTENT** with what was a strong Governance Statement and that it could be finalised quickly.

- 17/108 The Chair asked that for the 2017/18 Annual Report, more information should be included to summarise performance outcomes for the individual actions. There was no doubt that good progress was being made across the piece, but the additional information would illustrate this progress and make it more accessible to a wider audience. Alex Sienkiewicz and Mike Yates would pursue. **Action:** Performance outcome information should be added for the actions in the 2017/18 annual Report performance summary.
- 17/109 Michael Hearty had reviewed the accounts and said they were a good set. Other than some additional detail to the notes on 'Trade and other receivables' and an explanatory note on the rise and fall of financial commitments, particularly relating to stockpiled goods, he was content.
- 17/110 The Chair **RECOMMENDED** to the Accounting Officer that the report and accounts should be signed.
- NAO procurement review recommendations**
- 17/111 Enclosure AR/17/28. The NAO began by presenting their six-month 'critical friend' feedback report following their original review into PHE's procurement practices.
- 17/112 NAO colleagues were pleased to note that PHE had responded positively to their recommendations. PHE's management team had monitored progress against its action plan and had reacted in a constructive and proactive way, adding additional actions as suggested. There were still some actions that needed to take effect, but good progress had been made across the piece. NAO was broadly content.
- 17/113 Michael Brodie then presented the latest action plan showing progress to date on the NAO's recommendations (Enclosure AR/17/29).
- 17/114 The Committee **NOTED** both reports.
- Any other business**
- 17/115 The Chair informed the Committee that he had been appointed as interim Chair of the PHE Board, and he had asked Michael Hearty to become interim Chair of the Audit and Risk Committee, which he had accepted. The new arrangements would take effect from 1<sup>st</sup> July.
- 17/116 Updated draft Terms of Reference would be provided to the September meeting of the Committee for agreement. **Action:** Mike Yates to prepare updated Terms of Reference at the September meeting.
- 17/117 There being no other business the meeting closed at 15:52.

**Date of next meeting**



17/118 Tuesday 26<sup>th</sup> September 2017, 14:00 to 16:00, Wellington House.

**Meeting of members and auditors in the absence of officers**

**Mike Yates**  
*Board Secretary*  
June 2017