

Title of Meeting	Meeting of the Public Health Agency Governance and Audit Committee
Date	13 June 2024 at 10am
Venue	Fifth Meeting Room, 12/22 Linenhall Street, Belfast

Present

- Mr Joseph Stewart - Chair
- Mr John Patrick Clayton - Non-Executive Director

In Attendance

- Ms Leah Scott - Director of Finance and Corporate Services
- Mr Stephen Bailie - Head Accountant, PHA
- Mr Stephen Murray - Interim Assistant Director of Planning and Business Services
- Mr David Charles - Internal Audit, BSO
- Mr Ryan Falls - Cavanagh Kelly
- Mr Roger McCance - NIAO
- Mr Robert Graham - Secretariat

Apologies

- Mr Robert Irvine - Non-Executive Director

28/24 | Item 1 – Welcome and Apologies

- 28/24.1 Mr Stewart welcomed everyone to the meeting. Apologies were noted from Mr Robert Irvine.

28/24 | Item 2 - Declaration of Interests

- 28/24.1 Mr Stewart asked if anyone had interests to declare relevant to any items on the agenda.
- 28/24.2 Mr Clayton declared an interest in relation to Public Inquiries as Unison is engaging with the Inquiries.

29/24 | Item 3 – Minutes of previous meeting held on 15 April 2024

- 29/24.1 The minutes of the previous meeting, held on 15 April 2024 were **approved** as an accurate record of that meeting, subject to additions proposed by Mr Clayton in paragraphs 18/24.19, 19/24.9 and 19/24.12.

30/24 | **Item 4 – Matters Arising**

- 30/24.1 Mr Stewart noted that an action log had been circulated to members prior to the meeting, and that action 2 relating to recommendations in the Internal Audit on recruitment was still under consideration. He sought further clarity in relation to action 3 which concerned the Newborn Screening Programme.
- 30/24.2 Mr Murray explained a bid was made for funding to the Department, but was not prioritised. He said that PHA can continue to make a bid for the resources, but until that bid is successful, there is little more that PHA can do. Mr Charles commented that it would be Internal Audit's view that the recommendation should be implemented.
- 30/24.3 Mr Stewart noted that there was an action from the February meeting relating to the preparation for the PHA Board of a paper on IT systems for screening programmes, and that although a paper had been received, it did not provide the clarity required, therefore this action should remain open. Mr Graham advised that an updated paper is due to be brought to the Board next week.
- 30/24.4 Ms Scott sought clarity on the situation regarding the recommendation relating to the Newborn Screening Programme. Mr Stewart advised that there was a view that it was not possible to implement this recommendation. Mr Clayton noted that it was Internal Audit's view that the recommendation should not be closed so suggested that further narrative was required as to why there is a different view from management (**Action 1 – Ms Scott**).

31/24 | **Item 5 – Chair's Business**

- 31/24.1 Mr Stewart advised that he had attended a meeting of Chairs of HSC Audit Committees, convened by Mr Jim McCooe. He said that there was a presentation on the Encompass programme followed by a discussion on the financial situation facing the HSC. He added that there was little hope expressed about additional funding being available and that the other Chairs had said it would be difficult for their organisations to achieve a balanced budget. He advised that as there is now a Minister in place, the Permanent Secretary has a responsibility to achieve a balanced budget, but the Minister may wish to instigate a programme of spending.
- 31/24.2 Mr Stewart said that Mrs Catherine McKeown had presented the Internal Audit General Report for HSC and noted that the number of audits receiving limited assurance is on the increase.
- 31/24.3 Mr Stewart reported that frustration was expressed by the Audit Committee Chairs about the format of Annual Reports and the amount of management time spent producing these reports. It was agreed that the Director of Finance in the Department would speak to the

Department of Finance regarding this.

31/24.4 Mr Stewart advised that there will be a further meeting of this group before the end of the year.

32/24 Item 6 – Internal Audit

Internal Audit Progress Report [GAC/25/06/24]

32/24.1 Mr Charles advised that the Progress Report shows that Internal Audit has delivered 27% of its SLA in the first quarter, and that a draft report of the audit on the management vaccination programmes, is currently with management for comments and should be brought to the next meeting.

32/24.2 Members noted the Internal Audit Progress Report.

Shared Services Update [GAC/26/06/24]

32/24.3 Mr Charles explained that for a range of Shared Services, including payroll, payments, recruitment and income, Internal Audit carries out audits for BSO, but the findings are shared with client organisations. He advised that since the last meeting two reports have been completed, one for recruitment where a limited level of assurance was given, and one for payroll where a split level of assurance was given with elementary processes receiving a satisfactory level of assurance and a number of other processes receiving a limited level of assurance.

32/24.4 Mr Charles advised that there were four significant findings within the audit of recruitment which related to HRPTS and the eRecruitment system, KPIs, waiting list management and Access NI checks. In terms of the audit of payroll, he noted that the consequences of that limited assurance would not be as complex for PHA as they would be for Trusts. He said that the detailed reports of these audits will go the BSO Audit Committee and BSO will be responsible for taking forward any recommendations.

32/24.5 Mr Stewart commented that this audit is a case of history repeating itself as the systems are not fit for purpose and if this continues to be the case, then PHA should carry out its own recruitment in-house, and that this is something the Agency Management Team (AMT) should look at. Ms Scott replied that she did not think that PHA had the flexibility to bring this in-house, but added that PHA does have its own dedicated HR resource. She added that she would wish to drill down into the specifics and noted that BSO is currently in the process of getting the system upgraded. Mr Stewart said that PHA needs to ensure that as a customer of a Shared Service, it is getting an efficient service.

32/24.6 Mr Clayton queried whether the vacancy rate in BSO has an impact on the service that PHA receives. He expressed concern around the finding relating to Access NI checks. He added that there may be an

impact in terms of PHA being able to take forward the recommendations from its own audit on recruitment, and that there are issues for both BSO and in-house in PHA. Mr Charles commented that fundamentally, whether it is PHA or BSO, recruitment is difficult due to the complexities and challenges of the system. However, he added that there will be a new system called Equip, which will replace HRPTS, but he did not know the timeframe for its introduction. He also noted that carrying out recruitment exercise is a task that managers have to perform in addition to their day-to-day work and that there are many bottlenecks in the system, and that it is difficult to get information out of the system.

32/24.7 Members noted the Shared Services update.

Head of Internal Audit Annual Report [GAC/27/06/24]

32/24.8 Mr Charles presented the Head of Internal Audit Report and began by outlining that Internal Audit is an independent provider. He advised that during 2023/24, KPIs were largely met, although the KPI relating to receipt of management comments had fallen. He reported that five audits were completed, three of which were given a limited level of assurance and two of which were given a satisfactory level of assurance. He added that a total of nine significant findings were made.

32/24.9 Mr Charles reported that Internal Audit had undergone an external quality assurance exercise which found that it largely conformed to audit standards.

32/24.10 Mr Charles advised that the Head of Internal Audit is providing an overall satisfactory opinion for PHA, but noted that action is required to address some of the findings from the audits where there was limited assurance. Mr Stewart welcomed the overall satisfactory opinion and said that members will keep a close eye on those areas where limited assurance was given. Ms Scott said that she would wish to assure members that audit recommendations will form part of the agenda for the accountability meetings that will be held with Directors.

32/24.11 Members noted the Head of Internal Audit Annual Report.

Internal Audit General Annual Report for HSC 2023/24 [GAC/28/06/24]

32/24.12 Mr Charles said that this Report gives a consolidated view across the HSC and the main finding was that 49% of audits received a satisfactory level of assurance, while 37% were limited. He advised that some assurances were split between satisfactory and limited, with 59% deemed "above the line". In terms of the number of Priority 1 recommendations, this has increased from 19 in 2021/22 to 45 in 2023/24. He added that most of these are in areas such as contract management and procurement, and corporate governance. He reported that 82% of outstanding Priority 1 and 2 recommendations were fully implemented, which is the highest level recorded. In terms of learning,

he outlined that there is a need for effective contract management, an improvement in compliance, an enhancement in business continuity planning and a focus on staff training. In terms of improvements, he advised that there has been a cessation in off-contract nursing agency usage and an improvement in compliance with Staff in Post checking processes.

- 32/24.13 Mr Charles gave an overview of the spread of assurances in each HSC organisation and the audit areas looked at. He noted that when it came to first time audits, two of PHA's three limited audits were in areas that had not been audited before. Moving onto the implementation of audit recommendations, he reiterated that this was one area of success. He highlighted the age of outstanding recommendations.
- 32/24.14 Mr Charles said that going forward, management needs to address the number of limited assurances and to ensure that there is a focus on implementing recommendations promptly.
- 32/24.15 Mr Stewart said that this is an interesting report which he will bring to the attention of the full Board (**Action 2 – Mr Stewart**). He added that he was going to make similar points around the number of partially implemented recommendations and limited levels of assurance, but he hoped that the work that Ms Scott will commence will come to fruition.
- 32/24.16 Mr Clayton said that the trends with regard to the increase in the number of limited assurances and Priority 1 recommendations made him query how sighted PHA is in terms of Internal Audit reports on areas where PHA commissions services. Mr Charles advised that PHA would not ordinarily see those reports as there would not be a formal reporting mechanism back to PHA. He added that this could be picked up as part of the audit that will be carried out shortly on performance management. Mr Clayton noted that given the amount of work PHA does with external organisations, this would not come through as part of contract management arrangements. Mr Murray said that as part of PHA's contract management with Trusts, it would not ask for Internal Audit reports, but assurance would be provided to managers that services are operating to the standard that PHA is expecting. Mr Clayton noted that this goes to the heart about how PHA seeks assurance and used cervical screening as an example of area where PHA has a role in being assessed.
- 32/24.17 Mr Clayton asked if there was a way of seeing the trends in terms of the number of Priority 1 recommendations that PHA has received. Mr Charles referred to a graph showing that PHA has received four Priority 1 recommendations, two from 2022/23 and two in 2023/24. Mr Clayton asked if it was more likely to receive Priority 1 recommendations in a new area. Mr Charles commented that if an audit was carried out in an area that was previously had a satisfactory level of assurance, but it changed to a limited level of assurance, this would be a concern and Internal Audit would look to see if there has been a diminution of

controls. He added that PHA's audit programme is a risk-based one so targets risk-based areas for audit.

32/24.18 Ms Scott noted that for PHA, there is some duplication in that there is a number of recommendations around the same theme, e.g. the Corporate Plan. She said that it is fortunate that there is Internal Audit within health with a dedicated bespoke team that can look at a vast range of areas. She added that PHA needs to have an audit needs assessment. She queried whether the increase in the number of limited assurances and the number of Priority 1 recommendations is linked to the financial situation in that there is not the financial capacity to implement them. Mr Charles replied that there are some which fall into that category, but there are other reasons for the increases, for example staff retirement or financial constraints. He said that the tightening of resources means having to do more with less and possibly more risk. However, he noted that there are examples of pure non-compliance and said that a lack of funding cannot be a good enough reason for this.

32/24.19 Mr Stewart commented that PHA, along with other organisations, needs to take a good hard look at its activity and have a rationale for what it deems to be priority and what is not a priority. He added that if the Department will not fund new work, then PHA will have to stop funding other programmes. He said that there should be a focused piece of work looking at prioritisation, and that PHA needs to have a way of measuring its deliverables. He pointed out that the Annual Report tells people about the things that PHA does, but it does not tell how PHA has made a difference.

32/24.20 Mr Clayton said that with regard to the outstanding recommendation for newborn screening, the issue for PHA is about not having a quality assurance programme. Mr Murray noted that another issue is about making comparisons with the rest of the UK so there is a need to get the full picture. Mr Clayton said that this is an important programme and an infrastructure needs to be built around it.

32/24.21 Mr Charles said that organisations need to look at risk appetite, and how they define risks which are a "no go", and what risks they are prepared to tolerate. Mr Stewart thanked Mr Charles for facilitating the session on the 3 Lines Assurance Model which he said was appreciated by members.

32/24.22 Members noted the Head of Internal Audit Annual Report.

33/24 Item 7 – Finance

Annual Report and Accounts incorporating Governance Statement and Letter of Representation [GAC/29/06/24]

33/24.1 Ms Scott said that it is her aim to make the first part of the Annual Report more meaningful and to be a reflection of the journey PHA is on

- and use it to showcase the work of the organisation. She advised that the accounts are in a standard format and have been audited by External Audit.
- 33/24.2 Ms Scott advised that the Report is broken down into three sections, the performance report, the accountability report and the financial statements.
- 33/24.3 Ms Scott said that the performance report forms a considerable part of the document and is split into sections. Mr Clayton asked about a reference to campaigns which had appeared in the previous iteration, but Ms Scott explained that this had been moved into the Governance Statement. Mr Clayton asked why the reference to PHA's equality and diversity work appeared where it did as it seems out of place. Ms Scott noted that it is not possible to include every element of PHA's work, but she would re-look at this section. She added that it will take time to ensure that the Report is aligned to the new Corporate Plan. Mr Stewart said that having the Corporate Plan will be key going forward.
- 33/24.4 Ms Scott advised that the accountability report follows a set template. She said that the governance report will show that PHA has received a satisfactory level of assurance, notwithstanding that there are outstanding audit recommendations and a number of new control issues. She noted that PHA does not have a balanced budget and there are staffing issues. Mr Stewart said that the section on public inquiries should have made reference to the need for additional resources as there are pressures on the public health directorate. Mr Clayton said that there needs to be clarity in terms of when the ALB self-assessment was completed as the narrative is not accurate. He noted the reference to the pause on campaigns and said that it is important that there is reference to how PHA looking at its own internal quality assurance processes with regard to screening. Ms Scott acknowledged that this is an area of public concern and noted that the review will have happened when next year's report is being prepared.
- 33/24.5 Mr Stewart said that the Board has previously noted its concerns about the fact that PHA hosts SBNI and while there is a reference to the unlawful expenditure, he queried whether more narrative is needed to outline that the PHA Chief Executive is the Accounting Officer for an organisation over which he has no control. He said that it is not clear that SBNI has its own Board and Chair and therefore this report should put PHA's concerns on record. Ms Scott advised that SBNI has now implemented additional and is having biannual accountability meetings. She added that there will greater emphasis on getting the MOU with SBNI revised and that the Department is also aware of the situation. She said that there is no issue with including some additional narrative. Mr Stewart said that it should be a matter of public record if the Board has a concern.
- 33/24.6 Mr McCance advised that if members felt that the narrative in the Report

did not meet their concerns, an extra line could be inserted. Mr Stewart said that while it is clear there are assurances in place, he reiterated that it is less than ideal that PHA is hosting an organisation over which it has no control. Ms Scott undertook to make the necessary changes (**Action 3 – Ms Scott**).

- 33/24.7 Ms Scott said that the remuneration and staff report gives an overview of the demographic and remuneration profile of the organisation. She advised that the accountability report follows, which will include the statement from the Comptroller and Audit General. She added that she was delighted that PHA has received an unqualified audit opinion.
- 33/24.8 Mr Bailie took members through the accounts and began by reporting that PHA finished the year with a surplus of £80k. He noted that while Trust expenditure appears to be lower than last year, this is a presentational issue as R&D grants now appear in the Department's accounts. He explained that the increase in intangible assets is due to the cost of the Vaccine Management System (VMS).
- 33/24.9 Mr Bailie reported that the staffing costs have increased slightly, which is due to the tail end of some costs for contact tracing staff. He added that the amortisation increase is due to VMS. In the note on leases, he explained that while PHA does not own any properties, this cost relates to lease of Linum Chambers. He explained that in terms of trade receivables, the increased amount is due to monies owed by the Special EU Programmes Body (SEUPB), but the amount owed is reducing. He added that provision has been made for the pay award, and added that there is also £210k for additional provisions for senior executive pay.
- 33/24.10 Mr Bailie advised that PHA has achieved a break even position and that for capital funding, there was no surplus. He thanked the auditors for a smooth and expedient audit and said that he would recommend the Annual Report and Accounts for approval.
- 33/24.11 Mr Clayton sought clarity around expenditure on consultants and whether the use of EY for the Refresh and Reshape programme was classed as consultancy, but Mr Bailie replied that PHA has liaised with the Department regarding this as the work was classed as staff substitution.
- 33/24.12 Ms Scott noted on page 97 the reference to the wastage of vaccines under losses. Mr Stewart asked why this is now appearing in PHA's accounts if PHA has only recently taken over the overall management of vaccination programmes. Mr Murray explained that the funding has always been in PHA's budget. Mr Bailie added that as PHA spent the money, it is accountable for it. Ms Scott explained that there is always wastage as there can never not be enough vaccines. Mr Bailie pointed out that this only relates to the flu vaccine. Mr Clayton asked if PHA is more confident that this will be managed better through VMS. Mr Bailie advised that this should be the case and outlined that PHA has to order

- vaccines 9 months in advance based on an expected uptake. Mr Stewart noted that PHA was not able to run a campaign this year. Ms Scott said that this is an area that AMT is looking at and there is a wish to run a campaign for pertussis.
- 33/24.13 Mr Stewart asked where the accrual is recorded for the cost of staff not taking annual leave. Mr Bailie explained that this is contained within the accounts and is sitting at around £300k.
- 33/24.14 Mr Stewart asked if members were content for the Annual Report and Accounts to be approved to go to the Board. Ms Scott paid tribute to the Finance team and the work of SPPG colleagues in compiling the accounts.
- 33/24.15 Subject to amendments, members **APPROVED** the draft Annual Report and Accounts which will be brought to the PHA Board meeting on 20 June.
- 34/24 Item 8 – External Auditor’s Report to those Charged with Governance (Draft) [GAC/30/06/24]**
- 34/24.1 Mr McCance thanked PHA and Cavanagh Kelly for their work during the audit to allow this report to be completed. He advised that PHA has been given an unqualified audit opinion. He noted that the report remains in draft.
- 34/24.2 Mr Falls gave an overview of the draft Report. He advised that following the audit there are no misstatements or adjustments required to the accounts. He noted that there was a loss identified, which related to vaccine stock and following a review, it was determined that this was caused by a significant drop in uptake.
- 34/24.3 Mr Falls advised that accounts will not be formally laid until 5 July due to the General Election. He noted that in Section 3 there was one significant risk identified, regarding management override of controls, but reported that no issues were noted during the work of the audit. He thanked the team for a smooth audit process.
- 34/24.4 Mr Falls said that there were no changes in the accounting policies.
- 34/24.5 Mr Falls reported that there are two Priority 2 findings and one Priority 3 finding. He said that the first Priority 1 finding relates to SEUPB and funding owed to PHA as part of a project. He noted that while the debt has reduced, £2.6m remains outstanding. He advised that the second finding relates to the number, and level, of Direct Award Contracts (DACs) and in particular, he noted that there is not a detailed rationale for why DACs are in place. He reported that the Priority 3 finding relates to the signing of employment contracts.
- 34/24.6 Mr Falls said that the appendices include the letter of representation,

which contains a reference to the provision for holiday pay and senior executive pay, the audit certificate and the update on the implementation of last year's recommendations.

34/24.7 Mr Clayton noted the recommendation around the money owed by SEUPB and expressed concern about the size of the debt. He noted that there was a discussion on this issue last year and that there was ongoing engagement. While appreciating that this is a complex matter, he asked if there is a particular reason for the delay and if the Board, as a whole, could get an idea of timescales for getting this matter resolved to determine if any further intervention is required. Mr Falls advised that PHA is not unique in this situation and that there is a process issue for SEUPB. Ms Scott said that there is a minimal risk to PHA and that she could provide an age profile of the debt (**Action 4 – Ms Scott**).

34/24.8 Mr Stewart expressed concern around the number of DACs that PHA has, and he appreciated that the Chief Executive has put an increasing focus in this area. He welcomed that External Audit had reviewed this area and has highlighted that there is a greater number of DACs within health than other departments, which is a weakness in governance. He said that there is a sizeable amount of funding involved, and it is a matter that he would bring to the attention of the Board. He noted that the Chair has convened a meeting to look at what can be done in this area. Mr McCance agreed that there is an issue regarding DACs in the HSC and that there are challenges for BSO and PALS.

34/24.9 Members noted the draft Report to those Charged with Governance.

35/24 Item 9 – Any Other Business

32/24.1 There was no other business.

36/24 Item 10 - Annual meeting with Auditors (External and Internal) without Officers present

36/24.1 It was agreed that this meeting would be rescheduled to a time when all Non-Executives are able to attend (**Action 5 – Mr Graham**).

37/24 Item 11 – Details of Next Meeting

Thursday 8 August 2024 at 10am

Fifth Floor Meeting Room, 12/22 Linenhall Street, Belfast

Signed by Chair:

Joseph Stewart

Date: 8 August 2024