

**POWYS LOCAL HEALTH BOARD
AUDIT COMMITTEE**
Notes of the meeting held on the
13th April 2006 in the Boardroom, Mansion House, Bronllys

Present:

Chairman

Cllr Rosemarie Harris

Non Officer Members

Mrs Gloria Jones-Powell

Mr Andrew Leonard

Cllr Garry Banks

Mr Paul Davies

Wales Audit Office

Ms Lucy Evans, Principal Auditor

Internal Auditors

Mr Philip Morgan, RSM Robson Rhodes

Darrell Davies, Mersey Internal Audit Agency

Tony Cobain, Mersey internal Audit Agency

In Attendance

Mr Andy Williams, Chief Executive

Mr Huw George, Director of Finance

Mrs Susan Stavrides, Corporate Services Manager

Mr Neil Frow, Acting Head of Finance, BSC

AC/48/06	Apologies for Absence Apologies for absence were received from, Mr Chris Mundy, RSM Robson Rhodes, Mr Chris Thompson, Audit Manager, Wales Audit Office, Mr J David Adams, Director of Corporate Services and Greg Chambers, Head of Financial Control.	
AC/49/06	Welcome The Chairman welcomed Mr Andrew Leonard and Paul Davies to this, their first meeting.	
AC/50/06	Declarations of interest There were no declarations of interest.	
AC/51/06	Minutes of the meeting held on 9th March 2006 The minutes of the meeting held on 9 th March 2006 were agreed as a true and correct record of proceedings.	
AC/52/06	Matters arising (a) Re: minute AC/42/06 Securing Improvement 2	

	<p>Review Chronic Disease The Wales Audit Office reassured members that the inpatient census had been drawn up with full awareness of the unique nature of Powys and that the terms of the reference had been agreed with the Nurse Director. The study was now well underway.</p> <p>(b) Re: AC/43/06 Adult Mental Health Services Baseline Review The Chief Executive advised that he would ensure that the actions identified in the minute namely "identification of named lead officers" and "agreement of the terms of reference" were followed through and brought back to the Audit Committee.</p> <p>(c) Re: AC/41/06 External Audit Progress Report Ms Lucy Evans, WAO reported progress with regard to the WAO's interim financial audit work. She advised that work was ongoing reviewing internal audit work recently provided. The 04/05 opening balances had not yet been fully agreed and the Head of Financial Control would be taking this forward. The WAO planned to have completed their interim work by end of April 2006 and would raise any matters arising from this with the Director of Finance.</p>	<p>WAO</p> <p>CEO</p> <p>WAO</p>
<p>AC/53/06</p>	<p>BSC South and Mid and West Regions Internal Audit Progress Report RSM Robson Rhodes reported that of the 22 reviews planned for 2005/06 for the South East and Mid & West Regions BSC centres, 15 had been completed. Reports on five of the reviews, (core financials, South East and Mid & West, interim Welsh Risk Management Standards (WRMS), IT consolidation and IT service management) were separate agenda items for this April meeting. The fieldwork for most of the other reviews had been completed and reports were either with management for comment or in the process of being finalised. More specifically, the report of corporate governance and final WRMS would be reported to the next Audit Committee, the roles and responsibilities review had been deferred for the time being at the request of management and the audit brief for Agenda for Change (A4C) was with management for agreement. At the request of management, it was proposed to undertake a review of the Electronic Staff Record (ESR) instead of the planned review of training. Therefore, once the following reviews had been undertaken and reported, the 2005/06 audit plan will have been completed although discussions on undertaking an interim assessment on roles and responsibilities were still ongoing with management.</p> <p>The auditors commended Neil Frow and his colleagues for ensuring a more timely response to audit briefs.</p>	<p>RSM</p>

	<p>Members were reassured by the auditors and by the Chief Executive that a review of training would still be incorporated into aspects of the ESR and A4C reviews and the adequacy of the roles and responsibility audit periodically reviewed.</p> <p>Members were also assured that any changes in the programme would be reported back to the Audit Committee.</p>	<p>RSM</p> <p>RSM</p>
<p>AC/54/06</p>	<p>BSC South East and Mid & West Regions – Information Systems Consolidation</p> <p>RSM Robson Rhodes presented this report concerning the consolidation of the 5 former BSC sites to 3 specifically with regard to project management/system migration, physical and environmental security and network resilience and security.</p> <p>The internal auditors commended BSC management for successfully completing both the infrastructure project and the project to change its information systems as part of the “way forward” implementation.</p> <p>It was recommended that clear guidance on the application of project management be compiled to redress weaknesses in this area.</p> <p>Recommendations were:</p> <ul style="list-style-type: none"> • That implementation and contingency plans be drawn up when systems implementation was “business critical.” • That the information security forum continue with its planned work plan. <p>Management had agreed all of the action points and it was noted that at the time of the audit the BSC network controls were in their infancy. The auditors were confident that if the audit were undertaken now there would be marked improvement and no cause for concern.</p>	<p>BSC</p> <p>BSC</p>
<p>AC/55/06</p>	<p>BSC South East and Mid & West Regions Service Management Review</p> <p>RSM Robson Rhodes reported that the BSC had invited them to benchmark their IT service management and to “consult” on their proposed use of “ITIL” as a process. ITIL stands for Information Technology Infrastructure Library and is an industry standard good practice model for the provision of IT services linked to BS15000 (the British Standard on good practice IT service delivery).</p> <p>ITIL was a new approach for the BSC who were commended by the internal auditors for inviting them to review their implementation of ITIL.</p> <p>The auditors recommended developing and documenting a business case setting out the benefits of aligning service management to ITIL.</p>	<p>BSC</p>

	<p>They further recommend that a baseline of current service management performance be developed from which the BSC would be able to measure its performance against KPIs.</p> <p>Overall, the auditors concluded that the BSC had achieved its aim to adopt best practice.</p>	BSC
AC/56/06	<p>BSC Review of Core Financial Systems</p> <p>RSM Robson Rhodes presented the findings of their December 2005 review of the systems and controls in place in respect of the core financial systems operated by the South East Wales BSC.</p> <p>The report reflected the officer merger earlier in the year and highlighted the need to obtain written assurances from the outsourced payroll agencies who provide services to LHBs. The Chief Executive agreed to write to the relevant NHS Trusts seeking this assurance.</p> <p>The auditors also recommended the development and application of a consistent set of control procedures for creditor payments and ordering.</p> <p>Many of the non-compliance failures were as a result of LHBs other than Powys LHB requesting different control procedures from those of Powys LHB. The auditors would encourage LHBs (as part of their roles and responsibility work) to be more flexible and to look to harmonising control procedures.</p> <p>The Chief Executive advised that the risks would be addressed through the SLAs with LHBs.</p> <p>The internal auditors added that the reports issued to every LHB would highlight the need to harmonise controls.</p>	<p>CEO</p> <p>HoF</p> <p>RSM</p> <p>RSM</p>
AC/57/06	<p>BSC Mid & West Wales Review of Core Financial Systems</p> <p>RSM Robson Rhodes presented this report summarising the findings of their January 2006 review in Mid & West BSC. The findings were similar to the review of South East BSC and concerned creditor and purchaser controls as well as the need for written assurance from the payroll providers. As with the previous report the Chief Executive agreed to write to the payroll providers and advised that the organisation would try to influence other LHBs through the roles and responsibility review.</p>	CEO
AC/58/06	<p>North Wales BSC Internal Audit Progress Report</p> <p>Mersey Internal Audit Agency presented this report setting out the reviews undertaken between January and March 2006 and significant issues. These were:</p> <p><i>Risk Management</i></p> <p>Internal audit had continued to support the local risk management group which was trying to fit in with the LHB risk management group. It had been agreed to use the LHB</p>	

	<p>template and electronic voting system. To this end a facilitated workshop had been held.</p> <p>Service Management This was a similar review to the one undertaken by RSM Robson Rhodes in the South. Namely, looking at the implementation of ITIL although this time as more of a management framework. The report would be presented to the next Audit Committee (June 2006). As a consequence of this service review, another piece of work around how information is extracted and reported back to LHBs had slipped a little. A follow-up review of service management would be undertaken and the auditors expressed the view that adoption of the "ITIL" framework would hold future system implementation in good stead. All reviews except IT and WRMS had been completed. A single report on WRMS would be presented to the Audit Committee in June.</p>	<p>MIAA</p> <p>MIAA</p>
<p>AC/59/06</p>	<p>North Wales BSC Internal Audit Annual Plan 2006/07 April to September 2006 Mersey Internal Audit Agency presented this report defining the auditors opinion which would inform the Statement of Internal Control (SIC) and setting out the planned reviews for 2006/07. The payroll issues (the need for a statement of assurance) were the same as in the South. It was noted that the external auditors were undertaking a review of the North Wales payroll and that internal audit planned to use these findings to inform their own conclusions concerning payroll. The Director of Finance requested similar liaison with the external auditors of other payroll providers. The Chief Executive re-iterated his intention to write to the payroll providers regardless of the external audits, to ensure consistency and to comply with the LHB's own assurance processes. Responding to a query by the auditors as to whether or not it should be the LHBs seeking this assurance, the Chief Executive said he favoured a twin track approach and was keen that the LHB should be pro-active in seeking this assurance. He also pointed out that the advent of ESR might signal some payroll changes.</p>	<p>MIAA</p> <p>RSM</p> <p>CEO</p>
<p>AC/60/06</p>	<p>BSC Welsh Risk Management Standards – Interim Review and Update Statement RSM Robson Rhodes presented this report summarising the findings of their December 2005 to January 2006 interim review of WRMS to assess self assessment compliance levels. The approach taken was to sample four standards for</p>	

	<p>detailed review. The auditors observed that documentation and evidence of improvement regarding the sampled standards was good. This was less so for other standards suggesting that work was undertaken to satisfy audit rather than to maintain continual improvements.</p> <p>Risks associated with the advent of the BSP and the fact that the BSC was only required to self assess were, already being addressed by the LHB. It had been agreed that from 2007/08 the BSC would be included as a directorate of the LHB for the purposes of WRMS. Already it had been agreed to include the BSC within the LHBs risk framework and register. The impact of the BSP was as yet difficult to anticipate although it was certain that depending on the scale of the impact, the scope of the WRMS review would have to be reviewed. This was being reviewed monthly and the Chief Executive was due to meet BSP officials with the Head of Finance, North Wales BSC. The BSP Business Case was due by the end of June and would be presented to the LHB Board as soon as possible.</p> <p>Returning specifically to the WRMS review, the auditors reported that management had agreed to all the actions. Finally, the need to return to the terms of reference for the WRMS review as the BSP develops was acknowledged by members.</p> <p>It was confirmed that both the BSC and the LHB organisations would be scored separately in 2006/07. It was noted that Powys LHB was scored on the NHS Trust and Primary Care standards and that this would be reported in the Statement of Internal Control (SIC).</p> <p>Finally, the Chief Executive said that he was disappointed but also encouraged by the report. The starting point had been poor as a result of lack of clarity both from the risk pool and internally. Although the standards had tightened, the scores were improving and the integration of the BSC into the LHB's risk framework was a major step forward.</p>	All
AC/61/06	<p>Accelerated Annual Accounts</p> <p>The BSC Head of Finance presented an update report. He explained that the main aim for the BSC was not to delay Powys LHB's accounts closure processes as well as to meet the accelerated closure timetable. Good progress was being made. Everything was on track except for two outstanding issues: <i>Accounting for residual early retirement's provisions and the Fraud Investigation pool</i>. These issues were being worked through with all major players.</p> <p>The Director of Finance complimented the Head of Finance and his team for the progress made.</p> <p>He added that the vastly improved working relationships and the corporate approach taken by the BSC in dealing with all the issues would make this year end far easier.</p>	

<p>AC/62/06</p>	<p>Opening of Local Health Board Bank Accounts The BSC Head of Finance presented a report advising that as required by WAG, the BSC had assisted all LHBs to set up individual bank accounts. Technical issues preventing salary payments into individual bank accounts had been worked through as had the complexity of dealing with an increased number of bank accounts. Some LHBs had raised the issue of indemnity and had been informed that responsibility for indemnity lay with the individual LHB and not Powys LHB. This view was supported by WAG. The Head of Finance pointed out that one benefit was that LHBs would be forced to take more responsibility for their funds as a direct result of scrutinising their bank accounts. Finally, the Head of Finance reported no adverse consequences to the BSC as a result of this work which had been deliberately programmed to be completed before the annual accounts process began.</p>	
<p>AC/63/06</p>	<p>Wales Audit Office Report Lucy Evans, WAO provided an oral update apologising for the lack of a written report from the WAO this month due to the unavailability of Chris Thompson and Gill Lewis.</p> <p>Acute Hospital Portfolio The approach for Powys had been discussed with the Director of Finance, Chris Thompson and Beverly Thomas the project lead. The work will reflect Powys's local position correctly in the context of the National picture.</p> <p>Progress so far:</p> <ul style="list-style-type: none"> - Data collection exercise for Diagnostics, Admissions Management and Medicines Management complete; - Data checking complete for Imaging and Medicines Management; - Appointment made for 4th May to discuss data checking for Admissions Management and Endoscopy. <p>BSC Audit on behalf of other LHB auditors Update on the programme of detailed work at the BSC in the period January – March had been conducted at the 3 BSC sites and the reports to LHB auditors would be issued imminently. The reports are all mainly positive and would provide 'assurance' to LHB auditors on the integrity of the financial systems etc in place at the BSC. Separate reports setting out our findings and any issues for discussion or recommendations for improvement. Would be available for discussion with BSC officers by the end of April.</p>	

	<p>Financial Audit of PLHB Final Accounts Work Matters arising from the month 9 audit of regional and consolidated accounts had been agreed with the Director of Finance and adjustments made to the draft accounts or noted in the year end accounts. The WAO were pleased to report that issues of communication and consistency in 2004/05 appear to have improved. No material issues were reported although there were two potential issues of 'significance' that still need to be resolved.</p> <p>The Early Retirement Provision (consistent accounting in line with current guidance) and the Fraud Investigation Pool (recognising the 'income due' from individuals under investigation). These were being worked through with the Head of Finance and his team.</p> <p>The Residual Estate accounts would be audited next week and the remaining segments in the following 3 weeks in advance of the submission of the draft consolidated accounts to the Assembly.</p> <p>These timings are as set out in the Audit Deliverables report recently agreed with the Director of Finance.</p>	<p>HoF</p>
<p>AC/64/06</p>	<p>Internal Audit Contract/s Given the uncertainty of the roles and responsibilities of the BSP and the impact to the BSC in North Wales, it was agreed to delay the tendering progress for internal audit by six months and to roll over the existing contracts. It was further agreed to explore having just one contract shared with the LHB and to report back to the Board in June.</p> <p>Finally, it was agreed to write to the BSP and WAG to advise them that they will have to make their own arrangements in future.</p>	<p>DoF & HoF</p> <p>DoF</p>
<p>AC/65/06</p>	<p>Training of Committee Members It was agreed to arrange training for Committee and other Board members on financial and risk matters after the final accounts process sometime in June/July.</p>	<p>DB</p>
<p>AC/66/06</p>	<p>Any Other Business The Chairman agreed to write formally to Mr Alan Screen on behalf of the Committee thanking him for chairing the Committee from its inception to his retirement.</p>	
<p>AC/67/06</p>	<p>Date and time of next meeting 18th May 2006 at 2pm in the Boardroom, Mansion House, Bronllys.</p>	