AUDIT AND RISK COMMITTEE

**Confirmed minutes of the meeting held on 11 May 2022 in the Westbourne meeting room, 2 Redman Place, London and via Zoom**

Present

Alina Lourie Non-Executive Director (chair)

Mark Chakravarty Non-Executive Director

Amanda Gibbon External Member

In attendance

Sam Roberts Chief Executive

Boryana Stambolova Deputy Director, Finance, Strategy and Commercial

David Coombs Associate Director, Corporate Office

Martin Davison Associate Director, Finance

Barney Wilkinson Associate Director, Procurement

Elaine Repton Corporate Governance & Risk Manager (minutes)

Nicole Gee Interim Chief People Officer (items 7.2 to 7.4)

Grace Marguerie Associate Director, HR (items 7.2 to 7.4)

Sanjay Tanday Associate Director, Communications (item 10.1)

Heather Reid Senior Programme Manager, COVID-10 public inquiry (item 10.3)

Helen O’Neil Head of Information Governance and Records Management (item 10.4)

Fiona Glen Programme Director, Centre for Guidelines (observer)

Niki Parker Head of Internal Audit, Government Internal Audit Agency

Andrew Jackson Engagement Director, National Audit Office

Andrew Ferguson Engagement Manager, National Audit Office

Katie Scott Senior Manager, KPMG

David Wright NICE Sponsor Team Lead, DHSC (part)

## Committee’s private meeting with the auditors (item 1)

1. The non-executive directors and external member held a pre-meeting in private with the internal and external auditors.

**Welcome and introductions (item 2)**

1. The chair welcomed everyone to the meeting and introduced Sam Roberts who was attending her first audit and risk committee at NICE.

## Apologies for absence (item 3)

1. Apologies for absence were received from Elaine Inglesby-Burke, Justin Whatling and Jennifer Howells.

## Declaration of interest (item 4)

1. The committee noted the interests register. There were no new declarations of interest relevant to this meeting.

## Minutes of the last meeting (item 5.1)

1. The minutes of the meeting held on 26 January 2022 were agreed as a correct record.

## Action Log (item 5.1)

1. The committee reviewed the action log noting the matters which were completed and closed.
2. The open actions were discussed with the committee agreeing that further enhancements to the strategic risk register, including potentially a score for the controls, would be considered in due course. The committee noted that as previously agreed, an inherent risk score would not be added to the risk register.
3. Elaine Repton confirmed that the risk management training course procured for executive team members and senior managers (in response to an internal audit recommendation), covered the fundamentals of risk management and therefore was not appropriate for the committee. It was agreed that a bespoke training session be explored which will advise whether NICE’s approach to risk management is in line with best practice, assist with better articulating current strategic risks and include horizon scanning.

**ACTION: ER**

# RISK MANAGEMENT

## Strategic risks (item 6)

1. The committee reviewed the strategic risk register which had been updated and scored using the 5x5 risk matrix in the updated risk management policy. Sam Roberts highlighted the risks of most concern to the executive team, stating that externally, the highest risk was ensuring NICE remained strategically relevant to the health and care system. This included expanding NICE’s appraisal of MedTech devices and diagnostics, and the production of living guideline recommendations to keep pace with national priorities. Internally, the key risk is to transform the way NICE works in terms of improving processes, changing behaviours and ensuring there is sufficient capacity and specialist skills to successfully deliver the business plan objectives.
2. The committee discussed the need for NICE to be preparing for what the external environment might look like in 3 to 5 years’ time so it is able to respond quickly to emerging issues and to government policy. In relation to the current strategic relevance risk, the committee commented that the mitigations needed to be strengthened to reflect the issues NICE needs to influence (such as the VPAS negotiations), and how it should do this, including through attending forums and prioritising external communications.
3. There was further feedback that the risk register could be refined to more clearly link to the priorities in the 2022/23 business plan. The executive team was asked to review the strategic risks with a longer term view in mind and to address it from an organisation-wide strategic perspective. It was agreed to bring a re-shaped version of the risk register to the next meeting in September, along with the operational risk register so the committee could ensure appropriate linkage between the two registers. In the meantime, it was agreed that the current strategic risks should be presented to the May board meeting for feedback to inform this upcoming review, with the scoring of the ‘people’ risk 2.2, increased.

**ACTION: SR/ER**

# INTERNAL AUDIT

## Progress report (item 7.1)

1. Niki Parker provided a progress update on delivery of the internal audit plan. The committee noted that four audits had been completed and one report was being drafted. The auditor was not in a position to give her overall annual opinion until the final internal audit had been completed and approved. The committee would receive the annual opinion in June.
2. Niki also sought support for the Internal Audit Charter between GIAA and NICE to be signed on behalf of NICE by the committee chair and the chief executive. A query was raised in relation to paragraph 12 which stated that ‘decisions on the appointment or removal of the HIA are reserved to the Accounting Officer and shall be advised by the chair of the ARAC’. The committee questioned whether this created a governance issue regarding internal audit’s independence if the chief executive could potentially decide to remove the HIA if they disagreed with what was being reported by the auditor. Niki Parker agreed to check whether this statement was applicable in a charter where GIAA is external and not directly employed by the customer organsiation. It was noted that any disputes should be resolved via the Memorandum of Understanding.
3. The committee noted the progress report and asked that paragraph 12 of the audit charter be checked.

**ACTION: NP**

## Business continuity planning (item 7.2)

1. The committee reviewed the findings of the business continuity planning audit which had received a limited assurance level. Niki Parker outlined the key weaknesses identified around a lack of clear roles and responsibilities, training, and coordination of the various business continuity plans.
2. Nicole Gee and Grace Marguerie joined the meeting to advise the committee of the actions being taken to respond to the findings. They confirmed that roles and responsibilities had been agreed and the training of key staff has started.
3. The committee welcomed the report which provided a comprehensive plan to address this key business risk.

## Recruitment systems and processes (item 7.3)

1. Niki Parker presented the findings of the recruitment systems and processes internal audit which had been undertaken to provide assurance of the lessons learned following the problems which had occurred with the implementation of the previous applicant tracking system, Hirelab. The report had concluded that the replacement Trac recruitment platform provided strong system based controls.
2. The committee agreed it was a comprehensive audit report. There was one query raised about the recommended area for improvement relating to the approval process for creating new roles for adding to the approved establishment. Sam Roberts advised that the Executive Team had recently reviewed the current headcount and number of vacancies, and that the position was being monitored closely. The committee noted that the action plan included management agreement to creating a standardised process for all new posts.
3. The internal audit report was noted.

## Hirelab recruitment system advisory report (item 7.4)

1. Niki Parker reported that the Hirelab recruitment system audit report was an advisory report that aimed to ensure that the lessons learned were being applied to the planned implementation of a long-term recruitment solution at NICE.
2. Grace Marguerie confirmed that the HR team had taken account of the issues with Hirelab when planning NICE’s move to the Trac system, ensuring that the IG and IT teams had been fully involved in the implementation plan and that comprehensive training and recruitment procedures were made available for hiring managers.
3. The committee commented that it was important to recognise when a task becomes a project and therefore has the required governance. Management recognised that this did not happen with the Hirelab project but stated that lessons had been learned and quoted the recent TUPE of the collaborating centre staff which had been a well-managed, successful project.
4. The advisory report was noted.

**EXTERNAL AUDIT**

**Audit progress report 2021/22 (item 8.1)**

1. Andrew Jackson briefly outlined plans for the year end audit and advised that a new letter of understanding between NICE and the NAO had been signed by the chief executive. It was agreed to circulate it to the committee for information.

**ACTION: ER**

1. Katie Scott advised that the audit began on 9 May and was progressing well. She did not anticipate any problems or delays to the timetable.
2. The committee noted the position with the year end audit.

**REPORTS FOR APPROVAL**

**Audit and risk committee’s annual report to the board (item 9.1)**

1. The committee was asked to review its draft annual report to the board which provided assurance on the effectiveness of NICE’s governance, risk management, financial and internal control arrangements. The chair invited members of the committee to raise any issues which they wished to have amended or included.
2. It was noted that the overall number of internal audit recommendations had increased from 20 to 30 compared with 2020/21 and that the auditor’s annual opinion was likely to be moderate assurance (yet to be confirmed), compared with a substantial assurance rating last year. The internal auditor confirmed that a moderate assurance rating was not unusual and that a slight decrease in the rating was not unexpected following a period of change within organisation. The committee was re-assured that this was not something to be unduly concerned about.
3. It was agreed that the challenges and key risks section should be reviewed so that it reads consistently across this report, the annual governance statement and the strategic risk register.

**ACTION: ER**

1. Subject to the amendment discussed, the committee approved the report for submission to the May board meeting.

## Counter fraud, bribery and corruption strategy, policy and response plan (item 9.2)

1. Elaine Repton presented for approval a revised counter fraud strategy, policy and response plan which had been reviewed following feedback from the DHSC’s informal assessment of NICE’s compliance with the counter fraud functional standard. The key changes were outlined for the committee.
2. The revised strategy and policy was supported subject to an additional section requested by the committee stating how compliance with the policy would be monitored.

**ACTION: ER**

# REPORTS FOR DISCUSSION

## Draft annual report and accounts 2021/22 (item 10.1)

1. The committee reviewed the draft annual report and accounts for 2021/22, noting that the annual audit was in progress and therefore the report was subject to change before it is brought to the board in June for approval. A number of queries and suggested amendments were raised which Elaine Repton agreed to address.

**ACTION: ER**

1. The draft report was noted, and the committee requested to send any further amendments to Elaine Repton.

## Financial accounting performance (item 10.2)

1. Martin Davison presented the financial accounting performance report that outlined NICE's performance against its financial duties for 2021/22 and explained the key features of each of the main financial statements and notes to the accounts, in the draft annual report and accounts.
2. Martin highlighted that a number of issues had affected NICE’s payment performance in year which had resulted in compliance with the Better Payment Practice Code (BPPC) dropping slightly to 93.7% against the target of 95% overall. Issues experienced in November and December improved in the last quarter of the year. This will need to be reported in the annual report and accounts.
3. The committee discussed two issues relating to the capital budget underspend and capitalisation of laptops. Martin confirmed that there was an asset register of IT equipment but NICE’s policy had not been to capitalise laptops previously as there had been so few of them in circulation. However, since moving to remote working this was something that could be considered. If there was a change in accounting policy, it would need to come back to the committee for approval. The budget underspend related to planned alterations to the Manchester office which had not gone ahead due to COVID-19. It was agreed to include an explanation in the annual accounts.

**ACTION: MD**

1. The committee noted the report.

## COVID-19 Public inquiry (item 10.3)

1. Heather Reid joined the meeting to give the committee a progress update on the work she is leading to prepare NICE for its involvement in the COVID-19 public inquiry. The committee was re-assured by the comprehensiveness of the plan and risk register and asked whether there were any known vulnerabilities for NICE. Heather shared some early thoughts on the aspects of NICE’s work that might be of most interest to the inquiry.
2. The committee noted the progress report and looked forward to receiving future updates.

# DSP Toolkit compliance audit report (item 10.4)

1. Helen O’Neil joined the meeting to present the report from the independent review of NICE’s Data Security and Protection Toolkit (DSPT) submission. NICE had been selected for an NHS Digital funded audit completed by KPMG which was undertaken in early March 2022. During the audit 13 of the 33 mandatory assertions were reviewed and the overall risk assurance rating for NICE was ‘significant assurance with minor improvements required’ (amber/green).
2. The committee noted the report which provided independent assurance of NICE’s data security and protection controls.

## Committee effectiveness review highlights (item 10.5)

1. The committee discussed the feedback from its annual effectiveness review and considered proposals to address members’ comments. The following actions were agreed:
* investigate a bespoke cyber security training session covering best practice and an update on the latest developments/intelligence in the external environment
* invite NICE senior managers to future meetings as required, to respond to internal audit recommendations and to advise the committee how they intend to respond to address the areas for improvement identified in the audit reports
* members of the executive team to be invited to attend a committee meeting to give them a better understanding of the committee’s key concerns
* look at ways to improve the relationship with the DHSC’s ARC through the chair’s attendance at the DHSC and ALB ARC chair’s event and via invitations from the DHSC’s risk and assurance team to attend one of their meetings.
1. Elaine Repton agreed to explore a bespoke cyber security session and liaise with executive team members about attendance at future meetings.

**ACTION: ER**

# REPORTS FOR INFORMATION

## Complaints report 2021/22 (item 11.1)

1. The committee noted the annual report on complaints considered by NICE in 2021/22 under the complaints policy and procedure. A total of five complaints were considered and all were responded to within the 20 working day timescale. Two related to committee recruitment and three were to complain about delays in NICE responding to enquiries from members of the public. They were all resolved at stage 1.
2. The committee noted the report.

# Annual waivers report 2021/22 (item 11.2)

1. The annual waivers report showed a total of 30 waivers from the Standing Financial Instructions had been agreed during the financial year for various contracts and supplies. It was confirmed that the increase on previous years was due to the high value of the BNF contract.
2. The committee noted the report.

# Waivers report – January to April 2022 (item 11.3)

1. Barney Wilkinson gave an update on the contract waivers agreed during January to April 2022.
2. The report was noted.

## Counter fraud functional standard – Q4 return (item 11.4)

1. The committee received the Q4 consolidated data return (CDR) for the Cabinet Office which was submitted to the DHSC Counter Fraud Unit on 29 April 2022. The report detailed three losses due to error totalling £8,112.50 relating to one payment made to an incorrect supplier and two invoices that were paid twice. All payments were expected to be recovered in Q1 2022/23.
2. The committee noted the Q4 CDR.

## Government functional standards update (item 11.5)

1. The committee was updated on progress towards compliance with the suite of government functional standards. Self-assessments have been undertaken showing NICE considers itself to be at least meeting the minimum requirements in 5 of the 12 applicable standards, and meeting most of the minimum standards in 3 other areas. Two areas have assessments against other best practice frameworks, but they require a specific assessment against the functional standard mandatory requirements, and the two remaining assessment are in progress.
2. The update report was noted.

**Internal audit recommendations (item 11.6)**

1. Elaine Repton reported progress in addressing outstanding audit actions, confirming that seven had been closed since the last meeting with 10 remaining open.
2. Niki Parker mentioned that in future, the GIAA will be following up and reporting to committee on progress with implementing the internal audit recommendations. Niki also agreed to monitor progress against the audit recommendations presented in the audit reports on today’s agenda.
3. The report was noted.

# NAO wider work in the health sector (11.7)

1. Andrew Ferguson briefly mentioned the NAO’s summary of its wider work in the health and care sector which included links to recently published reports and those in development.

# Use of the NICE seal (item 11.8)

1. The NICE seal had not been used in the period since the last meeting.

**Committee annual plan 2022 (item 11.9)**

1. The committee noted its annual work plan for 2022 and agreed to have a deep dive risk item at each meeting (with the exception of June), which would give an opportunity to have a detailed discussion of one of the strategic risks, and to invite senior managers to present. The committee’s preference was that the items are ‘discussion’ sessions with the committee providing advance notice of questions, rather than submission of a formal paper. Elaine Repton was asked to liaise with the committee to confirm the topic for the September meeting.

**ACTION: ER**

**Other business (item 12)**

1. There were no further items of business.

**Future meeting dates**

1. The committee confirmed its future meetings would take place on:
* 16 June 2022
* 14 September 2022
* 30 November 2022

The meeting closed at 17:00.