AUDIT AND RISK ASSURANCE COMMITTEE

**Unconfirmed minutes of the meeting held on 7 May 2025**

**in the Westbourne, Redman Place, London and via Teams**

Present

Alina Lourie Non-Executive Director (chair)

Mark Chakravarty Non-Executive Director

Amanda Gibbon External Member

In attendance

Sam Roberts Chief Executive

Pete Thomas Director, Finance

David Coombs Associate Director, Corporate Office

Barney Wilkinson Associate Director, Procurement

Jonathan Benger Chief Medical Officer, deputy Chief Executive and interim Director of the Centre for Guidelines (for items 5.2, 5.3 and 5.6)

Raghu Vydyanath Chief Information Officer (for items 5.1 to 5.5)

James Siddall Head of Information Governance & Records Management and Data Protection Officer (item 5.3)

Sham Ramzan Head of Financial Accounting (from item 6.2)

Pranam Mavahalli Senior Content Manager (for item 6.3)

Elaine Repton Corporate Governance & Risk Manager (minutes)

Niki Parker Senior Audit Manager, Government Internal Audit Agency

Stephen Ferris Engagement Director, National Audit Office

Jacob Horner Engagement Manager, National Audit Office

Katie Henry Engagement Director, KPMG

Daniel Tumelty Engagement Manager, KPMG

David Wright Head of NICE Sponsor Team, DHSC

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

1. The non-executive directors met with the internal and external auditors in private before the open meeting.

**Welcome and apologies (item 2)**

1. The chair welcomed everyone to the meeting.
2. Apologies for absence were received from Justin Whatling. The chair advised that Justin would be stepping back from the committee for the immediate future due to his other professional commitments.

## Declaration of interest (item 3)

1. The committee noted the interests register. No new interests were declared.

## Minutes of the last meeting (item 4.1)

1. The minutes of the meeting held on 29 January 2025 were agreed as a correct record.

## Action Log (item 4.2)

1. The committee discussed the outstanding actions:

**Cyber security risks** (action 352) – Raghu Vydyanath was pursuing a contract with a specialist cyber training provider for the board since NICE was unable to access the central training provision through NHSE. The committee was keen to secure a provider for this additional training and agree a timescale.

1. **Financial agility and sustainability** (action 367) – Pete Thomas has undertaken to bring commercial strategy to the committee in November, following a discussion with the board in September.
2. **Enquiry handling internal audit** (action 369) – It was noted that the completion date for the work on access rights within MS Dynamics was June 2025.

# ITEMS FOR DISCUSSION

## Strategic risks (item 5.1)

1. Sam Roberts presented the latest strategic risk register, advising that the executive team (ET) was recommending a reduction in the current risk score for both the workforce and cyber security risks. It was agreed to discuss cyber security under the next item.
2. In terms of workforce risk, Sam reported that the significant work completed on management of change reviews involving the largest teams within NICE, in addition to the leadership development work to support management teams, and the continuous quality improvement programme underway, had all mitigated the risk. The committee was satisfied that these specific actions had reduced the risk and agreed to reduce the workforce risk score from 12 to 9.
3. The committee raised some further workforce related queries which Sam and Jonathan Benger responded to including the impact of two senior executive vacancies, whether there was sufficient digital, data and AI expertise within NICE to deal with the digital investment priorities and the challenge of external cyber threats, and the Government’s review of Arm’s Length Bodies (ALBs). Jonthan gave an update on the executive recruitment plans, and Sam advised that a supplier contract was now in place to access additional digital skills at pace when needed. It was also noted that the review of ALBs was not expected to have a significant impact on NICE at this stage in discussions with Ministers and the Department of Health and Social Care colleagues, but the committee would be kept updated.
4. On other key strategic risks, Sam updated the committee on the latest developments within the national policy agenda including plans for NICE’s involvement in the 10-year health plan and the life sciences sector plan. Other issues being monitored closely by the ET were the medicines voluntary pricing re-negotiations and the quality and safety review.
5. On the whole, the committee was satisfied that the current strategic risks were reflected in the risk register, but asked for the following specific matters to be considered:

* risk 1 technology and organisational resilience – to include current controls and any planned actions relating to the use of Artificial Intelligence (AI).
* risk 3 system landscape and partnership working – consideration to be given to the risks around the international context, including the impact of tariffs and the European collaboration in HTA.
* risk 5 financial agility – review the current actions to better drive productivity and control NICE’s cost base.
* risk 8 climate change – ET to consider whether the risk should be amended in light of the national and international policy context, and whether NICE’s risk appetite should be reviewed.

1. The committee thanked the officers for a good discussion and asked that the issues raised be discussed with the relevant risk leads and updated for the next meeting in September. It was also requested that the move to using SharePoint Lists to manage the various risk registers be explained at the next meeting including showing the linkages to the risks in the operational and programme board risk registers.

**Action: ER**

## Cyber security update (item 5.2)

1. Raghu Vydyanath joined the meeting to present an update on the work to improve cyber security arrangements and to support business continuity planning. The committee noted the detailed report and thanked Raghu and his team for their hard work and diligence.
2. The committee noted the positive outcomes from the cyber essentials accreditation, the results of the RSM/GIAA internal audit and the new server and network upgrades. They also discussed areas where the committee was keen to see further progress in the coming months before being satisfied that the risk rating should be reduced. It was agreed that milestones would help to focus efforts on the key priorities for 2025/26, including cyber essentials plus and a software strategy.
3. There was a discussion of the business impact assessment work and the list of tier one and tier two critical systems and applications identified, and the plans for managing these as part of an applications strategy. There was also a draft data, digital and technology (DDAT) service catalogue being developed. This work will be continuing during 2025/26 to rationalise the number of systems supported.
4. In summary, the committee welcomed the report, noted the current position and agreed to retain the current risk rating. For the next update in September, the committee also requested the inclusion of any lessons learned from recent cyber incidents in other organisations, that would be relevant to NICE.

**Action: RV**

## Cyber incident report (item 5.3)

1. James Siddall joined the meeting to discuss the issues relating to the recent data breach followed a sophisticated phishing incident. The committee noted how the breach had happened, the action taken as soon as the breach was identified and the lessons learned review that followed. A report has been made to the Information Commissioner’s Office, and a response was awaited.
2. The committee asked questions for clarification, notably regarding mandatory cyber security training compliance, and noted the content of the report and the planned next steps. Sam Roberts added that mandatory training had been identified as a theme in the year-end assurance process across directorates, which she has undertaken to raise with ET colleagues to remind their teams of its importance. Raghu stated that he was also working with the communications team and will raising it at the next all-staff meeting.

## Internal audit progress report (item 5.4)

1. Niki Parker presented an update on delivery of the 2024/25 internal audit plan. Of the six planned audits, five audits have been completed and reports published, all with a moderate assurance rating. The data security and protection toolkit (DSPT) audit report has been issued in draft and was nearing completion. The report will be circulated to the committee on email as soon as it is available before the June meeting.
2. Progress with implementing audit actions is positive with only five actions outstanding at the year end.
3. Niki also shared for the committee’s information a supplementary publication from GIAA which included insights from its cross-government work.
4. The progress report and supplementary publications were noted.

## Cyber security internal audit report (item 5.5)

1. Niki Parker presented the final report of the cyber security internal audit which received a moderate assurance rating with six medium recommendations. Niki confirmed that the audit had found that systems were well designed and implemented. The recommendations mainly related to strengthening current arrangements, rather than identifying weaknesses, including ensuring all documentation was up to date.
2. The committee noted the positive findings and welcomed the audit report.

## Prioritisation of topics internal audit report (item 5.6)

1. Niki also presented the final audit report of the prioritisation of topics which received a moderate assurance rating with seven medium and five low recommendations. There were no concerns identified in the review and the actions related to strengthening the current arrangements once they were fully bedded in. Jonathan Benger thanked Niki for her comprehensive report which had highlighted a risk that the Prioritisation Board (PB) could potentially prioritise more topics than NICE could deliver. He also noted that a strategic approach was needed to also consider the urgency of guidance to meet the system’s needs.
2. The committee welcomed the positive audit in view of the relative newness of the team. It was queried whether the voluntary scheme for branded medicines, pricing, access and growth (VPAG) would have an impact for the PB. Jonathan stated that the PB does consider the decisions for branded and non-branded medicines and could amend its processes if needed. It was accepted that the VPAG negotiations will have an impact at some point in the future, and the Government has already announced its aim to see regulation costs cut by 25%. This may impact prioritisation decisions for medicines with a large number of licenced indications.
3. The report was noted.

## Internal audit plan 2025/26 and GIAA Charter (item 5.7)

1. The committee was asked to confirm topics for inclusion in the 2025/26 internal audit plan, noting that the previously proposed committee member reimbursement had been substituted for a follow-up cyber security audit, which was felt to be a higher risk. Niki advised that the proposed six audits would give an adequate spread of governance, risk and financial coverage to enable her to provide an audit opinion.
2. The committee’s attention was drawn to the supplemental reports which were circulated to the committee via email. These included the internal audit charter between GIAA and NICE, which requires signing by Sam Roberts and the ARAC chair, on behalf of NICE, and references the Global Internal Audit Standards in the UK Public Sector, which GIAA undertakes to comply with in its work. The internal audit fee letter requires signing by Pete Thomas, and lastly the Memorandum of Understanding between GIAA and NICE which is to be signed by Pete Thomas. There is also a data sharing agreement which will be signed by James Siddall as NICE’s data protection officer.
3. The committee approved the 2025/26 internal audit plan.
4. Niki noted the suggestions from the committee for the 2026/27 internal audit plan to potentially include a mandatory training audit, a HR related audit and a review of contract management. Reference was also made to NICE’s use of AI.

## YEAR END REPORTING

## Audit planning report (item 6.1)

1. Katie Henry presented the audit planning report giving an overview of the external audit plan for the 2024/25 year-end and highlighting the areas that have been identified as key risks for the audit. The audit commenced on 6 May. There were no changes planned to the approach taken last year. Katie confirmed the audit completion report would be presented to the committee in June 2025.
2. It was noted that the issues with the Manchester office lease had been raised with KPMG and the auditors had requested all the paperwork to undertake a review and give their opinion.
3. The audit planning report was noted.

## Financial accounting performance (item 6.2)

1. The committee reviewed the financial accounting performance at the end of March 2025. Sham Ramzan highlighted performance against the key financial duties, the volume and value of payments made to suppliers and the table of write-offs, losses and special payments.
2. It was confirmed that the M12 accounts have now been submitted to the DHSC. The year end position was a £2.3m underspend, in the main due to improved performance in Technology Appraisals/Highly Specialised Technologies cost recovery and staff vacancies, following management of change reviews.
3. Payment of an invoice for £6.7m from NHS England was outstanding but it was noted that a purchase order has now been received, therefore was expected to be resolved soon.
4. Pete Thomas updated the committee on the lease for the new Manchester office and the impact on the year end accounts. NICE does not yet have a signed lease as negotiations between the superior landlord and NHS Property Services have taken significantly longer than expected. The Manchester office is now recognised as a Right of Use Asset under IFRS 16 in the 2024/25 annual accounts. The lease costs (£2.9m) will now be treated as a capital addition. This change from a revenue charge to capital addition happened late at the year end. The additional funding had previously been confirmed by DHSC but not formally transacted through the consolidation schedule. NICE was currently waiting for a decision on how it should be accounted for. The committee requested an update at the next meeting in June.

**Action: PT**

1. The financial accounting performance report was noted.

## Draft annual report and accounts 2024/25 (item 6.3)

1. The draft annual report and accounts 2024/25 was circulated for review and comments. Pranam Mavahalli advised that the report content followed last year’s format, based on the four key business plan themes. The committee was invited to provide any feedback.
2. Initial feedback was given on the chairman’s and chief executive’s foreword with a suggestion to consider whether this sufficiently reflected NICE’s commitment to maintaining the quality of guidance alongside the drive for improved timeliness. It was agreed to re-visit these two introductions. Additionally, the performance table required baseline figures to show whether performance had improved or not.
3. It was noted that the issue with the Manchester office lease may need to be reflected in the accountability subject to the final discussions with the DHSC.

**Action: ER**

1. The draft report was received, and further comments were asked to be sent to Elaine Repton before the committee receives a further version for review at its meeting in June.

## Committee effectiveness review (item 6.4)

1. The committee discussed the feedback given in its annual effectiveness review. The request for a non-executive member with digital expertise was considered difficult to secure, and so the focus would be providing training for the existing NEDs. As noted earlier in the meeting, this is currently being procured.
2. Other comments included having a review of each ARAC meeting by the chair at the close of the meeting to capture any immediate thoughts. This will be introduced immediately.
3. The committee effectiveness review was received and noted.

## Committee’s annual report to the board (item 6.5)

1. The chair introduced the committee’s draft annual report to the board which summarised the committee’s work in 2024/25 for the purpose of providing assurance to the board that there were effective governance, risk management, financial and internal control arrangements in place.
2. The key matters to be brought to the board’s attention were the maturing of the risk register, deep dive risk topics, no limited assurance internal audit reports and the focus on cyber security. The issue of mandatory training compliance rates has been mentioned during the meeting and recognised as an area for improvement in 2025/26.
3. Sam Roberts was asked to explain the year-end assurance process that had been introduced this year, following a recommendation in the internal audit review of the control environment. It was reported that each director had been asked to complete a checklist of key governance and financial control requirements to provide the accounting officer with evidence-based assurance to sign off the accountability report within the annual report and accounts. It included checks to ensure completion of mandatory training courses, declarations of interest, gifts and hospitality, information governance matters and financial reporting.
4. The committee approved its annual report for submission to the May board meeting, including minor updates to the committee’s terms of reference.

## Governance year-end report (item 6.6)

1. Elaine Repton gave an overview of the Q4 compliance dashboard, and the additional year-end information provided, including an update on compliance with the functional standards and the counter fraud action plan for 2025/26.
2. The number of near miss accidents in the new Manchester was raised and queried whether there was a wider issue that required attention. Pete Thomas advised that there has been some internal works on going to improve the soundproofing of meeting rooms, but there did not appear to be any specific safety concerns.
3. The report was noted.

# Annual report on complaints (item 6.7)

1. The committee welcomed the annual report on complaints for 2024/25 which showed that only one complaint had been processed in line with the policy and responded to within timescale.
2. There had been two requests for internal reviews of NICE’s responses to freedom of information requests. Both internal reviews were completed within the 20-working day timescale and both upheld NICE’s initial response to the request. One case has been escalated to the Information Commissioner’s Office, but nothing has been received by NICE to respond as yet.
3. The complaints report was noted.

# Report on Whistleblowing (item 6.8)

1. The committee noted that there have not been any whistleblowing cases raised during 2024/25. An update was given on a ‘live’ case that had been raised in the previous year.
2. The report was noted.

# Commercial analysis and contract waivers report (item 6.9)

1. Barney Wilkinson presented an annual overview of commercial activity in 2024/25 showing 192 contracts were entered into with a total value of £3.8m, of which 21 (£0.4m) were contract waivers. Overall, the number of contracts has increased but the number of waiver requests has remained steady, with the majority relating to IT software and systems.
2. The contract waivers report for January to April 2025 was also reviewed, detailing the various suppliers and value of the contracts entered into.
3. The report was noted.

**Committee annual plan 2025 (item 6.10)**

1. The committee noted the annual plan for the meetings in 2025. It was agreed that the deep dive risk topic in September will be the innovation risk.

**Other business (item 7)**

1. There were no further items of business.

# Dates of future meetings (item 8)

1. The committee confirmed the future meetings dates as:

* 18 June 2025 (annual accounts approval)
* 25 September 2025
* 27 November 2025
* 29 January 2026

The meeting closed at 4:45pm.