AUDIT AND RISK COMMITTEE

**Unconfirmed minutes of the meeting held on 26 January 2022**

**via Zoom**

Present

Tom Wright Non-Executive Director (chair)

Mark Chakravarty Non-Executive Director

Alina Lourie Non-Executive Director

Amanda Gibbon External Member

In attendance

Gill Leng Chief Executive

Jennifer Howells Director, Finance, Strategy and Transformation

David Coombs Associate Director, Corporate Office

Martin Davison Associate Director, Finance

Barney Wilkinson Associate Director, Procurement

Paul Chrisp Director, Centre for Guidelines (item 4.2)

Chris Carson Programme Director, Centre for Guidelines (item 4.2)

Rachel Neary-Jones Associate Director, Centre for Guidelines (item 4.2)

Alexia Tonnel Director, Digital, information and Technology (item 5.1)

Malik Pervez Associate Director, Infrastructure & Operations (item 5.1)

Elaine Repton Corporate Governance & Risk Manager (minutes)

Niki Parker Head of Internal Audit, Government Internal Audit Agency

Andrew Jackson Engagement Director, National Audit Office

Andrew Ferguson Engagement Manager, National Audit Office

Tim Cutler Partner, KPMG

Katie Scott Senior Manager, KPMG

David Wright NICE Sponsor Team Lead, DHSC (part)

## Apologies for absence (item 1)

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

## Declaration of interest (item 2)

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

## Minutes of the last meeting (item 3.1)

1. The minutes of the meeting held on 24 November 2021 were agreed as a correct record.

## Amendment to Standing Financial Instructions (item 3.2)

1. The chair reported that he had approved a minor amendment to the Standing Financial Instructions, following their approval by this committee at the last meeting and by the Board in November 2021.
2. Jennifer Howells explained that an error had come to light which needed to be corrected relating to the authority to approve digital and technology expenditure. The revised scheme of financial delegations, paragraph 5 now reads: *“All technology and digital expenditure requires the approval of the Technology Governance Board (TGB).”*
3. The committee ratified the amendment approved by the chair.

## Action Log (item 3.3)

1. The committee reviewed the action log noting the matters which were completed and those still in progress.
2. There was support for the risk management training course for directors and senior managers and the committee asked whether it could also be made available to the non-executive directors, or whether an alternative course would be better suited. Elaine Repton agreed to consult with the non-executive directors once the internal course for senior staff has been delivered.

**ACTION: ER**

# RISK MANAGEMENT

## Strategic risks (item 4.1)

1. The committee reviewed the strategic risk register noting that no new risks had been added since the last meeting, but two risk scores had been amended. The committee was asked to support a reduction in the current risk score for risk 2.4 relating to executive capacity from red (6) to amber (4) following the appointment of a new chief executive and successful recruitment exercises for three other senior posts. The committee agreed this amendment.

**ACTION: ER**

1. Gill Leng highlighted the risks currently of most concern to the Executive Team: financial sustainability, senior capacity and strategic relevance. The committee noted that the business planning commission for 2022/23 had been received from DHSC confirming the expected reduction in funding, and no additional support through the CSR bids, meaning the proposed priorities will have to be reviewed against the finances available.
2. In terms of senior appointments, the Interim Chief Medical Officer has taken up her role and there is also progress with the Chief Digital Products Officer and Director of MedTech recruitment both nearing completion which will provide additional technical expertise in key strategic areas.
3. The committee discussed the issues that could potentially impact NICE’s strategic relevance, specifically the recently announced reconfiguration of some national health bodies and the increasingly prominent alternative sources of guidance and information now available. It was agreed these changes reinforce of promoting the value of NICE to the health and care system. Engaging with the new Integrated Care Systems will be a focus for the Field Team next year as these new organisations are formed and agree their budgets.
4. The committee noted the strategic risks and approved the updates to risk scores.

**ACTION: ER**

## Risk discussion – Guideline collaborating centres integration (item 4.2)

1. Paul Chrisp gave an overview of the risks and key issues arising from the transfer of the staff from the guideline collaborating centres into NICE under TUPE regulations on 1 April 2022. The committee was updated on the transfer process which has been progressing well with consultation meetings taking place and staff having the opportunity to ask questions. It was accepted that in these situations, the uncertainty is always difficult. For that reason, newsletters and FAQs have been developed, as well as a dedicated email address to ensure all queries are captured and responded to.
2. The committee discussed some of the key risks, specifically having new IT kit ready to ensure a smooth transition and minimal disruption to guidelines in progress. The cultural fit of the new teams joining NICE was a concern as well as the financial impact, including pension costs and the sub-contract to be resolved with UCL. The alignment of terms and conditions will also need to be considered, post 1 April 2022. Any management of change exercise would be undertaken in the Summer of 2022 to review team structures and align job roles and salaries.
3. Paul was asked what the impact of the changes will be on capacity to produce guidelines. He advised that his team is constantly managing capacity against demand to flex resources where required to protect the highest profile and most important guidelines to the system.
4. The committee noted the positives to be had in learning from the new teams and taking the best practice forward, as well as the opportunities for the staff joining NICE at a time when it is looking to review its operating model to move to a model of living guidelines, which they will have the opportunity to shape.
5. There was a question about the credibility of NICE guidelines externally when the Royal Colleges are no longer as closely involved in their development. Paul responded stating that guidelines have always been published under the NICE brand but accepted that we do need to maintain the good relationships with the Colleges built up over many years, so that we can influence them to support implementation of the guidance so that it has maximum reach and impact.
6. The committee acknowledged the significant amount of work involved in the transfer and thanked Paul and his team for attending.

## Risk management policy (item 4.3)

1. The committee was asked to support the revised risk management policy before it is presented to the public board meeting in March for approval. The policy had been updated in response to the recent internal audit report of risk management arrangements and as recommended by the audit and the committee, it moves to a 5x5 risk scoring matrix to allow for more nuanced risk assessment.
2. The material changes to the policy were highlighted in the covering paper. Jennifer Howells referred to consideration being given to a longer timeframe (more than 12 months) for the likelihood descriptions in the risk scoring matrix, on the basis that strategic risks can be considered over a longer time horizon.
3. The revised policy was approved for recommendation to the board in March.

**ACTION: ER**

(David Wright joined the meeting at this item)

# DIGITAL, INFORMATION AND TECHNOLOGY

## Annual cyber security report (item 5.1)

1. Alexia Tonnel and Malik Pervez joined the meeting to present the annual report on cyber security. The report covered NICE’s on-premises network and infrastructure, the AWS infrastructure, supply chain security, staff support and awareness activities, business continuity and assurance processes in place.
2. The committee thanked the team for the comprehensive and re-assuring report on this critical business area. Questions were asked about the mix of an on-premises and cloud infrastructure, and in view of the ongoing required investment, queried whether collaboration with other health ALBs was possible, particularly in Redman Place. Malik advised that there was an ALB IT project group in Redman Place where some costs are shared. It was noted that there was now more scope to move more into a cloud solution as the on-premises contract with an external supplier had ended and the network support had been brought in-house. It is likely however that a hybrid approach (mix on premise and cloud hosting) will remain the preferred option. Alexia advised that investment in cyber security will be considered in the context of the 2022/23 business planning and budget setting.
3. A query was raised about the risk of an internal security breach from an employee (either inadvertent or malicious act); a leaver not returning their IT kit; or more generally with staff now working from home. Malik advised that internal controls were good and further work is taking place across the IT, HR and facilities teams to improve arrangements. The Digital Workplace programme will also help to digitise many of the manual processes to improve efficiencies.
4. The committee noted the report and thanked Alexia and Malik for attending.

# INTERNAL AUDIT

## Progress report (item 6.1)

1. Niki Parker provided a progress update on delivery of the internal audit plan. It was noted that the risk management and key financial controls reports had been issued with moderate assurance levels. The business continuity planning report is completed in draft and awaiting management response. This report will be issued to the committee members via email once finalised, and then formally presented to the next meeting in May.
2. The committee noted that the review of Hirelab recruitment system implementation was now an advisory report and ready to be issued. The revised audit of recruitment systems and processes is about to begin the fieldwork.
3. As discussed in November, the planned review of the Data Security and Protection Toolkit (DSPT) will be arranged by NHS Digital and carried out by KPMG, and therefore will not be part of the GIAA audit plan. Additionally, the planned audit of organisation design will not go ahead as the work is not sufficiently well developed. Niki Parker confirmed that some of the unused days will be allocated to the additional recruitment audit, some to accommodate overruns on audits and the remainder refunded.
4. On this basis the committee was assured that five assurance audits and one advisory review was the minimum allowable to provide an annual audit opinion.
5. The committee noted the progress report and supported the amendments to the plan.

## Key financial controls (item 6.2)

1. The committee reviewed the findings of the key financial controls audit report which received a moderate assurance rating with seven recommendations for improvement which have been accepted by the finance management team.
2. A query was raised about the payment of a working from home allowance. In response, Jennifer Howells advised that the DHSC is advising its ALBs not to change contracts of employment until the longer term position with hybrid working is clearer. Further, there are complex tax issues to consider.
3. The committee noted the report.

## Internal audit draft plan 2022/23

1. Niki Parker presented a draft internal audit plan for 2022/23 and sought feedback from the committee on the six business areas planned for auditing. Niki referred to the reserve list of audits and advised that she planned to ask the committee to review the plan after six months to check if any amendments were needed.
2. It was agreed that the collaborating centres and partnership working audits made sense to take place in Q4. The committee questioned the scope of partnership working audit and suggested it should include the levers of influence NICE has within the wider health system. In relation to the collaborating centres transfer, the committee would be interested to understand how the transfer has supported NICE’s ambition for living guidelines, from an external perspective.
3. The internal audit plan 2022/23 was approved.

**EXTERNAL AUDIT**

**NAO audit planning report 2021/22 (item 7.1)**

1. Andrew Jackson introduced the NAO’s planning report for the audit of the 2021/22 financial statements. The committee noted the scope of the audit, the proposed fee and the respective responsibilities of the Accounting Officer and the auditor.
2. Tim Cutler highlighted two key risks which will be a focus for the audit - IFRS 16 implementation and board and senior leadership changes but neither were expected to have a major impact.
3. The committee was asked to consider the following statements and concluded that:
* The NAO’s assessment of the risks of material misstatement to the financial statements was complete.
* Management’s response to these risks was adequate.
* The NAO’s proposed audit plan to address these risks was satisfactory.
* The committee was not aware of any fraud that would result in the financial statements being materially misstated.
1. The committee noted that the London office lease had been overstated in last year’s financial statements and will be re-stated this year. The increase in audit fee was discussed, for which Andrew Jackson explained the rationale.
2. The external auditor’s report was agreed.

**FINANCE**

**Financial accounting performance (item 8.1)**

1. Martin Davison presented the financial accounting performance report for the period ended 31 December 2021, and the month 9 financial statements. The committee noted that payment performance reduced in Q3 due to staff turnover and sickness in the finance team, although this has now been resolved. Additionally, NHS Shared Business Service had an IT system issue which impacted invoice processing.
2. The month 9 financial statements were presented for information. They were unaudited at this point so may be subject to change, but no material issues were anticipated.
3. The committee noted the report.

(David Wright left the meeting at this item)

# CONTRACTS

## Waivers report April to December 2021 (item 9.1)

1. The report on contract waivers approved between April and December 2021 was reviewed.
2. The waiver report was noted.

## Contract waiver – guidelines programme (item 9.2)

1. Jennifer Howells sought approval of a contract waiver for a one year extension to the current sub-contract with University College of London (UCL) until 31 March 2023. The committee noted that the scope and nature of the UCL services provided under their subcontract with Royal College of Obstetrics and Gynaecology was critical to the execution of the work under the main contract for the National Guidelines Alliance (NGA) guideline development. The approximate value of the contract was still subject to negotiations. The committee approved the waiver and delegated authority to the chair to agree an amendment to the value of the waiver.
2. The committee approved the contract waiver with UCL.

# CORPORATE OFFICE

## Counter fraud functional standard – Q3 return (item 10.1)

1. The committee received the Q3 consolidated data return (CDR) for the Cabinet Office, which will be submitted to the DHSC Counter Fraud Unit on 8 February 2022. Two instances of salary overpayments were reported. One made in error to a contractor was recovered in full in January and one to an ex-employee is still outstanding. Martin Davison assured the committee that action had been taken to strengthen the controls between the payroll and accounts payable teams to ensure IR35 payment requests were checked to avoid duplicate payments being made.
2. The committee noted the Q3 CDR.

## Government functional standards (item 10.2)

1. The committee was updated on the work required to ensure NICE complies with the suite of Government functional standards. All central government departments and their ALBs have been directed to have a plan in place to comply with each functional standard in a way that meets its business needs and priorities. The initial priority is to ensure that NICE can at least meet the mandatory (‘shall’) elements of each standard by the end of this financial year. Leads for each standard have been identified and the Operational Management Committee will monitor progress.
2. It was noted that a letter to Accounting Officers also directed that statements about use of the functional standards should be included in annual reports and, where relevant, Accounting Officer statements. This will be included in the governance report within the annual report and accounts.
3. The update report was noted.

**Internal audit recommendations (item 10.3)**

1. Elaine Repton reported good progress in addressing outstanding audit actions and confirmed that five had been closed since the last meeting with 10 remaining open.
2. The report was noted.

**Committee annual plan 2022 (item 11)**

1. The committee noted its annual work plan for 2022 and agreed to have a deep dive risk discussion in May 2022 of NICE’s strategic relevance, following the concerns raised earlier under the strategic risks.

**Other business (item 12)**

1. **Tom Wright** – Thanks were extended to Tom Wright for his diligent chairing and for being a valuable member of the audit and risk committee for a number of years. Tom reaches the end of his term of office at the end of March and the committee wished him well.
2. **Gill Leng** – This was also Gill Leng’s last meeting of the ARC before she retires from NICE on 31 January. The committee expressed their gratitude to Gill for her immense contribution to the success of NICE over the last 20 years.

**Future meeting dates**

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

The meeting closed at 16:50.