AUDIT AND RISK COMMITTEE

# Minutes of the meeting held on 16 June 2022

**Unconfirmed**

# Present

Alina Lourie Non-Executive Director (chair)

Mark Chakravarty Non-Executive Director

Amanda Gibbon External member

# In attendance

Sam Roberts Chief Executive

Jennifer Howells Director, Finance Strategy and Transformation

Nick Christodoulides Interim Senior Financial Accountant

Jane Lynn Head of Financial Accounts

Boryana Stambolova Deputy Director, Finance - Strategy and Commercial

Sanjay Tanday Associate Director, Communication Content and Channels (item 8)

David Coombs Associate Director, Corporate Office (minutes)

Niki Parker Government Internal Audit Agency

Andrew Jackson National Audit Office

Andrew Ferguson National Audit Office

Katie Henry KPMG

David Wright DHSC Sponsor Team

# Apologies for absence (item 1)

1. Apologies were received from Elaine Inglesby-Burke, Justin Whatling and Martin Davison.

# Declarations of interest (item 2)

1. There were no declarations of interest relevant to this meeting.

# Minutes of the last meeting (item 3.1)

1. The minutes of the meeting held on 11 May 2022 were agreed as a correct record.
2. Alina Lourie asked that in future the minutes record any material changes requested by the committee to the annual report and accounts.

**Action: ER**

# Action Log (item 3.2)

1. The committee reviewed the action log and noted the actions still in progress.

# Prepayment (item 4)

1. Jennifer Howells briefed the committee on two issues that have arisen late in the external audit of the annual report and accounts.
2. The first related to a prepayment that should not have been made and represented a breach of financial control. The circumstances are being reviewed by an independent expert and following an initial review, management are satisfied this was an isolated incident that has been adequately disclosed to auditors and accounted for appropriately. As such, it should not affect the disclosures in the management letter of representation and the annual report and accounts.
3. The second issue was that the National Audit Office (NAO) consider that the contract for this consultancy work should have been approved by the Department of Health and Social Care (DHSC) as it was for a period of more than 3 months and therefore beyond the level delegated to NICE. NICE had not sought approval for the contract as the tender was issued prior to the delegation limits changing, but on NAO advice has sought retrospective approval from DHSC, which is in progress.
4. The committee noted that the Comptroller and Auditor General (C&AG) cannot sign NICE’s annual report and accounts until the issue is resolved and therefore it may not be possible to lay the annual report and accounts before Parliament prior to the summer recess. The committee discussed the circumstances around the incident and noted that there had been a degree of uncertainty around the new delegations with multiple iterations of the accompanying advice. The committee however highlighted the importance of understanding how this occurred and avoiding similar issues arising in the future. The committee therefore agreed that the internal audit work plan for 2022/23 should be reviewed so that internal audit could provide assurance in this area.

**Action: NP**

1. The committee welcomed the independent investigation into the prepayment and asked that in addition to receiving the investigation report and action plan at its next meeting, these are circulated by email as soon as they are available. The committee highlighted the importance of the action plan considering induction and training so that staff understand their responsibilities under managing public money, in addition to technical controls.

**Action: JH**

# Internal audit: annual opinion and report 2021/22 (item 5)

1. Niki Parker presented the annual report for 2021/22 which gave an overall opinion of “moderate assurance” that NICE has had adequate and effective systems of control, governance and risk management in place for the reporting year 2021/22. Niki explained that the opinion is based on five assurance audits, of which four received moderate assurance and one received limited assurance. It is also informed by the external assessment of NICE’s Data Security & Protection Toolkit (DSPT) submission undertaken by KPMG, and observations from attending the Audit and Risk Committee and the organisation’s responses to internal audit reports and recommendations.
2. The committee queried whether the number of audits was sufficient to give the annual opinion. In response Niki confirmed that 5 was the minimum number of audits and that the real world data audit had been completed and agreed with the sponsoring director, and so could inform the opinion. The action plan for the audit requires discussion at NICE’s operational management committee and will then come to the Audit and Risk Committee in September. The committee asked that the report and action plan is circulated to the committee by email, and that the report in September includes the latest position with the recommendations, given a number of these are due for completion before then.

**Action: ER / FG**

1. Niki was also asked to consider whether the internal audit annual report should be amended to clarify the reliance placed on the KPMG audit.

**Action: NP**

1. The committee discussed the work-plan for 2022/23 and noted that as discussed earlier in the meeting this would be reviewed to incorporate financial controls. There was also a suggestion from the committee to undertake an audit on training given this had been highlighted as a theme in the 2021/22 audits. Sam Roberts asked that any audit on training is deferred to 2023/24 so that the recruitment of the substantive Chief People Officer can conclude and the postholder can review NICE’s arrangements in this area. The committee agreed this was a reasonable approach and agreed that Sam Roberts would confirm the work-plan for 2022/23 with Niki Parker to include a minimum of 6 audits.

**Action: NP / SR**

1. Alina Lourie highlighted the need to ensure the audits are planned so that they receive NICE sign-off in time to be presented to the committee no later than May 2023.

**Action: NP**

1. The committee noted the report.

# External audit: audit completion report (item 6)

1. Andrew Jackson presented the report from the National Audit Office (NAO) that outlined the findings of the audit of the 2021/22 financial statements and noted that it was issued before the issue discussed earlier in the meeting with the consultancy contract was identified. It would therefore need to be reissued once the outcome of the request for retrospective approval for the consultancy contract is known.
2. Katie Henry then gave an overview of key points from the audit and noted the adjusted and unadjusted misstatements identified in the audit. There were no major control issues noted, and 2 low risk recommendations for improvement made.
3. The committee noted the unadjusted misstatements in the report and supported management’s decision not to amend the accounts on the basis that the effect of the unadjusted errors were immaterial, both individually and in aggregate, to the financial statements taken as a whole.
4. The committee noted the findings in the report. It was agreed that the revised audit completion report would also correct the value of the error in the leases disclosure, which was significantly lower than stated in the audit completion report circulated to the committee.

**Action: AJ**

# Summary of audit reports ISAE 3402 – shared services (item 7)

1. The committee reviewed two third-party assurance reports from PricewaterhouseCoopers LLP for users of the NHS Shared Business Services (SBS) for the employment, and finance and accounting shared services. The committee noted the findings, the response from SBS management, and the additional controls in place at NICE to mitigate the risks identified in the report.

# Draft annual report and accounts 2021/22 (item 8)

1. Sanjay Tanday presented the near final draft of the annual report and accounts for 2021/22 which had been updated following feedback from the committee, Board, and auditors.
2. The committee reviewed the report, and a question was raised whether the risk section should be amended to more explicitly reference the upcoming negotiations on the voluntary scheme for branded medicines pricing and access (VPAS). It was agreed that Sam Roberts and Alina Lourie would consider whether to amend the report and also whether to update the text in the annual governance statement to note the reliance internal audit placed on the KPMG audit on the Data Security and Protection Toolkit.

**Action: SR / AL**

1. Subject to these comments, and any further minor amendments to be provided outside of the meeting to Sanjay Tanday, the committee supported the Board approving the annual report and accounts once the issue with the consultancy contract is resolved.
2. Jennifer Howells thanked the staff involved in producing the annual report and accounts and the auditors for managing the process in her absence. The committee echoed these thanks.

## Other business (item 9)

1. None.

The meeting closed at 10:30am.

## Future meeting dates

* 19 September 2022 (rearranged from 14 September)
* 30 November 2022