AUDIT AND RISK COMMITTEE

**Unconfirmed minutes of the meeting held on 20 January 2021**

**via Zoom**

Present

Dr Rima Makarem Non-Executive Director (chair)

Dame Elaine Inglesby-Burke Non-Executive Director

Tom Wright Non-Executive Director

In attendance

Professor Gill Leng Chief Executive

Jennifer Howells Director, Finance, Strategy and Transformation

Martin Davison Interim Associate Director - Finance

Barney Wilkinson Associate Director - Procurement

Jane Lynn Head of Financial Accounting

Elaine Repton Corporate Governance & Risk Manager (minutes)

Niki Parker Government Internal Audit Agency (GIAA)

Andrew Jackson National Audit Office (NAO)

Andrew Ferguson National Audit Office (NAO)

Hassan Rohimun Ernst & Young (EY)

Dan Spiller Ernst & Young (EY)

Jane Newton DHSC, NICE Sponsor Lead

**Apologies for absence**

1. Apologies for absence were received from David Coombs.

**Declaration of interest**

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

**Minutes of the last meeting**

1. The minutes of the meeting held on 25 November 2020 were agreed as a correct record, subject to the following clarification:
2. Minute 10 - Jane Newton clarified that her point on the capacity discussion had been that NICE had historically operated with a higher than **average** vacancy rate, the average being 5%. Jennifer Howells added that NICE’s vacancy rate is typically 5-6% however it had been significantly higher in recent years following re-structures and change programmes, and more recently due to staff moving internally to support the COVID-19 rapid guidance and other priorities.

**Action Log**

1. The committee reviewed the action log noting the matters which were completed and those still in progress.It was noted that the follow up ‘black swans’ session planned for February would now be re-scheduled for later in the year, in consultation with the board chairman, once the newly appointed non-executives were in post. The committee was asked whether it should re-consider the terminology for the risk event, but as there was no strong opposition to the wording, it will be retained.
2. The chair requested that actions 261 and 264 remain open for a further update at the next meeting.

**RISK MANAGEMENT**

**Corporate risk register 2020/21**

1. The committee reviewed the corporate risk register and Gill Leng highlighted staff morale and capacity as the risks of most concern to the Executive Team (ET). The impact of school closures and the lockdown restrictions were affecting staff in different ways depending on their circumstances. The ET was sensitive to people’s capacity to work and had agreed a further relaxation of the carers leave policy to support staff to work more flexibly. That said, the decision has been taken not to stop any of the core programmes, as had happened in March 2020, as NICE’s work is so important to support the health and care system. Additionally, in terms of capacity, Gill added that there will be new work arising from the strategic plan and the transformation programme which will add to the current workload pressures. It was noted that consultants were working with the ET to review the organisational design.
2. The committee queried whether there was capacity to deliver all the current commitments and asked how work was being prioritised. Gill advised that ideally the core outputs from the Centre for Guidelines and Centre for Health Technology Evaluation would be maintained to avoid any adverse impact on income and patients. Some areas of work have already been paused including Quality Standards and Indicators and the Field Team’s work, and the staff will be re-deployed to support the core programmes.
3. The committee was advised that the new London office at Redman Place had opened on 18 January but there were issues still to be resolved with the IT infrastructure and connectivity to the Manchester office. The challenges relate to the main equipment room (MER) and the AV/VC solution. The MER was not designed with sufficient capacity to host NICE’s data centre and it was now too late to make changes. Therefore, NICE’s current temporary arrangements with a hosted data centre was likely to become permanent until transition to a cloud solution can be progressed. A proposed AV/VC solution is currently being piloted but there are no staff using the offices to test the equipment. Jennifer Howells added that there was a time constraint on resolving the AV/VC issue as the DHSC has a capital budget to fund the work in the current financial year.
4. The committee asked whether the IT infrastructure issue had come as a surprise and how much extra cost would be incurred by NICE as a result. Jennifer Howells reported that NICE’s requirements for the MER were flagged repeatedly but were not passed by the DHSC to the building contractor. The additional costs of an off-site hosted arrangement was approx. £70k for six months. It was accepted that NICE was currently an outlier as the other ALB occupants of the office were all using a cloud based solution. Gill noted it had not been possible to address it at the same time as the office move but it was part of the longer term plan.
5. The committee discussed the impact of COVID on the whole health & care system and what the implications of such significant disruption may be in the future. The committee commented that the risk register was mostly inwardly focussed and the queried whether there should be an additional risk of NICE’s outputs and contribution to the sector potentially becoming superfluous in the future. It was agreed to add a new risk relating to the external environment.

**ACTION: ER**

1. Jane Newton suggested an addition to risk 5/20 relating to NICE guidance not only being challenged and contested but also subject to Judicial Review. The committee supported the addition of potential JRs.

**ACTION: ER**

1. Andrew Jackson mentioned that the DHSC’s Audit Committee had recently discussed the issue of risk interdependencies and advised that an exercise is underway to assess the level of risk across multiple ALBs. Elaine Report advised that NICE had received a communication from the DHSC to provide high-level feedback on interdependent risks by 5 February.
2. The committee noted the risk register.

**Risk discussion – Contract management**

1. The committee received a presentation from Barney Wilkinson on the key risks associated with contract management and the controls in place to mitigate risks. The slides covered the assurance framework around procurement, contract support and training, commercial skills, value for money and the impact the UK’s exit from the EU was likely to have for NICE.
2. The Committee queried how NICE deals with contractors producing substandard work. Barney advised that there are different approaches depending on the terms of the contract. In some cases, payment would be withheld, but for other contracts for example where NICE is reliant on the contractor to produce guidance, issues would be addressed through the contract management meetings.
3. The committee noted the ‘Transforming public procurement’ green paper, currently under consultation which is likely to require a review of the current Standing Orders and Standing Financial Instructions. Barney advised that this will require a social value weighting of 10% being included in contracts. The committee noted social value can be subjective depending on the size of the contractor; smaller companies will find this more difficult to meet.
4. The committee discussed whether virtual world of work was an opportunity to reduce the number of BNF copies printed and encourage more use of the App. It was noted that pharmacists may need a paper copy for their exams. Rima agreed to clarify this through the General Pharmaceutical Council of which she is a lay board member.
5. The committee thanked Barney for his presentation.

**INTERNAL AUDIT**

**Internal audit progress report**

1. Niki Parker presented the internal audit progress report showing that of the six audits planned in the year, two final reports have been issued, one has fieldwork underway and two have the terms of reference agreed.
2. The committee was asked to consider a request to defer the remaining planned audit of the combined IT and Digital service function until Q1 of 2021/22 due to a lack of capacity to support the audit in light of the DIT team’s current priorities. It was proposed to undertake a short audit review of the Zoom roll out as a substitute audit to give assurance over the training and communications. The committee agreed the change to the plan.
3. It was noted that the audit planning meetings for next year’s plan were underway with Executive Team members. Niki reported that there was potentially a longer list of areas to be reviewed next year and sought the committee’s view on the size of the plan. The general consensus was that in light of the pandemic, amount of change that had taken place, and the number of new Non-Executives joining, a larger audit plan would be preferable in 2021/22.
4. The progress report was noted.

**Contract management - Capgemini**

1. The internal audit review of the Capgemini contract was reviewed. The audit had received a moderate assurance rating with eight recommendations for improvement. All the recommendations had been accepted by management.
2. Some of the audit recommendations were generic to wider contract management good practice. Barney Wilkinson was asked how the recommendations would be cascaded to all contact managers, specifically in relation to larger service contracts to ensure better management information was generated to measure performance and to formally document all contract meetings. He advised that the findings would be raised with the relevant contract managers in future meetings and in the procurement training sessions. Jennifer Howells added that she was recruiting a deputy director whose role would have a commercial focus to strengthen these skills within NICE.
3. It was noted that the NICE Board would be re-visiting the business case for the digital workplace strategy in April, before committing to further expenditure.
4. The internal audit report was noted.

**EXTERNAL AUDIT**

**NAO interim audit planning**

1. Andrew Jackson introduced the NAO’s planning report for the audit of the 2020/21 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. Hassan Rohimun highlighted four key risks which will be the areas of audit focus: longer-term funding issues, ongoing COVID-19 implications, preparations for IFRS 16 implementation and ISA 570 going concern considerations. The committee sought assurance that there would not be a delay this year in confirming the assessment of going concern. Hassan advised that discussions were already underway with the finance team and the matter was built into EY’s work programme so there was not expected to be any hold-ups this year.
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 external auditor’s report was noted.

**FINANCE**

**Financial accounting performance**

1. Jane Lynn presented the financial accounting performance report at 31 December 2020, reporting a positive performance in most areas. The month 9 financial statements were included as an appendix to the report for information. The committee discussed whether any of the expected income from NHSE was at risk. Martin Davison confirmed that he was speaking with the relevant finance team staff at NHSE and was confident that all payments would be made by the end of March.
2. The report was noted.

**CONTRACTS & IT**

**Waiver report – November to January 2021**

1. The report on contract waivers approved between November 2020 and January 2021 was reviewed and noted.

**CORPORATE OFFICE**

**Review of internal audit performance**

1. The feedback from the annual review of the internal auditor’s performance was positive with no issues of concern raised. The committee agreed that there was a good relationship between NICE staff and the GIAA’s team and there had not been any unexpected issues arising during the year. The report was noted.

**Counter fraud functional standard – Q3 return**

1. The committee noted the Q3 consolidated data return (CDR) for the Cabinet Office, which is required to be submitted to the DHSC Counter Fraud Unit on 25 January 2022. The return was a nil report for Q3, with all overpayments from Q1 & Q2 having been recovered.
2. The committee also noted updates made to the supporting action plan, risk assessment and annual compliance checklist which were being maintained for internal assurance purposes.

**Internal audit recommendations**

1. Elaine Repton reported that there was limited progress in addressing outstanding audit actions due to capacity challenges and other priorities, mostly relating to COVID-19 work. It was noted that the only highly rated action related to non-staff travel expense claims which were currently on hold. Jane Lynn advised that there will be efforts made during Q4 to close off actions from previous year’s audits.

**Use of the NICE seal**

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

**Committee annual plan 2021**

1. The committee noted its annual work plan for 2021. The deep dive risk topics for September and November are to be agreed.

**Other business**

1. The chair thanked Jane Newton, NICE’s Sponsor Lead for all her support of the committee’s work and wished her well in her new role.

**Future meeting dates**

1. The committee confirmed its future meetings would take place on:
* 12 May 2021
* 16 June 2021
* 8 September 2021
* 24 November 2021

The meeting closed at 16:10pm.