AUDIT AND RISK COMMITTEE

# Unconfirmed minutes of the meeting held on 24 November 2021

# in Westbourne, Redman Place, London and via Zoom

Present

Tom Wright Non-Executive Director (chair)

Dr Mark Chakravarty Non-Executive Director

Dame Elaine Inglesby Burke Non-Executive Director

Alina Lourie Non-Executive Director

Amanda Gibbon External Member

In attendance

Jennifer Howells Director, Finance, Strategy and Transformation

Boryana Stambolova Deputy Director, Finance, Strategy and Commercial

David Coombs Associate Director, Corporate Office

Martin Davison Associate Director, Finance

Barney Wilkinson Associate Director, Procurement (part)

Elaine Repton Corporate Governance & Risk Manager (minutes)

Nicole Gee Chief People Officer (for item 4.1 and 4.2)

Helen O’Neil Head of Information Governance and Records Management and DPO (for item 10.1)

Niki Parker Senior Auditor, Government Internal Audit Agency

Andrew Jackson Engagement Director, National Audit Office

Andrew Ferguson Engagement Manager, National Audit Office

Tim Cutler Partner, KPMG

David Wright NICE Sponsor Team Lead, DHSC (part)

Observing

Nicholas Christodoulides Interim Senior Financial Accountant

Steve Kingman Governance Manager, Corporate Office

## Apologies for absence (item 1)

1. Apologies for absence were received from Justin Whatling and Gill Leng.

## Declaration of interest (item 2)

1. The committee noted the interests register. There were no new declarations of interest relevant to this meeting.
2. Mark Chakravarty confirmed that while he is acting vice chair of NICE and covering for the chairman while she is unwell, he would recuse himself from any discussions that relate to the role of NICE chairman or would otherwise be inappropriate for him to participate in.

## Minutes of the last meeting (item 3.1)

1. The minutes of the meeting held on 8 September 2021 were agreed as a correct record.

## Action Log (item 3.2)

1. The committee reviewed the action log noting the matters which were completed and those still in progress.The committee’s request to consider the merits of moving to a 5x5 risk scoring matrix was outstanding pending a discussion of the internal auditor’s review of NICE’s risk management arrangements. Elaine Repton confirmed that the Executive Team (ET) had reviewed the audit report and supported the auditor’s recommendation.
2. It was queried whether the ET had considered any other risk scoring matrices, such as including a control score. It was agreed to proceed with a move to a 5x5 risk scoring matrix and once fully embedded, to consider enhancing it further with control scores.

**ACTION: ER**

# RISK MANAGEMENT

## Strategic risks (item 4.1)

1. The committee reviewed the strategic risk register noting that two new risks had been added since the last meeting relating to turnover and vacancies in the senior leadership team; and the transfer of staff into NICE from the guideline collaborating centres following the failed tender exercise.
2. Jennifer Howells highlighted the current highest priority risks for NICE being senior capacity to deliver the NICE strategy, coinciding with the chief executive recruitment and the temporary absence of the NICE chairman. Additionally, Jennifer referred to the requirement for ongoing financial resourcing next year and the outcome of the CSR bid to support the ambitions in the transformation programme and the life sciences vision.
3. The committee enquired about the TUPE of the collaborating centre staff into NICE which will be a significant undertaking and suggested that the wording of the new risk be re-visited to ensure it more broadly captures the potential impact on both NICE and the transferring staff.

**ACTION: ER**

1. Jennifer advised that the due diligence work was underway which had identified three key risks around pension costs, IT equipment costs and future costs associated with accessing journals which is significantly discounted at present through the contracts with the Royal Colleges. A programme oversight board has been set up chaired by Paul Chrisp with representatives from the Royal Colleges, supported by a number of operational working groups.
2. The Executive Team is receiving a weekly update and there will be reports to both the private and public board meetings. The programme board also has a risk register to monitor the key risks.
3. The committee recognised the significance of the transfer and was keen to have a further discussion about how the impact on the Centre for Guidelines staff, how they feel about it, how the incoming staff see their future roles, and whether there will be a level of duplication. Nicole Gee advised that there are consultation meetings with staff planned for January, and there will inevitably be anxieties for all the staff involved. There is a need for cultural change work to take place, and it was accepted that this will take time beyond 1 April 2022. The committee agreed to re-visit progress at its next meeting by having the collaborating centre staff transfer as the deep dive risk topic.

**ACTION: ER**

## Risk discussion - People (item 4.2)

1. Nicole Gee gave a presentation on the current ‘people’ related priorities and risks. She advised that the organisational design work has been paused and the Executive Team focus is on supporting staff with workload management, including reviewing the business plan priorities and pausing some work to provide capacity.
2. Given the extent of the changes, the committee was concerned about the impact on senior and middle managers as a result of the executive level turnover and queried whether the executive needed more support from the board or the DHSC specifically during the next quarter. Jennifer Howells responded confirming that there was one to one support for the executives being offered by the non-executives and these conversations were ongoing. There was also the option to reach out to the DHSC sponsor team if needed. It was confirmed that business priorities have been reviewed and re-assessed in consultation with the senior leader’s forum to help manage the workload pressures.
3. It was agreed that current risk score for risk 2.4, relating to executive turnover, be increased from amber to red.

**ACTION: ER**

# INTERNAL AUDIT

## Progress report (item 5.1)

1. Niki Parker provided a progress update on delivery of the internal audit plan and requested approval to amend two planned audits due to developments which have arisen since the plan was agreed.
2. It was noted that the risk management draft internal audit report has been issued, two audits were nearing completion and will be presented in January, one was in progress and three audits will begin field work in Q4.
3. The committee was advised that the planned recruitment audit had been amended to an advisory report as the findings related to an historic recruitment system, therefore the report would not be relevant to form part of the annual assurance opinion. Alternatively, it was recommended that a new recruitment audit be re-scoped. The committee questioned whether in light of the pressure on the HR team, the recruitment and the organisational design audits should be deferred or re-phased, in place of a business area on the reserve list. It was agreed to begin the information management audit whilst the recruitment audit is re-visited.
4. It was also noted that the planned review of the Data Security and Protection Toolkit (DSPT) has been impacted by NHS Digital’s decision to move the submission timeline from March to June 2022 which means the internal audit assessment cannot be carried out in Q4. Niki Parker suggested using the four days set aside to undertake a shorter advisory review of NICE’s preparations for undertaking the DSPT assessment. Jennifer Howells added that NICE has since been advised by NHS Digital that it has been selected for a centrally funded audit which means the GIAA review would not be required. The practicalities and implications of utilising this audit are being explored. If it goes ahead, Niki advised that the four days currently allocated for the DPST audit could be used for something else.
5. The committee supported the requested amendments and agreed that a revised plan for Q4 be presented in January when the discussions of the recruitment, organisational design and DSPT audits have been confirmed.

**ACTION: NP**

## Risk management (item 5.2)

1. The committee noted the findings of the risk management audit review which received a moderate assurance rating and made five recommendations. Reference was made to the earlier discussion of the risk scoring matrix. Niki Parker advised that a 5x5 approach was the most common across the health ALBs she had sampled, but some risk registers also include an inherent score, which the NICE Executive Team had decided against.
2. It was noted that the recommendation to provide risk management training for ET and senior managers has been accepted, and the committee asked whether this should be extended to the NEDs. Niki advised that the recommendation was based specifically on her review of the internal arrangements for ensuring staff adhered to the risk management policy and had concluded that training would be helpful. It was agreed that an option could be explored as to whether it would be suitable for the NEDs but pitched at a different level.

**ACTION: ER**

1. The committee noted the risk management report.

# EXTERNAL AUDIT

## NAO audit progress update (item 6.1)

1. Andrew Ferguson presented an overview of the NAO’s wider work in the health and care sector drawing the committee’s attention to the recently published reports on climate change risk, cyber and information security risks and preparedness for the COVID-19 pandemic.
2. The external auditor’s update was noted.

# FINANCE

## Financial accounting performance (item 7.1)

1. Martin Davison presented the financial accounting performance report for the period ended 30 September 2021. The committee noted the overall positive performance despite there having been a number of the finance team members off work sick during the period.
2. The chair reminded the committee that the board in November had approved amendments to Standing Orders and Standing Financial Instructions including an uplift of the CEO’s authority limit from £250k to £500k, and in doing so, had supported this committee to monitor the instances of expenditure in this range. Martin confirmed there was nothing to report since the last meeting.
3. The committee noted the fruitless payment made in Q2 which related to an internal error in omitting to give formal notice to a company to terminate a room booking system contract. The loss is also reported in the consolidated data return (CDR) to the DHSC.
4. The report was noted.

# CONTRACTS

## Waiver report August to November 2021 (item 8.1)

1. The report on contract waivers approved between August and November 2021 was reviewed. There were no contract awards or repeating patterns of concern. The committee queried the cost of the matrix booking system and was advised that this was the appointed supplier to the DHSC estate, and therefore had been installed in the London office health hub and also in NICE’s Manchester office for compatibility.
2. The waiver report was noted.

# ANNUAL REPORT AND ACCOUNTS

## Annual report and accounts timetable 2020/21

1. The committee received the annual report and accounts timetable for information, noting that it will again be necessary to produce a ‘letter of assurance’ from the current CEO to the newly appointed CEO, and in light of the committee chair standing down, as advised by the NAO.
2. The timetable was noted.

# CORPORATE OFFICE

## Annual information governance and records management report (item 10.1)

1. Helen O’Neil joined the meeting to present the annual review of information governance and records management describing the arrangements in place to ensure information is managed effectively.
2. The committee queried the policy on records disposal. Helen advised that a new records management team had been recruited this year consisting of two substantive roles, and they were in the process of updating NICE’s retention and disposal schedules. It was also reported that NICE had now reached the 20 year point where physical records needed to be transferred to The National Archives. Additional temporary resource has been recruited to support the review of the small number of physical records held off-site, to identify which records will be transferred and which will be disposed of.
3. In relation to data breaches, the committee noted that most incidents had been assessed as minor and all instances were reviewed by the Information Governance Steering Group for any lessons learned. Following the discussion in September about addressing the number of ‘commercial in confidence’ data breaches within CHTE, Helen reported that a Business Analyst was currently assessing the causes of the breaches to look where improvements can be made. In relation to software packages available to manage document re-dacting, it was proving difficult to find a solution which meets NICE’s needs.
4. The committee thanked Helen for the report.

## Counter fraud functional standard – Q2 return (item 10.2)

1. The committee noted the Q2 consolidated data return (CDR) for the Cabinet Office, which was submitted to the DHSC Counter Fraud Unit on 8 November 2021. Elaine Repton gave an update on the outcome of the informal review undertaken by the DHSC of NICE’s position against the 12 requirements in the counter fraud functional standard. The committee noted that 8 standards were met and three partially met. One standard was assessed as not met, which the DHSC had identified as a common issue in other arms length bodies it had reviewed. Work is planned to address the findings.
2. The committee noted the Q2 CDR and the update on compliance with the functional standard.

## Internal audit recommendations (item 10.3)

1. Elaine Repton reported progress in addressing outstanding audit actions and confirmed that two had been closed following the committee’s suggestion to check older actions were still relevant given the time passed and post-COVID ways of working. A further three actions have been closed in agreement with the internal auditor, resulting in 14 remaining open.
2. The report was noted.

## Committee annual plan 2021 (item 10)

1. The committee noted its annual work plan for 2021 and agreed to have a deep dive risk discussion in January 2022 of the progress and any emerging issues/risks arising from the collaborating centre staff transferring into NICE.

## Other business

1. **Government functional standards** – Jennifer Howells advised the committee of a letter sent in September from Cabinet Office to all Accounting Officers mandating government departments and their ALBs to comply with the functional standards (as appropriate to their organisation), by 1 April 2022. There was an exercise underway to assess which standards will be applicable to NICE and who the nominated leads should be for each business area covered. A progress update will be given in January.

**ACTION: ER**

# FUTURE MEETING DATES

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

The meeting closed at 16:20.