AUDIT AND RISK COMMITTEE

**Unconfirmed minutes of the meeting held on 30 November 2022 in the Westbourne meeting room, 2 Redman Place, London and via Teams**

Present

Alina Lourie Non-Executive Director (chair)

Mark Chakravarty Non-Executive Director

Elaine Inglesby-Burke Non-Executive Director

Amanda Gibbon External Member

In attendance

Sam Roberts Chief Executive

Boryana Stambolova Interim Director, Finance

David Coombs Associate Director, Corporate Office

Barney Wilkinson Associate Director, Procurement

Ehtisham Ramzan Head of Financial Accounts

Elaine Repton Corporate Governance & Risk Manager (minutes)

Suzanne Martin Head of IG and RM (for item 6.5)

Matt Stevenson Senior Applications Manager (for item 7.1)

Niki Parker Head of Internal Audit, Government Internal Audit Agency

Andrew Jackson Engagement Director, National Audit Office

Andrew Ferguson Engagement Manager, National Audit Office

Richard Lee Engagement Director, KPMG

David Wright DHSC Sponsor team lead

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

1. The non-executive directors and external member held a short pre-meeting with the internal and external auditors.

**Welcome and apologies (item 2)**

1. The chair welcomed everyone to the meeting. The committee was introduced to Ehtisham Ramzan who recently joined NICE as the head of financial accounts.
2. Apologies for absence were received from Justin Whatling.

## Declaration of interest (item 3)

1. The committee noted the interests register. Mark Chakravarty advised he had a new interest to declare as a strategic advisor to Nye Health. It was confirmed there were no conflicts of interest in relation to the items to be discussed at the meeting.

## Minutes of the last meeting (item 4.1)

1. The minutes of the meeting held on 19 October 2022 were agreed as a correct record.

## Action Log (item 4.1)

1. The committee reviewed the action log noting the matters which were completed and closed.
2. The following open actions were discussed:
3. **Risk management training** – The chair confirmed that a bespoke risk management training session with an external facilitator would be helpful and agreed this would ideally be for the full board. The ARC chair agreed to consult the board chairman for her views, and to agree an appropriate timeframe, preferably in this financial year. David Coombs agreed to liaise regarding potential dates.

**Action: Chair & David Coombs**

1. **Cyber security session** – A speaker from the National Cyber Security Centre has agreed to facilitate a Q&A session on cyber security, which is now scheduled for January.

**Action: Elaine Repton**

# SUBSTANTIVE ITEMS

## Strategic risks (item 5.1)

1. The committee reviewed the revised strategic risks and considered whether the risks were sufficiently externally focused and whether they covered all areas.
2. Sam Roberts added that the Executive Team (ET) had also discussed whether the strategic risks were being ‘surfaced’ at the right level within the organisation, and how ET could make strategic risk management part of the arterial workings of the everyday business activities rather than being an additional consideration. Sam confirmed that she was now discussing risks with ET members as part of the meetings to review key performance indicators and individual objectives.
3. The committee agreed the new and updated risks better reflected the current challenges, and the external focus was welcomed. It was suggested that some of the risks could potentially be amalgamated, but on balance it was agreed that separating them out into distinct risks would enable a tighter focus on the mitigations. Capacity and capability to deliver the strategic priorities was also noted as a theme in several risks, which will be a priority for the incoming Chief People Officer when they join NICE in January.
4. The committee welcomed the simplified wording of the risks and suggested that a short heading added to each risk would be helpful for clarity. It was agreed that risk 1.2 should note the impact on NICE’s relevance if the digital living guidelines vision was not delivered, and a minor wording change was agreed to risk 1.4.

**ACTION: Elaine Repton**

1. The risks will be presented to the board for discussion on 16 December, after which the committee will review the mitigating controls and further planned actions in January, to consider whether the risks are being adequately addressed, and how risk is managed within the organisation.

# ITEMS FOR DISCUSSION

## Internal audit progress report (item 6.1)

1. Niki Parker presented a progress report against this year’s internal audit plan, reporting that good progress has been made with three of the six audit reports having been completed, one was issued in draft, one with the field work underway and one at scoping stage. The additional audit, on the data security and protection toolkit (DSPT), will be scoped in January and undertaken in March.
2. It was noted that the position with outstanding recommendations from previously presented audit reports was also positive with no overdue actions to highlight. Four deferred actions are due to be completed by December and will be reported to the committee in January.
3. The progress report was noted, and the committee welcomed the positive performance.

## Collaborating Centres audit report (item 6.2)

1. The committee noted the findings of the collaborating centres audit report which received a moderate assurance rating with five recommendations for improvement (3 medium and 2 low).
2. The committee recognised that this project was delivered successfully despite it being initiated at very short notice, and therefore the project management learning points need to be taken on board by all teams, not just those in the Centre for Guidelines. For that reason, the Transformation Unit have responded to the action plan and will take forward the recommendations to ensure there is cross-organisational project methodology training. Sam Roberts added that the action plan will be delivered before the end of this financial year so that there is an approach to business improvement which becomes part of business as usual in all directorates.
3. It was queried whether the potential risk of an unsuccessful tender should have been brought to the attention of the committee earlier. The chair confirmed that the issue was reported to the NICE board in September and that it was unexpected, hence the urgency of the TUPE transfer project. It was noted that a scenario planning capability would have identified a potential risk earlier.
4. The committee welcomed the report.

## Contract management audit report (item 6.3)

1. The committee noted the findings of the contract management audit report which received a limited assurance rating with ten recommendations for improvement (5 high, 4 medium and 1 low).
2. Boryana Stambolova thanked the internal audit team for a high quality report which clearly identified the issues to be addressed. She confirmed to the committee that her priorities were to:
* strengthen contract management arrangements in the interim by implementing the iproc system with built in controls
* strengthen the roles and responsibilities of budget holders and contract managers through mandatory training and reiteration of their obligations to comply with the SFIs
* introduce spot checks on payments
* formalise the discipline of contract management which is inconsistent at present
* provide assurance to the CEO as accounting officer, that the procurement processes and controls are adequate in line with managing public money principles.
1. The committee concurred that the limited assurance rating was disappointing but agreed that the recommendations will drive improvements in the short term until a fully automated system is implemented. The committee highlighted the findings in the report that some contract managers were unaware of the procurement framework and guidance available and had not accessed any of it. Additionally, that some managers who were randomly selected for testing in the audit fieldwork had failed to respond to the GIAA’s request for information. The committee felt this confirmed the cultural issue that some contract managers were not taking ownership of their financial responsibility.
2. It was confirmed that NICE’s highest spend contracts (termed ‘gold’ contracts) were very well managed with dedicated contract managers. It was the lower value contracts where the lack of ownership has been identified. The committee asked whether the HR process for internal staff moves included a handover of contracts to ensure the new starter was aware of their responsibility. In response, it was confirmed this will be addressed through the mandatory training for all budget holders and contract managers, and the action following the audit for the commercial team to develop handover materials to state contract managers’ responsibilities.
3. The committee agreed that the priority was to implement the iproc system and as part of this work, to review whether the current 100+ contract managers could be rationalised to a smaller number of well trained managers to reduce the risk. It was further suggested that a sample of contract managers be invited to attend the committee to present how they are managing their contracts. It was felt that this would send a clear message from the committee that improvements are needed. The chair suggested engaging the communications team to cascade the key messages to staff in a style that will create interest such as a case study rather than a long report.
4. Boryana Stambolova was asked to provide a further update in January on progress against the recommendations and the iproc system implementation.

**Action: Boryana Stambolova**

## Contract management interim solution (item 6.4)

1. Boryana Stambolova advised that the iproc system is the interim solution until it is superseded by Oracle Fusion in 2024. Iproc will be implemented in May/June 2023 as the finance team need to prioritise preparation of the year end accounts in quarter four. There is a meeting planned with NHS Shared Business Services on 2 December, who will be supporting NICE to implement the system. Barney Wilkinson is on the project board and Ehtisham Ramzan will be the project lead.
2. Boryana undertook to come back to the ARC in January with a project plan and timeline for the project milestones.

**Action: Boryana Stambolova**

## Annual information governance and records management report (item 6.5)

1. Suzanne Martin presented the annual information governance and records management report, summarising the achievements in the year, the key challenges and priorities for the coming months.
2. The committee thanked Suzanne for such a comprehensive paper and her summary of the key issues. In response to a question about erasure requests, Suzanne confirmed that there did not appear to be a pattern to the requests, and they mostly related to former NICE committee members wanting to be removed from mailing lists. No requests had been received from former employees.
3. It was queried whether all the Data Protection Impact Assessments (DPIAs) had been completed where necessary. Suzanne stated that she felt there were robust arrangements in place and was satisfied that DPIAs were completed in the correct instances, and there was a good level of staff awareness through the engagement undertaken by the IG&RM team. To support compliance with the DPIA procedure, the IG & RM team had introduced a screening process to help project managers embarking on a new project which requires the processing of personal data, assess whether they need to complete a full DPIA or whether a summary assessment will suffice. The DPIA procedure is also built into the process to acquire new software following approval at the software management panel.
4. The committee asked about the number and type of data breaches, given that a moderate breach had occurred last year, and the position did not appear to be improving. Suzanne advised that there had been 22 breaches in the last 12 month period, but all had been classified as ‘minor’. The issue was the volume and complexity of documents which have to be checked manually to ensure confidential data is redacted. It was noted that a Business Analyst is working with the CHTE and DIT directorates to understand the root cause of the breaches and propose how existing NICE processes could be modified and/or automated to mitigate the re-occurrence of breaches of this nature. This work remains on going.
5. Suzanne advised that the IG & RM team was currently developing guidance on the implementation of information security classifications within NICE which conform with the UK Government security classifications. It was hoped that by requiring teams to classify data, they will be more aware of its content, and this will help reduce the number of breaches, until wider process changes, and potentially, greater automation.
6. The committee thanked Suzanne for a comprehensive paper.

## Review of Standing Orders and Standing Financial Instructions (item 6.6)

1. The committee reviewed the revisions that have been made to the Standing Orders and Standing Financial Instructions which are updated annually to ensure they reflect governance best practice.
2. Boryana Stambolova advised that the focus has been on ensuring budget holders and contract managers are aware of their financial responsibilities, and to explicitly reference the Cabinet Office and DHSC spend controls for clarity. There have been some relaxing of approvals to allow budget holders flexibility to manage budgets within their directorates. The committee questioned the proposal to change the procurement provisions to allow greater flexibility over the weighting given to cost from a 50% weighting to between 20-50%. Boryana advised that this reflected current best practice and added that all contracts will continue to involve the commercial team to provide assurance that the evaluation criteria are appropriate to the goods and services being procured.
3. In terms of consultancy and professional services spend, the committee asked whether they could be provided with a report on expenditure levels in future. This was agreed.

**Action: Boryana Stambolova**

1. Subject to an amendment to the wording of SFI 43 regarding production of the year end accounts, the revised Standing Orders and Standing Financial Instructions were agreed for recommendation to the board.

**REPORTS FOR INFORMATION**

## Business continuity progress report (item 7.1)

1. Boryana Stambolova provided assurance that work has been undertaken to date, and further work is planned to be completed by March 2023, in response to the business continuity (BC) audit which had received a limited assurance rating. The work has involved a small project group producing an overarching business continuity plan with assigned roles and responsibilities, rather than having four disparate plans.
2. The committee discussed the importance of testing BC plans with a wide cross-section of staff rather than confining it to a small group of reps. This was supported and Boryana agreed to feed the request back to the BCP group.

**Action: Boryana Stambolova**

## Cyber security – phishing update (item 7.2)

1. Matt Stevenson joined the meeting to present the findings of the latest cyber security phishing exercise, following the discussion at the last meeting which had noted issues with the software giving false results. A further exercise in October had identified that the previous false/positive issue was now resolved and emails were being delivered, and delivery tracked as expected. However, it was also noted that the new email filtering system, whilst delivering phishing campaign emails, was still treating these as ‘risky’ and interpreting them as ‘real’ malicious email phishing emails. This resulted in the link within the email being blocked when clicked for the majority of staff. In the case of the phishing campaign email being treated as an actual malicious phishing email, this introduces a problem in accurately tracking which staff members may have clicked on the phishing campaign email link and resulting in follow up targeted education/training to those staff members. Therefore, further exercise is planned for December. The DIT team were looking to procure a phishing tool which better integrates with the email platform. Matt was asked to begin the procurement with immediate effect rather than waiting until the end of the current contract, given the cost of an alternative system was relatively low.
2. The committee requested an update in January.

**Action: Matt Stevenson**

# Contract waivers report – September to November 2022 (item 7.3)

1. Barney Wilkinson presented the schedule of contract waivers agreed during the period September to November 2022. It was agreed that future waivers report should include additional information on contract performance and any trends.

**Action: Barney Wilkinson**

1. The contract waivers were noted.

## Counter fraud functional standard – Q2 data return (item 7.4)

1. The committee received the Q2 consolidated data return (CDR) for the Cabinet Office which was submitted to the DHSC Counter Fraud Unit on 2 November 2022. The report confirmed there had been no losses due to fraud, but one error totalling £490.80 due to a duplicate payment having been made by credit card and bank transfer. The supplier has agreed to return the payment. A total of £60 had also been received from a former staff member on a repayment plan.
2. The committee noted the Q2 CDR.

# NAO wider work in the health sector (7.5)

1. Andrew Ferguson referred to the NAO’s summary of its wider work in the health and care sector. The original format was requested to be circulated as the hyperlinks did not work in the pdf version.

**Action: Elaine Repton**

# GIAA progress report for Audit Committees (7.6)

1. The committee noted the supplemental report from the GIAA which provided audit and risk committees with summaries of recently issued insight reports and links to technical resources. Niki Parker highlighted the GIAA’s work on the Government’s functional standards due for completion in March 2023. The review will focus on the management practices such as: compliance assurance; building capacity; and giving expert advice. The GIAA has completed an internal audit of NICE’s arrangements for addressing the functional standards.
2. In response to a query about when the ARC will receive an update on functional standards, it was reported that the ARC will receive a report annually in May to allow the Accounting Officer to make a compliance statement in the annual report and accounts. Prior to this, the operational management committee will receive a progress update on compliance in January.
3. The report was noted.

**Committee annual plan 2022/23 (item 7.7)**

1. It was noted that the committee chair had agreed to defer the deep dive discussion of Integrated Care Services and implementation of NICE guidance until next year to allow the new Director of Implementation and Partnerships, who is due to start on 5 December, to be present. The deep dive session in January will be cyber security facilitated by a representative from the National Cyber Security Centre. This will be taken as the first agenda item, in lieu of the committee’s normal in camera session with the auditors.

**Action: Elaine Repton**

1. The committee agreed that deep dive discussions should relate to the highest rated risks in the strategic risk register.
2. Niki Parker mentioned that she was looking to book meetings with the executive team members in December to discuss topics for the 2023/24 annual plan. It was agreed that Boryana and Sam would have an initial discussion before a paper is presented to the executive team, ahead of the January ARC meeting.

**Action: Boryana Stambolova & Sam Roberts**

**Other business (item 8)**

1. There were no further items of business.

**Future meeting dates**

1. The committee confirmed its future meetings would take place on:
* 19 January 2023
* 3 May 2023
* 21 June 2023
* 18 September 2023
* 1 November 2023

The meeting closed at 4:30pm.