AUDIT AND RISK COMMITTEE

**Confirmed minutes of the meeting held on 19 October 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

Justin Whatling Non-Executive Director

Amanda Gibbon External Member

In attendance

Sam Roberts Chief Executive

Jennifer Howells Director, Finance, Strategy and Transformation

Boryana Stambolova Deputy Director, Finance, Strategy and Commercial

David Coombs Associate Director, Corporate Office

Barney Wilkinson Associate Director, Procurement

Elaine Repton Corporate Governance & Risk Manager (minutes)

Malik Pervez Associate Director, Infrastructure & Operations (item 6.6)

Matt Stevenson Senior Applications Manager (item 6.6)

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 Partner, KPMG

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

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

**Welcome and apologies (item 2)**

1. The chair welcomed everyone to the meeting and introduced Richard Lee from KPMG who has replaced Tim Cutler.
2. Apologies for absence were received from David Wright, NICE Sponsor team.

## Declaration of interest (item 3)

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

## Minutes of the last meeting (item 4.1)

1. The minutes of the meeting held on 16 June 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 committee agreed that a bespoke risk management training session utilising NICE’s strategic risk register, would be beneficial. It was requested that the training also includes a discussion of risk appetite, the use of inherent/current/target risks and extending this further to scoring risk controls. The committee agreed it would also be helpful to hear about other ALBs whose risk management arrangements are considered examples of good practice.
4. Andrew Jackson mentioned that the DHSC has updated its approach to risk management which could be helpful to review. Also, that the DHSC is organising a joint Departmental and ALB chair’s meeting to discuss strategic and operational risks and challenges, which will be a good opportunity for learning from other organisations.
5. Sam Roberts added that work is needed to better understand how NICE’s internal processes and activities can better support risks being considered as part of ‘business as usual’ discussions. It was agreed that Elaine Repton would explore an appropriate risk session facilitator.

**Action: Elaine Repton**

1. **Cyber security session** – It was also agreed that the committee would benefit from a cyber security ‘listen and learn’ session in view of cyber-attacks becoming more sophisticated, and to ensure that the non-executive directors have sufficient up to date knowledgeable to be able to challenge and ask the right questions.

**Action: Elaine Repton**

# SUBSTANTIVE ITEMS

## Strategic risks (item 5.1)

1. The committee reviewed the strategic risk register which they agreed has improved by moving to the 5x5 risk scoring matrix and aligning the risks to the strategic priorities. Further observations from the committee were that the wording of the risks was overly complicated, that some of the risk scores now looked to be underestimated and the register required more of an external focus. Sam Roberts agreed that the risk scores needed to be reviewed.
2. The committee discussed making further enhancements to the risk register and questioned whether the internal processes were sufficiently supporting risk management within NICE. There was agreement that the risk register should include the issues of highest importance to the Executive Team (ET), it should inform the discussions at ET meetings, drive ET’s actions and be aligned to the Board’s discussions. It was also suggested board papers could include a risk register reference to ensure there is direct connectivity between the board’s discussions and the risk register. A further enhancement would be to consider risk control scores.
3. The mitigations and future actions were also challenged in terms of how confident the ET was in the mitigations, and what impact the future actions will have on reducing the risks. It was also queried whether there were any gaps in the risk register. It was highlighted that there were a number of ‘people’ related risks, particularly having transformation capabilities and the right skills in data architecture and product management. Sam Roberts agreed that the ET would review the risk register in line with the committee’s comments and bring an updated version to the next meeting in November, and then to the December board meeting.

**ACTION: Sam Roberts**

1. It was agreed that it would be helpful to have the strategic and operational risk registers in the board intelligence app to provide easy access to the latest versions. This will be actioned when the next iterations are produced.

**ACTION: Elaine Repton**

## Operational risks (item 5.2)

1. The committee also reviewed the operational risk register noting that the two most senior roles within HR are currently vacant, but this was not included on the register. It was agreed to raise this at the Operational Management Committee for discussion.

**ACTION: Elaine Repton**

# ITEMS FOR DISCUSSION

## Contract management action plan (item 6.1)

1. Boryana Stambolova presented a summary report and action plan to provide the committee with assurance that the recommendations and learnings from the investigation of a financial and contractual controls breach were being addressed.
2. The action plan made recommendations for substantial improvements to the “Procure-to-Pay” processes at NICE aimed at strengthening the commercial and financial controls framework and transforming the current manual P2P process to make it compliant with best practice. However, the new technology implementation (Oracle Fusion system) is dependent on external technology providers and the timeframe has been re-scheduled to 31 October 2024. The committee expressed concerns about the time delay and asked what could be done to mitigate any risk of a control breach in the short term.
3. It was agreed that NICE would explore an interim solution of a P2P system (I-Proc) for purchase order requesters and budget holders as well as adjusting the timeline for the e-procurement and commercial pipeline tool (Atamis) which would provide a minimum solution by 31 December 2022, followed by internal training for all NICE contract managers to utilise Atamis by 31 March 2023.  Boryana was asked to provide an update report to the committee in November, detailing the proposed solutions and timescales for both the short term solution and longer term P2P system.

**Action: Boryana Stambolova**

1. The committee sought assurances that any risk of exposure in the interim period was being managed. It was noted that an internal audit of contract management was currently underway, and Niki Parker was aiming to bring the report to the November meeting. Additionally, work has taken place internally to strengthen arrangements including the formation of the contract manager’s forum and the establishment of a commercial team which has been expanded to include a new commercial manager role. The chair requested that the paper in November should include these mitigations.

## Internal audit progress report (item 6.2)

1. Niki Parker presented a progress report against this year’s internal audit plan and sought ratification of the chair’s action taken in September, to approve an amendment to the plan to replace the partnership working audit with a contract management audit. The committee confirmed the change to the plan.
2. It was noted that the contract management audit has a short turnaround to be able to report in November, therefore Directors were asked to encourage their teams to respond promptly to requests for information from audit.
3. With regard to the progress of overdue high and medium recommendations, it was queried whether the actions in business continuity planning (BCP) audit had been completed, as the audit assurance rating was limited? The progress report stated that no new plans were required, but further work was needed to strengthen the overarching BCP which will contain sub-plans as appendices. This work was now scheduled for completion and reporting to the Operational Management Committee by March 2023. The chair asked for an update in November on progress with the BCP actions.

**Action: CPO / Boryana Stambolova**

1. The progress report was noted.

## SEA data management report (item 6.3)

1. The committee noted the findings of the real world data (RWD) management audit which received a moderate assurance rating with seven recommendations for improvement (1 high, 5 medium and 1 low). Niki Parker confirmed that she had received evidence that all the actions had been completed in timescale.
2. A query was raised about the security of data accessed via the Trusted Research Environment. It was noted that the Standard Operating Procedure which was produced in response to the audit, included access controls around data governance, however, it was agreed to refer the question to the Information Governance Steering Group (IGSG) to review and confirm.

**Action: Boryana Stambolova**

1. The committee welcomed the report and thanked the SEA team for their comprehensive response to the recommendations.

## Government functional standards report (item 6.4)

1. The committee noted the findings of the Government functional standards audit report which received a moderate assurance rating and six recommendations for improvement (2 medium and 4 low).
2. The chair asked who had oversight and responsibility for ensuring the standards were met. It was reported that the Operational Management Committee has oversight of the standards and there is an ET lead and a nominated senior manager for each standard who is responsible for ensuring NICE’s compliance.
3. The internal audit report was noted.

## Financial accounting performance (item 6.5)

1. The financial accounting performance report detailing payments and debt recovery, write offs and losses and special payments as of 31 August 2022, was received. The committee noted the positive performance. No queries were raised.

## Cyber security – phishing update (item 6.6)

1. Malik Pervez and Matt Stevenson joined the meeting to present the findings of past cyber security phishing exercises which are aimed at improving staff awareness of potential email scams.
2. The committee queried the reason for the significant increase in staff being caught out in the May 2022 campaign (229 in total), and whether this was flagged as a risk? It was reported that the results had been unexpected, and a number of staff had provided feedback that they had not clicked into any links. It was concluded that there could have been problems with the mail filtering tool at that time due to unrelated work being carried out on the IT network. Jennifer Howells confirmed that she was informed in her role as Senior Information Risk Owner (SIRO) via the quarterly SIRO report, but the Q1 report was not received until late September. The results will be raised at the next IGSG meeting. There have not been any further exercises since May whilst the issue was investigated, but an exercise was now underway. The committee asked to be provided with the results via email, once they were available.

**Action: Malik Pervez**

## Review of the internal auditor (item 6.7)

1. A summary of the key issues from the annual review of the internal auditor’s performance was noted. Last year the majority of audits were reported at the May meeting which was late for informing the year end reports. This has been acknowledged and addressed in the current year.
2. The committee was asked to consider the size of the annual audit plan in view of some feedback but on balance concluded that six audits was sufficient.

**REPORTS FOR INFORMATION**

# Contract waivers report – April to August 2022 (item 7.1)

1. Barney Wilkinson presented the schedule of contract waivers agreed during April to August 2022. Reference was made to the work that has been undertaken by the Commercial team, working with the DIT, to create a new process whereby DIT licensing supplies are classified into long term supply, short to medium term requirements which require in-depth user needs reviews and one-off waivers. This is aimed at streamlining the process for IT service requirements.
2. The report was noted.

## Counter fraud functional standard – Q1 data return (item 7.2)

1. The committee received the Q1 consolidated data return (CDR) for the Cabinet Office which was submitted to the DHSC Counter Fraud Unit on 29 July 2022. The report confirmed that the losses due to error totalling £8,112.50 identified in Q4 had all been recovered, and there were no losses in Q1 2022/23.
2. The committee noted the Q1 CDR.

# GIAA progress report for Audit Committees (7.3)

1. The committee noted the supplemental report from the GIAA which provides audit and risk committees with summaries of recently issued insight reports and links to technical resources.
2. The report was noted.

# NAO wider work in the health sector (7.4)

1. Andrew Ferguson referred to the NAO’s summary of its wider work in the health and care sector which included links to an overview of the DHSC and how its budget was allocated in 2020/21 and a useful report on cyber and information security risks. The report on ‘introducing Integrated Care Systems’ was due to be published soon.
2. The report was noted.

# Use of the NICE seal (item 7.5)

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

**Committee annual plan 2022/23 (item 7.6)**

1. The committee agreed to defer the deep dive discussion of Integrated Care Services and implementation of NICE guidance until the January 2023 meeting to allow the new Director of Implementation to be present. The November meeting will now have a cyber security session.

**Action: Elaine Repton**

**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:

* 30 November 2022
* 19 January 2023
* 3 May 2023
* 15 June 2023
* 18 September 2023
* 1 November 2023

The meeting closed at 3:55pm.