

BOARD PAPER - NHS ENGLAND

Title: Audit committee

Clearance: Paul Baumann, Chief Financial Officer

Purpose of paper:

- To report on the meeting held on 16 September 2013 and approved minutes of the meeting held on 17 June 2013.

Key issues and recommendations: None

Actions required by Board Members:

- To note the attached report and approved minutes.

Report of the Audit Committee

1. The Audit Committee met on 16 September 2013. All members were present.
2. The meeting approved the minutes of the previous meeting, held on 17 June 2013, which are attached at Annex A for information.
3. The key points from the meeting which the Committee wish to draw to the Board's attention are as follows:
 - Management, together with internal audit, have proposed two further audits for the 2013-14 programme: CSU ledger consolidation; and, technology fund (this is DH funding, but NHS England has responsibility for the delivery, administration and governance of the fund. Funding has increased in the last few weeks from £250m to £500m in 2013-14). The Committee approved the addition of the two audits;
 - Deloitte presented documents covering: Scope of Services; Audit Ways of Working; and, an Internal Audit Charter, all of which the Committee approved. The scope of services establishes a process for Deloitte to follow when considering work for NHS England, what is allowed, what should be discussed with management and what is prohibited. The audit ways of working and internal audit charter codify how Deloitte and NHS England will work together to deliver the service;
 - There is concern surrounding the governance arrangements for the Informatics Services Commissioning Group (ISCG). The role of the ISCG is *to direct the commissioning of all information and technology services in health, healthcare and social care; ensure that investment decisions are well informed; and ensure that lines of accountability are clear, and that delivery programmes are effectively performance managed and remain strategically relevant*. The ISCG is chaired by the National Director for Patients & Information, for NHS England, and its membership consists of partner organisations across the NHS. The funding which the ISGC directs is Department of Health funding in the region of £1.2bn pa. The Committee confirmed the view that if the Chair of the ISCG is commissioned by the Department of Health, then he should be accountable to them, not to NHS England, for the delivery. Any conflicts with his role at NHS England should be managed by the Department. I am addressing this with the Department Permanent Secretary;

- NHS Protect reported on a report on prescription fraud they are due to issue, which shows, based on sample testing and extrapolation, potential losses of █████ per annum from prescription fraud. It was noted this is an area where the Department of Health own the policy, but NHS England bear the losses resulting from the policy. This has been an issue for the Department of Health accounts and governance statement in previous years, and that issue has now been inherited by NHS England. The NAO confirmed the Department of Health had always addressed this through disclosure in both its accounts and governance statement, and would be looking for NHS England to take the same approach;
 - The NAO presented their audit planning risks. These were summarised under six key areas of emphasis (transfer of balances; NHS Property Services; formal accounting guidance still in development; NHS England's formal assurance mechanisms which involve other parties; risk of aggregated errors in individual CCGs being material to the NHS England group; and, agreement of balances), and will be presented as four overarching risks. Management have considered, recognised and responded to the NAO risks, and whilst significant work still has to occur, have made good progress in starting to address the risks. A key area which has historically been out of NHS England's control is legacy balances. Progress is now being made on this, albeit later in the year than everyone would have liked;
 - Updated Standing Orders were considered and recommended to the Chair for approval under Chair's Action; and,
 - Updated Standing Financial Instructions were considered and recommended to the Chair for approval under Chair's Action.
4. I am happy to discuss the content of this report, issues otherwise included in the Audit Committee minutes or other matters of Board concern. In summary, the required Audit Committee processes and key components of assurance on internal controls are now in operation, but with a full and challenging work programme for management and our assurance providers.

Ed Smith

Audit Committee Chair

16 September 2013