

**BOARD PAPER - NHS ENGLAND**

**Title:** Audit Committee Chair's Report

**Clearance:** Ed Smith, Audit Committee Chair

**Purpose of paper:**

- Report on the meeting held on 20 June 2014 and approved minutes of the meeting held on 29 April 2014.

**Actions required by the Board:**

- To note the report.

## Report of the Audit & Risk Assurance Committee

1. The Audit & Risk Assurance Committee met on 20 June 2014. Both members were present. The Committee continues to operate with one member vacancy; however this situation will be rectified with the proposed appointment of two of the new Board members to the Committee.
2. The meeting approved the minutes of the previous meeting, held on 29 April 2014, which are attached for information.
3. The key points from the meeting which the Committee wish to draw to the Board's attention are as follows:

- *Internal Audit*

The Committee considered the final Head of Internal Audit Opinion. This has been updated to reflect audits completed since the draft was considered at the April 2014 meeting.

The overall conclusion remains that the frameworks for governance and risk management have been adequate and effective in 2013-14 and that the framework for internal control has been designed and has evolved with the organisation, for the majority of areas, through the 2013-14 financial year. It goes on to say that at 31 March 2014 the internal control system is largely in place although it has not been possible to test operating effectiveness in a number of areas. This is an important reservation in the opinion about the operation of the internal control system, and is reflected in the Governance Statement within the Annual Report & Accounts. The Committee considers that this is a fair reflection of the evolution of NHS England in its first year and is unsurprising for an organisation of this scale and complexity, and the way in which it came together through the reorganisation.

The updated draft internal audit plan for 2014-15 was considered, and approved by the Committee.

- *External Audit Progress*

The National Audit Office reported on progress on the audit, which is moving ahead apace, and reported it is now looking increasingly likely that it will be possible to issue a clean opinion pre-recess.

Everyone present concurred this was not a place they had expected the organisation to be, and was due to some heroic efforts by the staff concerned, and with the support of the Department of Health, the NAO and Deloitte. Thanks were expressed to all those involved.

- *2013-14 Annual Report & Accounts*

The Committee received the latest draft of the Annual Report, and draft Financial Statements that had been submitted to the NAO for audit.

There is still work to be done to complete the process and produce a suitable quality Annual Report. It was agreed a draft would be available for Board colleagues to consider at the 3 July 2014 Board meeting, prior

to consideration by the Committee on 7 July 2014 and signature by the Accounting Officer on 10 July 2014.

The Financial Statements had been presented to the NAO two days previously, and are now subject to audit (though no changes are anticipated). The Statements were talked through, and a number of issues were raised where explanatory commentary would be helpful to a reader.

- *Counter Fraud*

The need to embed the counter fraud e-learning package as part of the annual mandatory learning cycle was reinforced (in 2013-14 it has been rolled out separately to the main cycle, and consequently completion has been lower than should have been the case). This will allow more robust follow up of non-completers in future.

- *Risk*

Having reviewed the latest draft of the Board Assurance Framework the Committee agreed to undertake a deep dive on four risk areas through the next year:

- Better Care Fund;
- Information Sharing;
- Specialised Services; and,
- Operational Capacity & Capability.

Health Inequalities & Parity of Esteem would be a further area for consideration.

*Non-compliance with Standing Financial Instructions*

Two reports were received on breaches of Standing Financial Instructions.

The first related to the retrospectively approval of waivers of formal tendering and quotations. 2 instances were noted, a significant decrease on previously. Work is ongoing with all areas to enforce compliance with Standing Financial Instructions; and,

The second was a case where a special payment was made prior to approval by the Remuneration & Terms of Service Committee. This related to a compensation payment made by a CSU, as a result of an aborted recruitment process.

Both reports were noted by the Committee, and it was agreed to waive disciplinary action in both case.

4. I am happy to discuss the content of this report, issues otherwise included in the Audit & Risk Assurance Committee minutes or other matters of Board concern. In summary, the required Audit & Risk Assurance 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 for the year ahead. Equally, the remainder of the year end timetable for the production of the annual Report and Accounts remains challenging.

**Ed Smith**

**Audit & Risk Assurance Committee Chair**

**July 2014**