

BOARD PAPER - NHS ENGLAND

Title: Report of the Audit and Risk Assurance Committee to the Board

From: Joanne Shaw, Chair, Audit and Risk Assurance Committee

Purpose of Paper:

- To update the Board on key aspects of the meeting of the Audit and Risk Assurance Committee held on 01 March 2017

Summary of Paper:

All non-executive committee members were present, along with key executives. The Chairman and Chief Executive attended for part of the meeting. Key points:

- The improved levels of assurance from Internal Audit reports indicate an improving control picture in NHS England which we expect to be reflected in the Head of Internal Audit Opinion for 2106/17.
- The National Director: Operations and Information provided a useful update on key risks and issues in that directorate.
- The Audit Committee confirmed the legal position that NHS England (The Commissioning Board) has accountability for NHS England and CCG expenditure as set out in the Health and Social Care Act 2012.
- There has been good progress with the actions needed to rectify issues arising from PCS and NHS SBS.
- The Committee accepted executives' proposal to close off the Governance and Assurance project at the end of March with activity passing to business as usual
- The Month 9 Annual Report and Accounts were considered and good progress was noted.
- The NAO provided an update on Value for Money reporting and there was discussion on how best to target and focus that work in future.

The Board is invited to:

- Note the Report and, in particular to agree the position of NHS England with respect to the scope of its financial responsibility; and
- Consider whether a further meeting with NAO would be useful, to provide input to the Value For Money audit programme

REPORT TO THE BOARD FROM: **Audit and Risk Assurance Committee**

COMMITTEE CHAIR: **Joanne Shaw**

DATE OF COMMITTEE MEETING: **01.03.2017**

MATTERS FOR THE BOARD`S ATTENTION

Progress on Internal Audit Programme and Head of Internal Audit Opinion

1. There have been an increased number of Internal Audit reports showing substantial assurance and this is indicative of an improving control environment, although there are some key areas where controls still need to be embedded.
2. The Committee noted the good progress made on CSU Service Auditor reports for 2016-17. In the run up to year-end there has only been one management disclosure and further work may be required on their management assurance frameworks.
3. The issue of gaining assurance over third party service providers remains a key risk but progress has been made in identifying the owners of key contracts.
4. The Committee noted a decision to defer CCG Conflicts of Interest audit work until 2017-18.
5. An update was provided on planning audit work for 2017-18 and a draft plan will be presented to the Committee in May 2017.
6. The Committee received an update from the National Director: Operations and Information on key risks, control issues and outstanding audit actions in that directorate. These National Director updates will continue, with the Nursing Directorate being the next area to report.

Governance

7. There was discussion on the extent of NHS England's financial accountability. The Audit Committee's clear view is that there is no statutory basis for attributing to NHS England accountability for the overall financial position of the NHS, nor does NHS England control all the mechanisms to ensure financial balance across the whole NHS. The Committee confirmed that there has been no change to the position laid out in the 2015/16 annual report Governance Statement which stated "*Under the Health and Social Care Act 2012 and related legislation, NHS England is responsible for ensuring its expenditure does not exceed the annual budget it is allocated. NHS England is not legally responsible for the financial performance of providers of NHS-funded care, nor for the Department of Health's overall revenue and capital budgetary position*".
8. The Committee noted the good progress reported on dealing with the Primary Care Services and NHS SBS issues. There was discussion on whether other entities' year-end accounts could be affected by pension contributions not being dealt with correctly.

9. It was noted that the Governance and Assurance project would close at the end of March 2017, with any remaining activity being embedded into business as usual.
10. The approach to risk management was discussed and the Committee indicated a wish to focus more on this in the future.

Annual Report and Accounts

11. The Committee received the Month 9 draft of the NHS England Annual Report and Accounts, and it was noted that there had been very good progress in getting it to this stage. There was discussion around the sign off and laying arrangement, which is expected to be mid-July.

NAO Value for Money Studies

12. The Committee received a Value for Money briefing from the NAO. The Committee acknowledged the role of the Comptroller and Auditor General in signing off the NAO's work programme, and wanted to ensure that he has the benefit of input from NHS England in deciding the future programme of work. There was discussion of how best to target future work to get the most useful outcome for all involved.
13. The NAO do not foresee any problems in their audit work at present.

Counter Fraud

14. The Committee received the counter fraud update and noted the recent NHS Protect report on NHS England and the good collaborative working to resolve issues identified.
15. NHS Protect advised of their change to become a Special Health Authority, in shadow form from 1 April 2017 and substantively from 1 July 2017.

Oversight

16. No items at this meeting.

ITEMS FOR THE BOARD'S INFORMATION AND ASSURANCE

17. In summary, risk and governance elements are in place but some still need to be embedded. Further work is required and this will remain a focus for ARAC going forward

PROGRESS AGAINST THE COMMITTEE'S ANNUAL WORK PLAN

18. The Committee reviewed the workplan which covers the period up to December 2017. The plan will remain under continual review by the Committee.

RECOMMENDATION

19. The Board is asked to note the report.

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