

Audit & Risk Assurance Committee Annual Report For the period 1 April 2017 to 31 March 2018

Introduction

1. The purpose of the Committee is to provide an independent and objective view of financial reporting, internal control and risk assurance.
2. The Committee is authorised to take decisions on behalf of NHS England on matters relevant to the purpose of the Committee (but not reserved to the Board), to obtain outside legal or other independent professional advice, and to secure attendance of outsiders with relevant experience and expertise if they consider this to be necessary.

Overview of the Year

3. ARAC kept a close watch on internal control issues this year, including the tracking of internal audit actions, to maintain the forward momentum from previous years. It is pleased to report an overall improvement in governance and internal control, recognised in the Head of Internal Audit opinion. Primary Care Services continued to be major focus of attention and the issue of Cyber Security remains on the Committee agenda particularly in light of the Wannacry incident.
4. There was a change of membership with John Burn succeeding David Roberts. In the coming year we look forward to welcoming John's successor and to increasing our focus on risk management.

Meetings of the Committee

5. During this period, the Committee met on five occasions.
6. The members of the Committee were as follows:
 - Joanne Shaw (Chair)
 - David Roberts (to December 2017)
 - Wendy Becker
 - John Burn (from December 2017) * note that his membership ended in May 2018
 - Gerry Murphy (co-opted from DH)
7. A summary of members' attendance is given at annex 1.

Delivery of the Work Programme

8. During the period of this report, the key issues considered by the Committee were:

- *Internal Audit*
 - Approved a plan of work for 2017-18 and monitored against that plan, including the consideration of issues arising and high priority recommendations being raised by Deloitte;
 - Considered the Head of Internal Audit Opinion for 2016-17;
 - Focussed on overdue audit recommendations to bring the number down;
 - Considered an update from the National Director for Strategy and Innovation on the key control priorities, risks and status of internal recommendations within that Directorate
 - Monitored progress on the re-procurement of the Internal Audit and Service Auditor reporting service, which resulted in the reappointment of Deloitte.
 - Monitored arrangements for service auditor reporting to clients of commissioning support units.

- *Counter Fraud*
 - Approved the creation of an in-house team to deliver the reactive counter fraud service from 1 April 2018.
 - Reviewed the Tackling Fraud, Bribery and Corruption Policy
 - Considered the outcome of the NHS Counter Fraud Authority (NHSCFA) Review Assessment of NHS England against the Standards for Commissioners: Fraud Bribery and Corruption
 - Approved a proactive plan for 2017-18; and,
 - Monitored reactive and proactive fraud work, provided by Deloitte, and received reports on the volume of cases under investigation and strategic updates from NHS Protect.

- *External Audit & Financial Reporting*
 - Considered and recommended the 2016-17 Annual Report & Accounts for signature;
 - Monitored the timetable and delivery of the Annual Report & Accounts for 2017-18. This included the production of Month 9 accounts and early draft of the Annual Report and Governance Statement; and,
 - Received updates from the NAO on their work throughout the year, including the NAO planning risks and management's responses to those risks and other issues raised.
 - Considered the Value for Money programme delivered by the NAO

- *Governance*
 - Received updates on the Accountabilities for Data and Cyber Security in the NHS including the response to the Wannacry incident;
 - Reviewed arrangements for the implementation of the General Data Protection Regulations (GDPR) and the National Data Opt-out Programme;

- Received updates on the issues arising from the delivery of Primary Care Services support;
 - Reviewed the arrangements for obtaining assurance over Primary Care Commissioning delegated to CCGs;
 - Reviewed Governance and Assurance processes around IT and Digital funding;
 - Considered and recommended to the Board for approval, updated Standing Orders, Standing Financial Instructions and Scheme of Delegation;
 - Received reports on losses and special payments made during the financial year;
 - Received reports on breaches of Standing Financial Instructions and,
 - Received reports on the Corporate Risk Register
- *Committee Matters*
 - Considered the Committee's forward work programme, including the timing of activities and,
 - Reviewed the Committee's Terms of Reference

Work Programme for 2018/19

- *Internal Audit*
 - Consideration and approval of the 2018-19 IA work programme;
 - Monitoring delivery against the internal audit work programme to include a half year review; and,
 - Monitoring management's delivery against agreed actions arising as a result of audit work undertaken.
- *Counter Fraud*
 - Review of NHS England's existing Economic Crime Strategy;
 - Consideration and approval of arrangements for 2018-19 proactive work
 - Review of progress on reactive work
 - Monitoring delivery against the strategy and proactive work programme; and,
 - Monitoring management's delivery against agreed actions arising as a result of work undertaken.
- *External Audit & Financial Reporting*
 - Consideration and recommendation of the 2017-18 Annual Report & Accounts to the Accounting Officer for signature; and,
 - Monitoring the planning and delivery of the 2018-19 Annual Report and Accounts, including reports received from the NAO
 - *Governance*
 - Consideration of Risk Management;
 - Consideration of any proposed changes to Standing Orders, Standing Financial Instructions or the Scheme of Delegation;
 - Consideration of progress with Cyber Security;
 - Further monitoring of the delivery of Primary Care Services support.

- Consideration of third party assurance and the management of significant contracts.
- Review of governance arrangements between NHS England and NHS Improvement in light of joint working.
- Consideration of system assurance over CCGs
- *Committee Matters*
 - On-going consideration of the Committee's forward work programme;
 - The Committee has conducted a review of effectiveness during the year

Review of Terms of Reference

9. Revised terms of reference are attached at Annex 2 for approval.

Assurance Statement

10. As Chair, I can confirm that the Audit and Risk Assurance Committee has reviewed its business over 2017-18 and met its delegated duties. There are no significant issues of concern for the Board in this Annual Report.

Recommendations

11. The Board is asked to:
- Note the report;
 - Take assurance from the Committee with regard to delivery of the work programme; and,
 - Adopt the revised Terms of Reference.

Joanne Shaw
Chair, Audit & Risk Assurance Committee

Annex 1

Summary of members' attendance for the period 1 April 2017 to 31 March 2018

	11.05.17	03.07.17	21.09.17	11.12.17	27.02.18
Joanne Shaw	Yes	Yes	Yes	Yes	Yes
David Roberts	Yes	Yes	Yes	Yes	
Wendy Becker	Yes	Yes	Yes	Yes	Yes
Gerry Murphy	Yes	Yes	Yes	Yes	Yes
John Burn					No

Terms of Reference

AUDIT AND RISK ASSURANCE COMMITTEE

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Document reference ARAC V2.00			
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Revision history

Version	Date	Summary of changes
1.00	January 2017	New Template
2.00	June 2018	Minor amendments as part of annual review

Approved by

This document must be approved by the following people:

Name	Signature	Title	Date	Version
Audit and Risk Assurance Committee	Via minutes	n/a	Annually	
NHS England Board	Via minutes	n/a	Annually	

Related documents

Title	Owner	Location

Document control

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1. Purpose

The Board has established an Audit and Risk Assurance Committee as a committee of the Board to support them in their responsibilities. The Audit & Risk Assurance Committee provides an independent and objective view of internal control. The Committee is authorised to take decisions on behalf of NHS England on matters relevant to the purpose of the Committee (but not reserved to the Board) and to obtain outside legal or other independent professional advice and to secure attendance of outsiders with relevant experience and expertise if they consider this to be necessary. The Committee is authorised to co-opt additional members for a period not exceeding a year to provide specialist skills, knowledge and experience.

2. Duties and Responsibilities

The Audit and Risk Assurance Committee will advise the Board and Accounting Officer on:

- The strategic processes for risk, control and governance and the Governance Statement;
- The accounting policies, the accounts, and the annual report of NHS England, including the process for review of the accounts prior to submission for audit, levels of error identified, and management's letter of representation to the external auditors;
- The planned activity and results of both internal and external audit;
- Adequacy of management response to issues identified by audit activity, including external audit's management letter;
- Assurances relating to the management of risk and corporate governance requirements for NHS England;
- Proposals for tendering for Internal Audit services or for purchase of non-audit services from contractors who provide audit services; and,
- Anti-fraud policies, whistle-blowing processes, and arrangements for special investigations.

The Committee will also periodically review its own effectiveness and report the results of that review to the Board.

Note: NHS England, and thus the Committee, fulfils a dual role with regard to the activities of NHS England itself and its oversight of the wider NHS commissioning system. While the governance of individual CCGs is a matter for their respective Boards and Audit Committees, the NHS England Audit & Risk Assurance Committee will seek assurance that NHS England's oversight and management of the commissioning system is effective in securing delivery of the overall NHS strategy and in eliminating or mitigating strategic, financial and operational risks

Governance, Risk Management and Internal Control

- The Committee will review the establishment and maintenance of an effective system of governance, risk management and internal control, covering all of NHS England's activities (including any hosted bodies) and supporting achievement of NHS England's objectives

- In particular, the Committee will review the adequacy and effectiveness of:
 - All risk and control related disclosure statements (in particular the annual governance statement), together with the accompanying Head of Internal Audit Opinion, external audit opinion or other appropriate independent assurances, prior to endorsement by the Board, where necessary;
 - The underlying assurance processes that indicate the degree of achievement of corporate objectives, the effectiveness of the management of principal risks and the appropriateness of the above disclosure documents;
 - The policies for ensuring compliance with relevant regulatory, legal and code of conduct requirements and related reporting and self-certification; and,
 - The policies and procedures for all work related to fraud and corruption as set out in the Secretary of State Directions and as required by the NHS Counter Fraud Authority.
- The Committee will primarily utilise work of internal audit, external audit and other assurance functions but will not limit itself to these sources. It will also seek reports and assurances from Officers as appropriate, concentrating on the over-arching systems of governance, risk management and internal control, together with indicators of their effectiveness.
- This will be evidenced through the Committee's use of NHS England's Board Assurance Framework to guide its work and that of the audit and assurance functions that report to it.

Internal Audit

- The Committee will ensure there is an effective internal audit function that meets mandatory Government Internal Audit Standards and provides appropriate independent assurance on the full range of strategic, financial and operational risks to the Audit Committee, Chief Executive and Board.
- This will be achieved by:
 - Consideration of the provision of the internal audit service, the cost of the audit and any questions of resignation and dismissal;
 - Review and approval of the internal audit strategy, operational plan and more detailed programme of work ensuring that this is consistent with the audit needs of NHS England as identified in the Board Assurance Framework;
 - Considering the major findings of internal audit work (and management's response), and ensuring co-ordination between the internal and external auditors to optimise audit resources;
 - Ensuring that the internal audit function is adequately resourced and has appropriate standing within NHS England; and
 - An annual review of the effectiveness of internal audit.

External Audit

- The Committee will review the work and findings of the external auditors and consider the implications of and management's response to their

work.

- This will be achieved by:
 - Consideration of the appointment and performance of the external auditors, as far as the rules governing their appointment permit;
 - Discussion and agreement with the external auditors, before the audit commences, of the nature and scope of the audit as set out in the annual plan, and ensuring co-ordination, as appropriate, with other external auditors operating within the NHS;
 - Discussion with the external auditors of their evaluation of audit risks, their assessment of NHS England and the associated impact on the audit fee; and
 - Review of all external audit reports, including the report to those charged with governance, agreement of the annual audit letter before submission to the Board, and any work undertaken outside the annual audit plan, together with the appropriateness of management responses.

Other Assurance Functions

- The Committee will review findings of other significant assurance functions, both internal and external to NHS England, and consider the implications for the governance of NHS England. These will include, but will not be limited to, any reviews by the Department of Health and Social Care.
- In addition, the Committee will review the work of other Committees within NHS England, whose work can provide relevant assurance to the Committee's own scope of work.
- The Committee will review reports and assurances from Officers on the overall Corporate Performance of NHS England, and the implementation of NHS England's agreed policies and standards.

Counter Fraud

- The Committee will satisfy itself that NHS England has adequate arrangements in place for countering fraud and will review the outcomes of counter fraud work.
- The committee will review arrangements by which staff may, in confidence, raise concerns about the possible improprieties in matters of financial reporting or other matters.

Management

- The Committee will request and review reports and positive assurances from Officers on the overall arrangements for governance, risk management and internal control.
- The Committee may also request specific reports from individual functions within NHS England as they may be appropriate to the overall arrangements.
- The Committee will receive assurance on compliance with Standing Financial Instructions.

Financial Reporting

- The Committee will monitor the integrity of the financial statements of NHS England and any formal announcements relating to NHS England's financial performance.
- The Committee should ensure that the systems for financial reporting to the Board, including those of budgetary control, are subject to review both as to the completeness, accuracy and fitness for purpose of the information provided to the Board and with regard to the effectiveness of the Board's consideration of this information.
- The Committee will review the annual report and accounts before submission to the Board, focusing particularly on:
 - The wording in the annual governance statement and other disclosures relevant to the terms of reference of the Committee;
 - Changes in, and compliance with, accounting policies, practices and estimation techniques;
 - Unadjusted mis-statements in the financial statements;
 - Significant judgments in preparation of the financial statements;
 - Significant adjustments resulting from the audit;
 - Letter of representation; and
 - Qualitative aspects of financial reporting.

3. Membership

The Audit and Risk Assurance Committee membership will be as follows:

- Chair – a Non-executive director who should have a financial qualification or recent and relevant financial experience (in the absence of the Chair another Non-executive director who is a member of the Committee).
- At least two other Non-executive directors.

The following members of the Audit and Risk Assurance Committee have been appointed by the Board:

- Joanne Shaw (Chair)
- Wendy Becker
- David Roberts (to December 2017)
- John Burn (from December 2017)
- Gerry Murphy (co-opted from the Department of Health)

The Chair of the NHS England Board reserves and exercise the right to attend any or all meetings of this Committee.

Attendees

The following individuals will attend as appropriate to provide advice, support and information but are not members of the Audit and Risk Assurance Committee and therefore, do not have voting rights:

- Chief Executive as required. As a minimum this should be when the Committee considers the draft internal audit plan and the annual accounts

and, at least annually, to discuss the process for assurance that supports the Annual Governance Statement.

- Chief Financial Officer.
- National Director: Transformation and Corporate Operations
- Director of Financial Control
- Director of Governance.
- Representative(s) of External Audit.
- Representative(s) of Internal Audit.

The Audit and Risk Assurance Committee may ask any other officials of the organisation to attend and assist it with its discussions on any particular matter;

The Audit and Risk Assurance Committee may ask any or all of those who normally attend but who are not members to withdraw to facilitate open and frank discussion of particular matters.

At least once a year the Committee will meet privately with the Internal and External Auditors

4. Declaration of Interest

All members and attendees of the Audit and Risk Assurance Committee must declare any relevant personal, non-personal, pecuniary or potential interests at the commencing of any meeting. The Chair of the Committee will determine if there is a conflict of interest such that the member and/or attendee will be required to not participate in a discussion.

The Board Secretariat can provide advice on this matter and in addition, guidance on reporting Declaration of Interests can be found at [SO9.1 of the Standing Orders and Standards of Business Conduct](#). A template for the Declaration of Interest can be found [here](#).

5. Meetings

The Audit and Risk Assurance Committee will be provided with a secretariat function by the Head of Assurance from the Finance team.

The Board or the Accounting Officer may ask the Audit and Risk Assurance Committee to convene further meetings to discuss particular issues on which they want the Committee's advice.

Quorum

The Audit and Risk Assurance Committee will meet at least 5 times a year. The Chair of the Audit and Risk Assurance Committee may convene additional meetings, as they deem necessary;

A minimum of 2 members will be present for the meeting to be deemed quorate.

In addition, the Chief Financial Officer will normally be expected to attend unless the Committee expressly decides that it has business that needs to be restricted to Members only

6. Information Requirements

For each meeting the Audit and Risk Assurance Committee will be provided (not less than five working days prior to the meeting) with a full set of papers to be discussed at the meeting. These will all be available on Boardpad or other system recommended by the Board secretariat.

7. Reporting

The Audit and Risk Assurance Committee will report in writing to the Board and Accounting Officer after each meeting.

The Audit and Risk Assurance Committee will provide the Board and Accounting Officer with an Annual Report in July each year, timed to support finalisation of the accounts and the Governance Statement, summarising its conclusion from the work it has done during the year.

8. Terms of Reference Review

The Audit and Risk Assurance Committee Terms of Reference will be reviewed as a minimum on an annual basis.

Appendix 1: Membership 2017/18

Membership

Members:

- Joanne Shaw Non Executive member
- Wendy Becker Non Executive member
- David Roberts Non Executive member (to December 2017)
- John Burn Non Executive member (from December 2017)
- Gerry Murphy Non Executive member (co-opted from DHSC)

Regular Attendees:

- Simon Stevens Chief Executive
- Paul Baumann Chief Financial Officer
- Matthew Swindells National Director Operations and Information
- Emily Lawson National Director Transformation and Corporate Operations
- Adrian Snarr Director of Financial Control
- Steve Verdon Director of Governance (last meeting July 2017)
- Kath Ibbotson Interim Director of Governance and Legal Services (first meeting February 2018)
- David Noon Deloitte LLP
- Morag Childs Deloitte LLP
- Mike Newbury National Audit Office
- David Hakin National Audit Office
- Lisa Moses Department of Health and Social Care

Secretariat:

- David Procter Senior Finance Manager Assurance