

**MINUTES OF A MEETING OF THE MONITOR AUDIT AND RISK COMMITTEE HELD ON 18
SEPTEMBER 2013 AT 10.00 AT WELLINGTON HOUSE,
LONDON SE1 8UG**

Present:

Keith Palmer, Audit and Risk Committee Chair, Non Executive Director
Sigurd Reinton, Non Executive Director

In attendance:

Internal Auditor - KPMG

Andy Sayers, Head of Internal Audit (until item 10)
Jo Sheppard, Internal Audit Manager (until item 10)

External Auditor – National Audit Office (NAO)

Kate Mathers, Director

Monitor

David Bennett, Interim Chief Executive (from item 4)
Lisa Collins, Senior Policy Adviser
Jason Dorsett, Financial Reporting and Risk Director
Stephen Hay, Managing Director of Provider Regulation
Anna Lindsay-Taylor, Committee Secretary
Steven Murray, Head of Internal Finance
Nick Ville, Project Director Policy

Executive officers attended the meeting as detailed under specific agenda items below.

1. Welcome and apologies

1.1 No apologies for absence had been received.

2. Declarations of interest

2.1 No interests were declared.

**3. Minutes and matters arising from the meeting held on Tuesday 2 July 2013
(ARC/13/25)**

3.1 The minutes were approved and the matters arising were noted.

4. Draft 2013/14 Internal Audit Strategy and Plan (ARC/13/26)

- 4.1 Andy Sayers presented the report which provided the Audit and Risk Committee with KPMG's draft 2013/14 strategy and plan for the internal audit of Monitor's processes and controls. As Monitor was going through a period of ongoing change, the importance of maintaining a degree of flexibility within the plan was emphasised.
- 4.2 Consideration was given to the five operational process areas outlined in the report. When discussing Pricing, the Committee questioned the proposed focus of the review. As the Pricing team would be referring to the policy set out by Monitor to calculate prices for the 2014/15 National Tariff, it was judged appropriate that an assurance check should be carried out to ensure that consistency. As the required checks had been built into the Pricing programme, Committee members considered that the scope of the Pricing review should be adjusted to focus on Monitor's preparedness for its expanded role in 2014. In lights of these comments, it was noted that the planned number of days for the review should be adjusted accordingly.
- 4.3 When discussing the proposed scope of the Corporate Governance – Risk Management review, it was noted that following further consideration it had been considered appropriate to shorten the proposed planned days set out in the draft plan. Audit and Risk Committee members suggested that it would be valuable to use some of the extra time freed up by this to focus on other areas such as Knowledge and Information Management (KIM).
- 4.4 Consideration was given to the proposed scope of the Co-operation and Competition review. As Monitor's Co-operation and Competition directorate had been recently established, a review of the governance arrangements relating to reporting lines was a priority. In considering the proposed review of decision making regarding casework it was noted that the focus would be the process of decision making.
- 4.5 Audit and Risk Committee members considered the need to review Contingency Team Planning and Trust Special Administration processes. The importance of ensuring that the processes and controls in place were as robust as possible was emphasised. As a specific piece of work was planned to be undertaken in due course relating to the appropriateness of these processes, a review had not been included in the internal audit plan.
- 4.6 Consideration was given to the proposed review of Communications. Audit and Risk Committee members judged that a review of the effectiveness of Monitor's Strategic Communications function would prove beneficial. It was considered that a full review carried out by external communications experts should be undertaken. In light of this, the Committee judged that a review of Communications, as part of the internal audit plan would not be necessary.
- 4.7 In light of the above comments, Audit and Risk Committee members requested that the draft internal audit plan be updated for consideration at the next Committee meeting.

5. Internal Audit Progress Report (ARC/13/27)

- 5.1 Audit and Risk Committee members noted the report which provided an update on the progress of internal audit work undertaken since the last meeting of the Committee.

6. Information Security Review (ARC/13/28)

- 6.1 The Committee noted the report which set out the results of KPMG's internal audit review of Monitor's Information security, together with the management response to KPMG's

Performance Improvement Observations (PIOs). Overall the report had been given a medium risk rating, with three medium priority PIOs and two low priority PIOs.

- 6.2 With regard to Business Continuity Management, it was noted that the Business Continuity Plan was last reviewed in 2009 and had not been formally tested since 2011. In response, Monitor would be reviewing the plan to ensure that it continued to meet the needs of the organisation.
- 6.3 When considering the assessment of Monitor's score for the requirements of the Information Governance toolkit, it was noted that four requirements were unsubstantiated. The representative of KPMG confirmed that this meant that there was no evidence found to substantiate the requirements rather than evidence found to the contrary. In response, work was being undertaken to improve documenting processes.
- 6.4 With regard to the recommendation that Monitor should undertake a review of remote access, it was noted that evidence of authorisation for remote access was not available as all Monitor staff were given VPN access. The Committee highlighted that it was necessary to retain evidence to confirm that members of staff were removed from the system when they left Monitor.

7. External Assurance on Information and IT Strategy (ARC/13/29)

Neil Stutchbury (Knowledge Management Director) joined the meeting for this item.

- 7.1 Neil Stutchbury presented the paper which set out a proposal to secure external assurance on information technology strategies, decisions and recommendations. The Executive Committee and the Board had requested that the KIM team enhance its access to external expertise to provide assurance on its technical and strategic recommendations. In response, the formation of a Technology Assurance Panel (TAP) had been proposed.
- 7.2 It was suggested that the most appropriate external candidates to join the TAP would be individuals who had Chief Information Officer level experience within large organisations. It was anticipated that this nature of background would provide the necessary level of IT skills and business experience. It was proposed that the Panel comprise of two Monitor Non Executive Directors (NEDs), one of whom would act as Chair, and two independent experts. It was suggested that the Managing Director of Sector Development should attend TAP meetings.
- 7.3 When discussing reporting lines, the importance of access to the TAP by Board members was emphasised. The Committee also highlighted the importance of avoiding duplication of reporting. Accordingly it was judged appropriate for the TAP to report to the Board. It was emphasised that the Audit and Risk Committee retains oversight of the overall assurance provided to the Board, including that to be provided by the TAP.

RESOLVED:

- 7.4 The Audit and Risk Committee resolved that the proposed approach should be approved for recommendation to the Board.

8. Q1 Interim Risk Report (ARC/13/30)

- 8.1 Audit and Risk Committee members considered the interim report which provided an update on the work carried out to date in identifying critical risks for 2013/14. In May 2013, the Committee had agreed to receive an interim risk report for Q1 while Monitor's approach to risk management was refreshed in light of the new Corporate Strategy that was being

developed. It was anticipated that a greater level of detail would be paid to high level strategic risks in the long term. It was noted that a Board workshop to discuss the Corporate Strategy and identify key risks in its delivery would be held in October 2013.

- 8.2 Consideration was given to the proposed 2013/14 organisational and directorate specific risks outlined in the paper. The importance of precision in regards to defining the key risks was highlighted. It was suggested that it would prove valuable to attach likely consequences and implications should each risk arise.
- 8.3 When discussing the financial risks set out in the paper, it was noted that discussions with the Department of Health (DH) regarding Monitor's budget were ongoing.
- 8.4 Audit and Risk Committee members discussed the advantages and disadvantages of publishing future risk reports in the public session of the Board. In particular, consideration was given to how Monitor would share the information and the level of detail that would be publicly accessible. The Committee suggested that it would be appropriate to publish a high level summary of Monitor's Risk Register.

9. Audit and Risk Committee Independent Member (oral item)

- 9.1 Keith Palmer gave an oral update on the recruitment of an Audit and Risk Committee Independent Member. It was noted that a shortlist of candidates had been compiled. As one of Monitor's NEDs was due to retire, it was anticipated that the new NED would join the Audit and Risk Committee. In light of this, it was judged appropriate to recruit an Audit and Risk Committee Independent Member once Monitor's new NED was in post.

10. Any other business

- 10.1 Jason Dorsett provided an oral update on the progress of the internal audit shared service work currently being undertaken with DH. It was noted that a written report would be circulated to the Committee in correspondence in due course.
- 10.2 The Committee welcomed the fact that the shared service would allow Monitor a degree of flexibility. In particular, it was anticipated that Monitor would be able to choose the Head of Internal Audit, the supplier and the scope of audits.
- 10.3 Consideration was given to the next steps in the process. It was noted that DH would provide Monitor with a list of potential candidates for the role of Head of Internal Audit. Monitor would then draw up a short list of candidates to be interviewed by the Audit and Risk Committee. It was hoped that an appointment could be confirmed at the next meeting of the Audit and Risk Committee. It was noted that the Chair of the Audit and Risk Committee and the Board Secretary would agree the appropriate recruitment process in due course.

Close