

A large, solid green wave-like shape that starts from the left edge of the page, curves upwards, and then curves downwards towards the right edge, creating a broad, sweeping arc across the middle of the page.

**Department of Health – Audit & Risk Committee**  
**Annual Report**  
**2011 - 12**

# DH Audit & Risk Committee - Annual Report 2011 - 12

## Role of the Audit & Risk Committee

1. The DH Audit & Risk Committee's purpose is to advise the Department of Health's Principal Accounting Officer and the Departmental Board on risk management, corporate governance, and assurance arrangements in the Department of Health and its subordinate bodies. The Audit Committee's terms of reference are attached at Annex A, together with details of membership; this report provides confirmation that the terms of reference have been fulfilled.
2. Overall responsibility for matters considered by the Committee remains with the Principal and Additional Accounting Officers acting through the Departmental Board and Executive Board.
3. To fulfil its purpose, the Audit and Risk Committee considered the following issues (amongst others):
  - a) the accounts and annual report of the Department, including reviewing the accounts, annual report and statement of internal control before submission for audit, together with any issues arising from the audit of the accounts;
  - b) the quality of risk management within the Department, together with regular review of the Department's Strategic Risk Register;
  - c) the accountability arrangements established to support the Accounting Officers;
  - d) the adequacy of the Department's arrangements to monitor and act upon the findings and recommendations of external audit and scrutiny bodies (such as the Public Accounts Committee or the National Audit Office).

## Membership

4. The composition of the Audit Committee during the financial year 2011 -12 was as follows:

Mike Wheeler	Non-Executive Chair of the Audit and Risk Committee and Non-Executive Member of the Departmental Board	Joined the Audit Committee in June 2006 for a three year term; membership subsequently extended to June 2011 and again to June 2014. Chair from August 2009.
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Jane Ramsey	Non-Executive Member	Joined the Audit Committee in January 2007 for an initial three year term; membership subsequently extended to December 2012.
Michael Hearty	Non-Executive Member	Joined the Committee in September 2007 for a four year term; membership subsequently extended to August 2014.

### Register of Interests

5. Members of the Committee declared the following interests:

Member	Interest declared
Mike Wheeler	<ul style="list-style-type: none"> <li>• Chair of the Audit Committee of Dubai Holding LLP</li> <li>• Non-executive member of the Institute of Financial Services (term ended on 31 December 2011)</li> <li>• Governor, Reed's School</li> <li>• Non-Executive Director of Citadel Securities.</li> </ul>
Jane Ramsey	<ul style="list-style-type: none"> <li>• Non-executive Director of University College Hospitals Foundation Trust</li> </ul>
Michael Hearty	<ul style="list-style-type: none"> <li>• No interests declared</li> </ul>

### Frequency of meetings

6. The Committee met seven times during 2011-12. There were four full meetings and an additional three meetings to review the draft DH Resource Accounts and NHS Summarised Accounts.
7. Since January 2012, Committee members also held 3 monthly teleconferences (mainly in months when no meetings were being held) to discuss urgent matters and remain abreast of issues.

### Members' attendance at meetings 2011 – 12

8. During 2011-12, attendance at Committee meetings was as follows (this does not include the additional teleconferences held since January 2012):

<b>Member</b>	<b>Meetings Attended</b>	<b>Meetings held during members term</b>
Mike Wheeler	7	7
Jane Ramsey	7	7
Michael Hearty	4	7

### **Audit and Risk Committee Business April 2011 – March 2012**

9. The following account provides an overview of business conducted by the Audit Committee during the financial year 2011-12.

#### **Review of the accounts**

10. In discharging its responsibilities, the Committee:
- received, requested amendments to and subsequently recommended sign-off of the Department's Annual Report and Accounts for 2010-11 and the NHS Summarised Accounts 2010-11. This included a review of the draft Statement of Internal Control.
  - received and discussed the annual report on losses and special payments for 2010-11.
  - received the Whole of Government Accounts for 2010-11.
  - received regular updates on progress with the ISA260 Report from the National Audit Office, and discussed its content.
  - received and discussed the NAO 2010-11 Management Letter on the Whole of Government Account.
  - discussed the planning and timetable for the 2011-12 accounts. This followed a review by the Chair of the Committee of the reasons for the delay in laying the 2010-11 accounts before Parliament. It also included consideration of the Department's request for an exemption from HM Treasury on the requirement to prepare separate NHS Summarised Accounts in 2011-12.
  - received updates on the performance and financial position of the NHS through verbal reports on key matters at each Committee meeting
11. The Committee noted, with concern, the Department's failure to meet the intended timetables for the production of the 2010-11 accounts.

#### **Risk management and corporate governance**

12. To fulfil this remit, the Committee:

- reviewed the processes used in the creation and maintenance of the Department's Strategic Risk Register, along with scrutiny of the Strategic Risk Register itself, providing direction and challenge when needed. The Committee also discussed the Department's appeal against the Information Commissioner's decision that the Department should publish the February 2011 version of the Strategic Risk Register (which was subsequently successful).
- received updates on the performance of and accountability arrangements for the Department's arms' length bodies (ALBs). In particular, the Committee discussed risk management arrangements for each Departmental sponsor and ALB.
- regularly discussed progress with the Department's Transition programme, including a review of key risks.
- discussed the Public Health England programme including the governance arrangements in place and the escalation of issues along with robust mitigation arrangements.
- received comprehensive updates from the Head of Internal Audit (IA) at each Committee meeting. This covered recently completed reports, IA's Assurance Plan, consultancy work and an assessment of the Department's corporate governance arrangements and mitigating strategies for dealing with recommendations and identified risks
- discussed the Cabinet Office's review of the Department's emergency preparedness arrangements. Committee members were assured that there was good collaborative working on this issue across the Department, its ALBs and the NHS.
- discussed the issue of prescription charges fraud, following its highlight as a potential control issue in previous years' statements of internal control.
- received the Quarterly Data Summary, as mandated by the Cabinet Office.

### **Accountability arrangements**

13. The Committee reviewed and discussed the Department's accountability statement (which sets out the accountabilities for public funding at all levels in the health system) following the recommendation from the Public Accounts Committee. This was published by the Department at the end of 2011.
14. The Committee also discussed the emerging arrangements for accountability between the Department and its future ALBs in the new

health and social care system (ie post April 2013). This included the arrangements for internal control within the ALBs.

### **Arrangements to monitor and act upon external bodies' recommendations**

15. The Committee also:
- received reports on the follow up by the Department of recommendations agreed in external reports by the NAO, Public Accounts Committee, Health Select Committee and Audit Commission;
  - received updates on the National Audit Office's Value for Money study programme for 2012-13; and

### **Minutes and record of decisions**

16. A note of actions agreed at each meeting was circulated to Committee members and relevant DH officials within 48 hours of each meeting. Full minutes of each Committee meeting were prepared and agreed at a subsequent meeting. These provided a clear record of decisions reached and matters discussed.
17. The Chairman also formally reported in writing to each formal Departmental Board meeting the key points of business discussed at Audit and Risk Committee meetings and any notable actions agreed by the Committee.

### **Communicating the work of the Audit committee**

18. A summary of the proceedings of each Audit and Risk Committee meeting was posted on the DH website after each meeting.

Mike Wheeler  
Chairman  
Department of Health Audit and Risk Committee  
August 2012

## DEPARTMENT OF HEALTH AUDIT AND RISK COMMITTEE<sup>1</sup>

### TERMS OF REFERENCE FROM FEBRUARY 2011

#### **Purpose:**

The role of the Audit & Risk Committee (the Committee) is to advise the Department of Health's Principal Accounting Officer and the departmental Board on risk management, corporate governance and assurance arrangements in the Department of Health and its subordinate bodies.

Overall responsibility for matters considered by the Committee remains with the Principal and Additional Accounting Officers (the Accounting Officers) acting through the Departmental Board and Executive Board.

#### **Reporting Arrangements**

The Committee is a sub-committee of the Department of Health Board (DB) (see diagram below). The Chair will formally report in writing to the Principle Accounting Officer after each meeting of the Committee.

The Principal Accounting Officer or Chair of the Committee can submit issues to the Executive Board or Departmental Board as appropriate. At the request of either the Chair of the Committee or the Accounting Officers members of the Committee will attend relevant parts of Executive Board meetings to discuss matters arising.

The Committee will provide the Principal Accounting Officer with an Annual Report on the work of the Committee, timed to support the finalisation of the financial accounts and Statement on Internal Control, summarising the Committee's conclusions and recommended actions based on the work it has done during the year.

#### **Functions**

In order to fulfil its purpose, the Committee will consider:

- a. the DH strategic risk register,
- b. the audit strategies and audit plans of the DH's internal and external auditors;
- c. the accounting policies, the accounts, and the annual report of DH, including the process for review of the accounts prior to submission for audit, levels of error identified, key judgements, any disputes between management and external audit, and DH management's letter of representation to the external auditors;

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<sup>1</sup> The Committee is constituted to comply fully with the requirements set out in the HM Treasury guidance "Corporate governance in central government departments: Code of good practice" (2004), and further guidance in the "Audit Committee Handbook" (2007).

- d. the issues arising from the NHS and Summarised and DH Resource Accounts, including the external auditors' Management Letter to the Department and the adequacy of the management's response to it;
- e. the adequacy of management responses to issues identified by internal and external audit work,
- f. the annual Statement of Internal Control;
- g. the Department's Code of Business Conduct, in particular its policy on conflicts of interest, and its register of declared interests;
- h. any proposals for tendering for audit services, or for purchase of non-audit services from contractors who provide audit services;
- i. anti-fraud policies, whistle-blowing processes, and arrangements for special investigations; and
- j. the Audit & Risk Committee's own effectiveness

### ***Accountability and Assurance***

The Committee is required to satisfy itself, and advise the Accounting Officers on the adequacy of, accountability arrangements established to support them across the spectrum of their accountability. To do this the Committee will receive information on the accountability and assurance arrangements linking the Accounting Officer to the Accounting Officers and Accountable Officers in all subordinate bodies - and consider any deficiencies in these arrangements and the assurance information flows.

In respect of DH subordinate bodies, the Committee limits itself to matters relevant to the Departmental Statement on Internal Control, and to inter-dependencies on assurance between subordinate bodies and matters under the direct control of the Accounting Officers.

### ***Recommendations made by external bodies***

The Committee will advise the Accounting Officers on the adequacy of the Department's arrangements to monitor and act upon the conclusions of and the recommendations made by external bodies (including the Public Accounts Committee, National Audit Office, Audit Commission, Healthcare Commission and Commission for Social Care Inspection (merged to form the Care Quality Commission from April 2009

### **Membership**

A minimum of three non-executive members.



The Committee members will decide exactly who attends for which parts of the meetings but it would be usual to expect the following people to be regularly involved in some/all of the meetings:

- the Principal Accounting Officer,
- the Additional Accounting Officer,
- the Director General of Finance ,
- the Head of Internal Audit, and
- the NAO Assistant Auditor General responsible for Health;

For the Committee to be quorate at least two members must be present.

### Working methods

The Committee will meet at least four times a year. The Chair of the Committee may convene additional meetings as required.

The Head of Internal Audit, and the Assistant Auditor General responsible for Health at the NAO, will have free and confidential access to the Chair of the Audit Committee. The Chair will meet bi-laterally with the Head of Internal Audit and senior representatives of the external auditors at least annually.

### Papers

All papers for the Committee meetings will be circulated at least 5 working days in advance of meetings and in a form prescribed by the Committee.

Draft minutes of each meeting will be circulated within 5 working days for comment and will provide a clear record of decisions reached and actions agreed. Minutes will be formally approved at the subsequent meeting. The Secretariat will maintain an action log, which will be reviewed at each meeting.

12 August 2011

