

**MINUTES OF A MEETING OF THE MONITOR AUDIT AND RISK COMMITTEE HELD ON 19  
FEBRUARY 2014 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  
Jo Sheppard, Internal Audit Manager

**External Auditor – National Audit Office (NAO)**

Kate Mathers, Director

**Monitor**

David Bennett, Chief Executive  
Jason Dorsett, Financial Reporting and Risk Director  
Joan Hanham, Chairman  
Philippa Harding, Board Secretary  
Toby Lambert, Director of Strategy and Policy  
Steven Murray, Head of Internal Finance

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

**1. Welcome and apologies**

- 1.1 Apologies for absence had been received from Stephen Hay (Managing Director of Provider Regulation), Adrian Masters (Managing Director of Sector Development) and Martin Burgess (Audit Manager (NAO)).
- 1.2 The Audit and Risk Committee welcomed the Chairman to the meeting and emphasised that she was invited to attend all future meetings of the Committee, should she wish to.

**2. Declarations of interest**

- 2.1 No interests were declared.

**3. Minutes and matters arising from the meeting held on Wednesday 20 November 2013 (ARC/14/01)**

- 3.1 It was proposed that the second sentence of paragraph 6.2 should be amended to read as follows:

“In order to assess this risk, the NAO would be reviewing Monitor’s processes for identifying and clearing mismatches within the consolidated NHS FT account.”

3.2 Subject to this amendment, the minutes were approved and the matters arising noted.

3.3 Oral updates were provided with regard to all outstanding actions. It was noted that the Audit and Risk Committee self-assessment workshop was expected to take place before the end of March 2014. Consideration was given to the possible structure and content of this workshop.

#### **4. Internal Audit Progress Report (ARC/14/02)**

4.1 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.

4.2 The amount of internal audit work that was to be undertaken before the end of the year was noted. Audit and Risk Committee members requested that reports of internal audit reviews completed ahead of the next meeting of the Committee be circulated for consideration in correspondence ahead of that meeting. Substantive matters would be considered in detail at the Committee’s meeting in May 2014.

**ACTION: PH**

#### **5. Appointment of Head of Internal Audit (ARC/14/03)**

5.1 The Audit and Risk Committee noted the report which provided an update on the progress being made towards the appointment of Monitor’s new Head of Internal Audit. The Committee was reminded that, as Monitor was joining the Health Group Internal Audit Service, it had been assigned a Head of Internal Audit from PricewaterhouseCoopers LLP. A number of potential candidates had been shortlisted and interviews would take place as soon as possible. To ensure that there was no slippage in Monitor’s internal audit coverage, work had begun on internal audit planning for 2014/15 in parallel with the work on the appointment of the Head of Internal Audit.

#### **6. Q3 Risk Report (ARC/14/04)**

David Hunt (Project Director Policy) and Das Mootanah (Risk and Performance Director) joined the meeting for the consideration of this item.

6.1 Audit and Risk Committee members considered the report which provided an update on the progress made in the third Quarter of 2013/14 (Q3) on the overall risk management framework and covers the status of Monitor’s current corporate risk profile as at the end of Q3.

6.2 Audit and Risk Committee members noted that Monitor continued to experience considerable growth and development over the Quarter. The organisation was building on its current corporate strategy and planning process and moving towards the implementation of an effective combined risk and performance management approach across the whole organisation. The Committee welcomed the progress that was being made, particularly with regard to the development of the Board’s top risks and the identification of mitigating actions in place or required to address these. Consideration was given to the linkage of risks to the organisation’s corporate strategy. Whilst this was considered important, Audit and Risk Committee members noted that there could be risks to the organisation which were not linked to the strategy and so emphasised that the importance of giving these similar attention.

6.3 The importance of Monitor acting and being recognised as acting in the best interests of patients was emphasised by Audit and Risk Committee members. It was considered that there was a risk that Monitor would not be perceived as a credible organisation if it did not act in the best interests of patients in a demonstrable manner. The Committee proposed that this should be addressed in the Risk Report when it was presented to the Board.

**ACTION: TL**

6.4 Audit and Risk Committee members confirmed that they were content with the progress of the development of Monitor's risk and performance framework. Both the internal and external audit representatives also confirmed that they could see no reason for concern with regard to these processes.

## **7. Annual report of the Audit and Risk Committee to the Board (ARC/14/05)**

7.1 Philippa Harding presented the report which proposed outline content for the formal annual report of the Audit and Risk Committee to the Board.

7.2 Audit and Risk Committee members were content with the proposed structure of the report and provided a number of comments on its proposed drafting. With regard to the membership of the Committee, it was noted that whilst all its members, as Non-Executive Directors, were considered to be independent there had been an attempt to recruit an additional external independent member to join the Committee. This had not been successful and it was anticipated that when further Non-Executive Directors were appointed to Monitor's Board one of these would be appointed to the Audit and Risk Committee. The fact that the Committee had not been able to appoint the external independent member did not compromise the independence of the Committee in any way. Audit and Risk Committee members were provided with an oral update on the progress of the recruitment of these additional Board members.

7.3 Audit and Risk Committee members considered the Committee's priorities for 2014/15. In addition to the ongoing development of Monitor's Risk Management Framework, it was proposed that the Committee should also focus upon the issue of whistleblowing. Audit and Risk Committee members expected that one of the outputs of the Committee forthcoming self-assessment workshop would be the clarification of any further priorities for 2014/15 and beyond. The workshop would also enable the Committee to express its opinion with regard to questions relating to all key aspects of its annual report to the Board and the Annual Governance Statement.

7.4 In light of the recent session of the Health Select Committee that had been attended by Monitor's Chief Executive, consideration was also given to the question of whether the Audit and Risk Committee should consider focussing upon the assurances in place with regard to health and social care sector as a whole. This would be discussed further outside the meeting ahead of the Committee's self-assessment workshop.

**ACTION: PH, JD**

## **8. Update on Consolidated NHS Foundation Trust Accounts 2013/14 (ARC/14/06)**

Ian Ratcliffe (Head of Sector Financial Accounting) joined the meeting for the consideration of this item.

8.1 Jason Dorsett presented the report which provided the Audit and Risk Committee with an outline of the progress in the consolidation of the NHS foundation trust (NHS FT) accounts in 2013/14, the key risks to the process and assurances against those risks.

8.2 It was noted that the re-organisation of the NHS from 1 April 2013 presented a number of challenges to this work, for example the structure of NHS England had resulted in one legal entity which acted through a number of different teams. As a result of this the possibility of mismatched balances across the Department of Health (DH) group was very real. In order to mitigate this DH, NHS England, the NHS Trust Development Authority and Monitor had run an agreement of balances process at month seven and month nine to enable the identification of significant issues and solutions for these.

## **9. Any other business**

9.1 The Chair of the Audit and Risk Committee offered the representatives of Monitor's internal and external auditors private meetings. This offer was declined.

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