

**MINUTES OF A MEETING OF THE MONITOR AUDIT AND RISK COMMITTEE HELD
ON 18 SEPTEMBER 2014 AT 2.00pm
AT WELLINGTON HOUSE, 133-155 WATERLOO ROAD, LONDON SE1 8UG**

Present:

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

In attendance:

External Auditor – National Audit Office (NAO)

Kate Mathers, Director

Internal Auditors - (Health Group Internal Audit Service)

Ian Looker, Head of Internal Audit
Susan McNair, Internal Audit Manager

Monitor

David Bennett, Chief Executive (until item 6)
Jason Dorsett, Financial Reporting and Risk Director
Joan Hanham, Chairman
Philippa Harding, Board Secretary
Stephen Hay, Managing Director of Provider Regulation
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 Adrian Masters (Managing Director of Sector Development).

2. Declarations of interest

- 2.1 No interests were declared.

3. Minutes and matters arising from the meeting held on Wednesday 2 July 2014 (ARC/14/24)

3.1 The minutes were approved and the matters arising noted.

4. Q1 risk report (ARC/14/25)

Das Mootanah (Risk and Performance Director) and Paul Read (Risk and Performance Manager) joined the meeting for the consideration of this item.

4.1 The Committee considered the report which provided an update on Monitor's top risks, risk movements and emerging risks.

4.2 It was proposed that further work should be undertaken to reduce the level of repetition within the report. Audit and Risk Committee members proposed further clarification with regard to certain risks could be beneficial. Committee members were content that the organisation's top risk were listed within the report, but suggested that they could be set out more explicitly. It was envisaged that this would better enable the identification of risks well before they might materialise.

4.3 Audit and Risk Committee members discussed the risk that, should Monitor's functions not be appropriately co-ordinated, its reputation and ability to operate effectively could be damaged. The importance of ensuring that there was a clear and consistent approach across all of Monitor's functions was emphasised. However Committee members noted that the risk was more in the perception that there might not be co-ordination, rather than in a lack of co-ordination itself. Further discussion of such issues would take place at the Board workshop on risk later in the year.

4.4 With regard to the approach to be taken at the Board workshop on risk, Audit and Risk Committee members emphasised the importance of clarity on how this time was to be used. It was proposed that the draft agenda and content of this workshop should be submitted for consideration at the next meeting of the Audit and Risk Committee.

ACTION: DM

5. Articulating Monitor's risk appetite (ARC/14/26)

5.1 Das Mootanah introduced the report which provided the Audit and Risk Committee with an update on the progress of the development of a framework for how Monitor thought about risk appetite.

5.2 Consideration was given to the most appropriate manner for developing an intellectually robust framework for thinking about risk appetite. It was noted that the concept of risk appetite was one that Boards often struggled to articulate. However, the exercise of thinking about risk appetite could be beneficial in itself. The exercise would enable the Board to establish a "boundary" of the risk that it was prepared to tolerate. Alternatively it was possible that this could be conceived of in terms of the balancing of related and divergent risks. In light of this, Audit and Risk Committee

members suggested that further work be undertaken to identify the issues where such a balancing of risks was required. This would be discussed further at the Board workshop on risk.

6. Audit Plan 2014/15 (ARC/14/27)

6.1 Audit and Risk Committee members considered the report which presented the organisation's proposed internal audit plan for 2014/15. It was noted that the plan had been reviewed by the Accounting Officer and the Executive Committee ahead of its submission to the Audit and Risk Committee.

6.2 Committee members noted the level of contingency allocated within the plan. It was considered that this was appropriate in light of the possibility that additional work might be identified. In order to ensure that the plan progressed in a timely manner, the Committee requested that the schedule of when each internal audit review was due to be undertaken be presented to the next meeting of the Audit and Risk Committee.

ACTION: IL, SN

6.3 Subject to these comments, the Audit and Risk Committee confirmed that it was content with the proposed internal audit plan for 2014/15.

7. Proposed content for Monitor 2014/15 Annual Governance Statement (ARC/14/28)

7.1 Philippa Harding presented the report which provided information about the Annual Governance Statement (AGS) that Monitor was required to include in its 2014/15 Annual Report and Accounts. It was proposed that the approach taken with regard to the drafting of the AGS should be in line with that taken in previous years.

7.2 Audit and Risk Committee members confirmed that they were content with the proposed approach to the AGS.

8. Review of Monitor's Standing Financial Instructions (ARC/14/29)

8.1 Jason Dorsett introduced the report which proposed a number of changes to Monitor's Standing Financial Instructions (SFIs). The SFIs had been reviewed in light of Monitor's operational experience, and benchmarked against those of other organisations, as well as being subject to an internal audit review.

8.2 The Committee considered the value of consistency between similar Arms Length Bodies with regard to their SFIs. It was noted that these were broadly similar, but, as there was no template and the organisations had different financial functions, they were not identical.

8.3 As the SFIs formed part of the Rules of Procedure and so required approval by the Board, the Audit and Risk Committee confirmed that it was content for the proposed changes to be submitted to the Board.

9. Any other business

- 9.1 The Committee was provided with a brief oral update on the progress of the review of Monitor's whistleblowing procedures.
- 9.2 It was noted that the NAO was due to publish a report on the sustainability of the NHS in the near future.

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