



Department
of Health

Department of Health Audit & Risk Committee Annual Report 2013 - 14

October 2014

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Department of Health – Audit & Risk Committee Annual Report 2012 - 13

Prepared by Jacqueline Benedetti

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Mike Wheeler
Chair, Audit and Risk Committee

The Department's Audit and Risk Committee plays an important role in a large and complex system, advising on and ensuring that the Department of Health's assurance, risk management and financial reporting arrangements are robust. Within this, a key requirement of the Committee is to maintain perspective and focus on the major issues. It is gratifying for me as Chair that the Department takes seriously its responsibilities in this regard, with well thought-through papers, assiduous attendance by senior members and proper participation by the Department's staff.

Successful risk management requires both robust processes and an open culture, and I believe that the Department over the year has shown sound evidence of the former and good improvement with the latter. The Committee has focused over the past year on the Department's relationships with its arms' length bodies and how these risks are managed, and I have been impressed with the effective way the Department has taken this forward.

I am grateful for the assistance and challenge from fellow members of the Committee, the support provided by the Committee's Secretariat, and the consistent and constructive input from the National Audit Office and the Department's Internal Audit team throughout the year. Their support and involvement has made a complex and challenging task run smoothly.

Role of the Audit & Risk Committee

1. The Audit and 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 constituent bodies. The Audit and Risk 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 Accounting Officer 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 governance statement 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 High Level Risk Register;
 - c) the accountability arrangements established to support the Accounting Officer;
 - 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 and Risk Committee during the financial year 2013 -14 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 and Risk Committee in June 2006 for a three year term; membership subsequently extended to June 2011 and again to December 2014. Chair from August 2009.
Jacqueline Burke	Non-Executive Member	Joined the Audit and Risk Committee in September 2013 for a three year term to August 2016.

Michael Hearty	Non-Executive Member	Joined the Audit and Risk Committee in September 2007 for a four year term; membership subsequently extended to August 2014.
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Register of Interests

5. Members of the Committee declared the following interests:

Member	Interest declared
Mike Wheeler	<ul style="list-style-type: none"> • Chair of the Audit Committee of Dubai Holding LLP • Governor, Reed's School • Non-Executive Director of Citadel Securities (Europe)Ltd • Consultant to Glitnir Bank • Chair of Rodador Capital Limited
Jacqueline Burke	<ul style="list-style-type: none"> • Non Executive Director and Chair of the Audit Committee for the Royal Surrey County Hospital NHS Foundation Trust • Independent member of the Audit Committee of the Arts and Humanities Research Council • Independent member of the Audit Committee of the British Academy
Michael Hearty	<ul style="list-style-type: none"> • No interests declared

Frequency of meetings

6. The Committee met six times during 2013-14. There were four full meetings and an additional two meetings to review the draft DH Resource Accounts.
7. Committee members also held five teleconferences (in the months when no meetings were being held) to discuss urgent matters and remain abreast of issues.

Members' attendance at meetings 2012–13

8. During 2013-14, attendance at Committee meetings was as follows (this does not include the additional teleconferences):

Member	Meetings Attended	Meetings held during members term
Mike Wheeler	6	6
Jacqueline Burke	3	3

Michael Hearty	4	6
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Audit and Risk Committee Business April 2013 – March 2014

9. The following account provides an overview of business conducted by the Audit and Risk Committee during the financial year 2013-14.

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 2012-13. This included a review of the draft Governance Statement;
 - received and discussed the annual report on losses and special payments for 2012-13;
 - received the Whole of Government Accounts for 2012-13;
 - received regular updates on progress with the ISA260 Report from the National Audit Office, and discussed its content. It monitored progress on implementation of the previous year's recommendations;
 - discussed the planning and timetable for the 2013-14 accounts, including delivering the consolidation of NHS Trusts accounts for the first time following transition.

Risk Management and Corporate Governance

11. To fulfil this remit, the Committee:
- reviewed the processes used in the creation and maintenance of the Department's High Level Risk Register, along with scrutiny of the High Level Risk Register itself, providing direction and challenge when needed;
 - invited a Director Sponsor of one of the Department's executive agencies or arms' length bodies to each Committee meeting to discuss the strategic and operational risks of the national body, the management of those risks, and the role of the Department in overseeing this. Those covered during 2013-14 were the National Institute for Health and Care Excellence, the Care Quality Commission, Monitor, the NHS Litigation Authority, the Health and Social Care Information Centre, and Public Health England;
 - received a presentation from the NAO on its review of risk data across the DH Group;
 - received comprehensive updates from the Head of Internal Audit (IA) at each Committee meeting. This covered recently completed reports, the DH Audit Plan for 2013-14 and 2014-15, Internal Audit's Assurance Report, a summary of the implementation of recommendations, and updates on the Audit Group Assurance

model for DH and its executive agencies and arms' length bodies and central Government Key Performance Indicators. The Committee also had a more in-depth look at the most significant Internal Audit reviews, such as the Major Projects Governance review;

- discussed NHS purchasing efficiency, which looked at how the Department controlled negotiations for the purchase of pharmaceutical drugs and ensured compliance with the prices achieved in negotiations. The Committee also looked more widely at whether there were untapped savings to be had from centralising supplies, such as medical supplies and equipment;
- discussed the National Programme for IT contracts which looked at the management and assurance arrangements in place during transition;
- discussed the MacPherson Review into quality assurance of analytical models and reviewed the robustness of the assurance processes put in place;
- discussed cyber risk management arrangements within the Department and its executive agencies and arms' length bodies, and in the wider health and care system;
- discussed progress of the Department's Financial Management Improvement Programme;
- reviewed the assurance arrangements and robustness of health and safety processes for which senior management were responsible, and the Departmental Board's responsibilities in respect of the Corporate Manslaughter and Corporate Homicide Act 2007;
- discussed issues of fraud as they emerged in the health and care system;
- reviewed the assurance and accountability of the decisions taken with regard to the financial situation of Peterborough and Stamford Hospitals NHS Foundation Trust;
- reviewed the NAO Audit Planning Report;
- participated in November in an event (hosted by the Department and chaired by Mike Wheeler) to bring together the audit chairs of the Department's executive agencies and arms' length bodies to discuss issues of common interest.

Arrangements to monitor and act upon external bodies' recommendations

12. The Committee also:

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

Minutes and record of decisions

13. A note of actions agreed at each meeting was circulated to Committee members and relevant DH officials. 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.
14. The Chairman also formally reported in writing to the Departmental Board each quarter the key points of business discussed at Audit and Risk Committee meetings and any notable actions agreed by the Committee.

Mike Wheeler
Chairman
Department of Health Audit and Risk Committee

October 2014

DEPARTMENT OF HEALTH AUDIT AND RISK COMMITTEE¹

TERMS OF REFERENCE

Purpose:

The role of the Audit and 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 Accounting Officer (the Accounting Officer) acting through the Departmental Board and Executive Board.

Reporting Arrangements

The Committee is a sub-committee of the Department of Health Board (DB). The Chair will formally report in writing to the Principal Accounting Officer to each performance meeting of the Departmental Board, on a quarterly basis.

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 Officer 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 Governance Statement. The annual report will summarise 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 quality of risk management within the Department, together with the DH high level risk register;
- b. 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;
- c. the audit strategies and audit plans of the DH's internal and external auditors;

¹ The Committee is constituted to comply fully with the requirements set out in the HM Treasury guidance "Audit and Risk Assurance Committee Handbook" (2013).

- 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 Governance Statement;
- 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 and Risk Committee's own effectiveness.

Accountability and Assurance

The Committee is required to satisfy itself, and advise the Accounting Officer 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 Governance Statement, and to inter-dependencies on assurance between subordinate bodies and matters under the direct control of the Accounting Officer.

Recommendations made by external bodies

The Committee will advise the Accounting Officer 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, Care Quality Commission).

Membership

A minimum of three non-executive members. The Chair of the Audit and Risk Committee will also be a member of the Departmental Board.

The Committee members will decide exactly who attends for which parts of the meetings but it would be usual to expect the following officials to be regularly involved in each formal meeting (whether in whole or in part):

- the Principal Accounting Officer;
- the Director General with responsibility for 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. Additional informal meetings are generally arranged in the spring and summer to consider the accounts and annual report in detail. 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

The Board Secretariat will support the Board. The Secretariat will arrange the forward agenda, with the final decision being taken by the Chair. 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.

The Secretariat will take accurate minutes that are kept for the record. 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.

Interests

Audit and Risk Committee members are required to declare any interests which may, or may be perceived to, influence their judgement upon appointment and at any time afterwards if it arises. They are expected to withdraw from discussion in which they have any interest which may, or may be perceived to, influence their judgement.

Audit and Risk Committee members' interest are published in the Committee's annual report.