

**MINUTES OF A MEETING OF THE MONITOR AUDIT AND RISK COMMITTEE HELD
ON 19 FEBRUARY 2015 AT 10.00am
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, Engagement Director
Nick Todd, Engagement Manager

Internal Auditors - (Health Group Internal Audit Service)

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

Monitor

David Bennett, Chief Executive
Derek Cox, Head of Governance and Assurance (KIM)
Jason Dorsett, Financial Reporting and Risk Director
Joan Hanham, Chairman
Philippa Harding, Board Secretary
Toby Lambert, Director of Strategy and Policy
Adrian Masters, Managing Director of Sector Development
Steven Murray, Head of Internal Finance
Richard Peden, Director – Independent Providers Finance and Reporting (until item 6)
Peter Sinden, Chief Information Officer (until item 5(ii))

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).

2. Declarations of interest

2.1 No interests were declared.

3. Minutes and matters arising from the meeting held on Monday 24 November 2014 (ARC/15/01)

3.1 The minutes were approved and the matters arising noted.

4. Internal Audit Progress Report (ARC/15/02)

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 It was noted that some audit work had been delayed in response to a need to focus on other priorities. The Committee requested a review of the scheduling and weighting of the outstanding internal audit reviews in order to determine the appropriate focus of internal audit work.

ACTION: DB

5. Internal Audit Reports

(i) Information Governance (ARC/15/03(i))

5.1 The Committee considered the report of the internal audit review of Monitor's Information Governance regime. The overall rating for the report was 'limited', with five 'medium' rated recommended actions to be followed up. Committee members were informed that the organisation was making progress with regard to the implementation and effectiveness of the framework of governance, risk management and control; however it was facing an increasing challenge in this area and more would need to be done to ensure that this challenge was met successfully.

5.2 It was noted that the Technology Assurance Committee had considered the outcome of the review and had welcomed the recommendation that Monitor appoint a Senior Information Risk Owner (SIRO). Consideration had been given to the most appropriate individual to undertake this role. The importance of seniority was emphasised and it was proposed that this should be a Board-level appointment. In light of the importance of the technical understanding required of the role holder as well as the ability to drive cultural change, it was proposed that the Chief Information Officer should undertake the role in the short term, with further consideration to be given to longer term arrangements in due course. The Committee emphasised the importance of ensuring that due access and authority were granted to the SIRO and the Information Governance Group that was to be established to provide central direction to implement organisational structures to support the consideration of information governance issues.

5.3 It was expected that the SIRO and Information Governance Group would be reporting to the Executive Committee on a quarterly basis. The Committee requested a paper on the progress of the implementation of Monitor's new information governance arrangements, for consideration at the end of 2015.

ACTION: PH

(ii) Risk Management (ARC/15/03(ii))

Das Mootanah (Risk and Performance Director) was in attendance for the consideration of this item.

5.4 Audit and Risk Committee members considered the report of the internal audit review of the current risk management arrangements in place at Monitor. The overall rating of the report was 'moderate', with three 'low' and one 'medium' rated recommended actions to be followed up.

5.5 Consideration was given to the recommendation that directorate risks should be explicitly linked to business plan objectives. It was noted that, whilst this was considered to be good practice, it was possible that adopting this as an approach could lead to a failure to identify and consider broader risks that were not linked to business plan objectives.

5.6 The Committee noted that the deadlines for implementing agreed actions identified within the report might not all be achievable. These would all be kept under review.

(iii) Finance for Distressed Cases (ARC/15/03(iii))

5.7 The Committee noted the report of the internal audit review of the processes in place relating to Monitor's provision of distressed funding, including funding applications, evidence of review, approval processes and information provided to the Department of Health and Independent Trust Finance Facility. The overall rating of the report was 'moderate', with three 'medium' rated recommended actions to be followed up.

(iv) Independent Provider Licensing (ARC/15/03(iv))

5.8 The Committee noted the report of the internal audit review of the process in place over Monitor's independent provider licensing, including licensing process, evidence of review, approval process and revocation process. The overall rating of the report was 'substantial', with one 'low' and one 'advisory' recommended actions to be followed up.

6. Internal Audit actions – progress update (ARC/15/04)

6.1 Audit and Risk Committee members considered the report which provided information about the internal audit reviews that had taken place, the actions arising from them and the progress made in completing these actions.

6.2 The progress that was being made with regard to outstanding internal audit actions was noted. All outstanding actions were at least partially implemented. The Committee requested that future reports include a rating that indicated the level of concern associated with outstanding actions, according to the length of time that it was outstanding and the importance of the action.

6.3 Committee members emphasised that management was not expected to accept all actions recommended as a result of internal audit reviews. If an action was not considered to be appropriate and sufficient justification could be provided for this, the committee would be content.

7. Q3 Risk Report (ARC/15/05)

7.1 Das Mootanah introduced the report which updated the Audit and Risk Committee on key risk movements in the third quarter of 2014/15. The report also provided an update on highlights and priorities for the next quarter.

7.2 Consideration was given to the risks associated with Monitor's handling of sensitive data relating to patients, particularly with regard to the need for this information to produce pricing that encouraged and improved integrated care and the implications should this data not be handled appropriately.

7.3 The Committee discussed the most appropriate method to ensure that it received assurance about the organisation's risk management and control processes. It was proposed that the quarterly risk reporting process should be supplemented with deeper consideration of certain high level risks facing the organisation and the actions being taken to mitigate these.

ACTION: DM

8. Enhanced auditor reporting under ISA 700 (ARC/15/06)

8.1 Nick Todd presented the report which set out the requirement for an enhanced audit certificate to be prepared by the National Audit Office for Monitor in view of its voluntary adoption of, and compliance with, the principles of the UK Corporate Governance Code which triggered an enhanced auditor's report under ISA 700.

8.2 The Committee noted the enhanced reporting requirements associated with ISA 700.

9. Annual report of the Audit and Risk Committee to the Board (ARC/15/07)

9.1 The Committee considered the report which summarised the activities that the Committee had undertaken during the year and highlighted key issues with respect to the provision of assurances to the Board.

9.2 Committee members considered it appropriate that a summarised version of the report should be included within the Annual Governance Statement. With regard to the question of whether the report should include priorities for the Audit and Risk Committee in 2015/16, the Committee considered that, as it was a review of the Committee's operation in the previous year, it was not necessary to include a statement of the Committee's priorities for the forthcoming year.

9.3 Further comments were provided with regard to the content of the report. It was suggested that it should be drafted to take on a more evaluative nature than the predominately descriptive approach that had been adopted. Further information was required with regard to the Committee's view on the significant issue that the

Committee considered in relation to the financial statements. It was also proposed that the organisation's response to risks that had materialised during 2015/15 should be addressed. Committee members requested that a further draft of the report be circulated for comments in correspondence.

ACTION: PH

10. Macpherson Review: Quality assurance of analytical models (ARC/15/08)

John Curnow (Project Director (Economics)) joined the meeting for the consideration of this item.

- 10.1 John Curnow presented the report which provided information on the Macpherson Review, its recommendations and their implications for the quality assurance of Monitor's analytical models.
- 10.2 The Committee welcomed the process that had been implemented to identify the business critical models used by Monitor. In light of the nature of the organisation it was suggested that there might be additional models that should be identified as such. It was proposed that similar organisations should be contacted to establish the nature of their business critical models and whether any such existed within Monitor.

ACTION: JC

11. Whistleblowing Review (ARC/15/09)

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

- 11.1 Philippa Harding presented the report which set out the high level findings of the review of how Monitor's whistleblowing policies were operating, together with its recommendations.
- 11.2 The Committee welcomed the establishment of the role of Head of Enquiries, Complaints and Whistleblowing to ensure that Monitor had a senior expert on the effective management of these issues. It was anticipated that this individual would be able to act to ensure the co-ordinated and consistent handling of whistleblowing concerns raised with Monitor by those who worked within, or had worked within, organisations involved in the provision or commissioning of NHS healthcare services and other organisations relevant to Monitor's role.
- 11.3 Committee members emphasised the importance of Monitor having an organisational culture that was open to the raising of concerns before they even became whistleblowing issues. A further update on the development of guidance to facilitate and open culture and to support the organisation's internal whistleblowing policy was requested by the Committee, for consideration alongside the policy when it was reviewed.

ACTION: PH

12. Code of Audit Practice – NAO Update (ARC/15/10)

Ian Ratcliffe (Head of Sector Financial Accounting) was in attendance for the consideration of this item.

- 12.1 Kate Mathers presented the report which set out the new arrangements in place following an update to the Code of Audit Practice and the resultant transfer to Comptroller and Auditor General and NAO from 1 April 2015.
- 12.2 The work that might be undertaken by the NAO with regard to value for money arrangements across NHS foundation trusts was considered.

13. Update on Consolidated NHS Foundation Trust Accounts 2014/15 (ARC/15/11)

Ian Ratcliffe (Head of Sector Financial Accounting) was in attendance for the consideration of this item.

- 13.1 Audit and Risk Committee members noted the report which provided an update on the key risks to the NHSFT consolidated accounts for 2014/15, the month 9 and year end consolidated accounts and the transfer of Audit Code to Comptroller and Auditor General and NAO from 1 April 2015.

14. Any other business

- 14.1 The Chair of the Committee offered Monitor's auditors the opportunity of a private meeting, which was declined as unnecessary.
- 14.2 Consideration was given to the performance of Monitor's internal auditors in their implementation of the internal audit plan.

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