

Implementation of Audit Recommendations – Progress Report

Strategic delivery	Setting standards <input type="checkbox"/>	Increasing and informing choice <input type="checkbox"/>	Demonstrating efficiency economy and value <input checked="" type="checkbox"/>
Meeting	Audit and Governance Committee		
Agenda item	11		
Paper number	[AGC (07/10/2015) 472 WEC]		
Meeting date	Wednesday, 7 October 2015		
Author	Wilhelmina Crown		
For information or decision?	Decision		
Recommendation	AGC is requested to review the enclosed progress updates and to comment as appropriate.		
Resource implications	As noted in the enclosed summary of outstanding audit recommendations		
Implementation	N/A		
Communication	CMG		
Organisational risk	As noted in the enclosed summary		
Annexes	Annex 1: Summary of Recommendations		

1. Report

- 1.1.** This report presents an update to the audit recommendations paper presented to this committee in June 2015.
- 1.2.** One new recommendation (from NAO) agreed by this committee at the last meeting has been added.
- 1.3.** Recent updates received from Action Managers are recorded in this document.
- 1.4.** Recommendations are classified as high (red), medium (amber) or low (green).
- 1.5.** All recommendations are noted as completed and there are no outstanding recommendations.

2. Recommendation

AGC is requested to review the enclosed summary of recommendations and updated management responses.

Annex 1: Summary of Recommendations

Recommendation Source	Status / Actions	2011/12 to 2013/14	2014/15	Total
Internal – <i>DH Internal Audit</i>	<i>Complete</i>	1	3	4
External Auditor – <i>NAO</i>	<i>Complete</i>	1	1	2
COUNT		2	4	6

FINDING/OBSERVATION	Recommendation	Agreed actions / Progress Made	Action Owner/ completion date (indicate new date as required)
2013/14 – INTERNAL AUDIT CYCLE			
1. RISK MANAGEMENT			
<p>We noted that the risks within the HLRR are summarised to a significant degree with a large number of contributory factors. For example:</p> <ul style="list-style-type: none"> The risk around decision making quality has a number of causes including decision-making apparatus, representation and appeals processes, workload pressures, governance transition programme and business/admin processes, practices and behaviours. Business/admin processes, practices and behaviours itself then refers to document management, risk and incident management, data security and finance processes. The statutory and operational systems and delivery risk relates to operational delivery and business continuity being hampered by unreliability in, or excessive demand on, key statutory and infrastructure systems. Causes are reliability of a range of IT and non-IT systems, excessive demand on various processes, data integrity, records accuracy and behaviours. Whilst we can see how the 	<p>The HLRR may not provide sufficient detail to ensure that controls to address the broad nature of identified risks are adequate and that there is sufficient assurance over the continued, satisfactory operation of those controls.</p> <p>As intended, an Assurance Framework should be developed showing the alignment of controls, mitigating</p>	<p>Accepted in part. We will need to approach this finding in a proportionate and manageable way. Our proposed actions are:</p> <p>1. To review our operational risk system to ensure it is being used fully and consistently across the organisation – the aim being to ensure operational risk is managed in a coherent and comparable way between all teams. This will help our overall risk assurance. The Head of Business Planning to start on this following Corporate Strategy work.</p> <p>January 2015 update: Following some initial discussion at the CMG Risk meeting on 19 November 2014, a further paper was considered at the next CMG Risk meeting, which took place on 5 February. This set out overall proposals for a revised operational risk approach, and, in tandem, the gradual introduction of risk assurance mapping, with an outline suggested process. The process will now be designed in more detail in line with the discussion at CMG. Although the risk assurance element will take longer to achieve, since we have very limited capacity for extra activities, and staff are unfamiliar with this sort of process, the changes to the existing operational risk system are expected to be implemented in February and March, and will focus on increasing consistency between teams. This will be done in tandem with service delivery planning for 2015/16.</p> <p>May 2015 update: At February CMG, we agreed to relaunch the operational risk log template, amended to correspond to the suggested future broad risk assurance headings of Planning, Performance and Risk Management, Quality management, Financial management, systems and controls, Information and evidence management, People management, Accountability, Oversight and scrutiny. This framework should help us to identify operational risks more comprehensively and consistently, and will also serve to familiarise Heads (in particular) with the risk assurance headings we plan to bring into use next. The new operational risk template was launched in March. CMG discussed both operational risks and RAM again at its next meeting, on 20 May. An approach was agreed, and discussions will now be commenced with DH internal audit, to integrate this work into the HFEA's internal audit programme. Since full implementation will take some time, and will be reported on to AGC regularly, it is suggested that this item is now regarded as completed, for tracking purposes, and therefore removed from this listing.</p> <p>August 2015 update: Now ongoing operational work.</p> <p>2. Revise the High Level Risk Register template to make more apparent the linkages and lines of sight between causes/sources of risks and the corresponding controls. Head of Business</p>	<p>HoBP February 2015</p> <p>End March 2015; and ongoing gradual implementation of RAM</p> <p>Operational risk template relaunch COMPLETED. Implementation of RAM will be planned next, as indicated previously.</p> <p>Complete June 2014</p>

<p>underlying factors draw together into the overall risk, at this summarised level it becomes more difficult to evidence the alignment of controls and assurances against the overall risk. Each risk has a series of controls identified, but they are not directly aligned to each underlying cause of the overall risk and if every control in the organisation relevant to possible factors impacting the risk were listed the HLRR would be unmanageable. In some organisations, many of these causes and underlying controls would appear as risks within a risk management system in their own right, and of course in HFEA a number will be within the operational risk registers. However, we believe that what this highlights is the need for development of an Assurance Framework, as management have identified, that would sit behind the risk register and provide a more detailed level of information on individual controls, risk mitigations and sources of assurance within the business.</p>	<p>actions and sources of assurance relating to the risk of breakdown in areas underlying the high level risks.</p>	<p>Planning – part of AGC paper for 06/14</p> <p>September 2014 Update: Most of this work will form part of the post-Strategy review of the whole content and lay-out of the risk register, but efforts have already been made to make the lines of sight more obvious, as indicated above.</p> <p>January 2015 update: Presented at December AGC. A CMG workshop was held in January to review all risks in detail, and we now regard this recommendation as complete. CMG will continue to review the risk register on a quarterly basis, reporting to AGC at every meeting and to the Authority when agenda space permits.</p> <p>3. Explanation of whole current risk system (all levels) to June AGC, for clarity (particularly for the newer members / attendees who will not be aware of all aspects of our risk management system). Head of Business Planning to work with CMG and members to consider this between 07/14 & 01/15</p> <p>January 2015 update: This was addressed as above in June 2014. As soon as the work on risk assurance and operational risk has been completed, the risk policy will be reviewed and updated to reflect the newly agreed approach and procedures. At the same time, SOPs will be incorporated that reflect all procedures. We will also schedule regular annual reviews to ensure the policy always remains up to date and reflects current practice.</p> <p>May 2015 update: The policy will be updated further in June, now that CMG has agreed a way forward on risk assurance. Maintenance of up to date procedures and policies will then become ongoing work.</p> <p>August 2015 update: Complete</p> <p>4. Regarding the composite nature of our strategic risks, we will consider whether to break these down into smaller components when we review the high level risk register following the setting of our new strategy. (However, for the time being we are satisfied that the composite approach is sufficient and effective at the strategic risk level.) Head of Business Planning to work with CMG to assess usefulness and possibilities of RAM, inc resource implications To agree our approach by 12/2014</p> <p>November 2014 update: A revised version of the high level risk register will be brought to the December AGC meeting for comment. This has been redesigned to take in the audit recommendations, as well as the HFEA's strategy.</p> <p>5. Risk Assurance Mapping – we will consider what other small organisations do, and review whether it would be worthwhile and feasible for the Authority to adopt a similar approach.</p>	<p>Complete</p> <p>January 2015</p> <p>June 2015</p> <p>End June 2015</p> <p>Complete</p> <p>December 2014</p> <p>Complete</p> <p>March 2015</p>
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	<p><i>Meanwhile, some of our other planned actions, listed in this report, will increase the amount of risk assurance built into our existing risk management processes.</i></p> <p><u>September 2014 Update:</u> Via a useful DH Risk Assurance Network meeting in July (the first one of an ongoing series), we have made a useful contact at the CCQ, who are also considering how to introduce risk assurance in a manageable and proportionate way. It is likely that we will be able to adopt some of their methodology, which they are kindly sharing with us as they continue to develop it. This work will be considered following the more urgent work to align all of our planning, performance measurement and risk documentation to the new strategy, and will form part of the future review of our operational risk management system (since the same managers will be central to assurance mapping).</p> <p><u>November 2014 update:</u> Risk assurance mapping will be explored alongside the redevelopment of our operational risk system. The recent development of DH's risk and assurance network has already proved useful in this regard and the CQC (also new to risk assurance as an activity) have kindly shared their process with us. It is likely that we will be able to adopt a very similar approach. Resource implications will remain an important factor in agreeing the detail of this, and this will be discussed in more detail at CMG (most likely in the new year).</p> <p><u>January 2015 update:</u> As indicated above, Risk CMG considered a paper and recommendations about operational risk and risk assurance mapping on 5 Feb. Further work will follow. We expect full implementation to be gradual over several years. Development of this activity will require some coaching, training and various group meetings, since we are new to this as a concept and as an activity. We also need to consider team resources, which are already at full stretch. We will ensure managers understand the difference between operational risk identification/management, and risk assurance. To some extent we can learn useful lessons and borrow processes from the recent introduction of RAM into the HTA, and the CQC, both of whom are in the same position of trying to accommodate this additional new activity in a proportionate and manageable way, such that the process yields useful assurance and is understood by those using it, but does not cause more risk than it manages.</p> <p><u>May 2015 update:</u> A paper was considered by CMG at its risk meeting on 20 May. The approach described above was agreed and is now being implemented.</p> <p><u>August 2015 update:</u> Complete</p> <p><u>Recommendation Complete</u></p>	<p>May 2015 for an approach and draft implementation plan over several years</p> <p>As above.</p> <p>Complete</p> <p>COMPLETE</p>
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FINDING/OBSERVATION		Recommendation	Agreed actions / Progress Made	Action Owner/ completion date (indicate new date as required)
2013/14 – EXTERNAL AUDIT CYCLE				
1.	ANNUAL REPORT & ACCOUNTS	1) Intra-Government balances		
Significant discrepancies were identified in the categorisation of intra-government balances. The disclosures in the latest draft Accounts have now been corrected	Finance should review categorisation of suppliers and customers to ensure that this corresponds with the information reported in the DH Consolidation return	<p>September 2014 update: Comparison will take place when DH request future consolidations</p> <p>November 2014 updated: This will take effect when Decembers' hard close commences in Jan-15</p> <p>January 2015 Update: As above, however it is at year end that this important point will be embedded. Note will be taken of progress from M9 audit, which will be completed by 20/03/15.</p> <p>May 2015 update: Work completed. To be agreed in the annual audit, by end June 2015</p> <p>August 2015 update: Complete</p> <p>Recommendation Complete</p>	<p>Head of Finance – Mar 15</p> <p>April 2015</p> <p>End June 2015</p> <p>COMPLETE</p>	

FINDING/OBSERVATION		Recommendation	Agreed actions / Progress Made	Action Owner/ completion date (indicate new date as required)
2014/15 – INTERNAL AUDIT CYCLE				
1.	INFORMATION FOR QUALITY	2) Delays in progress against original plan		
Under the original plan, a proof of concept (POC) was expected to be delivered at this time. However initial requirements gathered were not detailed sufficiently to progress with the POC to a level that could provide sufficient assurance to the programme board. Subsequently the programme approach, scope and timelines have since been revised to allow further work to be performed to capture detailed requirements. It is unclear at this stage whether a standalone POC will still take place or built into the implementation phase and whether the anticipated programme duration of up to 24 months for 2015 completion is still possible	Develop detailed plans in conjunction with the key stakeholders for each phase of the programme, so that keys steps, dependencies and durations are captured earlier on and reduce the risk of scope creep and/or significant extension to timelines.	<p>Yes, this will be defined in the programme definition.</p> <p>May 2015 update: Plans for the website project have been produced and remaining plans will be finalised once the current tender process is completed and the exact scope of the programme is defined.</p> <p>August 2015 update: The tender process has completed and Sprint Zero was completed on 28th July 2015. Sprint Zero included the production of a plan based on internal resources and a plan based on assistance from 3rd parties. The plan is being reworked to identify an affordable resourced plan to satisfy this recommendation</p> <p>September 2015 update The reworked plan is now complete and the programme has now been delivered within 'agile' principles, a move away from the traditional 'waterfall' methodology. As a result of the work we had undertaken at PoC stage and in establishing detailed requirements, we were able to provide suppliers with a well-articulated set of expectations. The Crown Commercial Service commended the quality of the tender pack. Due to delays in obtaining necessary approvals for tendering, the Programme is now expected to be substantially completed this financial year – albeit with a 6-month tail for some aspects.</p> <p>Recommendation Complete</p>	<p>IFQ Programme Manager - April 2015</p> <p>No – End June 2015</p> <p>Aug-2015</p> <p>COMPLETE</p>	

FINDING/OBSERVATION	Recommendation	Agreed actions / Progress Made	Action Owner/ completion date (indicate new date as required)
<p>2. INTERNAL POLICIES</p> <p>The Register currently contains a mixture of 47 strategies, policies and procedures. These are split across various operational areas, including Human Resources, Health and Safety, Compliance, Information Management, and Communication and Finance.</p> <p>From our review of the register we have made the following observations:</p> <ul style="list-style-type: none"> • There are multiple documents that have not been included within the register such as the HFEA's Standing Financial Instructions and documents found within the Authority Standing Orders (for example, Guidance for Authority and Committee members on Handling Conflicts of Interest); • There is a lack of consolidation across HR policies, with 24 of the total 46 documents on the Register relating to this area alone. As an example we have noted that there exists a Working from Home document, Homeworking policy and an Occasional Homeworking Policy; • One policy ('Health and Safety in the Service') relates to another Government department (the Insolvency Service). • We also note that there are no controls in place to action upcoming expiry dates for documents listed on the register. We have been informed that a single co-ordinator for the Register has been assigned from January 2015, who will inform individual document owners of expiry dates of documents and who will also ensure that the register is complete. 	<p>1) Key Policies: The Register of Policies is not complete</p> <p>A complete list should be made of all strategies, policies and procedures currently in existence across the HFEA. This would be facilitated through searching the organisation's document management system (TRIM) and liaison with individual department heads.</p> <p>All documents in the Register should clearly state, as a minimum, the following information to facilitate monitoring:</p> <ul style="list-style-type: none"> • Relevant department, document owner, and TRIM reference; • Approval details, including date and details of approver; and • Future dates of review. <p>A set process should be introduced to ensure that document owners are contacted with sufficient time prior to expiry of the document for them to coordinate review prior to approval. Once a complete list of policies has been compiled, consideration should be made for the streamlining of policies (including consolidating a number into one policy or removal from the Register). Once a complete list of policies has been compiled, consideration should be made for the streamlining of policies (including consolidating a number into one policy or removal from the Register).</p> <p>Please see Appendix A for good practice guidance that can be used to inform the HFEA's response to this finding.</p>	<p>Complete list to be compiled, to specification outlined in recommendation.</p> <p>Complete list to be in place by end April 2015</p> <p><u>May 2015 update:</u> List created - proposals on track for August 2015.</p> <p><u>August 2015 update:</u> List is complete and proposals for streamlining of policies and process for introduction/revision/monitoring of policies to be agreed by SMT by end August 2015.</p> <p><u>Sept 2015 update:</u> Proposals for policy revision and accompanying list and timescales agreed by SMT on 29 Sept 2015.</p> <p><u>Recommendation Complete</u></p>	<p>Head of Governance and Licensing - April 2015</p> <p>August 2015</p> <p>COMPLETE</p>

FINDING/OBSERVATION		Recommendation	Agreed actions / Progress Made	Action Owner/ completion date
3. INTERNAL POLICIES		2) Review and Approval: The majority of strategies, policies and procedures on the register evidenced are past their review date and are not subject to version control.		
<p>We reviewed the 47 documents on the Register and found that only two were currently up to date - i.e. had been reviewed and appropriately approved with an expiry date past the date of fieldwork for this review (January 2015).</p> <p>Of the remaining 44 documents owned by HFEA (i.e. discounting the policy from the Insolvency Service identified in Finding 1 above) we noted that:</p> <ul style="list-style-type: none"> • 25 of these had projected dates for review to be performed prior to January 2015, of which: <ul style="list-style-type: none"> - One was due for review in 2010 - Nine were due for review in 2011; - 14 were due for review in 2012; - One was due for review in 2013. • 19 documents did not specify a projected date for review. <p>We also note in this context that there is no set guidance which specifies that version control should be applied to all HFEA strategies, policies and procedures.</p>		<p>The HFEA should develop a set process for the production, approval and version control of its policies which ensures consistency across operational areas in the HFEA. This process should include the requirement that documents are assessed for their alignment to the HFEA's three strategic objectives and how they align with other policies. We have shared examples of best practice for this process with the Head of Governance and Licensing and this is also included within the Appendix of this report.</p> <p>Please see Appendix A for good practice guidance that can be used to inform the HFEA's response to this finding.</p>	<p>SMT to give consideration to process to be used to introduce/ revise/monitor policies, proportionate to size of HFEA and number of functions.</p> <p>Set process for introduction/revision/monitoring of policies to be in place by end June 2015</p> <p><u>August 2015 update:</u> Proposals for introduction/revision/ monitoring of policies to be agreed by SMT by end August.</p> <p><u>Sept. 2015 update:</u> Proposals for policy revision and accompanying list and timescales agreed by SMT on 29 Sept 2015.</p> <p><u>Recommendation Complete</u></p>	<p>Head of Governance and Licensing – August 2015</p> <p>August 2015</p> <p>COMPLETE</p>
2014/15 – EXTERNAL AUDIT CYCLE				
1	ANNUAL REPORT & ACCOUNTS	1) Non-current Assets Review of the expected useful lives of assets		
<p>Review of HFEA's Fixed Asset Register demonstrates that assets are often in use for longer than their estimated useful lives. This suggests lack of an appropriate assets replacement policy. In addition assets held beyond their useful lives may not be fit for purpose or may be costly to maintain.</p> <p>In addition there is a risk that asset valuation in the accounts could be misstated if the volume of nil net book value assets is high. Many of the assets on the Fixed Asset Register have been in use for twice as long as their useful lives. Depreciating these assets over a longer period would have a significant impact on the net book value of the non-current assets and the depreciation charge in year.</p> <p>We are satisfied that at 31 March 2015 the impact of the nil net book value assets is not material to the accounts. There are however a significant number of assets that are likely to be used beyond this date which suggests the estimated useful lives currently used may not reflect the actual asset management policy and need revising.</p>		<p>We recommend that HFEA Finance performs ongoing review of the estimate of useful lives applied to assets to ensure they are an accurate reflection of their likely use. This will provide management with clear visibility of when assets need to be replaced and allow them to budget for it accordingly.</p> <p>We recommend that at the end of each financial year HFEA Finance assess the impact of the fully depreciated assets on the net book value of the non-current assets and the depreciation charge in year to ensure that balances disclosed are free from material misstatement.</p>	<p>Agreed. We are to conduct a detailed review of Useful Economic Lives (UEL) of all our fixed assets in conjunction with our IT team. This will commence in Q2 of 2015-16 business year.</p> <p><u>August 2015 update:</u> A review of the fixed assets register has begun, including all fully depreciated items. This work is currently on track to be completed by the end of September 2015.</p> <p><u>September 2015 update:</u> The review is now complete and where appropriate items disposed of.</p> <p><u>Recommendation Complete</u></p>	<p>Head of Finance -September 2015</p> <p>September 2015</p> <p>COMPLETE</p>