

## Audit and Governance Committee Paper

<b>Paper Title</b>	<b>DRAFT Minutes of the meeting 18 March 2015</b>
<b>Agenda Item</b>	<b>2</b>
<b>Paper Number</b>	[AGC (10/06/2015) 453]
<b>Meeting Date</b>	Wednesday, 10 June 2015
<b>Author</b>	Dee Knogle
<b>For information or decision?</b>	Decision
<b>Recommendation</b>	Members are asked to confirm the minutes as a true and accurate record of the meeting.

### Members present

Rebekah Dundas (Chair)  
Jane Dibblin  
Gill Laver

### External attendees

Catherine Hepburn – NAO  
Sarah Edwards - NAO  
Kim Hayes – DH  
James Hennessey – PWC - DHIA

### Staff in attendance

Peter Thompson – Chief Executive  
Sue Gallone – Director of Finance and Resources  
Morounke Akingbola – Head of Finance  
Sam Hartley – Head of Governance and Licensing  
Dee Knogle – Committee Secretary

### Apologies

Jerry Page

### Attendance for specific items:

Nick Jones – Director of Compliance and Information  
Paula Robinson – Head of Business Planning

## **1. Welcome, Apologies and Declarations of Interests**

- 1.1 The Chair welcomed all attendees to the meeting.
- 1.2 Jerry Page had sent his apologies for the meeting due to ill health.
- 1.3 Jane Dibblin, Authority Member has reached the end of her term as a member of the Authority and that this would be her last Audit and Governance Committee (AGC) meeting. The Chair thanked Jane for her contributions.
- 1.4 A new AGC member will be confirmed for the June 2015 meeting.

## **2. Minutes of the Meeting held on 10 December 2014**

- 2.1 The Minutes of the meeting held on 10 December 2014 were agreed as a true record of the meeting and approved for signature by the Chair.

## **3. Matters Arising**

- 3.1 The Committee noted the matters arising in progress, in particular:
- 3.2 There are only five items outstanding: three are underway and two are planned for later dates.
- 3.3 Risk of sabotage of IT systems - policies are in place, changes are logged and back-ups are kept securely should the system need to be restored.
- 3.4 Online governance training - Existing Authority members had completed the training and the new members are due to complete it by June 2015.
- 3.5 Appraisals for external members – Gillian Laver will have her appraisal after this meeting and another will be planned for Jerry Page at a later date.
- 3.6 The Committee noted that the number of meetings to be held each year will be reviewed in June 2015.

## **4. Finance & Resources – Risks and Shared Finance Resources**

- 4.1 The Director of Finance & Resources made a presentation to the Committee.  
**Finance risks**
- 4.2 The organisation relies heavily on income from treatment fees. There has been a reduction in income from treatments due to the discount applied for elective single embryo transfer and this was expected. It can be difficult to forecast treatment fee income as it is demand led. The NHS provides around 40% of HFEA income and the other 60% comes from clinics that provide private treatment. Next year's forecast for treatment fee income is expected to be similar.
- 4.3 The Fees Group will meet again in April 2015. The group will review HFEA income and spend in 2014/15 and explore forecasting treatment fees.
- 4.4 The HFEA has exceeded its budget for legal expenses. It can be difficult to forecast this type of expenditure it is reactive, although the latest expectations are factored in.
- 4.5 The HFEA will have a deficit for 2014-15 and is using reserves to meet the shortfall. The balance of available reserves is earmarked for the Information for Quality (IfQ) programme.
- 4.6 There is a risk that financial information is not up to date due to staff outside of the finance department not prioritising actions to input and approve financial transactions. This can also affect prompt payments. The finance team have taken steps to make improvements through training and reminders.

- 4.7 The finance team was restructured in 2013 and this resulted in a reduction in staff. Steps have been taken to capture knowledge and produce standard operating procedures. Lack of resource is a current risk.

#### Shared resources

- 4.8 The Committee were informed that there were benefits to sharing Director and Head resource with the Human Tissue Authority such as spreading good practice and knowledge and attending meetings on behalf of both organisations. Also, having the same auditors for the two organisations had helped. There were also personal benefits for the staff involved, including the expansion of knowledge and learning.
- 4.9 The challenges were outlined, such as the time required to attend corporate meetings for two organisations, the volume of work to deal with, managing two separate teams and peaks in workload happening at the same times in both organisations. There is also potential for confusion when dealing with two separate organisations.
- 4.10 Overall, there has been good feedback on the shared arrangement which is working thanks to the determination of the staff involved. Both organisations and individuals within the finance teams have felt well supported. However, there have been constraints on discretionary work and areas for development.
- 4.11 To achieve all of the benefits envisaged it would be necessary to create one finance team and merge functions more widely. This has not been possible due to the different organisational needs and each organisation having different financial systems. However this may be considered in the future, possibly after the planned office move in 2016 when HFEA & HTA staff should be working in the same building. In the meantime, the financial savings have been small and there has been pressure on the shared staff. The situation will be reviewed again after year-end.

#### Other Resources risks

- 4.12 The organisation is preparing for an office move and there is no longer a dedicated facilities team. The HFEA is currently located at Finsbury Tower as a sub-tenant of the Care Quality Commission (CQC). Part of CQC will move out soon and the building will undergo a refurbishment which may cause some disruption to working arrangements for HFEA. The CQC are working closely with the landlord at Finsbury Tower to ease any inconvenience the refurbishment programme may cause.
- 4.13 Business continuity can be a risk but plans are in place.
- 4.14 The organisation has a good information governance culture, however policies need to be updated.
- 4.15 The Committee noted the risks associated with reduced staffing. The Chair thanked the finance team for managing their business well and making things work during challenging times.

#### ACTION:

- 4.16 Head of Business Planning to reflect the risk of working with a reduced workforce in the Strategic Risk Register.

### 5. Finance Policies (including Counter-fraud policy)

- 5.1 The Director of Finance & Resources provided the Committee with a paper and made a presentation.

#### Standing Financial Instructions

- 5.2 The Standing Financial Instructions (SFIs) comprise the Standing Orders, Department of Health (DH) Framework Agreement, Delegations from DH, Accounting

Policies and Finance policies. They are supported by financial procedures and WAP guidance. The policies have been updated, following a helpful internal audit.

5.3 The finance team plan to provide AGC with an annual update on their policies review and bring the following updated policies to AGC for approval:

- October – Reserves
- December - Whistleblowing
- March - Counter-fraud and Anti-theft

5.4 The Committee discussed the involvement of the Authority in the Reserves policy and noted that reserves are reported to the Authority as a key performance indicator.

5.5 The Committee agreed the format of the SFIs and the approach to updating policies.

#### Counter-fraud and Anti-theft policy

5.6 Minor changes had been made to update the policy.

5.7 The Committee approved the updated Counter-fraud and Anti-theft policy.

## 6. Information for Quality (IfQ) Programme – Managing Risks

6.1 The Director of Compliance and Information presented his paper.

6.2 The Committee were reminded that the HFEA submitted a business case for IfQ to DH in December 2014. There has been a delay in receiving a response from DH and HFEA are still awaiting government digital approval. The delay has led to increased programme costs of approximately £40k. The HFEA has spoken to senior officials at DH and had a positive response. This means that we can now move ahead and tender for the work to be done.

6.3 The Committee noted that the Authority have agreed a revised IfQ budget of a total of £1.85m. Precise spend will be better determined when the tenders are returned.

6.4 The Authority also approved the following at its meeting in January 2015:

- The HFEA Register – a data dictionary and standing group to maintain the integrity of the data the HFEA collects and holds
- Data submission – including a new portal for centres to submit data to the HFEA
- Website - designed to be more user friendly
- Choose a Fertility Clinic (CaFC) - simplifying data presentation and including more patient feedback about clinics

6.5 Data migration is anticipated to start in the 2015-16 business year. A healthcare data specialist has been commissioned to support the development of the migration strategy. Key risks to the proposed approach have been identified and will be reviewed by the IfQ Programme Board in March 2015.

6.6 A member of the internal audit team will observe the next meeting of the IfQ Programme Board on 16 March 2015 to help provide assurance over data migration and programme governance. The Committee welcomed clear advice from internal audit.

6.7 A Government Gateway Review has been commissioned and will take place between 25 – 27 March 2015. The Committee questioned whether the delay in tendering would affect the value of the Gateway review and were assured that the review would be helpful in establishing what the HFEA could do better in the programme as a whole.

- 6.8 The Committee noted that one contract has been awarded since the last meeting, to Avoca Systems Ltd for the development of a data migration strategy.
- 6.9 The Committee noted that pre-market engagement had taken place with potential suppliers and that this should alert the HFEA to any potential issues.
- 6.10 The external auditors advised the Committee that they had not yet reviewed IfQ spend and approvals and would be doing so during the interim audit.

## 7. Strategic Risks

### Strategic Risk Register

- 7.1 The Head of Business Planning presented the paper to the Committee.
- 7.2 HFEA Corporate Management Team (CMG) reviewed the new Strategic Risk Register on 5 February 2015. There were 12 risks identified, five were above tolerance and these were discussed along with control measures.
- 7.3 The Committee were informed that CMG would like to re-define inherent risks in order to make it more meaningful to 'the exposure arising from a specific risk before any additional action has been taken to manage it, over and above pre-existing ongoing organisational systems and processes. Inherent risks are usually defined as 'the exposure arising from a specific risk before any action has been taken to manage it'.
- 7.4 Internal audit commented that this would be in line with the COSO approach. External audit advised that it is important to have a clear baseline and considering risk before any action can be clearer. Whatever the approach it is important to record the factors considered in reaching the opinion.
- 7.5 The Committee agreed that the Executive should ensure that systems are suitable for the people using them and noted the possibility of down-grading risks that are inherently high and the potential introduction of subjectivity. The executive will reflect on this advice before making a decision.
- 7.6 The Committee noted the developments to the strategic risk register and that this is a live document. In particular the following were noted:

#### **Legal Challenges to Decision Making**

- Legal challenges are unpredictable and when they happen resources are diverted. There is good communication with legal advisers throughout the process. Standard Operating Procedures and decision trees are in place.

#### **Capability**

- There has been a high turnover of staff recently and a good calibre of new staff recruited. Induction and training is planned for new staff, however during this process staff capability is low even though we have capacity. Tolerance levels are to be discussed at the next AGC meeting in June 2015.
- 7.7 The Committee agreed that the timing of the publication of the Strategic Risk Register should be in line with other AGC meeting papers (with any necessary redactions) and no longer held back for a period of 12 months.

#### **ACTION:**

- 7.8 Head of Business Planning to update AGC on capability tolerance levels at the next AGC meeting in June 2015.

### Operational Risks

The Committee noted the risks to resources and that the IfQ programme needs focus at this point in time. They questioned whether we might work differently to reduce

pressure and whether all risks are identified. The work of the Executive on Service Delivery Plans helps.

### Risk Assurance Mapping

The approach suggested builds on the operational risk structure and uses the CQC model.

- 7.9 The Committee welcomes the developments and that the Executive is learning incrementally from others. It was agreed that assurance mapping should be kept proportionate.

## 8. Internal Audit

DH Internal Audit presented their reports:

### 8a Progress Reports & Internal Audit Plan

- 8.1 The Committee noted the details in the progress report.
- 8.2 The Committee advised that the 12 pillar approach should be considered in a proportionate way when reviewing project management for IfQ.
- 8.3 The Committee agreed the audit plan for 2015/16. They would find it helpful to see a three year rolling plan.

### ACTION:

Internal audit and executive to present a plan of audits carried out and planned over a three year period to June AGC meeting.

### 8b (i) Standing Financial Instructions

- 8.4 The Committee noted this advisory audit that the executive had acted on. External audit commented that the Standing Financial Instructions need to be proportionate and work for the HFEA. Documenting policies and procedures is helpful and more so at times of change. NAO may refer to the policies and procedures as context for their audit.

### 8b (ii) Internal Policies Review

- 8.5 It was agreed that this audit may have been more useful as an advisory audit. It is important to clarify expectations at terms of reference stage to ensure the audit adds value.
- 8.6 The Committee noted the opinion and response to the recommendations.
- 8.7 The Committee received a report of a separate issue identified during this audit when the internal auditor had been able to access other documents. The matter had been rectified straight away by the Executive.
- 8.8 It was agreed that this was a systems issue and there had not been a breach of the Human Fertilisation and Embryology Act or the Data Protection Act, so no further action was necessary.

## 9. External Audit – Interim Feedback

- 9.1 The NAO provided the Committee with an update on the work completed in February 2015 and future plans.
- 9.2 For the 9 months from April 2014 to December 2014 the NAO carried out payroll and income testing, a review of provisions and contingent liabilities and a review of the interim draft financial statements.

- 9.3 In March 2015 the NAO plan to carry out testing on other expenditure, journals, and a review of the status of the IfQ capital expenditure programme to date. The audit will be completed in May 2015.
- 9.4 The NAO have shared with the HFEA the EPN412, issued by the Cabinet Office, which provides enhanced guidance for receiving timely information necessary for the pension disclosures in the remuneration report. The Head of Finance is currently awaiting a response from officials. The NAO offered their assistance if that is not forthcoming as they have various avenues of communication.

## **10. Implementation of Recommendations – Progress Report**

- 10.1 The Head of Finance provided a paper to update the Committee.
- 10.2 The Committee noted that there had been good progress and there were good explanations of slippage in completing some outstanding recommendations. The delays were mostly due to staff workload and changing priorities.
- 10.3 Recommendations from the Internal Policies review will be included next time.

## **11. Annual Report & Accounts (including Annual Governance Statement)**

- 11.1 The Head of Finance provided the Committee with an oral briefing.
- 11.2 The Head of Finance has taken responsibility for the Annual Report and Accounts as a whole and is working towards an absolute deadline of 5 May 2015 for submission to NAO. Contributions have been requested from staff with deadlines for submission. The organisation has learned from last year's production of the Annual Report and Accounts and made changes to the process. Version control is under strict management and the NAO will lay the report this year which is very helpful.
- 11.3 The Head of Governance & Licensing is responsible for the Annual Governance Statement and has started work in this area.
- 11.4 The Annual Report & Accounts (including Annual Governance Statement) will be reviewed at the next AGC meeting in June 2015.

## **12. AGC Forward Plan**

- 12.1 The Director of Finance and Resources provided the Committee with a paper.
- 12.2 The Committee noted the forward plan and the Chair reminded members that the number of meetings to be held each year will be reviewed in June 2015.

### **ACTION:**

- 12.3 AGC members to review number of AGC meetings to be held each year at AGC meeting in June 2015.

## **13. Any Other Business**

- 13.1 The Director of Finance & Resources confirmed that there were no incidents of suspected or actual fraud. The Committee had already noted the contract awarded.
- 13.2 Members and auditors retired for their confidential session.
- 13.3 The next meeting is on Wednesday 10 June at 10am.

I confirm this to be a true and accurate record of the meeting.

Chair

Date