

Audit and Governance Committee Agenda

Wednesday, 1 October 2014
The Royal Statistical Society, 12 Errol Street, London EC1Y 8LX

Meeting starts: 10:00 am

1. Welcome, Apologies and Declarations of Interest
2. Minutes of 11 June 2014
[AGC (01/10/14) 420]
3. Matters Arising
[AGC (01/10/14) 421]
4. Annual Report – Lessons Learned
[AGC (01/10/14) 422 SK]
5. Strategy & Corporate Affairs – Update & Risks
[AGC (01/10/14) Presentation JT]
6. Compliance & Information – Information for Quality (IfQ) Programme – Governance & Risks
[AGC (01/10/14) 423 NJ]
7. Information Assurance & Security
[AGC (01/10/14) 424 DM]
8. McCracken Update
[AGC (01/10/14) 425 SG]
9. Risk
 - a. High Level Risk Register
[AGC (01/10/14) 426 JT]
10. Internal Audit
 - a. Draft Plan – Internal Audit 2014/15 – Progress Report
[AGC (01/10/14) Presentation DH Internal Audit]
 - b. Implementation of Recommendations – Progress Report
[AGC (01/10/14) 427 SG]
11. External Audit
 - a. Audit Planning Report
[AGC (01/10/14) 428 NAO]
12. Reserves Policy
[AGC (01/10/14) 429 SG]

13. Review of AGC activities & effectiveness

[AGC (01/10/14) 430 SH]

14. Forward Plan

[AGC (01/10/14) 431 SG]

15. Any Other Business

Close: 1:00 pm (Refreshments & Lunch Provided)

Next meeting: 10:00 am Wednesday, 10 December 2014 London

Audit and Governance Committee Paper

Paper Title	DRAFT Minutes of the meeting 11 June 2014
Agenda Item	2
Paper Number	[AGC (01/10/2014) 420]
Meeting Date	Wednesday, 1 October 2014
Author	Dee Knoyle
For information or decision?	Decision
Recommendation	Members are asked to confirm the minutes as a true and accurate record of the meeting.

Members present

Rebekah Dundas (Chair)
Gill Laver
Jerry Page

External attendees

Catherine Hepburn – NAO
Aftab Ayoob – NAO
Kim Hayes – DH
Bronwyn Baker – DHIA
David Wood – PWC

Staff in attendance

Sue Gallone – Director of Finance and Resources
Morounke Akingbola – Head of Finance
Sam Hartley – Head of Governance and Licensing
Dee Knoyle – Committee Secretary

Apologies

Dr Alan Thornhill

Attendance for specific items:

Paula Robinson – Head of Business Planning
Rachel Hopkins – Head of Human Resources
Nick Jones – Director of Compliance and Information
Stacey Kennedy – Programme Support Officer

1. Welcome, Apologies and Declarations of Interests

- 1.1 The Chair welcomed all attendees and introduced Bronwyn Baker, DHIA and David Wood, PWC.
- 1.2 There were apologies from Dr Alan Thornhill.
- 1.3 Members declared that they had no conflicts of interest in relation to items on the Agenda.
- 1.4 The Chair confirmed that since the last AGC meeting Sally Cheshire had been appointed Chair of the HFEA. The Chair of AGC also confirmed that her position as temporary Chair of the Committee had now therefore been made permanent. Recruitment for two new Authority members has been approved and it is hoped they will be in post in Autumn 2014, bringing the number of Authority members back up to 12.

2. Minutes of the Meeting held on 19 March 2014

- 2.1 The minutes of the meeting held on 19 March 2014 were agreed as a true record and approved for signature by the Chair.

3. Matters Arising

- 3.1 The Committee noted the status of the various matters arising. There are currently 3 outstanding items remaining, two of which will be closed by July 2014. The action relating to Information and Security/Asset ownership training for Authority Members has been completed in that access to training has been provided. It was requested that completion of training is monitored.

ACTION:

- 3.2 HFEA to monitor Authority Members' completion of online information governance training.

4. People Strategy and HR Risks

- 4.1 The Head of Human Resources provided the Committee with a presentation and briefing.
- 4.2 The Committee noted that the People Strategy will set out a clear vision on how the HFEA will achieve high performance from staff which is more closely aligned to the new HFEA Strategy for 2014-2017 (to be finalised in July). The Committee noted that staff are already achieving good performance during very challenging times, working with a reduced workforce within financial constraints. Staff at all levels across the organisation helped to shape the strategy by giving their views as to what 'good people to work with' are like and what makes somewhere 'a great place to work'. Staff identified many positive aspects at the HFEA as well as identifying areas for development.
- 4.3 The Committee noted that the new People Strategy will seek to further align the HFEA with the wider Civil Service competency framework and that diversity and inclusion runs throughout.
- 4.4 The Committee noted that the aim is to launch the People Strategy at an All Staff Conference in early Autumn 2014. The Committee noted that reward and recognition is challenging in an era of austerity, and suggested that all possible ideas are explored.

- 4.5 The Committee noted that the key HR risks relate to capacity, the negative impact on teams of uncertainty and also some existing policies and processes not being consistently applied by managers or needing an update.
- 4.6 The Committee noted that the organisation regularly carries out capacity reviews and workforce planning to ensure they have the necessary staff needed to deliver the work planned, and will continue to do so.
- 4.7 The Committee noted that the organisation has contributed to securing efficiencies by reducing office space and costs, as a consequence of moving offices to Finsbury Tower in 2011. To support this office move the organisation updated its home-working policy, introducing more informal home working, in addition to identified roles being home-based permanently, while still ensuring that business needs are met.
- 4.8 The Committee noted that another office move is planned in 2015 due to the impending expiry of the lease on Finsbury Tower. As a consequence, home working may increasingly be encouraged in order to allow a further reduction in office space in line with Government expectations. The Committee noted that whilst working from home has many positive benefits, it is important to manage working relationships and communicate. The Committee noted that staff working from home are well equipped and supported to work securely and effectively.

5. Shared Business Services and McCracken Update

- 5.1 The Director of Finance and Resources provided the Committee with an update.
- 5.2 The Committee noted that ALBs are no longer required to participate in the Independent Shared Services Centre 1 (ISSC1) following an analysis of savings and costs. ALBs are required to continue to seek efficiencies.
- 5.3 The Director of Finance and Resources clarified that the HFEA not joining ISSC1 did not leave any gaps in the provision of services to the HFEA.
- 5.4 The Committee noted that a paper is presented regularly to the Authority on progress on the McCracken recommendations and requested that a summary of the paper and any shared service developments are reported to members.

ACTION:

- 5.5 Director of Finance and Resources to include summary of Authority paper on implementation of McCracken recommendations and any shared service developments in agenda for future meetings.

6. Information for Quality (IfQ) Programme

- 6.1 The Director of Compliance and Information provided the Committee with an update.
- 6.2 The Committee noted that the IfQ Programme will address the recommendations made in the McCracken report to review the information requirements and reduce unnecessary regulatory burden.
- 6.3 The Committee noted that Dr Alan Thornhill, Authority and AGC Member, is also Chair of the IfQ Advisory Board of which each member is a Chair of an Expert Group.
- 6.4 The Committee were reminded of the five projects in the IfQ Programme relating to data processing and the information published:

1. Data Dictionary
 2. Data Submission
 3. Data Transaction processing
 4. Data Warehouse and Reporting
 5. Web and Publishing
- 6.5 The Committee noted that the main expense relating to the programme will be associated with providing a more efficient electronic system to collate, store and analyse information from centres and provide a more efficient HFEA Register.
- 6.6 The Committee noted the expected benefits of a new system for clinics, the HFEA and patients. The Committee agreed that making it easier for clinics to submit data would free up time for services provided to patients.
- 6.7 The Committee noted the level of reliance on the HFEA to provide clinics with hardware/software and to support the systems they are currently working with to submit information to the HFEA. The risks raised by this would be addressed via the IfQ programme. The Committee agreed that the Director of Compliance and Information and NAO would discuss handling risks associated with data security and report back to the Committee.
- 6.8 The Committee noted the next steps will be a 'Proof of Concept' exercise to ensure the expected outcomes will work.
- 6.9 The Committee noted that most of the budget for the programme is forecast to be used in this financial year and that the Director of Finance and Resources and Director of Compliance and Information will review spend and ongoing needs in October 2014.
- 6.10 The Committee noted the risks involved in delivering a project of this size and complexity and protecting the data at the same time. The Committee noted that any IT systems purchased will come with assurances and any systems developed internally will be assured by a third party before implementation.
- 6.11 The Committee agreed that the Director of Compliance and Information would capture all the above points in the next report to the Committee, in October 2014.

ACTION:

- 6.12 The Director of Compliance and Information to provide a full report on the IfQ programme and its progress, including the assurance mechanisms in place for development, new software and data and discussions with the NAO about data security, for the next meeting in October 2014.

7. Risk

a) High Level Risk Register (and publication of January 2013 HLRR)

- 7.1 The Head of Business Planning provided the Committee with the High Level Risk Register and an update.
- 7.2 The Committee noted that the High Level Risk Register was last reviewed by the Authority in February 2014.
- 7.3 The five key risks and mitigating actions were reviewed. The current risks are:
- Decision-making quality
 - Statutory and operational systems and delivery

- Up-to-date communications capability
 - Register data and intelligence capability
 - Achieving organisational change alongside effective resource management.
- 7.4 The Committee noted the recent changes affecting the risk scores, e.g. further progress with the planning stage of the Information for Quality (IfQ) programme, and the appointment of the new Chair, alongside other organisational changes.
- 7.5 The Committee noted that the organisation is coming to the end of a restructure, which will be fully in place from the end of June, when an appointment is expected to the Director of Strategy and Corporate Affairs post.
- 7.6 The Committee also noted the HFEA's top three 'worst case scenario' risks listed below and commented that the third risk should perhaps be explicitly referenced in the five composite strategic risks in the high level risk register, in addition to the Compliance and Enforcement Policy and Compliance team Standard Operating Procedures:
- 1) Breach of patient confidentiality
 - 2) Wrong information given regarding a donor conceived child
 - 3) A Major Grade A Incident at a licenced clinic affecting a patient or a child.
- 7.7 The Committee noted that the High Level Risk Register for January 2013 will be published shortly, in line with the Authority's publication policy.

ACTION:

- 7.8 Head of Business Planning to incorporate 'Major Grade A Incidents' into the five key risks on the High Level Risk Register, during the next review. The Committee noted that this may form part of a full review in light of the new HFEA strategy, which will be finalised in July.

b) Risk Policy

- 7.9 The Head of Business Planning provided the Committee with a covering paper and a draft Risk Policy.
- 7.10 The Committee noted that one of the key recommendations from the recent internal audit review was that it would be good practice to have a Risk Policy to formalise the HFEA's risk management strategy, policy and procedures. This was articulated in the Annual Governance Statement, and this did not include operational details.
- 7.11 The Committee noted that the Risk Policy is still a work in progress and covers risk and capability; risk management structure in the HFEA; risk management methodology, procedures and roles, high level and operational risks, programme and project risks, internal incidents and assessing and estimating risks. The Committee noted that HM Treasury's 'Orange Book'¹ guide to risk management has informed the HFEA's approach to risk for some years, and remains relevant.
- 7.12 The Committee agreed to forward any known examples of light touch risk assurance models that requires minimal resourcing for the Head of Business Planning to consider, in addition to that provided by the Department of Health. Although risk assurance mapping had been on the HFEA's radar for some time

¹ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/220647/orange_book.pdf

now, a low impact method would need to be found, that would be possible to implement without any additional resources.

- 7.13 The Committee noted that the recommendations in the recent internal audit report were for helpful improvements, to formalise and build upon what the organisation already does well.

8. Internal Audit Plan 2013/14 – Progress Update

a) Reports

- 8.1 The DHIA Group Chief Internal Auditor provided the Committee with a paper and briefing on each item listed below:

Risk Management Internal Audit Report

- 8.2 The Committee noted that for HFEA risk management, the overall report rating was satisfactory and good risk management controls are in place.
- 8.3 The Committee noted that the ratings defined by the Health Group Internal Audit have changed over time and will be subject to another review in the near future. DHIA agreed to communicate the results of the review to the Director of Finance and Resources in due course.

Corporate Governance Internal Audit Report

- 8.4 The Committee noted the report and the positive opinion.

Internal Audit report on HFEA's response to the McCracken and Francis reports

- 8.5 The Committee noted this report, rated satisfactory and that updates on progress are presented regularly to the Authority and to the Audit and Governance Committee.

b) Implementation of Recommendations – Progress Report

- 8.6 The Director of Finance and Resources provided the Committee with an update.
- 8.7 The Committee noted the progress made on the recommendations in 2011-12. Some will be implemented through the IfQ project. The Financial Procedures will be completed by the time of the next AGC meeting in October 2014.
- 8.8 The Committee noted that the recommendations made in 2013-14 are in hand to be implemented later in the year as planned. The WAP upgrade will help verify mileage claims but this has been delayed due to available resources.

c) Annual Assurance Statement

- 8.9 The Committee noted the positive opinion. An updated version of the Annual Assurance Statement, correcting minor errors will be forwarded.

d) Draft Plan – Internal Audit

- 8.10 The DHIA Group Chief Internal Auditor presented the plan, which is very full for the year. Following the appointment of a new Head of Internal Audit for the HFEA, she suggested that the plan is reviewed to reflect priorities in line with the

new corporate strategy. The Committee agreed to review the plan in October and that a review of the IfQ programme is to be prioritised before then. An early review of financial controls should also be considered.

- 8.11 DH has invited individual organisations to participate in group reviews on workforce planning and cyber risk and the outcomes will be shared with all ALBs. NAO are also currently working on a cyber risks document which they will share with the HFEA on completion.

ACTION:

- 8.12 Internal Audit Plan to be presented to AGC in October 2014.

9. Annual Report and Accounts

- 9.1 The Programme Support Officer provided the Committee with a paper and an update on progress with the Annual Report and Accounts production project.
- 9.2 The Committee noted the pressure of the tight deadlines the Executive were working to, and expressed their gratitude to the team for the hard work in compiling the report.
- 9.3 The Committee's feedback was received and the tabled amendments were agreed.
- 9.4 The Head of Finance provided the Committee with an update on the accounts and remuneration report.
- 9.5 The Committee discussed and agreed the amendments to the accounts. The Committee noted the late provision of pension information and suggested that this might be useful feedback to Cabinet Office who hold the contract.
- 9.6 The Committee noted that work was still ongoing and a final draft of the Annual report and Accounts will be completed and sent to AGC and Authority members for review.

ACTION:

- 9.7 Director of Finance and Resources to discuss with Cabinet Office how pension information is provided to the HFEA.

a) Annual Governance Statement

- 9.8 The Head of Governance and Licensing provided the Committee with a briefing.
- 9.9 The Committee approved the Annual Governance Statement subject to agreed amendments.

10. Audit Completion Report – 2013-2014

- 10.1 NAO provided the Committee with the report.
- 10.2 NAO highlighted the work outstanding at this stage and that this was an early stage for formal sign off by the Committee. NAO will provide an updated version of the Audit Completion Report on completion of the Annual Report and Accounts and their work. The Audit Completion Report will be sent to Committee members to confirm they are content before the Authority provide their comments on the Annual Report and Accounts.
- 10.3 The Committee agreed the list of unadjusted misstatements in Appendix 3.

- 10.4 The Committee noted that there will be a lessons learned exercise so that future production of the Annual Report and Accounts can be streamlined.
- 10.5 The Committee congratulated the Finance Team on producing the accounts to challenging timescales despite the recent restructure and at the same time in two organisations, HFEA and HTA.
- 10.6 The Committee also thanked the NAO for their support working to equally challenging timescales.

ACTION:

- 10.7 NAO to provide an updated version of the Audit Completion Report on completion of the Annual Report and Accounts and their work. The Audit Completion Report will be sent to Committee members to confirm they are content before the Authority provide their comments on the Annual Report and Accounts.

11. Forward Plan

- 11.1 The Director of Finance and Facilities provided the Committee with a Forward Plan, which was noted.

12. Any Other Business

- 12.1 The Director of Finance and Facilities informed the Committee that there were no reported cases of fraud or attempted fraud.
- 12.2 The Director of Finance and Facilities also confirmed that a contract had been let to carry out user research for the Information for Quality (IfQ) programme.
- 12.3 The Chair thanked all attendees for their papers, presentations and briefings, contributing to a slightly extended but informative meeting.

Date of the next meeting:

Date: Wednesday, 1 October 2014
 Time: 10:00 am
 Location: The Royal Statistical Society, London

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

Chair _____

Date _____

Audit and Governance Committee Paper

Paper Title:	Matters arising from previous AGC meetings
Paper Number:	[AGC (01/10/2014) 421]
Meeting Date:	1 October
Agenda Item:	3
Author:	Sue Gallone
For information or decision?	Information
Recommendation to the Committee:	To note and comment on the updates shown for each item.
Evaluation	To be updated and reviewed at each AGC.

Numerically:

- 7 items added from June 2014, 6 closed.
- One item remains outstanding from previous meetings.

Matters Arising from Audit and Governance Committee – actions from 19 March 2014 meeting

INDEX (Date - Para)	ACTION	RESPONSIBILITY	DUE DATE	PROGRESS TO DATE
19/03/14 16.9	Ensure cascade calling staff exercise is completed for business continuity	Head of IT	July 2014	Ongoing Staff details being updated – calling exercise to take place by end November 2014
19/03/14 16.10	Ensure site visit to the disaster recovery location for final enhancements is completed	Head of IT	July 2014	Site visit took place September 2014 - completed

Matters Arising from Audit and Governance Committee – actions from 11 June 2014 meeting

ACTION	RESPONSIBILITY	DUE DATE	PROGRESS TO DATE
3.2 HFEA to monitor Authority members' completion of online information governance training	Executive Assistant to Chair and Chief Executive	20 September 2014	Ongoing Being monitored by Executive Assistant. As at 9 September 2014, 5 Members had completed the training.
5.5 Director of Finance and Resources to include summary of Authority paper on implementation of McCracken recommendations and any shared service developments in agenda for future meetings	Director of Finance and Resources	ongoing	Added to forward planner - completed
6.12 – The Director of Compliance and Information to provide a full report on the IfQ programme and its progress, including the assurance mechanisms in place for development, new software and data, and discussions with the NAO about data security, for the next meeting in October 2014	Director of Compliance and Information	October 2014	Added to agenda for 1 October meeting - completed
7.8 Head of Business Planning to incorporate Major Grade A incidents into the five key risks on the High Level Risk register during the next review. The Committee noted that this may form part of a full review in light of the new HFEA strategy, which will be finalised in July	Head of Business Planning	September 2014	Risk developments on agenda for 1 October meeting - completed
8.12 Internal Audit Plan to be	Head on Internal	October 2014	Added to agenda for 1 October meeting - completed

Matters Arising from Audit and Governance Committee – actions from 11 June 2014 meeting

ACTION	RESPONSIBILITY	DUE DATE	PROGRESS TO DATE
presented to AGC in October 2014	Audit		
9.7 Director of Finance and Resources to discuss with Cabinet Office how pension information is provided to the HFEA	Director of Finance and Resources	September 2014	Discussed 22 September 2014 - completed
10.7 NAO to provide an updated version of the ACR, to be sent to AGC members to confirm they are content before the Authority provide their comments on the Annual report and Accounts	NAO	June 2014	Completed

Audit & Governance Committee Paper

Paper Title:	Annual Report and Accounts 2013/14 Lessons
Paper Number:	[AGC (01/10/14) 422]
Meeting Date:	1 October 2014
Agenda Item:	4
Author:	Sue Gallone, Director of Finance & Resources and Stacey Kennedy, Programme Support Officer
For information or decision?	Information
Recommendation	The Committee is asked to note the challenges and lessons learned from the production of the 2013/14 Annual Report and Accounts and the measures taken to reduce the recurrence of such risks and issues for the 2014/15 publication.
Resource Implications:	None
Implementation	Recommendations to be implemented for the 2014/15 production.
Communication	To the Authority and the Executive. The new ways of working to the NAO, Williams Lea and staff involved in its production.
Organisational Risk	Medium (Risk being pro-actively managed)
Evaluation	Project Manager to monitor progress against, agreed recommendations via its inclusion in the 2014/15 project plan, and communicate to those responsible with updates provided to the Executive and AGC.
Annexes	HFEA Annual Report & Accounts 2013/14 End Project and Lessons Learned Report

Overview

- The overall production of the HFEA Annual Report and Accounts 2013/14 went well and met its target date to be laid in Parliament on 15 July 2014.
- The project was rigorously managed with unrivalled support by the Director of Finance and Resources, the Executive, AGC and the Authority, in order to alleviate/minimise the various challenges encountered.
- With such discipline in place, the project was flexible enough to be adapted to control such issues with the allowance for increased resource effort (internally and externally), milestone delivery delays and additional funding.

- It has been an exceptional production year mainly due to new requirements, a newly established and shared Finance Team, a new NAO Team who had to learn the HFEA business – thus taking longer to conduct the audit, a new Communications Team who had to quickly adapt to the HFEA’s way of working, the designer working off-site thus allowing little flexibility to conduct quick changes/reviews and the NAO [REDACTED] audit being conducted at a later stage due to **staff** availability.

HFEA Accounts 2013/14 certification

- The Committee met on 11 June 2014 and was presented with an update on progress along with a draft of the 2013/14 report and tabled amendments for the 2013/14 accounts and remuneration report. It was also highlighted that the NAO [REDACTED] audit was still ongoing and expected to be completed on 13 June 2014.
- The Committee also noted the late provision of pension information from Civil Service Pensions which was not available for the meeting.
- Given the additional information presented at this meeting, the Chair instructed that an updated version of the Annual Report and Accounts 2013/14 be sent to members on 13 June 2014, for review, and given until 16 June 2014 to respond. This fell in line with the Authority’s review and approval period.
- The NAO audit was completed and signed off on 13 June 2014 and the updated report and accounts was sent to both members and the Authority.
- The Civil Service Pensions finalised their information in the week leading to the Comptroller and Auditor General certification of the accounts.
- There were no further issues following this milestone.

Post-Project Review

- A Post-Project Review Meeting was held on 21 July 2014, with the core project team, to review its performance, the challenges encountered at each stage and recommendations for future productions.
- A formal End Project and Lessons Learned meeting was held on 18 August 2014 for a final review and the capturing of lessons, including the actions to be taken forward. These discussions also aided the areas for focus at the HFEA/NAO Lessons meeting.
- The Director of Finance and Resources and the Head of Finance met with the NAO on 27 August 2014 to discuss these issues and the future ways of working. NAO agreed that there would be the same audit director and manager for the HFEA and the HTA audits and those they would seek to share their notifications of requirements at an early stage.

Lessons Learned & Resulting Actions

- The Committee is to note the HFEA Annual Report and Accounts 2013/14 End Report and the Lessons Learned Report (Appendix 1), which outlines the areas that went well, the challenges encountered and the recommendations agreed. This was reviewed and approved for closure by the HFEA Programme Board on 2 September 2014.

- As an immediate measure the following actions have been identified and will be put in place before commencement of the 2014/15 Annual Report and Accounts production:

AREA	ACTION	ACTION DATE	OWNER
Design & Format	Develop plan to produce the Annual Report & Accounts in MSWord with an InDesign cover .	Sep 2014	STK
	Ascertain list of the statutory information that the Annual Report and Accounts must contain to inform the content of the 2014/15 publication.	Sep 2014	SG
	Present recommendations to SMT for approval .	Sep 2014	SG/JT
Government Directives and information sharing	HFEA Procurement Lead to be part of the Department of Health's distribution list .	Oct 2014	MA
	HFEA representative to be a part of HM Treasury distribution list . <i>Discussions already being held with the Department of Health.</i>	Oct 2014	MA
Financial/ Accounts information finalisation	Accounts and financial information to be submitted for inclusion within the report after the NAO [REDACTED] Audit has been completed – given the number of changes during the 2013/14 production.	Jun 2015	MA
	Arrangements for NAO audit to be held earlier in the process with a gap of no less than two-three weeks before being delivered to the Comptroller and Auditor General for certification. This is to enable subsequent deadlines to be met.	Oct 2014	MA
	Accounting format to be communicated early in the process in order to prepare the outline within the MSWord version. When submitted - post NAO [REDACTED] audit – it should be similar to that what was initially communicated to ensure that it is completed within the allocated time period.	Apr 2014	MA
	Oversight of the FReM requirement .	On-going	MA
	Liaise with NAO on a monthly basis – during production - to confirm any expected changes/updates .	Nov 2014 – Jun 2015	STK

AREA	ACTION	ACTION DATE	OWNER
Civil Service Pensions delays	The Civil Service Pensions response to requests for Greenbury data is late every year and there is little that the organisation can do to control this. The Director of Finance and Resources is to meet with Jerry Page of the Cabinet Office to discuss the issues encountered and future controls .	22 Sep 2014	SG
NAO Audit	A meeting with the NAO was held to discuss the lessons learned from the 2013/14 audit, publication and future working. It was recommended and agreed that the NAO supply the same team for both the HFEA and HTA. In addition, decision to be taken by the Executive on the NAO laying the Annual Report and Accounts in Parliament on our behalf.	27 Aug 2014 Sep 2014	SG/MA SG
Version Control	Annual Report & Accounts MS Word master version to be controlled by the Project Manager who will be responsible for its update and oversight and will have a record of changes submitted, its owners and date.	Jan 2015	STK
InDesign resilience	Provide InDesign training to the Communications Manager and Communications Assistant. <i>Completed</i>	Aug 2014	DV/AK
Proof-reading – Formality & Committee Structure	Corporate style guide to be reviewed and updated. Review the listing of Committees whether alphabetically or in order of importance.	In-progress Apr 2015	DV SH
Organisational Buy-in – Authority Approval	Provide the Authority with the version that is going to be published for approval . This will ensure that they support the look, feel and content of the published version.	Jun 2015	STK

Conclusion

- The Committee is to note the above areas identified by the Executive. Such issues will be proactively addressed with pre-production controls established for a smoother 2014/15 production.

END PROJECT & LESSONS LEARNED REPORT

Purpose: The End Project Report is used to review how the project performed against the Project initiation Documentation (PID).

Project Title	HFEA Annual Report and Accounts 2013/14
Project Sponsor	Sue Gallone
Project Manager	Stacey Kennedy
Summary of Project Performance	<p>The project was managed very well internally especially given the unexpected external directives. A number of compromises and changes had to be adapted to quickly in order to meet the project's key milestones. The report achieved its Parliamentary lay date of 15 July 2014.</p> <p>The overall project was delivered on time and met almost all milestones set; however, additional designer time was required for the various changes and delays with approvals.</p> <p>The forecasted £6k budget increased to £6,117.25 due to additional designer costs resulting from externally imposed changes at a late stage.</p>
Review of the Business Case	<p>The proposals for the production of the 2013/14 report were approved by CMG on 12 December 2013. A presentation was provided which outlined the project performance and issues with the production of the 2012/13 report and improvements to the process for the 2013/14 publication.</p> <p>The benefits of the project remained the same as per the previous years:</p> <p>Benefits Realised</p> <ul style="list-style-type: none"> • Increase report accessibility and availability <p>Residual Benefits Expected (post-project)</p> <ul style="list-style-type: none"> • Reduce the number of enquiries for organisational information.
Achievement of Project's Outputs/Scope	<p>The original Business Case and PID stated that the project would deliver 100 black and white reports. However on 8 April, 2014 - further to contacting the Department of Health – it was divulged that the communications restriction threshold had been increased from £1K to £20K and there were now no constraints on printing in full-colour. We had not been notified about these changes.</p> <p>Given the above, a new proposal was presented and approved by SMT for the printing of the publication in full-colour. It also came to light that the lithographic machine used for printing by Williams Lea was the same for the</p>

Doc name: Annual Report and Accounts 2013/14 End Project & Lessons Learned Report

Version: 1.0

TRIM reference: 2014/011981

Release date: 2 September 2014

END PROJECT & LESSONS LEARNED REPORT

	<p>black and white copies as for colour, and thus carried the same cost anyway.</p> <p>An order was placed for 60 perfect-bound full-colour reports. This was the number needed for all stakeholders on the distribution list and will also ensure that excessive copies do not have to be stored in the office, as per previous years, when larger print runs were the cheaper option.</p> <p>The 2013/14 format was used; however, HM Treasury then implemented a number of changes via the Financial Reporting Manual (FReM). This only came to light in May 2014 and then required additional designer time as the report was already laid-out. There were then further changes during the NAO audit; and Civil Service Pensions provided their information very late in the process.</p> <p>Despite the above the designed report was delivered to the printers a day earlier than planned (since some contingency had been allowed, based on past experience) and was on time for being laid in Parliament.</p>
Review of Team Performance	<p>The Project Team performed beyond the call of duty working very late and long hours and reprioritising their 'business as usual' work in order to meet these critical deadlines.</p> <p>Finance resources were again stretched this year even though the department had been restructured. The Director of Finance and Resources and the Head of Finance are shared with the HTA and had the additional pressure of also publishing the HTA Annual Report and Accounts. The team delivered the initial finance information in April 2014, which helped to shape the format of the accounts in the designed version. However, there were a number of very late changes post the NAO Audit and this required working well beyond normal office hours.</p> <p>The Communications team also had staff changes. There was a proper handover for the new Communications Manager who adapted quickly to the role and, with the Communications Officer, ensured that the finalisation of the design and the images chosen reflected the corporate vision of being patient focused, and that the content was meticulously and constantly reviewed to ensure accuracy and alignment to the corporate style. They also worked long hours.</p>

END PROJECT & LESSONS LEARNED REPORT

The majority of Departmental Representatives collated and submitted their relevant information by the 4 April 2014 deadline. Those that missed the deadline sent their information the following Monday.

The internal proof readers and external proof reader were thorough in their review and delivered their comments on time.

Williams Lea (formerly The Stationery Office) was used for both printing and publishing. Due to the awarding of the PVP publishing contract to Williams Lea, and the slow start-up to the new arrangement, there was a delay in receiving the quote. A hard copy of the printed proof of the report was not received due to the tight timescale. This carried a degree of risk, given that the quality and accuracy of Williams Lea's work was then an unknown, and that there had been problems in previous years with TSO's accuracy and quality of service in this last crucial step. Overall, however, Williams Lea delivered as contracted and we arranged for them to send the five copies of the report to the Parliamentary Clerk for laying direct.

It should also be noted that the Authority/Executive championed and supported the progression of this project given the issues encountered.

Performance against Planned Target Time

Milestones	Start	End
Stage 1 – Collection & Collation		
Departmental Reps identified	4 Dec 2013	3 Jan 2014
Content/Appendices received	16 Jan 2014	7 Apr 2014*
Finance Content Initial elements received		25 Apr 2014*
Finance Contents Final		13 Jun 2014*
Stage 2 – Content Review & Approval		
AGS AGC approved		11 Jun 2014*
Directors' Content approved	7 Apr 2014	18 Apr 2014
Internal Proof Reading	8 Apr 2014*	18 Apr 2014
Management Review	22 Apr 2014	23 Apr 2014
Content approved (AGC/DH)		16 Jun 2014*
Authority approved	13 Jun 2014	16 Jun 2014
External Proof Reading	18 Jun 2014	19 Jun 2014
Chief Executive Sign Off	24 Jun 2014	24 Jun 2014
Auditor General Sign Off	30 Jun 2014	30 Jun 2014
Stage 3 – Design & Printing		
Skeleton Doc. approved (CMG)	31 Jan 2014	14 Feb 2014
Skeleton Doc. reviewed (AGC)		19 Mar 2014
Third Parties identified & selected		May 2014*
Design Completed		3 Jul 2014+

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	Printers send copies		14 Jul 2014*	
	Laid in Parliament		15 Jul 2014	
	Website uploaded		16 Jul 2014+	
	* Milestone Late + Milestone Early			
Performance against Planned Target Costs	BUDGET CODE	BUDGET DESCRIPTION	BUDGET ALLOCATION	ACTUAL SPEND
	4015	Communications	£6,000	£6,117.25
Approved Project Changes	CR127 – Change of Project Sponsor <i>The previous Project Sponsor, Mark Bennett, Director of Finance and IT left the organisation on 30 May 2014. The role is now held by Sue Gallone, Director of Finance and Resources.</i>			
	Impacts: None			
	Post Project Owner: Sue Gallone			
Post Project Review	Review Date: July 2015			
	Review Plan:			
	Review report and feedback received to aid development of future publications.			
Summary of Follow-Up Action/ Recommendations	<ul style="list-style-type: none"> • Post-project meeting to review performance and lessons learned - 21 July 2014 • End Project/Lessons Learned meeting – 18 Aug 2014 • HFEA/NAO Lessons Learned meeting - 27 Aug 2014 • AGC Annual Report 2013/14 Review – 1 Oct 2014 			

END PROJECT & LESSONS LEARNED REPORT

What went well

AREA	HOW WAS THIS ACHIEVED	SOLUTIONS/ RECOMMENDATIONS
Effective Project Management to meet all key milestones	<ul style="list-style-type: none"> • Excellent planning, monitoring and flexibility by the Project Manager to meet key deadlines, especially given the very tight timescale and the changes imposed • Realistic deadlines set and contingency time allowed for slippage • Risks flagged up and mitigated at an early stage, thanks in part to experience and issues being shared with us by the HTA. 	<ul style="list-style-type: none"> • Do the same next year! Consider the project plan produced as a template and adjust where necessary given key dates, risks and potential issues. • Monitor each milestone closely and have a plan in place should any risk become an issue. Flexibility, contingency, adaptation, senior buy-in and communication are key to meeting AR deadlines • For the designer work plan, do not schedule jobs over weekends.
Prompt submission of information	<ul style="list-style-type: none"> • Departmental Representatives submitted most of the required information by 4 April 2014 with a few outstanding areas finalised by 7 April 2014. • The draft Directors' and Strategic Report (formerly known as the Management Commentary) was made available in March 2014 with final reviews by CMG prior to 4 April 2014 • The initial draft financial information/ accounts were received on 25 April 2014. This helped the designer to lay out the report. 	<ul style="list-style-type: none"> • Hold an initial Departmental Representatives meeting to outline role, responsibilities, information required and deadline • Send monthly email reminders to monitor progress and raise any issues/ concerns • Departmental Representatives should establish a core departmental team at the onset to assist with the collation of information.

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AREA	HOW WAS THIS ACHIEVED	SOLUTIONS/ RECOMMENDATIONS
Collaborative working by the Project Team	<ul style="list-style-type: none"> • There was continuous liaison with all team members who contributed to the AR production. • The close working between the Project Manager, Communications and Finance – with the CE kept informed – helped to ensure that we were able to react quickly and implement required changes to meet key deadlines. All were updated with everything that had been done so as to ensure that everyone was clear and understood the issues and the next course of action • There was a shared understanding of the scope and what was needed to be achieved. 	<ul style="list-style-type: none"> • Consistent communications with the project team of the progress of tasks and the controls in place for handling issues with the right level of decision-making buy-in.
Clearly defined Project Team roles	<ul style="list-style-type: none"> • The Project Manager performed an excellent job in defining and relaying roles to the team via meetings held. • The Project Sponsor role was a smooth transition between Mark Bennett and Sue Gallone. There was an initial concern with the level of commitment available as the remit of the Director of Finance and Resources is shared with the HTA (who also of course have to produce Annual Accounts). A meeting was held with 	<ul style="list-style-type: none"> • Ensure that each member of the team understands what part they play in the project and what they are required to deliver and by when.

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AREA	HOW WAS THIS ACHIEVED	SOLUTIONS/ RECOMMENDATIONS
	<p>Sue, upon her assumption of this role, and she prioritised her work to meet the set milestones</p> <ul style="list-style-type: none"> The Authority/AGC/DH/Executive/CMG are the decision-making entities in the course of the project and early reminders of the requirements and timelines were relayed, via email and meetings. 	
<p>Increase in communications spend restriction threshold</p>	<ul style="list-style-type: none"> On 8 April, 2014, the Department of Health confirmed that the communications restriction threshold had been increased from £1K to £20K for the publication of annual reports. A proposal was presented and approved by SMT for the printing of the publication in full-colour - as black & white was the same cost anyway - and for an order of 60 copies rather than 110 to satisfy the distribution list and reduce the number of excessive copies held on site. 	<ul style="list-style-type: none"> The HFEA Procurement Lead to be part of the Department of Health's distribution list to receive regular updates which may affect the organisation. In this instance no notice was received of this change until we contacted them to verify whether it was still in effect.
<p>Recognition of the full-colour design</p>	<ul style="list-style-type: none"> The Executive and staff praised the full-colour design which incorporated the branding of the Annual Conference and our focus on patients. Early sign-off of full-colour concept by SMT and appropriate steering by the Communications team. 	<ul style="list-style-type: none"> Engage with management early to gain their buy-in, vision and to explore the pros and cons of such a concept. They are a stakeholder to the project and their needs also need to be fulfilled.

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AREA	HOW WAS THIS ACHIEVED	SOLUTIONS/ RECOMMENDATIONS
Good version control	<ul style="list-style-type: none"> The Project Manager had overall control of the MSWord skeleton document and had a good process of highlighting changes and placeholders in different colours with the appropriate key and version control structure. The changes were well communicated with Communications for placement within the designed version. 	<ul style="list-style-type: none"> There should be one central point of control with appropriate version management in which amendments submitted are listed indicating the change(s), the owner, and date of the change. All contributors should feed into this one avenue.
Reduction in proof-reading changes	<ul style="list-style-type: none"> The external proof reader stated that this publication has had the fewest changes since performing this role for the past five years The content of the AGS – which had been an issue in the past - was well written given the handover from the Director of Finance and Resources to the Head of Governance Contributors followed the corporate house-style principles and there was thorough proofing by the Communications team, internal proof readers and the Project Manager, at multiple stages. 	<ul style="list-style-type: none"> Ensure that all contributors are made aware of and follow the corporate house-style/ language to be used. The content should also be peer reviewed. <p><i>NB: For future publications we need to consider the formality of the report i.e. Mr., Mrs. Professor, etc. and the use of middle initials. Also with respect to the listing of Committees the order in which they appear needs to be verified whether alphabetically or in some other order (e.g. statutory vs policy role).</i></p>
Organisational Buy-in	<ul style="list-style-type: none"> The project was championed from the top by both the Director of Finance and Resources and the Chief Executive who ensured that the Authority, AGC, NAO and DH were aware of its 	<ul style="list-style-type: none"> Ensure that any concerns/risks are raised early with management so that they can support and champion the project forward thus reducing barriers. Authority should be provided with the

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AREA	HOW WAS THIS ACHIEVED	SOLUTIONS/ RECOMMENDATIONS
	<p>importance – especially given the various potential risks and issues for the AR being laid in Parliament before the summer recess of 22 July 2014.</p> <ul style="list-style-type: none"> AGC was very involved and the Chair in particular supported the staff and the process by promoting quick decision-making. 	<p>designed version of the report for approval, if possible, rather than the draft MSWord version. This will ensure that they agree with the published version, its layout, design and images used. It was noted that this is only possible – given the timelines – if the report is produced in an MSWord version and not in a designed version.</p>
Annual Governance Statement approval	<ul style="list-style-type: none"> It was anticipated that the AGS would have been approved by AGC at its March 2014 meeting, however, DH proposed new AGS requirements with their own approval schedule beyond our timeline. Sam Hartley, Head of Governance ensured that DH approved this – with SMT oversight - before the AGC meeting of 11 June 2014. 	<ul style="list-style-type: none"> This was an uncontrollable external factor. However, build a close working relationship with the DH Sponsoring body to champion one's work and promote understanding on their part of our resource limitations and timeline, to help with reducing the likelihood and impact of high-risk DH process changes and the time required for approvals.
Ease on finance resources	<ul style="list-style-type: none"> With Finance only concentrating on the supply of financial/accounting information and liaison with the NAO/Civil Service Pensions (which was enough of a job in itself!), this provided much needed easing of pressure given the design, printing and laying was being handled by another team. 	<ul style="list-style-type: none"> Assess the workload of team members and distribute responsibly, where available, to other members who have the capacity and capability of undertaking the job. This can reduce stress and be an opportunity for development.
	<ul style="list-style-type: none"> 	<ul style="list-style-type: none">

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What went wrong

AREA	PROBLEMS IDENTIFIED	SOLUTIONS/ RECOMMENDATIONS
<p>Late finalisation of financial/accounts information</p>	<ul style="list-style-type: none"> HM Treasury, via the NAO, announced a number of late additional requirements during the review stage, when information was already placed in the first draft of the designed version. This was only discovered during the HTA's AR production and thus required the Head of Finance to work beyond her hours for its completion. Initially we thought that these requirements were from the NAO. The true situation was not communicated to us at all until the AGC papers were released to the NAO in June 2014. Although the changes (as it turns out) came from the Treasury, it remains the case that all such changes are always communicated to us by the NAO, rather than the Treasury themselves, since the NAO determine how such changes should be interpreted and implemented by us. Civil Service Pensions did not fully confirm all the pensions information until 26 June 2014 – which was during the NAO Auditor General's review. 	<ul style="list-style-type: none"> In order to proactively manage the timely receipt of third party information and potential changes, the Head of Finance will continue her oversight of the FReM requirement. The Director of Finance and Resources and the Head of Finance will ensure any changes to the FReM or Companies Act are communicated as early as possible, during the planning meetings with NAO. The Project Manager is to contact the NAO on a monthly basis to confirm any expected changes/updates and an HFEA representative should be placed on the HM Treasury distribution list so that we can detect, for ourselves, changes that will have probable implications for the Annual Report. The NAO team was also new – and the same thing will happen next year, since we understand that most of this year's team have been moved on into other roles. We should think now about how to induct the new NAO team in advance of the audit period, so that

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	<p>This is extremely late. The Head of Finance requested this information on 4 April 2014 with little response. Jerry Page, Cabinet Office staff member and member of the AGC provided welcome assistance in June 2014. It was found that the Civil Service Pensions supply of information is late every year and there is little that the HFEA can do to control this.</p>	<p>they have a better understanding of our needs and our timetable, and can be more realistic and reasonable in the demands they place on us.</p> <ul style="list-style-type: none"> • Organisation to build DH/Cabinet Office support who are in a position to apply pressure on Civil Service Pensions on our behalf for the supply of required pensions information in a timely manner.
<p>Delayed finalisation of NAO [REDACTED] audit</p>	<ul style="list-style-type: none"> • This had to be rearranged from 12-23 May 2014 to 27 May – 9 June 2014 in order to have sufficient Finance resource availability during the internal audit. During the audit there were further unexpected changes and more testing needed to be conducted by the auditors. As such the accounts were not finalised until 13 June 2014 – which was the maximum extent of the built in contingency, and as such, extremely worrying at the time. • Due to this there was an impact on the AGC and DH reviewing the absolute final draft. The document had to be updated and re-sent with these changes for final review and comments by 16 June 2014, during the Authority’s approval stage. This was quite a 	<ul style="list-style-type: none"> • Establish and agree a more organised and controlled approach with NAO • To meet the subsequent deadlines, the NAO Audit must be held earlier in the process with a gap of no less than two weeks between completion and subsequent delivery to the Auditor General. The NAO need a better understanding of the process we need to go through and to be aware of our external dependency on designer time. • In addition, should the accounts information be submitted after the audit, the format should be the same format as per earlier instructions. This will enable the designer to update within the given period. • Change the manner in which we produce the AR to enable greater

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	<p>messy situation for the Committee, who nonetheless adapted to the situation and were very helpful.</p> <ul style="list-style-type: none"> • There were even some changes being received after the proof reader had completed her proof, so it was not ideal. It made it challenging for the designer to complete all these changes and meet the deadlines. • The external proof reader was unable to verify the accounts due to inconsistencies and changes being received after this stage, and indeed right up until the last minute before NAO sign-off and printing. 	<p>control, flexibility and reduce stress:</p> <ul style="list-style-type: none"> ○ <u>Option 1</u> – MS Word Version with designed cover ○ <u>Option 2</u> – Produce two versions as per HTA (MSWord Statutory version laid in Parliament by the NAO and designed non-statutory version published when preferred).
<p>Inconsistencies with version control between MSWord and the designed version leading to additional burden with “typesetting” and proofing of information</p>	<ul style="list-style-type: none"> • There were a number of inconsistencies during the final stage of the project between NAO audit finalisation and that of the external proof reader’s review for the final designed version. It was only during final proofing stage that these changes were realised as the MSWord document did not have changes/deletions highlighted and were not properly communicated to Communications to inform the designer. • There was an instance where changes 	<ul style="list-style-type: none"> • Given the number of changes to the accounts and financial information, and the way in which these were notified (one by one, rather than in an organised, grouped way) only submit to the designer after the NAO [REDACTED] Audit has been totally completed and confirmed to be over (i.e. iterative small changes not being notified in dribs and drabs each day). • For other sections of the report, remind colleagues that when submitting amendments, to clearly list the changes, outlining the owner/editor

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	<p>were made after Communications had sent some other changes to the designer. When Communications were checking whether the changes had been made, they were checking against the version of the Word document which they'd sent to the designer, not the skeleton document which had since been updated with further changes.</p> <ul style="list-style-type: none"> • This was picked up later than we would have wanted as there wasn't time to check through the document due to the changes from the NAO coming late. • The "typesetting" and proofing processes added additional complication and time when making changes. 	<p>and the date of each change.</p> <ul style="list-style-type: none"> • During the planning process, list every single set of amends that is going to be made and the date they are coming. Separate out each set of amends even if they are coming on the same date. • Build InDesign software resilience within the organisation so that more people can make minor last-minute edits if requested. • Change the manner in which we produce the AR to enable greater control, flexibility and reduce stress: <ul style="list-style-type: none"> ○ <u>Option 1</u> – MS Word Version with designed cover ○ <u>Option 2</u> – Produce two versions as per HTA (MSWord statutory version laid in Parliament by the NAO and designed non-statutory version published when preferred). If this option is considered we must ensure that 'the Annual Report project' is not relentlessly running all year around with two projects overlapping. Also, we must firmly commit to the non-statutory version's date of

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		<p>publication, since taking it out of the statutory 'laying' realm will remove a powerful deadline, leaving the risk of endlessly tinkering and prevaricating about content, such that we will grossly delay its publication. This must be avoided at all costs.</p>
<p>Courier delivery to the NAO</p>	<ul style="list-style-type: none"> The CE signed AR was received by the NAO the following day as the paperwork did not specify to CQC reception that the package was for Same Day Delivery (it was assumed that courier delivery meant same day, whereas to CQC it turned out that the default was 'next day', and we were not aware of this). 	<ul style="list-style-type: none"> Ensure that CQC reception is informed of exact delivery requirement and request a confirmation of the request. Subsequent unrelated problems with the delivery by secure courier of other important HFEA paperwork may now mean that we cease using CQC reception for any courier services – this needs to be agreed organisationally.
<p>Budget Overspend</p>	<ul style="list-style-type: none"> The budget set for the production of the report was £6000 (excluding VAT). Both the print/publishing and external proof-reading came in on budget however, the designer cost increased from £3500 to £4500 due to additional work for changes from HM Treasury/ NAO/AGC/Authority, change of design from black and white to full-colour and image replacements. The final spend was £6117.25. 	<ul style="list-style-type: none"> It is inevitable that the design cost will be variable given changes we have to make from third parties. This can be controlled if we receive early notification of these changes before any work is undertaken. This can be outlined to them formally. They may not fully understand what the process consists of in a small organisation with no core publications team.

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	The design was already completed in greyscale when the increase in comms threshold was realised. As such there was an extra design cost for the change into colour.	
Communication lapse with designer	<ul style="list-style-type: none"> The emails sent to Grey Goose during the initial stage of the project were not always checked/responded to and we were not informed of a delay in sending us the first art-worked version. This however improved from this point. 	<ul style="list-style-type: none"> Send regular reminders to the designer and set a date for regular catch ups. Ensure that un-responded to emails are followed up with a phone call to check receipt.
Lack of InDesign in-house resilience	<ul style="list-style-type: none"> Further changes from the NAO came in at the last minute and the designer was unable to make the changes as she was on holiday. One staff member is trained to use InDesign (and the Mac) and he was out of the office when the changes needed to be made. This also created a risk in terms of version control. 	<ul style="list-style-type: none"> Two more members of the Communications team are being trained in InDesign so in future this should not be an issue (if we continue to have a designed report). However, this does not mitigate the risk in relation to version control. This would not be an issue if we designed the report all along in Word.
Designer chose for the first time to work mainly at home, on her own Mac, giving rise to a risk of a total loss of our material.	<ul style="list-style-type: none"> It emerged early in the process that the designer was intending to work mainly at home on our Annual Report. This gave rise to a risk that, should the designer experience a laptop theft, loss or equipment failure, our work would not be backed up, and the project could be jeopardised. 	<ul style="list-style-type: none"> We therefore put in place arrangements to ensure that we regularly had an up to date copy of the latest work securely in our possession. This is just something to be aware of for the future, especially if people are doing work for us on specialist packages which do not run on PCs

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		<p>and cannot be backed up nightly on our HFEA systems.</p> <ul style="list-style-type: none"> • With some types of material, this way of working might also present a serious data security risk, and this should be carefully considered before agreeing contractors' proposed ways of working.
<p>Errors in footnotes arising from them being added too late and proofread less often.</p>	<ul style="list-style-type: none"> • The final version of the report does contain minor (trivial) errors, in footnotes that were added very late in the process. 	<ul style="list-style-type: none"> • Department Reps to note that if the figures/information supplied require any explanation (e.g. poor performance against a KPI, Committee membership changes, etc. etc. etc.), the explanatory footnote should be provided along with the text, so that the footnote is subject to as much rigorous proofing as the rest of the document. Presently, the suppliers of the information often do not think about whether the information they have supplied needs a footnote, leaving it to the PM to decide. This needs to be flagged up to DepReps and Heads – they should be able to realise for themselves if a footnote is going to be needed, since this is largely a matter of common sense and awareness.

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What was not identified in the PID

AREA	PROBLEMS IDENTIFIED	SOLUTIONS/ RECOMMENDATIONS
<p>Clear definition and understanding of information being collected</p>	<ul style="list-style-type: none"> There was a difference in thinking between Compliance and Licensing re the term 'PGD applications processed and presented to Statutory Approvals Committee'. This resulted in differing figures. 	<ul style="list-style-type: none"> The Head of Governance and the Director of Compliance reviewed and approved this statement to mean: <i>PGD applications which have been received and prepared by Compliance for SAC and subsequently appeared at a SAC meeting</i>. This will not include the signing of the minutes for the PGD application (which may happen after the Annual Report period, for the last meeting of the year). During the planning stage and the Departmental Reps meeting in January ensure that departmental representatives fully understand the interpretation and definition of the information being collected and that this is understood and agreed by the owner/Head/Director. In addition, when areas of work are being reassigned thorough handover and understanding should be conducted to ensure consistency and maintain an accurate audit trail.

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Audit and Governance Committee paper

How this paper relates to our strategy	Setting standards <input type="checkbox"/>	Increasing and informing choice <input checked="" type="checkbox"/>	Demonstrating efficiency, economy and value <input checked="" type="checkbox"/>
Paper title	Information for Quality – managing risks		
Agenda item	6		
Paper number	[AGC 01/10/2014) 423]		
Meeting date	1 October 2014		
Author	Nick Jones, Director of Compliance and Information		
For information or decision?	Information		
Recommendation	The Committee is asked to note this update		
Resource implications			
Implementation	In progress.		
Communication	Extensive stakeholder communication		
Organisational risk	Medium.		
Annexes	N/a		

1. Introduction

The Information for Quality (IfQ) programme is a significant piece of work that started last year and will address the reducing of unnecessary burden raised in the McCracken report as well as review the information we collect, how that data is submitted to the HFEA, how information is presented and the efficacy of our websites and infrastructure.

The purpose of this report is to update the Audit & Governance Committee (AGC) on the progress of the programme specifically in the areas covered by the AGC terms of reference.

2. Progress

Since the last meeting of the AGC the IfQ Board decided to undertake a business requirements and feasibility review (BRFR) prior to the commissioning of the proof of concept as previously reported to the Committee. It was clear the interface between externally facing systems (where proof of concept is vital) and between the 'systems' required by the HFEA to undertake a range of its business functions needed to be better understood and a 'step back' undertaken.

The BRFR includes the determining of the HFEA requirements for its systems facilitated by supplier, Scisys, and then a market testing exercise, conducted by the Crown Commercial Service, which will help us:

- Ensure our requirements for IfQ projects are fully understood and articulated
- Provide us with an order of costs and delivery timescales for each element of the programme

The requirements gathering will be completed by the end of October 2014 and the market testing is planned to be completed by the end of December 2014.

3. Governance

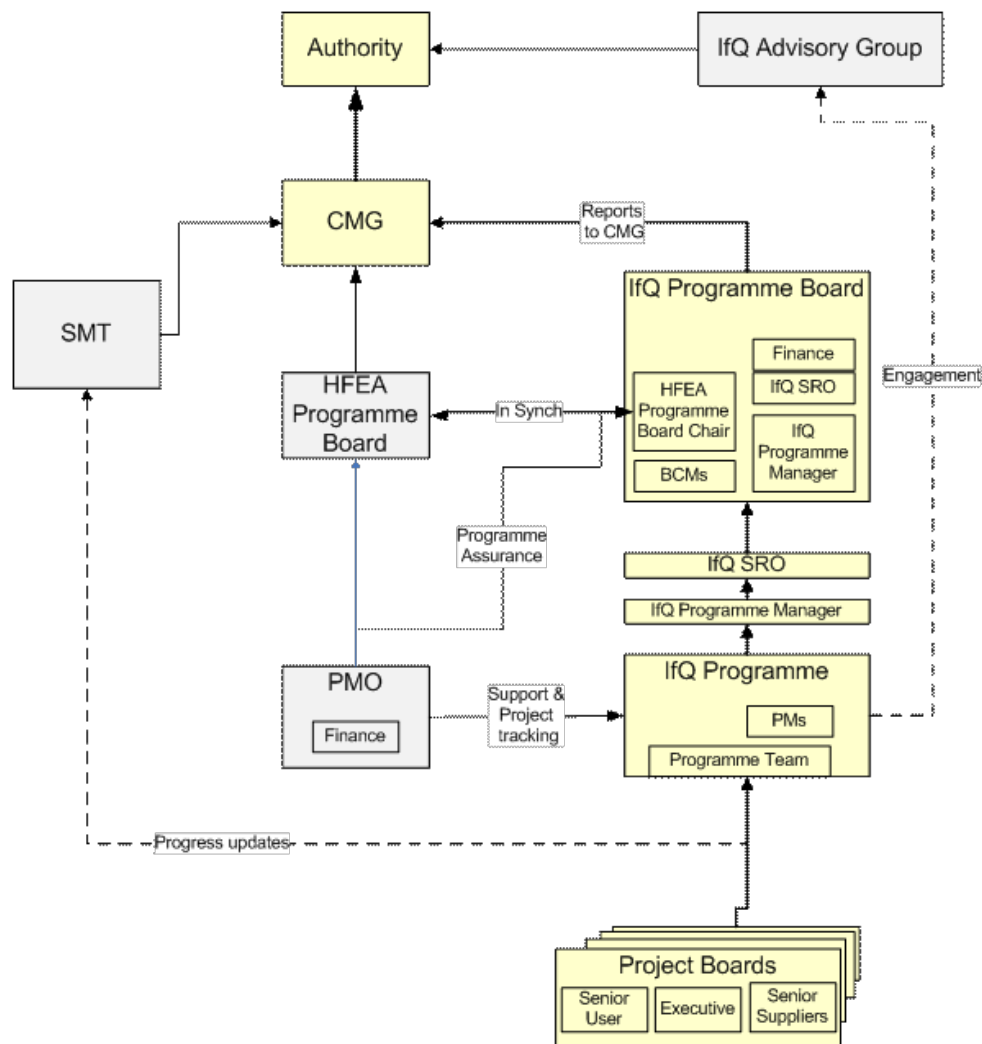
At the outset of the programme the governance structure below was put in place. The IfQ Programme Board meets fortnightly and the membership of the IfQ Programme Board includes:

- The Director of Compliance & Information
- The Director of Strategy
- The Director of Finance
- The Head of Business Planning
- The Head of IT
- The IfQ Programme Manager

The IfQ programme reports progress to the Corporate Management Group (CMG) monthly and to the CMG risk management meeting on a quarterly basis.

The IfQ Programme dovetails into the HFEA Project Management Office (PMO) function and provides monthly highlight reports in accordance with the Prince 2 methodology.

The current governance structure is working well and we do not, at this stage, envisage making any alterations to it.



The IfQ programme is being developed within the context of a refreshed National Information Board (NIB) arrangement. The HFEA, along with all Department of Health ALBs (and other bodies) are now full members. A new national ‘informatics’ strategy is being formulated (to be published later this year that the HFEA will be asked to endorse. This positive development is to put data and technology to work to the best advantage of patients, professionals, citizens and taxpayers. It is likely the HFEA’s IfQ proposals will be scrutinised by the portfolio committee of the NIB, which is welcomed and likely to be eased by our close working with the Health and Social Care Information Centre and Government Digital Service to date.

4. Information Governance Toolkit

Risk is managed in accordance with the, Cabinet Office recommended, Managing Successful Programmes methodology dovetailed to the HFEA risk management framework. This includes:

- An agreement as to how risks are quantified and the point at which they need to be escalated to the corporate risk register
- The logging of risks & issues on an IfQ programme register
- The adoption of risk mitigation measures
- The review of risks & issues as required and at least monthly
- Monthly reporting of risks to the IfQ Programme Board & the risk management CMG

The diagram below shows the current risk profile within the IfQ Programme



- There are currently 34 open risks that are being managed by the programme.
- The high risk reflects that the costs for implementing the programme are not currently known. However, a market testing exercise is in place that will provide costings by December 2014.
- As expected, the most frequent risk category relates to resources (mainly risks that resources may not be available without impacting business as usual and for which mitigations are in place)

Risk Category	0-Very Low	1-Low	2-Medium	3-High	Grand Total
Benefits realisation	1				1
Change Management	3				3
Costs				1	1
Funding			1		1
Knowledge			1		1
Programme			2		2
Quality		4	2		6
Reputation		1	3		4
Resources	1	2	6		9
Scope			2		2
Service transition		1			1
Timescales			3		3
Grand Total	5	8	20	1	34

5. Financial controls

The Department of Health (DH) issued a revised DH schedule of delegations for ALBs on 12th August. The delegations impose new controls relating to the spending of funds on public-facing digital projects. The HFEA websites would certainly fall within this category and guidance is being sought from the department as to whether Clinic Portal, a part of the IfQ Programme, falls within the scope of the delegations.

The new delegations require approval from the DH Digital lead for any expenditure under £150,000 and approval from DH and the Government Digital Service (GDS) for any expenditure above £150,000.

The IfQ existing financial controls include:

- Segregation of duties
- Logging of all programme expenditure within the programme
- Reconciliation with HFEA finance records on a monthly basis
- Reporting budgetary status to the IfQ programme Board on a monthly basis
- Review of the IfQ budget by the Director of Finance & the Senior Responsible Owner (SRO) on a quarterly basis.

The IfQ programme is currently within budget and the market testing exercise described above will inform the future budgetary requirements.

Following our last budget review we are reducing our likely spend in this financial year and the Director of Finance has been discussing with DH carry over arrangements for the next financial year.

6. Internal Audit

Health Group Internal Audit has been contracted to undertake an audit of the IfQ programme which will begin week commencing 6th October 2014. Whilst the IfQ Programme is still at an early stage, we believe there is value in reviewing the programme in terms of:

- Stakeholder Engagement
- Clarify of scope
- Risk & opportunity management
- Delivery enabled plans
- Focused benefits management
- High performance teams
- Financial controls
- Supplier integration
- Quality management
- Assurance
- Change control
- Governance

The completed report will be circulated to the Committee in due course in the normal way.

7. Report from the tender panel

In accordance with our Standing Financial Instructions the committee is requested to note that the following contracts have been awarded since the last meeting:

1. Contract with Fluent Interaction for £58,850+VAT for user research across the HFEA main website, CaFC, Clinic users & professionals as well as the requirement for the Lifecycle website. The Tender was run using the Crown Commercial Service (CCS) Agile Route to Market 3 framework.
2. Contract with Scisys for £55,380+VAT to gather requirements across HFEA systems (excluding websites). The contract was awarded in accordance with the Crown Commercial Service RM1043 Digital services Framework

8. Recommendation

The Committee is asked to note this report.

Audit and Governance Committee paper

How this paper relates to our strategy	Setting standards <input type="checkbox"/>	Increasing and informing choice <input type="checkbox"/>	Demonstrating efficiency, economy and value <input checked="" type="checkbox"/>
Paper title	Information Assurance and Security		
Agenda item	7		
Paper number	[AGC (01/10/14) 424 DM]		
Meeting date	1 October 2014		
Author	David Moysen, Head of IT		
For information or decision?	Information		
Recommendation	The Committee is asked to note this update		
Resource implications	As noted		
Implementation	Continually in progress.		
Communication	Annual review by AGC		
Organisational risk	Medium.		
Annexes			

1. Introduction

This paper appraises the Committee as regards ‘information security’ and the steps in place to ensure ongoing integrity. At its last meeting the Committee recognised that the Information for Quality Programme is likely to change the basis on which information security risks are considered but that focus should not be lost in the context of ‘business as usual’ matters.

As such, this report addresses:

- Security incidents in the past year;
- Information Management actions
- Progress with the Information Governance Toolkit
- The future direction of information governance and assurance looking towards the year ahead

2. Security Incidents

- a. No serious untoward incidents relating to the loss of personal data or breaches of confidentiality have been reported in the preceding twelve months.
- b. The HFEA's remote access system was affected by the Heartbleed issue (CVE-2014-0160). The system was patched as soon as the manufacturer issued new software and the certificate used was re-issued.

3. Information Management

- a. The HFEA has considered initiating a project to review its record classification scheme as regards its record management system – currently HP Trim. This will also entail ensuring that records have to correct retention schedules applied allowing for the permanent deletion of irrelevant historical documents. Currently, we are in the process of identifying suitable external expert advice to ensure that we use best practice.
- b. All staff now have access to IG training material on the Civil Service Learning Gateway and have completed the mandatory refresher training for the year.
- c. The number of HFEA information assets remains unchanged for the year.

4. Information Governance Toolkit (IGT)

- a. The HFEA is assessing its approach to managing risks to information using the Information Governance Toolkit. This is an online system which allows organisations processing healthcare information to assess themselves against Department of Health Information Governance policies and standards. There are 29 high level areas of risk that are assessed at 3 levels of competence. Unless an area is recognised as not being relevant we are required to meet level 2 compliance in each area and provide supporting evidence.

- i. Of the 29 high level requirements, the HFEA achieves level 2 or 3 in 21 areas..
- ii. 5 requirements are currently met at level 1, primarily as the HFEA does not currently have specific policies or document procedures in these areas. These will be addressed over the coming months.
- iii. 3 requirements are not relevant.

5. Future Direction

Over the coming months the HFEA will complete assessments against the IGT and for cyber security, in line with the guidance issued by Cabinet Office and the Department of Health. We plan to introduce a report from the Senior Information Risk Officer (SIRO) on these items as part of the end year reporting. The report will be made to the HFEA's Senior Management Team and AGC in June 2015.

IfQ

The IFQ programme has now reached the stage where we are looking at potential solutions and suppliers. Any third party supply of future systems will have to be compliant with the requirements set out in the IGT with a specific focus on IG12-210 *"All new processes, services, information systems, and other relevant information assets are developed and implemented in a secure and structured manner, and comply with IG security accreditation, information quality and confidentiality and data protection requirements"*.

Also, see paper on agenda as regards risks management in IfQ programme.

Audit and Governance Committee Paper

Paper Title	McCracken update
Agenda Item	8
Paper Number	[AGC (01/10/2014) 425]
Meeting Date	1 October 2014
Author	Sue Gallone, Director of Finance and Resources
For information or decision?	Information
Recommendation	<p>To note the progress made over the past six months: of the ten recommendations in the McCracken review we have completed seven and the remainder are partially complete or well underway.</p> <p>That this is the last discrete report on McCracken as the work is now business as usual.</p>
Resource Implications	None
Implementation	None
Communication	As necessary
Organisational Risk	Competing priorities on shared finance resources. The programme as a whole will require careful oversight alongside the day-to-day business of the HFEA.
Evaluation	By the Executive
Annexes	Annex 1

1. Introduction

- 1.1. Justin McCracken's review of the HFEA and the HTA (Human Tissue Authority) was accepted by the Government in July 2013. The Authority agreed its response to the recommendations in the McCracken review at its meeting last September. Part of that response was a commitment to regular updates on progress.
- 1.2. The first six monthly update was presented to the Authority in March 2014; the second, and final, six month update, was provided in September.
- 1.3. Updates have also been provided to the Audit and Governance Committee at each meeting, following the updates to the Authority.
- 1.4. As the Authority agreed that there would be no further discrete reports on the McCracken review actions (they are now business as usual), it is recommended that this is also the last regular report to AGC.

2. The McCracken review

- 2.1. The McCracken review made 18 recommendations in total, 10 of which required action by the HFEA. The 10 recommendations and the agreed actions are set out in full at Annex 1.
- 2.2. In summary, we have made good progress: **we have completed seven recommendations and the remainder are partially complete or well underway.**

Annex 1

McCracken Review Action Plan

Recommendation	Response	Lead Officer
Theme: Shared services		
<p>Recommendation 2</p> <p>The support services of the two bodies [the HFEA and HTA] should be combined and managed by a single Director of Finance and Resources supporting both Chief Executives. This will facilitate the achievement of significant further efficiency savings, estimated at £2.8M over 10 years.</p>	<p>Complete: the new shared Director of Finance and Resources started in March 2014.</p>	<p>Peter Thompson CEO</p>
Theme: Stakeholder engagement		
<p>Recommendation 4</p> <p>In order to improve transparency, both the HFEA and the HTA should review and strengthen their arrangements for consulting with stakeholders on their approach to regulatory activities, and should ensure that issues raised with them and their responses are publicly available and discussed regularly in open Authority meetings.</p>	<p>Complete: stakeholder survey commissioned in January 2014 to understand better perceptions of the HFEA, its work, and to gather views about possible improvements. The findings of the survey informed a stakeholder engagement plan which was agreed by the Authority in May 2014. Stakeholder survey will be rerun in Spring 2015 to assess progress.</p>	<p>Juliet Tizzard Director of Strategy and Corporate Affairs</p>

<p>Recommendation 13 The HFEA should review its approach to engagement with its stakeholders and should publish an action plan within 6 months. In 12-18 months' time the HFEA should undertake a structured and anonymous stakeholder attitude and satisfaction survey, and publish the results and associated action plan.</p>	<p>See recommendation 4.</p>	
<p>Recommendation 5 Both the HFEA and the HTA should establish and operate a (permanent) fees review group to improve accountability and facilitate dialogue with licence fee payers.</p>	<p>In progress: fees review group expected to be in place in October 2014.</p>	<p>Sue Gallone Director Finance and Resources</p>
<p>Theme: Better use of Information</p>		
<p>Recommendation 6 To reduce unnecessary regulatory burden the HFEA should proceed without delay with its planned fundamental review of information requirements, using the BFS/ACE paper as the basis for discussion, and adopting for the project an inclusive approach similar to that used successfully in the "One at a Time" project. The HFEA should publish the Project Initiation Document for this work by July 2013 and</p>	<p>In progress: work programme entitled 'Information for Quality: modernising how we collect, use and publish information' set out in scoping paper August 2013. Programme overseen by an Advisory Group established in October 2013 and progress reported to each Authority meeting. The group has established four expert sub-groups to advise on: the data dictionary; data submission; data reporting; and website/public information. Options appraisal and user research review completed in May 2014. It is expected that the Programme will be completed in the 2015-16 business</p>	<p>Nick Jones Director Compliance and Information</p>

<p>then make quarterly progress reports available to open meetings of the Authority. It is estimated that this will yield savings of approximately £1M.</p>	<p>year.</p>	
<p>Recommendation 7 On completion of the review of information requirements the HFEA should establish inclusive projects (a) to review whether further use could be made of the information in its statutory Register to promote public understanding and facilitate more research into issues pertaining to ART; and (b) to identify the best means of providing information from the register, together with appropriate support, to people born as a result of ART.</p>	<p>Partially complete: on (a), the McCracken recommendation assumes completion of Recommendation 6 before beginning work. On (b), HFEA staff met a range of external stakeholders in June 2013 to discuss information and support for people seeking information from the Register. Options presented to the Authority in March 2014 and agreement reached on three year pilot project to provide counselling and intermediary services for Opening the Register applicants. Formal procurement exercise to begin in DATE.</p>	<p>Tba (a) Juliet Tizzard Director of Strategy and Corporate Affairs (b)</p>
<p>Theme: Working with other regulators</p>		
<p>Recommendation 8 In order to improve the approval process for research projects involving gametes and embryos the HFEA should commit to participating fully in the new IRAaS system from its launch in 2014 (and to cooperating fully with the other bodies involved), and should make adequate resources available now to prepare for it.</p>	<p>Complete: agreement reached in November 2013 with the HRA that HFEA will participate in the new IRAaS system when it launches in early 2015.</p>	<p>Name Job title</p>

<p>Recommendation 11</p> <p>The HFEA should clarify to all concerned how it cooperates with the MHRA to achieve effective joint working on matters falling within the latter’s regulatory oversight but which take place within premises regulated by the HFEA.</p>	<p>Complete: an information sharing agreement between the HFEA and the MHRA was agreed. It covers:</p> <ul style="list-style-type: none"> • The exchange of information on medical devices used in ART • MHRA Field Safety Notices and other information sent to users by the manufacturer • HFEA Grade A incidents which involve medical devices <p>MHRA / HFEA collaboration has already resulted in CE Marking Guidance being issues to licensed clinics. The work has established effective lines of communication between HFEA and MHRA and liaison where there are areas of common concerns is now embedded.</p>	<p>Debra Bloor Chief Inspector</p>
<p>Recommendation 12</p> <p>The HFEA should implement their agreement with the CQC, which was approved by the HFEA during my review, to eliminate duplication of regulatory activity between them.</p>	<p>Complete: HFEA / CQC agreement effective from 1 April 2013.</p>	<p>Debra Bloor Chief Inspector</p>
<p>Theme: Regulatory focus</p>		
<p>Recommendation 10</p> <p>The HFEA should conduct a review of the balance of its regulatory focus to ensure that it reflects the relative risks of the different</p>	<p>Complete: New Strategy 2014-17 will address directly the issues of regulatory focus. Consultation on aspects of the strategy issued online on 10 February 2014 and</p>	<p>Peter Thompson CEO,</p>

activities that it oversees. Its approach should reflect the relative maturity of the sector it regulates now, the need to ensure appropriate oversight of technical developments in the field of ART, the need to ensure that appropriate standards of practice are implemented consistently throughout the sector, and the continuing need for a high degree of public assurance regarding the sensitive activities that it oversees. This should not lead to any overall increase in regulatory activity or cost, but a rebalancing of activity.

closed on . Finalised Strategy agreed by Authority in July 2014. New Business Plan underway.

Paula Robinson
Head of Business
Planning

Audit and Governance Committee paper

How this paper relates to our strategy	Setting standards <input type="checkbox"/>	Increasing and informing choice <input type="checkbox"/>	Demonstrating efficiency, economy and value <input checked="" type="checkbox"/>
Paper title	High Level Risk Register 2014-2015		
Agenda item	9a		
Paper number	[AGC (01/10/14) 426 PR]		
Meeting date	1 October 2014		
Author	Paula Robinson, Head of Business Planning		
For information or decision?	Information and comment		
Recommendation	The Committee is asked to note the latest edition of the risk register, and to comment on the revised risks, ratings and controls.		
Resource implications	No direct resource implications.		
Implementation	Continually in progress.		
Communication	Quarterly review by CMG and AGC; Authority last commented on the risk register at its May meeting. The last CMG review was in September.		
Organisational risk	Medium.		
Annexes	Annex A - High Level Risk Register 2014/15.		

The HFEA's High Level Risk Register will be published on the HFEA website after a time delay of twelve months, as specified in the HFEA's policy on the publication of Authority and Committee papers.

Audit and Governance Committee

Paper Title:	Implementation of Audit Recommendations – Progress Report
Paper Number :	[AGC (01/10/14) 427 SG]
Agenda Item:	10b
Meeting Date:	01 October 2014
Author:	Wilhelmina Crown
For information or decision?	Decision
Resource Implications:	As noted in the enclosed summary of outstanding audit recommendations
Communication	CMG
Organisational Risk	As noted in the enclosed summary
Recommendation to the Committee:	AGC is requested to review the enclosed progress update and to comment as appropriate.

Annexes	Status / Actions	Summary of outstanding Recommendations		
		2011/12 & 2012/13	2013/14	Total
Internal – <i>DH Internal Audit</i>	<i>To complete</i>	2	9	11
	<i>Complete</i>	1	3	4
External Auditor – <i>NAO</i>	<i>To complete</i>	-	2	2
	<i>Complete</i>	-	5	5
COUNT		3	19	22

1. Report

- 1.1.** This report presents an update to the audit recommendations paper presented to this committee in June 2014.
- 1.2.** Eighteen new recommendations (*with 26 actions*) have been added since the last meeting of this Committee. Eleven recommendations are from the internal audits covering Risk Management, Corporate Governance and the McCracken & Francis reports. The remaining seven are from NAO following their audit of our Annual Report & Accounts.
- 1.3.** Recent updates received from Action Managers are recorded under a September heading in this document.
- 1.4.** Nine recommendations are noted as completed and the remaining 13 are in hand.
- 1.5.** The remaining outstanding recommendations are classified as (M) or (L) as low. None is classified as high.
- 1.6.** Progress with the implementation of the remaining outstanding audit recommendations will be provided to future meetings of this committee and to CMG on a quarterly basis.

2. Recommendation

AGC is requested to review the enclosed summary of recommendations and updated management responses and to advise whether they have any comments or queries in respect of them.

Recommendations from DH Internal Audit

2011-12

2011 - 12	Title	Section	Findings	Grade	Risk / Implication	Recommendation	Management Response	Action Manager	Date
2011-12	Review of Supplier Maintenance	1	<p>Guidance for Supplier Maintenance: Documentary guidance exists which sets out the financial authorities and responsibilities over procurement, purchasing and payment for goods and services. However, some of the detailed guidance needs to be updated. The HFEA Ordering and Payment Procedures are based on the Barclays Business Master system, which has been replaced by the Barclays Internet Banking system. The HFEA Financial Reporting Procedures do not reflect the current suite of management accounting reports.</p>	L		<p>HFEA Ordering and Payment Procedures should be updated to reflect the use of the Barclays Internet Banking system. HFEA Financial Reporting Procedures should be updated to reflect the current suite of management accounting reports.</p>	<p>Agreed. The Financial Procedures will be updated to reflect this and other recommendations arising from this audit, and also updates to the Authority's Fraud and Anti-Theft Policy.</p> <p>June 2012 update: The finance procedures have been revised in draft and presented to CMG. Recommendations from the meeting are due to be incorporated and finance training arranged for staff new to their financial responsibilities / who would like a refresher.</p> <p>September 2012 update: The Financial Procedures – the main document setting out procedures and processes for all staff – have been updated and are on the intranet. Revisions include reference to the Fraud and Anti-Theft Policy; changes in staffing; and enhancement of T&S information in line with DH policy. The detailed procedures in use by only the finance team have been substantially updated. The banking procedures refer to Barclays Internet banking. Some detailed procedures remain to be updated, it is anticipated this will be completed by end October.</p> <p>November 2012 update: The finance SOP on the HFEA's Ordering and Payment of goods and services has been updated to reflect the use of Barclays Internet Banking. The imminent delivery of the SAGE 200 project will radical transform the financial system and processes currently in place. It is therefore recommended that all other documents are reviewed after the new system is introduced.</p> <p>March 2013 update: The Sage 200 project is underway. The financial procedures and finance team SOPs will be subject to material revisions to reflect the forthcoming (1 April 2013) introduction of WAP (to facilitate online processing of purchase orders to payment).</p> <p>June 2013 update: Pending resolution of the technical problems with the new WAP system the revisions to the financial procedures were also delayed. The WAP system went live on 3rd June and revised summary financial procedures are to be presented to this meeting. Some of the individual detailed procedures will be completed subsequently.</p> <p>Aug 2013 update: Delayed due to finance team restructuring. In addition, an annual review of the existing suppliers database will be written into the standard operating finance documentations which is planned to be completed by November 2013</p> <p>Nov 2013 update Now expected in Dec 2013</p> <p>Feb 2014 update A review of time and availability resources has necessitated moving this piece of work back in Q1 of 2014-15. This recommendation relates to the updating of SOP's which are internal to finance staff only.</p> <p>May 2014 update Awaiting completion by Director of Finance and Facilities Internal audit planned in Q1 2014/15 to update this recommendation</p> <p>September 2014 Update Finance policies and SOPs to be updated.</p>	Head of Finance	<p>Apr-12</p> <p>Jul-12</p> <p>Oct-12</p> <p>May-13</p> <p>March / April 2013</p> <p>Jul-13</p> <p>Nov-13</p> <p>Dec-13</p> <p>Apr-14</p> <p>Jun-14</p> <p>Dec-14</p>
	Data	4	<p>Information Asset Register A number of policies are in place that relate to the management of information, including: · Information Classification and Retention; · Records Management; and</p>	L	<p>Policies related to information management may be applied without consideration of the security</p>	<p>Management should review the policies related to information management to consider whether those policies require linking to the IAR.</p>	<p>1. This is a good suggestion which we will progress during 2012.</p> <p>November 2012 update In progress, a meeting has been arranged to initiate changes.</p> <p>March 2013 update:</p>	Director of Finance / SIRO	<p>Nov-12</p> <p>Dec-12</p> <p>May-13</p>

Recommendations from DH Internal Audit

2011-12

2011 - 12	Title	Section	Findings	Grade	Risk / Implication	Recommendation	Management Response	Action Manager	Date
	o n f i d e n t i a l i t y		Information Access. These policies do not reference HFEA's Information Asset Register (IAR) which is used to apply a security classification to information assets. HFEA use different security classifications to define the controls which are to be applied to data sets.		classifications documented in the IAR.		The OGSIRO has recently issued documents relevant to risk appetite and security for information assets. This needs to be taken account of in the review, which has been delayed. June 2013 update: Work delayed Nov 2013 update Now expected in Dec 2013 Feb 14 update - due to workload pressures, this has been delayed again. It is now firmly scheduled to be completed end March 2014 May 14 update Policies to be updated after IfQ changes - discussion to take place by end June 2014 to see if interim update possible September 2014 Update These policies form part of the Information Governance toolkit and are currently being reviewed. It is anticipated that the reviews will be completed by November 2014.	Head of IT	Sep-13 Dec-13 Apr-14 Dec-14 November-14
2012 - 13	Title	Section	Findings	Grade	Risk / Implication	Recommendation	Management Response	Action Manager	Date
2 0 1 2 - 1 3	I T P r o j e c t s	4	<u>Reporting on IT resources</u> Due to the size of the IT team, developer resources cannot always be dedicated to projects. Often incidents will occur or change requests may be made which are considered to be critical. IT will then decide whether development on projects should be delayed to address those incidents. This is done in consultation with project sponsors and managers but not in line with a formal process, and it was commented to us during the review that it is not always clear to stakeholders who had been involved in making those decisions. With a formal process in place IT may not always be best placed to prioritise use of its own resources, and may not sufficiently consult the wider business when making decisions In larger organisations this role would be performed by a Change Board, or in line with defined polices and procedures around assessing the criticality of incidents and change requests.	L	Stakeholder expectations may not be met if projects are delayed and they have not been informed and consulted on those delays	We acknowledge that it may not be practical to implement a Change Board or defined policies around assessing the criticality of incidents. Management can however take steps to increase the transparency around the management of IT resources. We recommend that reports are produced and communicated to project stakeholders and HFEA Directors on a regular basis. The reports should detail the planned activities for that period and reflect on the progress made in the previous period, and detail any reasons for interruptions.	Agreed. Small scale change requests are routed to Programme Board, we assume that this refers to more significant changes and we shall sharpen the process around these Aug 2013 update: Programme Board (PB) can and does deal with project-related 'change requests' and 'exception reports', but with a focus on delivery of that project. PB is not responsible for resource allocation across all our project and non-project work. CMG (or, if no meeting of CMG is imminent, SMT) is responsible for prioritisation and resources. We will need to consider how day-to-day management of potential IT resource diversions could be improved via CMG/SMT, and whether a mechanism can be agreed that is responsive enough in practice, i.e. that does not depend on scheduling an item for a future meeting date that may be some way off. This will require significant Sponsor/Director level commitment since speedy decisions will be needed if an incident arises that requires immediate attention. Nov 2013 & Feb 2014 update - No progress due to preparations for IfQ, drop in other project activity and pending re-organisation involving IT September 2014 Update IT resources now deployed on IfQ (routine change has ceased) and reported on through management of that programme. Recommendation Complete	Director of Finance with Head of IT & Head of Business Planning Director of Compliance and Information	Jul-13 Dec-13 Jun-14 Complete

2013 - 14	Title	Section	Findings	Grade	Risk / Implication	Recommendation	Management Response	Action Manager	Date
P C W	P A Y P E N S E S &	1	<p>Arrangements for verification of mileage claims</p> <p>There are no formalised arrangements for verification of expense claims relating to mileage. Individuals will submit claims for miles travelled that have to be authorised by line-managers in the normal way, but there are no arrangements for ensuring that claims are sufficiently detailed to identify start and end locations of journeys and individual mileages and to verify that these distances are reasonable on a sample basis.</p> <p>We were informed by management that introducing this type of control is something that they are looking to do in the near future</p>	M	Individuals could inflate the number of miles they are claiming to have travelled, thereby resulting in financial loss to the Authority	Management should devise a control process whereby all mileage claims are suitably detailed and then a sample of journeys checked for reasonableness. The existence of such a process has a deterrent effect, which may mean that testing can be on only a small sample of claims	<p>Agreed (since the introduction of WAP). Testing for an upgrade to the WAP system with google map features is imminent and will help when it is rolled out.</p> <p>February update</p> <p>Due to workload pressure, testing is delayed to April 2014 and roll out will be May 2014</p> <p>May update</p> <p>Due to workload pressure, testing is delayed to June 2014 and roll out will be July 2014</p> <p>September 2014 Update</p> <p>WAP testing continues and new queries were recently raised with Sicon. It is anticipated that depending on Sicon's availability when testing is completed, that the upgraded system will be rolled out before the end of September</p>	Finance & Accounting Manager	<p>December-13</p> <p>May-14</p> <p>July-14</p> <p>end Sept / Oct 14</p>
		1	<p>The Authority does not have a formalised risk management strategy, policy or procedures</p> <p>The Authority has not documented a risk management strategy, policy or procedures. Information on areas such as risk appetite and the objectives of risk management are only set out within the Annual Governance Statement (AGS). Typically organisations will define a risk management strategy and framework and ISO 31000 "Risk Management – Principles and Guidelines" describes having a framework for implementing risk management. Related guidance from the Institute of Risk Management, The Public Risk Management Association and Association of Insurance and Risk Managers talks about an organisation describing its framework for supporting risk management by way of the risk architecture, strategy and protocols. This is seen as a way of communicating on risk issues and setting out the roles and responsibilities of the individuals and committees that support the process. The risk strategy should also set out the objectives that risk management activities in the organisation are seeking to achieve and the protocols and procedures by which the strategy will be implemented and risks managed.</p> <p>In practice, HFEA has a continuous process of monitoring and managing risk, and there is a structure of oversight and review in operation. However, the Head of Business Planning has a key role in driving these processes, including briefing new staff, determining tolerances for individual risks in the context of the overall statements in the AGS and monitoring top operational risks to identify any that need to be escalated to the HLRR. These conclusions are then subject to a degree of later review at CMG,</p>	M	<p>Reviewing the AGS may not effectively incorporate an appropriate review of the organisation's risk management appetite and strategy.</p> <p>In the absence of a formal strategy policies, procedures and risk management processes may not be clearly and consistently applied across the organisation, exposing the Authority to risks above its risk tolerance.</p> <p>In the event of a change in personnel, the process may be at greater risk of not continuing to operate satisfactorily.</p>	The Authority should formalise a Risk Management Strategy, Policy and procedures that builds on the content of the AGS and provides guidance on the application of risk management across the Authority.	<p>Finding accepted. Draft Risk Management Policy to June 2014 AGC</p> <p>September 2014 Update</p> <p>An advanced draft of the strategy went as planned to June AGC. Further work will follow over the next few months as we proceed to review our risk register in light of the new Strategy agreed at July Authority.</p> <p>Plus any subsequent actions - to be completed by December 2014</p>	HoBP	<p>June 2014</p> <p>Complete</p> <p>December-14</p>

2013 - 14	Title	Section	Findings	Grade	Risk / Implication	Recommendation	Management Response	Action Manager	Date
		2	<p>Risks are significantly summarised within the HLRR and the supporting Assurance Framework has yet to be prepared</p> <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. <p>Whilst we can see how the 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.</p> <p>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>	M	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	As intended, an Assurance Framework should be developed showing the alignment of controls, mitigating actions and sources of assurance relating to the risk of breakdown in areas underlying the high level risks.	<p>Accepted in part. We will need to approach this finding in a proportionate and manageable way. Our proposed actions are:</p> <ol style="list-style-type: none"> 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. Head of Business Planning to start on this following Corporate Strategy work. For completion by the scheduled CMG review 11/ 14 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 Planning – part of AGC paper for 06/14 <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> <ol style="list-style-type: none"> 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 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 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. 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. 	HoBP	<p>February-15</p> <p>June-14</p> <p>Complete</p> <p>January-15</p> <p>December-14</p>

2013 - 14	Title	Section	Findings	Grade	Risk / Implication	Recommendation	Management Response	Action Manager	Date
							<p>September 2014 Update 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>		Complete
			3 Setting of tolerance for risk generally and for individual risks	M					
			<p>The Authority has stated that its tolerance for risk is medium. However, there is no direct linkage between this and individual risk tolerances. Tolerances for individual risks are determined by the Head of Business Planning as high, medium or low based on her general perspective and understanding of the business, and against the overall policy of the Authority that HFEA has an attitude to risk that is "proportionate and balanced" and an appetite that is "medium". These individual risk tolerances are then part of the information reviewed by CMG, AGC and the Authority. We also noted that the tolerance for the risk "Achieving organisational change alongside effective resource management" is stated in the HLRR as "high" notwithstanding the overall medium risk appetite.</p>		<p>There may be difficulty interpreting the Authority's risk tolerance into practical levels that determine whether to tolerate or take action on individual risks. Whilst practically there is a high level of review of actions against risks, it is still more difficult to articulate the link between the stated Authority tolerance and its application in practice. As a result, risks in excess of the Authority's tolerance may be accepted.</p>	<p>The Authority should consider whether it can refine its statement of risk tolerance by setting tolerance levels for key types of risk in terms of risk scores, for example licensing, regulation, provision of information etc.</p>	<p>Accepted to some extent. The general point can be addressed in a proportionate way through the planned written policy (see response to rec. 1 above). This will include an explanation of our overall attitude to risk, our approach to setting individual risk tolerance levels (as opposed to overall organisational risk appetite), and an explanation of the roles of the Head of Business Planning, other Heads and Directors, and CMG, in relation to the setting of risk appetite and risk tolerances. It will also describe the practical limitations that exist in relation to setting meaningful numerical tolerance limits in relation to the areas suggested. We believe that this will usually not be applicable owing to the nature of the risks we encounter. NB: For information, since the ALB review period of uncertainty ended, we have lowered our overall risk appetite, as an organisation, from 'medium' to 'low'.</p> <p>September 2014 Update This was addressed in the paper to June AGC describing the current risk system, and will be wrapped into further work on the policy.</p>	HoBP	<p>The approach June 2014 AGC paper (see rec. 1 response).</p> <p>December-14</p>
			4 High Level Risk Register does not explicitly assign timescales to future actions or predict the likely residual risk once they are completed	L					
			<p>The High Level Risk Register contains a good level of detail on individual risks, including the causes and effects, current controls, tolerability and further controls required. We see this as good practice and beyond the level of detail that many organisations include. The same applies to having assigned individual risk tolerances. However, we also noted that there is no timescale explicitly attached to completing the identified actions by which risks will be reduced, nor any clear prediction of the expected residual risk once the actions have been taken or at a point in the future (e.g. by financial year end). Some organisations have incorporated such details into their risk registers in order to provide a clearer view of future expectations and to allow closer monitoring of the delivery of required actions.</p>		<p>Lack of clarity over timescales and the impact of identified actions may make it more difficult to monitor timely completion and to identify at an early stage whether the actions being taken are adequate.</p>	<p>Consider the benefits of including target completion dates for planned actions and an estimate of future residual risk once the actions are completed within the HLRR.</p>	<p>Part accepted. We think there is value in adding target completion dates for planned actions. But estimating the impact on residual risk of each control seems disproportionate. Head of Business Planning to add target completion dates for each planned control when the risk register is next reviewed by CMG following the publication of our new strategy.</p> <p>September 2014 Update The work to review the High Level Risk Register in line with the new Strategy is beginning now, and we will incorporate completion dates where relevant from that point on (and, where we already know such dates, some can be added immediately, ready for the next full CMG review on 10 September)</p>	HoBP	<p>Target date: August 2014.</p> <p>October-14</p>

2013 - 14	Title	Section	Findings	Grade	Risk / Implication	Recommendation	Management Response	Action Manager	Date	
CORPORATE GOVERNANCE		1	The Authority receives only a verbal update from committee chairs on the business undertaken by committees	L						
			The Authority receives feedback on the activities of committees through verbal updates by the relevant chairs at the next Authority meeting. However, minutes of the meetings of committees are not circulated and whilst the verbal update is helpful in providing context and understanding of the work of committees it does mean that members of the Authority have no opportunity to consider matters discussed in advance of meetings to identify any questions. We also noted that on occasion committees can be dealing with sensitive matters that may subsequently appear in the press, and there is no formal mechanism for communicating such matters prior to the next meeting of the Authority, which could be after external reporting.		Authority members may not have a full understanding of the activities of committees, or may not have time to identify questions. Members may not be aware of key decisions taken in committees before they are reported in the press.	Consider circulating minutes from committee meetings for information as part of Authority papers to members, in addition to the verbal updates. Consider whether there would be any merit in having an additional communication channel for any key decisions likely to have significant external coverage.	Head of Governance and Licensing (HoGL) to feed into annual review of committees, and take members' views on whether they would appreciate this approach, or have ideas for additional communication channels.	HoGL	Autumn 2014, with implementation in new year if agreed by members.	
		2	Some governance information on the website needs updating	M						
			We noted that there are a number of governance items on the HFEA website that appear to require updating: <ul style="list-style-type: none"> In the "About HFEA" section the link to provisions of the 1990 Act as amended by the 2008 Act (www.dh.gov.uk/en/Publicationsandstatistics/Legislation/Actsandbills/DH080211) does not work, that legislation page seemingly having been archived, and the About HFEA section also still refers to having 22 members; The section on Equality and Diversity refers to new guidance to public bodies due to be issued in 2010 and goes on to say that the Authority intends to overhaul and update its approach to equality issues as part of its preparation for the commencement of the new public sector duty, and makes mention of having considered an initial preliminary assessment at the open public meeting in Cardiff on 8th December 2010; and On the website the "Our Public Events" sub sections are for the 2008 and 2009 Annual Conferences. 		Users of the website may be confused by out of date information. Reputation may be impaired as a result of the perception of lack of attention to the quality of There may be a perception that the Authority has not paid sufficient attention to its equality and diversity objectives.	Review the website and update any information that is out of date. In particular, update the equality and diversity section. Implement a mechanism for regular testing for broken links to third party information.	Equality policy being refreshed in summer 2014, with updated documentation to go on website. Other website changes being factored into IfQ programme. Website September 2014 Update All sections apart from the Equality and Diversity section of the website have now been fixed. The Equality and Diversity section has been delayed due to IFQ	Equalities - HoGL IfQ Programme Manager transferred to Director of Strategy and Corporate Affairs	Equalities - by October 2014. On implementation of IfQ programme March-15	
		3	There is no up to date register of policies and policies on counter-fraud and whistleblowing are overdue for review.	M						
			We noted that per Standing Orders the Authority should maintain a register of policies for the purpose of monitoring the need for review and updating. However, we were unable to obtain such a register. We obtained copies of the policies for Counter-fraud and Whistleblowing and noted that these were respectively dated July 2010 and May 2012 despite containing references to being subject to annual review.		Policies may no longer be appropriate to current operations and/or reflect latest best practice.	A register of policies indicating the owner and scheduled date for review should be maintained and monitored to ensure timely review of all policies. The Counter-Fraud and Whistleblowing policies should be reviewed and updated if necessary.	HoGL to create and maintain register of policies. September 2014 Update Register created and policies that need to be updated will be prioritised and scheduled, in discussion with policy owners. Head of Finance to update Counter-fraud policy. September 2014 Update Finance policies and SOPs to be updated. Head of HR to update Whistleblowing policy. Whistleblowing policy updated already by Head of HR and communicated to all staff, awaiting sign-off expected. September 2014 Update SMT agreed have agreed an updated policy. A paper of the updated policy was presented to the Staff Forum and CMG in September and to AGC in December.	HoGL HoF HoHR	May-14 December-14 July-14 December-14 May-14 December-14	

2013 - 14	Title	Section	Findings	Grade	Risk / Implication	Recommendation	Management Response	Action Manager	Date
		4	There are no formalised succession planning or induction arrangements and there is likely to be more change in members in the future than in recent years	L					
			<p>We understand that there are no formalised arrangements for succession planning and induction of new members. It is likely that there will be more change in membership in the future which raises the question of whether there should be succession planning to ensure that there is some continuity within all committees. In addition, consideration could be given to whether members should be able to serve their full terms on one committee, or if some rotation to introduce fresh perspective may be appropriate in certain circumstances.</p> <p>We are aware that induction has been undertaken, for example members observing a clinic inspection, but in light of possibly more significant change going forwards more formalised planning for induction may be appropriate. There is currently no induction pack of information nor any plans for the activities that should be undertaken as part of induction. This could also extend to thinking about induction to committees where new members may be asked to input to decisions on matters that are quite complex.</p>		<p>Key knowledge or experience may be lost through changes to membership.</p> <p>Whilst an element of change may be beneficial, normal timescales and flow of business may be interrupted in the event of significant change whilst new members find their feet.</p> <p>The experience of new members joining the Authority may not be wholly positive.</p>	<p>Formally consider the implications of forthcoming changes in membership and develop succession, handover or induction arrangements as appropriate.</p> <p>An information pack for new members with specific additions if necessary for those joining particular committees plus a plan/timetable for meetings with key staff and the opportunity to attend clinic events may help both expedite induction and create a positive experience for new members.</p>	<p>Chief Executive (CEX) has begun liaising with DH reps regarding recruitment of two new members, following appointment of new Chair.</p> <p>HoGL to run recruitment process and any revision of committee membership, steered by Chair. New members and any changes to committee structure to be in place by September 2014</p> <p>HoGL and Head of HR to create induction pack and programme for new members.</p> <p>Induction pack/programme to be ready on appointment.</p> <p>September 2014 Update Interviews for new members occurring in August 2014. Appointments expected by end September 2014. Induction pack/programme to be ready on appointment.</p>	HoGL	<p>September 2014.</p> <p>December-14</p>
		5	Only approving minutes at the next committee meeting may occasionally cause long delay in publication	L					
			<p>The meeting of the Ethics and Standards Committee scheduled for 6 November 2013 was cancelled. The minutes of the previous meeting on 4 September were due to be approved at that meeting but as there has not been a subsequent meeting at the time of preparing this report in late February 2014 no minutes have been published for the September meeting.</p>		<p>Visibility of discussions and conclusions may be impeded by delay in making details public.</p>	<p>Where there will otherwise be a significant delay in publication of minutes, consider whether it may be possible to approve them outside of a formal meeting to allow earlier publication.</p>	<p>HoGL to make provision in committee SOPs to allow for minutes to be signed off on schedule in cases where meetings are cancelled/delayed.</p> <p>May update Work to be completed by end of June</p> <p>September 2014 Update Committee secretaries aware to circulate minutes in advance of next meeting, in cases where next meeting is some time away.</p> <p>Recommendation Complete</p>	HoGL	<p>April-14</p> <p>June-14 Complete</p>
	M c c r a c k e n a n d F r a n c i s	1	The planned progress report to the Authority in respect of actions following on from the Francis Report has not been received by the Authority.	M					
			<p>The Authority considered a paper on the relevance of the recommendations contained within the Francis Report to the HFEA and the actions to be taken in those relevant areas at its meeting in March 2013. It was stated that a progress report would be presented to the Authority in November 2013, but this has not happened.</p>		<p>Whilst we can see that many of the actions have been progressing and in a number of cases papers on particular areas have been considered by the Authority, the lack of formal reporting of progress means a lack of visibility of overall progress against the action plan and the Authority has not formally had the opportunity to review and challenge the pace of developments or whether the actions underway continue to represent all those that are</p> <p>Progress is less visible externally as a result of not having published a paper within the Minutes of Meeting or separately.</p>	<p>A progress report summarising key steps taken in response to the recommendations contained within the Francis report judged relevant to the HFEA should be presented to, and reviewed by, the Authority.</p> <p>Management should consider whether within the progress report timescales for any of the actions or milestones towards them should be defined to assist with monitoring progress.</p> <p>Whilst we recognise the focus on the themes, management should also consider whether in particular areas as policies or processes are developed those working on those changes should revisit the detailed recommendations in the Francis Report. This might be relevant to the area of the Report concerned with the Effectiveness of</p>	<p>Progress against relevant actions will be summarised for the Authority.</p> <p>September 2014 Update: This actions is now complete. It is disproportionate to report to Authority on the basis that all the issues identified have been considered by Authority or by the Authority's Ethics and Standards Committee. The report considered by Authority ion March 2013 identified six areas where the Authority would wish to consider potential action.</p> <p>1) Putting the patient first: This included giving patients' views more prominence in inspection and within Choose a Fertility Clinic (CaFC); further that we put more onus on the impact of information provided to donors and the donor-conceived as a result of treatment. Inspections now routinely include the results of interviews with patients; CaFC is being overhauled as part of the IfQ Programme - with the results of user research confirming that patients want to see the experiences of other patients more prominently. We are committed to this. And earlier this year, the Authority approved a 'pilot' programme whereby the HFEA can offer (through an approved third-party supplier) counselling support to applicants expressing concern on the</p>	CEO	<p>TBC</p> <p>Complete</p>

2013 - 14	Title	Section	Findings	Grade	Risk / Implication	Recommendation	Management Response	Action Manager	Date	
	r e p o r t s				Lack of a clear summary may be taken to demonstrate a lack of focus on the issues raised in the original report, notwithstanding other evidence of the developments being made.	Healthcare Standards.	<p>1) Supporting support to applicants expressing concern on the emotional impact of information.</p> <p>2) Healthcare Standards: This looked at our role as regards close working with other regulatory bodies notably the Care Quality Commission and MHRA. We have formally taken over the functions of CQC where there was overlap as regards the regulation of ART clinics. This exercise was extensive was implemented successful as measured by an evaluation exercise. We have also concluded a set of meetings leading to an understanding and information sharing protocol with MHRA.</p> <p>3) Effective complaints handling: Our consideration of patient complaints was considered by Ethics and Standards Committee this September and further evaluation and working with clinics to better understand their patient complaints is underway.</p> <p>4) Openness, transparency and candour: This action largely related to our work as regards clinic incidents. A major report on three=years' of incidents was published in July this year. http://www.hfea.gov.uk/9017.html</p> <p>5) Leadership: We did not propose taking any action here, which the Authority approved.</p> <p>6) Information: A range of actions were proposed here, relating to our arrangements for clinics submitting treatment data to us and changes to CaFC. All actions here are captured within our IfQ</p> <p>Recommendation Complete</p>			
		2	A paper on review of the Complaints handling process has yet to be presented to Ethics and Standards Committee.	M						
			<p>In response to the theme in the Francis Report concerning effective complaints handling it was agreed to review during the year the overall arrangements for dealing with complaints and to bring forward the outputs and recommendations to the Ethics and Standards Committee.</p> <p>At the time of the audit, the Ethics and Standards Committee has not considered any papers on this subject.</p> <p>We recognise that there are clear policies in place for handling complaints, and that the Authority's responsibility for considering any complaints concerning Centres is defined within legislation. However, as agreed by the Authority there is still merit in reviewing whether there is scope to improve processes in light of the issues identified at Mid Staffordshire NHS Foundation Trust.</p>		Opportunities to improve the handling of complaints may not be identified and acted upon. This could impact reputation and experience of those making complaints and the subject of complaints.	The proposed review and report on complaints processes should be taken to Ethics and Standards Committee.	<p>Agreed. Paper to be presented to Ethics and Standards Committee.</p> <p>September 2014 Update</p> <p>A report of the review of complaints handling is being considered at Ethics and Standards Committee on 3 September 2014. This item is closed.</p> <p>Recommendation Complete</p>	Director of Compliance	TBC	
N A O	A n n u a l R e p o r t	1	Provisions and contingent liabilities	M						
			<p>Testing of the Provisions note in the accounts identified multiple issues relating to the provisions disclosure and the note requires full redrafting</p> <p>a) Two non-material prior period errors were identified; mis-classification between utilised and released provisions; and the impact of provision movements on the I&E.</p> <p>b) In the current year, we identified mis-classification between provision 'released' and provision 'utilised' in relation to the provision for Restructure costs.</p> <p>c) The calculation of the impact of provision movements on the I&E was incorrect, considering only amounts provided in period (omitting amounts released).</p> <p>d) It was discovered that two contingent liabilities should be disclosed in the accounts.</p>		<p>We recommend that management review of the Accounts for next year is informed by the lessons learnt from this year so that sufficient time and resource can be built in to aid the Accounts production and review process.</p> <p>The completeness of disclosure of Provisions and Contingent Liabilities should be considered and new cases disclosed where there is the possibility of an outflow of resources as per IAS 37.</p>	<p>Agreed. We will ensure accounts production and review takes account of lessons learned</p> <p>The contingent liabilities arose on 27 and 28 May and have been included in the final version of the accounts.</p> <p>September 2014 update</p> <p>Lessons learned meeting in August 2014 will inform 2014/15.</p> <p>Recommendation Complete</p>	HoF	Complete		

2013 - 14	Title	Section	Findings	Grade	Risk / Implication	Recommendation	Management Response	Action Manager	Date	
Accounts	&	2	Asset Valuations	M						
			We noted that HFEA had responded to our Interim Audit findings: a full review has been carried out of the Fixed Asset Register (resulting in a rationalisation of the register and disposal of assets no longer in use); IFQ expenditure has also been reviewed; and useful economic lives of all classes of assets had been reviewed. However, in applying FREM 6.2.5 and IAS 16, reporting entities should ensure all tangible non-current assets shall be carried at valuation at the reporting period. This is not currently the case at HFEA, and while it is accepted that the impact may be immaterial on the accounts, HFEA need to ensure that this is considered. Note that we are currently awaiting confirmation that this is immaterial.			HFEA should ensure their non-current asset register is reviewed on a periodic basis, given that their review in 2013-14 found assets no longer in use at an original cost of c.£200k. The IFQ project should be reviewed periodically next year as expenditure increases to ensure that revenue and capital expenditure continue to be appropriately distinguished.	Agreed <u>September 2014 update</u> Asset review planned to inform year end. IFQ expenditure reviewed in depth quarterly <u>Recommendation Complete</u>	HoF	Complete	
		3	Accruals and cut off	M						
			Testing of accruals identified two accruals with a joint value of £50,000 which were unsupported and unnecessary. This error has been limited to the business area in which the accruals were made, of which the total value of accruals was £78,775.78. This also impacts on 'Fees and Related Costs' (as highlighted subsequently by HFEA finance).			HFEA Finance should ensure accruals are supported by evidence that there is an obligation to pay at the end of the reporting period. Where this information is provided by other teams within the organisation, finance should obtain evidence to assure themselves that they are raising accruals for the correct amounts in the right years	Agreed. Finance will review accruals raised by other teams, in particular at year end <u>September 2014 update</u> Finance reviews accruals monthly, paying particular attention to legal accruals (which had the over accruals). In addition further training has been done for WAP, Q and A sessions delivered to teams and quarterly budget meetings are held with budget managers. <u>Recommendation Complete</u>	F&AM	Complete	
		4	Annual Report	L						
			Whilst the requirements of the Companies Act 2006 as interpreted by the FReM had broadly been addressed within the Annual Report, there were a minor number of disclosures missing (such as references to current strategy and 2013/14 business plan). The required headings of 'Directors' Report' and 'Strategic Report' do not appear anywhere in the Annual Report. There were minor inconsistencies in the Financial Review.			HFEA should consider the drafting of their 2014-15 Annual Report to ensure that the headings of Strategic Report and Directors' Report are included and that these sections of the report are fully compliant with Chapter 4A and 5 of Part 15 of the Companies Act 2006 and Schedule 7 of SI 2008 No 410 as required by the FReM.	HFEA has made the minimum required changes for 2013/14. <u>September 2014 update</u> Lessons learned includes reference to FReM and other guidance, to ensure 2014/15 reports compliant. <u>Recommendation Complete</u>	HoBP & HoF	Complete	
		5	Remuneration Report	L						
			As with the Annual Report, whilst the requirements of the Companies Act 2006 as interpreted by the FReM had broadly been addressed, there were a minor number of disclosures missing or that required amendment. Total employer pension contributions for HFEA as a whole were also inaccurate			HFEA should obtain up-to-date declarations of interest for the Senior Management Team (who are disclosed in the Remuneration Report) as they do for Non-Executives	<u>September 2014 update</u> Update planned for November 2014, with requirement to notify changes as they occur.	HoF	November-14	
		6	Intra-Government balances	L						
		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	<u>September 2014 update</u> Comparison will take place when DH request future consolidations	HoF	January-15		
	7	Cash	L							
		Our audit of cash and cash equivalents at interim identified a number of weaknesses around the controls process for cash reconciliations carried out in year. Testing of the year end bank reconciliation was completed successfully, apart from the identification of credit card balances being netted off from cash which resulted in an understatement in year-end cash balances of c.£3,000.			HFEA should ensure that in-year bank reconciliations are performed for every month in 2014/15 and that reconciling items are followed up in subsequent months. Credit card balances should not be netted off from cash balances.	<u>September 2014 update</u> Monthly reconciliations in place. Aware of different types of balances and these are now treated properly. <u>Recommendation Complete</u>	HoF	Complete		

Human Fertilisation and Embryology Authority

Audit planning report on the 2014/15 financial statement audit

REPORT TO THOSE CHARGED WITH GOVERNANCE
October 2014

<http://www.nao.org.uk/>

Contents

We have pleasure in setting out details of our proposed financial statement audit approach for the Human Fertilisation and Embryology Authority for the year ending 31 March 2015.

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We have prepared this report for HFEA's sole use, although you may also share it with the Department of Health. You must not disclose it to any other third party, quote or refer to it, without our written consent and we assume no responsibility to any other person.

Financial statement audit plan

What work will we complete?

Our audit, which will be conducted in accordance with International Standards on Auditing (UK and Ireland) (ISAs (UK and Ireland)), will enable the C&AG to give an opinion on the financial statements.

Further details of the scope of the audit, as well as our respective responsibilities in relation to this engagement, have been set out in our Letter of Understanding which has previously been provided to the audit committee.

How are we going to conduct the audit?

Risk based approach

We plan our audit of the financial statements to respond to the risks of material⁽¹⁾:

- misstatement to transactions and balances; and
- irregular transactions.

The Auditing Standard ISA240 states that there is a risk in all entities that management override controls to perpetrate fraud. There is also a presumed risk of fraud arising through revenue recognition. Other than these risks we have not identified any other significant financial statement risks.

In addition to these significant risks we have also identified some 'risk factors' i.e. risks that are not expected to represent a material misstatement in year but we would like to keep in view in our audit work;

- Accounting treatment for the IfQ capital expenditure project;
- Sharing of senior finance staff with HTA resulting in a reduced capacity.

Further details of these risks and our response are set out at Appendix 1.

Our team

The details of the key audit staff who will complete this audit are:

Kate Mathers; Portfolio Director

Catherine Hepburn; overall responsibility for the audit

Nicholas Todd; responsibility for management of the audit

Malini Sampat; will lead the on-site work

^[1] A matter is material if its omission or misstatement would reasonably influence the decisions of users of the financial statements. The assessment of what is material is a matter of the auditor's professional judgement and includes consideration of both the amount and the nature of the misstatement. Further information on materiality is included on page 7

When do we plan to complete this work?

Timetable

The timetable comprises two interim visits, each one week long, on weeks commencing 9/02/15 and 16/03/15 and a final visit commencing 11/05/14 with certification planned for late June. Further details are provided in the table below:

Date	Activity
September 2014	Planning: review HFEA's operations, assess risk for our audit and evaluate the control framework.
February 2015	Interim audit work: Review of management accounts and disclosures; work on IfQ & income.
March 2015	Interim audit work: Detailed testing of account transactions and balances.
May 2015	Receipt of 1st draft account
May 2015	Final audit work: account review, completion of audit testing.
June 2015	Audit Completion Report: present the results of our audit.
June 2015	Certification: seek representations and C&AG issues opinion.

Fees

We aim to hold our fee at £27,500.

Completion of our audit in line with the timetable and fee is dependent upon HFEA:

- delivering a complete Annual Report and Accounts of sufficient quality that have been subject to appropriate internal review on the date agreed;
- delivering good quality supporting evidence and explanations within the agreed timetable; and
- making appropriate staff available during the audit.

If significant issues arise and we are required to perform additional work which would result in a change in our fee, we will discuss this with you as soon as possible.

Addressing the key issues

Providing effective regulation:

- As the UK's independent regulator of treatment using eggs and sperm, and of treatment and research involving human embryos, HFEA need to encourage consistently high quality standards of treatment and research in the sector;
- At a time when demand and expectation for healthcare is rising, but funding remains flat, it is crucial that HFEA demonstrates to both clinics and the Department of Health that it delivers efficiency, economy and value;
- Ineffective regulation would put the safety of patients and patient data at risk, and be damaging to the reputation of HFEA.



How we will add value:

- Our audit work on intangible assets will provide assurance over the accounting treatments applied to the Information for Quality programme;
- Our audit work on Licence Fee income provides assurance that reported income from fertility clinics is accurate and complete;
- Our role as statutory auditor of other regulators within the Department, including the Human Tissue Authority and the Health Research Authority allows us to identify common themes and make recommendations to drive best practice;
- We issue several factsheets and toolkits to promote governance best practice – some of our work in this area is summarised in Appendix 3.

Our audit approach

Our assessment of materiality

Materiality

The concept of materiality recognises that financial statements are rarely absolutely correct, and that an audit is designed to provide reasonable, rather than absolute, assurance that the financial statements are free from material misstatement or irregularity.

For the purposes of determining whether the financial statements are free from material misstatement or irregularity we consider whether:

1. the magnitude of misstatement; or
2. the nature and cause of misstatements (e.g. because of the sensitivity of specific disclosure or regularity requirements)

would influence the users of the accounts.

In line with generally accepted practice, we have set our quantitative materiality threshold for the organisation as approximately 2% of gross expenditure, which equates to £100,000.

Other elements of the financial statements that we consider to be more sensitive to users of the accounts will be assessed using a lower qualitative materiality threshold. These elements include the remuneration report disclosures; the losses and special payments note and our audit fee.

We apply the concept of materiality in planning and performing our audit and in evaluating the effect of misstatements on our audit and on the financial statements. As the audit progresses our assessment of both quantitative and qualitative materiality may change.

Error reporting threshold

For reporting purposes, we will treat any misstatements below £1,500 as “trivial” and therefore not requiring consideration by the Audit Committee.

Please note that this is a separate threshold to our consideration of materiality as described above. It is materiality, not the error reporting threshold, which is used in forming our audit opinion.

Our audit approach

Other matters

Independence We comply with relevant ethical requirements regarding independence and have developed important safeguards and procedures in order to ensure our independence and objectivity.

Information on NAO quality standards and independence can be found on the NAO website: <http://www.nao.org.uk/about-us/role-2/what-we-do/audit-quality/audit-quality/>

We will reconfirm our independence and objectivity to the Audit Committee following the completion of the audit.

**Management
of personal
data**

During the course of our audit we have access to personal data to support our audit testing.

We have established processes to hold this data securely within encrypted files and to destroy it where relevant at the conclusion of our audit. We confirm that we have discharged those responsibilities communicated to you in the NAO's Statement on Management of Personal Data at the NAO.

The statement on the Management of Personal Data is on the NAO website:

http://www.nao.org.uk/freedom-of-information/wp-content/uploads/sites/13/2013/05/data_protection_review.pdf

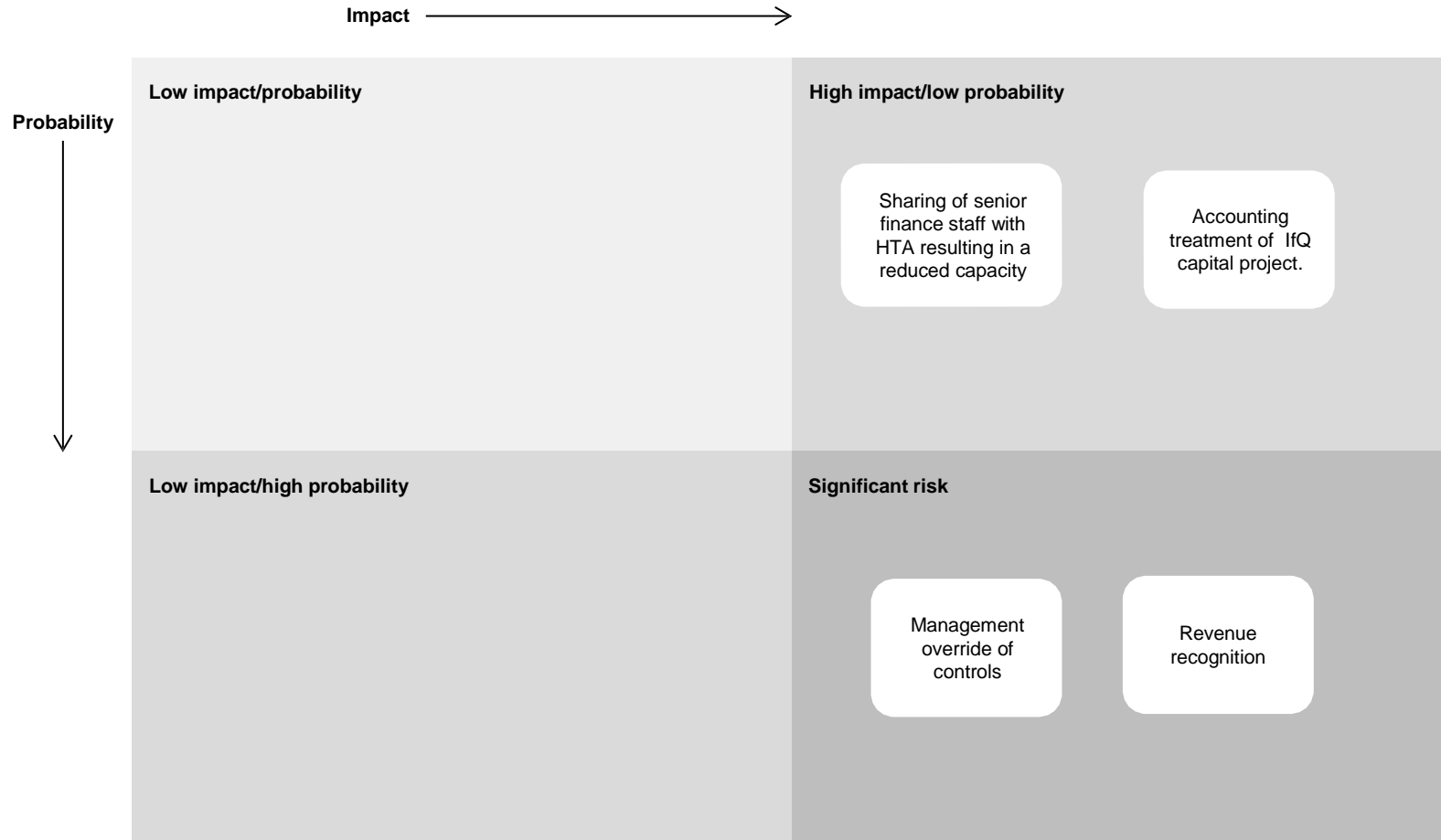
**Using the
work of
internal audit**

We liaise closely with internal audit through the audit process and seek to take assurance from their work where their objectives cover areas of joint interest and where it is efficient to do so.

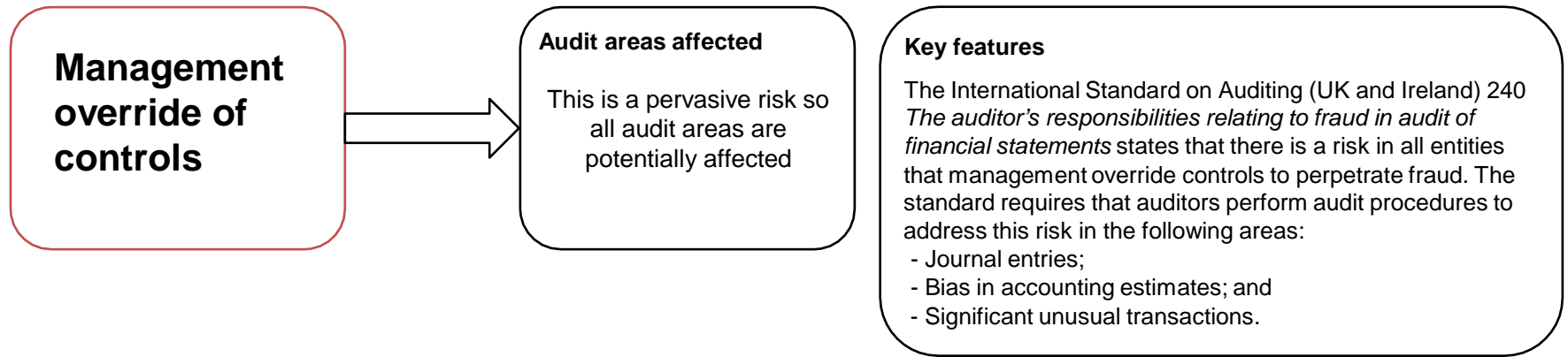
Following our review of internal audit's plans we will consider the terms of reference of the planned report on the Information for Quality programme.

Appendix 1: Significant financial statement risk

We plan our audit of the financial statements to respond to the risks of material misstatement and material irregularity. We are required to perform additional audit work for the most significant risks. Our assessment of the level of risk for the particular issues we consider relevant to the financial statements is shown below.



Appendix 1: Significant financial statement risks



Change from prior year

No change in level of risk from 2013/14.



Audit response

Controls

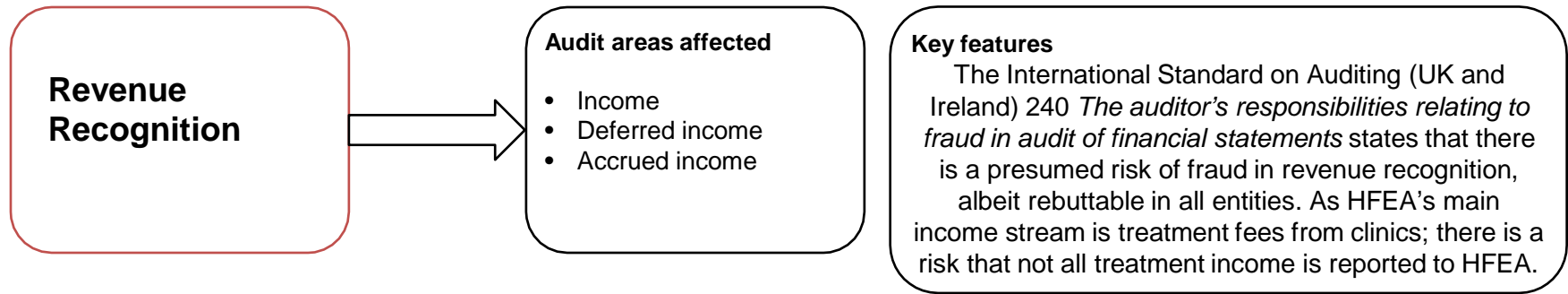
Given the nature of the risk, we will not be looking to place reliance on controls.

Emphasis of testing

Substantive

- Review of significant transactions
- Journal sample testing
- Performing analytical procedures on accounting estimates (e.g. provisions and impairments).

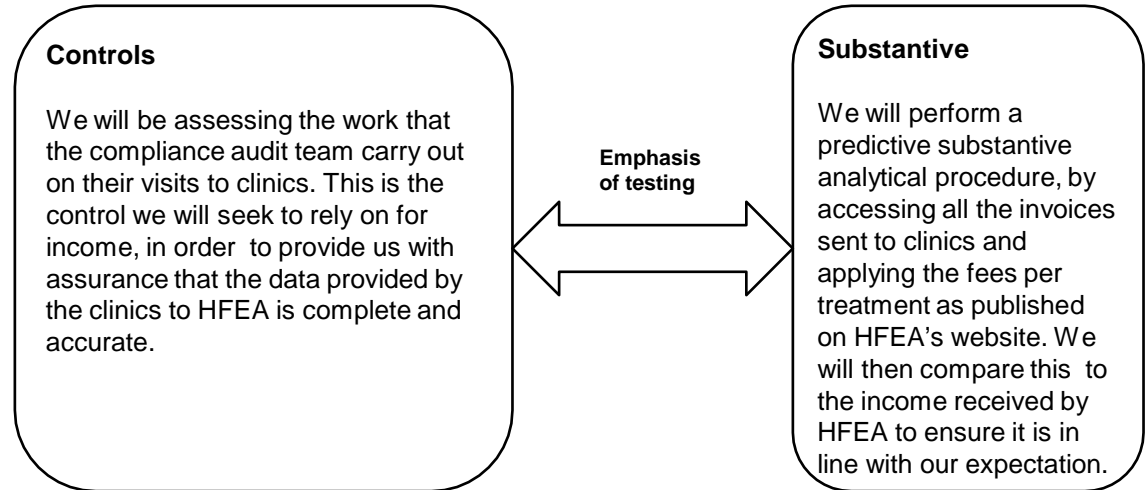
Appendix 1: Significant financial statement risks



Change from prior year

Audit response - We will undertake specific testing to address the risks involved in accounting for fee income, paying particular attention to the completeness of income, and the accounting estimate relating to accrued income. We will also consider any new income streams.

No change in level of risk from 2013/14.



Appendix 2: Risk Factors

Risk factors represent current developments within HFEA that are potential risks to the C&AG's audit opinion. They differ from significant risks as they do not currently require a specific or additional audit response.

Risk factor 1

Accounting treatment of IfQ capital expenditure project

HFEA's budget relating to the Information for Quality programme is £1.2million for 2014/15. When intangible assets are developed, management have to make judgements as to whether expenditure should be capitalised as part of the value of the asset or expensed in year. Therefore there is a risk that the judgements applied may not be in line with the requirements of IAS 38: Intangible Assets, materially overstating or understating the value of the assets. There are also potential implications on the valuation of HFEA's current asset base, as they become obsolete due to the development of new assets.

We will address this risk factor through testing of both non-current asset additions and existence, and expenditure to ensure that the correct accounting treatment has been applied.

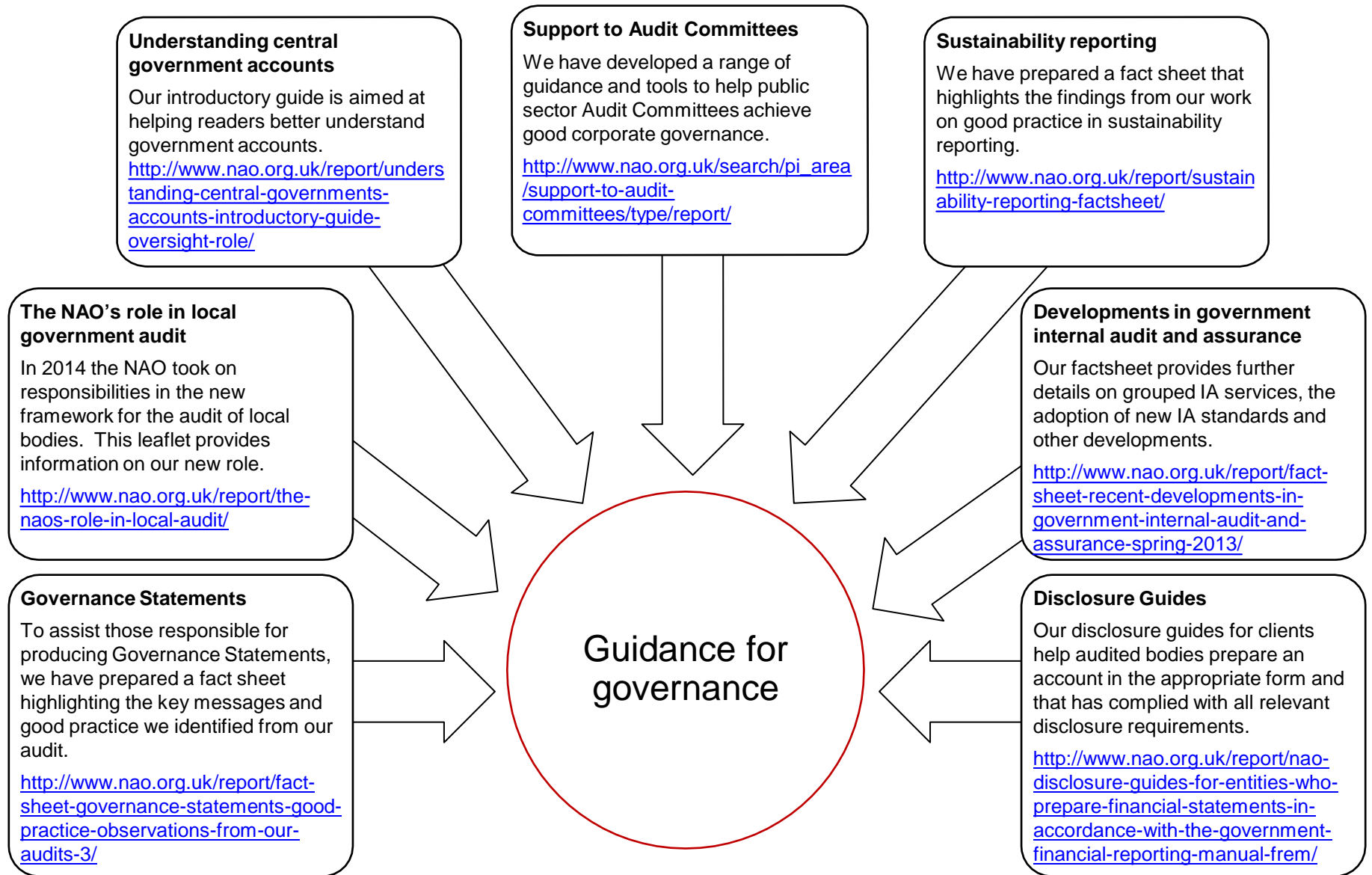
Risk Factor 2

Sharing of senior staff with HTA resulting in a reduced capacity

2014/15 will be the first full year where HFEA and HTA share back office functions, including senior finance staff within the organisation. There is a risk that the reduced capacity of finance staff may impact on the strength of the control environment. This may also result in delays to the preparation of the accounts and timely response to audit queries.

To address this risk factor, we will liaise with finance in advance and consider the timings of the HFEA audit together with the HTA audit. It is likely the two weeks for interim will be split in order to ease the burden on the finance team, ensure consistency across HTA and HFEA audit teams, and complete the majority of our work prior to the final audit period.

Appendix 3: Sector developments



Appendix 4: Recent NAO work

The 2013-14 savings reported by the Efficiency and Reform Group

In July 2014, the NAO published The 2013 14 savings reported by the Efficiency and Reform Group which examined the £14.3 billion cross- government savings reported for 2013-14. The report found that many of the areas of savings were underpinned by strong methodologies and evidence. However there were a number of areas where more work needed to be done to make the process consistent and collect sufficient robust evidence to support the saving. These included major projects, construction, commercial relationships and digital controls. Overall we had confidence that savings were being made, but we did not offer assurance on the specific figures announced.

Our report also noted that the remit of the savings has increased over time, covering more areas where savings are being made and widening out from areas of ERG control into areas of influence, and taking in the wider public sector in some (but not all) areas. This means year-on-year comparisons of savings cannot be made.

<http://www.nao.org.uk/report/the-2013-14-savings-reported-by-the-efficiency-and-reform-group/>

Using alternatives to regulation to achieve policy objectives

The government wants to continue to reduce regulation. Departments must reduce the cost to business of regulation and focus regulation on where it adds the most value.

This paper builds on our work to understand the government's actions to reduce rule-based regulation when it needs to intervene in markets to meet policy goals. We sought to understand what affects departments' use of alternatives to regulation and to learn lessons that can enhance their use across government.

We concluded that a stronger understanding of the factors that increase the success of alternatives is needed. Government needs to articulate more clearly what alternatives to regulation are, how they should be developed and implemented, and when they work best. We concluded that The Better Regulation Executive should continue working with department to inform policymakers about how alternatives to regulation should be considered during policy development.

<http://www.nao.org.uk/report/using-alternatives-to-regulation-to-achieve-policy-objectives/>

Out-of-hours GP services in England

We published our report Out-of-hours GP services in England in July 2014. Where GPs opt out of providing out-of-hours services, the NHS commissions out-of-hours services separately from in-hours services. Since April 2013, NHS England has delegated responsibility for commissioning such services to 211 clinical commissioning groups. We considered that some clinical commissioning groups are achieving value for money for their spending on out-of-hours GP services. We could not, however, reach the same conclusion about the commissioning of out-of-hours GP services across the board. To achieve value for money, our report concluded that NHS England, either directly itself or in partnership with clinical commissioning groups, needs to understand the variation in cost and performance, and secure improvements in some localities; improve oversight of opted-in services where GP practices have retained responsibility for out-of-hours-care; and strengthen national assurance arrangements. We concluded that NHS England must oversee an increase in awareness of out-of-hours GP services and ensure that these services are integrated effectively with other parts of the urgent care system.

<http://www.nao.org.uk/report/hours-gp-services-england-2/>

Update on the Next Generation Shared Services Strategy

In December 2012, the Cabinet Office published its Next Generation Shared Services strategy. The Cabinet Office estimated that the savings would be between £400 million and £600 million per annum. The estimated implementation cost was between £44 million and £95 million. To date, the total cost of participating departments has not been collated. The Cabinet Office spending to date on the strategy was £9.8 million.

The Cabinet Office has established two new independent shared service centres. The Cabinet Office is now responsible for the strategic management of the performance of the outsourced providers in the two shared service centres that provide services to 140,000 customers. The overall programme is broadly on track.

The NAO's recommended that the Cabinet Office ensure that departments sign up to the standard operating model, show that its shared services initiatives have achieved value for money through good quality management information and make sure the full benefits of the entire shared services programme are properly realised and tracked.

<http://www.nao.org.uk/report/update-on-the-next-generation-shared-services-strategy/>

Work currently in progress includes Financial Sustainability of NHS Bodies, Health and wellbeing boards and the Better Care Fund, and Public Health England: Spending and accountability

Appendix 5: Changes to the FReM 2014/15

FReM Presentational Changes

Format

The format of the FReM has been updated for 2014-15. The flow of the new FReM is much clearer, avoiding duplication of adaptations and interpretations, improving internal consistency and as a result is more concise. Chapter 6 provides a useful summary of each accounting standard and whether it has been adopted, adapted or interpreted by the FReM.

Directors' Report and Strategic Report

On 1 October 2013 the Companies Act 2006 (Strategic Report and Directors' Report) Regulation 2013 came into force. Sections 5.2.2 to 5.2.20 of the FReM describe how these requirements have been interpreted for bodies covered by the FReM. The Strategic Report and the Directors' Report should be separately signed and dated by the Accounting Officer.

Content of the Strategic report

Full details of the FReM interpretation are detailed in chapter 5 (sections 5.2.6 to 5.2.11). Some of the key matters are summarised below:

- The strategic report should be comprehensive and self-standing, but where information is provided in other parliamentary reporting it can be summarised in the strategic report with a cross reference to the full information.
- There should be disclosure of any significant changes in the department's objectives and activities, its investment strategy and its long term liabilities in light of the spending review settlement.
- Environmental matters are covered by the sustainability report within the strategic report.
- Social, community and human rights issues should be disclosed to the extent necessary for the understanding of the business.
- Departments should disclose performance against their key performance indicators. Other reporting entities should report performance against the indicators agreed with the Minister.

Content of the Directors' report

The interpretation of the Companies Act requirements for the Directors' report is in sections 5.2.12 to 5.2.20 of the FReM. Some of the key items to be disclosed are summarised below:

- An indication of how pension liabilities are treated in the accounts – a cross-reference to the accounting policy will normally suffice.
- Details of company directorships and other significant interests held by Board members should be disclosed.
- Sickness absence data.
- Personal data related incidents.

The reporting of Greenhouse Gas Emissions is not required in the Director's report.

FReM Content Changes

Impairment of assets (FReM 7.3)

The FReM has been re-drafted to bring greater clarity to the accounting treatment of impairments and when these should be recognised in the Statement of Comprehensive Net Expenditure (SoCNE). For those impairment losses that do not result from a clear consumption of economic benefit or reduction of service potential, the impairment loss continues to be treated as a decrease to the revaluation reserve (to the extent that it does not exceed the amount in the revaluation reserve for the same asset). This will apply to impairments arising from changes in market price. When the loss arises due to a consumption of economic benefit or a reduction in service potential the impairment should be taken to the SoCNE. The FReM clarifies that loss of service potential includes reductions due to a loss or damage arising from normal business operations.

IFRS 13 – Fair Value Measurement (FReM table 6.1)

IFRS 13 has not been adopted by the FReM for 2014-15. It will be adopted prospectively for periods beginning on or after 1 April 2015. Early adoption is not permitted. Final details are currently under consultation. The FReM includes details to allow users to start to prepare for IFRS 13 adoption.

Remuneration report – compensation payments (FReM 5.2.25)

The 2014-15 FReM provides additional guidance on the disclosure of compensation payments. It requires entities to disclose if payments have been made under the terms of an approved Compensation Scheme for compensation on early retirement or for loss of office. This disclosure should include a description of the compensation payment and details of the total amounts paid or receivable. The amounts should include any top-up to compensation provided by the employer to buy out the actuarial reduction on an individual's pension.

Audit and Governance Committee

Paper Title:	Reserves policy
Paper Number :	[AGC (01/10/14) 429 SG]
Agenda Item:	12
Meeting Date:	01 October 2014
Author:	Sue Gallone
For information or decision?	Decision
Resource Implications:	Implementing and monitoring the policy is part of the role of the Finance directorate
Communication	SMT have agreed the draft policy
Organisational Risk	Insufficient reserves put the ongoing viability of the HFEA at risk
Recommendation to the Committee:	AGC is requested to consider, comment and approve the draft reserves policy. It will then be agreed with DH.



RESERVES POLICY

ISSUED : OCTOBER 2014

DRAFT

Reserves Policy

Purpose

1. The purpose of this policy is to ensure that both the Executive and Authority of the HFEA are aware of the minimum level at which reserves are maintained and the reasons for doing so. [The minimum level of reserves set out in this policy has been agreed with the Department of Health.]

Principle

2. An organisation should maintain enough cash reserves to continue business operations on a day-to-day basis and in the event of unforeseen difficulty and commitments that arise. It is best practice to implement a reserves policy in order to guide key decision-makers.

Reserves Policy

3. The Authority has decided to maintain a reserves policy as this demonstrates:
 - Transparency and accountability to its licence fee payers and the Department of Health
 - Good financial management
 - Justification of the amount it has decided to keep as reserves
4. The following factors have been taken into account in setting this reserves policy:
 - Risks associated with its two main income streams - licence fees and Grant-in-aid - differing from the levels budgeted
 - Likely variations in regulatory and other activity both in the short term and in the future
 - HFEA's known, likely and potential commitments
5. The policy requires reserves to be maintained at least at a level that ensures the HFEA's core operational activities continue on a day-to-day basis and, in a period of unforeseen difficulty, for a suitable period. The level should also provide for potential commitments that arise.

Cashflow

6. To enable sufficient cover for day-to-day operations, a cash flow forecast is prepared at the start of the financial year which takes into account the timing of when receipts are expected and payments are to be made. Most receipts come from treatment fees - invoices are raised monthly and on average take 60 days to be paid. Cash reserves are needed to ensure sufficient working capital is available to make payments when they become due throughout the year.
7. The HFEA experiences negative cashflow (more payments than receipts) in some months. £500k is needed to cover this cash shortage. Reserves should be maintained so that there is always a positive cash balance.

Unforeseen difficulty

8. The level of reserves required for unforeseen difficulty is based on two elements: salaries (including employer on-costs) and the cost of accommodation. These are deemed to be fixed costs that would have to be paid in times of unforeseen difficulty with all other of the HFEA's running costs being regarded as semi-variable or variable costs and thus excluded from this calculation. These two areas currently represent 74% of the HFEA's total annual budget.
9. The certainty and robustness of HFEA's key income streams and the predictability of fixed costs, as well as the relationship with the sponsor, the Department of Health, indicate that 2 months' salary and accommodation costs is a prudent, but sufficient, minimum level of reserves to hold.
10. Based on the HFEA's current revenue budget, the combined monthly cost of salaries and accommodation is around £340k. Accommodation costs are low at present and are likely to increase following an office move in 2015, by around £20k per month. A prudent reserve of two months going forward would therefore be £720k.

Other potential commitments

11. The HFEA is also mindful of the financial risks it faces, in particular that it may be required to undertake additional activities not planned or make additional spend not included within budget or utilise its reserves for key pieces of work. While every effort would be made to cover costs within the budget allocated for the year, it may

be necessary to use reserves to meet the cashflow needs arising from additional necessary spend.

12. A prudent reserve for other commitments would be £300k. If other exceptional spend was required, the HFEA would look to the Department of Health for support.

Minimum reserves

13. The HFEA's minimum level of reserves will be maintained at a level that enables positive cashflow (£500k), provides £720k for unforeseen difficulty and £300k for other potential commitments. The minimum level of cash reserves required is therefore £1.52m. These reserves will be in a readily realisable form at all times.

14. Each month the level of reserves will be reviewed by the Director of Finance and Resources as part of the HFEA's ongoing monitoring of its cash flow.

15. Each autumn as part of the HFEA's business planning and budget setting process, the required level of reserves for the following financial year will be reassessed.

16. In any assessment or reassessment of its reserves policy the following will be borne in mind.

- The level, reliability and source of future income streams.
- Forecasts of future, planned expenditure.
- Any change in future circumstances - needs, opportunities, contingencies, and risks – which are unlikely to be met out of operational income.
- An identification of the likelihood of such changes in these circumstances and the risk that the HFEA would not be able to meet them.

17. HFEA's reserves policy will be reviewed annually by the Audit and Governance Committee.

Revision history

18. Document each version or draft providing a simple audit trail to explain amendments.

Date	Version	Comments
19/9/14	1	Document created

DRAFT

Audit & Governance Committee Paper

How this paper relates to our strategy	Setting standards <input type="checkbox"/>	Increasing and informing choice <input type="checkbox"/>	Demonstrating efficiency, economy and value <input checked="" type="checkbox"/>
Paper Title	Annual Review of AGC Activities and Effectiveness		
Agenda Item	13		
Paper Number	[AGC (01/10/2014) 430]		
Meeting Date	1 October 2014		
Author	Sam Hartley, Head of Governance and Licensing		
For information or decision?	Information and Decision		
Recommendation	Committee members are invited to consider and comment on the Committee's effectiveness, using the supplied NAO checklist as a basis for discussions		
Resource Implications	Dependent on scope of any improvements suggested		
Implementation	Suggested changes will be fed into the annual review of Authority effectiveness, delegation and Standing Orders		
Communication	Results will be put direct to Authority, along with those for all committees		
Organisational Risk	Low		
Evaluation	This is part of a continuing review of effectiveness by AGC that culminates in this more formal annual report		
Annex	A: NAO checklist for Audit Committees		

Introduction

1. It is now an established process for the HFEA's committees to conduct a review of their effectiveness annually. Such reviews are conducted in the autumn, with the results feeding in to the Authority, along with any changes to Standing Orders, in the following spring. While other HFEA committees have standard internal proformas as a guide to their annual review, the Audit and Governance Committee uses the NAO's Audit Committee checklist (at annex A) as a guide for its review.
2. This paper provides some prompts on the matters committee members may wish to reflect upon regarding the activities and performance of the committee in the past year.

Meetings, Attendance & Executive support

3. Since the last annual review in September 2013, the Committee has met three times (the October 2014 meeting will be the fourth), as planned. The Committee has been quorate at all meetings, and had a full complement of four members at two meetings. In addition, observers or representatives from DH have been present. Both internal and external auditors were represented at all meetings.
4. The Committee may wish to reflect on the particular challenges faced this year in relation to the change in Chair, members and indeed Executive support. With the previous AGC Chair becoming Chair of the Authority and the AGC Deputy Chair assuming the mantle of Chair, and new Authority member was appointed to AGC to ensure adherence to the Standing Orders. Similarly, the year has seen the implementation of the shared-Director model, the bedding in of the new finance team, and the cementing of the new committee secretariat/support model. Committee members may wish to reflect on lessons from these changes.

Delegated functions and agenda items

5. The Committee adhered to its delegated powers of approving the internal audit programme and Annual Governance Statement. The Committee further oversaw the completion of the annual accounts and reports, although lessons were learned from this year's process that the Committee may wish to reflect on in its annual review.
6. While the meeting agendas have been streamlined, the 'themed' approach has been retained, with Directors or Heads reporting at intervals on their operational specialisms. The Committee received regular reports and updates on the progress of the Information for Quality (IfQ) Programme, and the management of the risks within that programme.

Recommendations

7. The NAO checklist is seen as a guide for all public sector organisations, from the largest to the smallest, and therefore and must be applied in a proportionate way. It is not intended as having to be fully completed by every committee regardless of the organisations size; rather, it acts as a prompt for committees to follow in conducting their reviews.
8. Members are invited to consider the NAO checklist in advance of the 1 October meeting, and feed back views at that meeting. The Head of Governance and Licensing will capture views during the meeting, before circulating a final report for agreement remotely after the meeting, in advance of the Committee's December meeting.

Annex A: NAO’s Audit Committee self-assessment checklist

GOOD PRACTICE

The Audit Committee self-assessment checklist

2nd edition January 2012

Financial Management and Reporting

Our vision is to help the nation spend wisely.

We apply the unique perspective of public audit to help Parliament and government drive lasting improvement in public services.

The National Audit Office scrutinises public spending for Parliament and is independent of government. The Comptroller and Auditor General (C&AG), Amyas Morse, is an Officer of the House of Commons and leads the NAO, which employs some 860 staff. The C&AG certifies the accounts of all government departments and many other public sector bodies. He has statutory authority to examine and report to Parliament on whether departments and the bodies they fund have used their resources efficiently, effectively, and with economy. Our studies evaluate the value for money of public spending, nationally and locally. Our recommendations and reports on good practice help government improve public services, and our work led to audited savings of more than £1 billion in 2011.

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Section III

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Introduction

1 This Checklist¹ has been designed to help Audit Committees in central government assess how well they apply good practice. The criteria we have used are derived largely from the Audit Committee Handbook (March 2007)² published by HM Treasury.

2 The Handbook highlights five good practice principles which aim to answer the following key questions:

- **Principle 1: The Role of the Audit Committee** – Does the Audit Committee effectively support the Board and the Accounting Officer by reviewing the completeness of assurances to satisfy their needs, and by reviewing the reliability and integrity of these assurances?
- **Principle 2: Membership, Independence, Objectivity and Understanding** – Is the Audit Committee suitably independent and objective, and does each member have a good understanding of the objectives, priorities and risks of the organisation, and of their role on the Audit Committee?
- **Principle 3: Skills** – Does the Audit Committee contain or have at its disposal an appropriate mix of skills to perform its functions well?
- **Principle 4: Scope of Work** – Is the scope of the Audit Committee suitably defined, and does it encompass all the assurance needs of the Board and Accounting Officer?
- **Principle 5: Communication** – Does the Committee engage effectively with Financial and Performance Reporting issues, and with the work of internal and external audit? And does the Audit Committee communicate effectively with the Accounting Officer, the Board, and other stakeholders?

3 For each principle, we have developed a series of Good Practice Questions to help Audit Committees conclude whether they are meeting these principles. These are set out in **Section I** of this checklist.

4 In addition, the role of the Chair and the provision of appropriate secretariat support are key for an effective Audit Committee. The Handbook details Good Practice Questions on these two roles. **Sections II** and **III** of this checklist include questions that will enable the Audit Committee to determine if they currently meet this guidance.

1 This Checklist was originally published in November 2009 and has been updated (January 2012) to reflect the requirement for departments, their executive agencies and arm's-length bodies to produce a Governance Statement in place of the Statement on Internal Control in their annual report and accounts for 2011-12 onwards. Guidance on the Governance Statement is set out in the revised Chapter 3 of Managing Public Money (HM Treasury, 2011)

2 *Corporate governance in central government departments: Code of good practice* (HM Treasury, July 2011) provides that Audit Committees should be established and function in accordance with the *Audit Committee Handbook* (HM Treasury, March 2007).

How to use this Checklist

5 To help Audit Committees conclude as to whether they are meeting the Principles highlighted above, we have developed Good Practice Questions to inform the thinking process. These Questions are phrased to identify 'yes', 'no' or 'not applicable' responses.

6 We recognise, though, that organisations and their Audit Committees vary considerably in their size and in the complexity of issues that they deal with. In some circumstances, it may therefore be more appropriate to only use the more important Questions to help inform debate – and we have highlighted these in **bold**.

7 Also, the checklist is not exhaustive, and should the Audit Committee or their organisation feel that they have experience of other good working practice that will make the Committee work more effectively, they should not be deterred from implementing these practices, after consulting with the Board, if appropriate.

NAO Facilitated Workshops

8 To help Audit Committees use this checklist, the National Audit Office, as part of its performance improvement work, offers **Facilitated Workshops** for Audit Committees to help them use a tailored version of this checklist and draw conclusions as to their effectiveness. In this way, the workshop provides an opportunity for individual Audit Committees to work together, away from their normal business, to assess how well they work and establish areas to develop further. The workshop is followed up with an Action Plan that draws from the decisions and actions raised. This Action Plan will be owned by the Audit Committee, and act as the means by which decisions are implemented and reviewed.

9 If you would like the NAO to facilitate a workshop for your Audit Committee, please ask your usual NAO contact or Client Lead.

10 This checklist is also available as a Word document to enable Audit Committees to record their responses electronically.

National Audit Office

November 2009

Section I

Good practice principles for Audit Committees

Principle 1: The role of the Audit Committee

The Audit Committee should support the Board and the Accounting Officer by reviewing the comprehensiveness of assurances in meeting the Board and Accounting Officer's assurance needs, and reviewing the reliability and integrity of these assurances.

Good Practice Questions

Terms of Reference	Yes	No	N/A
1 Have all executive responsibilities, and making or endorsing of decisions been excluded from the roles and responsibilities of the Audit Committee members?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Does the Audit Committee follow up recommendations regarding its effectiveness?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Does the Audit Committee's role include monitoring and reviewing the executive's processes for assessing, reporting and owning business risks and their financial implications?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 Has the role and responsibilities of the Audit Committee been clearly defined and communicated to all Audit Committee members, along with details of how the Committee supports the Board?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5 Are the Terms of Reference reviewed at least annually by the Board and the Audit Committee, to ensure that the work of the Audit Committee is aligned with good practice and business needs?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6 Do the Terms of Reference include rules for a quorum?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7 Does the Audit Committee meet regularly (at least four times a year), and do meetings coincide with key dates in the financial reporting and audit cycle?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Additional Comments:**Conclusions**

Do we achieve **Principle 1: The Role of the Audit Committee** – Does the Audit Committee support effectively the Board and the Accounting Officer by reviewing the comprehensiveness of assurances to satisfy their needs, and by reviewing the reliability and integrity of these assurances?

What do we need to do to enhance the Audit Committee?

Where we have carried out the self-assessment before, the audit committee has improved its performance against:

- 1 none of the good practice questions.
 - 2 some of the good practice questions.
 - 3 most, if not all of the good practice questions.
-

Principle 2: Membership, Independence, Objectivity and Understanding

The Audit Committee should be independent and objective; in addition, each member should have a good understanding of the objectives and priorities of the organisation and of their role as an Audit Committee member.

Good Practice Questions

Independence		Yes	No	N/A
8	Is the Chair of the Audit Committee different from the Chair of the Board?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9	Are the Audit Committee members either independent non-executive Board members or independent external members, and have they been appointed for an appropriate period of time (e.g. three years)?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Relationship with the Executive				
10	Are the Executive members of the organisation invited to attend Audit Committee meetings, participate in discussions, and provide information to the Audit Committee as and when the Audit Committee deems it necessary?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other Participants				
11	Where appropriate, does a representative from the sponsoring body attend the Audit Committee meetings (e.g. if an Executive Agency, does a member of the Sponsoring Department attend the meeting)?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12	Does the Accounting Officer, Finance Director, Head of Internal Audit and the External Auditor routinely attend the Audit Committee, or attend at the request of the Audit Committee members?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
13	Are the numbers attending the Audit Committee meetings sufficient to deal adequately with the agenda, but not too many to blur issues?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Conflict of Interest				
14	Is the first agenda item of every meeting a request for the Audit Committee members to declare any potential conflict of interest with any of the business items on the Audit Committee's agenda?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Conflict of Interest (continued)		Yes	No	N/A
15	In instances where there is a declaration of interest in any of the agenda business items, are appropriate actions taken, e.g. is the member asked to leave the meeting while the business item is being discussed?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
16	In instances where the conflict of interest is likely to last for a long time, has the Audit Committee member been asked to relinquish his or her membership?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
17	Are the Audit Committee members required to declare their interest in a register of interests?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Terms of Appointment				
18	Do all Audit Committee members have a clear understanding of what is expected of them in their role, set out in a letter of appointment, including:			
	a. their appointment and purpose;	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	b. the support and training that they will receive;	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	c. the commitment required;	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	d. their remuneration;	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	e. conflict of interest procedures;	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	f. expected conduct;	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	g. duration of appointment and how often it may be renewed;	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	h. how their individual performance will be appraised, including a clear understanding of what would be regarded as unsatisfactory performance; and	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	i. termination conditions?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Additional Comments:

Conclusions

Do we achieve **Principle 2: Membership, Independence, Objectivity and Understanding** – Is the Audit Committee suitably independent and objective, and does each member have a good understanding of the objectives, priorities and risks of the organisation, and of their role on the Audit Committee?

What do we need to do to enhance the Audit Committee?

Where we have carried out the self-assessment before, the audit committee has improved its performance against:

- 1 none of the good practice questions.
 - 2 some of the good practice questions.
 - 3 most, if not all of the good practice questions.
-

Principle 3: Skills

The Audit Committee should collectively possess an appropriate skills mix to perform its functions well.

Good Practice Questions

Range of Skills	Yes	No	N/A
19 Are there formal assessment criteria for the appointment of the Audit Chair, including attitudes to non-executives, strength of personality, experience of chairing, and time commitment?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
20 Do the assessment criteria of Committee members include, or expect Audit Committee members to acquire as soon as possible after appointment:			
a. understanding of the objectives of the organisation and current significant issues for the organisation;	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b. understanding of the organisation's structure, including key relationships such as that with a sponsoring department or major partner;	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c. understanding of the organisation's culture;	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d. understanding of any relevant legislation or other rules governing the organisation; and	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
e. broad understanding of the government environment, particularly accountability structures and current major initiatives?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
21 Does the Audit Committee ensure that there are areas of collective understanding, including:			
a. accountancy – with at least one member having recent and relevant financial experience;	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b. governance, assurance and risk management;	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c. audit;	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d. technical or specialist issues pertinent to the organisation's business;	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
e. experience of managing similar sized organisations;	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
f. understanding of the wider environments in which the organisation operates; and	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
g. detailed understanding of the government environment and accountability structures?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Additional Skills		Yes	No	N/A
22	Do the Audit Committee members feel empowered to:			
a.	co-opt members for a period of less than one year to provide specialist skills that the members do not have to be an effective Committee;	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b.	procure specialist advice at reasonable approved expense to the organisation, on an ad-hoc basis to support them in relation to particular pieces of Committee business.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Training and Development				
23	Is there an induction checklist for new Audit Committee members that details key things that they must do e.g. visits to important business locations, meetings with Board, Risk Manager, Internal Audit and External Auditors?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
24	Do all new members of the Audit Committee attend an induction training course for Audit Committee members run by the National School of Government, or other sector-related organisation?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
25	Does the Audit Committee ensure that new members have sufficient knowledge of the business to identify the key risk areas and to challenge both line management and internal and external auditors on critical and sensitive issues?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
26	Does the Audit Committee and the Chair make recommendations to the Board on the Committee's and individual members training needs?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
27	Does the Audit Committee keep abreast of best practice and developments in corporate governance in central government and more widely?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Additional Comments:**Conclusions**

Do we achieve **Principle 3: Skills** – Does the Audit Committee contain or have at its disposal an appropriate mix of skills to perform its functions well?

What do we need to do to enhance the Audit Committee?

Where we have carried out the self-assessment before, the audit committee has improved its performance against:

- 1 none of the good practice questions.
 - 2 some of the good practice questions.
 - 3 most, if not all of the good practice questions.
-

Principle 4: Scope of Work

The scope of the Audit Committee's work should be defined in its Terms of Reference, and encompass all the assurance needs of the Board and Accounting Officer. Within this, the Audit Committee should have particular engagement with the work of Internal Audit, the work of External Auditor, and Financial Reporting issues.

Good Practice Questions

Relationship with Internal Audit		Yes	No	N/A
28	Does the Audit Committee consider the independence and effectiveness of Internal Audit?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
29	Does the Audit Committee consider that the experience, expertise and professional standard of the Internal Audit team are appropriate for the size, complexity, and inherent risk of the organisation?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
30	Does the Audit Committee consider that the scope of Internal Audit work, the available resources at its disposal, and their access to information and people allow it to address significant risks within the organisation?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
31	Does the Audit Committee review and approve the Internal Audit plan before they commence any work and make suggestions regarding risk and problem areas that the audit could address in the short and long term?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
32	Does the Audit Committee receive regular progress reports on studies/work undertaken by Internal Audit?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
33	Does the Audit Committee review internal audit reports and management responses to issues raised, and monitor the progress made on Internal Audit's recommendations?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Relationship with External Audit				
34	Where relevant, does the Audit Committee consider the independence, objectivity, and effectiveness of the External Auditors?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
35	Does the Audit Committee periodically obtain the views of the External Auditor on the work and effectiveness of the Audit Committee?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Relationship with External Audit (continued)		Yes	No	N/A
36	Is the Audit Committee informed by the External Auditors on an annual basis as to their quality control procedures and compliance with applicable UK ethics guidance?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
37	Does the Audit Committee consider the External Auditor's Audit Strategy before they commence work, and make suggestions regarding risk and problem areas the audit could address in the short and long term?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
38	Do the External Auditors inform the Audit Committee of key developments and issues at key stages of the audit?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
39	Where relevant, does the Audit Committee review the audit fees?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
40	Does the Audit Committee consider the management letter and other relevant reports (e.g. the NAO's Value for Money work), and the management's response, and monitor the progress made on the recommendations?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Relationship between Internal Audit and External Auditors				
41	Does the Audit Committee consider whether there are areas where joint working between Internal Audit and the External Auditors would be beneficial?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
42	Does the Audit Committee seek confirmation from Internal Audit and the External Auditors on the effectiveness of the relationship?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Fraud				
43	Does the Audit Committee consider whether effective anti-fraud and corruption policies and procedures are in place and operating effectively?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
44	Does the Audit Committee consider whether there is a code of conduct and its distribution to employees?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
45	Does the Audit Committee consider whether management arrangements for whistle-blowing are satisfactory?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Internal Control		Yes	No	N/A
46	Does the Audit Committee consider whether corporate governance is embedded throughout the organisation, rather than treated as a compliance exercise?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
47	Does the Audit Committee consider whether the system of internal reporting gives early warning of control failures and emerging risks?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
48	Does the Audit Committee consider whether the Governance Statement is sufficiently comprehensive and meaningful, and the evidence that underpins it?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
49	Does the Audit Committee satisfy itself that the system of internal control has operated effectively throughout the reporting period?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
50	Does the Audit Committee consider whether financial control, including the structure of delegations, enables the organisation to achieve its objectives and achieve good value for money?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
51	Does the Audit Committee monitor whether the organisation's procedures for identifying and managing business risk have regard for the relevant legislation and regulation?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Financial Reporting				
52	Does the Audit Committee review the first draft of the annual accounts before the External Auditors start work on them?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
53	Before the Accounting Officer signs off the Annual Report and Financial Statements, does the Audit Committee consider:			
	a. that the accounting policies in place comply with relevant requirements, particularly the Treasury's Financial Reporting Manual and Accounts Direction;	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	b. that there has been a robust process in preparing the accounts and annual report;	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Financial Reporting (continued)		Yes	No	N/A
c.	whether the accounts and annual report have been subjected to sufficient review by management and by the Accounting Officer and/or Board;	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d.	that when new or novel accounting treatments arise, whether appropriate advice on accounting treatment has been taken;	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
e.	whether there is an appropriate anti-fraud policy in place, and whether losses are suitably recorded;	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
f.	whether suitable processes are in place to ensure accurate financial records are kept;	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
g.	whether suitable processes are in place to ensure regularity and propriety is achieved; and	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
h.	whether issues raised by the External Auditors have been given appropriate attention.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
54	Where the accounts have been qualified, does the Audit Committee consider the action taken by the Board to deal with the causes of the qualification?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
55	Does the Audit Committee satisfy itself that the annual financial statements represent fairly the financial position of the organisation, regardless of the pressures on executive management?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
56	Before the Accounting Officer signs off the Letter of Representation, does the Audit Committee review it and give particular attention to non-standard issues of representation?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Additional Comments:

Conclusions

Do we achieve **Principle 4: Scope of Work** – Is the scope of the Audit Committee suitably defined, and does it encompass all the assurance needs of the Board and Accounting Officer?

What do we need to do to enhance the Audit Committee?

Where we have carried out the self-assessment before, the audit committee has improved its performance against:

- 1 none of the good practice questions.
 - 2 some of the good practice questions.
 - 3 most, if not all of the good practice questions.
-

Principle 5: Communication

The Audit Committee should ensure it has effective communication with the Board, the Head of Internal Audit, the External Auditor, and other stakeholders.

Good Practice Questions

Reporting to the Board		Yes	No	N/A
57	Does the Audit Committee send regular reports or provide oral updates to the Board that they review at their meetings?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
58	Does the Audit Committee provide an Annual Report to the Board, timed to support preparation of the Governance Statement?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
59	Does the Annual Report of the Audit Committee present the Committee's opinion about:			
a.	the comprehensiveness of assurances in meeting the Board and Accounting Officers needs;	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b.	the reliability and integrity of these assurances;	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c.	whether the assurance available is sufficient to support the Board and Accounting Officer in their decisions taken and their accountability obligations;	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d.	the implication of these assurances for the overall management of risk;	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
e.	any issues the Audit Committee considers pertinent to the Governance Statement, and any long-term issues the Committee thinks the Board and/or Accounting Officer should give attention to;			
f.	financial reporting for the year;	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
g.	the quality of both Internal and External Audit and their approach to their responsibilities; and	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
h.	the Audit Committee's view of its own effectiveness, including advice on ways in which it considers it needs to be strengthened or developed.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Additional Comments:**Conclusions**

Do we achieve **Principle 5: Communication** – Does the Committee engage effectively with Financial and Performance Reporting issues, and with the work of internal and external audit? And does the Audit Committee communicate effectively with the Accounting Officer, the Board and other stakeholders?

What do we need to do to enhance the Audit Committee?

Where we have carried out the self-assessment before, the audit committee has improved its performance against:

- 1 none of the good practice questions.
 - 2 some of the good practice questions.
 - 3 most, if not all of the good practice questions.
-

Section II

The role of the Chair: good practice

The Chair of the Audit Committee has particular responsibility for ensuring that the work of the Audit Committee is effective, that the Committee is appropriately resourced, and that it is maintaining effective communication with stakeholders.

Good Practice Questions

Agenda Setting	Yes	No	N/A
60 Is the Board Secretary different from the Audit Committee Secretary?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
61 Does the Chair of the Audit Committee meet with the Committee Secretary before every meeting to discuss and agree the business for the meeting?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
62 Are inputs on Any Other Business formally requested in advance from Committee members and attendees?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
63 Are outline agendas planned one year ahead to cover core activities and specific issues on a cyclical basis?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
64 Does the agenda exclude executive business, so that there is no overlap with the work of the Board whilst linking to the main elements of the organisation's business?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
65 Are the meetings set for a length of time which allows all business to be conducted, yet not so long that the meeting becomes ineffective?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
66 Does the Chair encourage full and open discussion and invite questions at the Audit Committee meetings?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Communication			
67 Does the Chair of the Audit Committee have open lines of communication with the Board, Head of Internal Audit, and the External Auditors?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
68 Does the Chair encourage all Committee members to have regular interface with the organisation and its activities to help them understand the organisation, its objectives, and business needs and priorities?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
69 Do reports to the Audit Committee communicate relevant information at the right frequency, time, and in a format that is effective?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
70 Does the Audit Committee issue guidelines concerning the format and content of the papers to be presented to the Committee?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

	Yes	No	N/A
Monitoring Actions			
71 Does the Chair or the Secretariat ensure that all action points from Committee meetings are appropriately acted upon?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
72 Does the Chair or the Secretariat ensure that members who have missed a meeting are appropriately briefed on the business conducted in their absence?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
73 Is a report on matters arising made and minuted at the Audit Committee's next meeting?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Appraisal	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
74 Does the Chair ensure that the Committee members are provided with an appropriate appraisal of their performance as a Committee member?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
75 Does the Audit Committee Chair seek appraisal of their personal performance from the Accounting Officer or Chair of the Board?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
76 Are Audit Committee meetings well attended, with records of attendance maintained and reviewed annually by the Board?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Appointments	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
77 Is the Chair involved in the appointment of new Committee members, including providing advice on the skills and experience required of the new individual?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Additional Comments:**Conclusions**

Do we meet **Good Practice: the Role of the Chair** – Is the Committee appropriately resourced, work planned in advance as far as possible, and effective communication with stakeholders maintained?

What do we need to do to enhance the Audit Committee?

Where we have carried out the self-assessment before, the audit committee has improved its performance against:

- 1 none of the good practice questions.
 - 2 some of the good practice questions.
 - 3 most, if not all of the good practice questions.
-

Section III

Committee support: good practice

The Audit Committee should be provided with appropriate Secretariat support to enable it to be effective. This is more than a minute-taking function – it involves providing proactive support for the work of the Committee, and helping its members to be effective in their role.

Good Practice Questions

Does the Audit Committee Secretariat:	Yes	No	N/A
78 Commission papers as necessary to support agenda items?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
79 Circulate meeting documents to all Committee members, Internal Audit and External Auditors in good time before each meeting, to allow members time to study and understand the information e.g. at least one week before the meeting?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
80 Arrange for Executives/senior management to be available as necessary to discuss specific agenda items with the Audit Committee during meetings?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
81 Keep records of meetings and minutes after they have been approved by the Audit Chair and circulate them to Committee members, Head of Internal Audit, External Auditors, Board, and the Accounting Officer on a timely basis e.g. within one week of the meeting?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
82 Ask for confirmation that the minutes are a true and fair representation of a summary of the business taken by the Audit Committee?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
83 Ensure that the minutes clearly state all agreed actions, the responsible owner, when they will be done by and any advice given from any stakeholders?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Does the Audit Committee Secretariat: (continued)		Yes	No	N/A
84	Ensure action points are being taken forward between meetings?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
85	Support the Chair in the preparation of Audit Committee reports to the Board?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
86	Arrange the Chair's bilateral meetings with:			
	a. the Accounting Officer, the Head of Internal Audit, Director of the External Auditors;	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	b. the Chair of the Board of sponsored NDPBs.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
87	Keep the Chair and members in touch with developments and relevant background information about developments in the organisation?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
88	Maintain a record of when members' terms of appointment are due for renewal or termination?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
89	Ensure that appropriate appointment processes are initiated when required?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Additional Comments:**Conclusions**

Do we meet **Good Practice: Support for the Committee** – Does the Committee receive appropriate support from its secretariat?

What do we need to do to enhance the Audit Committee?

Where we have carried out the self-assessment before, the audit committee has improved its performance against:

- 1 none of the good practice questions.
 - 2 some of the good practice questions.
 - 3 most, if not all of the good practice questions.
-

Where to find out more

The National Audit Office website is

www.nao.org.uk

Links to other websites

www.hm-treasury.gov.uk/audit_committee_handbook.htm

www.hm-treasury.gov.uk/d/mpm_annex3.1.pdf

If you would like to know more about
the NAO's work in this area please email

Z5-FMGP@nao.gsi.gov.uk

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Audit and Governance Committee Paper

DRAFT

Paper Title:	AGC Forward Plan 2014
Paper Number:	[AGC (01/10/2014) 431]
Meeting Date:	1 October 2014
Agenda Item:	14
Author:	Sue Gallone
For information or decision?	Decision
Resource Implications:	None
Implementation	N/A
Communication	N/A
Organisational Risk	Not to have a plan risks incomplete assurance, inadequate coverage or unavailability key officers or information
Recommendation to the Committee:	The Committee is asked to review and make any further suggestions and comments and agree the plan.
Evaluation	Annually, at the review of Committee effectiveness (but the forward plan might be reviewed briefly by the Committee at each meeting)
Annexes	N/A

AGC Forward Plan 2014

Item↓ Date:	18 Mar 2015	10 June 2015	9 December 2015	10 December 2014
Following Authority Date:	7 May 2015	16 July 2015	14 January 2015	January 2016
Meeting 'Theme/s'	Finance, Systems & Controls, Project Management, plus from 2016 Business Continuity	Annual Report, Internal & External Audit Findings, Information Security, IA Plan, People	Strategy & Corporate Affairs, Register and Compliance, AGC review	Register and Compliance, Business Continuity
Reporting Officers	Sue Gallone	Peter Thompson	Nick Jones/Juliet Tizzard	Nick Jones
High Level Risk Register	Yes	Yes	Yes	Yes
Shared Services, McCracken Implementation & Organisation Change	Yes, by exception	Yes, by exception	Yes, by exception	Yes, by exception
Information for Quality (IfQ) Programme	Yes	Yes	Yes	Yes
Annual Report & Accounts (inc Annual Governance Statement)	Plan & review any drafts	Approval		
External audit (NAO) strategy & work	Interim Feedback	Audit Completion Report	Planning Report	Planning Report
Information Assurance & Security		Yes		
Internal Audit Recommendations Follow-up	Yes	Yes	Yes	Yes
Internal Audit	Early Results	Results, annual opinion, approve draft plan	Update	Update
Whistle Blowing, fraud (report of any incidents)	Update as necessary	Update as necessary	Update as necessary	Update as necessary
Contracts & Procurement including SLA	Update as necessary	Update as necessary	Update as necessary	Update as necessary

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management				
HR, People Planning & Processes		Yes		
Strategy & Corporate Affairs management			Yes	
Regulatory & Register management			Yes	Yes
Resilience & Business Continuity Management				Yes, then March 2016
Project Planning & PMO	Yes			
Standing Financial Instructions / Procedures review	Yes			
Review of AGC activities & effectiveness, terms of reference			Yes	
AGC Forward Plan	Yes	Yes	Yes	Yes