

Minutes of Audit and Governance Committee meeting held on 13 June 2017**Church House Westminster, Dean's Yard, Westminster SW1P 3NZ**

Members present Anita Bharucha (Chair)
Margaret Gilmore
Gill Laver
Jerry Page

Apologies

External advisers Internal Audit - PricewaterhouseCoopers (PwC):
Jeremy Nolan

External Audit - National Audit Office (NAO):
Sarah Edwards
George Smiles

Northdoor Plc (Item 9)
Padraic O'Connor

Observers Kim Hayes, Department of Health
Kevin Wellard, Human Tissue Authority

Staff in attendance Peter Thompson, Chief Executive
Morounke Akingbola, Head of Finance
Richard Sydee, Director of Finance and Resources
Nick Jones, Director of Compliance and Information
Paula Robinson, Head of Planning and Governance
Helen Crutcher, Risk and Business Planning Manager
Ian Peacock, Systems Manager
Bernice Ash, Committee Secretary

1. Welcome, apologies and declarations of interests

1.1 The Chair welcomed attendees to the meeting, in particular:

- Kevin Wellard, Human Tissue Authority, observing the meeting.

1.2 Apologies were received from Siobhain Kelly, Senior Governance Manager and David Moysen, Head of IT.

1.3 There were no declarations of interest.

2. Minutes of the meeting held on 21 March 2017

2.1 The minutes of the meeting held on 21 March 2017 were agreed as a true record and approved for signature by the Chair.

- 2.2** The Chair requested that, for future meetings, the first draft of the minutes be circulated to internal staff for comment, prior to requesting comments from Committee members.

3. Matters arising

- 3.1** The Committee noted the progress on actions from previous meetings. Some items were ongoing and others were dependent on availability or were planned for the future.
- 3.2** Items 11.6, 13.5, 4.24 and 8.6 relating to updates on cyber security and business continuity have been addressed in the items on the agenda below.
- 3.3** 9.5) The forward plan had been amended to reflect the changes made by the Committee at the 21 March 2017 meeting.
- 3.4** 10.9) The Head of Planning and Governance confirmed that, on next year's calendar of meetings, AGC would precede Authority. This would enable the Committee to consider the strategic risk register prior to its presentation to Authority.
- 3.5** Some Committee members raised concern regarding receipt of information distributed to their HFEA email accounts, as they generally only access these in periods leading up to a main meeting. It was identified that it would be useful for a message to be sent to individuals' private email addresses, informing them of any new information sent to their HFEA accounts. This suggestion was noted by the Chief Executive.

Action

- 3.6** Staff members to alert Committee members, by means of their private email addresses, when information is sent to their HFEA email accounts, between meetings.

4. Internal Audit

a) Annual Assurance Statement 2016-17

- 4.1** The new Head of Internal Audit reported on the annual assurance statement for 2016/17, stating that the overall rating for the Authority is 'moderate', meaning that there was room for improvements. The committee noted that a rating higher than moderate could be deemed as being perfect.
- 4.2** The Committee noted the audits in the three key areas of management, governance and control had been marked as 'moderate' and there were no high priority recommendations.

b) 2017-18 Plan

- 4.3** The Head of Internal Audit reported that the 2017/18 plan focused on data loss, financial controls, the General Data Protection Regulation, risk management and governance. The plan does fit in with the budget.

- 4.4** The Committee felt that, given the strengths of the organisation's risk management and control system, too many indicative days had been allocated to this, suggesting there should be some reallocation of these to the data loss audit.
- 4.5** The Committee was informed that a scoping exercise around the key risk that Authority data could be lost, become inaccessible, or be inadvertently released or accessed, will need to be conducted to deal with any crossover issues with the General Data Protection Regulations.
- 4.6** The Head of Internal Audit confirmed that a three year plan would be developed in due course and some thoughts for 2018-19 plan had already been considered. The Committee was informed that the 2017-18 plan had been produced with the benefit of looking retrospectively at previous three year plans.

Action

- 4.7** The Head of Internal Audit to look at reallocating some of the indicative days from the area of risk management and control to the data loss audit area.

5. Implementation of Audit Recommendations

- 5.1.** The Head of Finance reported there had been two additional items added to the tracker since the last meeting, both concerning board effectiveness. These had both been completed.
- 5.2.** The Committee noted that all the audit recommendations had been completed and could be removed from the tracker.

6. Annual Report and Accounts

- 6.1** The Director of Finance and Resources presented the annual report and accounts 2016/17, making specific references to the increase in income, notably in fees for IVF cycles shown on page 42. The Committee was informed that there were 100,000 more cycles than expected in the 2016/17 financial year. The importance of attaining improved information from the sector within this area was identified and this would be explored in more depth over the latter half of 2017.
- 6.2** The Committee were taken through the balance sheet and noted that there was an issue with intangible assets that were showing a zero. The Director of Finance and Resources confirmed there were in fact intangible assets and the balance sheet does balance, so it appears there was a formatting error. The increase to intangible assets during the financial year related to the investment in the IfQ programme.
- 6.3** The Director of Finance and Resources drew the Committee's attention to note 3 on page 49 the professional and administrative fees, relating to legal costs incurred which had increased, in addition the effects of the organisational changes were reflected in the provision.
- 6.4** The Committee noted that at the date of finalising the accounts, there were two matters in litigation that may have financial consequences for the Authority. The Chief Executive provided an update on these issues.
- 6.5** The Committee identified that the cash is not reducing, and that 80% of income is derived from centres, and therefore patients. The Chief Executive stated that constantly changing the fee amounts causes issues for the centres and therefore the preference was for a medium term

stability in fee rates. The Committee agreed that the forthcoming work to improve forecasting and fee setting is necessary.

- 6.6** The Committee discussed the Chief Executive's foreword, and generally felt the Authority needed to highlight its achievements through this piece. The Committee advised this should make clearer reference to helping patients, technology and mitochondrial work, also making suggested wording changes.
- 6.7** The Committee suggested several other changes to the report including stronger references to the roles of the committees and the core work of the Authority. It was felt that risks, particularly in connection to resources, needed to be more explicit.
- 6.8** Subject to the suggested changes, the Committee recommended that the Accounting Officer, the Chief Executive, signs the annual report and accounts.
- 6.9** The Committee noted the Executive's plan to sign off the annual report and accounts by 3 July 2017.

Action

- 6.10** The Director of Finance and Resources to liaise with Committee members and senior management to finalise the accounts.

7. External Audit - Audit Completion Report

- 7.1** The NAO spoke to the audit completion report, noting the outstanding actions, which still required review by the Authority.
- 7.2** The NAO referred the Committee to the key audit findings, stating there were no particular items to report. Only one recommendation had been made regarding the internal control over contracts and this had been corrected. It was confirmed that the identified adjusted misstatements would be changed in the accounts.
- 7.3** The Chair thanked the Head of Finance, the Director of Finance and Resources, and the team for all their hard work.

8. HR – Update on Reorganisation and Post Staff Survey

- 8.1** The Chief Executive gave the Committee an update on the current structural reorganisation and actions resulting from the staff survey conducted in December 2016.
- 8.2** The Chief Executive stated the key drivers for the organisational change were the new three year strategy and the Information for Quality (IfQ) Programme. To deliver the new strategy and IfQ, it was necessary to look at the roles required to fulfil the Authority's strategic ambitions and assist clinics in attaining better performance.
- 8.3** The Committee was provided with progress updates regarding recruitment for the newly formed Planning and Governance team (which is now complete), the Intelligence team, Chief Information Officer and new Senior Inspector role. It was noted that 3 staff had accepted voluntary redundancy and temporary additional staff are covering the current skill gaps. The Chief Executive acknowledged the desire to move quickly with the reorganisation process, but noting the importance of completing IfQ first.

- 8.4** The results of the 2016 Staff Survey had revealed a mixed picture, in comparison to previous surveys. As a result of the staff survey, Task and Finish Groups were established, covering leadership and managing change, engagement and taking action, resources and workload, line management and managing performance, learning and development, recruitment and careers and pay and benefits.
- 8.5** The Chief Executive reported that the outcomes of the Task and Finish Groups would be discussed at an all staff awayday in July. Work on a new People Strategy was also in progress.
- 8.6** The Committee noted the risks associated with the organisation change regarding corporate memory and knowledge within the Authority. The necessity to produce updated SOPs had been identified.
- 8.7** The Chief Executive reported there had been no evidence of lack of engagement from staff so far, although understandably, morale in the IT team had been low.
- 8.8** The Chair thanked the Chief Executive for his leadership during this time of organisational change, acknowledging the good level of staff engagement.
- 8.9** The Committee discussed how often data collected by the Authority is used for research projects. The Director of Compliance and Information spoke to the Committee about the Register Research Panel, to which applications to use data can be made. The latest research application would study the connection between individuals born through IVF and their educational outcomes.
- 8.10** The Chief Executive stated that the Authority has high level powers to collect data but only general powers to make this available to others. Permission is required from the Department of Health to commission certain research, and use any surplus monies for this purpose.

Action

- 8.11** The Director of Finance and Resources to explore the potential to surplus funds to commission research on the data held by the Authority.

9. Information for Quality (IfQ) Programme

- 9.1** The Director of Compliance and Information spoke to the paper, providing an update on progress, the programme budget and risks.
- 9.2** The required work to satisfy the GDS standards, following the feedback received in early May 2017, was duly completed, and a further assessment then occurred on 7 June 2017; results were currently awaited. Necessary work for the new website and Choose a Fertility Clinic had been complex and time consuming for the clinics, but should be completed shortly.
- 9.3** The Committee noted that the IfQ Programme budget had now closed. Final expenditure (subject to final accounts) was £1.276m compared to the planned budget of £1.227m. The Committee also noted that the necessary funding for completing the outstanding aspects of the programme would be in addition to the original Programme budget; and that the funding was budgeted within the 2017-18 budget.
- 9.4** The Committee was informed about the current data migration work, noting that the third 'trial load' would be due for completion in July 2017. The Committee was reminded that Northdoor Plc. had been commissioned to ensure the Authority remained compliant with the data migration strategy, and a second migration audit had just been completed.

- 9.5** Northdoor Plc. gave the Committee a presentation on the data migration exercise, covering the background to their work, recommendations status, project status and next steps to be taken prior to migration going live.
- 9.6** The Systems Manager reported that the IfQ work continued to be time consuming. There had been some slippage with the migration trial loads, and as with all projects of this nature, more issues were likely to arise.
- 9.7** The Committee noted the top five risks for the project included loss of knowledge within the team, increasing workload and lack of resources and key IT knowledge being transferred to contractors. The mitigations in place were noted.

Action

- 9.8** The Director of Compliance and Information to distribute information concerning the outcome of the recent GDS assessment to the Committee. A further update on IfQ will be provided at the next meeting.

10. Information Assurance and Security

- 10.1** The Director of Compliance and Information spoke of the importance of ensuring the organisation had a robust records management policy. This would be a main work stream for the Head of Intelligence, once recruited.
- 10.2** The Committee was informed that an internal audit on data loss was about to commence, and would provide the Executive and Committee with assurance.

11. Cyber Security and Resilience and Business Continuity Management

- 11.1** The Director of Compliance and Information spoke to the cyber security paper, referring to the recent 'WannaCry' cyber-attack which affected more than 300,000 organisations in 200 countries. It was confirmed that the Authority was not a victim of this cyber-attack.
- 11.2** The Committee was informed that further attacks were possible and since these would become more sophisticated in nature, the Authority could be vulnerable. Risk indicators had been identified. The importance of a robust IT strategy and being open to the possibility of attack was stated. Although it had been assessed that the Authority did not currently show any risk indicators, it was important for the organisation not to become complacent.
- 11.3** The Director of Compliance and Information referred to the move to Office 365 (0365) and the development of a document management system within this. The necessity to make this product more bespoke to the Authority had been identified, noting that certain processes, including ensuring track changes in on-line documentation could be shared, needed to be in place.
- 11.4** The Committee was reassured there was no increased security risk to their HFEA email accounts. However, encryptions on personal devices should be the same as those on HFEA devices. The risk associated with downloading Authority documents to personal devices was discussed.

- 11.5** The Committee referred to the Resilience and Business Continuity paper, indicating that it felt that given O365 is highlighted as a mitigation for business continuity risks, its partially tested status represented a risk in itself.
- 11.6** The Committee noted the actions being taken with regard to business continuity and resilience, and work due for completion by the end of June 2017, following which another emergency alert test would occur. The Director of Compliance and Information confirmed there had been a training exercise with all the inspectors. Training for Authority members, regarding the emergency alert system, needed to be conducted.
- 11.7** The current limitations of O365 were recognised and the Authority needed to be more proactive dealing with members' issues. The Business Continuity Plan would be reviewed.

Action

- 11.8** The Director of Compliance and Information to report back to the Committee with the results of the next emergency alert test.
- 11.9** The Director of Compliance and Information to consider the use of personal devices by members and provide guidance at necessary.

12. ALB Risk Interdependencies

- 12.1** The Head of Planning and Governance spoke to the paper, providing some background on the 2016 internal audit report for the Department of Health (DH) which had identified interdependencies between DH and its ALBs, or between the ALBs themselves, as a potential area of weakness in the system-wide risk management system.
- 12.2** The Head of Planning and Governance reported on the risk interdependencies workshop, held on 28 February 2017 and attended by various Department of Health staff and risk leads from all other health ALBs. Several common themes become evident from this meeting, including workforce, money and cyber security.
- 12.3** The Authority's main risk interdependencies are with the Department of Health on items like our legislation, funding, and sometimes policy or media matters.
- 12.4** The Committee was informed that identified interdependencies had been added to the new risk register for 2017/18.

13. Strategic Risks 2017/18

- 13.1** The Head of Planning and Governance presented the strategic risks for 2017/18
- 13.2** The strategic risk register had been refreshed to reflect the new strategy for 2017-2020, and now incorporated a number of core high level risks to the overall delivery of the strategy. These included financial risks, legal challenge and cyber security. A summary of the risks was provided at the top of the document. Risk interdependencies with other ALBs and the Department of Health had also been incorporated. CMG had reviewed the new risk register and made some suggestions for changes.

- 13.3** The Committee was informed that two risks were currently above tolerance - these were the risks regarding legal challenge and organisational change. It had been identified that cyber security had several potential aspects and had therefore been given its own dedicated entry in the risk register.
- 13.4** The Committee raised some concern that the risk regarding technical issues with communication systems was evident, believing this issue had already been resolved. This would be investigated after the meeting.
- 13.5** The Chief Executive provided the Committee with an update concerning the legal cases relating to legal parenthood. A Judicial Review hearing of one of the discrete elements of the IfQ CaFC project was held in December 2016 and January 2017; the Authority won this case. A decision on whether to grant permission to appeal is expected to be heard by the court soon.
- 13.6** The Committee was also informed of a recent licensing matter, which would go to the independent Appeal Committee shortly. If the earlier decision was endorsed by the Appeal Committee, a Judicial Review could be expected to follow.
- 13.7** The Committee noted that legal challenges were always time consuming and expensive, therefore constituting a high risk.

14. AGC Forward Plan

- 14.1** The Head of Finance reported the item on Legal Risks has been moved forward to the 3 October 2017 meeting.
- 14.2** The Committee noted that the theme for the 3 October 2017 meeting would be strategic and corporate affairs. The Chair requested this meeting to provide a particular focus on risks associated with the new business structure.
- 14.3** The NAO reported that the Audit Planning Report would be presented at the 3 October 2017 meeting.

Action

- 14.4** To ensure the theme for the 3 October 2017 meeting provides a focus on risks associated with the new business structure.

15. Whistle Blowing and Fraud

- 15.1** The Director of Finance and Resources informed the Committee there had been one case of alleged fraud reported by a contract provider. This had been reported to the Department of Health and was currently under investigation by the Anti-Fraud team. It was confirmed that, at present, the HFEA had not suffered any financial losses in relation to this case. The Committee would be updated in due course.

Action

- 15.2** The Director of Finance and Resources to ensure the Committee remains updated with regards to the outcome of the investigation.

16. Contracts and Procurement

- 16.1** The Head of Finance reported there were no issues, new contracts let or procurement to report since the last meeting.

17. Any Other Business

- 17.1** Members and auditors retired for their confidential session.
- 17.2** The next meeting will be held on Tuesday, 3 October 2017 at 10am

Chair's signature

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

Signature

Name

Anita Bharucha

Date

3 October 2017