Audit and Risk Assurance Committee (ARAC)

Date: 28 January 2021

Time: ARAC Members Private Session – 9.30 – 10.00

Main meeting- 10.00-12-00

Venue: Zoom

Protective Marking: OFFICIAL

Agenda

1. Welcome and apologies
2. Declarations of interest
3. Minutes of 15 October 2020 meeting (AUD 19/20) **(For Approval)**
4. Matters arising from 15 October 2020 meeting (AUD 20/20) (**For information)**
5. ARAC Chair's Report (Oral) **(For information)**

External Audit

6. National Audit Office- Audit planning report on the 2020-21 financial statement audit (AUD 21/20)

   Annex A- HTA Audit Planning Report 2020/21

Internal Audit (Confidential)

7. Internal Audit Update (AUD 22/20) **(For information)**

   Annex A- HTA Corporate Governance Audit Final Report

Corporate Governance Audit

8. Corporate Governance Audit Recommendations (AUD 23/20) **(For approval)**

   Annex A- Corporate Governance Audit Terms of Reference
   Annex B- Good Governance Standard for Public Services

Audit Tracker

9. Audit Tracker (AUD 24/20) **(For information)**

   - Annex A - Assurance Report

Risk

10. Risk Update (AUD 25/20) **(For information)**

    - Annex A- HTA Strategic Risk Register

Development Programme

11. Development Programme Report (AUD 26/20) **(For information)**

Policy and Procedures

12. Gifts and Hospitality Register (AUD 27/20) **(For information)**

    Annex A- Gifts and Hospitality Register

13. Anti-Fraud, Bribery and Corruption Policy (AUD 28/20) **(For Approval)**

    Annex A- HTA-POL-050 Anti-Fraud Policy

14. Whistleblowing Policy and Procedure (AUD 29/20) **(For Approval)**

Annex A- HTA-POL-017 Whistleblowing Policy

15. ARAC Handbook (AUD 30/20) **(For Approval)**

    Annex A- ARAC Handbook

Regular Reporting and Updates

16. Cyber Security Risk Dashboard report (AUD 31/20) **(For information)**

    Annex A- ARAC Cyber Security Dashboard

17. Reports on grievances, disputes, fraud and other information (Oral)

18. Topics for Future Discussion

Any Other Business

19. AOB (Oral)

For information:

ARAC Terms of Reference

Minutes of the Audit and Risk Assurance (ARAC) meeting

Date: 15 October 2020

Time: 10.00 – 12.00

Venue: Zoom

Protective Marking: OFFICIAL

Attendees:

ARAC Members

Amanda Gibbon (AG, Chair)
Glenn Houston (GH)
Dr. Stuart Dollow (SD
Charmaine Griffiths (CG)
Gary Crowe (GC)

Apologies

Jill Hearne (JH, NAO)

External Attendees

Tony Stanley (AS, Government Internal Audit Agency)
Karen Holland (KH, Government Internal Audit Agency)
Mike Surman (MS, National Audit Office)
Jacky Cooper (JC, DHSC)

In attendance

Allan Marriott-Smith (AMS, Chief Executive)
Richard Sydee (RS, Director of Resources)
Morounke Akingbola (MA, Head of Finance
and Governance)
Louise Dineley (LD, Director of Data, Development and Technology)
David Thomson (DT, Head of Business Technology Item 10)
Mathew Silk (MS, Head of Communications, item 12)
Dr. Robert Watson (RB, Head of Regulation, Item 11)
Louise Knight (LK, Regulation Manager, Item 11)
Dr. Amy Thomas (AT, Head of Development)
Nima Sharma (NS, Board Secretary, minutes)

Item 1 – Welcome and apologies

1. Amanda Gibbon (the Chair) welcomed Members, HTA staff, and colleagues from the Department of Health and Social Care (DHSC), Government Internal Audit Agency (GIAA) the National Audit Office (NAO).

2. The Chair noted apologies from Jill Hearne.

Item 2 – Declarations of interest

3. The Chair asked Members to declare any personal or pecuniary interests in regards to the meeting's agenda; none were declared.

Item 3 – Minutes of 16 June 2020 meeting [HTA 09/20]

4. The Chair asked the Committee if there were any further comments on the minutes from the 16 June meeting; there were none. The minutes were accepted as an accurate reflection of the meeting.

5. Members highlighted that there was a typographical error in paragraph 43, where content was spelt as consent.

6. Members also highlighted that paragraph 34 referred to a working group being convened and questioned whether this had been done. The Executive confirmed that this was complete and the outcome from this group would be fed back to Professor Gary Crowe, as the new ARAC Chair in the first instance before the Board is updated.

Item 4 – Matters arising from minutes of 16 June 2020 and forward plan (AUD 10/20)

7. The Chair noted that an update would be provided for actions arising from the meeting on 16 June 2020 as part of this meeting's agenda. In particular, the Chair noted that the Records Management internal audit actions would be covered under the Audit Tracker item.

8. The Chair sought clarification on the action to review the delegation schedule. The Executive confirmed that the delegation schedule in the HTA Standing Orders of the Authority had been updated following amendments to the Policy for Managing and Referring Potential Criminal Breaches of Human Tissue legislation that would be circulated to the Board for approval in due course. It was agreed that this could be removed from the Matters Arising log.

9. The Committee noted the content of this update.

Item 5 – ARAC Chair's Update (Oral)

10. The Chair asked the Committee to note that the current meeting would be her last as Chair and that Professor Gary Crowe had been appointed as the new Chair of ARAC effective from 16 October.

11. The Committee extended its thanks to Amanda Gibbon for her contribution as Chair of ARAC.

Item 6 – Internal Audit Update (AUD 11/20)

12. KH informed the Committee that the appointment of a new Head of Internal Audit was underway. The Chair asked that any Professor Gary Crowe should be involved in this appointment process.

13. TS updated the Committee on progress with internal audit activities. The Corporate Governance Audit would be reported at the next ARAC meeting in January 2021. The Risk Management Review Audit would commence in November 2020 and the Accounts Payable and Inspection Review Audit would be brought forward to quarter three.

14. The Committee was informed that fieldwork on the Cyber Security Risks audit had been completed by a specialist team and moderate assurance had been given. The HTA's Cyber Security Strategy was found to be robust. A number of recommendations were made in light of this audit covering the introduction of periodic review of user registers and introducing an incident response plan in the event of a disruption. There were some low-level recommendations, such as laptops not being enabled for use of USB devices.

15. The response to the Corporate Governance audit report (an advisory audit) would be presented to the Committee and then to the Board. SMT confirmed that comments on the audit report had been provided to Internal Audit colleagues earlier in the week. The audit had focused in particular on the HTA's arrangements for stakeholder engagement. This would become increasingly important in the current operating environment and the resulting change in the HTA's operating model.

16. The Committee noted the content of this report.

Item 7 – Audit Tracker Update (AUD 12/20)

17. Morounke Akingbola updated the Committee on progress with recommendations on the Audit Tracker.

18. The Committee was informed that good progress was made in addressing the recommendations of the utilisation of capabilities audit, although there had been some change in how these were being approached as a result of the HTA's operational response to the COVID-19 pandemic.

19. Members noted that work had been undertaken by Dr Robert Watson, Head of Regulation for Human Application, to look at capacity and capability that Regulation Managers (RMs) have, in particular, to address any skills gaps. This was discussed as part of flexibility across sectors.

20. Members noted that the critical incident management audit was not due to take place until quarter three. Members agreed that the Business Continuity and Critical Incident Plans should be separated. The Executive agreed to

take this forward and ensure that new policies are in place for the occupation of the new offices in Redman Place.

21. An update was provided about the payroll and expenses audit recommendations. It was confirmed that six monthly reminders to ensure that staff on temporary promotion were reviewed and this would need to be programmed into IRIS. Members were informed that this is in the Head of HR's work plan, however, at present is deemed to be of low priority against more pressing issues. Furthermore, the Code of Conduct had a target date of December 2020 for completion in the Audit Tracker.

Action 1: The Executive to provide an assurance report at the next ARAC meeting which outlines closed actions and outstanding actions from the Audit Tracker as an annex to the Audit Tracker.

Item 8 – Risk Update (AUD 13/20)

22. RS presented this paper to the Committee.

23. Members were informed that there had not been any material changes to the strategic risk register, with scores for risks one to six remaining unchanged. The Committee's discussion focused upon risk tolerance, specifically in relation to risk one- failure to regulate appropriately. Members highlighted their concerns around lack of inspections across the Sectors as a result of the pandemic. The Executive emphasised that the Virtual Regulatory Assessment model is in pilot and that site visit inspections are not the only tool the HTA uses to maintain regulatory oversight. On balance the risks, at present, of not undertaking inspections for all sectors, except Human Application, is relatively low.

24. Members highlighted that the strategic risk register should give a better indication of risk and how this has changed as well as mitigations undertaken since previous ARAC meetings. The Executive agreed that more depth of analysis is required in order for the Risk Register to be informative about the specific drivers within the headline risks.

25. The discussion also extended to the operational risk register. Further work in developing this register will be picked up as part of the HTA's planned improvements for risk management. It was noted that the operational risk register in its current format is difficult to use and further work will be undertaken to review how to improve this.

26. The Committee was provided with an update on UK transition and was informed that the HTA remains ready for a no deal position.

27. Updates were provided on the office re-location project. The Committee was informed that there had been delays to the build of the floorplates. However, this would not impact on the HTA's move date of mid-January 2021. It was emphasised that although the physical move would be in January this would not mean resumption of office working; the HTA would need to make a decision on when this may happen in light of the emerging Government guidance.

28. Finally, an update was provided on staff contracts. In terms of remote working contracts three quarters of staff would be taking these up enabling them to be predominantly home based.

29. The Committee noted the content of this report.

Item 9 Development Programme Update (AUD 14/20)

30. LD presented the paper to the Committee.

31. She informed the Committee that good progress had been made over the last two quarters across the six projects in the Development Programme. LD made specific reference to the progress made on the strengthening of the HTA's data and intelligence with a demonstration of a proof of concept model that showed the possible use of existing data sources; the development of the requirements to support an Electronic Document Records Management System, this project has incorporated into its scope a number of outstanding actions including internal audit recommendations; and the appointment of a change manager to support the organisation's capacity and preparedness for developments and change.

32. The Committee noted the content of this update and progress being made.

Action 2: A Development Programme update to be provided at the next Board meeting (Complete).

Item 10 Cyber Security Update (AUD 15/20)

33. DT presented the paper to the Committee.

34. The Committee was updated that good progress had been made in relation to Cyber Security, but with scope for further policy development. The Committee noted that the report submitted was not a dashboard style report as anticipated. This format of report would be presented at the next meeting in January.

35. DT informed the Committee that penetration testing had been carried out and that a further test would be scheduled at the new offices, with a particular emphasis, on reviewing systems that target fraudulent activity. The Committee agreed that this work should be aligned with systems to detect fraud in other areas, such as financial fraud.

Action 3: To present a dashboard style report relating to cyber security risks at the January ARAC meeting.

Item 11 HA Risk Project Update (AUD 16/20)

36. RW presented this paper to the Committee.

37. There has been significant progress with Preparation Process Dossiers (PPDs) and Inspections as part of the Human Application (HA) risk project in order to implement the recommendations. Specifically, a significant number of minor amendments have been made to the HA inspection process to ensure that activities are consistently reviewed during inspections. Related procedures (e.g. those linked to incidents and processing) have been updated to ensure that there is also alignment with the approach to inspection scheduling and planning.

38. The Committee raised concerns about trending incidents that occur in the Human Application sector. The discussion focused around the benefits of analysing trends to gain further assurance that patterns were identified and

addressed. The Committee was informed that trends are reviewed during the fortnightly HA SAEARs meetings and that work is underway on using core data sets to extract trends from CRM.

39. The Committee was content with the update and agreed that no further updates on this project would need to be given to ARAC as the actions which remained outstanding for this project would be picked up as part of other workstreams.

40. The Committee noted the content of this update.

Item 12 Licensed Establishment Engagement Programme (LEEP) Project Update (AUD 17/20)

41. MS presented this paper to the Committee.

42. He provided the Committee with a background to the project and its evolution. The Committee noted that LEEP was no longer active as a project in its entirety. However, a number of strands of the project were being undertaken as part of other work streams. It was emphasized that stakeholder engagement continues in the absence of the LEEP project itself.

43. Members highlighted the importance that the HTA does not lose sight of Designated Individual (DI) engagement. The Committee questioned whether the HTA would still be developing the concept of ‘relationship management’ with establishments. The Executive confirmed that establishments had fed back that this would be valuable in the recent Professional Stakeholder Evaluation and that this piece of work would be pursued as part of the Development Programme.

44. The Chair informed the Executive that the Committee had been planning for a deep dive to be carried out on the LEEP project to better understand how the HTA is supporting DIs. In the absence of this it was agreed that the Executive should provide an update on DI engagement at a future meeting.

45. The Committee noted the content of this update.

Action 4: The Executive to provide an update on stakeholder engagement, including engagement with Designated Individuals (DI) at future ARAC meeting.

Item 13 HTA Reserves Policy Update (AUD 18/20)

46. MA presented this update to the Committee.

47. There were no changes to the policy at Annex A since its last review by ARAC. The Committee approved the unchanged policy.

Item 14 HTA Gifts and Hospitality Register (AUD 19/20)

48. MA presented this update to the Committee.

49. There have been no changes to the register since its last review by ARAC. The Committee noted the unchanged register.

Item 15 Topics for Future Discussion (Oral)

50. The Chair asked if there were any topics for future discussion; none were raised.

Item 16 Any Other Business (Oral)

51. The Chair asked if there was any other business; none was raised.

Date of next meeting- 28 January 2021

(AUD 20/20)

HTA Audit and Risk Assurance Committee

Matters arising and forward plan

Thursday 28 January 2021

Meeting	Action	Responsibility	Due date	Progress to date	Status
12 June 2019	Action 2: To review and sign off the Records Management Policy at the October 2019 meeting.	Director of Resources	01 October 2019	An update to be provided during the October ARAC meeting. **Ongoing.** An update to be provided as part of the Audit Tracker	Live
15 October 2020	Action 1: The Executive to provide an assurance report at the next ARAC meeting which outlines closed actions and outstanding actions from the Audit Tracker as an annex to the Audit Tracker.	Head of Finance and Governance	28 January 2021	A paper to be presented to ARAC at the January 2021 meeting	Live
15 October 2020	Action 3: To present a dashboard style report relating to cyber security risks at the January ARAC meeting.	Head of Business Technology	28 January 2021	A paper to be presented to ARAC at the January 2021 meeting	Live
15 October 2020	Action 4: The Executive to provide an update on stakeholder engagement, including engagement with Designated Individuals (DI) at future ARAC meeting.	Director of Data, Technology and Development	TBC	An update to be provided at a future ARAC meeting	Live

Risk exploration topics

Topic	Meeting	Progress
Risks posed by sectors and the HTA's approach to protect public confidence • The HTA Inspection Rationale	February 2017	On the agenda for the February 2017 meeting. **Complete.**
Risks posed by sectors and the HTA's approach to protect public confidence Breadth of activity, regulatory approach and risk assessments for various aspects of the Human Application Sector – Follow-up from Authority seminar in February 2017.	May 2017	This item has been scheduled to occur as a follow up to the authority member seminar scheduled for the morning of the February Authority Meeting. **Complete.**
HTA interaction with DIs/DI Training and Recruitment	November 2017	Due to competing work priorities within the Regulation Directorate, The Chair of ARAC has agreed replace this topic with an item looking at the recommendations arising the from the Risks in the Human Application Sector project. We will seek another date for the DI work deep dive, but the meeting after next is likely to look at recruitment and retention risks.
Risks in the Human Application Sector project.	November 2017	Complete.
Management and succession arrangements to assure the continuity of licensing and regulation activity	February 2018	Complete.
Risks associated with Cyber Security	June 2018	Complete. To be added as Standing Item.
Risks associated with the HTA's Licensed Establishment Relationship programme	TBC	As agreed at the 1 February 2018 ARAC Meeting. At 19 June 12018 ARAC Meeting, the Committee agreed to postpone its investigation of the HTA's Licensed Establishment Relationship Programme, which was scheduled for 23 October 2018 ARAC meeting. The Committee elected instead, to explore the risks and assurance associated with the HTA's staff induction process.
The risks and assurance associated with the HTA's staff induction process.	October 2018	At 19 June 12018 ARAC Meeting, the Committee elected to explore the risks and assurance associated with the HTA's staff induction process.
HTA continuous business planning arrangements for the triaging of business planning activity	TBC	Originally scheduled for 19 June 2018 but postponed by the ARAC committee at its meeting on 1 February 2018. New date TBC.
Media handling- Critical incident handling	TBC	Subject to Internal audit
Risks posed by sectors and the HTA's approach to protect public confidence.	TBC	HA and PM done. Poor risk profile with some of the other sectors.
Post Mortem sector (due at Authority Meeting 04 May 2017)	TBC	This was done at the Authority meeting- will need to consider doing this at ARAC.
Fraud in Public Sector and lack of Board oversight	June 2020	TBC
HTA Office re-location	30 January 2020	TBC
Executive to decide whether an examination of the data from the Professional Stakeholder Evaluation is an appropriate topic for an ARAC deep dive.	Action from July 2020 Board meeting	TBC

No deep dives since January 2020

Future training

Topic	Meeting	Provider	Progress
Joint ARAC Member/Management Team training seminar – undertaking risk assurance mapping and interdependency across the wider health group	February 2017	Internal Auditor/Director of Resources	To focus on wider suggested best practice in accordance with the Risk Management Policy and Strategy and consideration of wider interdependence across the health group. **Complete.**
Value for money auditing and the optimal deployment of resources		NAO	NAO have been invited to host a training session on 18 May 2017. **Complete.**
A NAO perspective on the risks emerging within the health sector	February 2018	NAO Catherine Hepburn	**Complete**.
Observation and feedback from another ARAC Chair	June 2018	Anne Beasley, formerly Director General of Finance and Corporate Services at the UK Ministry of Justice	Rescheduled to occur after the ARAC meeting in June 2018 but postponed until 23 October due to the availability of the observing Chair.
Observation and feedback from another ARAC Chair	October 2018	Anne Beasley, formerly Director General of Finance and Corporate Services at the UK Ministry of Justice	Rescheduled to occur after the ARAC meeting in June 2018 but postponed until 23 October due to the availability of the observing Chair.
NAO presentation the issues and challenges experienced by other ARACs.	February 2019	George Smiles,(NAO)	At the ARAC meeting on 01 February 2018, Members invited George Smiles to provide them with a presentation at the October ARAC meeting on the issues and challenges experienced by other ARACs. **Postponed**
Training and/or discussion on risk updates - ensuring Members gain assurance on how risks are recorded and managed.	June 2019	Jeremy Nolan, (GIAA)	At the ARAC meeting on 23 October, Members invited Jeremy Nolan to facilitate discussion on risk management and how Members can assure themselves that risks are being managed and recorded correctly.
No training	October 2019	Not applicable	No training
IFRS training	January 2020	NAO	Complete.
Fraud Awareness	June 2020	TBC	TBC

No training since January 2020

Forward plan	**Forward Plan**

Standing items	Assurance reports from Internal Audit Audit recommendations tracker report Risk update includes strategic risk register review and **update on UK exit from the EU.** Polices/procedures updates Cyber security (as requested by the ARAC on 19 June 2018)	
Meeting		
January 2020	Review and approval of the Internal Audit proposed Audit plan for the financial year 2019/20 Review of the Audit & Risk Assurance Committee's performance including Members' skills and training Hold confidential joint meeting with both sets of Auditors (agenda item at start or end of meeting) Review gifts and hospitality register Update on the review of the risk management policy and strategy	
June 2020	Approval of the Annual Report and Accounts Review of the External Auditors ISA 260 report (management letter) Consider key messages for the Audit & Risk Assurance Committee's report on its activity and performance (to the Authority) Review and approval of the Internal Audit proposed Audit plan for the financial year Internal Audit Annual statement. (Draft Note: RS to discuss the approach to this with PF, invite Information Risk management - SIRO report Annual review of the Operational Risk Register	
October 2020	Review of HTA Reserves Policy Review of ARAC Handbook- Annual refresh Review of Gifts & Hospitality Register Risk in the Human Application Sector- general update to be provided Operation risk register to be reviewed. Business Continuity standing agenda item	
January 2021	Review and approval of the Internal Audit proposed Audit plan for the financial year 2021/22 Review of the Audit & Risk Assurance Committee's performance including Members' skills and training. Hold confidential joint meeting with both sets of Auditors (agenda item at start or end of meeting)	

Audit and Risk Assurance (ARAC) meeting

Date: 22 January 2021

Paper reference: AUD 21/20

Agenda item: 6

Author: National Audit Office

OFFICIAL

Audit planning report on the 2020-21 financial statement audit

Purpose of paper

1. The report presents details of our proposed approach for the audit of the 2020-21 financial statements. The Committee's attention is drawn to the Executive Summary on page 4 of the report, which details the significant risks that we have identified to the C&AG's audit opinion. Decision making to date

Action required

2. The Committee is invited to discuss our assessment of the significant risks, whether this assessment is complete, and whether there are any other areas of the financial statement which warrant particular attention.

3. The Committee is also requested to minute its response to the enquiries listed on page 2 of the report.

National Audit Office

Human Tissue Authority ('HTA')
Audit planning report on the 2020-21 FINANCIAL STATEMENT AUDIT

Report to those charged with governance
January 2021

This report presents details of our proposed approach for the audit of 2020-21 financial statements

We plan our audit of the financial statements to respond to the risks of material misstatement and material irregularity. This reports sets out how we have built our assessment of risk, what we base materiality on, those risks we expect to be significant and how we will respond to those risks. We also set out in this report details of the team carrying out the audit, the expected timing of the audit and our fees.

Actions for the Audit and Risk Assurance Committee ('ARAC')

Members of the ARAC are invited to discuss:

- Whether our assessment of the risks of material misstatement to the financial statements is complete, including any matters they consider warrant particular attention during the audit, and any areas where they request additional procedures be undertaken;
- Whether management's response to these risks are adequate;
- Our proposed audit plan to address these risks;
- Whether the financial statements could be materially misstated due to fraud, and communicate any areas of concern to management and the audit team

We would also like to take this opportunity to enquire of the ARAC about the following areas:

- Whether there are any other matters members of the ARAC consider may influence the audit of the financial statements
- HTA's objectives and strategies, and the related business risks that may result in material misstatements in HTA's financial statements
- Possibility, knowledge of and process for identifying and responding to the risks of fraud
- Oversight of the effectiveness of internal control
- Whether any non-compliance with any laws or regulations (including regularity) have been reported to the ARAC (e.g. from staff, service organisations or other sources)
- Policies, procedures and systems for recording non-compliance with laws, regulations and internal policies.

Mike Surman, Engagement Director

Contents

Executive Summary

Audit Risks (pages 7 to 10)

We plan our audit of the financial statements to respond to the risks of material misstatement to transactions and balances and irregular transactions.

We have identified the following risks which have the most significant impact on our audit:

- **R1. Presumed risk of management override of controls**
- **R2. Presumed risk of fraud in revenue recognition**
- **R3. Office relocation to Stratford**

We have identified the following areas of audit focus:

- **A1. Exiting the European Union**
- **A2. Implementation of IFRS 16 in 2022-23**
- **A3. Covid–19 Impact**

Materiality (page 11)

When setting materiality, we consider both qualitative and quantitative aspects that would reasonably influence the decisions of users of the financial statements.

Audit team, fee and timetable

Mike Surman, will be responsible for the overall audit. The full engagement team is presented on page 15.

Our audit fee for this year is £27,800. The fee has stayed the same as 2019-2020.

We are planning to complete the audit in advance of the summer 2021 Parliamentary recess.

Changes to our assessment of risk since 2019-20

	Risk in 2019-20	Change in risk assessment	Risk in 2020-21	Comments on change in risk assessment
Significant risks	Presumed risk of management override of controls	⟷	R1. Presumed risk of management override of controls	Management override of controls remains a presumed significant risk under International Standards on Auditing (UK). See page 7 for further details and our proposed response.
	Revenue Recognition	⟷	R2. Presumed risk of fraud in revenue recognition	The risk of fraud in revenue recognition remains a presumed significant risk under International Standards on Auditing (UK). This has not been rebutted for the HTA audit for 2020-21. See page 8 for further details and our proposed response.
	A3. Office relocation to Stratford	↑	R3. Office relocation to Stratford	HTA aim to relocate to the new Stratford premises in early 2021. The associated risk represents various challenges including effective project management, potential negative impact on staff and business continuity. We have also reflected a significant audit risk, as we anticipate the office move will give rise to a significant accounting judgement about the treatment of the new lease. See page 9 for further details and our proposed response.
Areas of Audit focus	A1. Exiting the European Union	⟷	A1. Exiting the European Union	The UK has completed its exit from the EU and the impact of the negotiated settlement is now becoming aparent. We there consider it appropriate to retain this as an area of audit focus. HTA will need to give consideration of the impact of the exit from the EU, its impact on HTA's capacity and any disclosures that may be required for inclusion in the accounts.
	A2. Implementation of *IFRS 16: Leases*	⟷	A2. Implementation of *IFRS 16: Leases*	IFRS 16 is being applied by HM Treasury in the FReM from 1st April 2021. This significantly impacts how lessees account for their leases and will bring most leases onto the balance sheet. Although this does not impact the accounting treatment for 2020-21, reporting bodies are required to include disclosure of how the standard would impact the accounts were it to be applied this year, by assessing all their current lease arrangements and other contracts which may meet the IFRS16 definition of a lease. We therefore consider it appropriate to retain this as an area of audit focus for the 2020-21 audit. **Note: we understand that HMT and FRAB agreed on 20th November to further defer IFRS 16 implementation for DHSC and its ALBs to 1 April 2022, however we will still review management's work around determining the potential impact of IFRS 16, including the new Stratford lease and related disclosures required under IAS 8.**
	A4. Covid-19 Impact	⟷	A3. Covid-19 Impact	The impact of COVID-19 was identified as a new area of focus late in the 2019-20 audit, particularly with regards to the logistical difficulties associated with gaining assurance over the existence of HTA's fixed assets. As at the date of this report, the pandemic is ongoing. This has been retained as an area of audit focus for the 2020-21 audit.

Building our assessment of risk

We are well placed to develop an understanding of the risks to Human Tissue Authority drawing on your own assessment, the historic assessment of risk and the broader context.

Human Tissue Authority assessment of risk

HTA's strategic risk register sets out a number of risks. We have engaged with management to understand the background to these risks, movement in impact and likelihood and have considered how these inform our assessment of audit risks.

- 1. Failure to regulate appropriately
- 2. Failure to manage an incident
- 3. Failure to manage expectations of regulation
- 4. Failure to utilise capabilities effectively
- 5. Insufficient or ineffective management of financial resources
- 6. Failure to achieve benefits of the HTA Development Programme

Past assessment of audit risk

The 2019-20 audit highlighted a number of areas of audit risk and focus, we have built on this historical assessment to consider whether these remain risks for the year.

Significant audit risks

- Management Override of Controls
- Revenue Recognition

Areas of audit focus

- Implementation of IFRS16
- Office relocation to Stratford
- Exiting the European Union
- Covid-19 Impact

Broader context

Our risk assessment draws on the understanding of the broader environment in which HTA operates

- Legal Environment
- Changes in the *Financial Reporting Manual*
- Data and information security
- Exiting the European Union

Our response to the significant risks*

R1. Presumed risk of management override of controls

Why we have identified this as a risk

Management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by using its position to override controls that otherwise appear to be operating effectively.

Under International Standards on Auditing (UK), there is a presumed risk of material misstatement due to fraud arising from management override of controls.

The standard requires that auditors perform audit procedures to address this risk, focusing on three key areas: journal entries, bias in management estimates and significant or unusual transactions.

Work we plan to undertake in response

We will review the design and implementation of controls over journal entries, accounting estimates and significant or unusual transactions. This will be supplemented by substantive testing of these areas described below.

We will also review processes in place over production of the management accounts and the scrutiny of these accounts by senior management.

Our interim and final audit work will consider:

- the appropriateness of journal entries and other adjustments processed in preparing the financial statements;
- a sample test of journals selected on a risk-based criteria;
- any accounting estimates present in the financial statements, for evidence of management bias; and
- any significant transactions outside of HTA's normal course of business, or that otherwise appear to be unusual.

*The auditor shall identify and assess the risks of material misstatement at:
(a) the financial statement level;
(a) the assertion level for classes of transactions, account balances, and disclosures
to provide a basis for designing and performing further audit procedures.

Risks of material misstatement at the financial statement level refer to risks that relate pervasively to the financial statements as a whole and potentially affect many assertions.

Our response to the significant risks*

R2. Presumed risk of fraud in revenue recognition

Why we have identified this as a risk

Under International Standards on Auditing (UK), the auditor's responsibilities relating to fraud in audit of financial statements cover a presumed risk of fraud in revenue recognition. HTA's primary source of income is fees collected from regulated bodies, and this income is many times materiality. As such, this presumed risk has not been rebutted.

This significant risk relates only to the fraud element of revenue recognition – other elements of revenue recognition are not considered a significant risk.

Work we plan to undertake in response

We will review the production of the management accounts and the scrutiny of these accounts by senior management. We will also review controls and end-to-end processes in place over licence fee income.

We will perform a substantive analytical review to predict the income from regulated entities using HTA licence issued data.

This will be supplemented by

- A review of the volume and value of credit notes and debt write offs processed during the year and after the year end for any unusual trends;
- Substantive testing of any journal entries which impact the income lines, particularly those posted around the year-end.
- Testing of pre-year-end and post-year-end receipts, to confirm whether revenue has been recognised in the correct financial year (cut off) and whether the underlying activity had occurred in the year (completeness); and
- A comparative analytical review of income collected from individual entities year-on-year.

*The auditor shall identify and assess the risks of material misstatement at:
(a) the financial statement level;
(a) the assertion level for classes of transactions, account balances, and disclosures
to provide a basis for designing and performing further audit procedures.

Risks of material misstatement at the financial statement level refer to risks that relate pervasively to the financial statements as a whole and potentially affect many assertions.

Our response to the significant risks*

R3: Office relocation to Stratford

Why we have identified this as a risk

HTA aim to relocate to the new Stratford premises in early 2021. The associated risk represents various challenges including effective project management, potential negative impact on staff and business continuity.

As such, we have reflected a significant audit risk, as we anticipate the office move will give rise to a significant accounting judgement about the treatment of the new lease.

Work we plan to undertake in response

We will review management's controls and processes in place to determine the classification of the new lease;

We will obtain and review the new contract for the office in Stratford in order to determine if management's judgements around the classification of the lease are reasonable; and

Finally, we will also review the accounting entries made by the management in respect of the lease and recalculate any associated balances and disclosures.

*The auditor shall identify and assess the risks of material misstatement at:
(a) the financial statement level;
(a) the assertion level for classes of transactions, account balances, and disclosures
to provide a basis for designing and performing further audit procedures.

Risks of material misstatement at the financial statement level refer to risks that relate pervasively to the financial statements as a whole and potentially affect many assertions.

Areas of audit focus

The following are matters which we consider have a direct impact on the financial statements but do not represent significant risks of material misstatement as defined by ISA (UK) 315.

Title	Audit Area Affected	Audit Response
A1. Exiting the European Union	Disclosure impact (and potentially other areas)	The UK completed its exit from the EU on 31st of December 2020. As part of our audit enquiries, and as the consequences of exit are now becoming clearer, we will review management's consideration of the impact of EU exit and whether any disclosure may be required in the accounts.
A2. Implementation of IFRS 16 Leases	Disclosures	IFRS 16 is being applied by HM Treasury in the FReM from 1st April 2021. This significantly impacts how lessees account for their leases and will bring most leases onto the balance sheet. Although this does not impact the accounting treatment for 2020-21, reporting bodies are required to include disclosure of how the standard would impact the accounts were it to be applied this year, by assessing all their current lease arrangements and other contracts which may meet the IFRS16 definition of a lease. ***We understand that HMT and FRAB agreed on 20th November to further defer IFRS 16 implementation for DHSC and its ALBs to 1 April 2022, however we will still review management's work around determining the potential impact of IFRS 16, including the new Stratford lease and related disclosures required under IAS 8.***We therefore consider it appropriate to retain this as an area of audit focus for the 2020-21 audit. Further information on IFRS 16 is provided in Appendix 4 on page 19.
A3. Covid 19	Disclosures	It will be important for management to appropriately disclose the ongoing impact of the Covid 19 pandemic, including its assessment of why the going concern basis of accounting remains appropriate. We will review these disclosures as part of our audit. The pandemic, and the associated government restrictions, also give rise to practical difficulties around obtaining appropriate audit evidence over the existence of fixed assets. As in 2019-20 we will work closely with management to find suitable procedures to enable us to obtain sufficient evidence for our testing.

Materiality

Basis for overall materiality calculation	**£5,502,747**	Forecast gross operating expenditure (per November 2020 Management Accounts)
Overall account materiality (2%)	**£110,000**	
Error reporting threshold	**£2,000**	We report to you all misstatements, whether adjusted or unadjusted, above £2,000 in respect of audited items.

In line with generally accepted practice, we have set our quantitative materiality threshold for the financial statements as approximately 2% of forecast gross expenditure for 2020-21 which equates to £111,000.

These levels remain comparable to those used in the prior year.

Our overall account materiality is based on gross expenditure. Expenditure is the driver of the license fee income and is of significant interest to the primary users of the financial statements.

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.

The concept of materiality recognises that absolute accuracy in financial statements is rarely possible. An audit is therefore designed to provide reasonable, rather than absolute, assurance that the financial statements are free from material misstatement or irregularity. We apply this concept in planning and performing our audit, and in evaluating the effect of identified misstatements on our audit and of uncorrected misstatements, if any, on the financial statements and in forming the audit opinion. This includes the statistical evaluation of errors found in samples which are individually below the materiality threshold but, when extrapolated, suggest material error in an overall population. As the audit progresses our assessment of both quantitative and qualitative materiality may change.

We also consider materiality qualitatively. In areas where users are particularly sensitive to inaccuracy or omission, we may treat misstatements as material even below the principal threshold(s).

These areas include:

- the remuneration report;
- disclosures about losses and special payments;
- our audit fee; and
- irregular income and expenditure.

Timing of the audit and audit fee

The timetable comprises an interim visit commencing **11th January 2021** for 1 week, a second interim visit commencing **25th January 2021** for 1 week and and a final visit commencing **26th April 2021** for 2 weeks with certification planned for July 2021

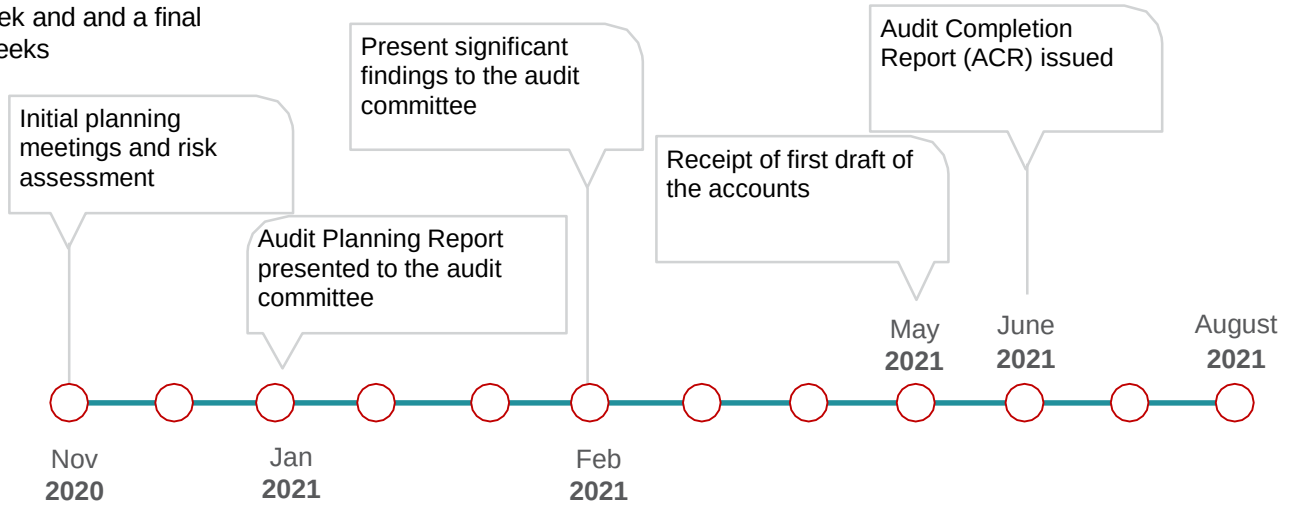
Fees

The fee for the audit is £27,800.

The principal agreed with Parliament is that our fee is set to recover the full costs of the audit, rather than make a profit from or subsidise an audit. The NAO determines its fees with reference to standard hourly rates for our staff, which are reviewed annually, and updated when costs change. Completion of our audit in line with the timetable and fee is dependent upon HTA:

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

If significant issues arise and we are required to perform additional work this may result in a change in our fee. We will discuss this with you before carrying out additional work.



Planning

In consultation with Management, Audit Committee, Internal Audit and other Key stakeholders, review HTA's operations, assess risk for our audit and evaluate the control framework.

Determine audit strategy.

Interim fieldwork

Test expenditure and income.

Final fieldwork

Test expenditure and income and significant balances and disclosures

Completion

ACR: present our findings and recommendations.

Seek management representations.

C&AG issues opinion.

Management Letter: provide final recommendations on control matters identified.

Debrief

Meeting to discuss lessons learned and improvements for the following year.

Our audit approach – Other Matters

Other Matters

Audit scope and strategy

This audit plan covers the work we plan to perform to express an opinion on whether the financial statements are free from material misstatement and are prepared, in all material respects, in accordance with the applicable financial reporting framework.

The plan is also designed to ensure the audit is performed in an effective and efficient manner. Our audit approach is a risk based approach, ensuring that audit work is focussed on significant risks of material misstatement and irregularity.

In areas where users are particularly sensitive to inaccuracy or omission, a lower level of materiality is applied, e.g. for the audit of senior management remuneration disclosures and related party transactions.

When undertaking our risk assessment we take into account several factors including:

- Inquiries of management
- Analytical procedures
- Observation and inspection of control systems and operations
- Examining business plans and strategies

Our risk assessment will be continually updated throughout the audit.

Independence

We are independent of HTA in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities/public interest entities. We have fulfilled our ethical responsibilities in accordance with these requirements 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: https://www.nao.org.uk/about-us/our-work/governance-of-the-nao/transparency/.

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

Other Matters

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 available on the NAO website:

http://www.nao.org.uk/freedom-of-information/publication-scheme/how-we-make-decisions/our-policies-and-procedures/policies-and-procedures-for-conducting-our-business/

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.

Communication with the NAO

Organisations we audit tell us they find it helpful to know about our new publications, cross-government insight and good practice.

We share this through our e:newsletter, Round-up for Audit Committees and email notifications about to our work on particular sectors or topics. If you would like to receive any of these, please sign up at: http://bit.ly/NAOoptin. You will always have the option to amend your preferences or unsubscribe from these emails at any time.

Appendix 1: The NAO audit team

Anna Kinghan
Portfolio Director

Mike Surman
Engagement Director

T: **020 7798 5415**
E: **Mike.Surman@nao.org.uk**

Experience

- Second year on engagement acting as Engagement Director
- Experience of leading and managing financial audit in the public sector

Laura Fawcus
Engagement Manager

T: **020 7798 8846**
E: **Laura.Fawcus@nao.org.uk**

Experience

- First year on engagement acting as Engagement Manager
- Experience of leading and managing financial audit in the public sector

Javed Ahmed
Engagement Lead

T: **020 7798 5453**
E: **Javed.Ahmed@nao.org.uk**

Experience

- First year on engagement
- 2 years previous experience of financial audit in the health public sector

Appendix 2: Scope and responsibilities

In line with ISAs (UK) we are required to agree the respective responsibilities of the C&AG/NAO and the Accounting Officer/HTA, making clear that the audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

These responsibilities are set out in the Letter of Understanding, reissued in 2019, and are summarised here.

Area	Accounting Officer/management responsibilities	Our responsibilities as auditor
Scope of the audit	• Prepare financial statements in accordance with *the Human Tissue Act 2004* and HM Treasury guidance and that give a true and fair view. • Process all relevant general ledger transactions and make these, and the trial balance, available for audit. • Support any amendments made to the trial balance after the close of books (discussing with us). • Agree adjustments required as a result of our audit. • Provide access to documentation supporting the figures and disclosures within the financial statements. • Subject the draft account to appropriate management review prior to presentation for audit	• Conduct our audit in accordance *with International Standards on Auditing (UK) (ISAs (UK))*. • Report if the financial statements do not, in any material respect, give a true and fair view. • Review the information published with the financial statements (e.g. annual report) to confirm it is consistent with the accounts and information obtained during the course of our audit.

Appendix 2: Scope and responsibilities (cont'd)

Area	Accounting Officer/management responsibilities	Our responsibilities as auditor
Regularity	• Ensure the regularity of financial transactions. • Obtain assurance that transactions are in accordance with appropriate authorities, including the organisation's statutory framework and other requirements of Parliament and HM Treasury.	• Conduct our audit of regularity in accordance with *Practice Note 10, 'Audit of financial statements of public sector bodies in the United Kingdom (2016)'*, issued by the Financial Reporting Council. • Confirm the assurances obtained by HTA that transactions are in accordance with authorities. • Have regard to the concept of propriety, i.e. Parliament's intentions as to how public business should be conducted.
Fraud	• Primary responsibility for the prevention and detection of fraud. • Establish a sound system of internal control designed to manage the risks facing the organisation; including the risk of fraud.	• Provide reasonable assurance that the financial statements (as a whole) are free from material misstatement, whether caused by fraud or error. • Make inquiries of those charged with governance in respect of your oversight responsibility.
Governance statement	• Review the approach to the organisation's governance reporting. • Assemble the governance statement from assurances about the organisation's performance and risk profile, its responses to risks and its success in tackling them. • Board members, with the support of the Audit Committee, evaluate the quality of internal control and governance, and advise on any significant omissions from the statement.	• Confirm whether the governance statement is consistent with our knowledge of the organisation, including its internal control. • Consider whether the statement has been prepared in accordance with HM Treasury guidance, including Managing Public Money.
Accounting estimates and related parties	• Identify when an accounting estimate, e.g. provisions, should be made. • Appropriately value and account for estimates using the best available information and without bias. • Identify related parties. • Appropriately account for and disclose related party transactions.	• Consider the risk of material misstatement in respect of accounting estimates made by management. • Perform audit procedures to identify, assess and respond to the material risks of not accounting for or disclosing related party relationships appropriately. • We have not identified any significant risks at this stage

Appendix 3: Follow up to recommendations we made in the previous year

In 2019 - 20 we made the below recommendations to HTA. Below is an update on the status of these recommendations.

Accruals	Low risk		
Finding Through our expenditure cut off testing, we identified two transactions which related to 2019-20 and were not accrued for totalling £60k. These were adjusted for by management and reported as adjusted errors in the 2019-20 Audit Completion Report.	**Our recommendation** At the year-end period it is recommended for future years that a more thorough review is performed over accruals to ensure that the accruals balance reported at year end is complete.	**Management response** *It was an unusual oversight but was fortunately discovered whilst reviewing the month end accounts.*	**NAO Assessment** *Initial enquiries of management regarding the accruals were carried out during the planning phase, these initial discussions indicate that processes have remained the same.* *We will revisit this recommendation following our substantive testing of accruals at month 12.*

Useful Economic Life (UEL) of Fixed Assets	Low risk		
Finding Within the Fixed Asset Register as at 31 March 2020 there were several items that were fully depreciated with a nil NBV but still remained in use. Most notably this related to the Fixtures and Fittings asset class and Intangible Information Technology.	**Our recommendation** We noted that some of these items may no longer be in use once HTA locate their current office premises in November 2020. Going forward, HTA should review and reassess the UEL of fixed assets for appropriateness on an annual basis, considering whether any adjustments are required.	**Management response** *Agreed. These are to be reviewed prior to our relocation when we expect many items to be written out of the books. We will also review the UEL of newer assets.*	**NAO Assessment** *Initial enquiries of management regarding the (UEL) of fixed assets were carried out during the planning phase. We understand that a review of asset lives will be undertaken before the office move to Stratford, which is now expected to take place in early 2021.* *We will revisit this recommendation following our substantive testing of assets at month 12.*

High risk: major issues for the attention of senior management which may have the potential to result in a significant deficiency in internal control

Medium risk: important issues to be addressed by management in their areas of responsibility.

Low risk: problems of a more minor nature which provide scope for improvement

Appendix 4: IFRS 16 Leases

IFRS 16: Leases

Effective for the FReM from 2021-22.

Implementation of IFRS 16 for DHSC and its ALBs has been deferred until 2022-23, however, the preparatory work remains relevant and should be kept in view in 2020-21.

What is IFRS 16?

IFRS 16 eliminates the operating/finance lease distinction and imposes a single model geared towards the recognition of all but low-value or short term (<12m) leases. The proposals arise partly from the IASB's view that:

- disclosures around operating lease commitments have lacked prominence and tended towards understatement; and
- even in leases where the underlying asset is not acquired for its whole useful life, the lessee nevertheless acquires an economic right to its use, along with obligations to make good on minimum lease payments.
- These will now be recognised on the Balance Sheet as a 'right of use' asset and lease liability. The lease liability will be measured at initial recognition as the value of future lease payments, with the asset additionally including any initial direct costs incurred by the lessee, plus an estimate of any dismantling/restoration costs. Subsequent measurement of both the asset and liability will need to respond to any changes in lease terms, and the accounting for the asset can be on a cost less depreciation and impairment model or a revaluation (fair value) model.

Changes affecting a lessor are limited, such as the revised guidance on the definition of a lease and the definition of the lease term.

HMT Letter to Finance Directors & HMT Application Guidance

HM Treasury has issued a letter to Finance Directors which outlines how Departments and their arm's length bodies are expected to progress plans to effectively implement the standard on time, a high level guide for implementing IFRS 16 and directions to application and budgetary guidance. The Application Guidance released in April 2019 can be found here: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/797922/IFRS_16_Application_Guidance_April_Update.pdf

Transition disclosures in the year preceding implementation (2021-22)

The financial reporting council

Disclosures in line with IAS 8 will be required :

(a)the fact the standard has not yet been implemented,
(b)Disclosing known or reasonably estimable information relevant to assessing the possible impact that application of the new IFRS will have on the entity's financial statements in the period of initial application.

You should also consider disclosing:

(a)the title of the new IFRS;
(b)the nature of the impending change or changes in accounting policy;
(c)the date by which application of the IFRS is required;
(d)the date as at which it plans to apply the IFRS initially; and
(e)either:
  (i)a discussion of the impact that initial application of the IFRS is expected to have on the entity's financial statements; or
  (ii)if that impact is not known or reasonably estimable, a statement to that effect.

Appendix 5: Impact of changes in auditing standards

Changes in auditing standards: ISA 540 (Accounting Estimates)

ISA 540 (Revised) - *Auditing Accounting Estimates and Related Disclosures* applies to audits of all accounting estimates in financial statements for periods beginning on or after December 15, 2019.

This revised ISA responds to changes in financial reporting standards and a more complex business environment which together have increased the importance of accounting estimates to the users of financial statements and introduced new challenges for preparers and auditors.

The revised ISA requires auditors to consider inherent risks associated with the production of accounting estimates. These could relate, for example, to the complexity of the method applied, subjectivity in the choice of data or assumptions or a high degree of estimation uncertainty. As part of this, auditors consider risk on a spectrum (from low to high inherent risk) rather than a simplified classification of whether there is a significant risk or not. At the same time, we expect the number of significant risks we report in respect of accounting estimates to increase as a result of the revised guidance in this area.

The changes to the standard may affect the nature and extent of information that we may request and will likely increase the level of audit work required, particularly in cases where an accounting estimate and related disclosures are higher on the spectrum of inherent risk. For example:

- We may place more emphasis on obtaining an understanding of the nature and extent of your estimation processes and key aspects of related policies and procedures. We will need to review whether controls over these processes have been adequately designed and implemented in a greater number of cases.
- We may provide increased challenge of aspects of how you derive your accounting estimates. For example, as well as undertaking procedures to determine whether there is evidence which supports the judgments made by management, we may also consider whether there is evidence which could contradicts them.
- We may make more focussed requests for evidence or carry out more targeted procedures relating to components of accounting estimates. This might include the methods or models used, assumptions and data chosen or how disclosures (for instance on the level of uncertainty in an estimate) have been made, depending on our assessment of where the inherent risk lies.
- You may wish to consider retaining experts to assist with related work. You may also consider documenting key judgements and decisions in anticipation of auditor requests, to facilitate more efficient and effective discussions with the audit team.
- We may ask for new or changed management representations compared to prior years.

Appendix 6: Changes to auditing standards

ISA (UK) 570: Going Concern

Effective from 2020-21

The FRC has issued significant revisions to ISA (UK) 570 - *Going Concern*. This follows several well-publicised cases of perceived audit failure, such as Carillion and BHS. In these cases, the auditors failed to raise concerns in the auditor's report about the viability of the companies, despite them collapsing shortly after.

The changes increase the work required by auditors on going concern. As a result, we will be requesting greater evidence on going concern to meet these requirements, including, in all cases, management's assessment of the entity's ability to continue as a going concern for a period of at least one year from certification as required by IAS 1.

Public sector adaptation

In the public sector, management's use of the going concern basis of accounting may be driven by the requirements of the financial reporting framework rather than the financial sustainability of the reporting entity. The Financial Reporting Manual (FReM) provides that anticipated continuation of the provision of a service in the future will be presumed to provide sufficient evidence to prepare the financial statements on a going concern basis.

Recognising these differences from a private sector situation, Practice Note 10 interprets the requirements of the new ISA 570. This allows for auditors to take the "continued provision of service approach". For bodies reporting under the FReM, this allows auditors to conduct proportionate risk assessment procedures over going concern where the activities are expected to continue in the future. There are still additional new requirements such as requirements to perform specific risk assessment procedures on going concern.

Going concern issues can still arise but these largely occur when Parliament has an intention to abolish, transfer or privatise the activities of an entity. Only in the case of dissolution without any continuation of operations would the going concern basis cease clearly to be appropriate. In the other cases the auditor considers the basis on which the activities are transferred from the viewpoint of the entity that is relinquishing the assets and liabilities at the accounting date.

Therefore, an unqualified opinion on going concern does not provide assurance over the entity's financial sustainability nor that the operations will not be transferred to another entity. There will be changes to the audit certificate including further explanations of the work done on going concern as required by the changes to ISA 570.

Action for audit committees

Audit committees are encouraged to review management's going concern assessment assessment on an annual basis and consider whether it is appropriate for the entity's circumstances and the financial reporting framework. For entities where Parliament has an intention to abolish, transfer or privatise the activities, audit committees should scrutinise whether the accounts have been prepared on the correct basis and whether the financial statements include appropriate disclosures of material uncertainties over going concern.

Appendix 7: Guidance for governance

Support to Audit Committees

We have developed a range of guidance and tools to help public sector Audit Committees achieve good corporate governance. This includes specific guidance on financial reporting and management during Covid-19

https://www.nao.org.uk/search/pi_area/support-for-audit-committees/

https://www.nao.org.uk/report/guidance-for-audit-and-risk-committees-on-financial-reporting-and-management-during-covid-19/

Cyber security and information risk guidance for Audit Committees

Audit committees should be scrutinising cyber security arrangements. To aid them, this guidance complements government advice by setting out high-level questions and issues for audit committees to consider.

https://www.nao.org.uk/report/cyber-security-and-information-risk-guidance/

Corporate Governance Code for central government departments

The document was released in July 2018 and lays out the model for departmental boards, chaired by Secretaries of State and involving ministers, civil servants and non-executive board members. The principles outlined in the code will also prove useful for other parts of central government and they are encouraged to apply arrangements suitably adapted for their organisation.

https://www.gov.uk/government/publications/corporate-governance-code-for-central-government-departments-2017

Guidance for governance

Sustainability reporting

This guidance is to assist with the completion of sustainability reports in the public sector. It sets out the minimum requirements, some best practice guidance and the underlying principles to be adopted in preparing the information.

https://www.gov.uk/government/publications/public-sector-annual-reports-sustainability-reporting-guidance-2020-to-2021

Good practice in annual reports

The Building Public Trust Awards recognise outstanding corporate reporting that builds trust and transparency. The interactive PDF below illustrates a range of good practice examples across annual reports in both the public and private sector.

https://www.nao.org.uk/report/building-public-trust-awards-good-practice-in-annual-reports-february-2020/

Disclosure Guides

Our disclosure guides for clients help audited bodies prepare an account in the appropriate form and that has complied with all relevant disclosure requirements.

http://www.nao.org.uk/report/nao-disclosure-guides-for- entities-who-prepare-financial-statements-in-accordance-with-the-government-financial-reporting-manual-frem/

Appendix 8: Fraud matters

ISA (UK) 240 'The auditor's responsibility to consider fraud in an audit of financial statements' requires us, as your auditors, to make inquiries and obtain an understanding of the oversight exercised by those charged with governance.

What can constitute fraud?

Fraudulent Financial Reporting: Intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Internal misappropriation of assets: Theft of an entity's assets perpetrated by management or other employees.

External misappropriation of assets: Theft of an entity's assets perpetrated by individuals or groups outside of the entity, for example grant or benefit recipients.

Fraud risk factors

Rationalisation/attitude: Culture of environment enables management to rationalise committing fraud – attitude or values of those involved, or pressure that enables them to rationalise committing a dishonest act.

Incentive/Pressure: Management or other employees have an incentive or are under pressure.

Opportunity: Circumstances exist – ineffective or absent control, or management ability to override controls – that provide opportunity

ISA inquiries

Our inquiries relate to your oversight responsibility for

- Management's assessment of the risk that the financial statements may be materially misstated owing to fraud, including the nature, extent and frequency of such assessments;
- Management's process for identifying and responding to the risks of fraud, including any specific risks of fraud that management has identified or that has been brought to its attention;
- Management's communication to the Audit Committee (and others charged with governance) on its processes for identifying and responding to the risks of fraud; and
- Management's communication, if any, to its employees on its views about business practices and ethical behavior.

We are also required to ask whether you have any knowledge of any actual, suspected or alleged fraud.

Audit approach

We have planned our audit of the financial statements so that we have a reasonable expectation of identifying material misstatements and irregularity (including those resulting from fraud). Our audit, however, should not be relied upon to identify all misstatements or irregularities. The primary responsibility for preventing and detecting fraud rests with management.

We will incorporate an element of unpredictability as part of our approach to address fraud risk. This could include, for example, completing procedures at locations which have not previously been subject to audit or adjusting the timing of some procedures.

We will report to the Audit Committee where we have identified fraud, obtained any information that indicates a fraud may exist or where we consider there to be any other matters related to fraud that should be discussed with those charged with governance.

Appendix 9: Our wider health & social care work

RECENTLY PUBLISHED REPORTS

The government's approach to test and trace in England – interim report **(11 Dec 2020)**	This interim report provides an overview of test and trace services for addressing COVID-19 in England, including how the government's approach has developed, and how it managed performance and capacity in the period from May to October 2020. This report does not cover post-October planning for mass testing. It covers some aspects of public engagement efforts in relation to improving compliance with tracing. We intend to publish a further report in spring 2021 which will provide a fuller value-for-money assessment of test and trace. This will include an update on spend and performance, and matters not covered here, including examining the end-to-end process in more depth, the development and implementation of the contact tracing app, and a detailed look at elements of contract management. This is an initial review of the aims, funding and performance of the government's approach since May. We found that overall NHST&T had achieved a rapid scale-up in activity in respect of both testing and tracing, and had built much new infrastructure and capacity from scratch. However, issues with implementation and potentially the initial choice of delivery model mean that it is not yet achieving all its objectives. As it plans and rolls out further changes in COVID-19 testing, including the introduction of rapid turnaround tests and mass testing, government needs to learn lessons from its experience so far. It is very important that testing and tracing is able to make a bigger contribution to suppressing the infection than it has to date.
The supply of personal protective equipment (PPE) during the COVID-19 pandemic **(25 Nov 2020)**	This report examines issues such as: • responsibilities for PPE supply in England; • the emergency response to PPE shortages, focusing on the performance of national bodies in obtaining and distributing PPE to local organisations; • the experience of health and social care providers and their workforce; and • the Department of Health & Social Care's (the Department's) new PPE strategy. Government initially considered it was well-placed for managing the supply of PPE in a pandemic, with tested plans and a stockpile in place. But neither the stockpiles nor the usual PPE-buying and distribution arrangements could cope with the extraordinary demand created by the COVID-19 pandemic. As a result, government's structures were overwhelmed in March 2020. Once government recognised the gravity of the situation it created a parallel supply chain to buy and distribute PPE. However, it took a long time for it to receive the large volumes of PPE ordered, particularly from the new suppliers, which created significant risks. There were further difficulties with distribution to providers and many front-line workers reported experiencing shortages of PPE as a result. The initial focus on the NHS meant adult social care providers felt particularly unsupported. Government has budgeted an unprecedented £15 billion of taxpayers' money to buy PPE for England during 2020-21. It has paid very high prices given the very unusual market conditions, and hundreds of millions of pounds-worth of PPE will not be used for the original intended purpose.

Appendix 9: Our wider health & social care work (cont'd)

RECENTLY PUBLISHED REPORTS

Childhood Obesity

(9 Sep 2020)

This report examines the effectiveness of the government's approach to reducing childhood obesity in England by considering the evidence base and progress so far. We have focused on children as dealing with obesity early in life prevents future costs and obesity-related health problems. We have also focused on preventive measures rather than treatment. The report sets out:

- levels and trends in childhood obesity;
- government action to reduce childhood obesity; and
- local authorities' role in reducing childhood obesity.
- We set out our audit approach in Appendix One and evidence base in Appendix Two.

Governments have been grappling with childhood obesity since the 2000s, with limited success. In 2018/19, nearly one tenth of 4 to 5 year olds and more than one fifth of 10 to 11 year olds were classified obese. We estimate that roughly 1.4 million children aged from 2 to 15 years old were classified obese in 2018. Not only is obesity increasing for 10 to 11 year olds, it is increasing even faster for children in deprived areas. While the Department's programme aims to tackle this issue, it is not yet clear that the actions within the programme are the right ones to make the step-change needed in the timescale available. Progress with the programme has been slow and many commitments are not yet in place, although the new strategy announced in July 2020 has signalled new legislation and greater willingness to act to reduce obesity. The government will need to act with greater urgency, commitment, co-ordination and cohesion if it is to address this severe risk to health and value for money.

Appendix 9: Our wider health & social care work (cont'd)

WORK IN PROGRESS

Preparedness for the COVID-19 pandemic **(Spring 2021)**	This study will examine how well prepared the government was for the COVID-19 pandemic. It will consider the following questions: • Did the government adequately identify the risk of a pandemic like COVID-19? • Did the government take appropriate steps to prepare for the pandemic given its understanding of the risk? • How well did the preparations in place operate during the early months of the pandemic?
Nightingale and independent hospitals: building NHS resilience **(Summer 2021)**	At the start of the COVID-19 pandemic, the Department of Health and Social Care and the NHS took several steps to build their resilience for the large number of COVID-19 patients they expected to receive. Two of the most important initiatives were the establishment of new temporary Nightingale hospitals and a contractual arrangement with the independent hospital sector. The Nightingales were to provide up to 6,000 additional beds in seven locations and the first Nightingale opened ten days after the scheme was announced. The deal with independent hospitals was to provide access to beds, staff and equipment to support the NHS's response to the pandemic, including by treating patients who did not have COVID-19. In different ways, these arrangements were kept in place after the April peak in infections, both to assist with working through backlogs and in case of a second peak in COVID-19 infections. This study will examine the value that the NHS has gained from these arrangements, and at what cost, both during the initial peak of the pandemic and later. It will look at the use made of the facilities and the supporting arrangements that were in place, for example staffing and equipment. It will also look for more general lessons that could be applied to the management of healthcare capacity in future including when working with the independent hospital sector.
Adult social care markets **(Early 2021)**	There have been long-standing issues across the adult social care market, which COVID-19 has further impacted. These include increasing signs of market-stress, data limitations, and high staff vacancy rates and turnover levels. At the same time, there is an increasing demand for care due to an ageing and growing population with more complex needs, and repeated calls for urgent system reform. This report will examine: • how adult social care is currently provided and structured; • the Department's effectiveness in overseeing the market and holding providers to account; and • the Department's understanding of future demand, costs and alternative delivery models.
Protecting and supporting the vulnerable during lockdown **(Early 2021)**	Beginning at the end of March, the government advised some 2.2 million people who it deemed to be clinically extremely vulnerable to COVID-19 that they should shield at home for 12 weeks in order to protect themselves from the virus. For those shielding, the government offered support with food and medicine (delivered centrally) and social care (provided through local authorities). Over 3 million food deliveries have been made. A further 17 million vulnerable people were advised to take additional social distancing precautions but not shield. Of these, those requiring support with food, medicine and care were to approach local authorities for help. The study will evaluate how effectively government identified and met the needs of vulnerable people with special reference to outcomes and variations in impact for diverse populations.

Appendix 10: Our other cross government work

RECENTLY PUBLISHED REPORTS

Investigation into the housing of rough sleepers during the COVID-19 pandemic **(14 Jan 2021)**	This investigation is part of a programme of work we are undertaking to support Parliament's scrutiny of the government's response to COVID-19. In this report we set out the steps taken by the Department in rehousing rough sleepers in England during the pandemic, focusing particularly on the steps taken at the outset of the pandemic; the information held by the Department on those at risk of rough sleeping; and subsequent steps that the Department has taken to provide long-term accommodation to those at risk of rough sleeping. Our report primarily covers the period between March and November 2020. It is a 'facts only' account of the Department's actions and is not a value-for-money evaluation. While we set out the spending by local authorities on rough sleeping in this report, we will cover the financial response of local authorities to COVID-19 as a whole in a value-for-money report due for publication later in 2021.
The Equipment Plan 2020-2030 **(12 Jan 2021)**	The Department needs effective long-term financial planning to maintain and develop future military capabilities. The aim of this report is to evaluate the Department's assessment of the affordability of equipment and support projects, and to set out how it can strengthen its approach to preparing future Equipment Plans. It examines: • the affordability of the 2020–2030 Plan, considering the Department's approach to cost forecasting and reasonableness of its adjustments; and • how the Department has been seeking to manage funding shortfalls. For the fourth successive year, the Equipment Plan remains unaffordable. However, the Department has still not established a reliable basis to assess the affordability of equipment projects, and its estimate of the funding shortfall in the 2020–2030 Plan is likely to understate the growing financial pressures that it faces. The Plan does not include the full costs of the capabilities that the Department is developing, it continues to make over-optimistic or inconsistent adjustments to reduce cost forecasts and is likely to have underestimated the risks across long-term equipment projects. In addition, the Department has not resolved weaknesses in its quality assurance of the Plan's affordability assessment. While the Department has made some improvements to its approach and the presentation of the Plan over the years, it has not fully addressed the inconsistencies which undermine the reliability and comparability of its assessment.
Departmental Overview 2019-20: Ministry of Justice **(5 Jan 2021)**	A summary of the Ministry of Justice spending in 2019-20, its major areas of activity and performance, and the challenges it is likely to face in the coming year, based on the insights from our financial audit and value for money work.

Internal Audit Update- Confidential

The Good Governance Standard for Public Services

The Independent Commission on Good Governance in Public Services

OPM (Office for Public Management Ltd)
252B Gray's Inn Road
London
WC1X 8XG
tel: 020 7239 7800
fax: 020 7837 5800
email: office@opm.co.uk
web: www.opm.co.uk

CIPFA (The Chartered Institute of Public Finance and Accountancy)
3 Robert Street
London
WC2N 6RL
tel: 020 7543 5600
fax: 020 7543 5700
web: www.cipfa.org.uk

ISBN: 1 898531 86 2

Design and layout by Amanda Little

Printed by Hackney Press Ltd

Contents

Membership of the Commission

Chair of the Commission

Sir Alan Langlands, Principal and Vice Chancellor, University of Dundee

Commission members

Lord Richard Best, Director, Joseph Rowntree Foundation

Sir Ian Blair, Deputy Commissioner, Metropolitan Police Service

Mr Jim Coulter, Chief Executive, National Housing Federation

Ms Lucy de Groot, Executive Director, Improvement and Development Agency

Ms Liz Kerry, Chief Executive, Yorkshire and Humber Assembly

Mr Bob Kerslake, Chief Executive, Sheffield County Council

Mr Ed Mayo, Chief Executive, National Consumer Council

Dr Greg Parston, Executive Chairman, OPM

Ms Bharti Patel, to October 2004 Director of Communications, Ethnic Minority Foundation

The Honourable Barbara Thomas, Deputy Chair, Financial Reporting Council and from September 2004 Chairman, United Kingdom Atomic Energy Authority

Ms Jo Williams CBE, Chief Executive, Mencap

Co-secretaries to the Commission

Steve Freer, Chief Executive, CIPFA

Adrienne Fresko CBE, Head of the Centre for Public Governance, OPM (to 30 September 2004)

Jane Steele, Head of Public Interest Research, OPM (from 1 October 2004)

Head of Research for the Commission

Jane Steele, Head of Public Interest Research, OPM

Research and support team

Kerry Ace, Finance and Policy Manager, CIPFA

Andrea Carr, Project Administrator, OPM

Robert Coffey, Researcher, OPM (from September 2004)

Kerri Hampton, Senior Researcher, OPM (to September 2004)

Sandra Harper, Group Administrator, CIPFA

Vernon Soare, Policy and Technical Director, CIPFA

Foreword

By 2005/6, public expenditure in the UK will exceed £500 billion[1]. How this money is spent and the quality of services it provides is critically important to us all as users of services and as taxpayers. Because of this we all need governance of our public services to be of a high standard. Good governance leads to good management, good performance, good stewardship of public money, good public engagement and, ultimately, good outcomes[2].

The governors of our public service organisations face a difficult task. They are the people responsible for governance – the leadership, direction and control of the organisations they serve. Their responsibility is to ensure that they address the purpose and objectives of these organisations and that they work in the public interest. They have to bring about positive outcomes for the people who use the services, as well as providing good value for the taxpayers who fund these services. They have to balance the public interest with their accountability to government and an increasingly complex regulatory environment, and motivate front-line staff by making sure that good executive leadership is in place. Governors shoulder a heavy responsibility in relation to health, education, housing, criminal justice and many other aspects of public service.

More than 450,000 people[3] contribute as governors to a wide range of public service organisations and partnerships. There is clear evidence that many have difficulties in fulfilling these responsibilities[4]. To help them with their tasks, there is an urgent and ongoing need to be clear about the purpose of governance and the role of the governor, expand the supply of governors, improve induction programmes and encourage good relationships between governors and the executive teams who are accountable to them.

It is perhaps surprising that there is no common code for public service governance to provide guidance across the complex and diverse world of public services, which are provided by the public sector and a range of other agencies. The *Good Governance Standard for Public Services* addresses this issue head on. It builds on the Nolan principles[5] for the conduct of individuals in public life, by setting out six core principles of good governance for public service organisations. It shows how these should be applied if organisations are to live up to the Standard and provides a basis for the public to challenge sub-standard governance. I hope that the publication of the Standard will encourage public bodies to review their own effectiveness, and that it will provide commissioners and regulators of public services with a common framework for assessing good governance practice.

It has been a privilege to take part in this work and my personal thanks go to the members of the Commission, the Commission secretaries and the head of research, who simply want to help governors do a difficult job better. I also gratefully acknowledge the support provided by the Joseph Rowntree Foundation and the commitment of CIPFA (Chartered Institute of Public Finance and Accountancy) and OPM® (Office for Public Management).

Sir Alan Langlands
Chair of the Commission
January 2005

About the Commission

The Independent Commission on Good Governance in Public Services was established by the Office for Public Management (OPM®) and the Chartered Institute of Public Finance and Accountancy (CIPFA), in partnership with the Joseph Rowntree Foundation. The role of the Commission was to develop a common code and set of principles for good governance across public services.

The Commission began work early in 2004. The first stage was to consult a wide range of stakeholders, through face-to-face discussions and meetings around the UK and a process of inviting written contributions from all types of public service organisations. This consultation focused on the potential value of a common code or set of principles for governing all public services, and sought views on what the code should include.

Following this consultation, the Commission produced a draft of the *Good Governance Standard for Public Services*. The draft was the subject of a second round of consultation in the autumn of 2004. This included meetings with service users and citizens, to explore the potential value of the Standard from their point of view. The Standard was then amended to reflect the views expressed in the consultation.

Further information about the work of the Commission and the responses to both rounds of consultation are available at www.opm.co.uk/ICGGPS.

1 *Spending Review 2004*, HM Treasury

2 For example, standards of corporate governance have a central place in the Audit Commission's comprehensive performance assessment of the quality of services provided by local authorities

3 Estimated number of members of governing bodies of public services in the UK

4 For example *Rubber Stamped*?, OPM, 2003

5 Committee on Standards in Public Life, 1995

Using the Standard

The purpose of the Standard

We intend the *Good Governance Standard for Public Services* as a guide to help everyone concerned with the governance of public services not only to understand and apply common principles of good governance, but also to assess the strengths and weaknesses of current governance practice and improve it. We hope that the Standard will be useful to governors who are striving to do a difficult job better, and to individuals and groups who have an interest in scrutinising the effectiveness of governance.

The Standard focuses on the ways different functions of governance can support each other. Governance is dynamic: good governance encourages the public trust and participation that enables services to improve; bad governance fosters the low morale and adversarial relationships that lead to poor performance or even, ultimately, to dysfunctional organisations.

Scope of the Standard

The *Good Governance Standard for Public Services* is intended for use by all organisations and partnerships that work for the public, using public money. Most of these are public sector organisations whose services are used directly by members of the public or who are responsible for less visible activities, such as regulation and policy development.

However, the use of public money to provide public services is not limited to the public sector. The public also has an interest in the governance of non-public sector organisations that spend public money, and the Standard is designed to help them too.

Relationship with other codes and guidance

While the Standard has a wide scope, it does not seek to duplicate the codes and guidance that already exist for some specific types of organisation. We hope that those who develop and set these codes will refer to the Standard in updating and reviewing their own codes, and use it to enhance the debate about governance within and between different sectors. Where codes and guidance do not already exist, as in many formal and informal partnerships, we hope that the Standard will provide a shared understanding of what constitutes good governance.

Applying the Standard to different governance structures and sizes of organisation

The principles form a universal Standard of good governance and we encourage all organisations to show that they are putting it into practice in a way that reflects their structure and is proportionate to their size. We recognise that not all parts of the Standard will appear to be directly applicable to all types and size of organisation.

The many types of organisations to which the Standard applies – central government and local service providers, and public sector and independent organisations – have a wide range of governance structures; for example, some governing bodies will be elected and some appointed. Organisations also vary enormously in size and complexity, from, for example, a small school to a large hospital trust.

We call on governing bodies to report publicly on the extent to which they live up to the Standard, and explain why and how they have adapted any of the principles and their applications to suit their type and size of organisation. In doing so, we ask organisations to demonstrate the spirit and ethos of good governance, which the Standard aims to capture and which cannot be achieved by rules and procedures alone.

Putting the Standard into practice

The Standard comprises six core principles of good governance, each with its supporting principles. The 'Application' box next to each supporting principle explains what should be done to put it into practice. At the end of each section, good practice examples illustrate ways of putting the principles into practice.

Appendix A comprises questions that governing bodies should ask themselves to test how far they live up to the Standard, and to develop action plans for making any necessary improvements.

Appendix B comprises questions for members of the public or their representatives to ask if they want to understand or challenge the governance of public service organisations. We also suggest that organisations ask themselves these questions to test their own openness and accountability to the public. The questions could be used as a basis for 'frequently asked questions' (FAQs) on public websites.

Terminology

In order to be applicable to different kinds of organisation, the Standard uses some general terms, with the following definitions:

- **Governing body**: the body with overall responsibility for directing and controlling an organisation. For example, the police authority; the governors of a school; the board of a housing association, an NHS trust or a non-departmental public body; the council in local government
- **Governor**: member of the governing body, whether elected or appointed. For example, member of a police authority, school governor, board member of a housing association or non-departmental public body, executive or non-executive director of an NHS trust, elected member or councillor of a local authority
- **Non-executive**: governors without executive responsibilities (non-executive directors are sometimes referred to as independent directors)
- **Executive**: the senior staff of the organisation. Some types of boards include executive directors as governors.

The term 'executive' has a different meaning in local government in England and Wales, where the executive comprises elected representatives. There are three possible structures for the 'executive': a council leader, elected by the full council, who appoints councillors to a cabinet; a directly elected mayor who appoints councillors to a cabinet; a directly elected mayor and a council manager, who is an officer. In NHS foundation trusts, the 'governing body' is the board of directors while the group known as governors form a separate body.

We hope that the Standard will help all those with an interest in public governance to assess good governance practice.

Sir Alan Langlands

Lord Richard Best

Sir Ian Blair

Mr Jim Coulter

Ms Lucy de Groot

Ms Liz Kerry

Mr Bob Kerslake

Mr Ed Mayo

Dr Greg Parston

Ms Bharti Patel

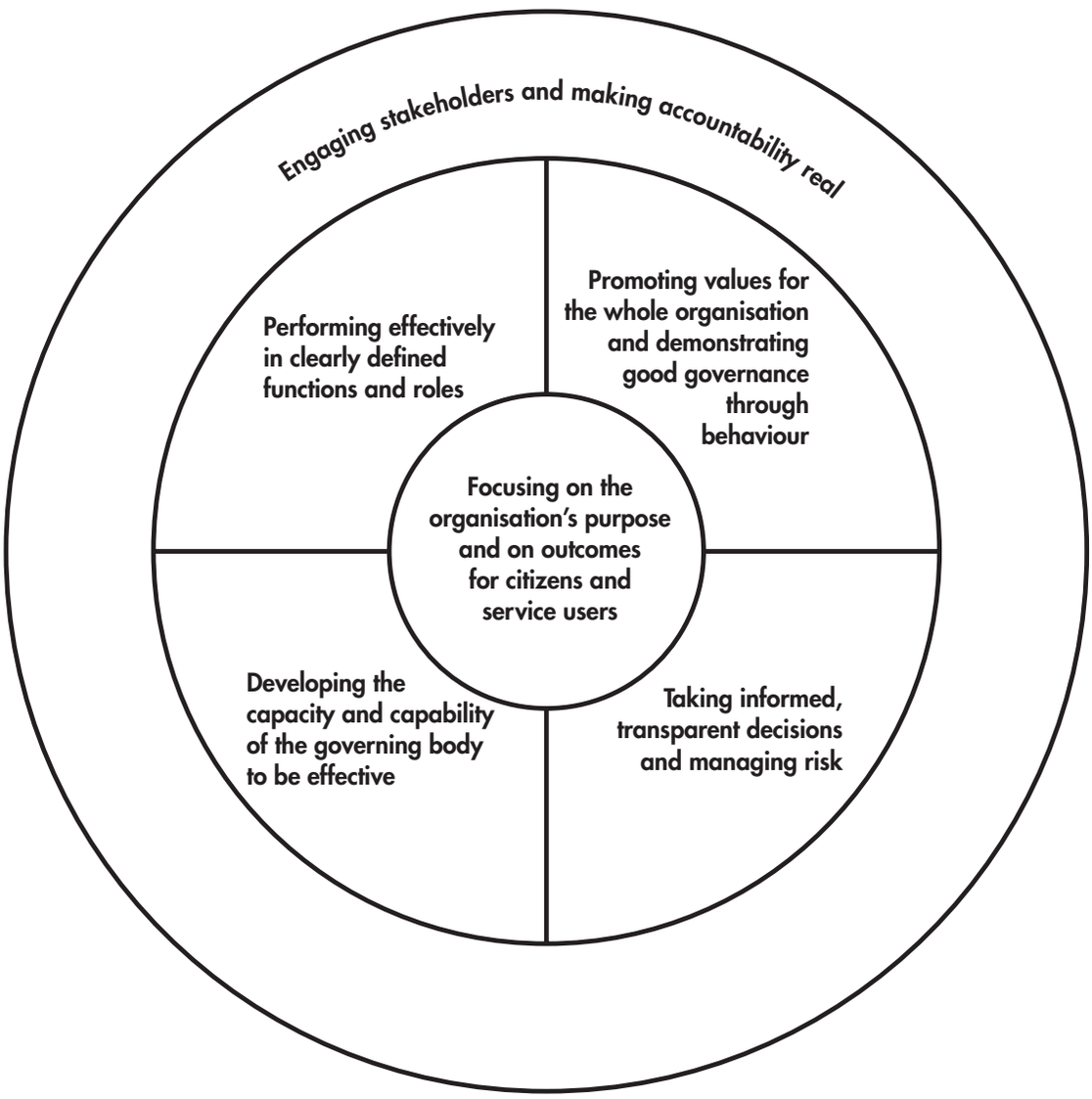
The Honourable Barbara Thomas

Ms Jo Williams CBE

Members of the Independent Commission on Good Governance in Public Services
January 2005

Principles of good governance

The standard comprises six core principles of good governance, each with its supporting principles.



1. Good governance means focusing on the organisation's purpose and on outcomes for citizens and service users

1.1 Being clear about the organisation's purpose and its intended outcomes for citizens and service users

1.2 Making sure that users receive a high quality service

1.3 Making sure that taxpayers receive value for money

2. Good governance means performing effectively in clearly defined functions and roles

2.1 Being clear about the functions of the governing body

2.2 Being clear about the responsibilities of non-executives and the executive, and making sure that those responsibilities are carried out

2.3 Being clear about relationships between governors and the public

3. Good governance means promoting values for the whole organisation and demonstrating the values of good governance through behaviour

3.1 Putting organisational values into practice

3.2 Individual governors behaving in ways that uphold and exemplify effective governance

4. Good governance means taking informed, transparent decisions and managing risk

4.1 Being rigorous and transparent about how decisions are taken

4.2 Having and using good quality information, advice and support

4.3 Making sure that an effective risk management system is in operation

5. Good governance means developing the capacity and capability of the governing body to be effective

5.1 Making sure that appointed and elected governors have the skills, knowledge and experience they need to perform well

5.2 Developing the capability of people with governance responsibilities and evaluating their performance, as individuals and as a group

5.3 Striking a balance, in the membership of the governing body, between continuity and renewal

6. Good governance means engaging stakeholders and making accountability real

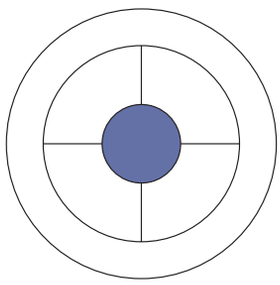
6.1 Understanding formal and informal accountability relationships

6.2 Taking an active and planned approach to dialogue with and accountability to the public

6.3 Taking an active and planned approach to responsibility to staff

6.4 Engaging effectively with institutional stakeholders

1. Good governance means focusing on the organisation's purpose and on outcomes for citizens and service users



The function of governance is to ensure that an organisation or partnership[6] fulfils its overall purpose, achieves its intended outcomes for citizens and service users, and operates in an effective, efficient and ethical manner[7]. This principle should guide all governance activity.

Each organisation has its own purpose. There are also some general purposes that are fundamental to all public governance, including providing good quality services and achieving value for money.

The concept of 'public value' can be helpful when thinking about the unique purpose of public services and therefore of their governance. Public value refers to the things that public services produce, either directly or indirectly, using public money. Public value includes: outcomes (such as improved health and improved safety); services (such as primary care services and policing); and trust in public governance.

1.1 Being clear about the organisation's purpose and its intended outcomes for citizens and service users

Having a clear organisational purpose and set of objectives is a hallmark of good governance. If this purpose is communicated effectively, it can guide people's actions and decisions at all levels in an organisation.

For many organisations, others (in particular, central government[8]) play a major role in determining policy and resources and in setting or agreeing objectives. In these circumstances, it is critically important that there is a common view of the organisation's purposes and its intended outcomes.

Application

The governing body should make sure that there is a clear statement of the organisation's purpose and that it uses this as a basis for its planning. It should constantly review the decisions it takes, making sure that they further the organisation's purpose and contribute to the intended outcomes for citizens and users of services.

6 Throughout the document, 'organisation' should be read to include 'partnership'.

7 For example, a school's purpose might be to educate children; its intended outcomes might include improved literacy and numeracy of children by the age of 11.

8 Often described as a 'dominant stakeholder' role.

1.2 Making sure that users receive a high quality service

All public service organisations provide a service to other people and/or organisations, although not all provide services directly to members of the public. The quality of service is an important measure of how effective an organisation is, and so it is particularly important in governance.

Users of public services, unlike consumers in the private sector, usually have little or no option to go elsewhere for services or to withdraw payment[9]. Providers of public services have fewer direct financial incentives than private companies to improve consumer satisfaction. Organisations that provide public services therefore need to take additional steps to ensure that services are of a high quality.

Application

The governing body should decide how the quality of service for users is to be measured and make sure that it has the information it needs to review service quality effectively and regularly.

As part of this, it should ensure that it has processes in place to hear the views of users and non-users from all backgrounds and communities about their needs, and the views of service users from all backgrounds about the suitability and quality of services. The governing body should use this information when making decisions about service planning and improvement.

1.3 Making sure that taxpayers receive value for money

All organisations that spend public money, either in commissioning services or providing them directly, have a duty to strive for economy, efficiency and effectiveness in their work. Citizens and taxpayers have an important and legitimate interest in the value for money provided by organisations that use public money.

Application

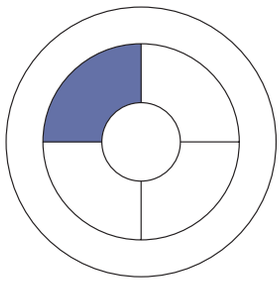
The governing body should decide how value for money is measured and make sure that it has the information it needs to review value for money effectively, including information about similar organisations, for comparison. It should use this information when planning and reviewing the work of the organisation.

Good practice examples: focusing on the organisation's purpose and on outcomes for citizens and service users

- Compare information about the efficiency, effectiveness and quality of service provided by similar organisations; analyse why levels of efficiency, effectiveness and quality are different elsewhere.
- Give non-executive directors a specific responsibility to ensure that information about users' experiences is collected, brought to the attention of the governing body and used in its decision making.

9 Government policy is to increase choice in public services; nevertheless, consumer choice is either not available or limited in most areas of public services.

2. Good governance means performing effectively in clearly defined functions and roles



Good governance requires all concerned to be clear about the functions of governance and their own roles and responsibilities and those of others, and to behave in ways that are consistent with those roles. Being clear about one's own role, and how it relates to that of others, increases the chance of performing the role well. Clarity about roles also helps all stakeholders to understand how the governance system works and who is accountable for what.

2.1 Being clear about the functions of the governing body

Members of governing bodies are elected or appointed to ***direct and control public service organisations in the public interest***[10].

The primary functions of the governing body are to:

- establish the organisation's strategic direction and aims, in conjunction with the executive
- ensure accountability to the public for the organisation's performance
- assure that the organisation is managed with probity and integrity.

In order to direct strategy and ensure that this is implemented and that the organisation achieves its goals, the governing body has to:

- allocate resources and monitor organisational and executive performance[11]
- delegate to management
- oversee the appointment and contractual arrangements for senior executives, and make sure that effective management arrangements are in place
- understand and manage risk.

Ways of achieving these primary functions include:

- constructively challenging and scrutinising the executive
- ensuring that the voice of the public is heard in decision making
- forging strategic partnerships with other organisations.

10 Governors of charities (trustees) have an overriding duty to act in the interests of their charity and its beneficiaries, who are defined as part of its registration as a charity. Industrial and provident societies (mutuals) may be either for the mutual benefit of their members or of the community, depending on their form of registration.

11 Throughout, the term 'executive' is used to refer to the senior members of the organisation's paid staff.

Some of these functions are the particular responsibility of non-executive directors, where the governing body comprises both non-executive and executive members (see 2.2).

Application

The governing body should set out clearly, in a public document, its approach to performing each of the functions of governance. This should include a process, agreed with the executive, for holding the executive to account for achieving agreed objectives and implementing strategy. The governors should explain how and why their approach to each function is appropriate for the size and complexity of the organisation.

2.2 Being clear about the responsibilities of non-executives and the executive, and making sure that those responsibilities are carried out

Different public services have different types of governing body. In some cases, executive directors are members of the governing body; in other cases the governing body is made up entirely of non-executives. For example, NHS trusts have 'unified boards' that usually comprise five executive directors, five non-executive directors and the non-executive chair. In contrast, police authorities and some national public bodies have a 'supervisory body' made up entirely of non-executives. Government departments and non-departmental public bodies have accounting officers (usually the permanent secretary of a government department and the chief executive of an NDPB) who have personal responsibility to Parliament for the use of public funds.

In all cases, the governors take collective responsibility for the governing body's decisions. In both unified and supervisory arrangements, non-executives have specific responsibilities in relation to the executive.

Non-executive

The non-executive role is to:

- contribute to strategy: non-executives bring a range of perspectives to strategy development and decision making
- make sure that effective management arrangements and an effective team are in place at the top level of the organisation
- delegate: non-executives help to clarify which decisions are reserved for the governing body, and then clearly delegate the rest
- hold the executive to account: the governing body delegates responsibilities to the executive. Non-executives have a vital role in holding the executive to account for its performance in fulfilling those responsibilities, including through purposeful challenge and scrutiny
- be extremely discriminating about getting involved in matters of operational detail for which responsibility is delegated to the executive.

Chair and chief executive (or lead executive)

The chair and chief executive share in the leadership role. The chair's role is to lead the governing body, ensuring it makes an effective contribution to the governance of

the organisation; and the chief executive's is to lead the organisation in implementing strategy and managing the delivery of services. A good working relationship between the two can make a significant contribution to effective governance.

The deputy chair's role includes supporting the chair in his or her role, and, on occasion, informing the chair of any concerns that governors have about the conduct of the governing body.

Application

The governing body should clarify that all its members have collective responsibility for its decisions and have equal status in discussions. The chair and other governors should challenge individual governors if they do not respect constructive challenge by others or if they do not support this collective responsibility for fulfilling the organisation's purpose and for working towards intended outcomes for citizens and users of services.

The governing body should set out a clear statement of the respective roles and responsibilities of the non-executives and the executive and its approach to putting this into practice.

The roles of chair and chief executive should be separate and provide a check and balance for each other's authority. The chair and the chief executive should negotiate their respective roles early in the relationship (within a framework in which the chair leads the governing body and the chief executive leads and manages the organisation) and should explain these clearly to the governing body and the organisation as a whole.

2.3 Being clear about relationships between governors and the public

Governors and governing bodies need to be clear about the nature of their relationship with the public. The governing body's role is to direct and control the organisation in the public interest (see 2.1) and to ensure accountability to the public (see 6.2). Being clear about this increases the chances that governors and others will understand governors' responsibilities to the public and be aware of the limitations of what they can be expected to do.

Public service governors are either elected directly by the public or appointed by governing bodies and/or government[12] . All governors share collective responsibility and accountability for the governing body's decisions[13]. This includes the governing body of a partnership, whose members may come from a range of organisations. As governors of the partnership, they are responsible for taking decisions that support the partnership's purpose, not simply the interests of their 'parent' organisation.

Their different routes to becoming a governor mean that elected and appointed governors have different types of relationship with the public. However, both are

12 Some charity trustees or governors of other independent not-for-profit organisations, such as housing associations, are appointed by a wider voting membership or by other external bodies.

13 Organisations in which political parties are prominent, e.g. local authorities, may by convention operate a system of collective responsibility within the controlling party or alliance, rather than within the governing body as a whole.

accountable to the public and should develop a dialogue that connects the organisation properly with the public they serve (see 6.2). The electoral process provides an additional accountability mechanism for elected governors and they can be said to represent the public, in the democratic sense of 'represent'.

Appointed governors' backgrounds and experience are often factors in their appointment. This means that they bring particular perspectives or expertise, but their views cannot be expected to be 'representative' or typical of others with similar backgrounds.

It is very important that a wide range of experiences and perspectives inform governance decisions. This is enhanced by the participation of a cross-section of the public in governance decision making (see 5.1).

Application

Governors should recognise their collective responsibility for the governing body's decisions and strive to make decisions that further the organisation's purpose, rather than the interests of any specific group or organisation with which they are associated.

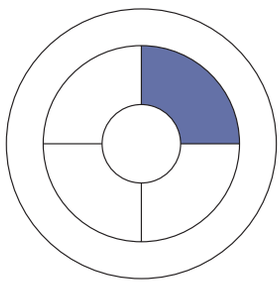
The governing body should value the perspectives which governors appointed from different backgrounds bring, but should make clear that these appointed governors are not expected to provide the only source of information about the specific groups whose background or experiences they share. Where appointed governors are asked to provide authoritative information about the views and experiences of such groups, they should have access to systems for collecting this information.

The governing body, whether elected or appointed (or made up of both elected and appointed governors) should ensure that the organisation engages effectively with the public and service users to understand their views, and that the governing body has access to reliable information about the range of public opinions and the satisfaction of all groups of users of services.

Good practice examples: performing effectively in clearly defined functions and roles

- The governing body can meet its responsibility for strategy by scrutinising and challenging proposals developed by the executive, or by involving itself actively in strategy formulation from the earliest stages.
- In developing and pursuing the organisation's strategic direction, the governing body is advised to make judgements about, and help to regulate, the scale and pace of change that the organisation can handle successfully.
- In appointing and remunerating the top team, it is good practice to establish a remuneration and appointments committee, made up of governors who are free of vested interests, to make recommendations to the governing body.
- Publishing job descriptions for the chair, deputy chair and chief executive can help others to know what to expect.
- Even for small organisations or partnerships with limited resources, separation of the chair and the executive role is advisable, with the executive being responsible for putting decisions into practice.

3. Good governance means promoting values for the whole organisation and demonstrating the values of good governance through behaviour



Good governance flows from a shared ethos or culture, as well as from systems and structures. It cannot be reduced to a set of rules, or achieved fully by compliance with a set of requirements. This spirit or ethos of good governance can be expressed as values and demonstrated in behaviour.

Good governance builds on the seven principles for the conduct of people in public life that were established by the Committee on Standards in Public Life. Known as the Nolan principles, these are: selflessness, integrity, objectivity, accountability, openness, honesty and leadership.

3.1 Putting organisational values into practice

A hallmark of good governance is the development of shared values, which become part of the organisation's culture, underpinning policy and behaviour throughout the organisation, from the governing body to all staff. These are in addition to compliance with legal requirements on, for example, equal opportunities and anti-discrimination.

Application

The governing body should take the lead in establishing and promoting values for the organisation and its staff. These values should be over and above legal requirements (for example, anti-discrimination, equal opportunities and freedom of information legislation) and should build on the Nolan principles. They should reflect public expectations about the conduct and behaviour of individuals and groups who control public services[14]. The governing body should keep these values at the forefront of its own thinking and use them to guide its decision making.

14 For example, *National Centre for Social Research and Centre for Research into Elections and Social Trends Guiding Principles: Public Attitudes Towards Conduct in Public Life,* The Committee on Standards in Public Life, January 2003

3.2 Individual governors behaving in ways that uphold and exemplify effective governance

Individual behaviour is a major factor in the effectiveness of the governing body, and also has an influence on the reputation of the organisation, the confidence and trust members of the public have in it and the working relationships and morale within it. Conflicts, real or perceived, can arise between the organisation's interests and those of individual governors (see 4.1). Public trust can then be damaged unless the organisation implements clear procedures to deal with these conflicts.

Application

Governors should live up to the Nolan principles and to any approved codes or guides to ethical conduct for their organisation or sector. They should also demonstrate through their behaviour that they are focusing on their responsibilities to the organisation and its stakeholders.

Good practice examples: promoting values for the whole organisation and demonstrating the values of good governance through behaviour

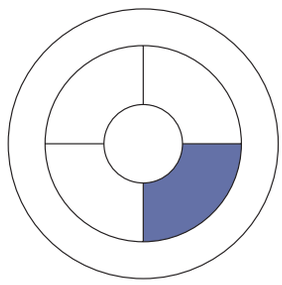
The governing body promotes and upholds values for the organisation. These may include:

- responding to a diverse public and striving to reduce inequality among service users
- committing to openness and transparency in decisions and use of resources
- striving for public good and ignoring personal interests
- promoting good relationships within the organisation, with the public and service users and with other organisations.

The governing body makes clear the standards of behaviour that it expects from governors and staff. Good practice in the behaviour of individual governors may include:

- attending regularly and being actively involved in decision making
- informing oneself and preparing for decision making
- making contact with other organisations and forging and maintaining links with the world outside the organisation
- engaging willingly and actively with the public, service users and staff, within an agreed communication framework.

4. Good governance means taking informed, transparent decisions and managing risk



Decision making in governance is complex and challenging. It must further the organisation's purpose and strategic direction and be robust in the medium and longer terms. To make such decisions, governors must be well informed.

Governors making decisions need the support of appropriate systems, to help to ensure that decisions are implemented and that resources are used legally and efficiently. A governing body may, for example, adopt the discipline of formally reviewing implementation of a new policy after a defined initial period, to see whether it is working as intended.

Risk management is important to the successful delivery of public services. An effective risk management system identifies and assesses risks, decides on appropriate responses and then provides assurance that the chosen responses are effective.

4.1 Being rigorous and transparent about how decisions are taken

Different types of organisation have different statutory requirements for the publication of their decisions[15]. Over and above these requirements, transparent decisions that are clearly explained are more likely to be understood by staff, the public and other stakeholders and to be implemented effectively. It is also easier to evaluate the impact of decisions that are transparent, and therefore to have evidence on which to draw in making future decisions.

A hallmark of good governance is a clearly defined level of delegation by the governing body to the executive for decision making. The governing body sets policies as parameters within which the executive works on the behalf of the governing body. For this to work well, it is important that governors do not concern themselves with levels of detail that are inappropriate for their role, while ensuring that they are not too far removed to provide effective oversight and scrutiny.

Application

The governing body should draw up a formal statement that specifies the types of decisions that are delegated to the executive and those that are reserved for the governing body.

Governing bodies should state clear objectives for their decisions. In their public record of decisions and in explaining them to stakeholders, they should be explicit about the criteria, rationale and considerations on which decisions are based, and, in due course, about the impact and consequences of decisions.

15 There are also statutory requirements for the types of decisions and information that can or must be excluded from the public domain, e.g. information about individuals.

Conflicts can arise between the personal interests of individuals involved in making decisions and decisions that the governing body needs to make in the public interest. To ensure probity and to avoid public concern or loss of confidence, governing bodies have to take steps to avoid any such conflicts of interest, whether real or perceived.

4.2 Having and using good quality information, advice and support

Good quality information and clear, objective advice can significantly reduce the risk of taking decisions that fail to achieve their objectives or have serious unintended consequences. Governors need to receive rigorous analyses of comprehensive background information and evidence, and of the options for action. As governance decisions are complex and can have significant consequences, governors also need professional advice. This includes advice on, for example, legal and financial matters and governance procedures. Such professional advice is also needed at other levels in the organisation where decisions are taken.

Application

The governing body should ensure that it is provided with information that is fit for purpose. It should be tailored to the functions of the governing body (see 2.2) and not to detailed operational or management issues, with which the governing body should not, in general, be concerned. Information should provide a robust analysis and not obscure the key information by including too much detail.

The governing body should ensure that information is directly relevant to the decisions it has to take; is timely; is objective; and gives clear explanations of technical issues and their implications. The governing body should also ensure that professional advice on legal and financial matters is available and used appropriately in its own decision making and elsewhere throughout the organisation when decisions that have significant legal or financial implications are taken.

The governing body should not be reluctant to use the organisation's resources to provide the information and advice that is needed for good governance. However, it should not make disproportionate demands on the executive by asking for information that is not necessary or appropriate for the governing body's role. The governing body should arrive at a judgement about its information needs in discussion with the executive.

4.3 Making sure that an effective risk management system is in operation

Public service organisations face a wide range of strategic, operational and financial risks, from both internal and external factors, which may prevent them from achieving their objectives. Risk management is a planned and systematic approach to identifying, evaluating and responding to risks and providing assurance that responses are effective.

A risk management system should consider the full range of the organisation's activities and responsibilities, and continuously check that various good management disciplines are in place, including:

- strategies and policies are put into practice in all relevant parts of the organisation
- strategies and policies are well designed and regularly reviewed
- high quality services are delivered efficiently and effectively
- performance is regularly and rigorously monitored and effective measures are put in place to tackle poor performance
- laws and regulations are complied with
- information used by the organisation is relevant, accurate, up-to-date, timely and reliable
- financial statements and other information published by the organisation are accurate and reliable
- financial resources are managed efficiently and effectively and are safeguarded
- human and other resources are appropriately managed and safeguarded.

A risk management system also supports the annual statement on internal control that many public service organisations now have to produce. Appropriate responses to risk will include implementing internal controls, insuring against the risk, terminating the activity that is causing the risk, modifying the risk or, in some circumstances, accepting the risk.

Application

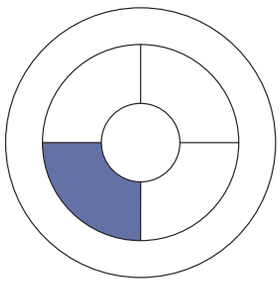
The governing body should ensure that the organisation operates an effective system of risk management. This should include:

- identifying key strategic, operational and financial risks
- assessing the possible effects that the identified risks could have on the organisation
- agreeing on and implementing appropriate responses to the identified risks (internal control, insure, terminate, modify, accept)
- putting in place a framework of assurance from different sources, to show that risk management processes, including responses, are working effectively
- reporting publicly on the effectiveness of the risk management system through, for example, an annual statement on internal control, including, where necessary, an action plan to tackle any significant issues
- making it clear that the governing body carries ultimate responsibility for the risk management system.

Good practice examples: taking informed, transparent decisions and managing risk

- It is helpful to draw on the support of an officer or independent adviser who can advise on legal issues and procedure, and who has the authority and status to challenge governance practice if necessary. This works best where there are safeguards and reporting relationships in place to make sure that advice is not easily ignored.
- A register of governors' and executives' interests will make governing bodies and others aware of any real or perceived conflicts of interest and facilitate the exclusion of people with personal interests in a decision from influencing or taking part in that decision.
- Documenting all risks in a risk register, together with the risk 'score' and the job title of the person responsible for ensuring that the risk is managed, will help with risk management.
- The highest risks in the register can be given priority in review procedures to provide assurance on the effectiveness of risk responses.
- Gaining assurance that risk management arrangements are working effectively can be delegated to an audit committee or equivalent body, where the size of the organisation makes this practical.
- Relevant work of internal audit, external audit, review agencies and inspectorates can be drawn on to provide assurance on the effectiveness of risk management.
- From time to time, governing bodies may decide to commission information from independent sources, outside the executive, in order to supplement or validate information from the executive.

5. Good governance means developing the capacity and capability of the governing body to be effective



Public service organisations need people with the right skills to direct and control them effectively. Governing bodies should consider the skills that they need for their particular situation. To increase their chances of finding these people – and to enrich governance deliberations by bringing together a group of people with different backgrounds – governing bodies need to recruit governors from different parts of society. Public trust and confidence in governance will increase if governance is not only done well, but is done by a diverse group of people who reflect the community.

Governance is also likely to be more effective and dynamic if new people with new ideas are appointed regularly, but this needs to be balanced with the need for stability to provide continuity of knowledge and relationships.

5.1 Making sure that appointed and elected governors have the skills, knowledge and experience they need to perform well

Governance roles and responsibilities are challenging and demanding, and governors need the right skills for their roles. In addition, governance is strengthened by the participation of people with many different types of knowledge and experience[16].

Good governance means drawing on the largest possible pool of potential governors to recruit people with the necessary skills. Encouraging a wide range of people to apply for appointed positions or to stand for election will develop a membership that has a greater range of experience and knowledge. It will also help to increase the diversity of governors in terms of age, ethnic background, social class and life experiences, gender and disability[17].

Paying governors for their time may make participation in governance a practical option for more people and encourage a wider range of people to take part; it can also be a way of publicly recognising the seriousness of governance responsibilities[18].

16 For example www.london.edu/tysonreport/Tyson_Report_June_2003.pdf – *Tyson Report on the Recruitment and Development of Non-Executive Directors*, London Business School, June 2003 (A report commissioned by the Department of Trade and Industry following the publication of the Higgs Review of the Role and Effectiveness of Non-Executive Directors in January 2003).

17 See, for example, *A Simple Step Guide to Recruitment*, Office of the Commissioner for Public Appointments.

18 Approaches to paying governors are generally determined by statute and vary between types of organisation. For example, charities are generally prohibited from paying their governors (trustees).

Application

The governing body should assess the skills that appointed governors need to fulfil their functions. It should appoint governors who have these skills, using an open and skills-based recruitment process.

A governing body with elected members should commit itself to developing the skills that it has decided its members need, so that they can carry out their roles more effectively.

Where governing bodies are responsible for their own recruitment processes, they should establish an appointments committee and ensure that their recruitment processes can identify and attract the types of people they want. Where an outside body makes appointments, it should consult the governing body about the skills and experience it considers to be necessary or desirable in the new appointee. In these cases, the process should include an independent assessor – a person from outside the organisation who can advise on the suitability of candidates.

Where other organisations nominate people to become governors, the governing body should set out clearly to the nominating body the set of skills and perspectives that would be most helpful.

The governing body should decide how to encourage more people, from a wider cross-section of society, to come forward as potential governors. This includes reviewing the governor's role to make sure that: it is fulfilling and coherent; it is feasible to do within the time and with the support available; and it is sufficiently well understood by potential governors. The search for a more diverse membership of the governing body should not be at the expense of a membership that has the necessary skills.

5.2 Developing the capability of people with governance responsibilities and evaluating their performance, as individuals and as a group

Governors need both skills and knowledge to do their jobs well. Skills need to be developed continually to improve performance in the functions of the governing body (see 2.1). The necessary skills include the ability to scrutinise and challenge information received from the executive, including skills in financial management and the ability to recognise when outside expert advice is needed. Knowledge also needs to be updated regularly to equip governors for changing circumstances.

An appraisal and performance review of individual governors demonstrates that their role and contribution is important and valued and provides an opportunity for them to take stock of their own development needs. The governing body can improve its collective performance by taking the time to step back and consider its own effectiveness.

Application

New governors should receive a thorough induction that is tailored to their role in the organisation. All governors should have opportunities to develop further skills and to update their knowledge throughout their period of membership of the governing body, and should take seriously their responsibilities to identify and address their development needs.

Individual governors should be held to account for their contribution through regular performance reviews. These should include an assessment of any training or development needs.

The governing body should regularly review its performance as a whole. The review should involve assessing its ways of working and achievements and agreeing an action plan to put in place any necessary improvements.

5.3 Striking a balance, in the membership of the governing body, between continuity and renewal

All governing bodies need continuity in their membership, so that they can make the most of the pool of knowledge and understanding and the relationships that have been formed both inside and outside the organisation. It is also important that governing bodies are stimulated by fresh thinking and challenge and that they avoid lapsing into familiar patterns of thinking and behaviour that may not best serve the organisation's purpose. However, turnover in membership that is too extensive or too frequent can mean that the organisation loses the benefit of longer-serving members' learning and experience.

Application

The governing body should decide how to strike the necessary balance, in its appointed membership, between continuity in knowledge and relationships on the one hand, and renewal of thinking on the other. It should explain the reasons for its policy.

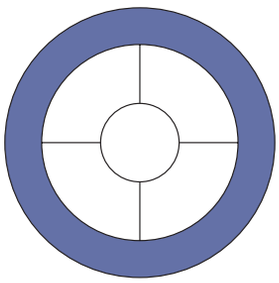
Where an outside body appoints governors, the governing body should explain its preferred approach to continuity and renewal.

Options include fixed terms of membership or limits on the number of terms a governor can serve. Another option is to assess individual governors for their continuing objectivity every time they are being considered for reappointment; independence of mind and the ability to take new approaches are enduring characteristics of some individuals.

Good practice examples: developing the capacity and capability of the governing body to be effective

- Bodies that nominate governors for other organisations are advised to present more than one nominee for interview.
- People appointing governors to public service organisations could consider what they might do to develop further the pool of people interested in public service governance, and to develop the capability of potential governors who do not yet have the skills needed for the role.
- It is good practice to review continually the range of expertise needed on the governing body, so that any gaps can be filled when posts become vacant and when training and development plans are made.
- A skills audit of the members of a governing body is a useful way of identifying their strengths and any skills gaps.
- The governing body can avoid over-dependence on a few individuals by making sure that enough governors have the critical skills.
- Induction for governors could include an introduction to the local environment and the sector, the organisation's relationships with other bodies and the context for the organisation's strategy.
- It can be useful to review a governor's needs for further information or explanation six months or a year after his or her induction.
- Paying governors for their time (as well as meeting expenses) is controversial in some sectors. Considering the advantages and disadvantages can help organisations decide whether payment will strengthen the membership and performance of the governing body or undermine its values.
- By sharing specific responsibilities among its members on a rota basis, the governing body can ensure that important knowledge is not vested in one or a few individuals.

6. Good governance means engaging stakeholders and making accountability real



Governing bodies of public services have multiple accountabilities: to the public (citizens) and to those who have the authority, and responsibility, to hold them to account on the public's behalf. These include: commissioners of services, Parliament, ministers, government departments and regulators[19].

Real accountability requires a relationship and a dialogue. The Public Services Productivity Panel[20] said that accountability involves an agreed process for both giving an account of your actions and being held to account; a systematic approach to put that process into operation; and a focus on explicit results or outcomes. Real accountability is concerned not only with reporting on or discussing actions already completed, but also with engaging with stakeholders to understand and respond to their views as the organisation plans and carries out its activities.

6.1 Understanding formal and informal accountability relationships

The range and strength of different accountability relationships varies for different types of governing bodies. For any governing body, some relationships will be, or will feel, more formal and possibly more important than others. For example, the board of a non-departmental public body is likely to have a closer and more direct relationship with a minister than a school would have. However, the large majority of governing bodies need to be particularly active in developing and maintaining a dialogue with the public.

Governing bodies that are elected by the public (such as local councils) have accountability relationships with central government that are less direct and less powerful than, for example, the relationships that non-departmental public bodies have with central government. But even elected bodies are held to account by central government and regulators for some responsibilities. This is why it is important for central government and regulators to facilitate good governance in the organisations they direct or hold to account.

Application

The governing body should make clear, to itself and to staff, to whom it is accountable and for what. It should assess the extent to which each relationship serves its purpose, including whether any relationships need to be strengthened and whether any dominate to the detriment of serving the purpose of the organisation and being accountable to other stakeholders. If so, the governing body should discuss those tensions and work to fill any gaps in its accountability. It should also raise any concerns with those organisations to which it is formally accountable and, where possible, try to negotiate a more balanced position.

19 Outside the public sector, accountability is not to citizens but to their own stakeholders and to regulators acting in the public interest.

20 *Accountability for Results*, Public Services Productivity Panel, HM Treasury, 2002

6.2 Taking an active and planned approach to dialogue with and accountability to the public

For elected governors, the manifesto and the ballot box are the foundation of the accountability relationship; but good governance also requires an ongoing dialogue between them and their electorate. Appointed governing bodies also have to develop an accountability relationship through dialogue.

The fuel of this dialogue is interest and confidence. If dialogue is to develop and continue, organisations need to encourage and maintain the interest and confidence of the public and service users. Although these two groups overlap to a large extent in their relationship with public service organisations, the relationship with the public is one of accountability, whereas the relationship with service users is one of consultation and responsiveness. Both groups are diverse, consisting of people with different characteristics and experiences and from many different backgrounds. Approaches to developing a dialogue have to recognise these differences, so that the views of a full range of people are heard.

Confidence and interest can both be damaged easily, especially when things go wrong. The organisation's ability to respond to such circumstances is also an important demonstration of its accountability.

Application

The governing body should make it clear that the organisation as a whole seeks and welcomes feedback, and ensure that it responds quickly and responsibly to comment. Complaints are a vital and necessary part of feedback, and there should be clear leadership within the governing body on handling and resolving them, and ensuring the lessons learnt are used to improve the service.

The governing body should ensure that the organisation has a clear policy on the types of issues on which it will consult or engage the public and service users, respectively. This policy should clearly explain how the organisation will use this input in decision making and how it will feed these decisions back to the public and to service users. The policy should make sure that the organisation hears the views and experiences of people of all backgrounds.

Each year, the governing body should publish the organisation's purpose, strategy, plans and financial statements, as well as information about the organisation's outcomes, achievements and the satisfaction of service users in the previous period.

6.3 Taking an active and planned approach to responsibility to staff

Staff are accountable to the governing body, but the governing body also has serious responsibilities, as an employer, to the staff. Recruiting, motivating and keeping staff are vital issues if public services are to be effective. The governing body needs to provide an environment in which staff can perform well and deliver effective services, by creating a culture that welcomes ideas and suggestions, responds to staff views

and explains decisions. The governing body is itself the last point of appeal for staff with complaints or concerns that they have not been able to deal with through the organisation's management structures.

Application

The governing body should have a clear policy on when and how it consults and involves staff and their representatives in decision making.

The governing body should make sure that effective systems are in place to protect the rights of staff. It should make sure that policies for whistle blowing, and support for whistle blowers, are in place.

6.4 Engaging effectively with institutional stakeholders

Institutional stakeholders are other organisations with which the organisation needs to work for formal accountability or to improve services and outcomes. Public services have a complex network of governance relationships involving lateral relationships between partners and hierarchical relationships between Parliament, central government and local organisations. Some of these are accountability relationships, while others are to do with working together to achieve better outcomes.

Few public service organisations can achieve their intended outcomes through their own efforts alone. Relationships with other organisations are important, especially if they provide similar or related services or serve the same users or communities. Developing formal and informal partnerships may mean that organisations can use their resources more effectively or offer their services in a different and, for service users, more beneficial way.

Application

The governing body should take the lead in forming and maintaining relationships with the leaders of other organisations, as a foundation for effective working relationships at operational levels.

Good practice examples: engaging stakeholders and making accountability real

- It is good practice to assess the effectiveness of policy and arrangements for dialogue with service users and accountability to the public, to evaluate their impact on decisions and to decide what improvements may be needed.
- Organisations can use a range of models, from citizens' juries to community time banks (mutual volunteering by members of the public, working alongside service providers to support their neighbours), to promote public and user involvement in public service design, delivery and evaluation.
- It is good practice to publish information on research into the public's views of the organisation and information on service users' views of the suitability and quality of the services they receive. It is important to include the diversity of the public and of service users in this information, to give a complete and accurate picture.
- The Independent Commission on Good Governance recommends that governing bodies assess the extent to which they are applying these principles of good governance, and report publicly on this assessment, including an action plan for improvement where necessary.
- By organising systematic '360-degree' feedback from a representative sample of stakeholders, governing bodies can gain valuable insights about the organisation's relationships.

Appendix A: Assessment questions for governors and governing bodies to ask themselves

1. Good governance means focusing on the organisation's purpose and on outcomes for citizens and users

- How clear are we about what we are trying to achieve as an organisation? Do we always have this at the front of our minds when we are planning or taking decisions? How well are we doing in achieving our intended outcomes?
- To what extent does the information that we have about the quality of service for users help us to make rigorous decisions about improving quality? Do we receive regular and comprehensive information on users' views of quality? How could this information be improved? How effectively do we use this information when we are planning and taking decisions?
- To what extent does the information that we have on costs and performance help us to make rigorous decisions about improving value for money? How effectively do we use this information when we are planning and taking decisions? How well do we understand how the value we provide compares with that of similar organisations?

2. Good governance means performing effectively in clearly defined functions and roles

- Do we all know what we are supposed to be doing?
- Is our approach to each of the governing body's main functions clearly set out and understood by all in the governing body and the senior executive? What does the size and complexity of our organisation mean for the ways in which we approach each of the main functions of governance?
- How clearly have we defined the respective roles and responsibilities of the non-executives and the executive, and of the chair and the chief executive? Do all members of the governing body take collective responsibility for the governing body's decisions?
- How well does the organisation understand the views of the public and service users? Do we receive comprehensive and reliable information about these views and do we use it in decision making?

3. Good governance means promoting values for the whole organisation and demonstrating the values of good governance through behaviour

- What are the values that we expect the staff to demonstrate in their behaviour and actions? How well are these values reflected in our approach to decision making? What more should we do to ensure these values guide our actions and those of staff?
- In what ways does our behaviour, collectively as a governing body and individually as governors, show that we take our responsibilities to the organisation and its stakeholders very seriously? Are there any ways in which our behaviour might weaken the organisation's aims and values?

4. Good governance means taking informed, transparent decisions and managing risk

- How well do our meetings work? What could we do to make them more productive and do our business more effectively?
- Have we formally agreed on the types of decisions that are delegated to the executive and those that are reserved for the governing body? Is this set out in a clear and up-to-date statement? How effective is this as a guide to action for the governing body and the executive? How well do we explain the reasons for our decisions to all those who might be affected by them?
- Is the information we receive robust and objective? How could the information we receive be improved to help improve our decision making? Do we take professional advice to inform and support our decision making when it is sensible and appropriate to do so?
- How effective is the organisation's risk management system? How do we review whether this system is working effectively? Do we develop an action plan to correct any deficiencies in the systems? If so, do we publish this each year?

5. Good governance means developing the capacity and capability of the governing body to be effective

- What skills have we decided that governors must have to do their jobs effectively? How well does our recruitment process identify people with the necessary skills and reach people from a wide cross-section of society? What more could we do to make sure that becoming a governor is practical for as many people as possible?
- How effective are we at developing our skills and updating our knowledge? How effective are our arrangements for reviewing the performance of individual governors? Do we put into practice action plans for improving our performance as a governing body?

- What is our approach to finding a balance between continuity of knowledge and renewal of thinking in the governing body? What are our reasons for this approach? Do we need to review it?

6. Good governance means engaging stakeholders and making accountability real

- Who are we accountable to and for what? How well does each of these accountability relationships work? Do we need to take steps to clarify or strengthen any relationships? Do we need to negotiate a shift in the balance between different accountability relationships?
- What is our policy on how the organisation should consult the public and service users? Does it explain clearly the sorts of issues on which it will consult which groups and how it will use the information it receives? Do we need to review this policy and its implementation?
- What is our policy on consulting and involving staff and their representatives in decision making? Is this communicated clearly to staff? How well do we follow this in practice? How effective are systems within the organisation for protecting the rights of staff?
- Who are the institutional stakeholders that we need to have good relationships with? How do we organise ourselves to take the lead in developing relationships with other organisations at the most senior level?

Applying the good governance Standard

- To what extent does the *Good Governance Standard for Public Services* apply to our organisation, bearing in mind its type and size?
- Are we upholding and demonstrating the spirit and ethos of good governance that the Standard sets out to capture?
- Do we have a process for regularly reviewing our governance arrangements and practice against the Standard? What further improvements do we need to make?
- Are we making public the results of our reviews and our plans for future improvements and are we inviting feedback from stakeholders and service users?

Appendix B: Questions for members of the public and their representatives to ask if they want to assess and challenge standards of governance

Organisations can also ask themselves these questions if they want to test their openness and responsiveness to the public and their service users.

1. Good governance means focusing on the organisation's purpose and on outcomes for citizens and service users

- What is this organisation for?
- Can I easily find a clear explanation of what this organisation is doing?
- Can I easily find out about the quality of service provided to the public?
- What is being done to improve services?
- Can I easily find out about the organisation's funding and how it spends its money?

2. Good governance means performing effectively in clearly defined functions and roles

- Who is in charge of the organisation?
- How are they elected or appointed?
- At the top of the organisation, who is responsible for what?

3. Good governance means promoting values for the whole organisation and demonstrating the values of good governance through behaviour

- According to the organisation, what values guide its work?
- Does it follow these values in practice?
- What standards of behaviour should I expect?
- Do the senior people in the organisation put these standards of behaviour into practice?
- Do they put into practice the 'Nolan' principles for people in public life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership)?

4. Good governance means taking informed, transparent decisions and managing risk

- Who is responsible for what kinds of decisions in the organisation?
- Can I easily find out what decisions have been taken and the reasons for them?
- Are the decisions based on up-to-date and complete information and good advice?
- Does the organisation publish a clear annual statement on the effectiveness of its risk management system?
- Does the organisation publish a clear annual account of how it makes sure that its policies are put into practice? Is the statement reassuring? How does it compare with my own experience?

5. Good governance means developing the capacity and capability of the governing body to be effective

- How does the organisation encourage people to get involved in running it?
- What support does it provide for people who do get involved?
- How does the organisation make sure that all those running the organisation are doing a good job?

6. Good governance means engaging stakeholders and making accountability real

- Can I easily get information to answer all these questions?
- Are there opportunities for me and other people to make our views known?
- Does the organisation publish an annual report containing its accounts for the year? Are copies freely available? Is the content informative?
- How do I find out what decisions were taken as a result of my and others' opinions being asked for?
- Are there opportunities to question the people in charge about their plans and decisions?
- Can I easily find out how to complain and who to contact with suggestions for changes?

Audit and Risk Assurance (ARAC) meeting

Date: 28 January 2021

Paper reference: (AUD 24/20)

Agenda item: 9

Author: Morounke Akingbola
Head of Finance and Governance

OFFICIAL

Audit tracker update

Purpose of paper

1. The purpose of this paper is to update the Audit and Risk Assurance Committee on the progress made in response to external and internal audit recommendations.

Decision making to date

2. Three audits have been undertaken and completed since the June 2020 meeting and the final reports remain outstanding.

3. This paper was reviewed and approved by the SMT on 21 January 2020.

Action required

4. Members of ARAC are required to:

    a) Note the HTA's overall progress on the delivery of actions arising from internal and external audit recommendation.

Summary of outstanding recommendations

Recommendation Source	Total	Completed as planned	Completed later than expected	In progress as planned/on going	In progress with some delay	Removed as directed by Committee	Deferred/No further action being taken	Not started or N/a
IA – Records Management (incl GDPR)	**9**	**0**	**4**	**0**	**5***	**0**	**0**	**0**
IA – Utilisation of Capabilities	**6**	**0**	**5**	**0**	**1**	**0**	**0**	**0**
IA – Critical Incident Management	**5**	**0**	**1**	**3**	**0**	**0**	**0**	**1**
IA – Business Continuity Management	**6**	**0**	**0**	**2**	**0**	**0**	**3**	**1**
IA – Payroll and Expenses	**4**	**1**	**0**	**0**	**2**	**0**	**0**	**1**
IA – Anti-Fraud Controls	**2**	**0**	**1**	**0**	**0**	**0**	**0**	**1**
COUNT	**32**	**1**	**11**	**5**	**8**	**0**	**3**	**4**

*Recommendations are partially complete and are affected by the outcome of the Development Programme.

IA – Internal Audit – GIAA

EA – External Audit - NAO

Complete as per HTA, however confirmation that evidence provided to GIAA is acceptable
Some work is complete, however further work required.
Work that has been deferred or is on-going

Detail - outstanding recommendations

RECOMMENDATION	AGREED ACTIONS	PROGRESS	OWNER / COMPLETION
2018/19			
GDPR Compliance	Accountability and governance - appropriate technical and organisational measures are not in place and management is unable to demonstrate the steps it has taken to protect individual rights. The lack of these measures mean that it may not be possible to offer effective mitigation in the event of enforcement action. (Governance)		
HTA to develop a comprehensive RRD policy and update retention periods on the Privacy notice and PDI accordingly	Agreed. ~~**Target date – July 2019**~~	**June 2019** Work is ongoing to finalise the records retention document, it is anticipated this will be complete by July 2019. **October 2019** Resource required to co-ordinate work that will need to be done across the organisation, prior to release of RRD. **January 2020** This is now incorporated into the records management policy (to be discussed with ARAC).	Richard Sydee Director of Resources **COMPLETE as far as policy developed.**
RECOMMENDATION	**AGREED ACTIONS**	**PROGRESS**	**OWNER / COMPLETION**
Records Management – Risk 1	HTA's records management strategy and policy are not sufficient to ensure compliance with statutory obligations		
The Records Management policy currently in draft should be finalised and signed off by senior management as a matter of urgency. This policy will complement existing policies, with a clear focus on records management requirements, roles and responsibilities and should cover such topics as retention and disposal. This policy should be signed off by the Senior Management Team and	Following work undertaken by Information Governance consultants the Records Management policy has now been finalised. This will be reviewed and signed off by the SMT ahead of June ARAC meeting ***Target date – May 2019***	**June 2019** Draft has been attached to Annual SIRO assessment. **October 2019** Policy in place, retention schedule to be released when resource available to co-ordinate the work required prior to release **January 2020**	Richard Sydee Director of Resources **COMPLETE as far as policy developed.**

the Audit and Risk Assurance Committee. Once agreed, this should be circulated to all HTA staff.		The Executive to discuss all the records management recommendations/actions with ARAC.	
Records Management	HTA's records management strategy and policy are not sufficient to ensure compliance with statutory obligations		
The FOI guidance should be reviewed and updated as soon as possible	Completed as part of GDPR work ***Target date – to be agreed at ARAC (Jan-21)***	N/a **October 2019** Evidence of completion to be provided to GIAA **January 2021** FOI guidance review date is May 2019 which does not meet the recommendation. NB: Until vacant post is filled this may not happen till the new business year.	**COMPLETE as far as guidance developed.**
RECOMMENDATION	**AGREED ACTIONS**	**PROGRESS**	**OWNER / COMPLETION**
Records Management - Risk 2	The systems in use to facilitate information retention, storage and retrieval do not promote compliance with legislative requirements of HTAs records management strategy and policy		
The revised records management guidance should include specific references to the use and updating of the Information Asset Register, linking to the roles and responsibilities in the Information Governance Policy, to ensure this is being used and updated on a consistent basis, so that reliance can be placed on the information on there.	We accept this recommendation and believe it has been covered in the finalisation of the records Management policy as outlined in our response to recommendation 1 **Target date – May 2019**	**June 2019** As per response to recommendation 1. **October 2019** Evidence to be provided to GIAA	Richard Sydee Director of Resources **COMPLETE as far as policy developed.**

RECOMMENDATION	AGREED ACTIONS	PROGRESS	OWNER / COMPLETION
Records Management - Risk 3	Risks and Issues are not appropriately identified and mitigated		
The revised records management guidance should include specific references to the use and updating of the Information Asset Register, linking to the roles and responsibilities in the Information Governance Policy, to ensure this is being used and updated on a consistent basis, so that reliance can be placed on the information on there.	We believe it should be the risk policy that provides the risk assessment methodology for the records management risk and will update this document appropriately **Target date – May 2019**	**June 2019** Additional objective has been drafted and will be added to the objectives of IAOs and all relevant staff for the 2019/20 reporting year. **October 2019** Evidence of completion to be provided to GIAA	Richard Sydee Director of Resources **COMPLETE**
RECOMMENDATION	**AGREED ACTIONS**	**PROGRESS**	**OWNER / COMPLETION**
Records Management - Risk 4	The accountability and oversight arrangements used to monitor delivery of records management policy and progress are not effective		
HTA should carry out structured training and awareness for all staff with records management responsibilities	Agreed – will be included in induction training and as part of annual refresher training for all staff in relation to cyber security and information governance. **Target date – June 2019**	**June 2019** This is part of the agenda for the All staff away day in July **October 2019** Evidence of completion to be provided to GIAA	Diane Galbraith Head of HR **COMPLETE**
Records Management – Risk 4	The accountability and oversight arrangements used to monitor delivery of records management policy and progress are not effective		
Any individuals with specific Records Management responsibilities should have these responsibilities clearly included in their job descriptions	Agree – although would challenge urgency as links to recommendation 6. Will be completed as part of Recommendation 6, relevant IAO's will be identified and a standing IAO objective added to the PDP of those with IAO responsibilities **Target date – June 2019**	**June 2019** Job descriptions to be updated in line with drafted PDP objective. **October 2019** Evidence of completion to be provided to GIAA	Richard Sydee **COMPLETE**

RECOMMENDATION	AGREED ACTIONS	PROGRESS	OWNER / COMPLETION
Utilisation of Capabilities (Risk 2)	Resourcing plans do not effectively identify, present or articulate current skills and new skills requirements		
(4) A skills audit should be undertaken and documented in a matrix to capture current skills in the organisation against the capability needs of the organisation. This should be reviewed and kept up to date in line with the PDP process and learning and development to identify individuals with potential for upskilling and development.	Corporate and individual training needs are currently identified from the PDP output which then drives the individual and corporate training agenda. To strengthen this process, a comprehensive training needs assessment was conducted across the organisation and specifically looking at the RM roles in April. This included the self-assessment of current skills and experiences. This document will also be used in building the development agenda for 2019/2020 From this a documented skills matrix will be shared and updated on Impact with a purpose of peer to peer learning and upskilling. In addition, a biweekly Lunch and Learn has been initiated to enable the sharing of skills and experience along with general information sessions. ~~Target date – End November~~ ~~Revised target date – End March 2020~~ **Revised Target date end of Q3**	**October 2019** Work has not yet commenced, and we suggest a revised target date of end of March 2020 to tie in with the next PDP round. **January 2020** A training needs audit was carried out following the PDP process in the summer. A training programme was designed to meet the needs identified, this is ongoing. A data team of internal experts has been created to share knowledge and experience by developing short How to Videos which will be shared across the HTA. A Q&A session was arranged to better understand the needs for more training in the HT Act. A small team is building a programme to deliver sustainable training and awareness sessions which will also be delivered by external HT Act expert (Field Fisher). The Lunch and Learn programme is well supported and has covered a wide range of topics from 'How to get more from Excel' to better 'Understanding Diversity and LGBTQ+'.All staff have been asked for approval to use and share their output from the Skills audit, only one has so far refused this. An 'Ask Me' template will be developed for staff to better utilise the internal skills to build their own. **June 2020** A new skills audit will be conducted following the redesign work for return following the COVID-19 emergency**.**	Sandra Croser Head of HR & SMT ~~**IN PROGRESS W/DELAY**~~ **COMPLETE subject to GIAA confirmation**

		October 2020 Capability that we need has changed as new opportunities have arisen as presented by COVID and the additional funding available in 2020/21. The current nature of the capability risk in now fundamentally different to when the audit was completed. Director and Head of HR are assessing capability needs as part of future operating model strand of development programme. HTA Workforce Capability Development Framework sets out how capability needs will be met Head of HR has implemented a register of skills within the HTA. **January 2021** Evidence supplied to GIAA, however this has not been accepted. To be discussed at January ARAC meeting.	
Utilisation of Capabilities (Risk 3)	Resourcing plans do not effectively identify, present or articulate current skills and new skills requirements		
(5) A forum such as a workforce subcommittee should be established with terms of reference to look holistically at people and staffing issues across the organisation focussing on short and long term impacts and deliverables.	The SMT and Head of HR will develop a short and longer term People plan based on current and future needs as part of our strategy to move to more remote working. A regular assessment of key role / key people development needs will be made with a view to both development and succession planning. We are not in the position to create a succession plan for all roles as a number are standalone or the department is	**October 2019** Work has not yet commenced, and we suggest a revised target date of end of March 2020 to tie in with the start of the new business year. **January 2020** Head of HR and SMT regularly review the current skill set and the expected skills set before backfilling any vacancies (most recently 9 January SMT meeting). This process assesses the most appropriate use of headcount given the goals and priorities as they evolve.	Sandra Croser Head of HR & SMT **COMPLETE subject to GIAA confirmation**

	too small to support a full succession plan. The headcount limitation is unlikely to change in the foreseeable future. ~~Target date – End November 2019~~ **Revised target date – End March 2020**	Assessment of the relative priority of key roles and succession planning is taking place as part of business planning for 2020/21. **June 2020** This is an ongoing 'business as usual' activity. **October 2020** Established a formal role within SMT terms of reference to look holistically at people and capability issues across the organisation focussing on short and long term impacts and deliverables. **January 20212** Evidence provided to GAA. Not accepted as the recommendation was for a sub-committee to be set up. Note for ARAC, SMT ToR include review of staffing issues.	

RECOMMENDATION	AGREED ACTIONS	PROGRESS	OWNER / COMPLETION
Critical incident management – Risk 1	The existing risk mitigations and controls in place are inadequate in reducing the risk of critical incidents taking place, or managing the impact of incidents once they occur.		
1.1 We recommend that HTA review the strategic risk register and consider the type of controls listed as the control framework should have a balance of preventative, directive and detective controls.	Agreed – we will review the SRR where relevant and consider which preventative, directive and detective controls are or can be put in place. ~~**Target date – March 2020**~~ ~~**Revised target date – end Q2 2020**~~ **Revised target date – end Q4 2020**	**June 2020** We have undertaken a review of our SRR with Accenture and will be moving forward with a change project over this Business year – this will now be incorporated into that change work. **October 2020** Workshops were attended during March and April. A high level plan has been drafted which includes a review of the SRR and the type of control actions. **January 2021** The SRR was reviewed and we are broadly content with the controls we currently have in place. We will conduct a formal review at the beginning of the 2021/22 business year.	Richard Sydee Director of Resources **IN PROGRESS W/DELAY**
Critical incident management – Risk 1	The existing risk mitigations and controls in place are inadequate in reducing the risk of critical incidents taking place, or managing the impact of incidents once they occur.		
1.2 HTA to include all SOPs which are linked to the management of a critical incident as links or separate annexes in the critical incident response plan.	Not fully agreed– although we accept this would be good practice there is limited resource available for this type of activity at present and the identification of a Critical Incident within the HTA would likely be indicative if the relevant SOPs. We will include this work within the scope of the review process currently being undertaken of SOPs by the Quality forum **Target date December 2020**	**June 2020** Not due **October 2020** Not due **January 2021** SOPs were reviewed by the Quality Forum. There are many which makes it impractical to link to management of critical incident provide as evidence.	Richard Sydee Director of Resources **COMPLETE**

RECOMMENDATION	AGREED ACTIONS	PROGRESS	OWNER / COMPLETION
Critical incident management	The existing risk mitigations and controls in place are inadequate in reducing the risk of critical incidents taking place, or managing the impact of incidents once they occur.		
1.3 We recommend that management review the actions outstanding on the CIRP alongside the operational risk register with the purpose of either completing or closing the actions to ensure that they have considered and evaluated risks relating to business continuity arrangements.	Not fully agreed– we are concerned that recommendations 1.3 and 1.4 represent collectively a significant piece of work that, although useful, would not add significantly to the level of assurance. We will feed these recommendations into any work we may undertake to as part of our annual review of the operational risk register ~~**Target date – December 2020**~~ **Revised target date – Q4 2020**	**June 2020** Not due. **October 2020** Not due **January 2021** We will feed these recommendations into any work we may undertake as part of our annual review of the operational risk register	Quality and Governance Manager – when appointed **IN PROGRESS W/DELAY**
1.4 The operational risk register requires development to demonstrate how the controls/mitigations in place address the strategic risk of failing to manage an incident. It should outline contingency arrangements and the date of the latest management review and/or testing of the control	See above ~~**Target date December 2020**~~ **Revised target date – Q4 2020**		

RECOMMENDATION	AGREED ACTIONS	PROGRESS	OWNER / COMPLETION
Critical incident management – R2	HTA's critical incident response plan is not reviewed or tested on a regular basis and "lessons learned" from any incidents are not incorporated into the plan or reported to senior management.		
1.5 We recommend that management consider developing a testing programme which outlines what they plan to test annually, with a clear caveat that this may be superseded by live critical/major incidents.	Agreed – although we will limit this to documenting the requirement for an annual test, which would be designed to test areas not previously explored by testing or live events in the previous three years. ~~**Target date – March 2020**~~ **Revised date – end Q4 2020**	**June 2020** This has been overtaken by recent events. The requirements of responding to COVID19 in terms of Business Continuity and Critical workload increase has been tested thoroughly in our response to the pandemic. **October 2020** As per the June update ongoing management of the COVID19 response has meant a focus on lessons learned in preparation for a potential second wave. This work will be undertaken once a steadier position is achieved. **January 2021** Testing programme is being written into policy and should be completed as planned in Q4.	Richard Sydee Director of Resources **IN PROGRESS W/DELAY**
RECOMMENDATION	**AGREED ACTIONS**	**PROGRESS**	**OWNER / COMPLETION**
Critical incident management – R3	HTA staff are not be aware of, and therefore do comply with, the organisation's critical incident response plan. This could lead to delays in the recovery of key services or inappropriate action being taken by staff in the event of a disaster		
See risk 4			

RECOMMENDATION	AGREED ACTIONS	PROGRESS	OWNER / COMPLETION
Critical incident management – R4	There is a lack of capacity or capability to effectively deal with any critical incidents which occur, including undertaking appropriate communications during any major incidents.		
1.6 We recommend that appropriate training is identified and implemented for role owners and delegated role owners with critical incident responsibilities.	Agreed – we will identify relevant Business Continuity Management System (linked to ISO 22310) foundation and Implementer courses for our CIRP administrator and programme manager ~~**Target date – June 2020**~~ **Revised date – end Q4 2020**	**June 2020** This work has been delayed. Our response to COVID19 has required some reprioritisation. Given our successful reliance on our plans during the pandemic we are confident that they remain sufficiently robust. **October 2020** As per the June update ongoing management of the COVID19 response has meant a focus on continued BC activities, role holder training seems inappropriate at present but will be rolled out once a new policy has been finalised. **January 2021** Training has been identified however, the time required (20 hours) is proving prohibitive.	Richard Sydee Director of Resources & Sandra Croser Head of HR **IN PROGRESS W/DELAY**

RECOMMENDATION	AGREED ACTIONS	PROGRESS	OWNER / COMPLETION
Business Continuity Management – R1	BCPs are not adequate and have not been updated to reflect improvements and changes proposed and agreed at the ARAC. This could lead to delays in the timely recovery and provision of critical business process and functions.		
1.1 We recommend that a separate BCP is produced, or as a minimum, a separate annex is added to the CIRP which specifically covers discrete business continuity arrangements.	Agreed – we will draft a separate BC plan based on the existing BC elements of the Critical Incident Response plan. This will be drafted for our current location with a commitment to review and update post our relocation to new offices ~~**Target date – March 2020**~~ ~~**Revised date – end Q3 2020**~~ **Revised date – end Q4 2020**	**June 2020** We have relied heavily on our existing single plan successfully over the past three months. We will look to revisit this as part of a review policies that will need to change when we re-locate, but for now propose to not undertake the earlier phase of this work. **October 2020** Not due **January 2021** Current working pattern will remain possibly into 2021/22 which means we will need to have amended BCP in place by March.	Richard Sydee Director of Resources **DEFERRED**
1.2 We recommend that the HTA review the BCP elements of the CIRP against the Civil Contingencies Secretariat's toolkit to strengthen HTA's approach to business continuity planning. In particular, HTA would benefit from undertaking a business impact analysis, and refining and clarifying the documentation of its communication strategy within the CIRP.	Agreed – Previously our CIRP was developed in line with the relevant Civil Contingencies Secretariat's toolkits extant in 2012. We will review the new standards for material changes. ~~**Target date – March 2020**~~ **Revised date – end Q3 2020** **Revised target date – end Q4 2020**	**June 2020** Again, events have overtaken us. In line with recommendation 1.1 we will consider this as part of a review of BC and CIP ahead of our relocation. **October 2020** Not due **January 2021** This will be factored in when the BCP is revised at the end of Q4.	Richard Sydee Director of Resources **DEFERRED**

Business Continuity Management – R1	BCPs are not adequate and have not been updated to reflect improvements and changes proposed and agreed at the ARAC. This could lead to delays in the timely recovery and provision of critical business process and functions.		
1.3 HTA should formally agree and document the contingency arrangements in the event that the current building is not available to staff for any length of time.	Agreed – this will from part of our new BC plan. ~~**Target date March 2020**~~ ~~**Revised date – end Q3 2020**~~ **Revised target date – end Q4 2020**	**June 2020** Our existing plan has coped well with the closure of 151BPR. We will consider this in line with the above responses. **October 2020** Not due **January 2021** As above, the amended BCP will include our new way of working.	Richard Sydee Director of Resources **IN PROGRESS W/DELAY**
RECOMMENDATION	**AGREED ACTIONS**	**PROGRESS**	**OWNER / COMPLETION**
Business Continuity Management – R2	BCPs are not tested on a regular basis and "lessons learned" from live drills are not incorporated into the BCPs or reported to senior management.		
1.4 We recommend that management document the BCP testing programme which outlines what they plan to test annually, with a clear caveat that this may be superseded by live business continuity events.	Agreed – although we will limit this to documenting the requirement for an annual test, which would be designed to test areas not previously explored by testing or live events in the previous three years. ~~**Target date – March 2020**~~ ~~**Revised date – end Q3 2020**~~ **Revised target date – end Q4 2020**	**June 2020** In line with the above responses we have not considered this given the need to respond to COVID19. **October 2020** Not due **January 2021** Amended BCP will include the requirement for an annual test but not specifics.	Richard Sydee Director of Resources **IN PROGRESS W/DELAY**
Business Continuity Management – R2	BCPs are not tested on a regular basis and "lessons learned" from live drills are not incorporated into the BCPs or reported to senior management.		
1.5 We recommend that HTA formalise the process to record lessons learned and follow-up of actions by management.	Agreed – will be detailed in the new BC plan ~~**Target date – March 2020**~~ ~~**Revised date – end Q3 2020**~~	**June 2020** As outlined above this work will be delayed and considered as a part of the policy revision ahead of our relocation. **October 2020**	Richard Sydee Director of Resources **DEFERRED**

	Revised target date – end Q4 2020	Not due **January 2021** Lessons learned and follow-up actions will be added to the SOP.	
RECOMMENDATION	**AGREED ACTIONS**	**PROGRESS**	**OWNER / COMPLETION**
Business Continuity Management – R2	HTA staff may not be aware of, and therefore may not comply with, the organisation's BCPs. This could lead to delays in the recovery of key services or inappropriate or ineffective action being taken by staff in the event of a disaster/emergency.		
1.7 HTA to ensure any induction as part of the office relocation includes training and awareness on BCP for all staff.	Agreed **Target date – November 2020 (or date of relocation)**	**June 2020** Not due. **October 2020** Not due **January 2021** This will be actioned after the office relocation is completed.	Richard Sydee Director of Resources **NOT STARTED**

RECOMMENDATION	AGREED ACTIONS	PROGRESS	OWNER / COMPLETION
Payroll and Expenses	Inadequate policies and procedures		
4. The existing code of conduct to be reviewed and where appropriate updated and communicated to all staff.	Agreed. Code to be reviewed and link to revised values will be conducted. ~~**Target date – September 2020**~~ **Revised target date – Q2 2021/22**	**June 2020** Not due October 2020 Update to be provided at meeting **January 2021** The staff code of conduct will be re-written and incorporated within the staff handbook. Due to other priorities this is not expected to be complete until the Quarter 2 of the new business year	Sandra Croser Head of HR **NOT STARTED**

RECOMMENDATION	AGREED ACTIONS	PROGRESS	OWNER / COMPLETION
Anti-Fraud Controls	Specific fraud risk management policies are not in place, regularly reviewed and communicated to support staff awareness and reporting		
1.2. HTA should agree a set of expected values and behaviours consistent with the Nolan Principles and the Civil Service Code of Conduct and promote and communicate them to staff.	Not agreed – the HTA has a set of values which were recently reviewed. Agree that the Staff Code of conduct should be updated and aligned with updated values. ~~**Target date – June 2020**~~ ~~**Target date – end Q3 2020**~~ **Revised target date – Q2 21/22**	**June update** A HTA Handbook will be designed and delivered by later in the year due to the impact of COVD-19. **January 2021** The handbook will be delivered along with the new staff code of conduct in quarter 2 of the new business year.	Sandra Croser Head of HR **NOT STARTED**

Audit and Risk Assurance (ARAC) meeting

Date: 28 January 2021

Paper reference: AUD 24/20

Agenda item: 9

Author: Morounke Akingbola
Head of Finance and Governance

OFFICIAL

Assurance Report

Purpose of paper

1. The purpose of this paper is to provide the Audit and Risk Assurance Committee on the completion of actions relating to audit recommendations outstanding on the Audit Tracker as at December 2020.

Decision making to date

2. This paper was reviewed and approved on 21 January 2021.

Action required

3. The Committee are asked to consider progress to date on Internal audit recommendations, note those recommendations that are agreed complete and agree the proposed removal and/or revised deadlines to other recommendations.

Background

4. At the last Audit Committee meetings, the Executive were tasked with providing assurance on what progress has been made against the outstanding audit recommendations.

5. Detailed below are updates against each audit and confirmation of evidence that has been provided to or accepted by our internal auditors. Of those recommendation that remain we have undertaken a review and propose either that we remove items (records management) or have extended completion dates. We are confident that all outstanding recommendations can be completed in line with revised deadlines.

Records Management

6. The Records Management Audit was conducted in November 2018. In autumn of 2019 it was agreed that whilst a Records Management Policy (RMP), Records Retention Schedule (RRD) and Information Asset Register (IAR) are in place ARAC agreed that the wider recommendations would be best addressed as part of the Development (Transformational) Programme. There are six work packages, of which the implementation of an Electronic Document and Records Management System (EDRMS) will be a key component of a revised records management approach.

7. The Records Management Policy and the Records Retention Schedule is expected to be rolled out alongside the new document repository, as there are technical capabilities linked to Office 365 that are required. Most of this work is expected to be rolled out over the next two quarters. We have agreed with IA colleagues to conduct a follow up review in 2021/22 to assess the revised landscape against the previous audit and any new best practice in this area. We therefore propose to take no further action in response to these recommendations and await the follow up audit.

8. The table below details the recommendations from the 2018 audit and management updates as to progress to completion or provision of evidence of completion.

Recommendation	Evidence/reason for non/completion
Risk 1 - The Records Management policy currently in draft should be finalised and signed off by senior management as a matter of urgency. This policy will complement existing policies, with a clear focus on records management requirements, roles and responsibilities and should cover such topics as retention and disposal. This policy should be signed off by the Senior Management Team and the Audit and Risk Assurance Committee. Once agreed, this should be circulated to all HTA staff	*The Records Management Policy and Retention Schedule have been completed and this has been shared again with the caveat that there may be amendments post roll-out of EDRMS.*
Risk 1a - The FOI guidance should be reviewed and updated as soon as possible	*The FOI guidance was reviewed in February 2019 after the audit. The guidance has been provided as evidence.*
Risk 2 - The revised records management guidance should include specific references to the use and updating of the Information Asset Register, linking to the roles and responsibilities in the Information Governance Policy, to ensure this is being used and updated on a consistent basis, so that reliance can be placed on the information on there.	*This will be actioned prior to roll out of the records management policy.* .
Risk 2a - The Senior Information Risk Owner (SIRO) should ensure periodic checks are carried out on the Information Asset Register, to ensure IAOs are fulfilling their responsibilities and the register is up to date	*Agreement was to provide quarterly checks and to include in Annual Assurance statement to ARAC. Last statement, 16 June 2020, where confirmation given. Evidence was the SIRO report.*

Risk 3 - The revised records management guidance should include specific references to the use and updating of the Information Asset Register, linking to the roles and responsibilities in the Information Governance Policy, to ensure this is being used and updated on a consistent basis, so that reliance can be placed on the information on there.	*We wish to revisit this as part of the next internal audit review where some changes to ownership will also take place.*
Risk 4 - HTA should carry out structured training and awareness for all staff with records management responsibilities	
Risk 4a - A DRO should be appointed/nominated, and the roles and responsibilities of this position incorporated into the job description.	*The Director of Data, Technology and Development is the DRO.* *Need to confirm that the job description reflects responsibilities.*
Risk 4b - Any individuals with specific Records Management responsibilities should have these responsibilities clearly included in their job descriptions	

Utilisation of Capabilities

9. The above audit was conducted in the spring of 2019 and presented to the Committee at its October meeting. There were six recommendations given, of which two have been completed.

10. Below are details of all recommendations and their various stages of completion. Progress is ongoing and we will retain these recommendations on the tracker until complete.

Recommendation	Evidence/reason for non/completion
Risk 1 - The strategic and operational Risk Registers need to be developed to fully articulate the controls/mitigations in place to address the risks, as well as including contingency measures where appropriate	*Risk 4 within both the Strategic and Operational Risk Registers were updated for the October ARAC meeting.*

Risk 1a - The strategic risk register could be strengthened by utilising assurance mapping (across the 3 lines of defence) to gain greater assurances over some of the risk and control areas.	*These updates were formally supplied to internal audit as evidence in January 2021.*
Risk 1b - We recommend that the handover process is formalised (a checklist for example) to ensure all corporate knowledge is retained and the development of standard operating procedures for all key roles.	*The Executive confirmed that the checklist was in place at the October ARAC meeting.* *The checklist was supplied to internal audit as evidence in January 2021.*
Risk 2 - A skills audit should be undertaken and documented in a matrix to capture current skills in the organisation against the capability needs of the organisation. This should be reviewed and kept up to date in line with the PDP process and learning and development to identify individuals with potential for upskilling and development.	*HTA Workforce Capability Development Framework is in place. The register of skills will not be completed as there has been low uptake from staff on putting forward specific skills and in tandem, capability needs are highly dynamic in the current environment. A matrix is no longer considered appropriate to organisational needs.* *The Framework was supplied to internal audit as evidence in January 2021.*
Risk 3 - A forum such as a workforce subcommittee should be established with terms of reference to look holistically at people and staffing issues across the organisation focussing on short and long-term impacts and deliverables.	*A formal role has been established for SMT as part of its recently revised ToRs.* *The ToRs were supplied to internal audit as evidence in January 2021.*
Risk 3a - Consideration should be given to the development of a key roles register which would identify key posts and the contingency arrangements in place should an emergency arise including a nominated deputy and comprehensive job instructions.	*SMT commissioned work on 18 January on short and medium-term functional needs. Structure and roles will follow from this. The assessment will be completed in this financial year.* *Work will not commence on this recommendation until this work is complete. In the interim, governance documents describe key*

	organisational processes and handover checklists mitigate risks when staff leave the organisation.

Critical Incident Management and Business Continuity Planning

11. The above audits were conducted in October and November 2019 and resulted in six recommendations for the Critical Incident Management (CIRPs) and seven for the Business Continuity Planning (BCP).

12. Of the six CIRPs recommendations, one relating to review of SOPs (ref.1.2) has been completed by its due date of December 2020. The remainder are on track to be completed in the last quarter for 2020/21. The main driver for this is the inter-relationship between recommendations and the review and amendment of the Strategic and Operational Risk Registers – a piece of work that is also linked to developing the HTA's risk appetite and tolerance.

13. The recommendations for the Business Continuity Planning audits have been deferred to the last quarter of the 2020/21 business year as they are best addressed in relation to the new HTA offices and ways of working.

14. The re-drafting of the BC plan will need to take into account the changes within our IT infrastructure as a result of the Development Programme and specifically the move of our infrastructure to the cloud. We expect all recommendations to be complete by the end of the business year.

Payroll and Expenses and Anti-Fraud Controls

15. There are two outstanding recommendations for the above audits. One relates to updating our Code of Conduct (payroll and expenses audit); the outstanding recommendation relating to the anti-fraud controls relates to agreeing a set of values and behaviours similar to those in the Civil Service Code – this was not agreed to, however we agreed to incorporate both in to a staff handbook which will also incorporate our recently reviewed values and an updated code of conduct.

16. Both of these activities have been delayed due to reprioritisation of work in response to the COVID-19 pandemic and other areas of emerging activity. Completion of this work will need to be deferred until quarter two of the new business year, a delay in meeting these recommendations is viewed to be low risk as the HTA does have some existing guidance in this area.

Audit and Risk Assurance (ARAC) meeting

Date: 28 January 2021

Paper reference: AUD 25/20

Agenda item: 10

Author: Richard Sydee
Director of Resources

OFFICIAL

Risk Update

Purpose of paper

1. To provide ARAC with an update on HTA's strategic risks and proposed mitigations at January 2021.

Decision-making to date

2. This paper was approved by the Director of Resources on 21 January 2021.

Action required

3. ARAC Members are asked to comment on the strategic risks and assurances within the HTA Strategic Risk Register attached to this paper at Annex A.

Background

4. The strategic risks are reviewed by the SMT monthly, and the register is updated. The strategic risk register that was updated at the beginning of January is at Annex A.

Risk assessment

5. **Risk 1 – Failure to regulate appropriately (Yellow).** The risk level was raised to 5/3 in March in response to the escalating COVID-19 position but has since returned to 5/2 and a yellow scoring. Activity in the PM sector is now stable, although there continues to be some demand for emergency licences and for licences for funeral directors' premises. While we are currently not using routine site visit inspection as a regulatory tool, we continue to use all other regulatory tools and processes.

   Virtual regulatory assessments were piloted during quarter three in the HA sector and will be continued in quarter four and extended to HT Act sectors with a view to scaling up the use of this tool in the new business year. In light of the renewed restrictions put in place by the government in January 2021, and the pressures on the health and care system, site visits will only be undertaken during quarter four if regulatory risks cannot be managed remotely.

6. **Risk 2 – Failure to manage an incident (Yellow).** Although this was judged initially to be slightly heightened in March, the response to COVID-19 restrictions and our continued ability to operate has been assessed as evidence that this risk as not increased in the current circumstances.

7. **Risk 3 – Failure to manage regulatory expectations (Amber**).

   On the 1 January 2021 the transition period ended. The HTA has provided advice to stakeholders who import and export material from/to the EU when requested and through its HTA UK Transition webpages.

   Two notable issues at our regulatory boundary are also live at present. The HTA has been involved in ongoing dialogue with Members of the House of Lords concerning the consent provisions for material imported for the purposes of public display, and discussions continue with a private sector body regarding the licensing requirements for removing cells from the deceased on funeral directors' premises.

   Each of these matters is being actively managed and there has, at this stage, been no detrimental impact on the HTA's reputation.

8. **Risk 4 - Failure to utilise capabilities effectively (Amber).** Absence levels relating to COVID-19 have thankfully been limited, although we continue to monitor the unequal balance of workload across the organisation, redeploying

resources, and utilising some under capacity on change and the Development Programme. As of January, the HTA continues to operate in an uncertain environment with lockdown restrictions placing a number of pressures on HTA staff.

During the initial peak of the pandemic we agreed to plan over a shorter time horizon (quarter by quarter) but are now returning to longer term planning for the 2021/22 reporting year. SMT believes that there is upward pressure on this risk in January 2021.

9. **Risk 5 – Insufficient, or ineffective, management of financial resources (Yellow).** Invoicing for all sectors was undertaken in September, we received a positive response to pre-issue communications and the response so far has been in line with previous years. Planning for 2021/22 is now underway, informal discussions with DHSC indicate static GIA funding for the new financial year. We anticipate some funds being available for continuation of our development activities in 2021/22 – anticipated savings result from our new office location and as a result of continued restrictions on site visit inspections and meetings in person. Further SMT discussions on priorities and other options to divert funds to this development will take place as we finalise our 2021/22 budget.

10. **Risk 6, failure to achieve the benefits of the organisational transformation programme (Yellow).** Progress is being made on our portfolio of work, with the office move project nearing completion (with 151 BPR vacated and the new premises ready for occupation on 18 January) and further progress on migration of HTA services to the Azure Cloud. Activity on the Internet development project and a new EDRMS continues as planned with milestones for this business year expected to be met. Planning for continuation of this work in 2021/22 is now underway.

Review of Risk approach

11. Following the discussion at the November Authority meeting it was agreed that we will move forward with new risk appetite statements and approach to risk tolerance. The Authority felt that on balance the current approach to capturing strategic risks, measured against the delivery of strategic objectives, was the preferred format for risk reporting. As a result they will be no fundamental reframing of the existing strategic risks.

12. Next steps will be the incorporation of the new approach to risk appetite and tolerance into the Strategic Risk Register, this will require a reformat of the

existing cover page to the register, but no fundamental change to the capture of detailed risk and lines of defence on the individual risk pages of the register.

13. This revised format will go to SMT for discussion mid-February with follow up discussions to be held with the Authority Chair and Chair of ARAC by the end of February. The revised format will then be circulated to ARAC members out of committee for comment and approval, enabling the new format to be reviewed and restated in line with objectives for the start of the 2021/22 business year.

HTA Strategic Risk Register
January

January update
Overall our risks are generally stable, however there are pressures associated with leading, planning and managing in the face of a fast changing operating environment. We are confident that we have sufficient mitigating actions against each risk in place but acknowledge that pressures are changing constantly. Our activities need time to embed which also brings additional challenges during this period. The challenge of balancing the use of our people, data and technology capabilities during quarter four, is reflected in our risks, particularly risks 4 and 6. Changes within our technology structures over the last quarter of the year also bring with it challenges around resource utilisation.

Overview: Risks reflect the strategy for 2019 - 2022. Our highest scored risks are: ***failure to regulate appropriately*** – which is the result of the continuing absence of site visit inspection as part of our regulatory toolkit during this initial phase of the pandemic. We are currently developing and pilotting a virtual regulatory assessment model with a view to extending this as a core regulatory tool in Q1 2021; ***failure to manage expectations of regulation***, which reflects the fast-pace of change within the sectors we regulate, the low likelihood of legislative change in the foreseeable future and the ongoing temporary removal of routine site visit inspections as a regulatory tool; ***failure to utilise our capabilities effectively***, which reflects the fact that business plans are being redeveloped at pace to adjust to the current limitations on activities as a response to changing Covid-related government restrictions whilst also seeking to take advantage of this opportunity to quickly take forward long-planned strategic change through the development programme. The organisation has adapted well to this new working environment and is developing new regulatory tools to supplement our existing non-site visit activity, that will allow continued oversight of our sectors. SMT believes there is currently some upward pressure on this risk.

Other notable risks: Horizon scanning for emerging issues and liaison with DHSC remain a key focus. Progress on other development activity has continued using the additional funds available this year from the cessation of site visits and a recruitment freeze that are being invested for optimum benefit this business year. In particular, this includes work to support our office move and to build a foundation for future strategic development. Work is continuing on these development priorities.

Risk	Oct 2020	Nov 2020	Dec 2020	Jan 2021	Comments
1 - Failure to regulate appropriately (Risk to Delivery a-d & f and Development a-d)		→ **10**		→ **10**	Whilst we have a good regulatory framework for normal times, with a strong assured position on our key regulatory processes from an Internal Audit review within the past 18 months. We coped well with the novel challenges and intensity of increased activity in the PM sector during the peak of the pandemic but continue to face new challenges arising from this new context, particularly the suspension of one key regulatory process, site visits, across all sectors since mid-March. Activity in the PM sector is now stable, although there continues to be some demand for emergency licences and for licences for funeral directors' premises. We continue to use all other regulatory tools and processes. Virtual regulatory assessments were piloted during quarter three in the HA sector and will be continued in quarter four and extended to Act sectors with a view to scaling up the use of this tool in the new business year. Our inability to meet our legal obligation to undertake biennial site visits in tthe HA sector since mid-March 2020 is being managed as an issue, of which the Board and DHSC sponsors are aware. The continuing absence of site visit inspections by the HTA may result in an increase in this risk, or perception of this risk by external stakeholders, although this may vary by sector. Planning for undertaking site visits safely (incluing access to PPE) has been undertaken. In light of the renewed restrictions put in place by the government in January 2021 and the pressures on the health and care system, site visits will only be undertaken if absolutely necessary during quarter four. SMT believe this risk is stable in January 2021.
2 - Failure to manage an incident (Delivery, Development and Deployment)		→ **6**		→ **6**	The HTA response to managing the impact of the pandemic using these existing plans has been a significant stress test of their adequacy. They have not so far proved wanting. At present the greatest concern is the emergence of another significant incident in parallel that results in compound management stretch. SMT believe this risk is stable in January 2021.
3 - Failure to manage expectations of regulation (Risk to Delivery e and Development c)		→ **12**		→ **12**	We continue to communicate our remit and advise where appropriate. There is ongoing dialogue with DHSC and stakeholders about emerging issues and we provide clear lines to the media when necessary. Communicating on an issue which is not within remit but which may adversely impact on public confidence is challenging. Looking forward, the Development programme has included a specific workstream to strengthen horizon scanning on emerging changes to policy or activities where the HTA may be required to act or offer an authoritative voice. This proactive approach should identify perimeter issues. On the 1 January 2021 the transition period ended. The HTA has provided advice to stakeholders who import and export material from/to the EU when requested and through its HTA UK Transition webpages. The HTA has been involved in ongoing dialogue with Members of the House of Lords concerning the consent provisions for material imported for the purposes of public display, where there are some concerns about the adequacy of the provisions of the legislation as it currently stands. There has also been dialogue with a private sector body regarding the licensing requirements for removing cells from the deceased on funeral directors' premises. All of these matters are being actively managed, and there has at this stage been no detrimental impact on the HTA's reputation. SMT believe this risk is stable in January 2021.
4 - Failure to utilise our capabilities effectively (Delivery a-e) (Development a-d) (Deployment a, c and d)		↑ **16**		↑ **16**	Recruitment to permanent roles was put on hold in quarter one while development work was ongoing to ensure more flexible access to the necessary capbilities associated with change. As of January 2021, the HTA is employing seven staff on temporary contracts. The recent loss of two Regulation Managers in the PM sector (one to another role internally) will be addressed during quarter four. In addition SMT discussed short and medium term staffing needs in January 2021 and have commissioned a plan for recruitment. The new restrictions generally and in particular the limitations on access to education and childcare, will almost certainly limit the HTAs people capability. Planning is being undertaken to develop new flexible arrangements to maximise staff availability. ARAC has supported the temporary deprioritisation of the response to the records management internal audit. As a result, the HTA will be tolerating a degree of risk in the medium term. The scoping of development of our EDRMS forms part of development plans for 2020/21 building on the preparatory work completed in quarter 4. The sequencing of this work will need to take into account interdependencies across the development programme. As of January, the HTA continues to operate in an uncertain environment. During the initial peak of the pandemic we agreed to plan over a shorter time horizon quarter by quarter, but are now returning to longer term planning for the 2021/22 reporting year. SMT believe that there is upward pressure on this risk in January 2021.
5 - Insufficient, or ineffective management of, financial resources (Deployment b)		→ **8**		→ **8**	The ability to maintain the organisation and ensure continuity of payments and salaries processing has not been impacted by the pandemic, although contingencies for processing remain in place. Although the decision to defer invoicing for the HA sector until September didt represent an explicit risk payments received to date are not materially different to previous years and as a whole we are confident we will recover payments broadly as usual this financial year. Planning for 2021/22 is now underway, informal discussions with DHSC indicate static GIA funding for the new financial year with scope to access reserves for investment unlikely. With anticipated cost reductions from our estate, and the impact of ongoing restirctions on nomal site visit and meetings/events likely to continue to reduce expenditure, we anticipate some funds being available for continuation of our development activities. Further SMT discussions on priorities and other options to divert funds to this area will take place as we finalise our 2021/22 budget. The medium term impact of the pandemic on our licensed centres remains difficult to predict, we will continue to programme expenditure in a way that allows cover for any emerging drop in income and consider emerging trends as we start the 2022/23 fees work in May/June 2021.
6 - Failure to achieve the benefits of the HTA Development Programme (Development objectives a-d)		↑ **9**		→ **9**	The removal of costs associated with site visit inspection along with the pause in recruitment has provided some headroom for development investment within the existing budget for 2020/21 and will continue to do so in 2021/22. The office move project is nearing completion with 151BPR vacated and the new premises ready for occupation on 18 January. There has been more uncertainty about the timing of the office move the successful delivery of a number of projects to the end of the 2019/20 business year (HTA Intranet, Office 365 upgrade, adoption of remote working, future EDRMS requirements and data and intelligence review) has lead to a downgrading of the impact and likelihood score for this risk - now 3/3. There is still more to do, but the work to date represents a significant proportion of the "must do" element of this programme. SMT believe this risk is stable in September 2020.

Risks are assessed by using the grid below

Risk scoring matrix						
Impact	5.Very high	5 Medium	10 Medium	15 High	20 Very High	25 Very High
	4. High	4 Low	8 Medium	12 High	16 High	20 Very High
	3. Medium	3 Low	6 Medium	9 Medium	12 High	15 High
	2. Low	2 Very Low	4 Low	6 Medium	8 Medium	10 Medium
	1. Very Low	1 Very Low	2 Very Low	3 Low	4 Low	5 Medium
Risk Score = Impact x Likelihood		1. Rare (≤10%)	2. Unlikely (11%-33%)	3. Possible (34%-67%)	4. Likely (68%-89%)	5. Almost Certain (≥90%)
		Likelihood				

Strategic Objectives

Delivery objectives
- Deliver a right touch programme of licensing, inspection and incident reporting, targeting our resources where there is most risk to public confidence and patient safety.
- Deliver effective regulation of living donation.
- Provide high quality advice and guidance in a timely way to support professionals, Government and the public in matters within our remit.
- Be consistent and transparent in our decision-making and regulatory action, supporting those licence holders who are committed to achieving high quality and dealing firmly and fairly with those who do not comply with our standards.
- Inform and involve people with a professional or personal interest in the areas we regulate in matters that are important to them and influence them in matters that are important to us.

***Development* objectives**
- Use data and information to provide real-time analysis, giving us a more responsive, sharper focus for our regulatory work and allowing us to target resources effectively.
- Make continuous improvements to systems and processes to minimise waste or duplicated effort, or address areas of risk.
- Provide an agile response to innovation and change in the sectors we regulate, making it clear how to comply with new and existing regulatory requirements.
- Begin work on implementing a future operating model, which builds our agility, resilience and sustainability as an organisation.

Deployment objectives
- Manage and develop our people in line with the HTA's People Strategy
- Ensure the continued financial viability of the HTA while charging fair and transparent licence fees and providing value for money
- Provide a suitable working environment and effective business technology, with due regard for data protection and information security
- Begin work on implementing a future operating model, which builds our agility, resilience and sustainability as an organisation

Lines of defence are:
1 - Embedded in the business operation
2 - Corporate oversight functions
3 - Independent of the HTA

Lines of defence
1. Management control and internal controls (frontline)
2. Risk Management functions (senior management)
3. Internal Audit (board/audit committee)

REF	RISK/RISK OWNER	CAUSE AND EFFECTS	INHERENT I	INHERENT L	PROXIMITY	EXISTING CONTROLS/MITIGATIONS	RESIDUAL I	RESIDUAL L	ACTIONS TO IMPROVE MITIGATION	LINE OF DEFENCE 1	LINE OF DEFENCE 2	LINE OF DEFENCE 3	TYPE OF CONTROL	ASSURANCE OVER CONTROL	ASSURED POSITION
1	***Failure to regulate in a manner that maintains public safety and confidence and is appropriate*** ***(Risk to Delivery objectives a-d & f Development objectives a-d)*** *Risk Owner:* ***Allan Marriott-Smith***	***Causes*** • *Failure to identify regulatory non-compliance* • *Regulation is not transparent, accountable, proportionate, consistent and targeted* • *Regulation is not sufficiently agile to respond to changes in sectors* • *Insufficient capacity and/or capability, including insufficient expertise, due to staff attrition, inadequate contingency planning, difficulty in recruiting (including Independent Assessors (IAs)).* • *Inadequate adherence to agreed policies and procedures in particular in relation to decision making* • *Poor quality or out of date policies and procedures* • *Failure to identify new and emerging issues within HTA remit* • *Failure to properly account for Better Regulation* • *Insufficient funding in regulated sectors* • *Failure to deal with regulatory consequences of the Transition Period and the period after 31 December 2020.* • *Failure to properly manage the business impact of the coronavirus pandemic.* ***Effects*** • *Loss of public confidence* • *Compromises to patient safety* • *Loss of respect from regulated sectors potentially leading to challenge to decisions and non-compliance* • *Reputational damage*	**5**	**4**	*Ongoing*	**Regulatory model**	**5**	**2**							
						Fortnightly Transition Period oversight meetings from February 2020 with+H4:Q16+H4:Q15			In the current absence of site visit inspection, work will be undertaken to develop a risk assessment and a virtual regualtory assessment proposal..	X			Preventative	Board developed and approved the current HTA Strategy and is aware of the risk associated with current impossibility of site visit inspections.	HTA Strategy published in November 2020 and pilot virtual regulatory assessment in the HA sector commenced in quarter three 2020/21 and will be expanded in quarter four. The Board will receive an update on progress in February 2021. .
						Regulatory decision making framework				X			Preventative	Reports of key decisions in Board Reporting.	Satisfactory Report made in November 2020. Lessons learned from Regulatory Decision Meetings (RDMs) held January 2020 and used to inform update to Regulatory Decision Making SOP. Regulatory Decision Making SOP updated February 2020.
						Annual scheduled review of Strategy				X	X		Preventative	Outputs from annual strategy review translate into revised annual Strategy	Annual strategic planning away day completed in January 2020.
						The HTA has produced a detailed business plan for the remainder of the year. These plans are approved by SMT and balance core regulatory functions, development priorities and resource deployment considerations.				X	X		Preventative	Business plan for 2020/21 has been produced and approved for publication by the sponsor Department.	Quarterly reporting to Board and DHSC in November 2020 reflected progress against business plans.
						Well established processes support our core regulatory business.						X	Detective	Internal audit conducted on Key Regulatory Processes, receiving substantial assurance and noting good areas of best practice	Final report received April 2019 and showed substantial assurance. Two low priority recommendations have been followed-up with actions during 2019/20, namely review of SOPs for key regulatory processes (completed) and training on core legislative framework, HT Act which was delivered in March 2020.
						Quality management systems									
						HTA quality management system contains decision making framework, policies and Standard Operating Procedures to achieve adherence to the regulatory model				X			Preventative/ Monitoring	Identified staff member temporarily responsible for QMS, automated review reminders, management oversight of progress on updates	Limitations in QMS still remain. Scheduled reviews have now been re-instated following the departure of the quality manager with a schedule of activity in place. QMS includes evidence of degree to which the documents are current.
						People									
						Adherence to the HTA People Strategy which has been substantially amended and approved by the Board				X			Preventative	Management information and assessment presented to the Board quarterly.	Quarterly report made at November 2020 Board meeting. Mid-year PDP reviews were completed in October 2020.
						Training and development of professional competence				X			Preventative	Annual PDPs, Corporate Training Programme (led by Head of HR), RM Training programme, Career Investment Scheme proposals to SMT	Evidence of corporate training programme, Regulation-led (RM-Training Programme) e.g. quarterly Regulation Training Mornings (most recent being 1/6/20) and 'Lunch and Learn' programme.
						Specialist expertise identified at recruitment to ensure we maintain a broad range of knowledge across all sectors and in developing areas			As vacancies arise, SMT take the opportunity to review business requirements and target building capability and filling skills gaps.	X	X		Preventative/ Monitoring	SMT assessment of skills requirements and gaps as vacancies occur, Recruitment policy	Staffing levels and risks reported quarterly to the Board. Recent vacancies have been used to introduce new skills to the HTA e.g. recruitment of a data analyst in January 2020, recruitment of a project manager and inward secondments to support intranet development activity and management of FOIs.
						Transition period									
						Close liaison with DHSC to ensure communications are in line with government policy and that appropriate arrangements are made to support DHSC and stakeholders during the transition period. HA Guide, ODT Framework and other external guidance being updated inline with new legislation to ensure we can regulate accordingly.			Fortnightly Transition Period oversight meetings from February 2020 with a standing item on the SMT agenda. Continued close liaison with DHSC policy and communications teams, through fortnightly catch-ups of DHSC with ALBs. High level resource planning done for 2020/21 business plan in preparation for anticipated changes at the end of Transition Period.	X	X		Preventive / Detective / Monitoring	Weekly reporting by ANH to SMT under standing item on SMT agenda. Short fortnightly Heads meetings give an overview of any enquiries and feedback steers and guidance from DHSC. These are reported to SMT.	Minutes of weekly SMT meetings.
									Regulatory model						
									Development work being undertaken to become a more data-driven risk based regulator as part of the HTA Development Programme.	X			Preventative		
									Other						
									Strengthening horizon scanning arrangements	X			Preventative		

REF	RISK/RISK OWNER	CAUSE AND EFFECTS	INHERENT I	INHERENT L	PROXIMITY	EXISTING CONTROLS/MITIGATIONS	RESIDUAL I	RESIDUAL L	ACTIONS TO IMPROVE MITIGATION	LINE OF DEFENCE			TYPE OF CONTROL	ASSURANCE OVER CONTROL	ASSURED POSITION
2	***Inability to manage an incident impacting on the delivery of HTA strategic objectives. This might be an incident:*** • ***relating to an activity we regulate (such as retention of tissue or serious injury or death to a person resulting from a treatment involving processes regulated by the HTA)*** • ***caused by deficiency in the HTA's regulation or operation*** • ***where we need to regulate, such as with emergency mortuaries*** • ***that causes business continuity issues*** ***(Risk to all Delivery Development and Deployment objectives)*** *Risk owner:* ***Nicky Harrison***	***Cause*** • *Insufficient capacity and/or capability (for instance, staff availability, multiple incidents or ineffective knowledge management)* • *Failure to recognise the potential risk caused by an incident (for instance poor decision making, lack of understanding of sector, poor horizon scanning)* • *Failure to work effectively with partners/other organisations* • *Breach of data security* • *IT failure or attack incident affecting access to HTA office* • *External factors such as terrorist incident, large scale infrastructure failure or pandemic* ***Effect*** • *Loss of public confidence* • *Reputational damage* • *Legal action against the HTA* • *Intervention by sponsor*	***5***	***3***	Future, should event occur	Critical incident response plan, SOPs and guidance in place, regularly reviewed, including by annual training, and communicated to staff	**3**	**2**		X	X		Preventative	Policies etc. reviewed annually, training specification and notes after incident reviews	Subject to internal audit reported to ARAC in February 2020 Version 19 of CIRP published July 2019. CIRP deployed in March 2020 to manage coronavirus pandemic.
						All specific roles identified in the Critical Incident Response Plan are filled.				1 X	2	3	Preventative	Evidence of regular review and updating of the CIRP and no specific CIRP roles left vacant.	CIRP reviewed and updated to version 19 in July 2019. Further minor changes proposed February 2020 updated roles following staff changes.
						Media handling policy and guidance in place and Critical Incident Response Plan includes requirement to involve Comms team. Comms Team have embedded media handling and development of lines to take into business as usual.			Comms Team maintain close working relationships with colleagues across the business and proactively raise awareness of the need for Comms role in shaping lines and dealing with media.	X			Preventative	Policy reviewed as scheduled. Reports on media issues and activity in Delivery Report. Evidence of active Comms Team participation in issues with potential for media or public interest.	Media issues are included in the quarterly Board reporting as they arise and as relevant.
						Availability of legal advice				X			Preventative	Lawyers specified in Critical Incident Response Plan, SMT updates	In place
						Fit for purpose Police Referrals Policy				X			Preventative	Annual review of policy (minimum), usage recorded in SMT minutes	Police referral process used regularly by SMT and captured in SMT minutes.
						Onward delegation scheme and decision making framework agreed by the Board				X	X		Preventative	Standing Orders and Board minutes	Standing Orders published May 2017, due to be updated at November Board meeting.
						Regulatory decision making framework			Regulatory Decision Making process and SOP regularly reviewed and disseminated to staff.	X			Preventative	Reports to Board of key decisions in Delivery Report	RDMs summarised in quarterly reporting to the Board. Regulatory Decision Making SOP reviewed and updated February 2020.
						IT security controls and information risk management				X	X		All	SIRO annual review and report Internal audit reports	Cyber security review - standing agenda item at ARAC - last discussed June 2020.
						Critical incident response plan regularly reviewed and tested			Actions associated with the internal audit reported in February 2020.	X	X		Preventative	Critical Incident Response Plan and notes of test, reported to SMT Use of CIRP reported to SMT.	CIRP used to manage response to coronavirus pandemic in March 2020.
						Evaluate test exercise of incident and feedback to all staff.			Question over whether a test of the Plan is required in light of the recent stress test presented by the coronavirus pandemic.	X			Preventative	SMT content that activation and use of CIRP during first wave and first lockdown superseded the need for a test.	Noted in ARAC Audit Tracker.
						Ensure DIs (or equivalent in ODT sector) are aware of and follow the incident reporting procedure for incidents reportable to the HTA.				X			Preventative / Detective / Monitoring	Inspections (and audits for ODT) include assessment of licensed establishments' knowledge and use of the relevant HTA incident reporting process.	Findings at inspection. Monitoring establishments' reporting of incidents through the HTARI, HA SAEARs and ODT SAEARs groups.
						Management of any risk of incidents likely to arise from the end of the Transition Period continues to be managed through the defined UK Transition project to 30 June 2021. Continuing engagement with DHSC to manage follow-up activity during the 6-month grace period for GB import / export licensing.			Specialist project manager recruited Autumn 2020 for the UK Transition Project.				Preventative / Detective / Monitoring	Continuing engagement with DHSC on ongoing aspects of the UK Transition Project, including the Northern Ireland Protocol (and engagement with NI Executive Department of Health). Director-level oversight as SRO (Director of Regulation), weekly Project meetings, 'stand-up' over the 6 weeks either side of 31/12/20, regular reporting to SMT through standing agenda item and specific papers for	Regular reports to SMT - standing item on SMT agenda from February 2020. Smooth management of the end of the transition period at 31/12/20 through the regular stand-ups (based on the CIRP) and project oversight. SMT paper 14 January setting out scope of next phase to 30 June 2021.

REF	RISK/RISK OWNER	CAUSE AND EFFECTS	INHERENT I	INHERENT L	PROXIMITY	EXISTING CONTROLS/MITIGATIONS	RESIDUAL RISK I	RESIDUAL RISK L	ACTIONS TO IMPROVE MITIGATION	LINE OF DEFENCE 1	LINE OF DEFENCE 2	LINE OF DEFENCE 3	TYPE OF CONTROL	ASSURANCE OVER CONTROL	ASSURED POSITION
3	***Failure to manage public and professional expectations of human tissue regulation in particular stemming from limitations in current legislation or misperception of HTA regulatory reach*** ***(Risk to Delivery objective e, and Development c)*** *Risk Owner:* ***Louise Dineley***	***Cause*** ***External factors*** • *No scheduled review of Human Tissue Act and associated regulations, or Quality and Safety Regulations (other than for EU Exit)* • *Rapidly advancing life sciences* • *Potential move away from the UK as base for some regulated establishments/sectors due to EU Exit and changes in exchange rates* • *Introduction of deemed consent for Organ donation in England* • *Uncertainty posed by EU Exit, and misperceptions stemming from a 'no-deal' scenario* ***Matters which certain stakeholder groups believe require review*** • *Scope of relevant material e.g. waste products* • *Licensing requirements e.g. transplantation research* • *Regulation relating to child bone marrow donors* • *Issues raised by emergence of social media e.g. non-related donors* • *Strengthening of civil sanctions for non-compliance* ***Matters which stakeholders/public may expect to be inside regulatory scope*** • *Efficacy of clinical treatment from banked tissue and treatments carried out in a single surgical procedure* • *Police holdings* • *Products of conception and fetal remains* • *Data generated from human tissue* • *Funeral directors* • *Forensic research facilities* • *Cryonics* • *Body stores / Taphonomy* • *Imported material* • *Clinical waste* • ***Other*** • *Inadequate stakeholder management* ***Effect*** • *Diminished professional confidence in the adequacy of the legislation* • *Reduced public confidence in regulation of matters relating to human tissue* • *Reputational damage*	*5*	*4*	*Ongoing*	Horizon scanning process in place that creates and maintains an up to date log of issues known to the HTA with respect to the legislation (updates, amendments or emerging issues) to inform DH and manage messages	*4*	*3*		*1*	*2* *X*	*3*	*Monitoring*	*Ongoing log*	*Log in place and stable.*
						Active management of professional stakeholders through a variety of channels including advice about relevant materials in and out of scope			*Comms & Engagement strategy under development to strengthen the HTA's approach and impact of stakeholder engagement. Updated C&E Strategy planned for Q4.*	*X*			*Preventative/ Detective*	*Stakeholder Group meeting minutes* *Authority minutes (including Public Authority Meeting)* *TAG and HWG meetings*	*Last stakeholder group meeting in October 2019* *Public Authority Meeting in May 2019;* *Histopathology Working Group February 2020 ; Transplant Advisory Group October 2019*
						Active management of issues raised by the media – including the development of the HTA position on issues				*X*			*Preventative/ Detective*	*Quarterly reports to Board on communication (including media) activities*	*Last report July 2020*
						Regular reporting to DHSC sponsorship and policy team on matters which risk public and professional confidence					*X*		*Monitoring*	*Quarterly Accountability meetings with DH*	*Last assured position from DHSC on 31 July 2020*
						Action where we believe it will support public confidence				*X*			*Preventative*	*Updated guidance in response to the coronavirus emergency published on the website, further sector specific guidance also published. These publications reflect the importance of ongoing publications and updates to specific conditions.*	Update to the Board and DHSC at Board meeting May 2020.
						Clear view of use of s.15 duty to report issues directly to Ministers in England, Wales and Northern Ireland as new issues emerge				*X*			*Preventative*	*Duty and its uses understood by SMT and Chair*	*Advice and guidance continues to be provided, for example on the Private Members Bill - Organ Tourism and Cadavers on Display, 2020.*
						No further changes to HTA's Standards since significant changes launched April 2017. Significant activity to update Codes of Practice for Organ Donation and Transplantation (and consent) to support the introduction of deemed consent (May 2020).			Further work planned in 2021/22 to review and update codes of practice . Focus will be on factual update.	*X*			*Preventative*	*Updated guidance published. Updated Codes of Practice to support deemed consent published.*	*Supplementary guidance on PM standard on traceability issued Feb 2019.* *Further guidance developed on PM Standards in consultation with HWG, eg on three points of identification, long-term storage of bodies and dealing with consent for testing for infection of deceased in cases of sharps injuries.* *Updated Code of Practice for Organ Donation and Transplantation laid in Parliament February 2020.*
						Extensive Professional Evaluation Survey undertaken in Q4 2019/20, reported to Board in July 2020 and used to inform further developments.				*X*			*Preventative*	*Evidence from Professional Evaluation used as an evidence and information source to inform and drive improvements*	*Evidence from Professional Evaluation presented to the Board in July.*
						Proactive horizon scanning and development of policy in emerging/complex areas. Further strengthening building on existing system.				*X*			*Preventative*	*Horizon scanning improvement is one of the six strands of the development programme*	*Update on this work presented at July Board meeting*
						Communications work package set up as part of UK Transition project to ensure we are managing our licensed establishments' expectations of what is required at the end of the transition period. As part of this WP we will also attempt to reach out to unknown end users to make them aware of their new regulatory licensing requirements and timelines.									

							Regular meetings with DHSC policy team and attendance at other departmental meetings (ALB delivery partners) to inform planning for key pressures such as ongoing response to Covid-19; winter pressures, Transition Period and the period after 31 December 2020 and the progress of the MMD Bill.	*x*			*Preventative*	Development programme workstream 20/21. Stengthening of Horizon scanning has identified 4 areas to progress. Regular reporting to SMT and through formal routes.	

REF	RISK/RISK OWNER	CAUSE AND EFFECTS	INHERENT I	INHERENT L	PROXIMITY	EXISTING CONTROLS/MITIGATIONS	RESIDUAL I	RESIDUAL L	ACTIONS TO IMPROVE MITIGATION	LINE OF DEFENCE 1	LINE OF DEFENCE 2	LINE OF DEFENCE 3	TYPE OF CONTROL	ASSURANCE OVER CONTROL	ASSURED POSITION
4	***Failure to utilise people, data and business technology capabilities effectively*** ***(Risk to Delivery objectives a-e, Development a-d Deployment a, c and d)*** *Risk Owner:* ***Louise Dineley***	***Cause*** • *Lack of knowledge about individuals' expertise* • *Poor job and organisational design resulting in skills being under used* • *Poor line management practices* • *Poor project management practices* • *Poor leadership from SMT and Head* • *Loss of productivity as a result of the effects of changes to ways of working* • *Data holdings poorly managed and under-exploited* • *Inadequate business technology or training in the technology available* • *Lack of ring-fenced resource for 'no-deal' EU Exit* ***Effect*** • *Poor deployment of staff leading to inefficient working* • *Disaffected staff* • *Increased turnover leading to loss of staff* • *Knowledge and insight that can be obtained from data holdings results in poor quality regulation or opportunities for improvement being missed* • *Poor use of technology resulting in inefficient ways of working* • *Inadequate balance between serving Delivery and Development objectives*	4	4		***People capability***	4	4		1	2	3			
						People Strategy for the period 2019 to 2021 is in effect				X	X		*Preventative/ Monitoring*	*Board approval of the Strategy*	*Board approved the Strategy at its meeting in February 2019 and is provided with regular updates on all facets of its progress in quarterly board reporting. Most recently in July 2020.*
						Full suite of people policies and procedures (including performance management)				X			*Preventative/ Monitoring*	*Full suite of policies in place and available on Wave*	*https://intranet.hta.gov.uk/pages/policies_forms*
						External assessment of utilisation of capabilities						X	*Monitoring/ Detective*	*Internal audit 'Utilisation of capability' provided moderate assurance in July 2019*	*ARAC received the audit report and monitors progress against recommendations - most recently June 2020*
						Adherence to the HTA Workforce Capability Development Framework				X			*Preventative*	*SMT approved the Framework in September 2020 - as a response to internal audit recommendations*	*ARAC to receive update on the Framework at its meeting in October 2020*
						Investment in the development of the HTA leadership team				X			*Preventative*	*External consultants engaged to assess team and individual development needs and design appropriate interventions*	*Interventions have commenced including full leadership team workshop in September 2020*
						Handover process is formalised via a checklist to ensure corporate knowledge is retained				X			*Preventative/ Monitoring*	*Handover checklist is in place and in operation.*	
									More formal assessment of future capability needs and how these should be met including through better knowledge of internal skills	X	X		*Preventative/ Monitoring*	*Director and Head of HR assessing capability needs as part of future operating model* *HTA Workforce Capability Development Framework sets out how capability needs will be met* *Head of HR has implemented a register of skills within the HTA*	*SMT will be agreeing its approach to filling specific immediate capability needs in October* *Development Programme is picking up medium to long term capability needs.*
									Establish a formal role within SMT terms of reference to look holistically at people and capability issues across the organisation focussing on short and long term impacts and deliverables.		X		*Preventative/ Monitoring*	*SMT terms of reference and SMT minutes*	*SMT ToRs review is in process supported by external advisers. Due to be in place by end October 2020*
						Data capability									
						Data relating to establishments securely stored with the Customer Relationship Management System (CRM)				X		X	Preventative/ Monitoring	Upgrades to CRM, closely managed changes to CMR development. Internal audit of personal data security.	CRM upgrade completed successfully in March 2019
						Appropriate procedures to manage personal data including GDPR compliance.				X		X	Preventative/ Monitoring	Internal audit on GDPR compliance provided moderate assurance.	Internal audit report in March 2019. Part of ongoing Cyber and data security and SIRO reporting.
						Business technology capability									
						Staff training in key business systems				X			Preventative	Systems training forms part of the induction process for new starters	Ongoing records of all new starters trained in key business systems. New remote induction programme was launched in Summer 2020.
						IT systems protected and assurances received from 3rd party suppliers that protection is up to date				X	X	X	Preventative/ Monitoring	Quarterly assurance reports from suppliers. MontAMSy operational cyber risk assessments. Annual SIRO report	Annual SIRO report presented to ARAC June 2020
									Business technology						
									Identify refresher training and targeted software specific training needs.	X			Preventative	Evidence of targeted training in last quarter. Further strengthening of core training requirements included in updated induction programme.	

REF	RISK/RISK OWNER	CAUSE AND EFFECTS	INHERENT RISK PRIORITY I	INHERENT RISK PRIORITY L	PROXIMITY	EXISTING CONTROLS/MITIGATIONS	RESIDUAL RISK PRIORITY I	RESIDUAL RISK PRIORITY L	ACTIONS TO IMPROVE MITIGATION	LINE OF DEFENCE 1	LINE OF DEFENCE 2	LINE OF DEFENCE 3	TYPE OF CONTROL	ASSURANCE OVER CONTROL	ASSURED POSITION
5	*Insufficient, or ineffective management of, financial resources* *(Risk to Deployment objective b* *Risk Owner:* *Richard Sydee*	***Cause*** • *Fee payers unable to pay licence fees -* • *The number of licenced establishments changes, leading to reduced fee income* • *Management fail to set licence fees at a level that recover sufficient income to meet resource requirements* • *Failure to estimate resource required to meet our regulatory activity* • *Poor budget and/or cash-flow management* • *Unexpected increases in regulatory responsibilities* • *Unforeseeable price increases / reductions in GIA* • *Fraudulent activity detected too late* ***Effect*** • *Payments to suppliers and/or staff delayed* • *Compensatory reductions in staff and other expenditure budgets* • *Increased licence fees* • *Requests for further public funding* • *Draw on reserves* • *Failure to adhere to Cabinet Office Functional Standards* ***Leading to:*** • *Inability to deliver operations and carry out statutory remit* • *Reputational damage and non payment of fees*	*5*	*4*	Ongoing	Budget management framework to control and review spend and take early action	**2**	**4**		**X**	**X**		All	Budgetary control policy reviewed annually and agreed by SMT	Revised version reviewed by SMT in November 2020.
						Financial projections, cash flow forecasting and monitoring				**X**			Monitoring	Monthly finance reports to SMT and quarterly to Authority. Quarterly reports to DH	Last quarterly report to Board in November 2020
						Licence fee modelling							Preventative	Annual update to fees model	No change to fees agreed by the Board November 2020 meeting
						Rigorous debt recovery procedure				**X**			Preventative	Monthly finance reports to SMT and quarterly to Authority	Level of outstsnding debt is being reduced. Older debt are being collected. Although we maintain a tight grip on our position, the overall environment is more uncertain than normal.
						Reserves policy and levels reserves				**X**			Monitoring	Reserves policy reviewed annually and agreed by ARAC	Last agreed by ARAC October 2020
						Delegation letters set out responsibilities				**X**	**X**		Preventative	Delegation letters issued annually	Issued in May 2020
						Fees model provides cost/income information for planning				**X**			Preventative	Annual review of fees model, reported to SMT and Authority	~~Update agreed by the Board November 2019.~~ ~~No review or change in fees and agreed at November Board meeting.~~
						Annual external audit						**X**	Detective	NAO report annually	Last report in June 2020 - clean opinion
									Monitoring of income and expenditure (RS) **Ongoing**			**X**	Detective	Monthly finance reports to SMT and quarterly to Authority. Quarterly reports to DH	Last quarterly report November 2020
									Horizon scanning for changes to DH Grant-in-aid levels and arrangements (RS) **Ongoing**	**X**	**X**		Detective	Quarterly Finance Directors and Accountability meetings	FD from NHS Resolution, HRA, NICE and CQC maintain contact over common issues weekly. Quarterly meetings with DHSC which cover finance and non-finace issues/risks.
									Action plan to move from rudimentary to Basic level of maturity on the GovS 013 Functional Standards	**X**	**X**		Preventative	Counter fraud Strategy and Action Plan devleoped and presented to ARAC Oct-19. Annual training of staff completed n Q4	Cabinet Office - CDR submissions Counter-fraud activities now part of BAU.

REF	RISK/RISK OWNER	CAUSE AND EFFECTS	INHERENT I	INHERENT L	PROXIMITY	EXISTING CONTROLS/MITIGATIONS	RESIDUAL I	RESIDUAL L	ACTIONS TO IMPROVE MITIGATION	LINE OF DEFENCE 1	LINE OF DEFENCE 2	LINE OF DEFENCE 3	TYPE OF CONTROL	ASSURANCE OVER CONTROL	ASSURED POSITION
6	***Failure to achieve the benefits of the HTA Development Programme*** ***(Development objectives a-d)*** ***Risk owner*** ***Louise Dineley***	***Causes*** • *Uncertainty of funding* • *Programme and project benefits poorly defined and understood* • *Inadequate programme and project governance arrangements* • *Poorly specified programme and projects* • *Insufficient programme, project and change management skills* • *Inadequate leadership of change* • *Inability to access the necessary skills required at a affordable cost* • *Lack of staff buy-in to change* • *Management and Head stretch of delivering transformation alongside business as usual and other development activity* • *Insufficient agility in (re)deploying people to change projects* • *Poorly specified procurement and inadequate contract management* • *Realisation of single points of failure for DDAT and People Strategy* ***Effects*** • *Wasted public money* • *Failure to achieve the central strategic intent of the Authority* • *Distracts senior management from operations at a time when demands have increased* • *Reputational damage* • *Unaffordable cost over run* • *Staff demotivation* • *Data remains under-utilised* • *Technology inadequate to meet future needs (cost, functionality)* • *Limited ability to achieve improvements in efficiency and effectiveness* • *Pace of change is inadequate and impacts negatively on other work*	5	4		SMT experience of organisational change, programme and project management. HTA approach to the management of change projects *(underpinned by project management methodologies)* A number of trained project managers among HTA staff Experience of procurement and contract management Existing mechanisms for engaging staff Well established corporate governance arrangements and financial controls Agreement to a phased delivery approach to avoid all or nothing investment and align with available funding *Strengthened planning supports a single message and focus on an agreed set of priorities* *Project management includes a monitoring of costs* *Scope of projects aims to deliver benefits including on a phased and incemental design* *Agreed priorities in Business Plan and underpinning foundations for future strategy maintain required pace* 	3	3	*Change Manager appointed in August 2020 to support the development of capacity & capability across the organisation* *Project Management skills further strengthened by introduction of a toolkit and induction session by PM* *Plans developing for strengthening internal communciations function* *Further alignment of projects on the business plan in Q3 & Q4 to strengthen phasing of actions, resource deployment and consolidation of actions to encourage smarter working.* Embed Benefits Realisation Management methodology within programme Introduce a Programme Management function Board approval to proceed at key Gateway decision points Training plan to encompass project and change management and HTA approach Development of procurement plan to deliver the DDAT Strategy SROs identified for Programme and individual projects Schedule a regular programme of staff engagement events Establish an external stakeholder communications and engagement plan Recruitment of new Board Member(s) with digital and organisational change experience Programme to become a focus for appropriate internal audit Appointment of external critical friend to counter potential optimism bias	X X X X X X X X X X X X	 X X 	 X X	Preventative Preventative Preventative Preventative Monitoring Preventative Preventative Preventative Preventative Preventative Monitoring Monitoring/ Detective Preventative	Recruitment of an HTA Programme Director Dedicated permanent project manager appointed *Internal audit of key controls* *Progamme plan in place* 	The Director of Data, Technology and Development appointed in October 2019 will act as Programme Director. PM in place an operating effectively Assurance provided by Internal Audit of adequacy of key financial controls Update reported to July Board meeting *New PM appointed, procedures and PMO established. Ongoing focus to embed skills and build wider capability across the business* *Change management training activity is now in progress following the appointment of the HTA Change Manager. Mandatory all staff sessions were undertaken in quarter 3. Further osu planned in Q4* *Plan in place, work ongoing in 2020/21.* *Updating of the Business plan in Q4* *Reset and relaunch event planned in Q4 providing focus to developments over the next 15 months. Review of stakeholder engagement also extends to inviting a wider contribution to future development plans.* *Work progressing Q4* *This was not achieved as part of the recent recrutiment round, but will be a focus for the next round in 2021.*

Audit and Risk Assurance (ARAC) meeting

Date: 28 January 2021

Paper reference: AUD 26/20

Agenda item: 11

Author: Louise Dineley
Director of Data, Technology and Development

OFFICIAL

Development Programme Report

Purpose of paper

1. This paper aims to provide an update on the HTA's Development Programme and the intended deliverables by the end of quarter four 2021/22.

Decision-making to date

2. The priorities in the Development Programme continue to reflect and drive forward core themes of the HTA's Strategy and the vision to support and maintain the delivery of its purpose.

3. The priorities identified seek to build capacity and capability in core areas of the HTA operations. Notable progress has been made in the area of IT with additional capability being developed through targeted investment.

4. A focus in quarter four will be the development of the HTA's use of data and intelligence. This work represents an incremental build of capacity and capability in our systems, processes and people in the short term and as part of a longer-term strategic vision.

Action required

5. The Committee is asked to note the paper, the progress against the priorities and the deliverables by the end of quarter four.

Background

6. For the last three years the HTA Strategy has been committed to strengthening the use of data and developing our technology to support the delivery of effective regulation. Progress in the achievement and realisation of the intended benefits has previously been constrained by the resources available. Over the last nine months, there has been an opportunity to focus on developing and improving how the HTA operates and regulates. These opportunities driven by a strong evidence base have informed and shaped six priority projects. The outputs of these projects aim to build and develop the HTA's capacity and capability as an effective regulator now and in the future.

7. The coronavirus pandemic presented an opportunity to reset our plans and redeploy resources. In quarters one and two activity levels across the business were generally lower than in previous years. This offered the opportunity to focus on progressing developments previously constrained by resources through targeted investment.

Update on the Priority Projects

8. Delivery of the priority projects in quarter three has required a planning reset. This reset has been driven by the need to:

    a. develop a common and more widespread understanding of the vision for the projects and benefits to be realised
    b. more accurately assess resource availability to dedicate to projects
    c. align the Programme deliverables with the wider business plan deliverables in quarter three and four 2020/21.

9. This reset has impacted on the pace of progress across the Programme that had been anticipated during quarter three. Plans to recover the momentum achieved in the first two quarters of 2020/21 have been developed and include a relaunch of the Programme and a delivery plan over the next 15 months (up to 31 March 2022). These developments will be supported by a strengthened engagement plan internally and with external stakeholders.

10. *Strengthening the use of data & intelligence:* Following the commissioning of Transforming Systems in August, progress continued to be made in quarter three in identifying opportunities how the HTA uses data and intelligence in the delivery of effective regulation. This project has continued to explore the development of a Data & Intelligence Strategy and the identification of a core data set based on existing data collection. In addition, we have been testing a proof of concept model that establishes:

    a. how we can make better use of the information that is currently collected, through improved interpretation and reporting, and
    b. our future needs, via insights into the art of what is possible with the right investment in data and intelligence.

    The aim of this development and the improved use of data to identify potential areas of risks to better target the HTA's regulatory response. The proof of concept testing is currently being evaluated to inform the next stage of development in our digital data capacity and capability.

11. *Developing the HTA Operating Model:* The early scoping of the Operating Model has confirmed the core functions and provided a high-level view on proposed changes to past methodologies. The plans for quarters three and four had been to engage stakeholders in potential development opportunities that are being explored. Internal capacity (due to other priorities) has limited the progress made in the proactive engagement of stakeholders on development opportunities. To support and progress this work we have brought in dedicated communications resource to support this work in quarter four. Our aim will be to work with stakeholders to test and explore feedback on:

    a. licensing
    b. greater use of data an intelligence including the exchange of information between the regulators and licensed establishments
    c. a wider regulatory offer

    A critical interdependency to the development of a future Operating Model is the development of data and how this is used as part of an updated regulatory offer, and the assessment of compliance in licensed establishments. A key change from the current regulatory approach will be the use of a range of assessment tools. Site visits will continue to be an option and will be supplemented by ongoing insight assessments and targeted virtual regulatory assessments.

12. *Implementing an Electronic Document Record Management System (EDRMS):* In November 2020, the SMT supported the adoption of Sharepoint online as the system through which the HTA would manage its records. This decision represents a visible commitment to interoperability as a fundamental design principle to the strategic development of the HTA's digital and technological capability. In addition, the proposal represented phase one of a four-phase programme that seeks to develop an overall content management system.

13. In quarter three good progress has been made to prepare the organisation for the adoption of Sharepoint online and the migration of records from the HTA's current system, IMPACT. This preparation has included the "housekeeping" of current documents including "checking in" documents to IMPACT; mapping file structures in readiness for the migration and in identifying behaviours to support and improve the future management and control of records. Throughout these preparations the integrity of the HTA's records has been critical with decisions to discard any documents from the migration process made with the support of checks via the HTA Management Group and the consideration of options to mitigate any risk.

14. The files are ready to be migrated from IMPACT. This migration will be supported by a training programme for staff.

15. *Optimising MS365 functionality:* The adoption of Microsoft 365 at the end of quarter four 2019/20 provided the HTA with a wealth of functionality. The added functionality of Teams as a collaboration and communication tool has been a significant factor in the successful transition to remote working in the last six months. Throughout 2020/21 there has been a soft programme of roll out of the wider functionality available through Microsoft 365. This roll out has been supported by the identification of champions across the business to promote and support the adoption of the functionality on offer. Further guidance and aids have also been shared. The use of Microsoft 365 is a key feature of internal reporting with key analytics reported in the monthly operational report through to personalised daily reports to help individuals make better use of their time and track activities. The embedding of MS 365 will continue throughout quarter 4 with a specific focus on collaboration to support flexible working arrangements during the pandemic.

16. *Horizon Scanning & future regulation*: The insight from horizon scanning has acted as a key source of insight to the development programme design to date and to the early thinking for the HTA Strategy 2021-24. There are several areas currently being explored including:

- Assessment of living donation cases (driver- requirement for Board approval for what are now seen as routine cases)
- Consent provisions for imported material (driver – current area of focus as a result of the MMD Bill)
- Adaptive licensing models (driver – COVID and Transition Period licensing changes)
- Information sharing and partnership and innovative ways of working (driver - better regulation initiatives, burden reduction and busting bureaucracy)

Over the next quarter there are a number of activities planned to progress the above areas. One issue of note is the drafting of the Medicines and Medical Device Bill. The HTA has committed to a review its code of practice on Public Display and the proactive engagement of stakeholders to strengthen awareness and understanding of the standards to be met for public display. This awareness raising will focus on the use of imported material for display. It is not anticipated that this work will be completed in quarter four with the review of the code of practice forming part of a wider review of the codes of practice towards the end of quarter one 2021/22.

17. *Organisational Preparedness*: The emerging developments and details from each of the projects share a common theme of change. The developments identify changes to what we do, how we do it and the potential need for additional skills and expertise in the delivery. Over the last quarter there has been a programme of work led by the Change Manager to develop the internal awareness and understanding of change across the leadership team. This programme has included a number of targeted sessions each sponsored by a member of the SMT covering Leading Change; Levers for Change; Managing resistance and supporting readiness and Communication and Engagement

Next steps

18. Looking ahead to the end of quarter four, each project has a key milestone depicting progress to have been achieved. Table 1 sets out expected deliverables by the end of quarter four 2020/21 with further details on the programme for 2021/22 being reported to the Board meeting in February.

Table 1: Expected deliverables by 31 March 2021

Priority Project	Expected Deliverable by 31 March 2021	Project RAG status
Strengthening the use of data and intelligence	Commissioned development of requirements and options that support the incremental development of the use of data and intelligence in the HTA's approach to regulation.	Current: Amber Forecast 31 March 20: Green
Developing the HTA Operating Model	A defined Target Operating Model informed by stakeholder engagement with identified opportunities for improvement and development. Realisation of model to feed into 2021/22 planning and the refresh of the 2021-24 strategy.	Current: Amber Forecast 31 March 20: Green
Implementing an Electronic Document Record Management System (EDRMS)	Delivery of phase 1 of a comprehensive content management system with all files migrated from IMPACT to Sharepoint online. Document management controls supported by refreshed behaviours through training and development.	Current: Green Forecast 31 March 20: Green
Optimising MS365 functionality	Organic growth and adoption of MS365. Focus and deliverable in Q4 is the increased adoption of collaborative tools and functionality to support and develop flexible working arrangements.	Current: Amber Forecast 31 March 20: Green
Horizon Scanning and future regulation:	Delivery of a Horizon scanning framework and up to date log that will inform and drive changes in our policy development, legislation and in the provision of assurance of an operating architecture that supports public confidence in the safety of regulated activities.	Current: Amber Forecast 31 March 20: Green

Organisational Preparedness	Change readiness to support the HTA delivery activities and operate and respond to the changing environment.	Current: Amber Forecast 31 March 20: Green

Audit and Risk Assurance (ARAC) meeting

Date: 28 January 2021

Paper reference: AUD 27/20

Agenda item: 12

Author: Morounke Akingbola
Head of Governance and Finance

OFFICIAL

Gifts and Hospitality Register

Purpose of paper

1. The purpose of this paper is to present to the Committee, the Gifts and Hospitality Register for review.

Decision making to date

2. None.

Action required

3. The Committee is asked to note the tabled register and that one new entry has been added since its last review.

Background

4. The Gifts and Hospitality Register is a standing item on the ARAC agenda.

Register of Gifts / Hospitality Received and Provided

Version: HTAG0001
Dec-20

DIVISION / DEPARTMENT: HTA
FINANCIAL YEAR(s): 2017/18 - onwards

	Details of the Gift or Hospitality						Provider Details			Recipient Details	
Type	**Brief Description of Item**	**Reason for Gift or Hospitality**	**Date(s) of provision**	**Value of Item(s)**	**Location where Provided**	**Action on Gifts Received**	**Name of Person or Body**	**Contact Name**	**Relationship to Department**	**Name of Person(s) or Body**	**Contact Name**
Receipt	Bottle of Champagne	Leaving gift for Staff member	12/04/2017	£30	HTA Offices	Accepted, staff member allowed to retain as gift was deemed to of a personal nature	BCC	D Atha	IT services supplier	Jamie Munro	
Receipt	Lunch	Lunch paid for by one of our suppliers of legal advice during a meeting	12/06/2017	£15 each	Not disclosed	Hospitality refused	Blake Morgan	Eve Piffaretti	Legal supplier	Victoria Marshment Sarah Bedwell	
Receipt	Dinner and drinks reception	Stakeholder	27/09/2017	Unknown	Not provided	Declined	NHSBT Cardiff	Ian Trenholm	Licensee and stakeholder	Bill Horne	
Receipt	Financial payment £150/£250	Participation in survey	21/11/2017	£150/£250	Not provided	Declined	SIS International Research	Cedric Marin	Cold call	David Thomson	
Receipt	Decorative plaque	As a thankyou for hosting the delegation	27/11/2017	Unknown	HTA Offices	Accepted	Ghuizhou Medical University	Amy Li	Visiting Academics	Amy Thomas	
Receipt	2 1,2kg tins of Quality Street	Christmas gift for staff	05/12/2017	Less than £15	HTA Offices	Accepted, distributed to all staff	BCC	D Atha	IT services supplier	David Thomson	
Receipt	Cinema screening - Star Wars	Registration to an event	13/12/2017	Less than £20	Not disclosed	Declined	Nutanix	Noor Ughratdar	None - sales call	David Thomson	
Receipt	Eye Masks, Biscuits, Cake	Thank you from	13/04/2018	£20	HTA Offices	Accepted	University of Tokyo	Dr Kayo Takashima	Visiting Research Fellow	Suet-Ping Wong, Julie Edgeworth, Adam Morris	Regulation, Comms Directorates
Receipt	Hamper	Non given	12/12/2018	Less than £20	HTA Offices	Accepted, distributed to all staff	BCC	D Atha	IT services supplier	D Thomson	
Receipt	Logo'd USB stick	Non given	21/12/2018	Less than £5	HTA Offices	Accepted, placed in stationery cupboard	Frontier Software	D Patel	Payroll Bureau	M Akingbola	
Receipt	Light refreshment	Provided for attendees at launch event	22/01/2019	Between £2-£3	Celtic Manor Resort	Accepted	Westfield Health British Transplant	Not given	Not given	Bill Horne	Authority Member
Receipt	Lunch	Research/fact finding on flexible working	04/04/2019	£8	Facebook	Accepted	Facebook	Not given	Not given	Bill Horne	Authority Member
Receipt	Lunch	Research/fact finding on flexible working	04/04/2019	£8	Facebook	Accepted	Facebook	Not given	Not given	Allan Marriott Smith	CEO
Receipt	Dinner	The DHSC Care 100: Lessons for the future event	16/07/2019	£25	Pig and Goose	Accepted	Strand Group 38	Matin Stolliday	Not given	Nicolette Harrison	
Receipt	Lunch	Lunch provided on inspection	09/07/2019	Unknown	On site	Accepted	Cytec Limited [L/N 11083]		Licenced establishment	A Whiaker/V Stratigou	
Receipt	Lunch	Lunch provided on inspection	11/07/2019	Unknown	On site	Accepted	Cytec Limited [L/N 22671]		Licenced establishment	A Whiaker/V Stratigou	
Receipt	Lunch	Lunch provided on inspection	31/07/2019	Unknown	On site	Accepted	Oxford DRWF [L/N 22496]		Licenced establishment	A Shackell/R Barallon	
Receipt	Lunch	Lunch provided on inspection	28/08/2019	Unknown	On site	Accepted	B'Ham Women & Childrens NHS FT [L/N 40051]		Licenced establishment	A Whitaker/R Barallon/J Scherr	
Receipt	Lunch	Lunch provided on inspection	05/09/2019	Unknown	On site	Accepted	Future Health Technologies [L/N 22503]		Licenced establishment	A Whiaker/N Harrison/P Bergin	
Receipt	Lunch	Lunch provided on inspection	11/09/2019	approx £30	On site	Accepted	King's College Hospital [11006]		Licenced establishment	A Vossenkaemper/V Stratigou	
Receipt	Lunch	Lunch provided on inspection	25/09/2019	Unknown	On site	Accepted	Anthony Nolan [L/N 22527]		Licenced establishment	H Tang/R Barrallon	
Receipt	Lunch	Working lunch and tea - NHSBT Strategy workshop	26/09/2019	Unknown	On site	Accepted	NHST		Licenced establishment	N Harrison/A Marriott-Smith	
Receipt	Lunch	Lunch provided on inspection	10/10/2019	Unknown	On site	Accepted	Royal Sotke [L/N 22593]		Licenced establishment	A Shackell/H Tang	
Receipt	Reception	EU Organ Donation day	10/10/2019	Unknown	House of Lords	Accepted	NHSBT		Licenced establishment	A Gibbon/A Marriott-Smith	
Receipt	Lunch	Lunch provided whist delivering training SNOD's	14/10/2019	Unknown	On site	Accepted	NHSBT		Licenced establishment	A Whitaker/R Barallon/J Scherr	
Receipt	Lunch	Lunch provided on inspection	16/10/2019	approx £35	On site	Accepted	Tissue & Cells Technologies Ltd [L/N 11020]		Licenced establishment	A Whitaker/A Vossemkeamper	
Receipt	Lunch	Lunch provided on inspection	30/10/2019 31/10/2019	Unknown	On site	Accepted	The London Clinic [11052]		Licenced establishment	L Knight/S Wong/M MacRory	
Receipt	Sweet treats	Christmas	17/12/2019	Unknown	HTA Offices	Accepted	Softcat		IT services supplier	D Thomson	
Receipt	Lunch	Lunch provided on inspection	11/12/2019	Unknown	On site	Accepted	Royal Free [L/N 12406]		Licenced establishment	A Shackell/A Vossenkaemper	
Receipt	Lunch	Lunch provided on inspection	14/01/2020	Unknown	On site	Accepted	Microbiotica L/N [12694]		Licenced establishment	J Merrimen-Jones	
Receipt	Lunch	Lunch provided on inspection	16/01/2020	Unknown	On site	Accepted	Belfast City Hospital		Licenced establishment	A Whittaker/J Edgeworth/R Barallon	
Receipt	Lunch	Lunch provided on inspection	23/01/2020	Unknown	On site	Accepted	Cannock Chase Public Mortuary L/N [12303]		Licenced establishment	H Tate/J Merrimen-Jones/L Carter	
Receipt	Lunch	Lunch provided on inspection	29/01/2020	Unknown	On site	Accepted	Alderhey Hospital [L/N 22595]		Licenced establishment	H Tate/H Vossenkaemper	
Receipt	Tea and Biscuits	Lunch provided on inspection	29/01/2020	Unknown	On site	Not accepted	Alderhey Hospital [L/N 22595]		Licenced establishment	H Tate/H Vossenkaemper	
Receipt	Networking Events	Opportunity to meet	05/02/2020	Unknown	House of Lords	Not accepted	Transforming Systems		Potential supplier	L Dineley	
Receipt	Lunch and taxi	Lunch provided on inspection	05/02/2020	Unknown	On site	Accepted	Replimune Ltd [L/N 12697]		Licenced establishment	C Perrett	
Receipt	Lunch	Lunch provided on inspection	25/02/2020	Unknown	On site	Accepted	Leeds General Infirmary [L/N 12231]		Licenced establishment	L Carter/M Lancaster/R Mogg (day 2 only)	
Receipt	Lunch	Lunch provided on inspection	11/02/2020	Unknown	On site	Accepted	Wessex BMTU [L/N 22526]		Licenced establishment	L Knight/A Vossenkaemper/J Edgeworth	
Receipt	Lunch	Lunch provided on inspection	25/02/2020	Unknown	On site	Accepted	Tissue Regenix [L/N 22670]		Licenced establishment	V Stratigou/H Tate	
Receipt	Lunch (days 1&2)	Lunch provided on inspection	09/03/2020	Unknown	On site	Accepted	London Bridge Hospital [L/N 11069}		Licenced establishment	H Tang/A Shackell	
Receipt	Biscuits	Christmas	21/12/2020	approx £50	N/a	Accepted	UCB Biosicences GMBH		Licenced establishment is part of the group of companies	Stuart Dollow	

Audit and Risk Assurance (ARAC) meeting

Date: 28 January 2021

Paper reference: AUD 28/20

Agenda item: 13

Author: Morounke Akingbola
Head of Governance and Finance

OFFICIAL

Anti-Fraud, Bribery and Corruption Policy

Purpose of paper

1. The purpose of this paper is to present to the Committee the latest Anti-Fraud, Bribery and Corruption Policy

Decision making to date

2. This Policy was reviewed and approved by SMT on the 26 November 2020.

Action required

3. The Committee is asked to review, comment on and approve the policy.

Background

4. This policy has been presented annually previously, as part of the ARAC's review of HTA policies. It is proposed that it is tabled bi-annually going forward.

HTA Policy

Protective Marking: OFFICIAL

Anti-Fraud, Bribery and Corruption Policy

Purpose

1. This document sets out the HTA's policy on fraud, bribery and corruption and the response plan should fraud be detected or suspected.

2. The anti-fraud policy aims to develop a culture across the HTA which raises awareness of the risks and consequences of fraud. This policy aims to help mitigate the risks of fraud and ineffective action.

3. It aims to promote good practice within the HTA through the following:

    a. zero tolerance to fraud;
    b. a culture in which bribery is never accepted;
    c. any allegations of fraud, anonymous or otherwise, will be investigated;
    d. consistent handling of cases without regard to position held or length of service;
    e. consideration of whether there have been failures of supervision. Where this has occurred, disciplinary action may be initiated against those responsible;
    f. any losses resulting from fraud will be recovered, if necessary, through civil actions;
    g. publication of the anti-fraud policy on the HTA intranet site (WAVE);
    h. all frauds will be reported to the Audit and Risk Assurance Committee and the DHSC Anti-Fraud Unit.

Introduction

4. The Human Tissue Authority (HTA) requires all staff at all times to act honestly and with integrity and to safeguard the public resources for which the HTA is responsible. The HTA is committed to ensuring that opportunities for fraud and corruption are reduced to the lowest reasonable level of risk. This paper sets out the policy on the control of fraud and suspected fraud within the HTA.

Scope

5. This policy applies to all the HTA's activities, wherever they are undertaken, to all individuals who work for and on behalf of the HTA, including contract staff, volunteers and freelancers and to individuals in a commercial relationship with the HTA e.g. the employees of suppliers. Awareness of the policy is made through the induction process.

6. This policy also sets out the responsibilities with regard to fraud prevention, what to do if you suspect fraud and the action that will be taken by management.

7. The aim of the policy is to minimise the risk of any fraud being perpetrated against the HTA, thereby depriving the HTA of assets and resources and potentially damaging the HTA's reputation.

8. Any person who becomes aware of any fraud, bribery, money laundering or other illegal act and does not follow this policy could be subject to disciplinary action.

Definitions

What is Fraud?

9. The term is used to describe such acts as deception, bribery, forgery, extortion, corruption, theft, conspiracy, embezzlement, misappropriation, false representation, concealment of material facts and collusion.

10. For practical purposes fraud may be defined as the use of deception with the intention of obtaining an advantage, avoiding an obligation or causing loss to another party. Obviously, fraud can be perpetrated by persons outside as well as inside an organisation. The criminal act is the attempt to deceive and attempted fraud is therefore treated as seriously as accomplished fraud.

11. The Fraud Act 2006 (came into force on 15 January 2017) replaced parts of the Theft Acts of 1968 and 1978 which until then covered the offences of fraud. The 2006 Act introduced provisions for the general offence of fraud which broadened the interpretation of fraud. This is covered under 3 sections:-

    a. Section 2 – Fraud by false representation
    b. Section 3 – Fraud by failing to disclose information
    c. Section 4 – Fraud by abuse of position

12. False representation includes dishonestly making a false representation and intending - by making the representation – to make a gain for oneself or another, or cause loss to another or to expose another to a risk of loss. A representation is false if it is untrue or misleading, and the person making it knows that it is, or might be, untrue or misleading.

13. A person is considered to have committed a fraud through abuse of position if he or she:

a. occupies a position in which he/she is expected to safeguard, or not to act against, the financial interests of another person;
b. dishonestly abuses that position; and
c. Intends, by means of the abuse of that position to make a gain for himself or another, or to cause loss to another or to expose another to a risk of loss.

14. The Fraud Act 2006 also created new offences of:

    a. processing, making and supporting articles for use in fraud;
    b. fraudulent trading;
    c. obtaining services dishonestly.

15. The definition of fraud can cover a wide variety of misdemeanours and criminal culpability is not necessary for an act to be fraudulent, as the offence can be civil in nature.

16. Frauds can be attempted or carried out in a number of ways, including:

    a. the theft of cash, cheques, equipment;
    b. the falsification of travel and subsistence or other expense claims;
    c. false claims for overtime (or flexible working);
    d. irregularities in the tendering for, and execution and pricing of, supplies to the HTA by contractors of: property, goods, services, works and consultancy;
    e. corruption, including the receipt of payment or other material advantage as an inducement to the award of contracts by the HTA.

17. Computer fraud is where information technology equipment has been used to manipulate programmes or data dishonestly (e.g. by altering, substituting or destroying records or creating spurious records), or where the use of an IT system was a material factor in the perpetration of fraud. Theft or fraudulent use of computer time and resources is included in this definition.

What is Bribery?

18. A bribe is an inducement or reward offered, promised or provided in order to gain any commercial, contractual, regulatory or personal advantage. The advantage sought or the inducement offered does not have to be financial or remunerative in nature and may take the form of improper performance of an activity or function.

19. The Bribery Act 2010 (came into force in July 2011) includes the offences of:

    a. Section 1 – bribing another person;
    b. Section 2 – offences relating to being bribed;
    c. Section 6 – Bribing a foreign or public official; and
    d. Section 7 – Failure of commercial organisations to prevent bribery.

20. Further guidance is at http://www.justice.gov.uk/downloads/legislation/bribery-act-2010-guidance.pdf

Money Laundering

21. Money laundering is a process by which the proceeds of crime are converted into assets which appear to have a legitimate origin, so that they can be retained permanently or recycled into further criminal enterprises.

22. Offences covered by the Proceeds of Crime Act 2002 and the Money Laundering Regulations 2017 may be considered and investigated in accordance with this Policy.

23. The HTA could become indirectly involved in this act where the proceeds of any crime, e.g. fraud, are converted by making a payment to the HTA and then seeking immediate repayment.

What is Corruption?

24. Corruption is defined as “The offering, giving, soliciting or acceptance of an inducement or reward which may influence the action of any person”. In addition, “the failure to disclose an interest in order to gain financial or other pecuniary gain”.

Legal Basis

25. The HTA’s responsibilities in relation to fraud are set out in Annex 4.9 of Managing Public Money https://www.gov.uk/government/publications/managing-public-money.

Statement of Principles

26. The HTA will not accept any level of fraud or corruption; consequently, any case will be promptly and thoroughly investigated and dealt with appropriately. Any member of staff found to be involved in theft, fraudulent action or conspiracy to defraud can expect to be dealt with in accordance with the agreed disciplinary procedures. Staff should draw attention to circumstances when they believe that there is improper behaviour by other HTA staff or external contacts of the HTA in accordance with the Whistleblowing Procedure. All matters will be dealt with in confidence and in strict accordance with the terms of the Public Interest Disclosure Act 1998, which protects the legitimate personal interests of staff.

Responsibilities

Chief Executive (CEO) (Accounting Officer)

27. The CEO as Accounting Officer is responsible for establishing and maintaining a sound system of internal control that supports the achievement of the HTA’s policies, aims and objectives. The system of internal control is designed to

respond to and manage the whole range of risks that the HTA faces. The system of internal control is based on an on-going process designed to identify the principal risks, to evaluate the nature and extent of those risks and to manage them effectively. Managing fraud risk is seen in the context of the management of this wider range of risks.

Director of Resources

28. Overall responsibility for managing the risk of fraud has been delegated to the Director of Resources. Their responsibilities include:

    a. Undertaking at least an annual review of the fraud risks associated with each of the key organisational objectives.
    b. Establishing an effective anti-fraud policy and fraud response plan, commensurate to the level of fraud risk identified.
    c. Assisting in the design of an effective control environment to prevent fraud.
    d. Establishing appropriate mechanisms for:
        i. Reporting fraud risk issues ;
        ii. reporting significant incidents of fraud or attempted fraud to the CEO;
        iii. Reporting to DHSC and Cabinet Office in accordance with Managing Public Money Annex 4.9;
        iv. Co-ordinating assurances about the effectiveness of the Anti-Fraud Policy to support the Annual Governance Statement;
        v. Liaising with the Finance Team and the Audit and Risk Assurance Committee;
        vi. Making sure that all staff are aware of the organisation's Anti-Fraud, Corruption and Bribery Policy and know what their responsibilities are in relation to combating fraud;
        vii. Ensuring that appropriate anti-fraud training is made available to staff as required;
        viii. Ensuring that appropriate action is taken to minimise the risk of previous frauds occurring in future.

    e. Ensuring that vigorous and prompt investigations are carried out if fraud occurs or is suspected; Taking appropriate legal and or/disciplinary action (in conjunction with HR) against perpetrators of fraud.
    f. In conjunction with HR, taking appropriate disciplinary action against supervisors where supervisory failures have contributed to the commission of fraud.
    g. In conjunction with HR, taking appropriate disciplinary action against staff who knowingly fail to report fraud.
    h. Taking appropriate action to recover assets.

Line Managers

29. The prevention and detection of fraud lies primarily with Line Managers as they are responsible for many of the processes and controls operated by the HTA. In particular they are responsible for:

    a. Ensuring that an adequate system of internal control exists within their areas of responsibility and that controls operate effectively.
    b. Preventing and detecting fraud as far as possible.
    c. Assessing the types of risk involved in the operations for which they are responsible.
    d. Reviewing regularly and testing the control systems for which they are responsible.
    e. Ensuring that controls are being complied with and their systems continue to operate effectively, (this is key as most frauds occur because controls have not been enforced).
    f. Implementing new controls to reduce the risk of similar fraud occurring where frauds have taken place.

Internal and External Audit

30. The prevention and detection of fraud within the HTA is a management and staff responsibility. However, Internal Audit can assist by:

    a. Delivering an opinion to the CEO and the Board on the adequacy of arrangements for managing the risk of fraud and advising the HTA on how to promote an anti-fraud culture.
    b. Assisting in the deterrence and prevention of fraud by examining and evaluating the effectiveness of control commensurate with the extent of the potential exposure/risk in the various areas of the HTA's operations.
    c. Ensuring that management has reviewed its risk exposures and identified the possibility of fraud as a business risk.

The DHSC Anti-Fraud Unit

31. The services of the DHSC Anti-Fraud Unit are available to the HTA on request. The unit provides advice, training about fraud prevention and investigation services. The Director of Resources or the Chief Executive will make the decision whether to call on this unit.

Staff

32. Every member of staff is responsible for:

    a. Acting with propriety in the use of HTA's resources and the handling and use of HTA funds whether they are involved with cash, receipts, payments, stock or dealing with contractors and suppliers.
    b. Conducting themselves in accordance with the seven principles of public life set out in the first report of the Nolan Committee "Standards

in Public Life". They are: selflessness, integrity, objectivity, accountability, openness, honesty and leadership.

c. Being alert to the possibility that unusual events or transactions could be indicators of fraud.
d. Alerting their line manager when they believe the opportunity for fraud exists e.g. because of poor procedures or lack of effective oversight.
e. Reporting immediately, in accordance with the Fraud Response Plan (Appendix 1) and Whistleblowing policy, if they suspect that a fraud has been committed or see any suspicious acts or events.
f. Cooperating fully with whoever is conducting internal checks or reviews or fraud investigations.

Information Management and Technology

33. The Computer Misuse Act 1990 makes activities illegal, such as hacking into other people's systems, misusing software, or helping a person to gain access to protected files of someone else's computer a criminal offence.

34. The Head of IT will contact the Counter Fraud Lead in all cases where there is suspicion that IT is being used for offences under the Act or fraudulent purposes. Human Resources will also need to be informed if there is a suspicion that an employee is involved.

Procedures

35. The HTA has a Fraud Response Plan (Appendix 1) that sets out how to report suspicions and how investigations will be conducted and concluded.

Breach of the Policy

36. The HTA views fraud **EXTREMELY SERIOUSLY**. After proper investigation, the HTA will take legal and/or disciplinary action in all cases where it is considered appropriate. Where a case is referred to the police, the HTA will co-operate fully with police enquiries and these may result in the offender(s) being prosecuted. In all cases the HTA will seek to recover assets where it can.

37. The consequences of breaching the Anti-Fraud Policy are set out in more detail in the Fraud Response Plan (Appendix 1).

Deterrence

38. There are a number of ways in which we deter potential fraudsters from committing or attempting fraudulent or corrupt acts, whether they are inside or outside of the HTA, and these include:

    a. Publicising the fact that the Board is firmly set against fraud and corruption at every appropriate opportunity.
    b. Acting robustly and decisively when fraud and corruption is suspected.
    c. Prosecution of offenders.

d. Taking action to effect maximum recovery for the HTA.
e. Having sound internal control systems, that still allow for innovation and efficiency, but at the same time minimising the opportunity for fraud and corruption.

Sanction and Redress

39. This section outlines the sanctions that can be applied and the redress that can be sought against individuals who commit fraud, bribery and corruption against the Authority and should be read in conjunction with the HTA's Disciplinary Policy. Where staff are believed to be involved in any fraud, the Director of Resources will be informed and follow the HR Protocol.

40. The types of sanction which the HTA may apply when an offence has occurred are as follows:

    a. Civil – Civil sanctions can be taken against those who commit fraud, bribery or corruption, to recover money and/or assets which have been fraudulently obtained
    b. Criminal – The Local Counter Fraud Specialist will work in partnership with the NHS Counter Fraud Authority, the police and the Crown Prosecution Service, to bring a case to court against an offender. Outcomes, if found guilty, can include fines, a community order or imprisonment and a criminal record.
    c. Disciplinary – Disciplinary procedures will be initiated when an employee is suspected of being involved in fraudulent or illegal activity. Further information can be found in the HTA's Disciplinary Policy and Procedure.
    d. Professional body disciplinary – An employee may be reported to their professional body as a result of an investigation or prosecution.

Recovery of monies lost through fraud

41. One of the key aims of the HTA's Counter Fraud Strategy is to protect public funds, thus where there is evidence that fraud has occurred, it will seek to recover this. This will limit the financial impact, help to deter others from committing fraud and minimise any reputational damage to the HTA.

42. Recovery can take place in a number of ways:

    a. Through the Criminal Court by means of a Compensation Order;
    b. Through the Civil Courts or a local agreement between the HTA and the offender to repay monies lost;
    c. In cases of serious fraud, the DHSC Anti-Fraud Unit can apply to the courts to make an order concerning the restraint and confiscation of the proceeds of criminal activity. The purpose is to prevent the disposal of assets, e.g. abroad which may be beyond the reach of the UK criminal system; or
    d. For employees in the NHS Pension scheme, any benefits or other amounts payable can be reduced. NHS Pensions guidance specifically states: *Where there is a loss to public funds as a result of*

a Scheme members' criminal, negligent or fraudulent act or omission, their NHS pension benefits may be reduced to recover the loss.

Training Requirements

43. Training will be provided, as appropriate, to new members of staff as part of the induction process. The existence and scope of this Policy will be brought to the attention of all staff through staff newsletters and any other method considered relevant, i.e. dedicated workshops/on-line/training events, or individual discussions.
44. Specific training will also be provided for managers to ensure they have the knowledge, skills and awareness necessary to operate this policy and procedure efficiently and effectively and to communicate it to staff.

Monitoring and Compliance

45. The HTA will monitor policy effectiveness, which is essential to ensure that controls are appropriate and robust enough to prevent or reduce fraud, bribery and corruption. Arrangements will include reviewing system controls on an on-going basis and identifying any weaknesses in processes.
46. Where deficiencies are identified as a result of monitoring, appropriate recommendations and action plans will be implemented and taken into consideration when this policy is reviewed.

Review

47. The Anti-Fraud, Corruption and Bribery Policy will be reviewed every two years and after any occasion of fraud has been identified.

Appendices

1. Fraud Response Plan

2. Helpful dos and don'ts

Related documents

- Counter Fraud Strategy
- Whistleblowing policy
- Bribery Act 2010
- Finance Procedures Manual
- Procurement and Tender Policy

APPENDIX 1

Fraud response plan

Introduction

48. The fraud response plan provides a checklist of actions and a guide to follow in the event that fraud is suspected. Its purpose is to define authority levels, responsibilities for action and reporting lines in the event of suspected fraud, theft or other irregularity. It covers:

    a. notifying suspected fraud;
    b. the investigation process;
    c. liaison with police and external audit;
    d. initiation of recovery action;
    e. reporting process;
    f. communication with the Audit and Risk Assurance Committee.

Notifying suspected fraud

49. It is important that all staff are able to report their concerns without fear of reprisal or victimisation and are aware of the means to do so. The Public Interest Disclosure Act 1998 (the "Whistleblowers Act") provides appropriate protection for those who voice genuine and legitimate concerns through the proper channels. More details are set out in Appendix 3.

50. In the first instance, any suspicion of fraud, theft or other irregularity should be reported, as a matter of urgency, to your line manager. If such action would be inappropriate, your concerns should be reported upwards to one of the following:

    a. your Head;
    b. your Director;
    c. Chief Executive;
    d. Audit and Risk Assurance Committee Chair;

51. Additionally, all concerns must be reported to the Director of Resources.

52. Every effort will be made to protect an informant's anonymity if requested. However, the HTA will always encourage individuals to be identified to add more validity to the accusations and allow further investigations to be more effective. In certain circumstances, anonymity cannot be maintained. This will be advised to the informant prior to release of information.

53. If fraud is suspected of the Chief Executive or Director of Resources, notification must be made to the Audit and Risk Assurance Committee Chair who will use suitable discretion and coordinate all activities in accordance with this response plan, appointing an investigator to act on their behalf. The Chair of Audit and Risk Committee will also inform the Chair of the Board.

54. If fraud by a Board Member is suspected, it should be reported to the Chief Executive and the Director of Resources who must report it to the Chair to investigate. If fraud by the Chair is suspected, it should be reported to the Chief Executive and Director of Resources who must report it to the Chair of the Audit and Risk Assurance Committee to investigate.

The investigation process

55. Suspected fraud must be investigated in an independent, open-minded and professional manner with the aim of protecting the interests of both the HTA and the suspected individual(s). Innocence is assumed until guilt is proven.

56. The investigation process will vary according to the circumstances of each case and will be determined by the Chief Executive in consultation with the Director of Resources. The process is likely to involve the DHSC Anti-Fraud Unit, who have expertise and resources to undertake investigations. An "Investigating Officer" will be appointed to take charge of the investigation on a day-to-day basis.

57. The Investigating Officer will appoint an investigating team. This may, if appropriate, comprise staff from within the Resources Directorate but may be supplemented by others from within the HTA or from outside.

58. Where initial investigations reveal that there are reasonable grounds for suspicion, and to facilitate the ongoing investigation, it may be appropriate to suspend an employee against whom an accusation has been made. This decision will be taken by the Chief Executive in consultation with the Director of Resources, the Head of HR and the Investigating Officer who will consider alternatives before final decision. Suspension should not be regarded as disciplinary action nor should it imply guilt. The process will follow the guidelines set out in HTA Disciplinary policy relating to such action.

59. It is important, from the outset, to ensure that evidence is not contaminated, lost or destroyed. The investigating team will therefore take immediate steps to secure physical assets, including computers and any records thereon, and all other potentially evidential documents. They will also ensure, in consultation with the Director of Resources, that appropriate controls are introduced in prevent further loss.

60. The Investigating Officer will ensure that a detailed record of the investigation is maintained. This should include chronological files recording details of all telephone conversations, discussions, meetings and interviews (with whom, who else was present and who said what), details of documents reviewed, tests and analyses undertaken, the results and their significance. Everything should be recorded, irrespective of the apparent insignificance at the time.

61. All interviews will be concluded in a fair and proper manner and as rapidly as possible.

62. The findings of the investigation will be reported to the Chief Executive and Director of Resources. Having considered, with the Head of HR, the evidence

obtained by the Investigating officer, the Chief Executive and Director of Resources will determine what further action (if any) should be taken.

Liaison with police & external audit

63. Some frauds will lend themselves to automatic reporting to the police (such as theft by a third party). For other frauds the Chief Executive, following consultation with the Director of Resources and the Investigating Officer will decide if and when to contact the police.

64. The Director of Resources will report suspected frauds to the police and external auditors at an appropriate time.

65. All staff will co-operate fully with any police or external audit enquiries, which may have to take precedence over any internal investigation or disciplinary process. However, wherever possible, teams will co-ordinate their enquiries to maximize the effective and efficient use of resources and information.

Reporting process

66. Throughout any investigation, the Investigating Officer will keep the Chief Executive and the Director of Resources informed of progress and any developments. These reports may be oral or in writing. All Personal data processed by the implementation of this document will be done so in accordance with HTA-POL-108 HTA HR Privacy Policy.

67. On completion of the investigation, the Investigating Officer will prepare a full written report to the Chief Executive and Director of Resources setting out:

    a. background as to how the investigation arose;
    b. what action was taken in response to the allegations;
    c. the conduct of the investigation;
    d. the facts that came to light and the evidence in support;
    e. recommended action to take against any party where the allegations were proved (see policy on disciplinary action where staff are involved);
    f. recommended action to take to recover any losses;
    g. recommendations and / or action taken by management to reduce further exposure and to minimise any recurrence.

68. In order to provide a deterrent to other staff a brief and anonymous summary of the circumstances will be communicated to staff.

Communication with the Audit and Risk Assurance Committee

69. Irrespective of the amount involved, all cases of attempted, suspected or proven fraud must be reported to the Audit and Risk Assurance Committee by the Chief Executive or Director of Resources.

70. The Audit and Risk Assurance Committee will notify the Board.

71. In addition, the Department of Health and Social Care requires returns of all losses arising from fraud together with details of:

    a. all cases of fraud perpetrated within the HTA by members of its own staff, including cases where staff acted in collusion with outside parties;
    b. all computer frauds against the HTA, whether perpetrated by staff or outside parties;
    c. all cases of suspected or proven fraud by contractors arising in connection with contracts placed by the HTA for the supply of goods and services.

72. The Director of Resources is responsible for preparation and submission of fraud reports to the Audit and Risk Assurance Committee and the Department.

APPENDIX 2

Helpful dos and don’ts

DO	DON'T
Make a note of your concerns	**Be afraid of raising your concerns**
• Record all relevant details, such as the nature of your concern, the names of parties you believe to be involved, details of any telephone or other conversations with names dates and times and any witnesses. • Notes do not need to be overly formal, but should be timed, signed and dated. • Timeliness is most important. The longer you delay writing up, the greater the chances of recollections becoming distorted and the case being weakened	• The Public Interest Disclosure Act provides protection for employees who raise reasonably held concerns through the appropriate channels – whistleblowing. • You will not suffer discrimination or victimisation as a result of following these procedures and the matter will be treated sensitively. • Do not try to investigate the matter yourself, gather evidence or raise any issues with the person who is suspected of fraud.
Retain any evidence you may have	**Convey your concerns to anyone other than authorised persons**
• The quality of evidence is crucial and the more direct and tangible the evidence, the better the chances of an effective investigation.	• There may be a perfectly reasonable explanation for the events that give rise to your suspicion. Spreading unsubstantiated concerns may harm innocent persons.
Report your suspicions promptly	**Approach the person you suspect or try to investigate the matter yourself**
• In the first instance, report your suspicions to your line manager. If this action would be inappropriate, further guidance on disclosure can be found in the Fraud Response Plan and the Whistleblowing guidance. • Additionally, all concerns must be reported to the Director of Resources.	• There are special rules relating to the gathering of evidence for use in criminal cases. Any attempt to gather evidence by persons who are unfamiliar with these rules may destroy the case.

Revision history

Reference: 15.7

Author(s): Morounke Akingbola

Reviewed by: Head of Finance

Approved by: SMT/Audit, Risk and Assurance Committee

Owner: Director of Resources
Distribution: All Staff

- Jan 2016/15.0 Reviewed by Head of Finance
- Jan 2016/15.1 Reviewed by Head of Finance
- Jan 2017/15.2 Reviewed by Head of Finance
- Jan 2018/15.2 Reviewed by Head of Finance
- Jan 2019/15.3 Reviewed by Head of Finance
- Feb 2019/15.4 Reviewed by Head of Finance
- Mar 2019/15.5 GDPR passage referring to the HTA's HR Privacy Policy inserted under Data Protection
- Dec 2019/15.6 Reviewed by Head of Finance
- Nov 202015.7 Reviewed by Head of Finance – minor amendments

Audit and Risk Assurance (ARAC) meeting

Date: 28 January 2021

Paper reference: AUD 29/20

Agenda item: 14

Author: Morounke Akingbola
Head of Governance and Finance

OFFICIAL

Whistleblowing Policy and Procedure

Purpose of paper

1. The purpose of this paper is to provide the Committee with the annual update of the Whistleblowing Policy and Procedure for its review and comments.

Decision making to date

2. The Policy was reviewed and approved by SMT on the 26 November 2020

Action required

3. The Committee is asked to review, comment on and approve the Policy.

HTA Policy

Protective Marking: OFFICIAL

Whistleblowing Policy and Procedure

Purpose

1. The Public Interest Disclosure Act 1998 (PIDA) protects employees against detrimental treatment or dismissal as a result of any disclosure by them of normally confidential information in the interests of the public. The HTA's whistleblowing policy and procedure explains how concerns should be raised by staff and is in line with the Act.

2. This policy aims to mitigate the risk of inappropriate treatment of whistleblowers.

3. In accordance with PIDA, this policy sets out a clear and fair procedure:

    a. That staff may use if they wish to make disclosures about the HTA that they feel are in the public interest; and
    b. which the HTA will use to investigate such disclosures.

4. This policy applies to all employees, permanent, fixed-term and any temporary/agency staff.

5. The policy does not form part of any employee's contract of employment. It may be revised or withdrawn at the HTA's absolute discretion and at any time.

6. Concerns that are raised about issues at other establishments should be handled under the relevant policy or SOP.

Introduction

7. The HTA is committed to high ethical standards and fosters an open culture.

8. Whistleblowing is when an individual reports suspected wrongdoing at work. This is also known as 'making a disclosure in the public interest'. Simply, it is raising concerns, usually acting from a feeling of fairness or ethics, rather than out of personal interest.

9. Whistleblowing is different to making a complaint or raising a grievance. Usually these actions are taken when the individual is personally affected. The HTA has separate procedures for these.

10. Whistleblowing is important to safeguard the effective delivery of public services, and to ensure value for money. It serves to protect and reassure individuals, and to maintain a healthy working culture and an efficient organisation.

11. The sections below provide guidance to staff on the procedures to follow if they have concerns about improper behaviour that might indicate fraud or have serious implications for the HTA.

Data Protection

12. Personal data processed by the implementation of this document will be done so in accordance with HTA-POL-108 HTA HR Privacy Policy.

Raising concerns

13. A member of staff who has concerns should initially raise the matter with his or her line manager or Director. A concern should always be raised as soon as the whistleblower becomes aware of it and they should gather no further information at this point.

14. Types of improper behaviours include actions that:

    a. are illegal;
    b. are in breach of a professional code or are otherwise unethical;
    c. make improper use of HTA funds;
    d. make improper use of HTA assets or sensitive data;
    e. involve maladministration;
    f. cause harm to another member of staff, HTA users or the general public;
    g. undermine the HTA's functions or reputation;
    h. attempt to cover up such malpractice.

15. If a member of staff feels unable to raise the matter through their line manager they may do so through HR or their Director. If the Director is implicated the concerns should be raised with the CEO. This also applies if the member of staff is dissatisfied with the line manager's response to his or her concerns. The member of staff may seek the support of their trade union and choose to be accompanied by a trade union representative or work colleague at any stage of the procedure. Advice is also available from the charity Public Concern at Work.

16. When a member of staff continues to feel that there has not been a satisfactory response by HTA management or that there are compelling reasons that the matter cannot be raised with HTA management, he or she may contact one of the following people detailed at Annex A

a. If staff feel that they cannot raise the matter with anyone associated with the HTA, then they may contact the sponsorship team at the **Department of Health and Social Care** (also at Annex A).

b. HTA staff may also use the **Whistleblowing Helpline**, which offers free, confidential and anonymous advice to the health sector: http://wbhelpline.org.uk/ or People Concerns at Work whistle@protect-advice.org.uk formerly known as Public Concern at Work.

17. The National Audit Office (NAO) are a prescribed person to whom disclosures can be made in cases of concerns about the proper conduct of public business, value for money, fraud and corruption in relation to the provision of centrally-funded public services. Their whistleblowing helpline is 020 7798 7999. Further advice is on the NAO website at www.nao.org.uk/about_us/contact_us/whistleblowing__concerns.aspx.

18. Staff should not raise their concerns publicly unless in consideration of all the circumstances it is reasonable to do so (such as they receive an inadequate response through the proper channels). To do so may breach other legislation and leave an employee unprotected by PIDA.

Protected disclosures

19. Certain conditions must be met for a whistleblower to qualify for protection under the Public Interest Disclosure Act 1998 (PIDA), depending on to whom the disclosure is being made and whether it is being made internally or externally.

20. Workers are encouraged to raise their concerns with the employer (an internal disclosure) with a view that the employer will then have an opportunity to address the issues raised. If a worker makes a qualifying disclosure internally to an employer (or another reasonable person) they will be protected.

21. No worker should submit another worker to a detriment on the grounds of them having made a protected disclosure.

22. Any colleague or manager (provided that they and the whistleblower have the legal status of employee / worker) can personally be liable for subjecting the whistleblower to detriment for having made a protected disclosure.

23. If a disclosure is made externally, there are certain conditions which must be met before a disclosure will be protected. One of these conditions must be met if a worker is considering making an external disclosure (this does not apply to disclosures made to legal advisors).

24. If the disclosure is made to a prescribed person, the worker must reasonably believe that the concern being raised I one which is relevant to the prescribed person.

25. A worker can also be protected if they reasonably believe that the disclosure is substantially true, the disclosure is not made for personal gain i.e. is in the public interest, it is reasonable to make the disclosure and one of the following conditions apply:

    a. At the time the disclosure is made, the worker reasonably believes that s/he will be subjected to a detriment by their employer if the disclosure is made to the employer; or
    b. The worker reasonably believes that it is likely that evidence relating to the failure/wrongdoing will be concealed or destroyed if the disclosure is made to the employer; or
    c. The worker has previously made a disclosure to his/her employer.

26. Additional conditions apply to other wider disclosures to the police, an MP or the media. These disclosures can be protected if the worker reasonably believes that the disclosure is substantially true, the disclosure is of an exceptionally serious nature, and it is reasonable to make the disclosure.

Prescribed persons/organisations

27. Special provision is made for disclosures to organisations prescribed under PIDA. Such disclosures will be protected where the whistleblower meets the tests for internal disclosures and additionally, honestly and reasonable believes that the information and any allegation contained in it are substantially true. Contact details can be found here.

28. The HTA is not a prescribed organisation under PIDA and as such can only take limited action in relation to whistleblowing concerns in respect of other external organisations.

Action on concerns

29. It is fundamentally important to the success of the “whistleblowing” arrangements that staff can have confidence that their concerns will be taken seriously and that their position at the HTA will not be prejudiced unfairly by their raising issues of improper conduct. Whistle blowers who have acted in good faith have guaranteed protection under the provisions of PIDA.

30. All staff are protected from victimisation, harassment or disciplinary action as a result of any disclosure, where the disclosure is made in good faith and is not made maliciously or for personal gain.

31. There will be no adverse repercussions for an employee or other individual who raises a genuine concern in good faith, whether or not such a concern is subsequently found to be justified. If any harassment, bullying or victimisation of such a whistleblower arises, this will be regarded as a disciplinary matter.

32. Whistle blowers may wish their identity and or the information they provide to be treated confidentially. In some cases, this may be possible, although the

nature of the matter may be such that the investigation cannot be made or will be restricted if this is the case. If concerns are raised anonymously, they will still be investigated, but this may restrict or prevent proper action.

33. As soon as a manager is made aware of a concern and he or she has checked that it is a matter where the interest of others or the organisation may be at risk, it must be reported upwards to the appropriate Head and the Director, as long as the Head and the Director is not the subject of the allegation. If so, the contacts in paragraph 15 should be used. The allegation must be reported upwards even if the matter is satisfactorily resolved by the manager who received the complaint. If necessary, the Head and Director will confirm the action to be taken and the likely timescales.

34. The member of staff who raised the issue must be given a report in writing of the outcome of the investigation. This report should be sufficiently detailed such that the member of staff has confidence that the investigation and any consequential actions were appropriate. If the investigations are lengthy, an interim oral report should be given to the member of staff to reassure him or her that appropriate action is being taken and appropriately documented that this has occurred.

35. Consideration should be given to referring an allegation to internal audit, either to conduct the investigation or to endorse the outcome. This should be discussed with the Director responsible for that area and the Director of Resources who is the HTA's principle point of contact with the internal auditors.

36. Raising a false allegation maliciously may lead to disciplinary action under the HTA's Disciplinary Procedure.

37. The nature of any whistleblowing allegation and the results of any investigation should be reported to the Audit and Risk Assurance Committee in order for the Committee to consider the impact on the HTA.

Review

38. This policy will be reviewed by the Audit, Risk and Assurance Committee annually.

ANNEX A

a) **Chief Executive**
Allan Marriott-Smith
020 7269 1901
allan.marriott-smith@hta.gov.uk

b) **Authority Chair**
Lynne Berry
00207 269 1970
Lynne.Berry@hta.gov.uk

c) **Audit and Risk Assurance Committee Chair (Board Champion)**
Professor Gary Crowe
TBC
gary.crowe@hta.gov.uk

d) **Staff Champion**
Clare Wend-Hansen
0207 269 1953
Clare.wend-hansen@hta.gov.uk

Department of Health and Social Care

e) Jacky Cooper (DHSC Sponsor Unit)
0113 254 5446 / jacky.cooper@dhsc.gov.uk

People Concerns at Work

f) https://www.pcaw.org.uk/advice-line/

Revision history

Reference: HTA-POL-17

Author(s): Morounke Akingbola

Reviewed by: **Head of Finance**

Approved by: SMT

Owner: Director of Resources
Distribution: All Staff

Protective Marking: OFFICIAL

- Jan 2015/15.0: Reviewed by Head of Finance
- Jan 2016/15.1 Reviewed by Head of Finance
- Nov 2017/15.2 Reviewed by Head of Finance
- Jan 2018/15.3 Updated by Head of Finance
- Jan 2019/15.4 Reviewed by Head of Finance
- Mar 2019/15.5 GDPR passage added referring to HTA's HR Privacy policy – inserted under Data Protection
- Nov 2020/15.6 Reviewed by Head of Finance

Audit and Risk Assurance (ARAC) meeting

Date: 28 January 2021

Paper reference: AUD 30/20

Agenda item: 15

Author: Morounke Akingbola
Head of Governance and Finance

OFFICIAL

ARAC Handbook

Purpose of paper

1. The purpose of this paper is to present to the Audit, Risk and Assurance Committee its Handbook.

Decision making to date

2. None.

Action required

3. The Committee is asked to review and provide comments on changes or updates made to the Handbook.

Background

4. The ARAC Handbook details the business of the Committee and is to be used as part of the induction of new Members.

5. Since the last review, the following changes have been made;

    a. Terms of Reference (ToR) has been removed from the scope of the Handbook, to ensure that any updates are made to a single version. A hyperlink to the ToR has been added.

    b. Minor amendments include changing reference of ‘Authority’ to ‘Board’;

    c. A proposal to change the review period from annually to bi-annually.

[Request front cover from the Comms Team]

Audit, Risk and Assurance Committee Handbook

Contents

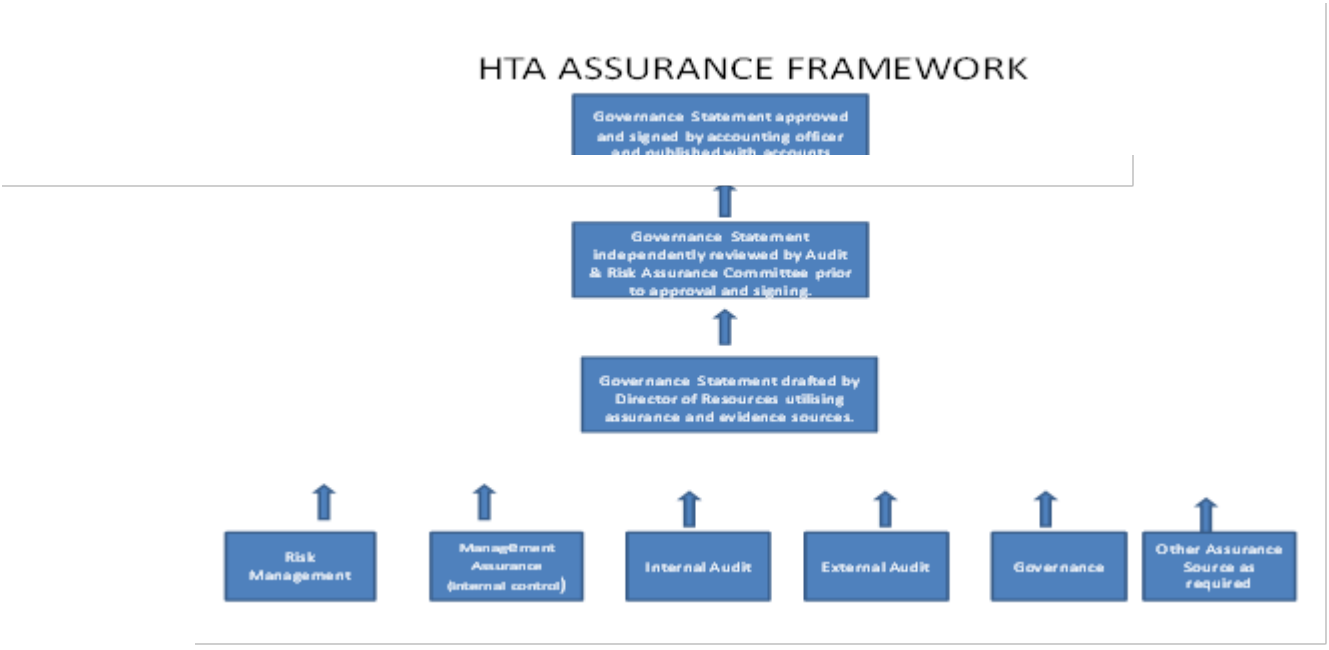
Section 1

Introduction

1. The purpose of this handbook is to focus Committee business and to provide part of the mechanism for inducting new members.

2. The Audit & Risk Assurance Committee is a committee to the Human Tissue Authority's board (the Board) as defined by section 8 and Annex B of the Framework agreement between the DHSC and the HTA. The Committee's primary role is to advise the Board and the Accounting Officer on the exercise of their responsibilities, by concluding upon the adequacy and effective operation of the HTA's overall internal control system and ensuring there is an adequate and effective risk management and assurance framework. The terms of reference for the Committee can be found here.

3. It is the responsibility of the Accounting Officer (i.e. Chief Executive Officer) to ensure that the organisation properly exercises its obligations / responsibilities in relation to issues of risk, control, governance and associated assurances. As a result the Committee will review the Annual Governance Statement, - this being a primary disclosure statement within the final accounts - prior to signing by the CEO. The HTA assurance framework is illustrated below.



4. In discharging its duties, the Audit & Risk Assurance Committee will:

   a. Review the comprehensiveness of assurances in meeting the Board's / Accounting Officer's assurance needs
   b. Review the reliability and integrity of these assurances

c. Review the adequacy of the Board and Accounting Officer in discharging their responsibilities (particularly in respect to Financial Reporting).

5. HM Treasury's Audit Committee Handbook provides further guidance on the role of audit committees, the role of the chair of the audit committee and good practice.

https://www.gov.uk/government/publications/audit-committee-handbook

6. In conducting their review the Committee will consider whether the Board and the Accounting Officer are:

   a. promoting the highest standards of propriety in the use of HTA funds and encourage proper accountability for the use of those funds
   b. improving the quality of financial reporting by reviewing internal and external financial statements on behalf of the Board
   c. promoting a climate of financial discipline and control which will help to reduce the opportunity for financial mismanagement
   d. identifying and managing risk and promoting the development of internal controls systems which will help satisfy the Board that the HTA will achieve its objectives and targets
   e. operating in accordance with any statutory requirements for the use of public funds, within delegated authorities laid down within the Human Tissue Authority's Standing Orders and the HTA's own rules on what matters should be referred to the Board and in a manner which will make most economic and effective use of resources available

Version history

7. The Handbook will be reviewed bi-annually by the ARAC and will be approved by the Board following that review.

Latest version	Date	Comments	Reviewed by	Approved by
15.0	24 February 2015	Updated to ensure factual accuracy, update membership information and add version control.	Sue Gallone / Amy Gelsthorpe-Hill	Authority Members
15.1	18 October 2016	Amendment to secretariat and updated forward plan as per May 2016 minutes	Sue Gallone / Morounke Akingbola	??
15.2	2 November	Updated per November 2016 minutes	Morounke Akingbola	ARAC Members 09-11-2017
15.3	18 September 2018	Amend role to Board Secretary	Morounke Akingbola	ARAC Members 23-10-2018
15.4	4 December 2020	Removed ToR; amend Authority to Board. Review period changed to bi-annually (TBA) by ARAC	Morounke Akingbola	ARAC Members 28-01-2021

Section 2

Audit & Risk Assurance Committee yearly work programme

Introduction

8. This programme of work has been developed taking into account the guidance in the HMT's Audit & Risk Assurance Committee handbook. It works on the basis of three meetings per annum with the timing of the second meeting of the year designed to link in with the requirement for the Committee to approve the Authority's accounts.

9. Audit & Risk Assurance Committee work programme

1. Winter meeting	
Regular items • Assurance reports from Internal Audit • Audit recommendations tracker report • Strategic risk register review • Polices/procedures updates	**Meeting specific** • Review and approval of the Internal Audit proposed Audit plan for the financial year • Review of the Audit & Risk Assurance Committee's performance including Members' skills and training • Hold confidential joint meeting with both sets of Auditors (agenda item at start or end of meeting)
2. Spring meeting	
Regular items • Assurance reports from Internal Audit • Audit recommendations tracker report • Strategic risk register review • Policies/procedures updates	**Meeting specific** • Receive Internal Audit Annual Report • Approval of the Annual Report and Accounts • Review of the External Auditors ISA 260 report (management letter) • Consider key messages for the Audit & Risk Assurance Committee's report on its activity and performance (to the Authority)
3. Autumn meeting	
Regular items • Assurance reports from Internal Audit • Audit recommendations tracker report • Strategic risk register review • Policies/procedures updates	**Meeting specific** • Approval of External audit's planning report • Review of the Audit & Risk Assurance Committee's Governance including Handbook and Terms of Reference

Section 3

Role of internal audit

The role of internal audit at the Human Tissue Authority

10. The management of HTA is responsible for establishing and maintaining an appropriate system of internal control and for the prevention and detection of irregularities and fraud.

11. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of control procedures.

12. The objectives of systems of internal control are to provide management with reasonable, but not absolute, assurance that the business is conducted in an orderly and efficient manner, that there is adherence to management policies and laws and regulation, that assets are safeguarded against loss or unauthorised use and that transactions are executed in accordance with management's authorisation and are accurately and completely recorded to permit, inter alia, the preparation of financial statements.

13. Internal audit is an element of the internal control framework established by management to examine, evaluate and report on accounting and other controls on operations. Internal audit assists management in the effective discharge of its responsibilities and functions by examining and evaluating controls. The objectives of internal audit include promoting effective control at reasonable cost and assisting management generally in the pursuit of value for money.

14. Internal Audit is an appraisal or monitoring activity established by management and directors to review and report on the adequacy and effectiveness of the system of internal control. This includes both financial and operational control and will encompass Risk Management, Governance, Accounting, Information Technology, Human Resources and Value for Money issues (VFM).

15. Effective internal audit requires the function to be a service to management at all levels, which identifies, evaluates and provides an opinion on the adequacy of the organisation's internal control framework with reference to achieving the organisation's objectives.

16. Internal Audit is a key part of the HTA's internal control system because it measures and evaluates the adequacy and effectiveness of other controls so that:

17. the Authority and senior management can know the extent to which they can rely on the whole system; and
18. individual managers can know how reliable the systems are and controls for which they are responsible, and any remedial action required.

Approach to internal audit

19. Internal Audit takes a risk-based approach to audit to comply fully with the requirements of the Public Sector Internal Audit Standards. This ensures compliance with best professional standards and makes a positive contribution to the Authority's Annual Governance Statement. In some areas, different approaches are required. Therefore, regularity, contract and VFM audit techniques are employed where appropriate.

Statement of assurance

20. In order to provide the required statement of assurance, the Internal audit service will undertake a programme of work, based on risk assessment, authorised by the Authority, to achieve the following objectives:

    a. to review and appraise the soundness, adequacy and application of the whole system of control;
    b. to ascertain the extent to which the whole system of internal control ensures compliance with established policies and procedures;
    c. to ascertain the extent to which the assets and interests entrusted to, or funded by, the Authority are properly controlled and safeguarded from losses of all kinds;
    d. to ascertain that management information is reliable as a basis for the production of financial and other returns;
    e. to ascertain the integrity and reliability of information provided to management including that which is used in decision-making; and
    f. to ascertain that systems of control are laid down and operate to achieve the most economic, efficient and effective use of resources.

21. In providing the annual assurance opinion, it should be noted that assurance can never be absolute. The most that the internal audit service can provide to the Accounting Officer and Audit & Risk Assurance Committee is a reasonable assurance that there are no major weaknesses in risk management, governance and control processes based on work undertaken during the year.

Reporting lines

22. Internal Audit is under the independent control and direction of the Audit & Risk Assurance Committee on behalf of the Authority. It is the responsibility of the Audit & Risk Assurance Committee to oversee the appointment and cost of internal audit provision, which is managed centrally by the DHSC.

23. The Audit & Risk Assurance Committee each year approves a rolling programme of audit work, which will be prioritised in line with an assessment of the Authority's key risks. The Director of Resources monitors progress against this programme in liaison with the Internal Auditors and they report regularly to the Audit & Risk Assurance Committee on this.

24. In respect of each internal audit assignment, the Internal Auditors present their findings to the Director of Resources who will, with the appropriate Director and/or Head of Service, co-ordinate a response. The Internal auditors then present their report and recommendations, together with management's response, to the next available meeting of the Audit & Risk Assurance Committee.

25. Management responses to internal audit findings identify responsibility for implementing recommendations and the line Director ensures that this is done within the agreed timescale. The Director of Resources reports to each meeting of the Audit & Risk Assurance Committee on progress with implementing recommendations.

26. Internal Audit submits an annual report to the Audit & Risk Assurance Committee that includes an overall assessment of Risk Management, Corporate Governance and the Control Environment for the year in question and a comparison of actual and planned activity for the period.

Rights of internal auditors

27. Internal Auditors have authority to:

    a. Enter (or require entry) into HTA premises at any time
    b. Access all records, documents and correspondence (including those held on computers) which may relate to financial or operational matters of the Board
    c. Require and receive from staff or Authority members such explanations as are necessary concerning any matter under review
    d. Require any staff or member to produce upon request any cash, stores, documents or other Authority property under his/her control

28. Staff and Board members will co-operate openly and honestly with reviews conducted by Internal Audit.

Section 4

Role of external audit

Introduction

29. The External Auditor for the HTA is a statutory appointment. The Comptroller and Auditor General (C&AG) is the auditor for the Human Tissue Authority under Section 16 of Schedule 2 of the Human Tissue Act 2004.

30. The C&AG is an officer of the House of Commons appointed by the Queen to report to Parliament on the spending of central government money. The C&AG is therefore independent of Government.

31. The C&AG is granted comprehensive audit and inspection rights and has appointed the staff of the National Audit Office (NAO) to act on his behalf.

32. The NAO conducts financial audits of all government departments and agencies and many other public bodies, and reports to Parliament on the value for money achieved by these bodies. Its relations with Parliament are central to our work, and we work closely with other public audit bodies that have a role in other areas of public expenditure. The NAO has three main work streams – Financial Audit, VFM audits and Investigations.

Financial audit

33. The NAO is responsible for auditing the accounts of all Government departments and agencies, and most 'arm's length' public bodies including HTA known as Non-Departmental Public Bodies. The NAO is also responsible for auditing all National Loans Fund accounts and has several International clients.

34. The C&AG is required to *form an opinion* on the accounts, as to whether they are free from material misstatement. The C&AG is also required to confirm that the transactions in the accounts have appropriate Parliamentary authority. If the NAO identifies material misstatements, the C&AG will issue a qualified audit opinion. Where there are no material misstatements or irregularities in the accounts, the C&AG may nonetheless prepare a report to Parliament on other significant matters. Such reports may be considered by the Committee of Public Accounts.

NAO timetable

35. Each year, the NAO is committed to presenting the following to the HTA:

36. Audit Planning Report (for the November Audit & Risk Assurance Committee) – This document outlines the risks identified during audit planning and the audit approach taken to address those risks

37. ISA 260 report (Management Letter), for June Audit & Risk Assurance Committee - This letter contains: unexpected modifications to the C&AG's certificate and report; unadjusted misstatements (other than those deemed to be trivial); material adjusted misstatements; material weaknesses in accounting and internal control systems identified; and NAO's views about the qualitative aspects of the Authority's accounting practices and financial reporting.

Section 5

Relationship of the Audit & Risk Assurance Committee with the HTA Executive

38. The Chief Executive of the HTA is the Accounting Officer and is responsible for ensuring that the HTA operates:

    a. sufficient and robust internal controls
    b. comprehensive financial reporting systems
    c. adequate systems for the identification and mitigation of risk
    d. adequate governance arrangements

39. The Accounting Officer will discharge these duties through the Director of Resources who will ensure that an adequate framework is in place so that suitable assurance and reliance can be derived. This is obtained through key documents submitted to the Committee such as financial / governance papers (e.g. accounts, policies), risk strategies / policies (e.g. risk register) and audit strategies / papers (e.g. audit plans, findings, reports), illustrated in the diagram in section 1.

40. The Accounting Officer will undertake the following activities:

Internal audit

41. Make recommendations to the Audit & Risk Assurance Committee to appoint the HTA's internal auditors.

42. Review their audit plan and agree with internal audit the plan to be presented for consideration by the Audit & Risk Assurance Committee.

43. Review the content / scope of each audit that makes up the yearly audit programme and includes an overall assessment of Risk Management, Corporate Governance and the Control Environment for the year in question and a comparison of actual and planned activity for the period. The annual audit programme will cover three areas: financial, governance and operational. These will be risk-based in nature.

44. Review and agree the audit findings prior to submission to the Audit & Risk Assurance Committee. If audit findings are not agreed with the Accounting Officer, internal audit have a right to report independently to the Committee.

45. Agree a response to audit findings with time frames for any actions necessary.

46. Present regular reports (audit tracker) to the Audit & Risk Assurance Committee.

Note. The Audit & Risk Assurance Committee can commission its own investigations / value for money studies.

External audit

47. Review external audit planning report and agree with the external auditors the plan to be presented for consideration by the Audit & Risk Assurance Committee.

48. Review the content / scope of each audit that makes up the yearly audit programme. These will be risk-based and may include national initiatives.

49. Review and agree the audit findings prior to submission to the Audit & Risk Assurance Committee. If audit findings are not agreed with the Accounting Officer, external audit has a right to report independently to the Committee.

50. Agree a response to audit findings with time frames for any actions necessary.

51. Present regular reports (audit tracker) to the Audit & Risk Assurance Committee.

Note. The Audit & Risk Assurance Committee can commission its own investigations / value for money studies.

Risk register

52. Produce risk strategy for review by Audit & Risk Assurance Committee.

53. Produce strategic risk register for review of Audit & Risk Assurance Committee.

Governance

54. Ensure financial / governance policies / systems are presented to the Audit & Risk Assurance Committee for approval.

Audit and Risk Assurance (ARAC) meeting

Date: 28 January 2021

Paper reference: AUD 31/20

Agenda item: 16

Author: Dave Thomson
Head of Business Technology

OFFICIAL

Cyber Security Risk Dashboard Report

Purpose of paper

1. The purpose of this paper is to present a set of standard indicators of cyber security threat to the ARAC.

Decision making to date

2. No decisions have been made to date.

Action required

3. ARAC is asked to review the threat indicators in the Cyber Security Dashboard, Annex A, and to provide feedback as to their value as a tool to provide assurance over the cyber security risks faced by the HTA.

AUD 31/20 Annex A

ARAC Cyber Security dashboard

HTA
Human Tissue Authority

Introduction

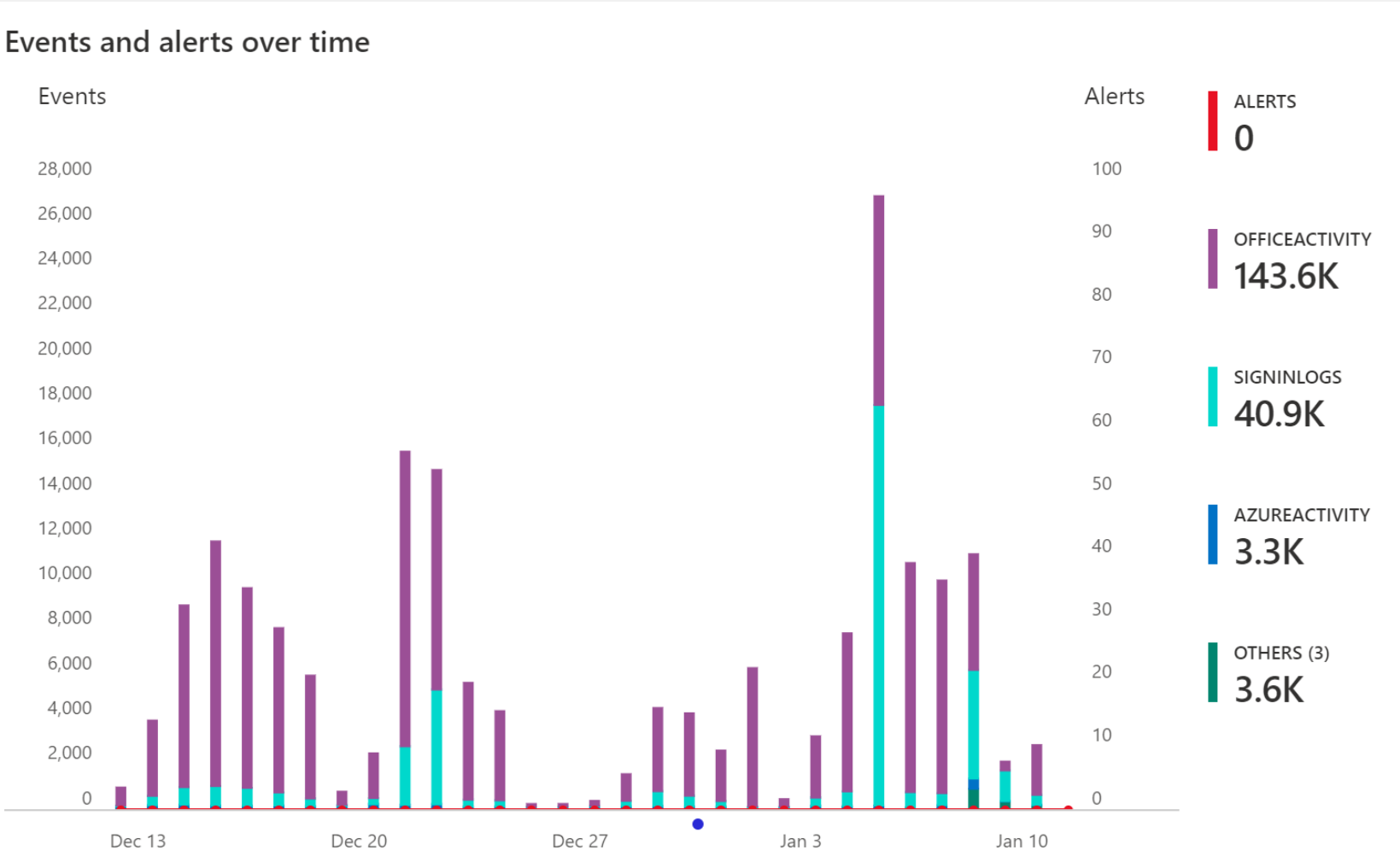
- In June 2020 the ARAC approved the HTA Cyber security strategy. We committed to bringing quarterly assurance and progress updates to the ARAC.
- The HTA Cyber security strategy aims to improve our cyber security posture across five objectives: Protect; Identify; Detect; Respond and Recover
- The indicators that follow aim to offer assurance against the Detect objective principally
- The findings in this report result from automated and manual analysis of telemetry from across the HTA cloud environment
- The ARAC are asked to note the progress to date and the assurance offered by the indicators

Strategic actions	Status	Summary
Identify	Starting Q4 2020/2021 through 2021/2022	Starting this quarter and working through the next business year, we will work strengthen our management of people, risk, resources, and governance to address cyber security risks.
Protect	Starting Q4 2020/2021 through 2021/2022	Starting this quarter and working through the next business year, we will work to categorise and safeguarding our data and information wherever it is.
Detect	Started	We have started our security event monitoring program and will continue to improve on this good start through the inclusion of additional log sources and exploiting the capability of our cloud platform
Respond	2022/2023	We will defer commencement of Respond to the business year 2022/2023.
Recover	2022/2023	We will defer commencement of Recover to the business year 2022/2023.

Our approach

- Our approach over this period has been to exploit the inherent capability of the cloud environment to detect and alert to anomalous activity and behaviour
- We have supplemented the inherent capability with additional sophisticated tooling in the form of Azure Sentinel.
- Sentinel enables the connection and interrogation of disparate audit logs from all areas of the HTA environment

Events and alerts



Office activity, Azure activity and Sign in Logs are retained for a rolling 30 days. They are automatically analysed by the platform to detect potentially malicious events.

In the 30 days to 10 January 2021 the platform monitored 191,500 events and detected zero potentially malicious events.

Threat hunting 1

Threat hunting is the process of analysing log data for signs of attackers deploying known tactics against the organisation. The tactics that we are looking out for include the following and is based on the MITRE ATT&CK knowledgebase of real world adversary tactics and techniques:

- Initial access - an adversary is trying to get into your network.
- Execution - an adversary is trying to run malicious code.
- Persistence - an adversary is trying to maintain their foothold.
- Privilege escalation - an adversary is trying to gain higher-level permissions.
- Defence evasion - an adversary is trying to avoid being detected.
- Credential access - an adversary is trying to steal account names and passwords.
- Discovery - an adversary is trying to figure out your environment.
- Lateral movement - an adversary is trying to move through your environment.
- Collection - an adversary is trying to gather data of interest to their goal.
- Exfiltration - an adversary is trying to steal data.
- Command and control - an adversary is trying to communicate with compromised systems to control them.
- Impact - an adversary is trying to manipulate, interrupt, or destroy your systems and data.

Threat hunting 2

Tactic	No. of threat hunting queries	Assessment
Initial access	31	In total we run 287 threat hunting queries against our available log data, targeted against 12 well known adversary tactics. 16 queries returned results that required further investigation to determine whether they were truly an indication of compromise. The threat hunting queries are intended to draw attention to activity that is not part of the normal pattern of behaviour across the organisation. After investigating the results it was clear that the queries were picking up activity related to the migration of servers to Azure and not true indicators of compromise..
Execution	26	
Persistence	53	
Privilege escalation	26	
Defence evasion	15	
Credential access	17	
Discovery	10	
Lateral movement	12	
Collection	25	
Exfiltration	25	
Command and control	20	
Impact	27	

Other indicators of compromise 1

Other system events or activities may indicate the presence of an adversary or be a sign of malicious insider activity. The most common indicators include:

- Mailboxes accessed by non-owners – this is a search of the mailbox audit logs for mailboxes that have been opened by someone other than the owner and who does not have the appropriate delegated authority
- Changes to administrator role groups – this is a search of the admin audit log for changes made to role groups, which are used to assign administrative permissions to users
- Email auto-forwarding – this is a search of the mail transport audit log for emails automatically forwarded to an external domain using an auto-forward rule in the Outlook client
- Account provisioning – this is a search of the Active Directory audit log for account creation activity
- Users with restricted email privileges – this is a report of users who have had their email privileges automatically restricted due to highly suspicious sending patterns

Other indicators of compromise 2

HTA
Human Tissue Authority

Threat indicator	Findings
Mailboxes accessed by non-owners	No mailboxes have been accessed by any other the owner or persons with appropriate delegated access.
Changes to administrator role groups	No administrator role groups have had their membership changed as a result of adversarial activity or otherwise.
Email auto-forwarding	No emails have been forwarded using an email auto-forward rule.
Account provisioning	No accounts have been provisioned without supporting documentation from HR.
Users with restricted email privileges	No users have had their email account automatically restricted due to suspicious sending activity.

ARAC Cyber Security dashboard

HTA Human Tissue Authority

Potentially malicious events	Indicators of adversary	Mailboxes accessed by non-owners	Changes to administrator role groups
0	287 queries 16 investigated 0 compromise	0	0

Email auto-forwarding	Account provisioning	Users with restricted email privileges	High/Medium infrastructure vulnerabilities
0	0	0	TBC

Conclusion

- At a time when we have had to, necessarily, divert resources to other activity we have maintained some focus on Cyber security and assured ourselves that the HTA is not under attack, nor has it already been compromised.
- We will now be moving forward to strengthen our management of people, risk, resources, and governance to address cyber security risks, in step with the development programme.