

**HRA Audit & Risk Committee Annual Report 2014/15**



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**Date of Release:** 06 July 2015

**Version No. & Status:**  V2.2

**Approved By:** Audit & Risk Committee 03 July 2015

**Supersedes Version:** N/A

**Review Date:** Annual review in January of each year

**Owner:** Graham Clarke

**Section 1 - Summary**

This report summarises the Committee’s work during the 2014/15 year and provides a collective review of the Health Research Authority’s risk management and internal control arrangements. The report forms part of the assurance processes, which support the Accounting Officer’s Annual Governance Statement. The formulation of this report and proposed further work will also enable preparation for the 2015/16 annual report on activities.

This report fulfils the requirement in the committee’s terms of reference that:

“The Committee will provide the Authority with an Annual Report timed to support the finalisation of the accounts and the Annual Governance Statement. The report will summarise the conclusions from the work the committee has undertaken during the year.”

**Section 2 – Membership**

Membership of the Audit & Risk Committee (ARC) changed on the 1st January 2015, as a result of the HRA becoming a Non Department Public Body (NDPB). The membership throughout the year has been:

Sally Cheshire – HRA, Non-Executive Director (until December 2014)

Julie Stone – HRA, Non-Executive Director (until December 2014)

Allison Jeynes-Ellis – HRA, Non-Executive Director (until December 2014)

Shelley Dolan - Chief Nurse, The Royal Marsden NHS Foundation Trust

Graham Clarke – HRA, Non-Executive Director (from January 2015)

Deirdre Kelly – HRA, Non-Executive Director (from January 2015)

Nalin Thakker – HRA, Non-Executive Director (from January 2015)

Following the establishment of the HRA as a NDPB from 1st January 2015 a handover meeting was held between the outgoing and incoming Audit & Risk Committee Chairs to ensure an appropriate transition took place with any outstanding matters conveyed.

There are regular attendees from the executive, the Health Group Internal Audit Service and the National Audit Office. The Authority met in normal session four times in the year (April 2014, June 2014, October 2014 and February 2015) and an invitation is extended to the DH Sponsor to attend as an observer.

**Section 3 – Role & Function**

The Audit and Risk Committee is a committee to the Health Research Authority’s board

(the Authority) as defined in paragraph 4.6.1 of the Authority’s Standing Orders which states the following.

Our formal role is to

1. Advise the Board on Internal and External Audit services.
2. review the establishment and maintenance of an effective system of integrated governance, risk management and internal control, across the whole of the Authority’s activities (both clinical and non-clinical), that supports the achievement of the Authority’s objectives and the Annual Governance Statement and make recommendations to the Board.
3. Review the adequacy of management response to issues identified by audit activity, including external audit’s management letter
4. Monitor compliance with Standing Orders and Standing Financial Instructions and make recommendations to the Board.
5. Review schedules of losses and compensations and made recommendations to the Board.
6. Review the accounting policies, annual accounts and annual report and make recommendations to the Board.
7. Report in writing to the Board.

There is an annual cycle and work programme of matters to consider, with our regular business focussing on assurance and risk management processes, as well as matters arising from internal and external audit work. At each meeting, we received progress reports on all these areas.

**Section 4 – Review of Committee Effectiveness**

The Committee considered the review of its effectiveness in October 2013 using the NAO checklist. The session helped clarify the role of the Audit Committee with regard to assurance and better differentiated their role from the Authority’s review of strategic risks and risk appetite. The committee felt they had broadly met its role at this time.

As the new Audit Committee has only been in place for 5 months, it is considered too early to review its effectiveness and therefore a review is planned for October 2015, with an early discussion at the June ARC meeting on methodology and use of the NAO checklist, with a full review in October and reporting to the Board meeting.

The committee approved the Audit Committee manual at its October 2013 meeting, the purpose of which is to provide a framework for the Audit and Risk Committee as they continually reassess their system of governance, risk management, and internal control to ensure that it remains effective and fit for purpose in providing them with the assurance they require. Minor amendments to the reporting terms of reference were made to the Audit manual in January 2014 and it was further reviewed in February 2015.

**Section 5 – Risk Management**

The Committee ensures, including via Internal and External Audit, that the Board and Accountable Officer receive assurance that the HRA’s risk management activities are in line with its risk management responsibilities and objectives, with robust risk management processes in place.

The Committee has reviewed the HRA’s strategic risk register throughout the year and confirmed that the strategic risk register meets the Authority’s needs. The Chief Executive and other Directors have attended the Audit Committee as required to discuss the risks they own and areas of risk within their own directorates.

The success of risk management continues to rely on staff at all levels ensuring there is effective management of risks. This requires the ongoing commitment and support of Directors and managers in encouraging the further development of a risk management culture.

Internal Audit concluded the advisory review of the HRA’s risk management arrangements in April 2014. The conclusion of Internal Audit was that generally the HRA has robust arrangements in place to identify, record and monitor its strategic, tactical and operational risks.

**Section 6 – Information and Data Security**

Cabinet Office has required Management Boards to include a Senior Information Risk

Owner (SIRO) since 2007, to ensure that priority is given to the protection of information and data. Within the HRA, the Corporate Secretary fulfils this role.

The SIRO is obliged to provide an assessment of information risk management to the Accounting Officer annually. This report from the SIRO will underpin what is included within the HRA’s Annual Governance Statement and is also a key reporting tool for the Department of Health (DH) and the Cabinet Office. Consequently, the Audit Committee work programme includes regular updates from the SIRO on any matters arising in this area.

The information risk management assessment is made against the Cabinet Office’s HMG Security Policy Framework (SPF) which outlines the mandatory security requirements and management arrangements to which all departments and arms-length bodies must adhere. The HRA reports on the mandatory requirements of the SPF to DH after the Audit Committee’s consideration.

The Committee has agreed the SIROs report for 2013/14, and the report for 2014/15 is to be considered at the June 2015 meeting. This report states that the

HRA has applied the requirements in a form that is proportionate with HRA work and risk. No significant data losses have been identified and the SIRO considers that information risk is being managed adequately*.* For the relevant requirements in the

SPF, there are no areas of non-compliance that put information security at risk.

Internal audit have recently concluded a review of the HRA’s Information Governance. Their opinion was that control environment in the relevant areas was **Satisfactory**.

**Section 7 – Internal Audit**

The HRA has had a Service Level Agreement with DH’s Health Group Internal Audit Service (HGIAS) throughout 2014 with PricewaterhouseCoopers LLP (PwC) appointed by HGIAS as co-source partner organisation to supplement the in-house provision. The Committee endorsed the Internal Audit strategy and plans for the year 2014-15, and monitored work progress.

The Committee concluded that management has responded positively to audit findings and recommendations and has taken, or is in the process of taking, action to implement agreed recommendations from Internal Audit Reports. An internal audit tracker report is produced for the Committee recording progress on all recommendations.

In the Internal Audit annual report, the audit opinion in each of the areas of risk management, corporate governance and internal controls is that:

 risk management activities and controls are suitably designed to achieve the risk management objectives required by management; and

 those activities and controls examined were operating with sufficient effectiveness to provide reasonable but not absolute assurance that the related risk management objectives were achieved during the period under review.

These assurances are significant in recognition as highlighted in the Internal Audit annual report that during 2014/2015:

 - The HRA successfully established itself as a Non departmental Public Body.

- The HRA has been undertaking a key programme of change regarding the Approval Programme. The Committee recognises the significance of the Approval Programme and the impact of related risks and is satisfied there have been appropriate and proportionate systems in place during the structured programme of change.

 - The HRA has continued work to develop and strengthen accountability (e.g. via appointment of new Non-Executive Directors), including roles and responsibilities. This aims to strengthen accountability and the depth of stakeholder contacts and influence across HRA for business delivery, core controls and related risk management.

**Section 8 – External Audit**

Since 2012-13 the NAO have sub-contracted detailed audit work to Moore Stephens. The NAO remain solely responsible for the audit opinion.

NAO officials and Moore Stephens staff attend all Committee meetings and to make a valuable contribution to our discussions. The NAO gave an unqualified opinion

on the 2014/15 accounts, the month 9 accounts to December 2014 and agreed the Annual Governance Statement.

**Section 9 – Assurance Processes**

The Chief Executive meets Directors at least monthly individually to review the delivery of their responsibilities. Directors hold similar meetings with their staff and ensure that controls are in place on an ongoing basis. The Executive Management Team of the Chief

Executive and Directors meet monthly to approve policies, review exceptions, identify and act on lessons learned.

The Chief Executive supports and attends the Audit Committee on a regular basis.

I believe that ongoing management review and communication, supported by the findings of audits and DH gives sufficient evidence to provide the Chief Executive with assurance that the systems are sufficiently robust, and that the exceptions are relatively insignificant.

**Section 10 – Annual Governance Statement**

The Annual Governance Statement is a key part of the Annual Report and Accounts. It is signed by the Chief Executive and explains how governance responsibilities have been discharged. There was sufficient evidence of effective governance processes to support the signing of the Annual Governance Statement for 2014-15 and for the 9 months to December 2014. Internal and External audit work also forms a significant part of the assurance around governance for 2014-15.

**Section 11 – Summary**

The HRA’s governance systems are becoming more embedded and established and we look to make continuous improvements. I am satisfied with the arrangements for risk management and the assurance processes.

**Graham Clarke**

**Chair, Audit Committee**

**06 July 2015**

**Document Control**

**Change Record**

| **Version Status** | **Date of Change** | **Reason for Change** |
| --- | --- | --- |
|  |  |  |
| Draft v 1.0 | 9th January 2014 | Initial draft for comments from audit committee  |
| Draft V 1.2 | 14th January 2014 | Minor amendments to draft |
| Draft V 2.1 | 28 May 2015 | Updated for 2014/15 |
| Final V2.2 | 06 July 2015 | Updated following Audit Committee comments |
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**Reviewers**

| **Name** | **Position** | **Version Reviewed** |
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| **Audit Committee** |  | **V1.0** |
| **Audit Committee** |  | **V2.1** |
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**Distribution of Approved Version**

| **Name of person or group** | **Position** | **Version Released** |
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