

**To:** Audit and Risk Committee

**For meeting on:** 18 September 2013

**Agenda item:** 7

**Report by:** Neil Stutchbury, Knowledge Management Director

**Report for:** Discussion

---

**TITLE:** External Assurance on Information and IT Strategy

**Summary:**

The purpose of this paper is to propose an approach for securing external assurance on the information technology strategies, decisions and recommendations Monitor needs to support its critical business activities. This proposal was initiated by requests from both the Board and ExCo for assistance in assuring themselves that the recommendations being made for projects such as the Pricing Information Strategy and the online licensing system were appropriate. A similar need exists for the KIM team, which needs to be able to access a range of external advice where it does not have the expertise internally.

**Recommendations:**

The Audit and Risk Committee is asked to consider the principle and proposed approach for forming the Technology Assurance Panel and Network of Professional Expertise as set out here, ahead of its submission to the Board for consideration at its meeting on 25 September 2013.

Specifically the Audit and Risk Committee is asked for its feedback on the proposed Terms of Reference for the Technology Assurance Panel, including the suggested membership, meeting frequency and how it would be used – see Annex 1.

**Public Sector Equality Duty:**

*Monitor has a duty under the Equality Act 2010 to have due regard to the need to eliminate unlawful discrimination, advance equality of opportunity and foster good relations between people from different groups. In relation to the issues set out in this paper, consideration has been given to the impact that the recommendations might have on these requirements and*

*on the nine protected groups identified by the Act (age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion and belief, gender and sexual orientation).*

*It is anticipated that the recommendations of this paper are not likely to have any particular impact upon the requirements of or the protected groups identified by the Equality Act.*

**Exempt information:**

*None of this report is exempt under the Freedom of Information Act 2000.*

## **External Assurance on Monitor's Information and IT Strategy**

1. Monitor needs to find a way of providing assurance to ExCo and Board members (who do not have significant amounts of IT knowledge and expertise) that its proposed Information and IT Strategy is the most appropriate one.
2. There are two ways of doing this:
  - Ensuring that Monitor has the relevant expertise to develop the proposed strategy and implement it; and
  - Testing the proposed strategy and its implementation.
3. This paper proposes two arrangements to satisfy these two needs:
  - Network of Professional Expertise; and
  - Technology Assurance Panel.

## **Network of Professional Expertise**

4. The KIM team is initiating a number of business critical projects ahead of having a fully functional and skilled team. It therefore needs to seek advice and assurance from external experts to guide its technical recommendations. It would like to set up a network of external advisers on a call-off basis, contracted through standard consultancy or recruitment agency contracts, to be used in the development of work relating to the overall information strategy, either "sense testing" or actually doing some of this work. Examples include:
  - Setting up an internal Technical Design Authority to oversee the design of critical elements of the technical architecture, such as the Strategic Information Platform;
  - Influencing external healthcare informatics processes (eg the future PbR systems, the HSC Information Centre services and NHS England's Technical Architecture strategy); and
  - Developing Monitor's overall information and IT strategy.
5. The benefit of this approach is to provide Monitor with convenient access to a greater breadth and depth of expertise than it possesses internally. This in turn will enable us more quickly to evaluate options and take decisions on critical elements of key strategic projects, whether these be design criteria, technology options, strategic choices or whether or not to place a key dependency on a third party. Access to external expertise will accelerate the process and reduce the risk of a wrong decision, which could otherwise lead to greater cost and/or re-working.

## **Implementing the Network of External Expertise**

6. We have recently submitted three business cases to assist with:
  - Setting up of a Technical Design Authority to oversee the technical architecture of the Strategic Information Platform and making an initial assessment of the "as is" architecture;
  - to retain the services of Andrew Frith on a call-off basis (averaging one day a week);
  - to develop the overall information and IT strategy paper for ExCo and the Board

7. These were approved by Sector Development Management Team and will be reviewed by Controls Committee on 13 September 2013. Subject to approval, we will recruit the individuals during September-October with input from the Organisation Transformation directorate in order to ensure consistent approach with that being developed for Monitor's other directorates.

### **Technology Assurance Panel (TAP)**

8. The Board and ExCo do not have members with specific background or expertise in information technology or information systems and therefore feel unqualified to comment on or approve projects or strategies which are heavily dependent on making the right technology choices. The purpose of the Technology Assurance Panel is to provide the Board and ExCo with independent advice and assurance on the proposed Information and IT strategy. We propose setting up a sub-committee of the Audit and Risk Committee (ARC), comprising one or two of Monitor's non-executive directors (NEDs), and a small number of highly experienced independent expert members. These expert members will be independent of the internal KIM team. The TAP would be chaired by a NED. Members of the panel would be selected from a competitive appointment process and contracted in a similar way as NEDs are: for a fixed number of days per year over an agreed contract term (2-3 years proposed).
9. The Panel, collectively or as individuals, would be used test key assumptions and proposals relating to the overall information strategy and associated project proposals. The Panel would assure the Board in a number of ways: for example to perform a gateway review at a key project milestone; critique a strategy paper. project proposal or architectural design; conduct defined pieces of work, such as benchmarking a proposal against how other organisations do the same thing; over time the Panel may be able to raise awareness among the Board of opportunities afforded by modern information technology such as "cloud computing" and "big data mining"; how pervasive mobile computing could impact healthcare provision; or automation to reduce data collection burden on providers.
10. We would expect the Panel to be convened on a quarterly basis or on an as needed basis when a specific project proposal comes in for approval. The Panel is principally designed to advise Board members, but may also be used to advise ExCo members as required.

### **Implementation of the Technology Assurance Panel**

11. Subject to the consideration of the Audit and Risk Committee, we intended put these proposals to the Board on 25 September 2013 with a view to agreeing the terms of reference, the required personal profile of the external consultants, the NED membership and chair, and the recruitment process, such that the TAP is operational by the end of 2013. A draft ToR and personal profile is attached as an annex.
12. Once the ARC and the Board has confirmed that it is content with the proposed approach regard the TAP we will recruit the members with a view to holding the first meeting in October/November 2013.

## **Managing the risks associated with the IT Strategy**

13. The Network of Professional Expertise and Technology Assurance Panel will assist with managing the risks associated with the information and IT strategy. IT projects are notorious for failing; depending on which report you read, 50-80% of large IT projects fail in one way or other. In the UK the most high profile example is the National Programme for IT, which despite some successes, is widely regarded as having failed to meet its ambitious goals. Just recently, the National Audit Office has castigated the poor management of the IT system to support the universal credit system.
14. IT systems fail for a number of reasons. The most common are:
  1. Lack of ownership by senior business management
  2. Lack of engagement with the people who will use the system
  3. Unclear goals and poorly defined benefits
  4. Overly ambitious assumptions on delivery timeframe, costs and technical feasibility
  5. Lack of upfront architectural design to ensure all the related systems work together
  6. Poor or inexperienced IT leadership and project management
15. Monitor's IT programme is nowhere near the size of NPfIT or the universal credit system, but nevertheless we are investing about 10% of Monitor's budget over three years to build the systems to support Monitor's role. More importantly, Monitor's regulatory functions are highly dependent on access to data and information to fulfil their duties and so it is critical to deliver the IS/IT programme safely.
16. The proposed approach is one of several to mitigate risks in Monitor's IS/IT projects. Specifically the Network of Professional Expertise will assist with risks 4, 5 and 6. The Technology Assurance Panel will be used by the Board to test what has been configured to address all six risks and to assure them that proper and effective risk mitigation measures have been put in place.
17. Internal Audit will continue to be used for additional assurance by auditing various aspects of the IS/IT strategy, such as project management, governance, security, capability etc. as it does today.

**Neil Stutchbury**  
**Knowledge Management Director**

## Annex 1

### **TECHNOLOGY ASSURANCE PANEL (TAP) TERMS OF REFERENCE**

#### **1. Purpose**

- 1.1. The purpose of the TAP is to support the Audit and Risk Committee and the Board by providing independent assurance on information strategy and associated project proposals. On the basis of the information provided to it, the Committee will provide assurance to the Audit and Risk Committee and the Board on key decisions or recommendations which have critical strategic significance or would materially impact risk.

#### **2. Membership**

- 2.1. The TAP shall comprise five members. Members of the TAP shall be appointed by the Audit and Risk Committee, in consultation with the Chief Executive.
- 2.2. A member of the Audit and Risk Committee shall act as the Chair of the TAP. At least two members of the Committee shall be independent of Monitor and have recent and relevant information technology experience. The membership of the TAP should also include an executive member of the Monitor Board.
- 2.3. Only members of the TAP have the right to attend TAP meetings. Other individuals, such as the Chairman of the Board, the Managing Director of Sector Development, the Managing Director of Provider Regulation and the Knowledge Management Director may be invited to attend all or part of any meeting as and when appropriate and necessary.
- 2.4. Appointments to the TAP shall be for a period of up to three years, which may be extended for further periods of up to three years, provided the individual still meets the criteria for membership of the TAP.

#### **3. Secretary**

- 3.1. The Board Secretary or their nominee shall act as the secretary of the Committee.

#### **4. Quorum**

- 4.1. The quorum necessary for the transaction of business shall be three members. A duly convened meeting of the TAP at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in, or exercisable, by the TAP.

## **5. Frequency of Meetings**

- 5.1. The TAP shall meet at least four times a year at appropriate times in the reporting and audit cycle and otherwise as required.

## **6. Notice of Meetings**

- 6.1. Meetings of the TAP shall be called by the secretary of the TAP at the request of any of its members, if they consider it necessary.
- 6.2. Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be circulated to each member of the TAP, any other person required to attend and all other non-executive directors, no later than five working days before the date of the meeting. Supporting papers shall be sent to TAP members and to other attendees as appropriate, at the same time.

## **7. Minutes of Meetings**

- 7.1. The secretary shall minute the proceedings and decisions of all meetings of the Committee, including recording the names of those present and in attendance.
- 7.2. Draft minutes of the TAP meetings shall be circulated promptly to all members of the TAP. Once approved, minutes should be circulated to all members of the Audit and Risk Committee, unless it would be inappropriate to do so.

## **8. Conduct of Meetings**

- 8.1. Except as outlined above, meetings for the TAP shall be conducted in accordance with the relevant provisions of Monitor's Rules of Procedure.

## **9. Duties**

- 9.1. The TAP should carry out the duties below:
  - 9.1.1. Oversee the programme of work to deliver Monitor's Information and IT strategy and assure the Audit and Risk Committee and Board that it is on track and meeting its objectives
  - 9.1.2. Test specific project proposals and strategy recommendations and provide assurance on major technology decisions taken
  - 9.1.3. Oversee the resourcing and sourcing arrangements and provide assurance that Monitor has the appropriate complement of internal skills and experience and access to the required external service partners
  - 9.1.4. Assure the Board that the Information and IT strategy is aligned to Monitor's business strategy and annual plans
  - 9.1.5. Assure the Board that risks associated with the Information and IT strategy are appropriately managed and mitigated.

## **10. Reporting Responsibilities**

- 10.1. The TAP's chair shall report formally in writing to the Audit and Risk Committee on its proceedings after each meeting on all matters within its duties and responsibilities.
- 10.2. The TAP shall make whatever recommendations to the Audit and Risk Committee and the Board it deems appropriate on any area within its remit where action or improvement is needed.

## **11. Other matters**

11.1. The TAP shall:

- 11.1.1. Have access to sufficient resources in order to carry out its duties, including access to the Board Secretary for assistance as required;
- 11.1.2. Be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members;
- 11.1.3. Give due consideration to relevant legislation, Treasury guidance and other corporate governance best practice as appropriate;
- 11.1.4. Oversee any instigation of activities which are within its terms of reference;
- 11.1.5. Consider any other matters where requested to do so by the Audit and Risk Committee or the Board.

## **12. Authority**

12.1. The TAP is authorised:

- 12.1.1. To seek any information it requires from any employee of Monitor in order to perform its duties;
- 12.1.2. To obtain, at Monitor's expense, outside legal or other professional advice on any matter within its terms of reference (subject to budgets agreed by the Board); and
- 12.1.3. To call any of Monitor's employees to be questioned at a meeting of the TAP as and when required.

**September 2013**



## ANNEX 2

### SUGGESTED PERSONAL PROFILE FOR EXTERNAL MEMBERS OF TAP

We will recruit at least two external experts with the following profile:

- Seasoned professionals with at least 10 years in a senior leadership role in IT in a large organisation. For example this could be someone who has held a Chief Information Officer (CIO) role in a commercial blue chip organisation or large government or public sector organisation. Alternatively the candidate could have held a Partner level role leading an IT practice in a large consulting firm.
- Hands-on experience leading large, complex IT systems, in a multi-functional organisation. We would not automatically exclude candidates who have presided over failed IT projects, so long as they can demonstrate they have applied the learnings in subsequent projects.
- Candidates who have been members of senior management teams and worked alongside Boards. Successful candidates may already be acting as a NED in another organisation.
- Have gravitas and credibility with senior management. Can explain the business consequences of complex technology issues in business terms.
- Well networked and capable of drawing in additional expertise as required.

We would look to cover expertise in the following areas:

- **Technology:** Technical architecture and design, data warehousing, data analysis and modelling, online web-based solutions, document management systems, and IT infrastructure
- **Healthcare:** Sector experience, with an emphasis on collecting and using healthcare data
- **Resourcing:** IT organisational design: eg good governance, having the right skills mix internally and externally
- **Risk management:** in large IT projects