



HSE Board Briefing

Subject: HSE Compliance Framework

Submitted for meeting on: 27 January 2023

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Why is this information being brought to the Boards attention?

The ability of the HSE to meet its statutory and regulatory compliance obligations is a critical management and governance responsibility. Implementing the Compliance Framework as described in this Briefing and Annexes will provide a greater level of assurance to the Board as it seeks to meet its governance responsibilities in relation to compliance.

Is there an action by the Board required, if so please provide detail?

For consideration and noting.

Please indicate which of the Boards objectives this relates to;

The development and implementing of an effective Corporate Governance Framework. **X**

Documentation provided

- Board Briefing Note [Below]
- Annex 1: Compliance Project Final Report
- Annex 1a: Compliance Project Final Report [Executive Summary]
- Annex 2: Future State Compliance Framework.

1. Brief summary of link to Board objectives

Compliance with its statutory, regulatory, public policy, internal policy and professional obligations is a critical management and governance priority for the HSE. A number of compliance weaknesses have been identified through Internal Audit opinions, the Statement of Internal Controls process and C&AG Reports.

While initiatives such as the Controls Improvement Programme have begun to address many of these compliance weaknesses, the Chief Strategy Officer and Chief Financial Officer decided to establish a Compliance Project, one of the primary objectives of which was to design a Compliance Framework for the HSE. KPMG were appointed to provide advisory services to the project.

The work of this Project has now concluded and the final **Report** and draft **Compliance Framework [Future Operating Model]** were considered by the ARC at their meeting on the 11 November 2022 and recommended to the EMT who considered them at their meeting on the 10 January 2023. In summary the EMT agreed:

1. The proposals set out in this Briefing Note as the initial implementation steps to progress the development of the HSE's Compliance Framework. This includes the proposal to establish and resource a Central Compliance Function. [[Section 2.2. below](#)]
2. The broader proposals and recommendations in the Final Report and the Compliance Framework Future State Operating Model as the 'broad direction of travel' for the HSE in relation to compliance. These broader proposals will require the development and approval of a full implementation plan once the Central Compliance Function has been established.
3. Further work will be undertaken during 2023 to assess any implications arising from the future design of Regional Health Areas [RHAs] and HSE corporate functions for the Compliance Framework.

2. Key points for the Board

2.1 Outputs of the Compliance Framework project

The two outputs from the Compliance project are:

2.1.1 Compliance Project Final Report - Annex 1

The Report from KPMG sets out their findings and recommendations in relation to the HSE's current compliance arrangements as well as particular priorities for improving compliance.

The Report details the findings from the review, areas of current good practice, key recommendations, the benefits of implementing the proposed compliance framework and establishment of a second line of defence [2LOD] Central Compliance Function [CCF] and identifies early quick wins that can be achieved once the CCF is established. An Executive Summary Extract Report is attached at [Annex 1a](#).

2.1.2 Compliance Framework: *Future State Compliance Framework* - Annex 2

The Compliance Framework is a companion document translating the findings and recommendations from the KPMG Report into a 'Future State Compliance Framework.' The draft Framework describes the proposed Operating Model, the role and function of a second line of defence CCF and its relationship with the multiple compliance related activities that already take place across the HSE¹ in the first line of defence [1LOD] compliance functions. It is a comprehensive model based on compliance good practices including elements of the ISO Compliance Management Systems standard.

The Framework describes the overall model for the: management of compliance activities and risks, including setting direction, policies and methodologies; improving and standardising these activities; reducing fragmentation in the design and management of compliance, while enhancing 1LOD capabilities; enhancing coverage, oversight, monitoring and assurance of compliance obligations; and providing greater visibility of compliance risks through improved monitoring and reporting.

2.2 Implementation proposals approved by the EMT

The proposals set out below have been accepted by the EMT as the initial implementation steps to progress the development of the HSE's Compliance Framework.

¹ 1LOD Compliance Activity Areas: Finance / Procurement/ Capital & Estates/ Compliance Unit for Funded Agencies/ Quality & Patient Safety Function / HR Pay Compliance/ ICT / Schemes & Reimbursements/ Project Management Improvement Unit/ Children's Hospital Assurance Programme

2.2.1 Central Compliance Function [CCF]

An appropriately resourced Central Compliance Function [CCF] is to be established as a second line of defence [2LOD] function to lead on the development and implementation of the Compliance Framework. The Head of this function will report to the CRO.

Resourcing opportunities provided by the potential reconfiguration of the HSE's corporate compliance functions and activities in the context of establishing the Regional Health Areas [RHAs], will be explored.

2.2.2 Centralise and aggregate Compliance reporting at key governance fora.

An interim and integrated compliance reporting format will be developed. This will draw on compliance related information currently available from first line of defence [1LOD] compliance functions.

It is acknowledged that as reporting requirements develop, there will be a need to invest in a technology solution to support reporting. Reporting channels, including the EMT, ARC and relevant Board Committees would also be defined.

2.2.3 Dedicated senior executive Risk and Compliance Committees

The Report recommends the establishment of two executive Risk and Compliance Committees. These are:

- An EMT-led Committee in the form of an **Executive Risk and Compliance Committee** to support the CEO and the CRO in relation to the oversight of Risk and Compliance matters. This will support the coverage, prominence, and visibility of Risk and Compliance matters at an Executive level.
- A CRO-chaired **Corporate Risk and Compliance Support Forum** similar to the existing Corporate Risk Support Team. It will be important that this Committee represents the principal 1LOD compliance functions.

NOTE: This recommendation will be discussed with the incoming CEO.

2.2.4 Minimum compliance standards for 1LOD functions

As recommended in the Report, a set of minimum standards for 1LOD compliance functions will be developed. These will include the formality of mandate; formality of approach and output; and clarity on the governance path followed. These standards will support the assessment of the maturity of 1LOD functions performing compliance related monitoring and assurance activities. An initial high level assessment against these standards will then be made for at least three functions [i.e. Procurement; the Compliance Unit for Funded Agencies; and HR Pay Compliance Unit].

2.2.5 Formal attendance of the CRO at EMT meetings

The Report recommends that the CRO be in attendance at EMT meetings. This will enable the CRO to have visibility of key strategic, operational and change initiatives that take place across the HSE, and to advise, and perform a review and challenge role as needed at EMT meetings in relation to compliance and risk matters.

NOTE: This proposal will be discussed with the incoming CEO.

2.2.6 Compliance Risk Appetite Statement

A Compliance Risk Appetite Statement will be developed in the context of the current review of the HSE's Risk Appetite Statement.

2.2.7 HSE Compliance Obligations Register

A complete listing of the HSE's compliance obligations will be developed and validated by EMT members

and with owners assigned for each obligation. These obligations will be recorded on a Compliance Obligations Register, with obligations classified by type [e.g. statutory, regulatory etc.] and materiality.

Material obligations will be subject to a higher degree of assurance and with reporting included in ARC compliance updates. This register and material obligations will then form the basis for the Compliance risk assessment and Compliance Monitoring Plan development.

2.2.8 Implementation Plan for the Programme

Once the CCF is established, a multi-year implementation plan will be developed to give effect to the recommendations in the report and to implement the Compliance Framework. This will include the plan for strengthening 1LOD Compliance functions, developing compliance improvement plans and the annual compliance monitoring plan, identification of a technology solution for compliance monitoring, developing and supporting compliance training.

2.2.9 Establishment of RHAs and the future Compliance Operating model

Further work will be undertaken during 2023 to assess the implications for the Compliance Framework resulting from the future design of RHAs and HSE corporate functions.

Conclusion

Implementing the Compliance Framework Future Operating Model as described represents a significant change to the way in which the HSE manages compliance activity across the organisation. As such, the achievability of implementing the Framework will be dependent on a significant organisational commitment. This will involve a substantial multi-year programme of work and the assignment of additional dedicated resources both for the Central Compliance Function and for the further development of the 1LOD activities.