

Audit Committee

Public minutes of the 49th meeting of the Audit Committee held on:-

Date: Thursday 19 March 2015

Time: 10:30 am

Venue: The Council Chamber, Health and Care Professions Council, Park House,
184 Kennington Park Road, London SE11 4BU

Present: Richard Kennett (Chair)
Julie Parker
Graham Towl

In attendance:

Georgia Akuffo-Kumih, Human Resources Business Partner
Claire Amor, Secretary to the Committee
Roy Dunn, Head of Business Process Improvement
Sarah Edwards, National Audit Office
Andy Gillies, Director of Finance
Hayley Graham, Partner Manager
Catherine Hepburn, National Audit Office
Louise Lake, Director of Council and Committee Services
Greg Ross-Sampson, Director of Operations
Marc Seale, Chief Executive and Registrar
James Sherrett, Mazars LLP
Omer Tauqir, Grant Thornton LLP
Anna van der Gaag, Council Chair

Item 1. Chair's welcome and introduction

- 1.1 The Chair welcomed members to the 49th meeting of the Audit Committee. The Chair welcomed Graham Towl to his first meeting of the Audit Committee.
- 1.2 The Chair welcomed Omer Tauqir from Grant Thornton LLP.

Item 2. Apologies for absence

- 2.1 There were no apologies for absence.

Item 3. Approval of agenda

- 3.1 The Committee approved the agenda.

Item 4. Declarations of members' interests

- 4.1 Members had no interests to declare.

Item 5. Minutes of the Audit Committee meeting of 14 November 2014 (report ref: AUD 01/15)

- 5.1 It was agreed that the public minutes of the 48th meeting of the Audit Committee should be confirmed as a true record and signed by the Chair.

Item 6. Business Process Improvement report (report ref: AUD 02/15)

- 6.1 The Committee received a report summarising recent business process improvement work.
- 6.2 The Committee noted the following points:-
 - recruitment for a Business Data Analyst has been put on hold. The specification for the role requires specialist skills which have been difficult to source;
 - the Department has recently undertaken training in assurance mapping and Six Sigma;
 - around fifty per cent of the quality management system has been migrated to the BSI Entropy platform; and
 - the BSI Audit plan has been reviewed and the HCPC are now required to have one and a half audit days every six months. The Executive has requested two complete days every six months.
- 6.3 The Committee discussed the increasing complexity of freedom of information requests. It was noted that volume and complexity have increased since the on-boarding of social workers in 2012. A Secretariat

departmental project will take place in 2015-16 to review and improve this function. It was also noted that any new registration system should make data reporting in this area easier.

- 6.4 The Committee discussed information security training. It was noted that a new package would be rolled out towards the end of April 2015, this would include Partners and Council Members.
- 6.5 The Committee noted the report.

Item 7. Internal Audit Report – Core Financial Systems (report ref: AUD 03/15)

- 7.1 The Committee received a paper for discussion from the Executive.
- 7.2 The Committee noted that Mazars have undertaken a review of the HCPC's Core Financial Systems. This included procurement, treasury management and budget setting and control
- 7.3 The Committee noted that the audit achieved substantial assurance with three housekeeping recommendations emerging.
- 7.4 The Committee agreed with the recommendation that EMT members should complete an annual declaration of interests and an EMT interest register should be maintained. The Committee agreed that the Executive should clearly state the circumstances in which interests are relevant, for example participation in procurement decisions. It was also agreed that monthly EMT meetings should include a standing item for declarations of interests.

ACTION – Secretary to the Committee to amend the EMT monthly meeting agenda template.

- 7.5 The Committee noted the report.

Item 8. Internal Audit Report – Project Management (report ref: AUD 04/15)

- 8.1 The Committee received a paper for discussion from the Executive
- 8.2 The Committee noted that Mazars have undertaken a review of the HCPC's arrangements for Project Management. This included review of the management of the major projects for the Fees Review and SAGE and PRS upgrade.
- 8.3 The Committee noted that the audit achieved substantial assurance with one significant and four housekeeping recommendations emerging. The Committee noted that all recommendations have been completed by the Executive.

8.4 The Committee discussed the recommendation around risk scoring. It was noted that Project Managers regularly discuss this area with the Project Portfolio Manager as part of their performance management and review. Standard documents and templates are also in place to support project managers in managing risk registers.

8.5 The Committee noted the report.

Item 9. Internal Audit Report – Corporate Governance and Risk Management (report ref: AUD 05/15)

9.1 The Committee received a paper for discussion from the Executive

9.2 The Committee noted that Mazars have undertaken a review of the HCPC's arrangements for Corporate Governance and Risk Management. The audit achieved substantial assurance with two housekeeping recommendations emerging.

9.3 The Committee noted that the risk appetite statement was included in the meeting's agenda for approval.

9.4 The Committee discussed the recommendation around the clarity of language used in the risk register. It was agreed that a glossary of key terms should be reviewed.

ACTION – Head of Business Process Improvement to review the risk register.

9.5 The Committee discussed the Corporate Governance Audit. It was noted that the Council's skills matrix and performance review were discussed with the Executive, though recommendations were not made. The Committee noted that the HCPC's skills matrix was comparable with other organisations and that a planned review of the Council member performance review process would consider any upcoming PSA report on governance.

9.6 The Committee noted the report.

Item 10. Internal Audit Report – Performance Management (report ref: AUD 06/15)

10.1 The Committee received a paper for discussion from the Executive.

10.2 The Committee noted that Mazars have undertaken a review of the HCPC's arrangements for Performance Management. The audit achieved substantial assurance with one housekeeping recommendation emerging.

- 10.3 The Committee noted that the recommendation for a six month interim performance review has been implemented by the Executive. The Committee discussed if building more formality into the process was in keeping with the HCPC's culture. The Committee noted that the six month review would focus on personal development and training and that regular informal meetings will continue.
- 10.4 The Committee noted the report.

Item 11. Internal Audit Report – Partners (report ref: AUD 07/15)

- 11.1 The Committee received a paper for discussion from the Executive
- 11.2 The Committee noted that Mazars have undertaken a review of the HCPC's arrangements for managing its Partner function. The audit achieved substantial assurance with one housekeeping recommendation emerging. This recommendation has been implemented by the Executive.
- 11.3 The Committee discussed the methodology of the audit. It was agreed that a future audit of this area could benefit from Partner input.
- 11.4 The Committee discussed the checks carried out at recruitment stage. It was noted that currently no annual declaration is completed by Partners, instead they are held to a code of conduct. The Committee agreed that the new HR and Partners system project should consider the inclusion of an annual declaration mechanism.
- 11.5 The Committee noted the report.

Item 12. Internal audit review of recommendations (report ref: AUD 08/15)

- 12.1 The Committee received a paper for discussion from the Executive.
- 12.2 The Committee discussed the length of time taken to clear the recommendation around HR and Partner system interfaces. It was noted that the recommended improvement would be implemented as part of the HR and Partners system project, however the OJEU procurement process has caused delays to the project. The HCPC now makes more use of framework agreements which are less onerous.
- 12.3 The Committee asked why the recommendation around supplier due diligence has not yet been completed, as previous updates have stated this would be completed by the end of the 2014-15 financial year. The Committee noted that the documentation of procurement procedures has started but is not yet complete due to resource issues. It was noted that the revised date for completion of the documentation was the end of quarter two of 2015-16.

12.4 The Committee noted that the certification from the managing agents of 33 Stannary Street had now been received. The Committee expressed disappointment at the time taken to obtain this documentation.

12.5 The Committee noted the report.

Item 13. Internal audit plan 2015-16 (report ref: AUD 09/15)

13.1 The Committee received a paper for approval from the Executive.

13.2 The Committee noted that:-

- the internal audit service was retendered in November for 2015-16 to 2017-18. As a result, Grant Thornton LLP were selected as the HCPC's Internal Auditors;
- in preparing for the retender, the Committee opted to increase the annual internal audit budget and reduce the number of audits each year with the aim of producing more in depth, value adding audits;
- Grant Thornton LLP have developed their internal audit plan in consultation with the Executive. Grant Thornton has also reviewed the work undertaken by Mazars LLP to avoid duplicating any areas where assurance or advice has been recently provided; and
- the areas for audit in 2016-17 and 2017-18 are outline plans and may be amended based on an assessment of risks and Executive input before the start of the relevant financial years.

13.3 The Committee discussed the proposed audit of the registrations system project. It was noted that the timing of the audit has been planned so as to allow the findings to inform and influence the project and add value.

13.4 The Committee approved the Internal Audit Plan for 2015-16.

Item 14. NAO Interim Audit Report (report ref: AUD 10/15)

14.1 The Committee received a report from the National Audit Office (NAO) detailing the results of their recent interim audit visit.

14.2 The Committee noted that, as part of their audit of the HCPC's 2014-15 Annual Report and Accounts, the NAO carried out audits in November and January. Two more visits are planned for March and May.

14.3 The Committee noted the following points;

- the NAO believes that there is uncertainty as to whether HCPC should be subject to the Cabinet Office spending controls

introduced in 2010 due to the HCPC being classified by the Office of National Statistics (ONS) as a central government body. In addition to this the accounts direction letter issued to the HPC by the Privy Council Office (PCO) in 2003 states that the HPC should act in circumstances associated with its financial responsibilities as if it were a non-departmental public body (NDPB) of the Department of Health. The NAO considers that statement could be interpreted to mean that the PCO intends that the HCPC should (like an NDPB) be subject to the Cabinet Office controls;

- the NAO have indicated that the uncertainty could, under some circumstances, lead to a qualification of the regularity section of their audit opinion;
- the NAO has requested that the HCPC seeks clarification from the PCO on this matter;
- the Executive's view is that application of the Cabinet Office controls would be fundamentally at odds with the HCPC's status as an independent, self-financing body;
- the Department of Health has not suggested that the HCPC or the other eight regulators should be subject to the controls; and
- none of the other eight health sector regulators are classified as central government bodies by the ONS which implies that the HCPC's ONS classification is an anomaly.

- 14.4 The Committee noted that the NAO found no other issues as a result of their audits in November and February.
- 14.5 The Committee discussed the HCPC's accounts direction. The Committee considered that the HCPC was an independent authority and that the classification by the ONS was an anomaly. The Committee agreed that clarification on the PCO's intention should be sought in the long term to remove any uncertainty.
- 14.6 The Committee discussed the potential qualification of the HCPC's accounts. The NAO advised that it currently considers that spend in the relevant categories will not be material in 2014-15 and so qualification will not arise. It was noted that this would depend on the level of spend on IT in the final months of 2014-15 and whether the limits were applied in aggregate or per project. The Committee agreed that clarification on the application of the limits should be sought from the NAO as a matter of urgency to provide a more definite opinion of whether a qualification could arise in 2014-15.
- 14.7 The Committee agreed that, if following this clarification, it appeared possible that the limits would be reached and a qualification was a

possibility, then the matter should be brought to the Council's attention under any other business at its meeting on 25 and 26 March 2015.

- 14.8 The Chair requested that the Executive's correspondence with the NAO on this matter be provided to him following the meeting. It was also agreed that a substantive letter from the NAO outlining its position was required.
- 14.9 The Committee noted that the NAO's Audit Completion Report will be presented at the June Audit Committee meeting.
- 14.10 The Committee noted the report.

Item 15. BSI Audit Report (report ref: AUD 11/15)

- 15.1 The Committee received a paper for discussion from the Executive.
- 15.2 The Committee noted the following points:-
- BSI audited the HCPC on the 4 November 2014, as the third audit of the new three year audit cycle across the whole organisation;
 - the Education, Secretariat, and Human Resources Departments were audited, these areas had been internally audited in advance;
 - the audit schedule has changed to reflect the size of the organisation; and
 - no non-conformances were recorded.
- 15.3 The Committee noted an error in the report. The report stated that freedom of information and data protection were new areas of work for the Secretariat Department. The Department has been responsible for these areas since 2007.
- 15.4 The Committee noted the report.

Item 16. Risk register update including presentations (report ref: AUD 12/15)

- 16.1 The Committee received a paper for discussion from the Executive.
- 16.2 The Director of Operations provided an overview of how the risk management process works at the HCPC and the composition of the risk register. The risks owned by the Director of Operations were discussed, along with their mitigations.

- 16.3 The Committee noted that the registrations department had relied on temporary staff to cover busy periods in the past. The department now relies more on voluntary overtime and weekend work and workforce planning has improved to smooth the busier periods.
- 16.4 The Committee noted that the Executive is currently considering the practicalities of transferring the registration appeals process from the fitness to practise department to the registrations department.
- 16.5 The Head of Business Process Improvement provided a presentation of the risks owned by the post.
- 16.6 The Committee noted the report.

Item 17. Risk Appetite Statement (report ref: AUD 13/15)

- 17.1 The Committee received a paper for approval from the Executive.
- 17.2 The Committee noted that the Risk Appetite will be reviewed during a major business change or every three years, whichever is sooner.
- 17.3 The Committee noted that the Risk Appetite would be included on each iteration of the Corporate Risk Register.
- 17.4 The Committee approved the Risk Appetite Statement.

Item 18. NMR Process Report (report ref: AUD 14/15)

- 18.1 The Committee received a paper for discussion from the Executive.
- 18.2 The Committee discussed learning from the NMR process. It was noted that trends are not possible to identify and events happen at random. However the Executive discusses each report and any recommendations arising at their management meetings.
- 18.3 The Committee noted the report.

Item 19. Any other business

- 19.1 There was no further public business.

Item 20. Date & time of next meeting:

- 20.1 Wednesday 17 June 2015 10.30am.

Resolution

The Committee agreed to adopt the following resolution:

'The Committee hereby resolves that the remainder of the meeting shall be held in private, because the matters being discussed relate to one or more of the following;

- (a) information relating to a registrant, former registrant or applicant for registration;
- (b) information relating to an employee or officer holder, former employee or applicant for any post or office;
- (c) the terms of, or expenditure under, a tender or contract for the purchase or supply of goods or services or the acquisition or disposal of property;
- (d) negotiations or consultation concerning labour relations between the Council and its employees;
- (e) any issue relating to legal proceedings which are being contemplated or instituted by or against the Committee or the Council;
- (f) action being taken to prevent or detect crime or to prosecute offenders;
- (g) the source of information given to the Committee in confidence; or
- (h) any other matter which, in the opinion of the Chair, is confidential or the public disclosure of which would prejudice the effective discharge of the Committee's or Council's functions.'

Item	Reason for Exclusion
21	C

Summary of those matters considered whilst the public were excluded

Item 21. Minutes of the private Audit Committee meeting of 14 November 2014 (report ref: AUD 15/15)

The Committee considered and approved the minutes of the private part of the Audit Committee meeting held on 14 November 2014.

Item 22. Any other business

There was no other business.

**Chair
Date**