

Audit Committee

Public minutes of the 43rd meeting of the Audit Committee held on:-

Date: Tuesday 26 September 2013

Time: 10:30 am

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

Present: Jeff Lucas (Chair)
Julia Drown
Morag MacKellar
Joy Tweed

In attendance:

Alan Carr, Interim Director of Finance
Graeme Clarke, Mazars LLP
Roy Dunn, Head of Business Process Improvement
Sarah Edwards, National Audit Office
Claire Gascoigne, Secretary to the Committee
Kate Mathers, National Audit Office
Charlotte Milner, Head of Financial Accounting
Greg Ross-Sampson, Director of Operations
Marc Seale, Chief Executive and Registrar
James Sherrett, Mazars LLP
Anna van der Gaag, Council Chair

Item 1.13/39 Apologies for absence

1.1 There were no apologies for absence.

Item 2.13/40 Approval of agenda

2.1 The Committee approved the agenda.

Item 3.13/41 Declarations of members' interests

3.1 Members had no interests to declare in connection with the items on the agenda.

Item 4.13/42 Minutes of the Audit Committee meeting of 25 June 2013 (report ref: AUD 26/13)

4.1 It was agreed that the public minutes of the 42nd meeting of the Audit Committee should be confirmed as a true record and signed by the Chair subject to the amendment of the timescale contained within paragraph 6.4 to October 2013.

Item 5.13/43 Matters arising (report ref: AUD 27/13)

5.1 The Committee received a paper to note from the Executive.

5.2 The Committee noted the actions list as agreed at the last meeting. It was noted that the review of checking and banking income processes by the Director of Finance would be complete by the end of the financial year 2013-14.

Item 6.13/44 Business Process Improvement report (report ref: AUD 28/13)

6.1 The Committee received a report summarising business process improvement work.

6.2 The Committee noted the following points;

- the internal audit schedule for 2013-14 has commenced. The archive was audited in August. Policy & Standards and Partners were audited in September;
- three Near Miss events have been declared. NMR35 will be presented to Audit Committee in this meeting;
- BSI will commence the first audit of the new three year cycle on 7 October 2013. This audit will include UK registrations, HR/Partner validation; employee training and development and Policy & Standards; and

- the information security training CBT package for all employees, is being updated prior to use. This will cause a slight delay to implementation.

6.3 The Committee noted that a 'near miss' related to an incident that could impact on the HCPC's reputation. The Committee agreed to receive a paper reviewing the near miss reporting process, along with a brief overview of each near miss incident as an appendix. This paper would be considered by the Committee at its November meeting.

ACTION – Head of Business Process Improvement to report to the Committee on the near miss reporting process.

6.4 The Committee noted the report.

Item 7.13/45 Risk Register update (report ref: AUD 29/13)

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

7.2 The Committee noted that at its meeting in March 2013, it requested more information about HCPC's top risks. Risks scored at High or Medium post mitigation are listed in the Top Risks report, with enhanced description and mitigation detail. The Committee noted that there are some risks where the risk is an on-going one and therefore it is not possible to quantify the date or duration of the last incident.

7.3 The Committee agreed that the format presented allowed for easy identification of key risks and that the enhanced narrative on reputation risk was informative.

7.4 The Committee discussed how it received assurance from project risk registers. It was noted that major projects take up a large part the HCPC's capacity and resources. The Committee agreed that it would receive the Education Systems Build project risk register, in order to discuss the contents of such risk registers. The Committee agreed that it would then decide how frequently it should receive project risk registers.

ACTION – Director of Education to present the Education Systems Build project risk register at the Committee's meeting on 28 November 2013.

7.5 The Committee noted the report.

Item 8.13/46 Risk presentations (report ref: AUD 30/13)

8.1 The Committee received presentations on the risks owned by the Director of Education and the Head of Registrations.

- 8.2 The Committee noted that the Education and Training Committee reviews the outcomes of the Education Department's work to ensure the HCPC's approach to approvals and monitoring remains appropriate for all professions.
- 8.3 The Committee noted that the Education Department works to develop partnerships with visitors and professional groups to mitigate the risk of loss of support from Education Providers or Loss or significant change to funding, commissioning and placement opportunities for approved programme.
- 8.4 The Committee discussed risk 7.1, 'Failure to detect low education providers standards, and risk 7.6', 'Loss or significant change to funding, commissioning and placement opportunities for approved programmes'. The Committee agreed that external intelligence information mitigated these risks.
- 8.5 The Committee discussed risk 10.1 'customer service failures' which had decreased in likelihood from 5 to 4, resulting in a risk score reduction from 25 to 20. This reduction was credited to improved employee forecasting. It was noted that the Registrations Department has a strong focus on creating multi skilled teams to enable it to provide a proactive response to changes in registrant demand.
- 8.6 The Committee noted that the Registrations Department is again working with NHS Protect to engage in a fraud measurement exercise. A sample of international applicants will be audited by NHS Protect to test the robustness of the HCPC process. This work is expected to commence in the new year. In response to a question it was noted that the Department had not researched the fraud percentages on other registers. It was agreed that the results of the NHS Protect audit would be presented to the Audit Committee.
- 8.7 The Committee noted the presentations.

Item 9.13/47 Near Miss Report 35 (report ref: AUD 31/13)

- 9.1 The Committee received a paper for discussion/approval from the Executive.
- 9.2 The Committee noted that following discussions at the Council on 4th July 2013 and the Finance & Resources Committee on 18th July 2013, the Chief Executive asked the Business Process Improvement Department to undertake an investigation into the fees calculation under HCPC's internal Near Miss Report procedures.
- 9.3 The Committee noted that;
- the HCPC's internal investigation process is on- going;

- during the last exercise to update the revenue forecast undertaken within the Finance Department, the appropriate methodology was not used. Instead, revenue was forecast based on historic revenue. This deviation from the documented processes was not communicated to other departments;
- the review undertaken within the Finance Department of these calculations did not go into enough detail to detect the change in the methodology. Therefore the income forecast presented to the Council on 4 July 2013 and the Finance and Resources Committees on 8 July 2013 were calculated without using the correct methodology;
- the models used to forecast revenue were not stored on the Finance Department's shared group directory and were not accessible to other members of the team. This was against HCPC's common practice for departmental work;
- the Director of Finance resigned with effect from the end of August. An Interim Director of Finance was appointed on 12 August 2013;
- the HCPC's internal auditors, Mazars, were commissioned by the Chief Executive to review and report on the operational and financial models used by the HCPC to forecast revenue;
- Mazars independently built their own Excel computer model using the assumptions used by the HCPC. Mazars and the HCPC models were then compared to one another and any discrepancies were identified as separate comments. All comments have now been cleared and closed; and
- Mazars has recommended that the HCPC should consider adopting FAST standards for modelling. The Executive has decided to incorporate the FAST standards initially in the registrant numbers forecast model and the registrant income forecast model and subsequently in other key models.

9.4 In response to a question it was noted that the Finance Department is audited internally by BPI every 12 months from a QMS perspective. This audit would have detected the deviation.

9.5 The Committee discussed the suggested actions resulting from the investigations. It was noted that;

- the Interim Director of Finance is currently undertaking a review of key processes managed by the Finance Department. To date no issues have been identified;

- the process to appoint a permanent Director of Finance has commenced. The process is expected to lead to an appointment by start of December or early 2014;
- the Interim Director of Finance is undertaking a review of the commitments to Internal and External Auditors recommendations. A written report will be brought to the next Audit Committee on 28 November 2013;
- key spread sheets used for budgeting, forecasting and planning will in future be complemented by a narrative document, indicating how the model works including assumptions; and
- all employees will be briefed about the incident by the Chief Executive at a future planned All Employee Meeting to reinforce the critical importance of adhering to documented processes within the HCPC.

9.6 The Committee noted the report

Item 10.13/48 Audit planning report on the 2013-14 financial statement audit (report ref: AUD 31/13)

- 10.1 The Committee received a paper for discussion/approval from the Executive
- 10.2 The Committee noted that the National Audit Office (NAO) external audit strategy for 2013-14 identified the following risks and an audit response for each risk:
- Effectiveness of the control environment. Risks factors include a change in key staff, a change of governance structure and the procurement process;
 - Purchase of the adjacent building; and
 - ISA240 Presumed Fraud risks. Risks factors include management override of controls and income recognition.
- 10.3 The Committee noted that the strategy also identified two areas which may require special attention in the audit:
- financial reporting and transparency of disclosures. It was noted that the HCPC needs to ensure it considers the transparency agenda and how its financial reporting fulfils the requirements of their accounts direction. The HCPC has agreed to review the disclosures within the remuneration report for 2013/14;
 - intangible assets; and

- the fee consultation exercise. The introduction of any new fee increase is not due to take place until April 2014.

- 10.4 The Committee noted that the proposed audit fee would be £39,000, which is no increase from 2012-13. The proposed fee reflected the NAO's estimate of the resources which would be required for the audit and took account of the factors mentioned above.
- 10.5 The Committee approved the external audit strategy.

Item 11.13/49 Internal audit report: core financial processes (report ref: AUD 33/13)

- 11.1 The Committee received a paper for discussion/approval from the Executive.
- 11.2 The Committee noted that as part of the Internal Audit Plan for 2013-14, Mazars have undertaken a review of the HCPC's core financial systems. The areas focused on under this review were asset management, general ledger and payroll. The plan had originally suggested a review of budget setting and control; however this was replaced with payroll as the payroll Bureau arrangements had not previously been subject to internal audit coverage.
- 11.3 The Committee noted that the audit found the HCPC's core financial systems provide substantial assurance. Mazars made three recommendations, one of which was deemed significant. This recommendation was that Sage user access rights and the rights associated with job roles should be reviewed.
- 11.4 The Committee noted the report.

Item 12.13/50 Internal audit report – Follow-up of previous recommendations (report ref: AUD 34/13)

- 12.1 The Committee received a paper for discussion/approval from the Executive.
- 12.2 The Committee noted that Mazars had undertaken a follow-up of previous recommendations from internal audit reports, in accordance with the internal audit plan agreed by the Committee in March 2013. The majority of recommendations had been implemented or were in progress. Where necessary, Mazars had made new recommendations.
- 12.3 The Committee discussed the contingency days which were provided for in the plan. It was noted that Mazars had provided advice on Partners tax status as part of this contingency allotment, however an audit of Partner

expenses has not progressed to date and will be scheduled in the new year. The Committee requested that the tax advice be presented at its November 2013 meeting.

ACTION – Director of Finance to present Mazars Partners tax advice at the Committee's meeting on 28 November 2013.

12.4 The Committee noted the report.

Item 13.13/51 Internal audit review of recommendations (report ref: AUD 35/13)

- 13.1 The Committee received a paper for discussion/approval from the Executive.
- 13.2 The Committee noted that there had been one report finalised since its last meeting. These related to core financial process.
- 13.3 The Committee noted the report.

Item 14.13/52 Any other business

- 14.1 There was no other business.

Item 15.13/53 Date and time of next meeting

- 15.1 The next meeting would be held at 10.30 am on Tuesday 28 November 2013.
- 15.2 Subsequent meetings would be held at 10.30 am on:
Thursday 20 March 2014.

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
9	b

Summary of those matters considered whilst the public were excluded

Item 9.13/54 Near Miss Report 35 (report ref: AUD 31/13)

The Committee discussed the confidential human resources aspects of item 9 Near Miss Report 35 (report ref: AUD 31/13).

Item 16.13/55 Any other business

There was no other business.

Chair

Date