

## Audit Committee

### Public minutes of the 46<sup>th</sup> meeting of the Audit Committee held on:-

**Date:** Tuesday 24 June 2014

**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)  
Keith Ross

### In attendance:

Claire Amor, Secretary to the Committee  
Kayleigh Birtwistle, Quality Compliance Auditor  
Graeme Clark, Mazars  
Roy Dunn, Head of Business Process Improvement  
Sarah Edwards, National Audit Office  
Guy Gaskins, Director of Information Technology  
Andy Gillies, Director of Finance  
Michael Guthrie, Director of Policy and Standards  
Teresa Haskins, Director of Human Resources  
Kate Mathers, National Audit Office  
Greg Ross-Sampson, Director of Operations  
Marc Seale, Chief Executive and Registrar

## **Item 1. Apologies for absence**

1.1 There were no apologies for absence.

## **Item 2. Approval of agenda**

2.1 The Committee approved the agenda subject to the consideration of paper AUD 27/14, Internal audit report: Corporate Governance and Risk Management, following paper AUD 24/14, BSI ISO 9001:2008 Audit Report.

## **Item 3. Declarations of members' interests**

3.1 Keith Ross declared an interest since his wife is a member of the PSA.

## **Item 4. Minutes of the Audit Committee meeting of 28 November 2013 (report ref: AUD 18/14)**

4.1 It was agreed that the public minutes of the 45<sup>th</sup> meeting of the Audit Committee should be confirmed as a true record and signed by the Chair.

## **Item 5. Matters arising (report ref: AUD 19/14)**

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.

## **Item 6. Business Process Improvement report (report ref: AUD 20/14)**

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

6.2 The Committee noted the following points;

- the new role of Quality Compliance Auditor has been filled by Kayleigh Birtwistle, who previously worked in Registrations and FTP;
- a high level new profession on-boarding process has been developed with the Projects department;
- a 'tidy desk' policy has been implemented within the organisation. This policy requires the protection of all personally identifiable information when desks, offices or storage are left unattended; and
- ISO 27001:2013 is being addressed by BPI with the aid of external consultants and current work focuses on reviewing the extensive list of IT controls already in place to ensure they are adequately reflected in the documentation.

6.3 The Committee noted the report.

**Item 7. Annual Report and Accounts 2013-14 (report ref: AUD 21/14)**

7.1 The Committee received a paper from the Executive, containing the draft Annual Report and Accounts for the year ending 31 March 2014, for discussion/approval.

7.2 The Committee noted that the National Audit Office (NAO) had completed their audit and the annual report incorporated their feedback. It was noted that the audit had gone smoothly and no significant matters had been identified. The NAO completion report formed a later item on this agenda

7.3 The Committee noted the tabled amendment to the paper. It agreed that the PSA's annual performance review should be referenced as an assurance.

7.4 The Committee noted that the 5 year plan would be presented to the Council in September 2014 and not July 2014 as stated in the executive summary to the report. This was to enable the plan to be FAST modelled.

7.5 The Committee discussed the treatment of the professional fees in relation the 186 Kennington Park Road building project. It was agreed that these should not be capitalised, but should be treated as operational expenditure as no final decision as to the demolition or refurbishment had yet been reached by Council.

7.6 The Committee agreed to recommend the Annual Report and Accounts to Council for approval subject to the amendments outlined in 7.3 and 7.5.

**Item 8. National Audit Office - Audit Completion Report 2013-14 (report ref: AUD 22/14)**

8.1 The Committee received a paper for discussion from the Executive. The paper contained the National Audit Office report of audit findings for 2013-14.

8.2 The Committee reviewed the NAO findings, including the draft letter of representation and audit certificate. It was noted that The Comptroller and Auditor General anticipates certifying the HCPC 2013-14 financial statements with an unqualified audit opinion, without modification.

8.3 The Committee noted the NAO key findings on the "significant financial statement risks" identified by them in their audit planning;

- due to key HCPC staff changes this financial year, the NAO have not relied on the management accounts as a high level control to provide audit assurance for 2013-14. They will look to take this assurance in future years;
- the NAO did not identify any control weaknesses arising from the restructure of the Council and Committees;
- the NAO are content with the disclosure of the £700K impairment in the Property, Plant and Equipment note in the accounts;
- the HCPC's procurement policy has been found to be adequate and the two tenders let during the year followed due process; and
- the NAO did not identify any issues in the area of "presumed risk of fraud".

8.4 The Committee noted that the future development of 186 Kennington Park Road will continue to be a key audit issue.

8.5 The Committee considered that the unadjusted misstatements, set out in the identified misstatements section, should not be corrected as they are not considered material. Another unadjusted misstatement was found after the NAO report had been written – this is £57k and relates to an overstatement of the provision for the closed Flexiplan pension. NAO confirmed they were happy that this is not adjusted and the Committee agreed with the Executive recommendation not to adjust as this is not a material item.

8.6 The Committee noted the recommendation that the HCPC undertake annual property revaluations. It was noted that this recommendation had been accepted by the Executive and that annual revaluations would take place.

8.7 The Committee noted the report

**Item 9. 186 Kennington Park Road project update and Delivery Environment Complexity Analytic (report ref: AUD 23/14)**

9.1 The Committee received a report from the Executive.

9.2 The Committee noted that, at its meeting of 20 March, It was agreed that the risks of the 186 Kennington Park Road project would be evaluated using the Delivery Environment Complexity Analytic (DECA) toolkit provided by the NAO.

9.3 The Committee noted that;

- DECA provides a focus for discussion and consolidation of existing knowledge through consideration of the likely impact of 12 factors which are key influencers of success or failure;
- the Executive concluded that 5 of the 12 factors are scored as high risk, 3 as medium and 4 as low;
- the conclusion was that the overall risk of the project is medium as the financial considerations are significant, but the technology involved is not complex; and
- a project risk register is already in place and this will be updated as appropriate.

9.4 The Committee discussed the Executive's DECA exercise. It was agreed that it was useful. The Committee agreed that the Executive should obtain independent advice to support its final options analysis paper to Council. It was considered that this would be a significant mitigation against risk.

**ACTION** – Executive to engage independent organisation(s) to provide written report(s) to inform the options appraisal

9.5 The Committee noted the report.

#### **Item 10. BSI ISO 9001:2008 Audit Report (report ref: AUD 06/14)**

10.1 The Committee received a paper from the Executive detailing the findings of a recent BSI audit.

10.2 The Committee noted that BSI audited HCPC on the 6 May 2014. This was the second audit of the new three year audit cycle across the whole organisation.

10.3 The Committee noted that no non-conformances were recorded. The auditor made two observations on opportunities for improvement; to have a more formal Change Approval Board, and to use the IT service desk system to record requests to set up new starter accounts and changes to existing user accounts. These are being considered by the IT team

10.4 The Committee noted the paper

#### **Item 11. Internal audit report: Corporate Governance and Risk Management (report ref: AUD 27/14)**

- 11.1 The Committee received a paper detailing the results of a recent internal audit of the HCPC's arrangements for corporate governance and risk management.
- 11.2 The Committee noted the following points;
- the audit achieved substantial assurance with two housekeeping recommendations;
  - the two recommendations were for the HCPC to consider assurance mapping and the relationship between strategic objectives and existing risks; and
  - the audit included a follow up of recommendations made by Mazars during the 2013-14 Bribery Act audit. Both recommendations resulting from this audit were confirmed to have been implemented.
- 11.3 The Committee discussed the report. It was noted that the Executive had undertaken to explore assurance mapping, and that this was the reason that the management comments were delayed.
- 11.4 The Committee noted the report.

**Item 12. Risk Assurance Mapping and Strategic Objectives (report ref: AUD 25/14)**

- 12.1 The Committee received a report for discussion/approval from the Executive.
- 12.2 The Committee noted the following points;
- the paper resulted from an action of the Audit Committee given to the Executive at its 20 March 2014 meeting;
  - the NAO supplied a sample Assurance Map, an analysis of which suggests that this type of approach would be disproportionate to the scale and role of HCPC;
  - the HCPC revalidates existing risks and mitigations on a six monthly basis. New risks can be added to the register at any time, or existing risks adjusted, following validation by the Executive;
  - risk owners present their risks and mitigations to the Audit Committee on a rolling programme, and individual risks can be discussed in detail;
  - strategic objectives have been mapped to risks and will be validated by risk owners in time for the Autumn Audit Committee meeting; and

- in considering the benefits of assurance mapping, the Executive concluded that this approach would provide no additional assurance at HCPC, and would require additional resources to maintain, and use.
- 12.3 The Committee discussed assurance mapping. The Committee agreed that such a document would be of benefit to the Council and Committee in gaining assurance. It was noted that the Treasury's guidance on assurance maps would be useful in producing a map for the HCPC.
- 12.4 The Committee did not consider that the strategic objectives mapped to risks document added value, and it was content for this not to be implemented if it could be demonstrated that it was already covered by the risk register.
- 12.5 The Committee agreed that the HCPC would produce an assurance map.

**ACTION – Executive** to produce an assurance map for the HCPC.

**Item 13. Risk Management Strategy (report ref: AUD 26/14)**

- 13.1 The Committee received a report detailing the results of a recent internal audit of the HCPC's control and processes for managing stakeholder communications.
- 13.2 The Committee noted that a risk management strategy and associated processes have been documented. The Committee agreed that the Strategy should be amended to include assurance mapping.
- 13.3 The Committee approved the strategy subject to the inclusion of assurance mapping.

**Item 14. Internal Audit Annual Report 2013-14 (report ref: AUD 28/14)**

- 14.1 The Committee received a paper for discussion from the Executive, setting out Mazars internal audit work in 2013-14.
- 14.2 The Committee noted the following points;
- the internal audit strategy and operational plan for 2013-14 was considered and approved by the Audit Committee at its meeting on the 13 March 2013;
  - contingency days were used to undertake a review of HCPC's controls and processes for ensuring partners' expenses are incurred, processed and paid in accordance with HCPC policy;

- Mazars has concluded that the HCPC's governance, risk management and internal control arrangements are generally adequate and effective. Certain weaknesses and exceptions were highlighted in the audit, none of which were fundamental in nature;
  - all audits were given a 'Substantial' level of assurance; and
  - during the year, Mazars made no 'Priority 1' and six 'Priority 2' recommendations. All remaining recommendations were categorised as 'Priority 3'.
- 14.3 The Committee noted that a follow up review of 16 recommendations made by Mazars during 2012-13 found that four had been implemented. 10 recommendations were considered to be in the process of being implemented.
- 14.4 The Committee noted the report.

**Item 15. Internal audit review of recommendations (report ref: AUD 29/14)**

- 15.1 The Committee received a paper for discussion/approval from the Executive.
- 15.2 The Committee agreed that recommendations from BSI reports would be tracked using the paper in future.

**ACTION – Secretary to the Committee** to add BSI recommendations to the tracker document.

- 15.3 The Committee discussed the management responses to the recommendations. It was agreed that some required clarity as to the commitment to implementation.

**ACTION – Executive** to review the tracker document and clarify its responses.

- 15.4 The Committee noted the report.

**Item 16. Risk owned by the Director of Finance (report ref: AUD 30/14)**

- 16.1 The Committee received a presentation on the risks owned by the Director of Finance
- 16.2 The Committee noted that risk 15.6 referred to the HCPC's ability to process payments rather than the non-payment of registrants.
- 16.3 The Committee agreed that risk 16.22 should be expanded beyond the winding up of the flexi plan pension scheme as this was close to



finalisation. It was also agreed that the Director of Human Resources should be included as a risk owner.

**ACTION – Executive** to amend the risk register as outlined in paragraph 16.3.

**Item 17. Risks owned by the Director of Human Resources (report ref: AUD 31/14)**

- 17.1 The Committee received a presentation on the risks owned by the Director of Human Resources.
- 17.2 The Committee noted that a succession plan was in place in the event of the loss of key members of staff as outlined in risk 11.1. Department manuals and documented process also mitigated against the risk of a loss of key post holders. The Committee considered that the risk scoring for 11.1 could be lowered. It was also agreed that the succession plan should be referred to as the organisational plan and not the chief executive plan.
- 17.3 The Committee agreed that the risk scoring for risk 11.8 could be too high and should be reevaluated.

**ACTION – Executive** to amend the risk register as outlined in paragraphs 17.2 and 17.3.

**Item 18. Risks owned by the Director of Policy and Standards (report ref: AUD 32/14)**

- 18.1 The Committee received a presentation on the risks owned by the Director of Policy and Standards
- 18.2 The Committee noted that risk 14.6, loss of corporate memory would have a significant impact on the Department, as it is heavily knowledge based, and recent staff turnover was managed well

**Item 19. Risks owned by the Director of Council and Committee Services (report ref: AUD 33/14)**

- 19.1 The Committee received a presentation on the risks owned by the Director of Council and Committee Services
- 19.2 The Committee noted that the possibility of inability to meet quorums had increased due to the reduced size of the Council.
- 19.3 The Committee noted that staff training was an additional mitigation for 4.13.

- 19.4 The Committee noted that the transition to the smaller Council referred to in risk 4.14 was now complete and the risk could be removed. It was agreed that this risk should be replaced by one covering the PSA's approval of the appointments process.
- 19.5 The Committee agreed that a risk concerning a failure to recruit an appropriate mix of skills on the Council should be added to the register.

**ACTION – Executive** to amend the risk register as outlined in paragraphs 19.4 and 19.5.

**Item 20. Risks owned by the Director of Information Technology (report ref: AUD 34/14)**

- 20.1 The Committee received a presentation on the risks owned by the Director of Information Technology
- 20.2 The Committee noted that information security was a key priority for the department and that increased awareness around hacking had led to enhanced testing.

**Item 21. Audit Committee terms of reference mapping (report ref: AUD 35/14)**

- 21.1 The Committee received a paper from the Executive.
- 21.2 The Committee noted that at its meeting on 20 March 2014, it requested that the Executive undertake a 'mapping exercise' in which the terms of the model terms of reference for an Audit and Risk Assurance Committee as set out in the Treasury's *Audit and Risk Assurance Committee Handbook* (April 2013) would be compared the HCPC's current terms of reference for the Audit Committee.
- 21.3 The Committee noted that the HCPC's scheme of delegation reserves the responsibility for the standing orders of any committee as the Council's alone; however the frequency of the meetings is a decision for the Committee. The Committee agreed that for 2015 onwards, the Committee should meet a minimum of 4 times a year.

**ACTION – Secretary to Council** to amend the Committee dates for 2015 as outlined in paragraph 21.3.

- 21.4 The Committee discussed succession planning for the Committee membership. It was noted that one member of the Committee would be coming to the end of their term of appointment at the end of 2014. The Committee discussed the possibility of appointing a successor to enable a smooth transition, however it was noted that this was a decision for Council.

21.5 The Committee noted the paper.

**Item 22. Any other business**

22.1 The Committee noted that the recent recruitment exercise for the independent member of the Committee was not successful. A new campaign is currently running and the interviews are scheduled for 3 September 2014.

22.2 The Committee noted that planning for the tender for internal audit services had commenced and that the Committee would be consulted outside of the meeting on timescales.

**Item 23. Date & time of next meeting:**

Thursday 9 October 2014 10.30am.

**Chair**

**Date**