

## Audit Committee

### Public minutes of the 50<sup>th</sup> meeting of the Audit Committee held on:-

**Date:** Wednesday 17 June 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

### In attendance:

Claire Amor, Secretary to the Committee  
Charlotte Avery, Head of Financial Accounting  
Kayleigh Birtwistle, Quality Compliance Auditor  
Roy Dunn, Head of Business Process Improvement  
Sarah Edwards, National Audit Office  
Guy Gaskins, Director of Information Technology  
Andy Gillies, Director of Finance  
Catherine Hepburn, National Audit Office  
Emily Hopkinson, National Audit Office  
Greg Ross-Sampson, Director of Operations  
Marc Seale, Chief Executive and Registrar  
James Sherrett, Mazars LLP  
Omer Tauqir, Grant Thornton LLP  
James Wilson, Registration Quality Assurance Manager  
Nicola Wood, Council Member

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

1.1 An apology for absence was received from Graham Towl.

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

2.1 The Committee approved the agenda.

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

3.1 Julie Parker declared an interest as the National Audit Office is a client of Julie Parker Associates Limited, a company owned by Julie Parker. The Committee agreed that this declaration did not prevent Julie Parker's participation in the relevant items. NAO agreed with this view.

### **Item 4. Minutes of the Audit Committee meeting of 19 March 2015 (report ref: AUD 18/15)**

4.1 It was agreed that the public minutes of the 49<sup>th</sup> meeting of the Audit Committee should be confirmed as a true record and signed by the Chair.

### **Item 5. Internal Audit Report – Facilities Management (report ref: AUD 19/15)**

5.1 The Committee received a paper detailing the results of a recent internal audit of the HCPC's arrangements for Facilities Management.

5.2 The Committee noted that the audit was included in the Plan for 2014-15 as there are a number of facilities-related risks identified in HCPC's Risk Register and this area has not been subject to an internal audit review in over four years.

5.3 The Committee noted the following points:-

- two significant and four housekeeping recommendations were made as a result of the audit. The audit obtained adequate assurance overall;
- one significant recommendation was that, for the regular maintenance contractors, the HCPC should put in place formal contractual arrangements over fixed term periods. The second recommendation related to raising POs in advance of work being invoiced and completed;
- by their nature, emergency repair works are carried out at very short notice, and even short delays may increase the level of damage and associated remedial repair costs, which is a factor to consider alongside the normal requirements of the procurement policy; and

- the audit did not cover regular planned maintenance activities.

5.4 The Committee noted the report.

#### **Item 6. Internal Audit Annual Report 2014-15 (report ref: AUD 20/15)**

6.1 The Committee received a paper for discussion from the Executive, setting out the overall conclusions from Mazars' internal audit work in 2014-15.

6.2 The Committee noted the following points:-

- the internal audit strategy and operational plan for 2014-15 was considered and approved by the Audit Committee at its meeting on the 20 March 2014;
- the contingency days allowed for within the plan were not used;
- all but one audit was given a 'Substantial' level of assurance;
- during the year, Mazars made no 'Priority 1' and five 'Priority 2' recommendations. All remaining recommendations were categorised as 'Priority 3'; and
- all recommendations made during the year were accepted by the Executive.

6.3 The Committee noted that 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.

6.4 The Committee and the Executive recorded their thanks to Mazars LLP for the work they had undertaken over the four years of their appointment as internal auditors.

6.5 The Committee noted the report.

#### **Item 7. Internal audit review of recommendations (report ref: AUD 21/15)**

7.1 The Committee received a paper for discussion from the Executive

7.2 The Committee requested that, with respect to DBS checks for fitness to practise employees, this matter be finalised quickly. Grant Thornton offered to enquire as to the approach of other regulators.

**ACTION – Grant Thornton** to feedback as soon as possible and this particular outstanding matter be settled by the Executive no later than the Audit Committee meeting on 8 September 2015.

7.3 The Committee noted the report.

**Item 8. National Audit Office Audit Completion Report on the 2014-15 financial statements (report ref: AUD 22/15)**

8.1 The Committee received a paper for discussion from the Executive. The paper contained the National Audit Office report of audit findings for 2014-15.

8.2 The Committee noted the following points:-

- the NAO's recommendation on the HCPC's accounts direction, discussed at the March Audit Committee meeting has been accepted by the Executive and clarification will be sought from the Privy Council Office;
- the NAO did not identify any issues in the area of "presumed risk of fraud"; and
- NAO recommendations for 2013-14 were met in full.

8.3 The Committee discussed the NAO's recommendation around self-certification of EMT expenses. The Committee agreed that it was not the Committee's or Council's intention that the NAO would look at the area and that internal audit by the BPI team would provide scrutiny as well as the external publication of EMT expenses.

8.4 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 2014-15 financial statements with an unqualified audit opinion, without modification.

8.5 The Committee endorsed the Executive's view that the unadjusted misstatements, set out in the identified misstatements section, should not be corrected as they are not considered material.

8.6 The Committee noted the report.

**Item 9. Annual Report and Accounts 2014-15 (report ref: AUD 23/15)**

9.1 The Committee received a paper from the Executive, containing the draft Annual Report and Accounts for the year ending 31 March 2015, for recommendation to Council.

9.2 The Committee noted the following points:-

- the draft Annual Report and Accounts states that the Council have concluded that the HCPC is a going concern having reviewed the 5 year plan for the period to 31 March 2020;
- the first section of the Report has been split into the “strategic report” and the “management report” in order to comply with the 2014-15 Treasury Financial Reporting Manual; and
- the governance statement includes new detail on the appointment process and the terms Council members can serve, and the remuneration disclosures for Council members now include benefits in kind. This is travel to meetings at Park House, which counts as a taxable benefit

9.3 The Committee noted the amendments to the paper as tabled by the Director of Finance.

9.4 The Committee agreed the following amendments:-

- Julie Parker to be added to the remuneration report;
- EMT remuneration report to be amended to refer to ‘leave’ only;
- additional explanation of why two profession specific standards have not been reviewed on page three; and
- key risks section to be reviewed to align to the corporate risk register top 10 risks

**ACTION - Director of Finance** to amend the annual report as set out in paragraph 9.4.

9.5 The Committee agreed to recommend the Annual Report and Accounts to Council for approval, subject to the amendments outlined in paragraph 9.4.

#### **Item 10. Internal Audit Schedule 2015-16 (report ref: AUD 24/15)**

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

10.2 The Committee noted that Grant Thornton’s internal audit programme for 2015-16 was approved by the Audit Committee at its meeting in March. Grant Thornton have now agreed dates for each audit with the respective EMT sponsors as well as the Committee meeting to which each audit report will be presented.

10.3 The Committee noted the paper.

**Item 11. Business Process Improvement report (report ref: AUD 25/15)**

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

11.2 The Committee noted the following points:-

- the HCPC has achieved ISO27001 certification;
- the Quality Compliance Auditor has undertaken the BSI ISO27001:2013 Internal Auditor course, along with 11 other colleagues from the HCPC;
- various information security awareness activities have taken place around HCPC, designed to ensure employees are fully aware of the requirements to achieve ISO27001 certification; and
- one new Near Miss Report was opened and has been completed since the last meeting of the Committee. This related to an unsecured open window falling from the front of 186 Kennington Park Road in high winds.

11.3 The Committee noted the report.

**Item 12. BSI ISO 9001:2008 Audit Report (report ref: AUD 26/15)**

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

12.2 The Committee noted the following points:-

- BSI audited HCPC on the 29-30 April 2015, as the fourth audit of the new three year audit cycle;
- the Quality Management System and processes, Communications, and Fitness to Practise Departments were audited. All areas had been internally audited in advance;
- no non-conformances were recorded; and
- one Observation was recorded around the time taken to action corrective actions. This occurred as one supplier was required for two projects and therefore resource was not available for both to run at the same time.

12.3 The Committee noted the report.

**Item 13. BSI ISO 27001:2013 Audit Report (report ref: AUD 27/15)**

13.1 The Committee received a report from the Executive.

13.2 The Committee noted the following points:-

- BSI assessed HCPC on the 31 March and again on 20-22 May 2015, as part of the ISO27001:2013 initial certification process;
- one non-conformance was recorded in March, and two in May. A few Observations were recorded;
- the HCPC achieved ISO27001:2013 certification; and
- the BSI team noted that 'It was visible that a lot of work had gone into information security awareness as this was demonstrated during the BSI auditor's testing of employees' awareness across in all the departments'.

13.3 The Committee congratulated the BPI team on achieving certification.

13.4 The Committee noted the report.

**Item 14. Risk owner presentations (report ref: AUD 28/15)**

14.1 The Committee received a presentation on key risks from the Director of Information technology and the Director of Finance.

14.2 The Committee noted the following points with regards to the risks owned by the Director of Information Technology:-

- key risks relate to the continuity, confidentiality and security of information and systems;
- IT risks will be reviewed before the next Audit Committee meeting to take into account developments due to ISO27001;
- internal penetration tests are carried out every two years, or sooner if required by major infrastructure changes;
- attempts to maliciously access the HCPC's systems are blocked every week. Between 10-15 viruses are blocked each month. The HCPC has a good system of IT protection but is not complacent regarding external threats.

14.2 The Committee noted the following points with regards to the risks owned by the Director of Finance:-

- failure of a key supplier is a medium risk for the HCPC. Escrow agreements are in place with these key suppliers to mitigate potential impact;

- the PSA levy will pose a continuing risk to the HCPC as regular fee rises are likely;
- the risk of fraud and theft by HCPC employees is considered to be low and well mitigated, however the reputational damage that would result if this risk materialised is high which makes it a key risk;
- the HCPC's liquidity is healthy and not considered to be a high risk.

**Item 15. Any other business**

15.1 There was no further public business.

**Item 16. Date & time of next meeting:**

16.1 Tuesday 8 September 2015 10.30am.

**Chair**

**Date**

Unconfirmed