

**Agenda Item 6 (i)**

**Enclosure 2**

**Health and Care Professions Council  
07 December 2017**

**Minutes of the Audit Committee meeting held  
on 21 November 2017**

**For information**

**From Stephen Cohen, Chair of the Committee**

Council, 7 December 2017

Minutes of the Audit Committee Meeting 21 November 2017

## Executive Summary

The Audit Committee (AUD) met on 21 November, NAO, haysmacintyre and Grant Thornton representatives attended the meeting but did not take part in the private meeting.

The draft minutes of the public meeting are enclosed. A summary of business considered is set out below.

### **Risk Register & risk owner presentations**

The Committee has discussed possible improvements to the corporate risk register at several previous meetings. It was agreed that a 'blank page' approach workshop would be held early in the new year with the Executive to refocus on strategic risk and produce a register format the Committee will find useful in gaining assurance. The internal and external auditors offered facilitation services for this workshop.

The Committee also received a focused overview of risk from the Director of HR. This focused on the impact of higher employee turnover rates, as discussed at Council in September 2017.

### **Internal Audit progress report**

The 2017-18 Internal Audit plan has undergone several amendments since it was first agreed and progress on issuing final reports has been slow for numerous reasons. The Committee agreed the final iteration of the plan and urged a more even spread of activity for the 2018-19 plan.

### **Month 6 reforecast & 2018-19 income forecast**

The Council agreed during its strategic away day in October that the Audit Committee would review the 2017-18 month 6 forecast and the 2018-19 income forecast in order to gain an early view of the extent of any flexibility in the budget. The Committee noted that there is limited scope for new resource allocation.

### **Service level agreements review**

The Committee discussed the Executive's assessment of risk resulting from contracts without a SLA in place.

### **Risk Register – social worker regulation**

The Committee received an update on recent developments in the establishment of Social Work England.

**The following papers were also discussed;**

- Internal audit recommendations review
- Financial regulations and Procurement Policy review
- BSI ISO9001:2008 Audit Report
- New bank account
- Business Process Improvement report
- External audit planning (private)

<b>Audit Committee</b>
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**Public minutes of the 61<sup>st</sup> meeting of the Audit Committee held on:-**

**Date:** Tuesday 23 November 2017

**Time:** 09:30 am

**Venue:** Rooms D&G, Health and Care Professions Council, Park House,  
184 Kennington Park Road, London SE11 4BU

**Present:** Stephen Cohen (Chair)  
Sue Gallone (items 1-13)  
Eileen Mullan  
Julie Parker

**In attendance:**

Claire Amor, Secretary to the Committee  
Kathryn Burton, Haysmacintyre (items 1-8)  
Madeline Dugmore, National Audit Office  
Roy Dunn, Head of Business Process Improvement (items 1-15)  
Andy Gillies, Director of Finance  
Teresa Haskins, Director of HR (items 1-15)  
Jamie Hunt, Education Manager (items 1-15)  
Paula Lescott, Head of Education Systems & Quality (items 1-15)  
Matthew Nelson, Education Systems & Quality Manager (items 1-15)  
Mike Newbury, National Audit Office (items 1-15)  
Amit Patel, Grant Thornton LLP  
Varsha Patel, Haysmacintyre  
Greg Ross-Sampson, Director of Operations (items 1-15)  
Omer Tauqir, Grant Thornton LLP

## Part 1 - Public

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

1.1 No apologies were received.

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

2.1 The Committee approved the agenda.

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

3.1 The Committee had no interests to declare.

### **Item 4. Minutes of the Audit Committee meeting of 5 September 2017 (report ref: AUD 46/17)**

4.1 The Committee received the draft minutes from its meeting held on 5 September 2017.

4.2 The Committee agreed the minutes.

### **Item 5. Matters arising (report ref: AUD 47/17)**

5.1 The Committee noted those matters arising from the meeting held on 5 September 2017

5.2 The Committee noted the report.

### **Item 6. Risk Register & risk owner presentations (report ref: AUD 49/17)**

6.1 The Committee received a paper from the Executive.

6.2 The Committee noted that the Executive has benchmarked the HCPC's current risk register against the risk registers of two other health and care professions regulators. The Committee agreed that this did not add clarity to the separation of strategic and operational risk.

6.3 The Committee discussed the risk register contents and format. During discussion the following points were made:-

- the current risk register is too large and operationally focused for effective non-executive use. The Committee felt that two registers could exist with one focusing solely on the Council's view of strategic risk;
- if two registers are developed the Committee will need to determine its assurance needs for operational risk. The level of challenge on the risk register at EMT level was discussed;

- risk indicators would help show how risks change over time and if action is required;
  - the recent disappointing PSA performance report indicates that the 'relationship with the PSA' risk in the existing register was not sufficiently mitigated or monitored;
  - members shared their experience in other organisations of risk registers being used to identify priorities and as a tool for resource management; and
  - concern was expressed that the current risk register is reactionary rather than a tool for thinking ahead about risk and prevention.
- 6.4 The Committee agreed that a 'blank page' exercise is required. It was agreed that a workshop session format would be best for developing the Committee's strategic risks and reporting requirements. It was agreed that Haysmacintyre and Grant Thornton would facilitate this session. The National Audit Office offered to contribute.
- 6.5 The Committee agreed that the Executive view on the top strategic risks is essential to informing the new register and requested that the Executive develop a list of their top ten strategic risks to share with Committee members. Members agreed to share their own lists ahead of the session.
- 6.6 The Committee noted that business as usual key performance indicators will be considered at a future meeting.
- 6.7 The Committee received an overview of the risks owned by the Director of HR, focusing on employee recruitment and retention. This followed a recent Council discussion on the increase in employee turnover. The following points were noted:-
- the external environment poses a challenge with the national average turnover increasing to 23%. The HCPC's current rate is 26%. In the previous two years HCPC turnover has been stable at around 18-19%;
  - the main destination for leavers is other regulators and public bodies. The HCPC also recruits from other regulators. The Executive is aware that other regulators are experiencing similar same issues of high turnover;
  - while processes can be reviewed to increase resilience to turnover, increased turnover and recruitment impacts on management resources and productivity;
  - a long term engagement and retention plan is managed by HR and Communications;

- following Council's discussion on retention in September 2017, the Executive have reversed the previous policy of fixed term only recruitment, converting around 30 roles to permanent appointments. This does not introduce additional liability in terms of redundancy costs, as after two years fixed term employees accrue redundancy rights regardless;
- career development and pay are the most cited reasons for leaving the HCPC, a range of measures have been introduced in response to this, encouraging employees to feel able to drive their own development; and
- inter-regulatory secondments have been discussed, but the challenge remains that the regulators are competing with each other for skilled candidates.

6.8 The Committee discussed turnover at Executive level noting this had been 0% for a number of years. Concern was expressed that this posed a risk as the impact if current post holders do leave could be higher due to the long standing nature of the post holders and corporate memory. The Director of HR felt confident that there was sufficient documentation of processes and sufficient knowledge sharing and development of employees at levels below the EMT to mitigate this risk.

6.9 The Director of HR provided the Committee with an update on the service level agreement with the HCPC's payroll provider. It was noted that previous poor performance had been acknowledged and the supplier has made a commitment to improve. Service and responsiveness has improved significantly and a new service level agreement will soon be signed which includes financial implications for failure to meet agreed service standards.

#### **Item 7. Internal Audit progress report (report ref: AUD 50/17)**

7.1 The Committee received a paper from the Internal Auditors, Grant Thornton LLP.

7.2 The Committee noted that there have been a number of scheduling changes to the plan since its last presentation. The Committee noted the following points:-

- following discussion with the Executive and Chair, The proposed strategic and operational planning audit has been deferred to the 2018-19 audit plan due to the current work being undertaken by the Council and Executive in this area;
- it is proposed that, for the 2017-18 plan, the strategic and operational planning audit is replaced with an extended audit on the core financial systems and budgeting and forecasting;

- the timing of the CPD audit is currently in question. The Audit Committee were asked to provide direction on this; and
- Grant Thornton completed a piece of work looking at the delays in the registration project and the lessons to be learned. To allow sufficient time for the lessons to be implemented the timing for the Registration audit has been rescheduled from November 2017 to February 2018.

- 7.4 The Committee discussed the proposed CPD audit. It was agreed that the audit would continue in December focusing on the areas of the process that will not change as a result of the new system.
- 7.5 The Committee discussed the work Grant Thornton has done advising the Executive on quality assurance. It was agreed that this is a high priority area for the HCPC and so the Committee was content that it be included in the internal audit budget. It was noted that the resulting advice will be reported to Audit Committee.
- 7.6 The Committee agreed that the 2018-19 internal audit plan should be more evenly distributed throughout the year. Grant Thornton committed to achieving this.
- 7.7 The Committee approved the changes to the plan.

**Item 8. Internal audit recommendations review (report ref: AUD 51/17)**

- 8.1 The Committee received a paper from the Executive. The paper set out recent progress on implementing recommendations from previous internal audit reports.
- 8.2 The Committee agreed that no further updates are required on the action from the Review of five year plan model functionality and controls review.
- 8.3 The Committee noted the paper.

**Item 9.i. Month 6 reforecast & 2018-19 income forecast (report ref: AUD 52/17)**

- 9.i.1 The Committee received a paper from the Executive.
- 9.i.2 The Committee noted that the Council's strategic away day in October focused on developing a corporate plan for 2018-19. As part of this process, it was agreed that the Audit Committee would review the 2017-18 month 6 forecast and the 2018-19 income forecast in order to gain an early view of the extent of any flexibility in fund allocation.



- 9.i.3 The Committee noted that there is limited scope to allocate new resources within the expected budget. The draft corporate plan will be considered by the Audit Committee in January 2018, with the Council review in March.
- 9.i.4 The Committee questioned if budget holders had been challenged to reduce costs. The Executive provided assurance that in FTP, Education and Registration, budgets were developed bottom up, based on expected activity levels and cost models, and that unit costs are being reduced, for example with the new print providers.
- 9.i.5 The Committee discussed the HCPC's approach to projects. It was noted that the limitation on delivering projects is resource availability as well as costs. The approach to projects has moved from delivery within headcount to increasing the use of backfill resource to free up subject matter experts.
- 9.i.6 The Committee noted the paper.

**Item 9.ii. Financial regulations and Procurement Policy review (report ref: AUD 53/17)**

- 9.ii.1 The Committee received a paper from the Executive.
- 9.ii.2 The Committee noted that at its meeting of 5 September 2017 it agreed that the thresholds for approval of contracts should be different depending on whether the contract was anticipated and specified within the annual budget. The presented policy reflects this change.
- 9.ii.3 During discussion, the Committee noted the following points:-
- it is proposed that contracts specified within the annual budget up to a value of £250k are authorised by the Executive;
  - contracts with an estimated lifetime value over £250k would be signed by the Chief Executive with the approval of the Chair;
  - contracts that were not anticipated and specified within the budget, the Chief Executive's approval threshold would remain at £100k; and
  - budget schedules will include a list of the contracts with an expected lifetime value greater than £100k that are expected to be entered during the year.
- 9.ii.4 The Committee agreed that the list of anticipated contract values for the coming year in the budget schedule should be a private document and not published with the public meeting papers when being considered by Council so as not to place the HCPC at a commercial disadvantage.

- 9.ii.5 The Committee agreed to recommend the revised procurement policy and the financial regulations to Council for approval.

**Item 9.iii. Service level agreements review (report ref: AUD 54/17)**

- 9.iii.1 The Committee received a paper from the Executive.
- 9.iii.2 The Committee noted that the report has been updated with an assessment of risk of those contracts without an SLA.
- 9.iii.3 The Committee noted that this analysis has shown that there are some significant contracts for which an SLA would be appropriate but we do not currently have an SLA. In all but one of these cases the HCPC has plans to move to a framework agreement including an SLA within the next year.
- 9.iii.4 The Executive noted that it had found the exercise useful to centralise documentation.
- 9.iii.5 In response to a question it was noted that the Finance Department have produced a procurement manual for guidance to budget holders, as the HCPC procurement function is not centralised. The Committee agreed that this guidance should be re-promoted, specifically focusing on the value of SLAs.
- 9.iii.6 The Committee noted the paper.

**Item 10. New bank account (report ref: AUD 55/17)**

- 10.1 The Committee received a paper from the Executive.
- 10.2 The Committee noted that the scheme of delegation requires new bank accounts to be approved by the Council. The Audit Committee is asked to recommend the opening of a new bank account to the Council.
- 10.3 The Committee noted that the new account is proposed to be opened with Nationwide. Nationwide currently offers competitive interest rates and has a credit rating of A from Standard and Poor's and Aa3 from Moody's in keeping with the HCPC's investment policy.
- 10.4 The Committee agreed to recommend to Council that a new deposit account with Nationwide should be opened.

**Item 11. Risk Register – social worker regulation (report ref: AUD 56/17)**

- 11.1 The Committee received a paper from the Executive.

- 11.2 The Director of Operations provided the Committee with an update on recent developments on the transfer of regulation of social workers in England. The Committee noted the following points:-
- the Executive is meeting with the government departments regularly to discuss transfer arrangements;
  - the HCPC has provided the government departments with draft budgets for the cost of the transfer expected to be incurred by HCPC, which the government would cover via grant funding. Discussions continue on these budgets;
  - to date, the recruitment campaign for the Chair and CEO of Social Work England has not started; and
  - Government is planning a series of workshops with leaders in social work to inform their draft regulations, these will then be consulted on. Following this parliamentary time will need to be secured.
- 11.3 The Committee agreed that the impact of the recruitment of the Chair and CEO could be large, depending on how active they are in pushing forward their ideas.
- 11.4 The Committee discussed the impact on registrants and the communications challenge facing the HCPC in providing clarity on which regulations are to be followed in the interim.
- 11.5 The Committee noted the paper.

**Item 12. BSI ISO9001:2008 Audit Report (report ref: AUD 57/17)**

- 12.1 The Committee received a paper from the Executive.
- 12.2 The Committee noted that HCPC recently passed an ISO9001:2008 surveillance audit. Two minor non-conformances arose, these being around data analysis and document control.
- 12.3 The Committee noted the contents of the paper.

**Item 13. Business Process Improvement report (report ref: AUD 58/17)**

- 13.1 The Committee received an update on recent work of the Business Process Improvement Department.
- 13.2 The Committee noted that a new business recovery centre has been located and arrangements for transfer are underway.
- 13.3 The Committee noted the contents of the paper.

**Item 14. Any other business**

14.1 There was no further business.

**Item 15. Date & time of next meeting:**

15.1 Tuesday 17 January 2017, 9:30am

**Resolution**

The Committee is invited to adopt one or more of the following:

‘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;

Item	Reason for Exclusion
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(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.’

**Chair.....**

**Date.....**