

Council, 6 July 2017

Minutes of the Audit Committee Meeting 14 June 2017

### Executive Summary

The Audit Committee (AUD) met on 14 June at the Foundry in Oval. NAO and Grant Thornton representatives attended the meeting and met with the Chair privately before the meeting, as per good practice.

Following the meeting a governance workshop was held. Presentations were received from NAO and Grant Thornton on Audit Committee best practice. AUD discussed their remit, however due to time constraints it was agreed to hold a further governance session in July.

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

#### **Internal Audit Report – Property management 405 KPR – noted**

The objective of the audit was to assess whether the new tribunal space is being used efficiently and effectively through appropriate planning and scheduling of hearings.

The audit found that the planning process is robust and focuses on the efficient use of the building. While the scheduling approach is not sophisticated, it works and is understood by all necessary staff

#### **Internal Audit Report – Payroll review – noted**

This audit was undertaken as a focused core financial controls review, as payroll processing is being undertaken by a new provider.

The overall audit finding was that the new payroll process is working adequately and payroll calculations are accurate, however known issues about consistent performance from the provider were highlighted.

- An update from Director of HR was requested in 6 months.
- The Committee requested that the Executive review existing contracts to determine if contractual service level agreements were appropriate to implement. This would be based on risk assessment and the value of the contract.

#### **Internal Audit progress report 2017-18 – noted**

### **Internal Audit annual report 2016-17 – noted**

Based on the reviews undertaken in 2016-17, Grant Thornton have been able to provide substantial assurance in respect of the HCPC's corporate governance, risk management and internal controls.

Grant Thornton emphasised that the HCPC is undergoing substantial change and continued focus is required to ensure performance is maintained.

### **Review of capitalisation, depreciation and amortisation policy – approved**

The capitalisation, depreciation and amortisation policy required review following the Council's approval of the reserves policy in May 2017.

### **NAO report to those charged with governance – noted**

The report summarises the key findings from the NAO's audit of the HCPC's 2016-17 financial statements. The report is on the Council's agenda for 6 July 2017.

- The Committee agreed that the unadjusted misstatements, set out in the identified misstatements section of the report should not be corrected as they were not considered to be material.
- The Committee agreed that the NAO's audit opinion should also be addressed to the Scottish Parliament, as the accounts are laid in Scottish Parliament.

### **Draft annual report and accounts 2016-17 – recommended for approval**

The draft annual report and accounts are on the Council's agenda for 6 July 2017.

- The Committee requested a response from Director of Human Resources on how E&D information is used within the HCPC.
- The Committee requested written advice from the Council's Solicitor on the issue of the Chair as signatory to the annual report. This issue was discussed at Council in May.
- It was agreed that the Annual Report would also include a section on how we plan to mitigate the risks associated with the transfer of the Social Workers to a new regulator.
- The Committee agreed that the draft accounts should be shared with the DoH before publication.

### **Assurance mapping – noted**

The use of the HCPC's assurance map was discussed, with consensus that the current format does not work for the Executive or the Committee.

The Committee agreed that to be meaningful and proportionate the assurance map should focus on key strategic risks.

### **ISO standards assurance – noted**

This item was a presentation from the Head of Business Process Improvement. Its aim was to provide an overview of the various quality assurance activities taking place at the HCPC, with this session focusing on the role of ISO standards.

- The Committee agreed that the presentation should be provided to the Council.

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

The social worker regulation risk register is on the Council's agenda for 6 July 2017.

- The Committee considered that mitigation three for risk S.15.1 required revision as the Council had not agreed that a fee rise would be pursued.

### **Risk owner presentations – noted**

The Director of Operations, Director of Communications and the Head of Business Process Improvement provided an overview of the key risks and mitigations they are responsible for.

The following items were not discussed but were provided for information

- Review of internal audit recommendations
- Penetration testing summary report
- BSI ISO27001 audit report
- BSI ISO9001 audit report
- Registration Department business continuity test

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**Audit Committee**

**Public minutes of the 58<sup>th</sup> meeting of the Audit Committee held on:-**

**Date:** Wednesday 14 June 2017

**Time:** 10:00 am

**Venue:** The Foundry, 17 Oval Way, London SE11 5RR

**Present:** Stephen Cohen (Chair)  
Sue Gallone  
Julie Parker

**In attendance:**

Claire Amor, Secretary to the Committee  
Kayleigh Birtwistle, Quality Compliance Auditor  
Elaine Buckley, Chair of Council  
Madeline Dugmore, National Audit Office  
Roy Dunn, Head of Business Process Improvement  
Andy Gillies, Director of Finance  
Teresa Haskins, Director of Human Resources (item )  
Amit Patel, Grant Thornton LLP  
Greg Ross-Sampson, Director of Operations  
Marc Seale, Chief Executive and Registrar  
Tian Tian, Head of Financial Accounting

## Part 1 - Public

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

- 1.1 Eileen Mullan sent her apologies.

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

- 2.1 The Committee approved the agenda.

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

- 3.1 The Committee noted Julie Parker's standing interest as declared at the Audit Committee meeting on 17 June 2015.

### **Item 4. Minutes of the Audit Committee meeting of 15 March 2017 (report ref: AUD 15/17)**

- 4.1 The Committee received the draft minutes from its last meeting held on 15 March 2017.
- 4.2 The Committee agreed the minutes.

### **Item 5. Internal Audit Report – Property management 405 KPR (report ref: AUD 16/17)**

- 5.1 The Committee received a paper from the Internal Auditor.
- 5.2 During discussion the Committee noted the following points:-
- as part of the Internal Audit Plan for 2016-17, Grant Thornton have undertaken an audit of property management, focusing on the tribunal suite at 405 Kennington Road;
  - the objective of the audit was to assess whether the new tribunal space is being used efficiently and effectively through appropriate planning and scheduling of hearings;
  - the audit found that the planning process is robust and focuses on the efficient use of the building. While scheduling approach is not sophisticated, it works and is understood by all necessary staff;
  - the audit found that utilisation of the tribunal suite was 89% against a year to date forecast of 94%. This was in part due to a high number of non-England cases being held; and
  - two low risk issues were identified during the audit. These were the provision of braille signage throughout the building for visually impaired individuals and the provision of refresher and ongoing training for relevant staff who have to deal with the Press

- 5.3 In response to a questions it was noted that the tribunal suite is not used for overflow of HCPC meetings. Statistics on utilisation refer to tribunal activity only.
- 5.4 The Committee discussed the recommendation on ongoing press training for FTP employees. It was noted that employees are briefed on induction by the Communications team and agreed lines to take are available. Due to hearing employee turnover the schedule of briefings has been delayed, however the Communication team are developing regular ongoing media training.
- 5.5 The Committee noted the report.

**Item 6. Internal Audit Report – Payroll review (report ref: AUD 17/17)**

- 6.1 The Committee received a paper from the Internal Auditor.
- 6.2 During the discussion the Committee noted the following points:-
- as part of the Internal Audit Plan for 2016-17, Grant Thornton have undertaken a review of the core financial controls, focussing on the payroll system;
  - the Core HR system was adopted in December 2016 and payroll is processed by an outsourced payroll provider Payroll Bureau;
  - the objective of the review was to assess the adequacy of processes, procedures and controls in place post implementation and to ensure payroll is being processed accurately;
  - the overall audit finding was that the new payroll process is working adequately and payroll calculations are accurate;
  - the transition to the Core HR system has been more resource intensive than initially expected. At the time of the audit expected efficiency and benefits were not being fully achieved; and
  - two medium and one low priority recommendations resulted from the audit.
- 6.3 The Committee discussed Grant Thornton's recommendation on developing agreed service standards with the payroll bureau. The Committee noted that the Executive were confident that a contractual service level agreement could be agreed. The Committee considered that visibility of quality assurance reports from the payroll bureau should be included in any agreement.

- 6.4 The Committee discussed the difficulties experienced in implementing the new system. It was noted that reviewing lessons learnt is a key part of the HCPC project process.
- 6.5 The Committee agreed to receive an update on the new system's implementation and any outstanding issues from the Director of Human Resources in six months.
- 6.6 The Committee requested that the Executive review existing contracts to determine if contractual service level agreements were appropriate to implement. This would be based on risk assessment and the value of the contract.
- 6.7 The Committee noted the report.

#### **Item 7. Internal Audit progress report 2017-18**

- 7.1 The Committee received a verbal update from the Internal Auditors on the progress of their 2017-18 audit plan.
- 7.2 The Committee noted that the audit plan is progressing to schedule with scoping meetings due to take place shortly with the Executive.

#### **Item 8. Internal Audit annual report 2016-17 (report ref: AUD 18/17)**

- 8.1 The Committee received a paper from the Internal Auditor.
- 8.2 During the discussion the Committee noted the following points:-
- 7 reviews were undertaken in 2016-17. None of the audits highlighted any fundamental or significant issues in respect of risk, governance or control;
  - there were no critical high priority findings raised during the year. In addition, the Executive agreed action plans in relation to all medium priority recommendations raised through internal audit work;
  - Grant Thornton consider that the internal audit plan had good coverage across a range of strategic, core business and financial risks; and
  - based on the reviews undertaken Grant Thornton have been able to provide substantial assurance in respect of the HCPC's corporate governance, risk management and internal controls.
- 8.3 The Committee discussed the internal audit plan for 2017-18. Grant Thornton considered that the plan provides a good balance of focus on strategic issues rather than operational concerns.

- 8.4 In response to a question Grant Thornton stated it had not encountered anything of particular concern during their audits, but that the HCPC was undergoing substantial change and so continued focus is required to ensure performance is maintained. It was noted that if an irregularity was identified this would be escalated to the Executive and Committee separate from the reporting scope.
- 8.5 The Committee noted the paper.

**Item 9. Review of capitalisation, depreciation and amortisation policy (report ref: AUD 19/17)**

- 9.1 The Committee received a paper from the Executive.
- 9.2 The Committee noted that, in May 2017, a revised Reserves Policy was approved by Council, which sets a target range of free reserves. Free reserves are calculated as total reserves less the net book value of fixed assets. The levels of total reserves and free reserves are therefore affected by the capitalisation, depreciation and amortisation policies.
- 9.3 The Committee noted that the depreciation policy takes a conservative view of asset life.
- 9.4 The Committee discussed how appropriate reserves targets are set. It was agreed that this should be based on the organisation's particular circumstances and risk profile. The Committee considered that the HCPC's reserves levels would be relevant if it approached government to propose a fee rise. In the case of a Judicial Review of such a decision, the Court may take into account any reserves held.
- 9.5 At the Committee's request, the NAO confirmed the policy is in line with accounting standards.
- 9.6 The Committee approved the capitalisation, depreciation and amortisation policy.

**Item 10. NAO report to those charged with governance (report ref: AUD 20/17)**

- 10.1 The Committee received a report from the National Audit Office (NAO).
- 10.2 The Committee noted that the report summarises the key findings from the NAO's audit of the HCPC's 2016-17 financial statements. The Committee noted the draft audit certificate.
- 10.3 The Committee noted that the NAO anticipate recommending to the Comptroller and Auditor General that he should certify the 2016-17



financial statements with an unqualified audit opinion, without modification.

- 10.4 The Committee reviewed the NAO's findings as set out in the report, including the draft letters of representation and audit certificates at Appendix 1 and 2. The Committee agreed that the unadjusted misstatements, set out in the identified misstatements section of the report should not be corrected as they were not considered to be material.
- 10.5 The Committee agreed that the NAO's audit opinion should also be addressed to the Scottish Parliament, as the accounts are laid in Scottish Parliament.
- 10.6 The Committee discussed the signatories to the annual report and letter of representation. The NAO advised this was a decision for the Council to make depending on where it feels accountability lies.
- 10.7 The Committee discussed the ordering of the elements within the Annual Report and Accounts varying from that set out in FR&M. It was noted that this decision had been made to enable the report to flow better. NAO advised that following the set ordering allows Parliament to compare the annual reports of different bodies more easily.
- 10.8 The Committee noted the report.

**Item 11. Draft annual report and accounts 2016-17 (report ref: AUD 21/17)**

- 11.1 The Committee received a paper from the Executive, containing the draft annual report and accounts for the year ending 31 March 2017, for recommendation to Council.
- 11.2 During the discussion the Committee noted the following points:-
  - the draft report and accounts were considered by the Council at their meeting of 24 May 2017;
  - there are no significant changes in the structure of the annual report and accounts; and
  - the going concern statement has been expanded at Council's request.
- 11.3 The Committee discussed the statistics around education approval visits. It was noted that the number had reduced from previous years due to the completion of the cycle of social work programme visits.
- 11.4 The Committee noted that the diversity report had been enhanced and asked how this data was used within the HCPC. It was agreed that the Director of Human Resources would be asked to provide a response.

- 11.5 The Committee discussed the Chair of Council's signing of the report and accounts. It was noted that the Order states that the Council shall keep accounts and the report is laid in parliament by the Council. The Chair signs the report on behalf of the Council. The Committee requested written advice on this from the Council's Solicitor.
- 11.6 The Committee noted the HCPC is being consolidated into the Department's group financial statements for the first time in 2016-17. The Committee agreed that, while the HCPC remains an arm's length body independent of the government, the draft report and accounts should be sent to the sponsor department as a courtesy.
- 11.7 The Committee agreed the following amendments:-
- the bullet point on the risks associated with the transfer of regulation of social workers in England should be expanded to include information on how the risk is being mitigated;
  - the second paragraph on page 9 should be amended to clarify the distinction between variable costs and fixed costs; and
  - the term end date for the Chair of the Council is corrected to December 2018.
- 11.3 The Committee to recommend the annual report and accounts to Council for approval, subject to the amendments outlined during their discussion.

**Item 12. Assurance mapping (report ref: AUD 22/17)**

- 12.1 The Committee received a paper from the Executive.
- 12.2 At the Audit Committee of March 2017, the Executive were asked to demonstrate risk assurance mapping for sample parts of the risk register. The assurance map aims to represent the variety of methods of quality assurance applied to HCPC risks.
- 12.3 The Head of Business Process Improvement provided the committee with an overview of the assurance map's use for Operations and Corporate Governance risks.
- 12.4 The Committee discussed the use of the assurance map. It was noted that the Executive presently does not consider it to be a valuable exercise. The assurance map approach was introduced due to a recommendation by the former Internal Auditors.
- 12.5 The Committee agreed that in its present format the assurance map does not provide the Committee with assurance. It was noted that the Audit Committee is listed as an assurance for some risks on the map and that this should be amended in consultation with the Chair of the Committee.

- 12.6 The Committee agreed that to be meaningful and proportionate the assurance map should focus on key strategic risks.
- 12.7 The Committee noted the paper and agreed to return to this subject at the next meeting as time did not allow a full discussion.

**Item 13. ISO standards assurance (report ref: AUD 23/17)**

- 13.1 The Committee received a presentation from the Head of Business Process Improvement on the HCPC's quality assurance function, focusing on the role of ISO standards.
- 13.2 The Committee discussed quality assurance activity within the FTP Department. It was noted that due to its subjective nature, internal quality assurance may be best placed to review decisions and judgements
- 13.3 The Committee considered that it had a role in education quality assurance, focusing on processes and control.
- 13.4 The Committee discussed the risk inherent in third parties being heavily relied upon by the HCPC, through Partners.
- 13.5 The Committee agreed that the presentation should be provided to the Council.

**Item 14. Risk Register – social worker regulation (report ref: AUD 24/17)**

- 14.1 The Committee received a paper from the Executive.
- 14.2 The Social Worker Risk Register and Risk Treatment plan is a document reflecting current and recent levels of risk recognised by risk owners, related to the project to migrate Social Workers in England to a new regulator, Social Work England.
- 14.3 The Committee noted that there had been little change to the register since the Committee last reviewed it.
- 14.4 The Committee considered that mitigation three for risk S.15.1 required revision as the Council had not agreed that a fee rise would be pursued.
- 14.5 The Committee noted the social worker risk register.

**Item 15. Risk owner presentations (report ref: AUD 25/17)**

- 15.1 The Committee received presentations from the Director of Operations, Director of Communications and the Head of Business Process Improvement on the key risks and mitigations of their departments.

The Committee noted the following papers:-

**Item 16. Review of internal audit recommendations (report ref: AUD 26/17)**

**Item 17. Penetration testing summary report (report ref: AUD 27/17)**

**Item 18. BSI ISO27001 audit report (report ref: AUD 28/17)**

**Item 19. BSI ISO9001 audit report (report ref: AUD 29/17)**

**Item 20. Registration Department business continuity test (report ref: AUD 30/17)**

**Item 21. Any other business**

21.1 There was no further business.

**Item 22. Date & time of next meeting:**

22.1 Tuesday 5 September 2017, 10.30am

**Chair.....**

**Date.....**

Unconfirmed