

Agenda Item 11 (i)

Enclosure 7

**Health and Care Professions Council
20 September 2017**

**Minutes of the Audit Committee meeting held
on 5th September 2017**

For information

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

Council, 20 September 2017

Minutes of the Audit Committee Meeting 5 September

Executive Summary

The Audit Committee (AUD) met on 5 September, NAO 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.

Update on National Audit Office 2016-17 audit completion

Collin Wilcox Portfolio Director at the NAO attended the meeting to discuss the NAO's HCPC audit process. This year a late change was required by the NAO, notified after the Council had signed off the accounts. It was agreed there were lessons to be taken away for both the NAO and HCPC.

Financial regulations review – to return in November 2017

The HCPC's financial regulations are reviewed every three years as a minimum. One change was suggested by the Executive relating to contract value signatories. The Committee agreed to consider the regulations in November when non-budgeted expenditure will be treated separately.

The Committee discussed how the Council gains assurance on key contracts. It was agreed that when the budget is submitted to Council it will be accompanied by a list of contracts that were expected to be tendered or retendered in the upcoming financial year. This will enable Council to determine its assurance needs.

Procurement policy review – to return in November 2017

The Committee agreed to consider the reviewed policy in November 2017 for the same reason stated above.

Expenses policy review – recommended to Council

Following the review of the Remuneration Committee's terms of reference in May 2017, the expenses policies will be approved by the Remuneration Committee in future.

Service level agreements review – to return in November 2017

This paper resulted from an action at the Committee's June 2017 meeting.

The Committee agreed that the Executive will return in November 2017 with an assessment of the resulting risk of those contracts without a service level agreement in place.

Internal Audit progress report – agreed

The Committee noted progress on the 2017-18 internal audit plan and agreed the terms of reference for a cyber security review to be undertaken by Grant Thornton. The review will be technically focused rather than a review of process.

Risk owner presentations – noted

The Acting Director of Fitness to Practise, Director of Information Technology and the Director of Finance provided an overview of the key risks and mitigations they are responsible for. The majority of the discussion focused on fitness to practise risks.

Risk Register – social worker regulation – noted

It was noted that a new risk s.2.3 'due to no clear government timetable HCPC delays investment in internal projects' has been added to the register. The Committee discussed the timetable shared by government and its achievability.

The following papers were also discussed;

- Internal audit recommendations review
- ISO standards assurance
- Assurance mapping
- Business Process Improvement report

Audit Committee

Public minutes of the 59th meeting of the Audit Committee held on:-

Date: Tuesday 5 September 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
Eileen Mullan (items 1-15)
Julie Parker

In attendance:

Claire Amor, Secretary to the Committee
John Barwick, Acting Director of Fitness to Practise (items 8-19)
Madeline Dugmore, National Audit Office (items 1-19)
Roy Dunn, Head of Business Process Improvement
Sara Gammon, NAO (items 1-19)
Guy Gaskins, Director of IT (items 8-19)
Andy Gillies, Director of Finance
Abigail Gorringe, Director of Education (items 1-19)
Greg Ross-Sampson, Director of Operations
Omer Tauqir, Grant Thornton LLP (items 7-19)
Tian Tian, Head of Financial Accounting
Colin Wilcox, National Audit Office (items 1-6)

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 noted Julie Parker's standing interest as declared at the Audit Committee meeting on 17 June 2015. Additionally, the Committee noted that during the course of previous public appointments, Julie has had experience of the performance of a number of commercial audit firms as listed in the private paper 'Internal Audit tender'. The Committee did not consider that this was a conflict.

Item 4. Minutes of the Audit Committee meeting of 14 June 2017 (report ref: AUD 31/17)

- 4.1 The Committee received the draft minutes from its last meeting held on 14 June 2017.
- 4.2 The Committee agreed that paragraph 12.6 should be amended to reflect that the assurance map will be developed over time and is considered a live document.
- 4.3 The Committee agreed the minutes.

Item 5. Matters arising (report ref: AUD 32/17)

- 5.1 The Committee noted those matters arising from the meeting held on 14 June 2017
- 5.2 The Committee noted the report.

Item 6. Update on National Audit Office 2016-17 audit completion

- 6.1 The Committee discussed the NAO's delivery of the 2016-17 external audit. Colin Wilcox, Portfolio Director at the NAO provided an overview of the events leading to the late amendment to the accounts. It was noted that the NAO regrets the timing of the amendment but that it considered it was necessary to raise.
- 6.2 The Committee noted that the Executive did not disagree with the requested amendment, but that the late timing of this change had caused concern as it came after the Council had signed the accounts.

- 6.3 It was noted that the NAO's clients generally report at the same time. The NAO provided assurance that it has the resource to ensure all clients' audits are delivered as intended and that smaller clients such as the HCPC are not deprioritised. However the NAO were not able to guarantee that the issue would not occur again due to the human error aspect of the issue.
- 6.4 The Committee noted that the NAO intends to amend its caveat, that not all aspects of the audit are complete when presenting its opinion, to be more specific as to the items outstanding in future. The HCPC agreed that any change in accounting treatment will be flagged to the NAO at an early stage.
- 6.5 The Committee agreed that it is preferable for the NAO's reviews to be complete before the Audit Committee considers the draft accounts.

Item 7. Financial regulations review (report ref: AUD 33/17)

- 7.1 The Committee received a paper from the Executive.
- 7.2 The Committee noted that the HCPC's scheme of delegation and financial regulations were last amended in December 2014. They are reviewed every three years as a minimum.
- 7.3 The Executive's review has found that the financial regulations are operating effectively and no changes are proposed.
- 7.4 One change is proposed to the scheme of delegation. This is to increase the Chief Executive's authority to award contracts from £100k to £250k, in line with the proposed change in the procurement policy. Contracts above £250k would be awarded by the Chief Executive with the approval of the Chair.
- 7.5 The Committee asked why the change is required. It was noted that the Chair's involvement in authorising contracts should be reserved to more significant contracts given the non-executive nature of the role, and that at the current levels the Chair's signature is required on a regular basis. The Committee also noted that contracts that are anticipated within the approved budget for the year are less of a concern for authorisation purposes than contracts which are outside of the approved budget.
- 7.6 The Committee agreed that there should be an amendment to the Financial Regulations (regulation 11) to specify within the budget submitted to Council the significant contracts that were expected to be tendered or retendered in the upcoming financial year.
- 7.7 It was agreed that this would enable the Council to discuss planned procurement activities, with a focus on risk, when considering the annual budget. The threshold at which the Chair's approval is required to award

a contracts should be different depending on whether the contract was anticipated and specified with the annual budget, or whether the contract is for a new supply of goods or services that was not anticipated within the budget. In the former case, the approval threshold should be higher..

- 7.8 The Committee agreed that the Executive would return to the Committee with a recommendation on the appropriate value limits for the Chief Executive's approval of contracts, depending on whether they were or were not specified within the annual budget.

Item 8. Procurement policy review (report ref: AUD 34/17)

- 8.1 The Committee received a paper from the Executive.
- 8.2 The Committee agreed that the same caveat agreed for the scheme of delegation, that the threshold at which the Chair's approval is required to award a contracts should be different depending on whether the contract was anticipated and specified with the annual budget, or whether the contract is for a new supply of goods or services that was not anticipated within the budget, would be added to the procurement policy and that the Executive would return to the Committee with a recommendation on the appropriate value limits for the Chief Executive's approval of contracts, depending on whether they were or were not specified within the annual budget.

Item 9. Expenses policy review (report ref: AUD 35/17)

- 9.1 The Committee received a paper from the Executive.
- 9.2 The Committee noted that the HCPC's expenses policies were last amended in December 2015. Following the review of the Remuneration Committee's terms of reference in May 2017, the expenses policies will be approved by the Remuneration Committee in future.
- 9.3 The Committee discussed the amendment allowing a claim for an upgrade to first class providing a meal if this cost is less than the cost of standalone meal (within policy limits). The Committee considered that the administrative cost of processing the claims may outweigh any cost saving benefit. There was also concern that this change could open to the HCPC to criticism as a public body. However it was agreed that the HCPC should not be unreasonable where no additional cost is incurred.
- 9.4 The Committee discussed the contribution towards a Christmas lunch for employees. It was noted that there was balance to be struck between public perception and employee engagement and morale. The Audit Committee considered that the Remuneration Committee is best placed to consider this during future reviews.

- 9.5 The Committee noted that the Partner expense policy applies a different treatment for FTP panel members and Education visitors in terms of cancellation fees. It was noted that the fees for different roles differed due to the expected amount of pre work that needed to be compensated, and the ability to provide replacement work. It was noted that the expense policies are intended to be as similar as is possible.
- 9.6 The Committee discussed the wording of the warning about abuse of the policies. It was suggested this wording could be stronger to ensure anyone abusing the policies is fully aware of the potential consequences.
- 9.7 The Committee agreed to recommend the revised expense policies to Council for approval.

Item 10. Service level agreements review (report ref: AUD 36/17)

- 10.1 The Committee received a paper from the Executive.
- 10.2 The Committee noted that, following its request in June 2017, the Executive has collated a list of the HCPC's current contracts with an expected value over £100k and provided details about any service level agreements in place.
- 10.3 For the majority of the HCPC's key contracts, service level agreements are in place and are being actively managed. Where an agreement is not in place this will be addressed when the contract is next retendered.
- 10.4 The Committee noted that consideration as to the need for a service level agreement is now part of the procurement process, with draft agreement templates provided.
- 10.5 The Committee requested that the Executive return to the Committee in November 2017 with an assessment of the resulting risk of those contracts without a service level agreement in place.

Item 11. Internal Audit progress report (report ref: AUD 37/17)

- 11.1 The Committee received a paper from the Internal Auditors.
- 11.2 The Internal Auditors provided the Committee with an update on the progress of the 2017-18 internal audit plan.
- 11.3 It was noted that scoping for the strategic and operational planning review is underway and that a draft terms of reference for a cyber security review has been produced for the Committee's consideration.
- 11.4 The Committee discussed the proposed terms of reference for a cyber security review. It was noted that the review will be technically focused

rather than a review of process. The Committee agreed that the review should go ahead as part of the 2017-18 internal audit schedule.

- 11.5 The Internal Auditors informed the Committee that the Executive has commissioned them to undertake some review work separately from the annual plan. This is focused on the Registration Transformation and Improvement project.
- 11.6 The Committee noted the contents of the paper.

Item 12. Internal audit recommendations review (report ref: AUD 38/17)

- 12.1 The Committee received a paper from the Executive. The paper set out recent progress on implementing recommendations from previous internal audit reports.
- 12.2 The Committee discussed and noted the contents of the paper.

Item 13. ISO standards assurance (report ref: AUD 39/17)

- 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. This followed on from the Committee's discussion of the presentation at its meeting in June 2017.
- 13.2 During discussion the following points were noted:-
- the Executive considers that assurance activity is spread appropriately, with a focus on high risk processes that may impact on the HCPC's public protection remit delivery;
 - the internal assurance system is regularly reviewed to ensure its continued effectiveness; and
 - assurance activity is well established and accepted in the HCPC internal culture.
- 13.3 The Committee noted that the Internal Auditors will present to the Council on strategic risk at its development session in September 2017. Strategic risk is also a key theme of the annual strategic away day in October.

Item 14. Assurance mapping (report ref: AUD 40/17)

- 14.1 The Committee received a paper from the Executive.
- 14.2 The Committee noted that the Chair of the Committee and Chair of Council had discussed with the Executive changes to the Committee and Council designations on the assurance map. The Education and Training

Committee and Remuneration Committee have subsequently been proposed as being included as assurance areas. The Committee noted that changes to Committee terms of reference were the remit of the Council.

- 14.3 The Committee agreed that the assurance map should specify that the assurance provided by the Internal Auditors is over the term of their appointment rather than annually.
- 14.4 The Committee agreed that the assurance map provides a clear view of where assurance comes from, but does not provide information on the effectiveness and outcomes of assurance activity.
- 14.5 The internal auditor agreed to share anonymised examples of assurance maps from other similar organisations.

Item 15. Risk Register & risk owner presentations (report ref: AUD 41/17)

- 15.1 The Committee received a paper from the Executive.
- 15.2 The Committee discussed new risk 2.18 'Failure to learn from external high impact events in the regulation sector'. The Committee agreed that the risk needs to be better defined as it is currently too broad. The Committee discussed recent relevant reports on high profile regulatory failings.
- 15.3 The Committee noted that the changes to the mitigations for the risk 'failure to abide by current Equality & Diversity legislation' were to clarify wording only and were not the result of a change to the risk.
- 15.4 The Committee received an overview of key risks owned by the Acting Director of Fitness to Practise. During discussion the following points were noted:-
 - the Fitness to Practise Directorate accounts for the majority of the HCPC's expenditure and is a key risk area;
 - tribunal costs are closely monitored and the historical accuracy of the fitness to practise forecasting model has been very good.
 - an unexpected increase in case volume is a key risk. Due to the time it takes to progress a case, management have the time to prepare by putting in place additional resource if required. For more short term increases resource can be redirected internally;
 - the realignment of the fitness to practise structure has improved the Directorate's ability to react to changes in case volume as resource can be more easily reassigned where needed. The specialisation of teams has also reduced the time required to train a new case manager;

- the Directorate works closely with the Communications Directorate to effectively horizon scan potential increases in referrals due to high profile events. Agreed briefing points enable both teams to respond appropriately to interest in high profile cases; and
 - fitness to practise decisions drawing media criticism is a risk to the HCPC but one that is mitigated in part by the independent nature of the Panels and the oversight role of the PSA.
- 15.5 The Committee received an overview of key risks owned by the Director of Information Technology. During discussion the following points were noted:-
- recruitment remains a challenge for the IT Directorate, as the market is competitive, with candidates focusing on larger organisations in the private sector. However retention is no more of a risk than elsewhere in the HCPC as the HCPC's IT arrangements provide an interesting work environment for skilled IT professionals;
 - succession plans are in place for the IT directorate; and
 - information security is a key focus of the IT Directorate and the Director of IT sits on all technology change project boards to ensure an awareness of potential security issues.
- 15.6 The Committee received an overview of key risks owned by the Director of Finance. Discussion focused on how financial information is monitored and reported.

Item 16. Risk Register – social worker regulation (report ref: AUD 42/17)

- 16.2 The Committee received a paper from the Executive.
- 16.2 During the discussion the following points were raised:-
- 16.3 The Council considered the social worker risk register at its meeting in July 2017. The Council agreed that the Audit Committee should continue to consider the register regularly and escalate it to the Council when it feels its consideration is required.
- 16.4 The Committee noted that the Chair of Council wrote to the Secretary of State as requested by the Council, to communicate the challenges posed to the HCPC by the uncertainty over the government's plans. A response was received but this provided no new information.
- 16.5 The Committee noted that a new risk s.2.3 'due to no clear government timetable HCPC delays investment in internal projects' has been added to the register. The Committee discussed the timetable shared by

government and its achievability. The Committee expressed concern that continued uncertainty would impact on HCPC employee morale and retention.

16.6 The Committee noted that the progression of the new regulator project is dependent on ministerial approval as well as securing time on the legislative schedule. With the priority currently being the UK's exit from the EU this time may be harder to secure.

16.7 The Committee discussed and noted the contents of the risk register.

Item 17. Business Process Improvement report (report ref: AUD 43/17)

17.1 The Committee received a paper from the Executive.

17.2 The Committee noted that the HCPC's office recovery site will be closing at the end of the current financial year. BPI will be evaluating the alternate sites in the South East over the next few months.

17.3 The Committee noted the contents of the paper.

Item 18. Any other business

18.1 There was no further business.

Item 19. Date & time of next meeting:

19.1 Tuesday 21 November 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;
- (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
20	H

Chair.....

Date.....

Unconfirmed