

Audit Committee 16 March 2011

Internal audit report – Governance review

Executive summary and recommendations

Introduction

PKF has undertaken a review of governance arrangements, in accordance with the internal audit plan agreed by the committee in February 2010. The report is attached as an appendix to this paper.

The report rated this area as sound and did not make any recommendations.

Decision

The Committee is asked to discuss the report.

Background information

At its meeting in February 2010, the Committee approved the Internal Audit Plan for 2010-11.

Resource implications

None.

Financial implications

None.

Appendices

Governance and risk management review – report.

Date of paper

4 March 2011.



Health Professions Council

Governance Review 2010/11

Final February 2011

Confidential



Accountants &
business advisers

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1 Introduction and scope

1.1 In accordance with our 2010/11 internal programme for the Health Professions Council ("HPC") that was agreed with the Audit Committee in February 2010, we have undertaken a review of the governance arrangements in operation at the HPC.

Scope of our work

1.2 As specified in our audit programme the aim of this project was to provide assurance to the HPC regarding its governance arrangements.

1.3 We therefore reviewed the HPC's arrangements for managing the organisation's key governance risks.

1.4 The work was carried out primarily by holding discussions with relevant staff and management, reviewing any available documentation and undertaking detailed testing on a sample basis, where required. The audit fieldwork was undertaken in January and February 2011.

1.5 This report has been prepared as part of the internal audit of the HPC under the terms of our engagement letter for internal audit services. It has been prepared for the HPC and we neither accept nor assume any responsibility or duty of care to any third party in relation to it.

1.6 The conclusions and recommendations are based on the results of audit work carried out and are reported in good faith. However, our methodology is dependent upon explanations by managers and sample testing and management should satisfy itself of the validity of any recommendations before acting upon them.

2 Executive summary

- 2.1 This report summarises the work undertaken by PKF within the agreed scope of our review of the governance and risk management arrangements in operation at the HPC. The work was performed as part of our agreed internal audit plan for 2010/11.

Background

- 2.2 The HPC, a body corporate, was set up on 1st April 2002 by the Health Professions Order 2001 and supporting rules and guidance replacing the old Council for Professions Supplementary to Medicine (“CPSM”). It is not part of the Department of Health or the NHS and is an independent public organisation accountable to the Privy Council. As an organisation with a high public profile, the HPC is committed to maintaining the highest standards of governance.
- 2.3 The then Government set out its plans for the regulation of health professionals in the White Paper “*Trust, Assurance and Safety – the Regulation of Health*” in 2007. These plans are currently being implemented through a series of Section 60 Orders.
- 2.4 The most significant development during 2010/11 has been the Coalition Government’s decision to transfer the regulatory functions of the General Social Care Council (“GSCC”) to the HPC as set out in the Health and Social Care Bill 2011, which was published in January 2011.

Our assessment

- 2.5 Based on the audit work carried out we have concluded that the HPC’s governance arrangements during 2010/11 were sound and that the organisation has continued to develop these arrangements to ensure that they meet best practice.

Principal findings

- 2.6 We noted that robust policies and procedures covering the conduct of Council and Committee members are in place at the HPC. The Secretariat ensures that members are provided with the necessary support to be able to follow these and we have noted in our previous reports that action is taken where departures from procedures arise.
- 2.7 The key governance documents that underpin the HPC have been brought together to produce a “manual” detailing how the HPC operates and takes decision, known as the “Code of Corporate Governance.”

- 2.8 The HPC's various governance policy documents are kept under review by the Secretariat, the Chair, the Council and the Executive to ensure that they remain up to date and are fit for purpose.
- 2.9 Some examples of these during 2010/11 are the reviews undertaken of the Code of Conduct and the terms of reference of the Audit Committee.
- 2.10 Members' expense claims are scrutinised carefully in accordance with the HPC's financial procedures. The Chair, the Chief Executive and Registrar, Council and Committee members and employees undergo a formal performance review on an annual basis. We noted that enhancements have been made to the member performance review process during 2010/11.
- 2.11 The members' extranet site provides Council members with access to all the key governance documents for the HPC, together with a series of papers covering the Health Professions Order, the roles and responsibilities of a Council member such as information about the role and how to tackle common issues. Further training and an away day were provided during the year focused upon strategy and they also covered topical and technical matters. Our review indicated that the workload of the Council and its Committees was undertaken in accordance with an agreed timetable with a clear agenda and a commitment to provide the necessary detailed reports to enable members to take informed and timely decisions.
- 2.12 Section 60 orders that will have an impact upon the HPC (or have already begun to do so) relate to the regulation by the HPC of other health professions such as practitioner psychologists, psychotherapists and counsellors, dance movement psychotherapists and hearing aid dispensers. The "on-boarding" of new professions is managed through the HPC's project process and Executive Management Team ("EMT"), since establishing a new register for each profession involves work from many of the HPC's various departments including Registration, Policy and Standards and Operations. We noted that regular progress reports are provided to the Council in relation to each new profession and members' approval sought where necessary for any developments.
- 2.13 The HPC's Executive Management Team is the principal means through which the HPC is seeking to manage its risks in relation to the transfer of the regulatory functions of the GSCC, with regular reports being provided to Council and the relevant committees of Council as well as EMT meetings.
- 2.14 We wish to thank all members of staff for their availability, co-operation and assistance during the course of our review.

PKF (UK) LLP
February 2011

3 Detailed findings

Background

- 3.1 The principal functions of the HPC remain to establish standards of education, training, conduct and performance for members of the relevant health professions and to ensure the maintenance of those standards. As part of its functions the HPC also maintains the Register of members of the relevant health professions. Its main objective in the exercise of its functions is to safeguard the health and well-being of persons using or needing the services of registrants.
- 3.2 The current Council of the HPC was appointed in 2009 and comprises ten registrant members and ten lay members. The Appointments Commission made the appointments on behalf of the Privy Council.
- 3.3 The statutory Fitness to Practise Committees of the HPC (Conduct and Competence, Investigating, Health) still exist, although the Section 60 Order during 2009 removed any policy or oversight function from them. Their role is now limited to hearing individual fitness to practise cases. Thus, the Committees now exist in name only and are comprised solely of panel members. The only “meetings” that the Committees hold, are hearings before a panel. Since 2009, a Fitness to Practise Committee has taken over the policy role of the three statutory committees.
- 3.4 The Education and Training Committee remains a statutory committee and advises the Council on matters relating to education, training and registration. The Education and Training Panels deal with Visitors' reports, annual monitoring reports and major or minor changes to programmes. Membership of the Panels is drawn from the Education and Training Committee.
- 3.5 In addition, there are currently three further non-statutory committees; the Finance and Resources Committee, Audit Committee and Communications Committee. These committees remained in place during 2010/11. All committees are chaired by a member of the Council.
- 3.6 The Finance and Resources Committee also reviews payroll recommendations when it sits as the Remuneration Committee (usually in March).
- 3.7 The Council has a number of Executive departments operating under the leadership of the Chief Executive who is also the Registrar. These departments are as follows:
- Communications;
 - Information Technology;

- Education;
- Finance;
- Fitness to Practise;
- Human Resources;
- Policy and Standards;
- Operations Office;
- Registration; and
- Secretariat.

- 3.8 The EMT meets weekly and its meetings are minuted. EMT membership comprises the Chief Executive and Registrar's direct reports. In addition to the weekly EMT meetings, the HPC holds a "Monthly EMT meeting" which lasts for a morning and is more strategic in terms of the papers considered.
- 3.9 The HPC's financial statements need to be prepared in accordance with Section 46(1)(b) of the Health Professions Order 2001 in a form determined by the Privy Council in its Accounts Direction, which complies with the HM Treasury Guidance on the preparation of accounts for non-Departmental Public Bodies, as if the Council was a non-Departmental Public Body ("NDPB") of the Department of Health.
- 3.10 The National Audit Office has been re-appointed to report on the HPC's financial statements for 2010/11. Internal auditors have also been appointed. The Audit Committee receives regular reports from the auditors at its meetings throughout the year.
- 3.11 The HPC's strategic objectives are set out in its strategy document (The Strategic Intent 2009/10-2014/15). The strategy is reviewed regularly when required by the EMT and the Council and is underpinned by the HPC's five year plan, annual budget and departmental work plans.
- 3.12 Performance reporting continues to be undertaken through the Management Information Pack, which is presented by the Chief Executive and Registrar to each Council Meeting detailing the performance of all of the core areas of the business.
- 3.13 The Finance and Resources Committee and the Council receive a Finance Report, which is reviewed at each meeting. The management accounts are reviewed in detail by the EMT each month.

Governance risks

- 3.14 The principal risks associated with governance and risk management have already been identified by management and are included in the HPC's strategic risk register, which has been reviewed and approved by the Council.
- 3.15 These are as follows:

- Council inability to make decisions;
- Council members' conflicts of interest;
- Poor decision-making e.g. conflicting advice or conflicting advice and decisions;
- Failure to meet Council/Committee quorums;
- Member recruitment problem (with the requisite skills);
- Improper financial incentives offered to Council members/employees;
- Failure to ensure the Health & Safety of Council members;
- Expense claim abuse by members;
- Poor performance by the Chief Executive;
- Poor performance by the Chair;
- Members' poor performance; and
- Operationalisation of Section 60 legislation

3.16 The principal management controls that are in place to mitigate the risks noted above are as follows:

- Policies and procedures on matters such as declarations of interests and gifts and insurance;
- The work of the Secretariat and associated management of committee workload;
- Members', Chair, Chief Executive performance management and appraisal;
- Scheme of delegation and Standing Orders; and
- Council and EMT oversight of Section 60 and other legislative changes.

3.17 The findings of our review of these controls are set out below.

Findings

Policies and procedures

3.18 The HPC's key governance documents are included within its Code of Corporate Governance, which was reviewed and approved by the Council in May 2009. This includes the following policies and procedures that underpin governance and set out the roles and responsibilities of members:

- Code of Conduct;

- Register of members' interests;
 - Gifts, inducements and hospitality policy; and
 - Member/ employee relations protocol.
- 3.19 All Council members are required to abide by the HPC's Code of Conduct and to act in accordance with the Seven Principles of Public Life as set out by the Committee on Standards in Public Life. The Code of Conduct also includes members' specific responsibilities in relation to confidentiality and attending meetings.
- 3.20 In September 2010, Council approved a new process, whereby each member is now required to sign a written declaration to reaffirm their commitment to the Code of Conduct including the Nolan principles on an annual basis.
- 3.21 Members must also complete a declaration of interests and have personal responsibility for ensuring that it is kept up to date. The interests of each member are published on the HPC website. We noted that the declaration of interests form was reviewed during the year and updated to reflect current best practice in relation to more detailed disclosure of memberships of organisations and gifts and hospitality.
- 3.22 If members are participating in Council business where they might have (or be seen to have) an interest in the outcome, or any interest which could prejudice their decision, they should declare this. Dependent upon the nature of the interest Council members may be required to remove themselves from the discussion, or even from the room in certain circumstances, if items on the agenda may raise a serious conflict of interest.
- 3.23 Members must not accept gifts, hospitality or benefits which might be seen to compromise their role or influence the decisions that they take. Gifts offered as a consequence of HPC business must be registered with the Secretariat within a reasonable time, usually one month.
- 3.24 We noted that the HPC is aware of the potential implications of the Bribery Act 2010, which is due to come into force during 2011. As part of our work in relation to governance we have provided the Secretariat with some early indications as to the types of gifts and hospitality that may fall under the Act. Detailed guidance on its interpretation has yet to be issued by the Government and at that time the HPC plans to reassess its documentation and policies to ensure compliance.
- 3.25 Minor breaches of the HPC's Code of Conduct are to be dealt with informally in the first instance, for example by the Chair or another Council member drawing the matter to the member's attention.

- 3.26 Serious or continued breaches are to be addressed by the Chair and may ultimately result in the member's removal from office following a recommendation from Council to the Privy Council. The HPC's insurance arrangements provide travel and personal injury cover for members as well as employees when they are conducting HPC business.
- 3.27 In our view these governance policies and procedures meet best practice and should ensure that the HPC is able to manage the risks of conflicts of interest, receipt of improper incentives by Council members/ employees and the health & safety of Council members.
- 3.28 The HPC's various governance policy documents are kept under review by the Secretariat, the Chair, the Council and the Executive to ensure that they remain up to date and are fit for purpose.

Secretariat

- 3.29 The HPC's Secretariat comprises three members of staff to provide support to the Council, committees and the Executive.
- 3.30 Our review indicated that the workload of the Council and its Committees is undertaken in accordance with an agreed timetable with a clear agenda and a commitment to provide the necessary detailed reports to enable members to take informed and timely decisions. The committee timetable and preparation of agenda papers is co-ordinated by the Secretariat. Reminders to the responsible employees and advisors to prepare the necessary papers and invitations to attend are sent out in advance of each meeting. Guidance has also been in place for Committee Chairmen and Committee Secretaries specifying that inordinate meetings should be postponed or cancelled. Our review indicated that committee meetings have taken place in accordance with the planned timetable during 2010/11.
- 3.31 The members' extranet site provides Council members with access to all the key governance documents for the HPC, together with a series of papers covering the Health Professions Order, the roles and responsibilities of a Council member such as information about the role and how to tackle common issues.
- 3.32 As we noted in our previous review of this area in January 2010, Council members were provided with detailed training and induction upon their appointment in 2009. Council holds an annual away day focusing on strategy and also covering topical and technical matters. For example, at the Council away day in October 2010 discussion focused on the strategic issues associated with the regulation of social workers in England.
- 3.33 We noted that training for all Council members in relation to the Health Professions Order was provided in September 2010 and training specifically requested by members through the performance appraisal process and throughout the year was provided and monitored by the Secretariat.

- 3.34 Members' expense claims are scrutinised carefully in accordance with the HPC's financial procedures. We reviewed the controls over this area as part of our work on the HPC's financial systems (December 2010) and reported that they were satisfactory. The Secretariat also maintains a log of members' expense claims that is reviewed periodically. Any unusual claims are followed up.
- 3.35 In our view the arrangements relating to the effectiveness of the Council and Committee meetings and member expense claims meet best practice and should ensure that the HPC is able to manage the specific governance risks that it has identified in relation to these areas.

Performance management and appraisal

- 3.36 Members are required to complete and sign an annual self-assessment of their performance against competencies and to provide feedback about the HPC and the workings of its Council to the Chair. Members now also receive feedback from the relevant chair of the committee of Council on which they sit. Committee chairs receive feedback on their performance from the members of their committee.
- 3.37 A face to face meeting or a telephone discussion with the Chair of the HPC then takes place to discuss the self-assessments and feedback.
- 3.38 The focus is very much upon self-assessment since the contribution of each individual member to the Council will inevitably differ depending upon their skills. This also ensures that members retain ownership of the contribution that they make to the Council.
- 3.39 A log of the members' performance assessments is maintained by the Secretariat. Our review indicated that all the required performance review meetings with Council members were completed by the end of January 2011.
- 3.40 The HPC Chair was appointed through the Appointments Commission in 2009 on the basis of competencies specified for the role. Members are asked to complete an assessment on the performance of the Chair against these competencies each year. The Chief Executive and Registrar now also provides feedback to the Chair. The results of this assessment are included in a report to the July meeting of Council, which also includes the comments arising from the discussions between the Chair and individual members regarding their performance and the Chair's summary of the overall performance of Council.
- 3.41 Ultimately the Council could exercise its powers under the Health Professions Order to remove the Chair in the event of poor performance.
- 3.42 The Chief Executive and Registrar is appointed by the Council. The performance of the Chief Executive against his objectives and notable achievements for the year is appraised through a pro-forma and face to face meetings with the Chair.

- 3.43 Council now also provides feedback to the Chief Executive and Registrar in relation to five key competencies. The Remuneration Committee considers the remuneration of all senior employees annually, including the Chief Executive and Registrar.
- 3.44 In our view these arrangements meet best practice and enable the HPC to manage the risks associated with the potential poor performance of its members, the Chair and the Chief Executive and Registrar. We have not therefore raised a recommendation in relation to this area.

Scheme of delegation and Standing Orders

- 3.45 We noted that the HPC's Standing Orders, together with the provisions of the Health Professions Order 2001 (the 2001 Order), establish the fundamental rules about how the Council conducts its proceedings. These were updated during 2009 to reflect the new requirements of the Health Professions Council (Constitution) Order 2009.
- 3.46 The key governance documents that underpin the HPC have been brought together to produce a "manual" detailing how the HPC operates and takes decision, known as the "Code of Corporate Governance."
- 3.47 In accordance with Paragraph 17 of Schedule 1 and Paragraph 18 of Schedule 2 to the 2001 Order, the Council has approved separate Rules in the exercise of powers for the Education and Training Committee - the Health Professions Council (Education and Training Committee) (Constitution) Rules 2009, subsequently amended in 2010 following the opening of the register to hearing aid dispensers.
- 3.48 The HPC also has a scheme of delegation which is intended to facilitate the efficient and effective functioning of the HPC. This scheme of delegation is designed to ensure that, so far as possible, the Council and its committees set policy and strategy and that the Executive implements that policy and strategy and is responsible for all operational matters.
- 3.49 The scheme of delegation sets out those decisions which:
- the Council has reserved to itself;
 - it has delegated to its Education and Training Committee;
 - it has delegated to the Chief Executive and Registrar ('the Chief Executive'), some of which may also be exercised by nominated officers of the Executive or by persons nominated by the Chief Executive; and
 - it has delegated to other nominated officers of the Executive.
- 3.50 A separate scheme of delegation has been approved for the Education and Training Committee covering those areas where it retains ultimate responsibility.

- 3.51 During 2010/11 various aspects of the governance documentation have been reviewed to ensure that they remain up to date and fit for purpose. Some examples of these are the reviews undertaken of the Code of Conduct and the terms of reference of the Audit Committee,
- 3.52 The EMT, under the direction of the Chief Executive and Registrar, remains responsible for day to day administration of the Council's affairs.
- 3.53 In our view these arrangements meet best practice and provide the HPC with a clear framework that sets out the responsibilities of the HPC, the Council and the Executive. We have not therefore raised any recommendations in relation to this area.

Section 60 operationalisation and other developments

- 3.54 Section 60 Orders is the term that is used to refer to the legislation that links the Health Act to the Acts or Statutory Instruments of the nine UK regulators of health professionals.
- 3.55 The then Government set out its plans for the regulation of health professionals in the White Paper "*Trust, Assurance and Safety – the Regulation of Health*" in 2007.
- 3.56 In February 2008, Council considered a report setting out the Department of Health's proposals for working with the nine UK regulators of health professionals to implement the changes proposed in the White Paper through a series of Section 60 Orders.
- 3.57 Section 60 orders that will have an impact upon the HPC (or have already begun to do so) relate to the regulation by the HPC of other health professions such as practitioner psychologists, psychotherapists and counsellors, dance movement psychotherapists and hearing aid dispensers.
- 3.58 The "on-boarding" of new professions is managed through the HPC's project process and EMT since establishing a new register for each profession involves work from many of the HPC's various departments including Registration, Policy and Standards and Operations.
- 3.59 We noted that regular progress reports are provided to Council meetings in relation to each new profession and members' approval sought where necessary for any developments.
- 3.60 The most significant development during 2010/11 has been the Government's decision to transfer the regulatory functions of the GSCC to the HPC as set out in the Health and Social Care Bill 2011, which was published in January 2011.
- 3.61 The HPC's senior management team is the principal means through which the HPC is seeking to manage its risks in relation to this matter, with regular reports being provided to Council and the relevant committees of Council as well as EMT meetings.

- 3.62 In November 2010 the Audit Committee requested that we should undertake a distinct review of the HPC's arrangements in relation to the transfer of regulatory functions from the GSCC. A separate report has been prepared in relation to this area and we have not therefore repeated our findings in this document.

4 Assurance definitions

Assurance Level	Definition
Sound	Satisfactory design of internal control that addresses risk and meets best practice and is operating as intended.
Satisfactory	Satisfactory design of internal control that addresses the main risks but falls short of best practice and is operating as intended.
Satisfactory in Most Respects	Generally satisfactory design of internal control that addresses the main risks and is operating as intended but either has control weaknesses or is not operating fully in some significant respect.
Satisfactory Except For.....	Satisfactory design of internal control that addresses the main risks and is operating as intended in most respects but with a major failure in design or operation in the specified area.
Inadequate	Major flaws in design of internal control or significant non operation of controls that leaves significant exposure to risk.