

Audit Committee

Public minutes of the 75th meeting of the Audit Committee held on:-

Date: Monday 3 August 2020

Time: 1 pm

Venue: MS Teams

Present: Sue Gallone (Chair)
Eileen Mullan
Julie Parker
Gavin Scott

In attendance:

Ewan Shears, Secretary to the Committee
Claire Amor, Head of Governance
Jacqueline Ladds, Executive Director of Policy and External Relations
Tian Tian, Director of Finance
Alex Gillespie, Haysmacintyre
Andrew Ferguson, National Audit Office

Public

Item 1. Chairs welcome and introduction

- 1.1 The Chair welcomed those present to the 75th meeting of the Audit Committee.
- 1.2 The Committee noted that the meeting had been called in order to review the Draft Annual Report and Accounts 2019-20.

Item 2. Apologies for absence

- 2.1 No apologies were received.

Item 3. Approval of agenda

- 3.1 The Committee approved the agenda.

Item 4. Declarations of members' interests

- 4.1 The Committee had no interests to declare.

Item 5. Minutes of the Audit Committee meeting of 10 June 2020 (report ref: AUD 34/20)

- 5.1 The Committee approved the minutes from its meeting held on 10 June 2020.

Item 6. Matters arising (report ref: AUD 35/20)

- 6.1 The Committee noted this item.
- 6.2 In relation to matter arising 17, the Head of Governance confirmed that there had been initial conversations with the Chair of Council, and this will be followed up with the Chair of Audit Committee to take forward.
- 6.3 The Executive clarified in relation to matter arising 9, that co-opted members of SMT attend the meetings, but do not have the same level of control as an Executive Director.
- 6.4 In relation to matter arising 16, the Executive confirmed that BDO was the sole provider proposing a workshop on, 'what don't we know' and that it was the HCPC's expectation that this would be offered as part of the annual contract. The Committee agreed that it would be preferable for the Council to take part in this workshop. The Head of Governance and the Chair of Audit Committee will explore this further.

Item 7. Draft Annual Report and Accounts 2019-20 (report ref: AUD 36/20)

- 7.1 The Committee received the latest draft Annual Report and Accounts (AR&A) for 2019-20 from the Director of Finance. The Committee was invited to review the draft report and provide feedback on it.
- 7.2 The Committee noted that the report had been updated with initial feedback from the National Audit Office (NAO) on the financial statement and remuneration report, as well as feedback from the Audit Committee meeting of 10 June 2020.
- 7.3 The Committee noted that further review points had been received from the NAO, Haysmacintyre and Committee Member Gavin Scott, and that those changes would be reflected in the final draft to be presented to the Audit Committee at its September meeting of 17 September 2020. The changes were summarised as follows: -
- wording changes to ensure transparency in relation to the failure of PSA standards, and for this to be more visible in the front section of the AR&A
 - disclosure of agency costs and the full-time equivalence for members of the Senior Management Team paid through an agency; and
 - a change of wording on the accounting policies.
- 7.4 The Director of Finance highlighted the uncertainties of property valuation as of 31 March 2020, due to the impact of COVID-19 on the property market. The Committee noted that the report was caveated by the surveyor and that there was likely to be an Emphasis of Matter Paragraph in the external audit report to highlight the uncertainty if the surveyor could not give an assured figure.
- 7.5 Haysmacintyre advised the Committee, that with the lockdown easing and the property market picking up, the surveyor should be better placed to provide a firmer valuation and remove the caveats and uncertainties. This would not require a re-valuation by the surveyor. The Committee noted that the HCPC accounting policy required the valuation figure. The Executive agreed to revert to the surveyor and request an updated and assured property valuation.
- 7.6 In response to a question, the Committee noted that the HCPC provided a defined contribution pension scheme and there was therefore no pension valuation in the accounts.
- 7.7 In a response to a question on going concern and related to the cost base, the Executive confirmed that the emergency legislation that enabled the temporary registers to be opened, was set for a maximum of

two years with review points during that time. The Executive confirmed that the HCPC was planning on closing the student register in September 2020 and that the temporary register for former registrants would go through a similar process at a later date, with an expectation that individuals transfer to the Register if they were continuing to practice.

- 7.8 In a response to a suggestion on the future developments section of the report, the Executive agreed to consider ordering the list by importance with the Corporate Strategy being at the top.
- 7.9 The Committee agreed that a note on consultancy and off-payroll engagement should be reviewed for consistency in relation to the remuneration report. The NAO advised the Committee that a solution could be a line of narrative underneath the remuneration report to clarify any persons employed in a temporary role, off payroll.
- 7.10 In response to a question, The Director of Finance confirmed that a balance sheet review was carried out at the end of each financial year.
- 7.11 The Committee noted that accruals had risen this year in part, due to settlement payments to the outgoing Chief Executive and Executive Director of IT & Resources.
- 7.12 Member Gavin Scott commented that the report could be shorter, sharper and include visual elements. The Executive noted that part of the reason for not using visual elements was due to the report being a statutory document and that the planned 'year in highlights' would contain visuals, highlighting the key messages to HCPC stakeholders.
- 7.13 The Committee noted that statutory documents can include visual elements and encouraged the Executive to consider this and review the content of the report to reduce its size for future years.
- 7.14 The Committee agreed that the report should include future messaging, with elements relating to items such as the prevention strategy and HCPC's desire for regulatory reform. It was suggested that these should be considered for inclusion in the Chair's forward. The Executive agreed to review the report and to ensure the future messaging is clear.
- 7.15 The Committee noted that the total cost per registrant had risen by £26 and the total reserve had risen by £5 per registrant. The Committee highlighted this as an example where messaging should be focused proactively due to the interest it might attract from registrants.
- 7.16 The Committee agreed that the costs of the transformation work including those of the consultants utilised throughout the year should be clearly set out in the AR&A.
- 7.17 The Committee discussed acting within the spirit of managing public money and it was suggested that the settlements paid out in the year, although stated clearly could also be highlighted as novel and

contentious and listed under special payments. The NAO committed to follow this up with the Director of Finance as part of their review.

- 7.18 The Committee further discussed the settlement payments in the report and agreed that while the report is clear and transparent in relation to settlements, the use language along with the public statements made at the time of departure from those posts, appeared to be inconsistent. The Executive agreed to review and correct any inconsistencies.
- 7.19 The Committee agreed that the messaging should be stronger in relation to the transformation of the organisation and the changes that were necessary, and that this should be included in the remuneration report given the settlement payments made.
- 7.20 The Committee agreed the following changes to the report and committed to passing on any further comments to the Executive by email following the meeting: -
- the current and previous reserves policy is stated in two different areas of the report and could be confusing. The Executive should review for consistency.
 - contingent liabilities referenced at note 18 of the Notes to the Financial statements for year ended 31 March 2020, should provide a fuller explanation and be consistent with the Parliamentary accountability and audit report section.
 - the Chair of Audit Committee is a Lay Member of Council and this should be amended accordingly in the report.
 - the remuneration table should include the current Chief Executive's full-time equivalent salary.
 - note 19 of the Notes to the Financial statements for year ended 31 March 2020 should be updated in relation to the remuneration of Council members.
- 7.21 The Committee agreed that the opportunity to review the AR&A as a standalone item was welcomed and should be considered in future years

Item 8 External Audit 2019-20 update

- 8.1 The Committee received a verbal update from Haysmacintyre and the NAO.
- 8.2 Alex Gillespie of Haysmacintyre reported that the majority of the audit work was almost complete and that there had been good progress from the position last reported in June. The Committee noted that some work on the updated disclosures remained outstanding, as well as the NAO review.

- 8.3 The Committee were assured by Haysmacintyre that the external audit would deliver the schedule for the September Audit Committee meeting.
- 8.4 Andrew Ferguson of the NAO noted that the NAO did not foresee any issues with the September timetable.
- 8.5 Alex Gillespie noted that some of the ongoing points coming out of the audit were about efficiencies of systems and the integration of financial reporting. It was noted that these were currently being addressed through the improvement programme.
- 8.6 The Committee noted that it had been a challenging and unique year for the HCPC with a confluence of factors coming together. The Executive confirmed that the HCPC plans to revert to the normal timelines for the AR&A production in 2020-21
- 8.7 The Executive agreed to update the members of Audit Committee should anything of significance be raised prior to the September meeting.

Item 9. Any other business

- 9.1 There was no other business

Item 10. Date & time of next meeting:

- 10.1 Thursday 17 September 2020, 1pm

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
11	H
12	H

Chair.....
Date.....

Unconfirmed