Audit Committee

Public minutes of the 52nd meeting of the Audit Committee held on:-

Date: Thursday 26 November 2015

Time: 10:30 am

Venue: The Council Chamber, Health and Care Professions Council, Park House, 184 Kennington Park Road, London SE11 4BU

Present: Richard Kennett (Chair)
              Julie Parker
              Stephen Cohen

In attendance:
Claire Amor, Secretary to the Committee
Elaine Buckley, Chair of Council
Kayleigh Birtwistle, Quality Compliance Auditor
Roy Dunn, Head of Business Process Improvement
Sara Gammon, National Audit Office
Emily Hopkinson, National Audit Office
Andy Gillies, Director of Finance
Michael Guthrie, Director of Policy and Standards
Greg Ross-Sampson, Director of Operations
Marc Seale, Chief Executive and Registrar
Stuart Smith, Grant Thornton LLP
Omer Tauqir, Grant Thornton LLP

Item 1. Apologies for absence

1.1   There were no apologies for absence.

1.2   The Chair welcomed Stephen Cohen to his first meeting of the Audit Committee.

Item 2. Approval of agenda

2.1   The Committee approved the agenda.

Item 3. Declarations of members' interests

3.1   No new interest was declared. 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 17 June 2015 (report ref: AUD 37/15)

4.1   It was agreed that the public minutes of the 51st meeting of the Audit Committee should be confirmed as a true record and signed by the Chair.

Item 5. Matters arising (report ref: AUD 38/15)

5.1   The Committee noted those matters arising from the meeting held on 8 September 2015.

Items for discussion/approval

Item 6. NAO external audit plan 2015-16 (report ref: AUD 39/15)

6.1   The Committee received a paper from the Executive.

6.2   The Committee noted that the audit approach and timetable will be similar to previous years, with two short interim visits in November and March, and a final visit of two weeks in May with certification planned for early July 2016. The proposed audit fee remains at £39,000, which is no increase from 2014-15.

6.3   The Committee noted that the matters of emphasis for the 2015-16 audit would be plans for HCPC offices, changes to HCPC's accounting system and the Registration systems project.

6.4   The Committee noted that both items followed up from the previous year's audit were now considered closed. The HCPC has received a new accounts direction from the Privy Council Office and clarification around self-certification of expenses has been provided.

6.5   The NAO provided the committee with an overview of the FReM 2015-16 changes, which include the adoption of IFRS 13 and changes to structure and content of Annual Report and Accounts. The Committee noted that changes to the Annual Report and Accounts would need to be clearly explained to the Council when it was presented for approval.

6.6   The Committee approved the external audit plan for 2015-16.

Item 7. Internal audit report: Review of 5 year plan functionality and controls (report ref: AUD 40/15)

7.1   The Committee received a paper from the Executive

7.2   The Committee noted that as part of Grant Thornton's 2015-16 Internal Audit Plan, it was agreed that a review of the HCPC's planning models would be undertaken.

7.3   The Committee noted that:-

- it was agreed with the Executive that the higher risk areas of forecasting relate to revenues, cash receipts and registrant numbers. Therefore the review focused more on these areas;

- Grant Thornton's overall view of the audit was that the model was fit for purpose and the HCPC employees using the model are generally comfortable with how it operates;

- Grant Thornton identified a number of concerns with the model size and the flexibility for future business changes. It was also noted that the number of employees able to use the model is limited and that consideration should be given to succession planning and documenting a manual for the model;

- the Executive agree that the model is large, this is because the model was over-engineered when first delivered. The model has undergone modification for business purposes since it was first put in place. Some of these changes are not fully FAST compliant and this will be addressed;

- Grant Thornton have recommended some derogations from FAST to improve the ease of use of the model. In addition further integrity checks have been recommended as well as a change control tracking sheet. This has been agreed by the Executive;

- any changes will be tested in order to ensure the model still produces the same results after simplification. The rationale for the changes will be documented; and

- the HCPC maintains a basic Registrant numbers forecast model as a 'sense check' on the high level outputs from the Registrant numbers module of the FAST model.

7.4   The Committee agreed that an overall audit opinion should be foregrounded in future reports. The Executive agreed to produce a clear agreement of recommendations for the recommendations tracker document to be presented in March 2016.

7.5   The Committee noted that the forecast uses a five year timescale because the process for raising fees if required takes at least two years, therefore longer distance planning is required. However it is not possible to be highly accurate in the longer term.

7.6   The Committee noted that the timescales outlined in the management responses to recommendations were quite short. It asked if these could be met. The executive stated that the intention was to have amendments in place for the next publication of the five year plan in June 2016.

7.7   In response to a question the Committee noted that the on-boarding of a new profession to the HCPC register would not impact on the functioning of the model as it was adaptable to this.

7.8   The Committee discussed and noted the report.

Item 8. Review of internal audit recommendations (report ref: AUD 41/15)

8.1   The Committee received a paper from the Executive.

8.2   The Committee noted progress made in implementing internal audit recommendations since the last meeting of the Committee on 8 September 2015

Item 9. Procurement Policy (report ref: AUD 42/15)

9.1   The Committee received a paper from the Executive.

9.2   The Committee noted that it reviewed a draft revision of the policy at its meeting on 8 September 2015. The points raised by the Committee at that meeting have now been addressed and a revised draft policy is presented for recommendation to Council.

9.3   The Committee noted that members had queried the capacity in which the Chair signs contracts. The Executive has revised this section of the policy and the intention is that the Chair will no longer sign contracts. For contracts above the Chief Executive's approval threshold, the Chief Executive will be required to seek the Chair's approval to enter the contract.

9.4   The Committee noted that the policy does not require that the Chair reports back to Council on contracts that she has approved the Chief Executive to sign. This is not mandated for other functions either such as signing cheques over £50k. The Committee agreed that trust was placed in the executive by the scheme of delegation, and that reporting of all contracts signed was not required.

9.5   The Committee agreed that very high value contracts of strategic importance would continue to be taken to Council as and when this was required.

9.6   In response to a question it was noted that a Director would not be able to approve contracts at the Chief Executive threshold when designated acting Chief Executive.

9.7   The Committee agreed to recommend the revised Procurement Policy to Council for approval.

Item 10. Proposed change in the capitalisation threshold (report ref: AUD 43/15)

10.1   The Committee received a paper from the Executive.

10.2   The Committee noted that the current capitalisation threshold for fixed assets is £1,000. The Executive proposes to increase it to £5,000 in order to simplify bookkeeping. The effect of the change on the balance sheet and the Income and Expenditure account will be small, a 3% reduction in the value of fixed assets, and a matching £150k increase in 2015-16 expenditure. The NAO have indicated they have no objection to the change.

10.3   The Committee approved the increase in the capitalisation threshold to £5,000.

Item 11. Change in the bank mandate (report ref: AUD 44/15)

11.1   The Committee received a paper from the Executive.

11.2   The Committee noted that the Financial Regulations require all payments to be approved by two signatories. Where a payment to an individual beneficiary is more than £50,000, one of the signatories must be from "List B". List B includes the Chair and previously included a former Council member. The Chair has approved the addition of Stephen Cohen to List B. There is currently only one or two non-recurrent payments over £50,000 requiring a List B signatory a month.

11.3   The Committee noted the paper.

Item 12. Business Process Improvement report (report ref: AUD 45/15)

12.1   The Committee received a paper from the Executive.

12.2   The Committee noted:-

- one new Near Miss Report has been declared around the storage of data on shared drives;

- the migration of the Quality Management System to an externally hosted system has been terminated as it was incompatible with the HCPC's requirements following an upgrade. It is now planned to migrate the QMS to a hosted MS SharePoint environment over the autumn;

- the ISO9001:2008 two day audit took place on 22 and 23 October. No areas of non-conformance were found. The next audit will take place in April 2016;

- the new ISO9001:2015 standard has been published. The HCPC will move to the new standard between April and October next year;

- work on the Shadow Planner Disaster Recovery solution continues. A demonstration was provided to EMT in October on HCPC Blackberry devices; and

- plans for an Information Security week are in progress and BPI are still determining which CBT package to procure for employees, Partners and Council members. It is still expected that the deadline of February 2016 will be met.

12.3   The Committee noted the report.

Item 13. BSI ISO9001:2008 audit report (report ref: AUD 46/15)

13.1   The Committee received a paper from the Executive.

13.2   The Committee noted that BSI audited HCPC on the 22 and 23 October 2015, as the fifth audit of the current three year audit cycle. The audit covered business overview, QMS processes, Projects, Registrations CPD, Operations, quality assurance, IT infrastructure & service support, Secretariat, customer services, information governance and Council processes.

13.3   No non-conformances were recorded and the HCPC have been recommended for continued registration.

13.4   The Committee noted the report.

Item 14. Risk Assurance mapping (report ref: AUD 47/15)

14.1   The Committee received a paper from the Executive.

14.2   The Committee noted that at its meeting of 8 September 2015, the Executive were asked to provide examples of the risk assurance mapping for sample parts of the risk register.

14.3   The Committee agreed that the Executive had achieved what the Committee had requested in terms of assurance mapping and that the presented format was sufficient.

14.4   The Committee noted the report.

Item 15. Risk owner presentations (report ref: AUD 48/15)

15.1   The Committee received a paper from the Executive.

15.2   The Committee received an overview of the risks owned by the Chief Executive, Chair and Director of Policy and Standards. It noted the following points:-

- the strategic intent has been revised with input from the Council away day. Council will consider the final document at its meeting in December 2015;

- a piece of work is taking place to coordinate Council and Committee agendas more formally;

- the Council members' performance review process will be revised in 2016; and

- it was agreed that succession planning for the Chief Executive was a point to be discussed with Council as a whole.

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Item 16. Election of Chair (report ref: AUD 49/15)

16.1   The Committee received a paper from the Executive.

16.2   The Committee noted that in February 2014 the Council appointed Richard Kennett as Chair of the Audit Committee for a term of two years. In accordance with the process for the election of Chairs of Committees, it is now necessary for the Committee to make a nomination to the Council for ratification. This nomination will be submitted for ratification by Council at their meeting on 3 December 2015.

16.3   The Committee nominated Richard Kennett to be reappointed by the Council as Chair of the Audit Committee.

Item 17. Any other business

17.1   There was no further business.

Item 13. Date & time of next meeting:

13.1   Wednesday 16 March 2016 10.30am

Chair

Date