

<b>Audit Committee</b>
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**Public minutes of the 57<sup>th</sup> meeting of the Audit Committee held on:-**

**Date:** Wednesday 15 March 2017

**Time:** 10:30 am

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

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

**In attendance:**

Claire Amor, Secretary to the Committee  
Elaine Buckley, Chair of Council  
Ruth Cooper, Service and Complaints Manager  
Madeline Dugmore, National Audit Office  
Roy Dunn, Head of Business Process Improvement  
Sara Gammon, National Audit Office  
Andy Gillies, Director of Finance  
Michael Guthrie, Director of Policy and Standards  
Teresa Haskins, Director of Human Resources  
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 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.

### **Item 4. Minutes of the Audit Committee meeting of 22 November 2016 (report ref: AUD 01/17)**

- 4.1 The Committee received the draft minutes from its last meeting held on 22 November 2016.
- 4.2 The Committee agreed to amend paragraph 6.4 of the minutes to clarify that the transfer of social worker regulation was a matter for NAO review, rather than a potential risk of material misstatement.
- 4.3 The Committee agreed the minutes.

### **Item 5. Risk Register – social worker regulation (report ref: AUD 02/17)**

- 5.1 The Committee received a paper from the Executive.
- 5.2 During discussion the Committee noted the following points:-
- the risk register and risk treatment plan reflects current and recent levels of risk related to the project to transfer the regulation of social workers in England to a new regulator, Social Work England;
  - all major projects run by the HCPC have associated project risk registers. A similar register was maintained for the transfer of the regulation of social workers in England from the GSCC to the HCPC in 2012;
  - the timeframe and detailed plans for the transfer are not yet known;
  - the register will be updated periodically as the project develop and risks and mitigations become more defined; and
  - whilst discussions regarding the risk of the project have not yet taken place with government, the Executive anticipate that the

government departments will establish their own working groups to consider risk, both of the establishment of the new regulator and the impact on the existing regulatory arrangements. The Chief Executive will participate in these groups if requested.

- 5.3 The Committee discussed the difficulty of producing a comprehensive risk register for the project when key details remain unknown and therefore some risks cannot yet be assessed and managed. It was noted that the Executive had expressed concern about the short timescale in discussions with government, as well as emphasising that the HCPC is unable to use registrant fees to fund any aspect of the project. It is expected that a grant will be provided by government for the HCPC's project costs.
- 5.4 The Committee discussed how the HCPC can demonstrate it has effectively communicated to governments the risks created by the transfer. It was agreed that, taking policy development confidentiality into consideration, the Executive should begin to build a narrative of the engagement work undertaken with government to assist their understanding of the risks involved. The Committee agreed that the HCPC should seek to be involved in any group formed by the government departments to consider project risk.
- 5.5 The Committee agreed that the annual report and accounts governance statement should set out how the social workers transfer risks are being managed by the HCPC.
- 5.6 The Committee discussed the public nature of the risk register. It was noted that the register was useful for articulating risk to external stakeholders and in discussions with government regarding the financial impact on the HCPC.
- 5.7 In response to a question it was noted that, while individual Directors would retain responsibility for their directorate areas, the project lead for the transfer is the Director of Operations. The Committee requested that this was made clear in the register.
- 5.8 The Committee discussed how mitigations are presented in the register. It was agreed that the register should indicate which mitigations were already in place, and the date these were implemented.
- 5.9 The Committee agreed the following with regards to the social worker risk register:-
- the register will be a standing item on the Audit Committee meeting agenda;
  - the register will be reissued to the Committee when significantly updated outside of the Committee's meeting cycle;

- where the register makes reference to a possible fee rise it should be clarified that this possibility has not been considered by Council and that no decision has been made;
  - a risk should be added articulating the difficulty of establishing effective working relationships with regularly changing government officials assigned to the project, and the potential that the project will not receive the attention it requires due to more pressing government priorities;
  - S.5.1 - include the risk of making reductions to the HCPC's capacity and being unexpectedly required to retain some regulatory functions;
  - S.13.1 - include the risk of being required to retain some regulatory functions without sufficient funding from government available;
  - S.6.1 - include the risk of managing the levels of Partners available in light of recruitment timescales; and
  - S.4.1 - risk requires clarification.
- 5.10 The Committee noted that the Council would receive a paper at their meeting in March 2017, considering various possibilities for cost reductions. The Committee requested that the paper and any other contextual papers on the social worker transfer should be shared with the independent member of the Audit Committee.
- 5.11 The Committee discussed how Council will gain assurance from the Committee's oversight of the social worker risk register. It was agreed that the Committee should continue to monitor the register in detail on the Council's behalf and that the Council's direction would be sought as to its own consideration of the register.

**Item 6. Risk Register and Risk Treatment Plan Risk owner presentations (report ref: AUD 03/17)**

- 6.1 The Committee received a paper from the Executive.
- 6.2 The Committee noted that currently the risk register is presented to the Committee on a six monthly basis, but that the Executive consider the register at their meetings on a more regular basis. The Committee agreed that they would consider changes to the risk register at every meeting as a standing item.
- 6.3 The Committee received brief verbal presentations from the Chair of Council, Chief Executive and Director of Policy and Standards on their owned key risks and mitigations.

6.4 The Committee discussed the assurance map included in the risk register pack. It was agreed that listing the Audit Committee as an assurance for all areas did not accurately reflect the Committee's capacity for oversight. The Committee noted that assurance mapping will be an item on the Committee's agenda in June 2017. A paper will also consider the ISO standards assurance and any overlaps or gaps in assurance.

6.5 The Committee discussed the updates as presented in the register. The following amendments were agreed:-

- it was agreed that the expected Department of Health four country consultation on regulation reform is not covered by risk 1.3, as this would not be an unexpected change in legislation. It was agreed that this risk should be defined in the register;
- the risk score for risk 1.8, the transfer of social workers in England, should be changed from medium to high considering the number of external factors involved that the HCPC is unable to control;
- the mitigations for risk 1.5, loss of reputation, are too focused on processes rather than relationships. It was agreed that current mitigation three should be revised to focus on key relationships and that it should be listed as mitigation one to emphasise its importance;
- the section summarising changes to the register should more clearly indicate where a risk is new or is instead newly identified. Minor wording changes are unnecessary to highlight.

6.6 The Committee asked the Internal and External Auditors for their views of the Committee's oversight of the HCPC's risk register. The following points were discussed:-

- the Committee may wish to consider detailed reviews of risk by process or strategic area rather than by individual risk owner;
- some Audit Committees receive a high level risk register rather than the full register; and
- while the register is comprehensive and of a good standard, including top risk drivers can help to keep a risk register targeted

6.7 The Committee discussed and noted the contents of the paper.

## **Item 7. BSI Audit Report ISO10002:2014 (report ref: AUD 04/17)**

7.1 The Committee received a paper from the Executive.

- 7.2 The Committee noted that, following an annual audit, the HCPC have been recommended for ISO10002:2014 recertification.
- 7.3 The Committee noted the report.

**Item 8. Internal Audit Report – Employee recruitment and retention (report ref: AUD 05/17)**

- 8.1 The Committee received a paper from the Executive.
- 8.2 The Committee noted:-
- as part of the 2016-17 Internal Audit Plan Grant Thornton have undertaken an audit of staff recruitment and retention;
  - the audit concluded that HCPC human resource recruitment processes are largely operating as intended with a high level of compliance with policy and procedures;
  - the audit identified three low rated issues for management attention; and
  - HCPC's recruitment is currently a paper based exercise. The online system is due to go live in April 2017. This will require time to bed in before a further review is undertaken.
- 8.3 The Committee noted that the audit did not focus on retention and succession planning in detail. Due to this area's prominence in the risk register, the Committee recommended that the Council should arrange a development session on the HCPC's succession planning arrangements, any further requirements for a review in this area can then be considered.
- 8.4 The Committee noted the report.

**Item 9. Internal Audit Report – Follow up on 5 year plan model (report ref: AUD 06/17)**

- 9.1 The Committee received a report from the Internal Auditor.
- 9.2 The Committee noted that the report details a follow up exercise on a previous internal audit report on the 5 year plan model, first considered by the Committee in November 2015.
- 9.3 The Committee noted:-
- the review's focus is on the structure of the model and not the inputs used;

- changes have been made to the structure of the model to enable change modelling for the transfer of social workers in England; and
- developments to the FTP module of the model are expected to be completed by Autumn 2017.

9.4 The Committee noted the report.

**Item 10. Internal Audit progress report 2016-17 (report ref: AUD 07/17)**

10.1 The Committee received a paper from the Executive.

10.2 The Committee noted:-

- 5 audits have been completed in 2016-17;
- a review of property management (tribunal suite) is progressing and will be presented to the Committee in June 2017; and
- the audits completed so far have not found anything significant that would prevent Grant Thornton from providing substantial assurance to the Committee.

10.3 The Committee discussed the planned core financial controls audit. It was noted that other reviews during 2016-17 have considered financial controls. The internal auditors asked the Committee if it considered any specific financial control areas merit a standalone review. The Committee agreed that a review of payroll arrangements should be undertaken, because the process and the service provider had changed.

10.4 The Committee noted the report.

**Item 11. Internal Audit Plan for 2017-18 (report ref: AUD 08/17)**

11.1 The Committee received a paper from the Internal Auditor

11.2 The Committee noted that proposed audit areas not taken forward in 2016-17 were FTP processes, property strategy and the use of procurement frameworks.

11.3 The Committee agreed that an audit of FTP processes should take place in 2017-18 due to the recent changes to the department structure and processes and its proportion of the HCPC's expenditure. It was agreed that the review should include an evaluation of any benefits or cost savings realised by the realignment.

- 11.4 The Committee agreed that the proposed audit on strategic and operational planning should include in its scope a review of how effectively Council is setting strategy and objectives.
- 11.5 The Committee discussed the proposed audit of the social worker transfer project. It was agreed that the audit should be postponed until more detail is known about the government's plans and timescales.
- 11.6 The Committee discussed the proposed audit focusing on the case for any proposed fee increase and/or withdrawal of the graduate discount. It was agreed that this audit could not take place until the Council had decided that it was to be considered as a possibility. The Committee agreed that if the Council decided to consider a fee increase in response to the transfer of social workers in England, a review of the justification for any rise would be a useful assurance for the Council.
- 11.7 The Committee discussed cyber security and data loss as a potential audit area. It was noted that the audits for the ISO27001 certification and external penetration testing covered this area in depth. It was agreed that the last external penetration test report and the date of the next test would be circulated to the Committee and Internal Auditors for information. It was noted the report would require redaction for security reasons.
- 11.8 The Committee agreed the internal audit plan for 2017-18 subject to the agreed amendments outlined above.

**Item 12. Accounting treatment – software systems (report ref: AUD 09/17)**

- 12.1 The Committee received a paper from the Executive.
- 12.2 The Committee noted that, following their interim audit in January 2017, the NAO have made a recommendation for a change in accounting treatment for software systems review costs. The Executive agrees with the recommended change, and proposes to make the change in the 2016-17 accounts, and in budgets for 2017-18 onwards
- 12.3 The Committee noted that the amounts involved are not material to the current or prior year accounts and are not the result of an accounting policy change. Therefore this will not result in a prior period adjustment in the 2016-17 accounts.
- 12.4 The Committee recommended the change to the Council for approval.

**Item 13. Accounting treatment – 186 Kennington Park Road (report ref: AUD 10/17)**

- 13.1 The Committee received a paper from the Executive.



13.2 The Committee noted:-

- the main contractor for the project to refurbish 186 Kennington Park Road has been selected. The total cost of the main contract is approximately £2.3m;
- payments under the contract will need to be treated as either capital or revenue according to *IAS 16, Property Plant and Equipment*;
- independent advice on the application of IAS 16 has been sought from Buzzacott LLP;
- the advice indicates that approximately one third of the expected contract value will be revenue and two thirds will be capital. The Executive have applied this split in the budget for 2017-18; and
- the contract will be disclosed in the 2016-17 accounts as a capital commitment.

13.3 The Committee noted the report.

**Item 14. Audit Committee review (report ref: AUD 11/17)**

14.1 The Committee received a paper from the Chair.

14.2 The Committee noted:-

- in February, the Council and Executive took part in a workshop focusing on governance arrangements and the role of the Committees;
- following this the Committees have been asked by Council to discuss their remit, composition and interaction with Council and make any proposals for change; and
- a paper incorporating committee feedback and proposals for any required changes to the Code of Corporate Governance will be presented to Council in September 2017.

14.3 The Committee agreed that a structured development session would be held to enable a focused discussion on the Committee's structure and contribution. It was agreed the Secretary to the Committee would liaise with the Internal and External auditors regarding their available guidance for Audit Committees to help inform the session.

The Committee noted the following items;

**Item 15. Review of internal audit recommendations (report ref: AUD 12/17)**

**Item 16. BPI Report (report ref: AUD 13/17)**

**Item 17. Business continuity test November 2016 (report ref: AUD 14/17)**

**Item 18. Any other business**

18.1 The Committee received a verbal update from the NAO regarding the statutory audit progress. It was noted that no areas for concern had been found to date.

**Item 19. Date & time of next meeting:**

19.1 Wednesday 14 June 2017, 10.30am

**Chair.....**

**Date.....**

Unconfirmed