

Agenda Item 15 (i)

Enclosure 14

**Health and Care Professions Council
04 July 2018**

**Minutes of the Audit Committee meeting 12
June 2018**

To note

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

Audit Committee

Public minutes of the 64th meeting of the Audit Committee held on:-

Date: Tuesday 12 June 2018

Time: 9:30 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
Julie Parker

In attendance:

Claire Amor, Secretary to the Committee
John Barwick, Executive Director of Regulation
Kayleigh Birtwistle, Quality Compliance Auditor
Elaine Buckley, Chair of Council
Kathryn Burton, Haysmacintyre
Madeline Dugmore, National Audit Office
Roy Dunn, Head of Business Process Improvement
Guy Gaskins, Executive Director of Resources and IT
Andy Gillies, Director of Finance
Jacqueline Ladds, Executive Director of Policy and External Relations
Paula Lescott, Head of Quality Assurance
Mike Newbury, National Audit Office
Amit Patel, Grant Thornton LLP
Paul Rao, Grant Thornton LLP
Marc Seale, Chief Executive and Registrar
Tian Tian, Acting Director of Finance

Part 1 - Public

Item 1. Chairs welcome and introduction

1.1 The Chair welcomed the Committee and Executive to the meeting.

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 6 March 2018 (report ref: AUD 15/18)

5.1 The Committee received the draft minutes from its meeting held on 6 March 2018.

5.2 The Committee approved the minutes.

Item 6 - Matters arising (report ref: AUD 16/18)

6.1 The Committee noted those matters arising from the meeting held on 6 March 2018.

Item 7.i. Internal Audit Report – CPD (report ref: AUD 17/18)

7.i.1 The Committee received a paper from Grant Thornton LLP, the HCPC's Internal Auditors.

7.i.2 The Committee noted that, as part of the Internal Audit Plan for 2017-18, Grant Thornton undertook a review of the HCPC's continuing professional development (CPD) processes. The Committee noted the following points:-

- the scope of the review was to evaluate whether the CPD processes are operating as intended;

- focus was given as to whether the HCPC's CPD assessors are appropriately qualified, trained and understand their roles and responsibilities; and
 - the findings of the audit were positive with two low rated recommendations identified. Both recommendations related to maintaining consistent audit trails of decisions.
- 7.i.3 The Committee noted that the scope of the review was not to assess whether the approach of the HCPC to CPD is effective. Instead, it was an assessment of the effectiveness of process controls. The Committee requested that the audit report introduction be amended to clarify this.
- 7.i.4 The Committee agreed that the HCPC should remain open to reviewing its approach to CPD in future.
- 7.i.5 The Committee noted the timeframe between the issuing of the report and management comments. It was noted that on site information exchanges could have been more efficient. Considerable change to the Grant Thornton team also took place during the review.
- 7.i.6 The Committee considered that the two information points included on page 9 of the report required further clarity, Grant Thornton agreed to review this section.

Item 7.ii. Internal Audit – Key Financial Controls (report ref: AUD 18/18)

- 7.ii.1 The Committee received a paper from Grant Thornton LLP.
- 7.ii.2 The Committee noted that, as part of the Internal Audit Plan for 2017-18, Grant Thornton undertook a review of the HCPC's key financial controls and budget and forecasting process. The Committee noted the following points:-
- the review concluded that the HCPC's budgeting process is well developed, and includes the use of policies and procedures and budgeting templates, with robust review processes in place;
 - however the review identified some areas where the current control framework requires strengthening; and
 - areas requiring control strengthening were supplier reconciliations, retrospective purchase orders being raised and the documentation of the journal preparation, review, approval and posting processes.
- 7.ii.3 The Committee discussed the finding regarding retrospective purchase order raising. The Committee noted this could be an indication of a culture of non-compliance with policy. Grant Thornton stated that it had not concluded that the risk of such a culture is high, and that if it did pick up on this trend, this would be highlighted in their annual audit opinion.

- 7.ii.4 The Committee agreed that the high personnel turnover rates currently being experienced by the HCPC strengthen the need for robust documented financial processes.
- 7.ii.5 The Committee discussed supplier reconciliation. It was noted that this is undertaken but not for 100% of suppliers, this would require software change. The Committee agreed that supplier risk assessment should be a basis of selecting suppliers for sample checking if 100% checks cannot be carried out.
- 7.ii.6 The Committee discussed the budget setting process for 2018-19. It was noted that the process had been different from previous years with increased challenge and more budget draft iterations.
- 7.ii.7 The Committee requested that the Director of Resources and IT review the process to ensure that budget setting for 2019-18 is more efficient and constructive. The proposed process for 2019-18 should then be presented to the Committee and Council for agreement.
- 7.ii.8 The Committee noted the report.

Item 7.iii. Internal Audit – review of recommendations (report ref: AUD 19/18)

- 7.iii.1 The Committee received a paper from Grant Thornton LLP.
- 7.iii.2 The Committee noted that a review of medium and high rated recommendations issued as a result of the 2017-18 internal audit plan has been undertaken. The review found that four of the five medium recommendations issued have been satisfactorily completed.
- 7.iii.3 The Committee noted that the outstanding action regarding a prescribed person policy is on the policy team's work plan and work on this will initiate in the coming weeks.
- 7.iii.4 The Committee noted the report.

Item 7.iv. Internal Audit annual opinion 2017-18 (report ref: AUD 20/18)

- 7.iv.1 The Committee received a paper from Grant Thornton LLP.
- 7.iv.2 The Committee noted that, based on the reviews undertaken during the 2017-18 internal audit plan, Grant Thornton are able to provide 'substantial' assurance in respect of corporate governance, risk management and internal controls in the areas reviewed.
- 7.iv.3 The Committee noted the paper.

Item 7.v. Internal Audit progress report 2018-19 (report ref: AUD 21/18)

- 7.v.1 The Committee received a report from the Internal Auditors.
- 7.v.2 The Committee noted that the scope for the registration phase two review will be issued in early July. This should enable the final report to be considered by Council at its meeting in September 2018, supporting a decision on the second phase of the registrations transformation project.
- 7.v.3 The Committee requested that the progress report and the scope for the fees review be amended to remove reference to removal of the graduate discount, as the review will be focused on assumptions and methodology rather than resulting recommendations.
- 7.v.4 The Committee discussed progress on the strategic and operational planning review. It was noted that this review has taken longer than expected, in part due to a review of other regulators approaches. The Committee requested that the review be finalised and inform the Council's strategy planning session on 5 July.
- 7.v.5 The Committee noted that progress in the first quarter of the year has been positive. It was requested that future progress reports include the original expected delivery date alongside any revised date.
- 7.v.6 The Committee noted that the plan anticipates all reviews being delivered before the final quarter of the year. The Committee agreed that the internal audit progress report submitted to the Committee's September 2018 meeting should include a high level scope for a review of the 186 Kennington Park Road project delivery, as well as a list of alternative areas for review.
- 7.v.7 The Committee discussed the reporting timeline for the PSA improvement plan review. It was agreed that the timeline required review as the stated delivery date appeared unrealistic. Concern was also expressed that the results of the review would not be received until late into the improvement plan delivery.
- 7.v.8 The Committee agreed that the Executive and Grant Thornton should consider how to provide earlier assurance on the governance of the PSA improvement plan, possibly delivering the review in two phases, with an assessment of progress following an assessment of the controls and governance in place.
- 7.v.9 The Committee agreed that the scope of the PSA improvement plan review should be circulated to members along with the agreed approach to delivering earlier assurance.
- 7.v.10 The Committee noted the report.

Item 8. External Audit - haysmacintyre audit findings 2017-18 (report ref: AUD 22/18)

- 8.1 The Committee received a report from haysmacintyre (HM) the HCPC's External Auditor.
- 8.2 The Committee noted the following points:-
- this was the first external audit undertaken by HM in conjunction with NAO. No issues with this arrangement arose;
 - two important and one advisory recommendation on internal control have been responded to by the Executive;
 - HM anticipate issuing an unqualified opinion, without modification on the financial statements, subject to the satisfactory clearance of the final outstanding points;
 - HM undertook additional work on the HCPC's opening balances as this was their first year auditing the HCPC. No material issues were identified; and
 - the valuation of 186 Kennington Park Road was undertaken on a lowest value scenario, however the valuation has been assessed as appropriate.
- 8.3 The Committee discussed the partner payment error identified in HM's sample checks. It was noted that Partner payments were moved to an automatic basis and more controls on accurate reporting from the tribunal team are being introduced.
- 8.4 The Committee agreed that the uncorrected errors noted on page 6 of HM's report should not be corrected, as they were not considered material.
- 8.5 The Committee discussed the accounting treatment of grant funds from the Department of Health and Social Care for the social work transfer project.
- 8.6 The Committee discussed the going concern principle, noting that the 'foreseeable future' is usually 12 months from sign off of the accounts.
- 8.7 The Committee noted the report.

Item 9. External Audit - National Audit Office audit findings 2017-18 (report ref: AUD 23/18)

- 9.1 The Committee received a report from the NAO.
- 9.2 The Committee noted the following points:-

- the NAO has relied on the work of HM where appropriate;
- the NAO's audit of the financial statements has been substantially finalised subject to completion of its internal review process;
- the NAO anticipate recommending to the Comptroller and Auditor General that he should certify the 2017-18 financial statements with an unqualified audit opinion, without modification; and
- a revised letter of understanding has been issued, reflecting the change in audit relationship and some minor GDPR considerations.

9.3 The Committee confirmed that the unadjusted misstatements set out by HM in their report should not be corrected as these misstatements were not considered to be material.

9.4 The Committee thanked HM and NAO for their effective cooperation in delivering the external audit for 2017-18.

9.5 The Committee noted the report

Item 10. Draft Annual report and accounts 2017-18 (report ref: AUD 24/18)

10.1 The Committee received a paper from the Executive

10.2 The Committee noted the following points:-

- at their February meeting, Council approved proposals to produce a more accessible and engaging annual report and accounts for 2017-18;
- the structure of the performance review section was updated to align with the HCPC's regulatory processes and public protection role; and
- the draft annual report section has been reviewed by the Executive, HM, the NAO, and by Council at their meeting on 24 May.

10.3 The Committee noted that the Executive continue to make minor amendments to the front section of the report and accounts. The amendments are based on Council feedback to focus the report more on outcomes.

10.4 The Committee requested that the figures for registration fees adjusted to account for inflation be reviewed, as they did not appear to be correct. It was agreed that CPI would be the most appropriate measure of inflation to base calculations on.

- 10.5 The Committee agreed that the last sentence in the section 'Auditors and audit information' should be amended to read 'There was no external auditor remuneration for non-audit work.'
- 10.6 In response to a question, it was noted that the historical documentation referred to on page 64 of the report and accounts has no monetary value, but is of historical interest.
- 10.7 The Committee agreed to recommend the annual report and accounts 2017-18 to Council for approval subject to the amendments set out in the minutes of their discussion.

Item 11. Review of financial regulations (report ref: AUD 25/18)

- 11.1 The Committee received a paper from the Executive
- 11.2 The Committee noted the following points:-
- the financial regulations have been reviewed in light of the recent restructure of the Executive Management Team;
 - current thresholds require the Chief Executive and the Chair to be involved in relatively low value purchases;
 - the proposed change would increase the threshold for individual Executive Directors to £50k and the threshold for the Chief Executive to £100k;
 - spending over £100k will require the Chair's approval;
 - these changes are considered necessary due to the changes to directorate structures; and
 - budgeting aspects of the financial regulations will be reviewed and presented in November 2018, informed by Grant Thornton's recommendations from their key financial controls audit.
- 11.3 HM were asked their view of the proposals. HM advised that an approval limit of £100k is in line with their similar clients.
- 11.4 The Committee agreed to recommend the amended financial regulations to Council for approval.

Item 12.i. Social Work Risk Register (report ref: AUD 26/18)

- 12.i.1 The Committee received a paper from the Executive

- 12.i.3 The Committee noted that the risk register will develop when the newly appointed Chief Executive of Social Work England is in place and the operational workings of the new regulator are agreed.
- 12.i.4 The Committee discussed risk s.15.3. It was noted that this risk is included on the register due to the Executive's experience of previous regulatory transfers. Communications will be key in mitigating this risk and discussions with the newly appointed Social Work England Head of Communications will focus on risk management.
- 12.i.5 The Committee agreed that the mitigations for risks s.8.1 and s.8.4 required more detail given the risks' significance.
- 12.i.6 The Committee suggested that external gateway reviews of the project at key timings should be pursued and agreed with the Department of Health and Social Care and the Department for Education. These reviews should be undertaken externally and have the authority to stop the transfer going ahead if the risks are too high.
- 12.i.7 The Committee agreed that a risk of inadequate focus on business as usual performance and the regulation of the HCPC's other professions should be included a risk on the register.

Item 12.ii. Business Process Improvement report (report ref: AUD 27/18)

- 12.ii.1 The Committee received a paper from the Executive.
- 12.ii.2 The Committee discussed the processing time issue for registration reporting. It was noted that the solution to this issue is built into the registration transformation project. Implementing a solution ahead of this project is not considered a proportionate use of resource.

Item 12.iii. BSI ISO9001 audit report (report ref: AUD 28/18)

- 12.iii.1 The Committee noted this item.

Item 12.iv. BSI ISO27001 audit report (report ref: AUD 29/18)

- 12.iv.1 The Committee noted this item.

Item 13. GDPR preparedness activity (report ref: AUD 30/18)

- 13.1 The Committee received a paper from the Executive
- 13.2 The Committee noted that accountability for GDPR compliance lies with the Senior Management Team.

13.3 The Committee noted the report.

14. Any other business

14.1 There was no further business.

15. Date and time of next meeting:

15.1 Tuesday 4 September 2018, 9.30 am

16. 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
17	H

Summary of matters discussed in private session

The Committee discussed a draft of a developing strategic risk register.

Chair.....

Date.....