

Agenda Item 10 (i)

Enclosure 6

**Health and Care Professions Council
04 July 2019**

**Unconfirmed minutes of the Audit Committee
meeting of 4 June 2019**

To note

**From Sue Gallone, Chair of the Audit
Committee**

Council, 4 July 2019

Unconfirmed minutes of the Audit Committee Meeting of 4 June 2019

Executive Summary

The Audit Committee (AUD) met on 4 June 2019, haysmacintyre, NAO and BDO LLP representatives attended the meeting.

The unconfirmed minutes of the public meeting are enclosed. A summary of business considered is set out below.

Draft annual report and accounts 2018-19 and annual external audit reports

The Committee considered the draft Annual Report and Accounts 2018-29 and External Audit reports included on the Council's July agenda. Discussion focused on the impairment of £185k due to the decision of Microsoft to discontinue its support of the proposed CRM platform, and the HCPC's long term financial stability.

The Committee were pleased to note the positive audit result and commended the HCPC team on this, especially during a period of significant change.

Internal audit

The HCPC's internal auditors presented the findings of their HCPC wide assurance mapping review. This review informed the Internal Audit plan approved by the Committee. In 2019-20 internal audit will review the following areas:

- Transfer of Social workers to new body
- Fitness to Practise – end to end process
- Fraud risk and awareness assessment
- Quality Assurance Function
- Procurement
- Business continuity planning

The Committee suggested that a potential area for future review could be cost control and requested that this be considered.

Strategic Risk Register

The Committee discussed enhancements to Strategic Risk 4 relating to financial sustainability.

The Executive Director of Regulation provided the Committee with an overview of Strategic Risk one, Failure to deliver effective regulatory functions. At the Committee's request the overview focused on the impact of the social work transfer on business as usual within the core regulatory functions.

Social Worker Risk Register

This is a standing item as agreed by Council. The Committee discussed the impact on the register of the progress on data sharing.

The Committee asked that the Executive enquire whether SWE have appointed Internal Auditors and the level of assurance they have given on systems.

The following papers were also discussed;

- Quality Assurance Department update
- ISO Audit Reports

Audit Committee

Public minutes of the 69th meeting of the Audit Committee held on:-

Date: Tuesday 4 June 2019

Time: 10:00 am

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

Present: Sue Gallone (Chair)
Gavin Scott
Julie Parker

In attendance:

Claire Amor, Secretary to the Committee
John Barwick, Executive Director of Regulation
Kathryn Burton, Haysmacintyre
Michelle Debique, BDO LLP
Roy Dunn, Chief Information Security and Risk Officer
Andrew Ferguson, National Audit Office
Guy Gaskins, Executive Director of IT and Resources
Alex Gillespie, Haysmacintyre
Jameela Khan, Interim Director of Finance
Jacqueline Ladds, Executive Director of Policy and External Relations
Paula Lescott, Head of Quality Assurance
Bill Mitchell, BDO LLP
Ewan Shears, Quality Compliance Auditor
Kirsty Taylor, FTP Quality Manager

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 Apologies were received from Eileen Mullan.

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 5 March 2019 (report ref: AUD 11/19)

- 5.2 The Committee approved the minutes from its meeting held on 5 March 2019.

Item 6. Matters arising (report ref: AUD 12/19)

- 6.1 The Committee noted those matters arising from the meeting held on 5 March.
- 6.2 The Committee noted that the Chair would meet with the Executive to develop a forward plan of work for the Committee. It was noted that this plan would be shared with Council.

Item 7. Draft annual report and accounts 2018-19 (report ref: AUD 13/19)

- 7.1 The Committee received a paper from the Interim Director of Finance.
- 7.2 The Committee noted that the National Audit Office (NAO) and Haysmacintyre (HM) have substantially completed their audit and the audit exit meeting has been held with the Executive. Minor outstanding matters may result in non-substantive amendments to the report before it is approved by Council in July.
- 7.3 The Committee noted the software impairment of £185k and queried why this was not reflected in the losses and special payments note of the

accounts. It did not meet the definition of a loss but it was agreed that it should be referenced in the financial review section of the report.

- 7.4 The Committee requested that the report clarified the Deputy Chair of Council position in the notes on page 32, and that this title be used consistently throughout the report.
- 7.5 The Committee requested that the reporting of Internal Audit costs for Grant Thornton UK LLP be reviewed for accuracy and noted an error for income in the key operating and financial statistics on page 11 of the report. The Executive confirmed this would be amended before presentation to Council.
- 7.6 The Committee agreed to send other minor comments to the Secretary to the Committee and recommend the annual report and accounts to Council for approval subject to the amendments outlined above.

Item 8. External Auditor's report 2018-19 (report ref: AUD 14/19)

- 8.1 The Committee received a report from HM.
- 8.2 The Committee noted the following points –
- HM anticipate issuing an unqualified opinion, without modification on the financial statements, subject to the satisfactory completion of outstanding matters as agreed with management. These matters were not considered to be significant;
 - HM did not propose that any accounting adjustments be made;
 - HM did not consider that ongoing uncertainty regarding the date of the transfer of social worker regulation or the HCPC's proposed fee rise would prevent a going concern opinion to be provided in the report for 2019-20; and
 - HM considered that there were significant matters on the horizon that were being addressed and would require continued focus over the coming year. It would be important to demonstrate that these had been addressed and sensitivity analyses undertaken to satisfy going concern status for 2019/20.
- 8.3 The Committee noted HM's finding on the burdensome manual processes in place. It was noted that resulting errors were not found and that the Executive planned to improve system automation.
- 8.4 HM requested the Committee consider if there were any preventative controls that could have been in place to prevent the impairment of £185k due to the decision of Microsoft to discontinue its support of the proposed CRM platform.

- 8.5 The Executive provided those present with an overview of the events that led to the impairment. It was noted that a risk assessment on IT platforms was undertaken and considered by Council in February 2018. The HCPC's internal auditors also undertook a review of the project. The code for the software was used but the platform would no longer integrate following Microsoft's degradation of the product, and so integrations costs were written off.
- 8.6 The Committee noted that the need for contractual redress mechanisms had previously been discussed with the Executive. The Committee considered that the Executive had kept the Council informed of events leading to the impairment and requested that in future costs be communicated earlier. It was noted that the risk assessment criteria had been amended to include the risk of competitor buyouts and de-platforming competing software.
- 8.7 The Committee asked that HM update their report to include its expectations of management in addressing the uncertainties around going concern status for 2019/20, in view of the fee rise and transfer of social workers issues. **The Committee also requested that management add timescales and responsibilities to the actions to address recommendations in the report.**
- 8.8 The Committee were pleased to note the positive audit result and commended the HCPC team on this, especially during a period of significant change.

Item 9. NAO draft report to those charged with governance (report ref: AUD 15/19)

- 9.1 The Committee received a report from NAO.
- 9.2 The Committee noted the following points:-
- the NAO's audit was substantially complete. Checks on the final version of the Annual Report and Accounts to and the resolution of some final queries with HM remained outstanding;
 - the NAO did not propose that any accounting adjustments be made;
 - the NAO has relied on the work of HM where appropriate; and
 - 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.
- 9.3 The Committee noted that the NAO considered the Executive's opinion of going concern was reasonable. However given the ongoing uncertainty

around the transfer of social workers and the proposed fee rise the NAO would continue to monitor this assessment and request specific reference in the Letter of Representation.

- 9.4 The Committee discussed the impact should the HCPC's proposed fee rise not be agreed by government. It was noted that the Executive were undertaking a 3 year budget forecast exercise to better understand this impact and the HCPC's long term financial sustainability.
- 9.5 The Committee discussed progress on the proposed fee rise. It was noted that the Chair and Chief Executive had met with the Scottish Minister for Health and Sport and were expecting a letter clarifying the Scottish Government's position on the proposal shortly.
- 9.6 In response to a question the NAO stated that a rejection of the fee increase would not be considered a significant post balance sheet event for inclusion in the Annual Report and Accounts. However the Council may decide to include it should this occur.
- 9.7 The Committee noted that a laying date of 18 July is anticipated for the Annual Report and Accounts.
- 9.8 The Committee thanked the Finance team, HM and NAO for their effective cooperation in delivering the external audit for 2018-19.

Item 10.i. Internal audit annual report – assurance mapping review (report ref: AUD 16/19)

- 10.i.1 The Committee received a report from the HCPC's Internal Auditors, BDO.
- 10.i.2 The Committee noted the following points:-
 - as part of the quarter one Internal Audit Plan for 2019-20, BDO undertook a review of the HCPC's assurance mapping;
 - the aim of the review was to map the HCPC's varied assurance sources, to identify any gaps in assurances and recommend how these might be closed. The review was not a full audit of the effectiveness of the operation in practice of controls at HCPC;
 - sources of assurance in place were found to be well designed and no area was assessed having no assurance activity in place. However it was found that there were some areas which required additional focus, including fraud awareness and finance and budgets; and
 - the review helped to inform the proposed full year Internal Audit Plan.

- 10.i.3 The Committee agreed that the review provided a helpful overview of the HCPC's assurances and important context for determining annual Internal Audit Plans.
- 10.i.4 In response to a question BDO noted that the HCPC's assurance framework compared positively to those it has encountered in similar organisations, with core regulatory assurance being particularly robust.
- 10.i.5 The Committee asked if BDO had identified areas which were over assured. It was noted that this had not been identified but that some areas were reliant on manual processes that were not the most efficient.
- 10.i.6 It was noted that the internal audit charter would be developed to ensure that BDO and the HCPC's Quality Assurance Department were not duplicating each other's work, with the understanding that BDO's approach and focus in undertaking reviews would likely be different to that of the Department.
- 10.i.7 The Committee asked how often the assurance map would be reviewed and refreshed. It was noted that BDO would undertake this annually. It was also agreed that the Executive should take ownership of an annual assessment of internal controls and internal audit would validate this. **The Committee asked the Executive to consider how this would be undertaken.**
- 10.i.8 The Committee discussed the comments on fraud awareness, including non-financial fraud. The Committee agreed that a lack of fraud awareness in the organisation posed a potential public protection risk, the Committee noted that the induction process for new employees was being reviewed and would consider this. BDO advised that a review in this area would start with a fraud risk assessment.
- 10.i.9 **The Committee suggested that a potential area for future review could be cost control and requested that this be considered.**
- 10.i.10 **The Committee requested that the Executive include the review's agreed management actions, as well as timescales and who is responsible for the action, in the recommendation tracker.**

Item 10.ii. Internal Audit quarter one plan update (report ref: AUD 17/19)

- 10.ii.1 The Committee received a report from BDO.
- 10.ii.2 The Committee noted progress on the quarter one Internal Audit Plan.

Item 10.iii. Internal audit plan 2019-20 (report ref: AUD 18/19)

- 10.iii.1 The Committee received a report from BDO.

- 10.iii.2 The Committee noted that following a review of the HCPC's assurance framework, a three year outline of proposed Internal Audit reviews has been developed. However, only year one, 2019-20, has been developed in detail.
- 10.iii.3 The Committee noted that BDO intended to include end to end reviews of all HCPC core regulatory functions over the three year contract period.
- 10.iii.4 The Committee asked the Executive for their views on the proposed Plan. It was noted that :-
- cyber security had been reviewed in depth as part of the 2017-18 Internal Audit Plan. Noting that threats and risks change rapidly in this area, the Executive felt that the resource required to support this review in 2019-20 would be challenging given the significant change projects taking place in the period requiring IT team focus;
 - an end to end review of the FTP process was welcome and would enhance the evidence submission to the PSA for the year;
 - a broader review of communications in 2020-21 would be beneficial rather than a narrower focus on media handling in 2019-20; and
 - the Executive considered that a Fraud risk assessment as identified as part of the assurance mapping work, should be a priority for inclusion in 2019-20 given the potential public protection risks posed by fraudulent register entry.
- 10.iii.5 **The Committee agreed that an assessment of fraud risk and awareness should be prioritised and would be included in the 2019-20 plan in place of the cyber security review which would be deferred to a subsequent year.**
- 10.iii.6 The Committee discussed the difference between an advisory review and an audit. It was noted that risk formed the basis for deciding which approach would be more suitable. It was noted that recommendations and an overall opinion on assurance would also be included in an advisory review, although the opinion from advisory work would not be part of the annual opinion.
- 10.iii.7 BDO confirmed that the number of audit days allocated was enough to provide assurance as the HCPC's Internal Auditors.
- 10.iii.8 In response to a question, BDO provided an overview of their Knowledge Library. The Committee noted that this enabled BDO to put clients in touch with each other to share best practice.
- 10.iii.9 The Committee approved the Internal Audit Plan for 2019-20 subject to the amendment set out in paragraph 9.5.

Item 11. Internal audit recommendations tracker (report ref: AUD 19/19)

- 11.1 The Committee noted progress on actions to implement Internal Audit recommendations since the last Committee meeting.
- 11.2 **The Committee requested that the recommendations contained within the external audit report be included in the tracker, as well as any significant findings from ISO or quality assurance audits.**
- 11.3 The Executive confirmed that the action relating to the publication of the HCPC's whistleblowing policy was complete.

Item 12. Strategic Risk Register

- 12.1 The Committee received a report from the Executive.
- 12.2 The Committee noted that the planned actions had been updated for 2019-20 and that start and end dates for planned actions had been included, though for some actions this had been challenging.
- 12.3 The Committee suggested that the planned action to ensure the HCPC's financial sustainability should be expanded to take account of the transfer of social workers and the uncertainty on the fee increase being agreed.
- 12.4 The Committee discussed the interdependencies between the Strategic Risks. It was suggested that risk four likelihood should be rated higher until the planned review of financial sustainability is completed.
- 12.5 **The Committee requested the Executive consider how to reflect the points above within the SRR.**
- 12.6 **The Committee requested that the SRR include an estimated timescale for meeting the expected risk level.**
- 12.7 The Committee agreed that a summary of changes to the SRR should be reported to Council in July. This could be as part of the Chief Executive's organisational performance report.
- 12.8 The Executive Director of Regulation provided the Committee with an overview of Strategic Risk one, Failure to deliver effective regulatory functions. At the Committee's request the overview focused on the impact of the social work transfer on business as usual within the core regulatory functions. The committee noted the following points:-
- the Executive had been working to support Social Work England's understanding of the caseloads they would inherit;
 - a key part of the FTP improvement project was to develop an understanding of the level of resource required to meet the PSA standards once social workers transferred;

- e-learning had been deployed for FTP employees and Partners. The Tribunal Advisory Committee provided oversight of the Tribunal' Service's independence as well as reviewing the Practice Notes;
- PSA learning points, learning from other organisations, special reports and MOUs with the CQC all support the development of the HCPC's regulatory functions; and
- significant change activity was underway in the three regulatory departments. In Education a key piece of co-working with the Council of Deans of Health had just concluded to propose changes to the HCPC's quality assurance model. In Registration the Registration Transformation and Improvement Project was entering into the build stage.

Item 13. Social work risk register (report ref: AUD 20/19)

- 13.1 The Committee received a paper from the Chief Information Security and Risk Officer.
- 13.2 The Committee noted the following points:-
- the formal data sharing agreements had been signed and an initial transfer had taken place to enable SWE to begin to test their systems. Due to this development, the likelihood of risks in this area would decrease significantly in the next iteration of the register;
 - SWE had confirmed the data transfer had worked, but no further feedback had been received on the progress of testing;
 - a PSA facilitated meeting would take place with SWE, HCPC and DfE on 16 June. The Cabinet Office infrastructure review of the project would also initiate on 17 June; and
 - the HCPC and SWE communication teams had worked together on joint communication to support the transfer.
- 13.3 **The Committee asked that the Executive enquire whether SWE have appointed Internal Auditors and the level of assurance they have given on systems.**
- 13.4 The Committee noted that the Executive had met with the DfE's auditors PwC to support their scrutiny of the HCPC's application for additional grant income to cover the HCPC's additional costs arising from the delay of the transfer date.

- 13.5 The Committee noted that the risk 'lack of parliamentary time' had been removed from the register as this referred to the passing of SWE's legislation which had occurred. This risk had remained in the summary section in error.

Item 14. Quality Assurance Department update (report ref: AUD 21/19)

- 14.1 The Committee received a paper from the Head of Quality Assurance.
- 14.2 The Committee noted the following points:-
- the 2019-20 Quality Assurance Frameworks for the regulatory departments and audit schedules has been produced. Quarterly meetings continued to be held with the Heads of the regulatory departments;
 - OMT and SMT Quality Assurance reporting requirements had been agreed;
 - a review took place to consider the structure and function of the Department in light of best practice approaches. This included reviews of models and meetings with quality assurance teams at other health regulators; and
 - the Business Process Improvement function had transferred to the Governance Department.
- 14.3 The Committee noted that the focus of near miss report NMR72 was on the theft of the personal phone from a common area, rather than its actual loss.
- 14.4 The Committee agreed that the Executive should review the purpose and format of the Quality Assurance Department report to ensure it was providing the right level of information and focussed on the key messages and bigger picture. It was noted that the Internal Audit review of the Quality Assurance function may assist in tailoring the report. The Committee agreed to receive a revised report at its September 2019 meeting.

Item 15. ISO Audit Reports (report ref: AUD 22/19)

- 15.1 The Committee noted this item.

Item 16. Any other business

- 16.1 **The Committee agreed to focus on Strategic Risk four, especially financial sustainability, with the Executive Director of IT and**

Resources during discussion of the SSR at its meeting in September 2019.

- 16.2 **The Committee agreed to adopt the revised paper format introduced at the most recent Council meeting.**

Item 17. Date and time of next meeting:

- 17.1 The Committee agreed that future meetings would start at 1pm.
- 17.2 Tuesday 10 September 2019, 1pm

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

Unconfirmed