

<h2>Audit Committee</h2>

Public minutes of the 62nd meeting of the Audit Committee held on:-

Date: Wednesday 17 January 2018

Time: 10:00 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

In attendance:

Claire Amor, Secretary to the Committee
Kathryn Burton, Haysmacintyre (items 1-8)
Madeline Dugmore, National Audit Office
Andy Gillies, Director of Finance
Varsha Patel, Haysmacintyre
Marc Seale, Chief Executive
Tian Tian, Head of Financial Accounting

Part 1 - Public

Item 1. Apologies for absence

1.1 Apologies for absence were received from Julie Parker

Item 2. Approval of agenda

2.1 The Committee approved the agenda.

Item 3. Declarations of members' interests

3.1 The Committee had no interests to declare.

Item 4. Minutes of the Audit Committee meeting of 21 November 2017 (report ref: AUD 01/18)

4.1 The Committee received the draft minutes from its meeting held on 21 November 2017.

4.2 The Committee agreed the minutes.

Item 5. HCPC draft budget 2018-19 (report ref: AUD 02/18)

5.1 The Committee received a paper from the Executive.

5.2 The Director of Finance outlined the budget development process. The Committee noted that:-

- the budget has been developed in line with the list of priorities for 2018-19 developed by the Council and Executive Team at the strategic away day in October 2017;
- in order to gain an early view of the extent of any flexibility in available funding, the Audit Committee reviewed the 2018-19 income forecast and the 2017-18 month 6 expenditure forecast in November 2017;
- also in in November, the Executive met to discuss outline departmental workplans and major projects for 2018-19. The Chair of Council and the Chair of Audit Committee attended the meeting;
- in December, budget holders prepared first draft budgets. The presented draft budget presents these as updated by an Executive Team review;
- the draft budget will be reviewed again by the Executive on 2 February ahead of presentation to Council. The Chair of the Audit Committee has been invited to attend this meeting;

- no adjustments have been made to either income or planned expenditure as a result of the expected transfer of social workers to Social Work England. The earliest expected transfer date falls in 2019-20;
- the Executive anticipate that any costs HCPC incurs in preparation for the transfer will be funded by a government grant, so the net effect on the budget in 2018-19 will be nil;
- the impact of the transfer on HCPC's longer term financial sustainability will be assessed as part of the costs and fees review project during 2018-19; and
- at the Executive's project prioritisation meeting, it was noted that delivery of the agreed projects during 2018-19 would require an increase in the capacity of the Projects and IT Infrastructure teams. It is expected this will require an additional two Project Managers and two Infrastructure Engineers. The cost of this is not yet reflected in the draft budget and is likely to be approximately £200-300k.

- 5.3 The Committee discussed HCPC budgeting objectives. It was noted that spend on communications, research and training had been reduced but that spending in fitness to practise has increased to fund the performance improvement plan as approved by Council.
- 5.4 The Committee noted that unknown external changes, such as regulatory reform, could require the HCPC to reassess its budget within the financial year. It is hoped that legislative change could allow greater efficiencies of regulatory process reducing costs.
- 5.5 The Committee questioned why the budget was presented to the meeting with a deficit. It was noted that the budget development process has not yet concluded with further meetings planned in February. It is expected that a small operational surplus will be made. The purpose of the Audit Committee's early look is to ensure the corporate plan principles discussed by Council are reflected in the budget.
- 5.6 The Committee questioned the level of peer challenge by the Executive Team when developing the budget. The Executive stated that its approach is collaborative and corporate with appropriate challenge. It noted that the HCPC is the lowest cost regulator and savings and efficiencies are integral when systems are first developed.
- 5.7 The Committee discussed the HCPC's reserves. It was noted that based on the 2018-19 budget, at 31 March 2019, HCPC would have negative free reserves. The view was expressed that the HCPC should seek to conserve any budget surplus and should actively seek to make a surplus through savings and efficiencies to prepare for the loss of social worker fee income in the coming years.

- 5.8 The Committee suggested an exercise where functions were told to cut a percentage from their budgets to see what resulted, with the aim of saving money for future years. The Executive stated that fulfilling the HCPC's statutory functions requires a budgeting approach which ensures that regulatory functions are adequately funded.
- 5.9 There was a discussion about the possible merits of an alternative, top down approach to budget setting, with the aim of achieving a given target allocation of resources and target surplus or deficit. Haysmacintyre expressed the view that a top down approach would be less likely to achieve an effective allocation of resources.
- 5.10 The Executive suggested that an independent examination of costs and efficiencies could be included in the Internal Audit plan for 2018-19 if the Committee would gain assurance from this.
- 5.11 The Committee discussed the increase in case preparation and presentation costs. It was noted that the HCPC's contract with its current legal service provider will be coming to the end of its term shortly and that a one year extension is being negotiated. It was noted that the current contract allows for a contingency in maximum case volume and the HCPC has been within this contingency throughout the life of the contract. For this reason the provider is requesting an increase in fees for the year extension. It was noted that the Executive are looking at the approach to the structure of the contract for future procurement.
- 5.12 The Committee considered that the budgets for office services and travel and subsistence were too large and should be reduced. Printing and stationery in particular was seen as high. It was noted that most of the cost of printing is mailings to registrants. The Executive's legal advice is that HCPC's legislation requires us to issue letters (rather than emails) for certain registration and fitness to practise matters. Another significant part of the printing budget is the cost of printing bundles for FTP hearings. The Committee considered that paperless hearings should be progressed. It was noted that the HCPC intends to move towards paperless hearings but that this would form a major project with an associated cost.
- 5.13 The Committee discussed the budget allocation for a canteen subsidy for the completed 186 Kennington Park Road building. It was noted that this budget was included in the business case for the project. The Executive is evaluating the benefits of consolidating catering for hearings and meetings into the canteen and this may generate some further savings.
- 5.14 The Executive recommended that the Audit Committee consider a review of the delivery of the 186 Kennington Park Road project as part of the Internal Audit plan for 2018-19 due to the size and cost of this project.
- 5.15 In response to a question it was noted that the costs of redundancies as a result of government policy have historically been funded by government grant.

5.16 The Audit Committee asked that the following points be discussed or clarified when presenting the budget to Council:-

- seven additional posts had been included in the Fitness to Practise payroll budget. The Committee requested that more information be presented on the long term benefits obtained by this increase;
- the Committee noted an increase in the Registration payroll budget. It was noted that headcount has not been increased but that the two year renewal cycle and vacant posts could be the reason for this. The Committee requested that this be clarified when presented to Council;
- the Committee discussed the 15% contingency allowed for within major project budgets. This principle was questioned due to previous underspends in this area. It was noted that the only budget contingency is within major projects and that it serves to reduce delays to projects due to seeking approval for small overspends. This is best practice under Prince 2 methodology. Members felt that this allowance should be removed or reduced;
- the Committee questioned why centralising the training budget had not led to cost savings. It was noted that the training budget is currently a per capita calculation. The Committee advised that the overall cost should be reduced; and
- it was agreed that the HCPC should aim to build positive reserves in line with the reserves policy and the Committee recommended that the Council consider the desirability of conserving any savings possible.

Item 6. Update on External Audit 2017-18

- 6.1 The Committee received an update from haysmacintyre on preparations for the 2017-18 External Audit.
- 6.2 The Committee were advised that the engagement letter will soon be issued.
- 6.3 The Committee noted that the formal External Audit plan will be presented at the March 2018 meeting of the Committee. Following sight of the specific plans of haysmacintyre, the NAO will be able to provide a cost for their audit. The NAO advised this may be higher in the first year but should not exceed that paid by similar regulators.

Item 7. Update on Internal Audit 2017-18

- 7.1 The Committee noted that recent personnel changes within Grant Thornton have presented a challenge to the progression of the internal

audit plan. The Chair of the Committee agreed to contact Grant Thornton to clarify and gain assurance on the delivery timetable.

Item 8. Risk assessment - core IT applications support forecast (report ref: AUD 03/18)

- 8.1 The Committee received a paper from the Executive
- 8.2 The Committee noted that the paper assesses the risk that a software vendor withdraws support for a core IT application used by the HCPC. The paper identifies the core business applications along with each significant technology component and assesses the risk that support could be withdrawn.
- 8.3 The Committee noted the report.

Item 9. Any other business

- 9.1 There was no further business.

Item 10. Date & time of next meeting:

- 10.1 Tuesday 6 March 2018, 9:30am

Item 11. 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.'

- 11.1 The Committee approved the private minutes from its meeting held on 21 November 2017.

Item	Reason for Exclusion
11	C

Chair Stephen Cohen

Date 06.03.2018