

## Audit Committee

### Public minutes of the 65<sup>th</sup> meeting of the Audit Committee held on:-

**Date:** Tuesday 4 September 2018

**Time:** 10:00 am

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

**Present:** Sue Gallone (Chair)  
Eileen Mullan  
Julie Parker  
Gavin Scott

### In attendance:

Claire Amor, Secretary to the Committee  
John Barwick, Executive Director of Regulation  
Kathryn Burton, Haysmacintyre  
Martha Chillingworth, Senior Project Manager  
Paul Cooper, Head of Projects  
Madeline Dugmore, National Audit Office  
Roy Dunn, Head of Business Process Improvement  
Guy Gaskins, Executive Director of Resources and IT  
Jacqueline Ladds, Executive Director of Policy and External Relations  
Paula Lescott, Head of Quality Assurance  
Mike Newbury, National Audit Office  
Loretta Okoh, Senior Project Manager  
Amit Patel, Grant Thornton LLP  
Paul Rao, Grant Thornton LLP  
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.
- 1.2 The Committee noted its agreement by correspondence that, while Stephen Cohen serves as Deputy Chair of Council, Sue Gallone will act as Chair of the Audit Committee.
- 1.3 The Committee welcomed Gavin Scott to his first meeting of the Audit Committee as a member.

### **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 12 June 2018 (report ref: AUD 32/18)**

- 5.1 The Committee received the draft minutes from its meeting held on 12 June 2018.
- 5.2 The Committee agreed that minute 7.v.2 should be amended to correct registration project phase two to phase one, as this was an error. The Committee agreed the minutes subject to this amendment.

### **Item 6 - Matters arising (report ref: AUD 33/18)**

- 6.1 The Committee noted those matters arising from the meeting held on 12 June 2018.

### **Item 7. Strategic Risk Register (report ref: AUD 34/18)**

- 7.1 The Committee received a paper from the Executive.
- 7.2 The Committee noted the following points:-
  - the presented draft of the register takes into account feedback from the Committee and all members of SMT;

- a further piece of work to add timelines and responsibilities to the planned actions will be completed shortly;
- the risks are collectively owned by the SMT, with the Chair having joint ownership for risk five;
- SMT will review the strategic risks monthly. This frequency will be reviewed after six months; and
- the strategic risks will be included in future performance reports to Council.

7.3 The Committee noted that strategic risk three, 'failure to be a trusted regulator and meet stakeholder expectations', groups all stakeholders together with the same mitigations and risk score. The Executive agreed that the risk priority for stakeholder groups will vary and that representing this in the register will be explored.

7.4 The Committee discussed the HCPC's risk appetite and how this is represented in the register. It was noted that the HCPC currently has a low risk appetite across all risks. The Committee agreed that if this was to remain the approach to risk appetite, all target risks levels in the register need to be green. The Committee agreed that the Council should seek to review the HCPC's risk appetite when the strategic risk register is agreed.

7.5 The Executive clarified that the target risk rating is the expected risk score once the planned actions listed are in place.

7.6 In response to a question, it was noted that definitions for risk levels exist in the enterprise risk register. It was agreed that these definitions would be included in the strategic risk register for reference.

7.7 The Committee discussed the SMT's regular consideration of the register and the collective SMT risk ownership denoted in the register. It was clarified that this collective responsibility includes the Chief Executive as a member of the SMT.

7.8 The Committee agreed that the development of an organisational strategy should be included as a mitigation to risk four.

7.9 The Committee agreed to recommend the strategic risk register to Council for adoption, recognising that it will be developed and refined over time.

#### **Item 8.i. Internal Audit Report - Strategic and Operational planning (report ref: AUD 35/18)**

8.i.1 The Committee received a paper from Grant Thornton LLP.

- 8.i.2 Grant Thornton provided the committee with an overview of the review's findings. It was noted that overall the report was positive with resulting recommendations agreed by management.
- 8.i.3 The Committee noted that the review was originally scheduled for 2017/18, but was deferred due to transformation activity taking place.
- 8.i.4 Grant Thornton were requested to amend the report to reflect that the SMT is comprised of four members instead of the three listed. This includes the Chief Executive.
- 8.i.5 The Committee noted the report.

**Item 8.ii. Internal Audit Report – Phase 1 Registration Project (report ref: AUD 36/18)**

- 8.ii.1 The Committee received a paper from Grant Thornton LLP.
- 8.ii.2 Grant Thornton provided the Committee with an overview of the review's findings. The Committee noted that the review found that the project governance for phase one of the project had been appropriate with areas of good practice identified.
- 8.ii.3 The Committee noted the recommendation that the HCPC should clarify the project management methodology to be followed for future projects. It was noted that a change in methodology would require employee training with attached costs.
- 8.ii.4 The Committee asked Grant Thornton if the project was in a good place to proceed with phase two. It was noted that such a judgement was outside the scope of the review, but that assurance could be taken on the suitability of project governance arrangements for phase two.
- 8.ii.5 The Committee noted that the report followed Grant Thornton's new report structure. Grant Thornton have amended the structure to enable a more value adding collaborative approach with clients on recommendations. The Committee considered that this was less beneficial to Audit Committees as the identified issues to be addressed are less clear.
- 8.ii.6 The Committee noted the report.

**Item 8.iii. Internal Audit Report – 5 Year Plan model financial analysis (report ref: AUD 37/18)**

- 8.iii.1 The Committee received a paper from Grant Thornton LLP.

- 8.iii.2 The Committee noted that the review had been reported to Council in July 2018 and the analysis informed the Council's consideration of the 5 year plan.
- 8.iii.3 The Committee noted the paper.

**Item 8.iv. Internal Audit progress report 2018-19 (report ref: AUD 38/18)**

- 8.iv.1 The Committee received a paper from Grant Thornton LLP.
- 8.iv.2 The Committee noted that the Registration project review was not included in the progress report as it was a different sort of audit.
- 8.iv.3 The Committee discussed the high level specification for a review of the 186 Kennington Park Road project as requested by the Committee in June 2018. The Committee noted that not all areas listed in the specification would be relevant for the HCPC.
- 8.iv.4 The Committee agreed that the aim of the review should be to assess if appropriate challenge and governance was in place when key decisions were made, in order to ensure the right measures are in place in future. It should also assess if the expected benefits of the project set out in the business case have been realised.
- 8.iv.5 The Committee noted that a wider look at the HCPC's approach to its estate is scheduled for the December 2018 meeting of Council. This paper will address some questions not in the scope of the internal audit review.
- 8.iv.6 The Committee agreed that the review should be included as part of the internal audit plan for 2018-19, with the sponsor being the Executive Director of IT and Resources. The Committee agreed to receive the terms of reference for the review by correspondence once developed as well as its expected completion date.
- 8.iv.7 The Committee noted the report.

**Item 9. Internal Audit recommendation tracker (report ref: AUD 39/18)**

- 9.1 The Committee received a paper from the Executive.
- 9.2 The Committee noted that the outstanding action from the 2015-16 audit cycle has been completed.

**Item 10. Regulation of Social Workers project - grant assurance (report ref: AUD 40/18)**

- 10.1 The Committee received a paper from the Executive

- 10.2 The Committee noted that the paper had been requested by correspondence following discussion of a risk of grant claim non-payment at the June 2018 Committee meeting.
- 10.3 The Committee noted that the Executive is in regular contact with the commercial lead for Department for Education (DfE) and that the process for claiming against the grant has been agreed.
- 10.4 The Committee noted the governance arrangements in place for claims against the grant.
- 10.5 The Committee asked whether the grant is subject to formal audit by DfE and any VAT implications. The Executive advised that this is not thought to be the case but that they would return to the Committee with assurance on those points.
- 10.6 The Committee noted the claim against the grant for part of the redundancy costs for the EMT restructure. It was noted that further budget is included for any additional redundancy costs. It is not anticipated that the budget line for this item will be exceeded.
- 10.7 The Committee noted that the inclusion of printing and stationary in the breakdown of costs appendix circulated to the Committee was an error and that a line for communications was omitted.
- 10.8 The Committee discussed the risk to the HCPC of the project being significantly delayed or not going ahead. It was noted that the Executive has been clear that when the grant money is exhausted further work on the project will stop until more funds are provided. There is also provision for the HCPC to retain a proportion of fee income should the transfer of social workers be significantly delayed.
- 10.9 The Committee discussed a future gateway review of the project. It was noted that further internal DfE project reviews will take place but that a formal gateway review is not currently anticipated. This would be for the government to determine need.
- 10.10 The Committee noted the report.

**Item 11. Budget timetable 2019-20 (report ref: AUD 41/18)**

- 11.1 The Committee received a paper from the Executive
- 11.2 The Committee noted that it is proposed that the Council consider an early draft of the budget in February 2018, rather than the Audit Committee considering this in January.
- 11.3 The Committee discussed the suitability of having the Chair of Audit Committee at the Executive's budget discussions in January, as

independence needs to be maintained. It was noted that this approach has been helpful for resolving issues earlier in the process and provides the Chair of Council and Chair of the Audit Committee with assurance as to the appropriate challenge and debate in the budget setting process.

- 11.4 The Committee agreed to recommend the budget-setting timetable to Council for agreement.

## **Item 12. Quality Assurance department update**

- 12.1 The Committee received a verbal overview of the development of the Quality Assurance (QA) Department from the Head of Quality Assurance. The following points were noted:-

- the QA Department is formed of three regulatory QA teams, Complaints and Business Process Improvement. The QA teams used to sit within the regulatory departments;
- the QA Department was established in June 2018, work since then has focused on supporting employees impacted by the change and establishing suitable working relationships with the regulatory departments;
- workplans have been agreed for the QA teams, and non QA activity is being separated and handed back to the regulatory departments; and
- the QA department is aiming to move away from compliance and performance management and focus more on assurance. In the longer term best practice in QA will be explored.

- 12.2 The Committee noted that a report on the QA Department will be presented to the Audit Committee in November and Council in December 2018.

- 12.3 The Committee noted that four roles in the Department structure are listed as vacant. The Committee asked if the workplan delivery is impacted by these vacancies. It was noted that recruitment is currently underway and that the Executive are confident that these positions will be filled.

## **Item 13.i. Social Work Risk Register (report ref: AUD 42/18)**

- 13.i.1 The Committee received a paper from the Executive
- 13.i.2 The Committee requested that risk 15.4 be updated to reflect the information provided to the Committee about grant spend governance.

- 13.i.3 The Committee asked the Executive to consider including target risk scores for the social worker risk register. The risk of the project being cancelled was also suggested for inclusion.
- 13.i.4 The Committee discussed its consideration of the operational risk register. It was agreed that the Committee would not regularly receive this register, but that the Executive should flag significant changes to its risks to the Committee as needed. It was agreed that the Committee would receive the strategic risk register at every meeting, with the executive summary focusing on what has changed since the last iteration.
- 13.i.5 The Committee noted the report.

#### **Item 13.ii. Business Process Improvement report (report ref: AUD 43/18)**

- 13.ii.1 The Committee noted this item.

#### **14. Any other business**

- 14.1 The Committee discussed its scheduled meeting on 17 January 2019. It was agreed that the Committee would hold a workshop on this date focusing on the HCPC's risk appetite. Grant Thornton agreed to facilitate this workshop, bringing its experience of other organisations' approach to risk appetite. The NAO and Haysmacintyre agreed to input into the session.
- 14.2 The Committee noted the high level of development activity taking place at the HCPC and asked about the impact this is having. Executive Directors confirmed that business as usual is continuing and performance is monitored regularly.

#### **15. Date and time of next meeting:**

- 15.1 Tuesday 20 November 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.'

<b>Item</b>	<b>Reason for Exclusion</b>
17	H
18	C

**Matters discussed in private session**

17- Private minutes of the Audit Committee meeting of 12 June 2018

18 - Process for the retender of the Internal Audit contract

**Chair Sue Gallone**

**Date 20/11/2018**