

Audit Committee

Public minutes of the 68th meeting of the Audit Committee held on:-

Date: Tuesday 5 March 2019

Time: 9:30 am

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

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

In attendance:

Claire Amor, Secretary to the Committee
Michelle Debique, BDO LLP
Paul Cooper, Head of Projects (items 1-10)
Roy Dunn, Head of Business Process Improvement
Guy Gaskins, Executive Director of IT and Resources
Tiffany Gill, Grant Thornton UK LLP (items 1-7)
Alex Gillespie, haysmacintyre
Jacqueline Ladds, Executive Director of Policy and External Relations
Paula Lescott, Head of Quality Assurance
Bill Mitchell, BDO LLP
Loretta Okoh, Senior Project Manager (item 10)
Paul Rao, Grant Thornton UK LLP (items 1-7)
Tian Tian, Director of Finance
Jameela Khan, Interim Director of Finance

Public

Item 1. Chairs welcome and introduction

- 1.1 The Chair welcomed the Committee and Executive to the meeting. The Committee welcomed BDO LLP to their first meeting of the committee. BDO LLP would be the HCPC's Internal Auditors from 1 April 2019.
- 1.2 The Committee noted it would be the last meeting of the Committee attended by Grant Thornton UK LLP (GT). The Committee thanked GT for their internal audit work over the previous four years.

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 20 November 2018 (report ref: AUD 01/19)

- 5.1 It was agreed that Grant Thornton should be referred to as Grant Thornton UK LLP to distinguish between the UK and international company.
- 5.2 The Committee approved the minutes from its meeting held on 20 November 2018.

Item 6 - Matters arising (report ref: AUD 02/19)

- 6.1 The Committee noted those matters arising from the meeting held on 20 November 2019.

Item 7.i. Key financial controls audit report (report ref: AUD 03/19)

- 7.i.1 The Committee received an internal audit report from GT. The Committee noted that the report detailed the findings of GT's review of the HCPC's key financial controls, focusing on processes within the Transactions Team, with specific emphasis on banking, refunds and credit control.

7.i.2 The Committee noted the following points:-

- no significant issues were identified in relation to the accuracy of transaction processing;
- three medium and two low rated findings resulted from the review; and
- the findings relate to labour intensive manual processes, instances where policies and procedures do not clearly capture key processes, the absence of management information and reporting on aged debt for overdue registrant fees and the risk of reliance on key individuals.

7.i.3 The Committee discussed the finding on aged debt reporting. It was noted that this finding was focused on the reporting and categorisation of aged debt, and did not identify an issue with aged debt levels. It was noted that the HCPC's legislation sets out the process for register removals due to non-payment of fees.

7.i.4 The Committee discussed the presentation on the findings and recommended actions. The Committee requested that the internal auditors make a recommendation and the management response is described in a separate column.

7.i.5 The Committee noted that sub-delegation of SMT authorisation limits would be addressed by a revision to the financial regulations, to be presented to the Audit Committee at a future meeting.

Item 7.ii. Office refurbishment project audit report (report ref: AUD 04/19)

7.ii.1 The Committee received an internal audit report from GT. The Committee noted that the report detailed the findings of GT's review of the 186 Kennington Park Road building purchase and renovation project.

7.ii.2 The Committee noted the following points:-

- overall, GT found that analysis of options and justification for the selected course of action was documented. Council approval for funding and for the project to proceed had been sought and gained at each major stage in the project;
- the review resulted in two medium level recommendations, these related to a lack of evidence that a full cost benefit analysis was performed, either on the renovation stages, or on the project as a whole, and the use of contingency in the management of projects;
- it was not possible to evidence critical challenge by Council due to the high level nature of the minutes of meetings historically; and

- due to the length of the project, the majority of key individuals involved in the original decision making process and project management are no longer with the HCPC. This added challenge to the fieldwork stage, as they were unavailable to contribute.
- 7.ii.3 GT noted that while it is unlikely that a similar project will be undertaken for a significant period of time, if at all, it is important to reflect on the successes and to look to understand what could have been done differently to help inform future projects.
- 7.ii.4 The Executive noted that the HCPC's project management methodology has evolved considerably since the project initiated in 2009. It was noted that benefits realisation is now a crucial part of project planning.
- 7.ii.5 The Committee discussed GT's point on the detail contained in meeting minutes relating to purchase and renovation decisions. It was noted that the HCPC's organisational culture has been to keep high level minutes, and that there would be concern in moving to focus on individual comments within meetings, as this could detriment collective decision making. However it was agreed that the level of debate in meetings, as well as how this is reflected in minutes, has developed in recent years, and that the level of detail of minutes presently accountable and proportionate as key decisions are recorded fully.
- 7.ii.6 It was suggested that incorporating gateway reviews within major projects or keeping key decision logs could assist to ensure decisions were recorded properly in such long term projects in future.
- 7.ii.7 The Committee discussed cost benefit analysis and realisation , expressing concern that the audit could not confirm that this had been undertaken. While it was noted that some benefits may be considered intangible, the Committee suggested elements such as employee satisfaction surveys and the impact on retention could be quantified.
- 7.ii.8 The Committee noted that property acquisition and renovation was not a skill the HCPC Executive held at the time of the initial purchase in 2009, although expertise had been sought during the project. The Committee felt that a key lesson from the project was ensuring that the required specific skills and expertise are sought early in the project planning stage.
- 7.ii.9 The Committee noted that given the significance of the project and the importance of the lessons learnt the Council should consider the issues arising from the report at its May 2019 meeting.

Item 7.iii. Review of recommendations (report ref: AUD 05/19)

- 7.iii.1 The Committee received a report from GT.

- 7.iii.2 The Committee noted that GT had undertaken a review of the implementation of all medium rated internal audit recommendations. Fifteen recommendations were reviewed, of which eleven were evidenced as complete. Four recommendations are overdue but in progress.
- 7.iii.3 In response to a question the Executive gave assurance that the four outstanding recommendations will be closed within the current financial year. The Committee agreed that the recommendation on the whistleblowing policy is a key recommendation to complete.
- 7.iii.4 The Committee noted that the internal recommendations tracker, which also covers progress on low rated recommendations, will be included on the Committee's June 2019 agenda.

Item 7.iv. Internal audit annual report (report ref: AUD 05/19)

- 7.iv.1 The Committee received a report from GT. The report provided a summary of the 2018-19 internal audit findings and provided an overall internal audit assurance statement.
- 7.iv.2 The Committee noted the updated section on the 186 Kennington Park Road project review.
- 7.iv.3 The Committee noted that GT were able to provide 'Substantial' assurance in respect of corporate governance, risk management and internal controls in the areas reviewed in 2018-19. The Audit Committee welcomed this result, particularly in the context of considerable organisational change. The Committee thanked the Executive and GT for delivering this assurance.
- 7.iv.4 The Committee thanked GT for their work as the HCPC's Internal Auditors.

Item 8. External Audit 2018-19 update

- 8.1 Alex Gillespie, haysmacintyre, provided a verbal update on the 2019-29 external audit.
- 8.2 The Committee noted that the fieldwork for the audit will commence in May 2019, initial testing has taken place, with no findings of significance to report as a result.

Item 9. Strategic Risk Register, focus on strategic risk two (report ref: AUD 07/19)

- 9.1 The Committee received a paper from the Executive Director of Policy and External Relations. The paper provided an update on progress to

date against the planned 2018-19 actions set out in the Strategic Risk Register (SSR).

9.2 The Committee discussed how to reflect the social worker transfer project and its impact on other work in the SSR. The following points were made:

- the SRR reflects business as usual activity and the transfer project is not explicitly referenced;
- the wider context of competing priorities and increased workload due to the transfer project could be referenced more in the progress section of each risk;
- hot topics, including the transfer project, could be recorded in a new “causes” section for each risk;
- commentary on each risk could be enhanced to reflect any impact from the transfer project; and
- the transfer project could be a separate strategic risk.

9.3 The Committee agreed that the transfer project needed to be explicitly reflected in the SRR. It was agreed the Executive would consider how best to reflect this for the next iteration in June 2019.

9.4 The Committee discussed the addition of timeframes for planned actions. The Committee requested that expected completion dates be included, not just start dates. With regards to the timescales for expected risk levels to be met, the Committee heard that the SRR was created on a five year timescale basis to tie in with the strategy, although the level of some risks would need to reduce before five years. The Committee requested that further consideration be given to the presentation of expected risks and how they link to risk appetite.

9.5 The Committee asked the Executive to review the risk level and mitigations for strategic risk three, failure to be a trusted regulator and meet stakeholder expectations, in light of the Council’s decision to raise registrants’ fees, and to ensure that the impact of any new issues arising at Council are considered in the risk register.

9.6 The Executive Director of Policy and External Relations provided the Committee with an overview of the horizon scanning mechanisms used by the HCPC. The Committee noted the following points:-

- the HCPC engages a parliamentary monitoring service, which provides alerts on relevant questions asked in parliament as well as other parliamentary business. This has been in use to monitor reaction to the Council decision to increase the HCPC registration fee;

- media and social media monitoring is also used. These channels tend to be focused on specific FTP cases;
 - the Executive have effective working relationships with the four country Department of Health and Social Care (DHSC) professional regulation officials. SMT meets with DoHSC on a quarterly basis and the Chief Executive regularly engages with the professional regulation leads;
 - the Chair and Chief Executive meet with all professional bodies on an annual basis to discuss the issues that are important to their professions and share developments at the HCPC; and
 - the Executive takes part in partnership forums and AHP strategic oversight forums, to enhance understanding of the issues faced by professions.
- 9.7 The Committee discussed how the HCPC would mitigate against the loss of key individuals, where relationships have been built externally. It was noted that a key mitigation is the stakeholder communication and engagement strategy as well as the stakeholder matrix.
- 9.8 The Council noted that the new Head of Communication had been given a brief to refresh the strategy and matrix. Additionally personal engagement plans are being developed for the Chair, Chief Executive and Executive Directors.
- 9.9 The Committee discussed how external intelligence is disseminated within the HCPC. It was noted that SMT meet weekly and share updates, these meetings are minuted.
- 9.10 The Committee welcomed the opportunity to discuss issues around a particular risk frankly with the Executive.

Item 10. Social work risk register (report ref: AUD 08/19)

- 10.1 The Committee received a paper from the Head of Business Process Improvement.
- 10.2 The Committee noted the following points:-
- the main issue being discussed with SWE, DHSC and the Department for Education (DfE) is the legal basis for the transfer of data from HCPC to SWE. The HCPC's position is that a transfer order is required which is a parliamentary process;
 - SWE have shared their draft risk register with the HCPC. This enabled risks to be compared. There was a great deal of similarity noted in this exercise. This common understanding of risk enables a joint position in discussing concerns with DfE;

- the HCPC has not seen the DHSC or DfE risk registers for the project; and
- the HCPC's risks and concerns have been communicated to DHSC and DfE in minuted meetings.

10.3 The Committee agreed that the level of reporting to Council in the standing item project update is comprehensive and that the risk register should be referred to the Council periodically for information.

Item 11. Internal audit 2019-20 quarter one plan

11.1 The Committee received a paper from BDO LLP, the HCPC's Internal Auditors from 1 April 2019. The Committee noted the proposed plan for quarter one of 2019-20 has been developed following meetings with key contacts in the HCPC and attendance at an SMT meeting.

11.2 The Committee noted the proposed first quarter internal audit plan would include:-

- assessing the HCPC's assurance framework;
- reviewing the Quality Assurance Department's work, this will evaluate the progress of the QA function, its methods, sampling methods, scope and quality of its work;
- reviewing the procurement process for the case preparation and presentation legal services contract; and
- producing an internal audit plan for the full 2019-20 year.

11.3 The Committee welcomed the initial review of the HCPC's assurance framework. The review will seek to identify any gaps in assurance, and areas where internal audit can add value. The Committee noted that some areas may be over assured and this should also be considered.

11.4 The Committee requested that existing key internal audit recommendations be taken up for review by BDO. BDO noted that the HCPC's previous internal audits would be considered when developing the annual internal audit plan. This plan will also include an annual review of the implementation of recommendations.

11.5 In response to a question, BDO advised that SMT support the proposed areas and it is important that the Audit Committee agree the focus of internal audit plans. The Committee agreed the plan for quarter one.

11.6 A member proposed that a review of the decision making process to increase the HCPC registration fee could form a review area for the 2019-20 plan.

11.7 The Committee noted that BDO will present the plan for all of 2019/20 to the June Audit Committee meeting.

Item 12. Quality Assurance Department update (report ref: AUD 09/19)

12.1 The Committee received a paper from the Head of Quality Improvement.

12.2 The Committee noted the following points:-

- quarterly meetings continue to be held with the Heads of the regulatory departments;
- work has commenced on producing the 2019/20 Quality Assurance Frameworks for the regulatory departments;
- the Registration quality assurance team has moved from conducting quality compliance activities to a quality assurance approach;
- the management of the FTP complaints process is now managed by the Service and Complaints Manager; and
- a review of the Department is ongoing to continue to review the function of the Department in light of the organisational changes, to research and consider best practice approaches.

12.3 The Committee asked how recommendations are tracked for progress by management. It was noted that SMT would consider the recommendations tracker which details progress against agreed actions.

12.4 In response to a question, the Committee noted that regulatory departments are cooperative and welcoming of recommendations arising from audits.

12.5 The Committee noted that the QA department was able to evidence its impact in terms of improvement through responsive auditing when new FTP processes are rolled out. Getting this information in a timely way enables quick correction.

12.6 The Committee expressed concern that 25% of partners did not complete the annual information security training for 2018. Some of these partners subsequently undertook the remedial training. The Committee asked what the consequences of non-completion were for those partners whose training is still outstanding. It was noted that with increasing hearing numbers it is difficult to remove some partners who have not completed training. The Partner team will agree expectations and consequences of non-completion with partners before the 2019 training is launched.

- 12.7 The Committee noted the increase in data requests from government departments and other key stakeholders. The HCPC aims to respond to all requests. Where a request would exceed the Freedom of Information time limit exemption, there is scope to refuse a request.

Item 13. Risk appetite statement (report ref: AUD 10/19)

- 13.1 The Committee agreed that a future area for the Committee to explore is how the risk appetite applies to the SRR.
- 13.2 The Committee noted the risk appetite statement, noting that the Council had agreed to develop a risk appetite matrix.

Item 14. Any other business

- 14.1 The Committee discussed which area of risk would be explored at the next meeting. It was agreed that the impact of the social worker transfer project on the strategic risks would be the focus of discussion.

Item 15. Date and time of next meeting:

- 15.1 Tuesday 4 June 2019, 9.30 am (meeting with Auditors) 10am (public meeting)

Chair.....

Date.....