

## Audit Committee

### Public minutes of the 70<sup>th</sup> meeting of the Audit Committee held on:-

**Date:** Tuesday 10 September 2019

**Time:** 1 pm

**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  
John Barwick, Executive Director of Regulation  
Kathryn Burton, Haysmacintyre  
Gordon Dixon, Interim Director of Finance  
Roy Dunn, Chief Information Security and Risk Officer  
Christine Elliott, HCPC Chair  
Andrew Ferguson, National Audit Office  
Guy Gaskins, Executive Director of IT and Resources  
Sarah Hillary, BDO LLP  
Jacqueline Ladds, Executive Director of Policy and External Relations  
Paula Lescott, Head of Quality Assurance  
Bill Mitchell, BDO LLP

## Public

### **Item 1. Chairs welcome and introduction**

- 1.1 The Chair welcomed the Committee and Executive to the meeting. Particular welcome was extended to Gordon Dixon, who had joined the HCPC as Interim Finance Director and to Christine Elliott attending her first Audit Committee meeting since becoming Chair of the HCPC.

### **Item 2. Apologies for absence**

- 2.1 There were no apologies.

### **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 June 2019 (report ref: AUD 23/19)**

- 5.2 The NAO requested that paragraph 7.3 be amended to clarify that the impairment was not large enough to meet the reporting threshold. A typographical error was also noted that paragraph 9.2 referred to the financial year 2017-18 instead of 2018-19. The Committee agreed to these amendments.
- 5.3 The Committee approved the minutes from its meeting held on 6 June 2019, subject to the above amendments.

### **Item 6. Matters arising (report ref: AUD 24/19)**

- 6.1 The Committee noted those matters arising from the meeting held on 6 June 2019.
- 6.2 In relation to matter arising 9, the Committee noted that confirmation had been received that Social Work England (SWE) had appointed Haysmacintyre LLP as their internal auditors.
- 6.3 In relation to matter arising 3, the Committee noted that the longlist of areas for future Internal Audit reviews was kept by BDO LLP as part of the three year Internal Audit Strategy and presented to the Audit Committee during audit planning.

## **Item 7.i Internal Audit report – Quality Assurance (report ref: AUD 25/19)**

7.i.1 The Committee received a paper from BDO LLP

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

- the objective of the review was to provide assurance on whether the Quality Assurance (QA) function provides an effective and value-adding second line of defence assurance service;
- the QA Department was established in May 2018, bringing together component QA teams across the organisation;
- BDO concluded that the HCPC has made good progress in establishing a central QA Department, but it is still in its developmental phase. The audit resulted in two amber and thirteen amber-green rated recommendations; and
- recommendations included the development of an audit charter, providing more detailed reporting to the Audit Committee, enhancing performance reporting metrics and maintaining a central recommendation tracker.

7.i.3 The Committee discussed the recommendation to produce an audit charter. The Committee agreed this should be instead the 'Quality Assurance charter', to avoid confusion with internal audit. The Executive advised that the content of such a charter was developed and would be implemented from the 2020-21 financial year. The Committee agreed that any charter needed to be practical and not just a theoretical document.

7.i.4 It was noted that BDO LLP were producing their own charter for internal audit services and that this could form a basis for the format of the HCPC's charter.

7.i.5 The Committee asked if the second line of defence was required, as quality assurance should be embedded in everything the HCPC does as a principle. The Executive responded that the second line of defence was essential for the regulatory functions to maintain quality and to meet the PSA standards.

7.i.6 The Committee asked if the QA department had the resources to maintain its current work plan. The Head of QA advised that with existing resource this was sustainable, but this would need to be reviewed should resource reduce. QA work is risk based and flexes to the resource available. To develop a mature QA function would require long term investment over a number of years.

- 7.i.7 The Committee discussed the level of detail it required on QA activity. It was agreed that exception reporting of significant findings was appropriate and that minimal detail was required on audits that had not raised any concern.
- 7.i.8 The Committee thanked the Executive for the thorough and clear management responses to the recommendations.

**Item 7.ii Internal Audit management letter – FTP legal procurement (report ref: AUD 26/19)**

- 7.ii.1 The Committee received a report from BDO LLP.
- 7.ii.2 The Committee noted that the assessment confirmed that the process for procuring the new provider of FtP legal services is generally sound. No significant findings resulted from the review, a number of housekeeping recommendations would be taken forward by the Executive.
- 7.ii.3 The Committee agreed that the management letter provided helpful assurance on the process followed so far and noted that a second review would be undertaken once the process had concluded.
- 7.ii.4 The Council discussed paragraph 4.1 of the letter. It was noted that the delay resulting from requiring Council's approval was due to the need to discuss the approach to future FTP legal provision and the length of the contract, rather than the decision to use the framework. The Committee advised that that Council consultation be kept in mind when planning procurement.
- 7.ii.5 The Committee asked if the panel guidance for scoring had been completed. The Executive agreed to confirm this.

**Item 7.iii Internal audit plan progress report (report ref: AUD 27/19)**

- 7.iii.1 The Committee received a report from BDO LLP outlining progress on the 2019-2020 Internal Audit Plan. The Committee noted the report and that progress was as planned.

**Item 8. Internal audit recommendations tracker (report ref: AUD 28/19)**

- 8.1 The Committee received a report from the Executive.
- 8.2 The Committee noted that the Head of Governance maintained the tracker document and that management were responsive to providing updates and achieving recommendations where possible by the stated due date.

- 8.3 The Committee noted that in a few management updates resource availability had been cited as the reason for recommendations not progressing. The Committee acknowledged that out of necessity expenditure was under review and noted that the recommendations impacted were low priority rated. The Committee advised the Executive that they may decide not to implement recommended actions, should circumstances change, risk be low and there is sound rationale.
- 8.4 The Committee requested that acronyms be explained within the document, and that where actions are complete this be stated clearly.

### **Item 9. Financial update**

- 9.1 The Committee received a verbal report from the Interim Director of Finance (IFD). The Chair of the Committee advised that she had requested the financial update on non-business as usual work due to the high level of activity in this area and its relevance to Strategic Risk 4.
- 9.2 The Committee noted the following points:-
- the IFD had completed a top down analysis of the budget in light of the upcoming transfer of social worker regulation;
  - a bottom up reforecasting and future budgeting exercise was underway with budget holders including input from the Advisor to Council;
  - budget holders were being provided with reduction targets based on the expected reduction in required activity post social work transfer; and
  - the IFD was maintaining a register of risks and opportunities to accompany the revised budget.
- 9.3 The Committee asked when the completed re-budgeting exercise would be ready to present to Council. The IFD responded that some large areas were outstanding such as FTP which represented 50% of the budget. However he would be able to present a budget to Council at their 25 September meeting with the caveat that work remained to finalise the figures. The Committee agreed that this was a reasonable approach as it was important to seek Council's views.
- 9.4 The Chair of the Committee noted that the IFD had kept her fully informed of the work being undertaken, and that she would inform the Committee of relevant matters.

### **Item 10. Strategic Risk Register (report ref: AUD 29/19)**

- 10.1 The Committee received a report from the Executive.

- 10.2 The Executive noted that the commentary for Strategic Risk (SR) 5 had not been updated in error. Commentary for this risk should include the induction of incoming Council members, the development of the culture and engagement plan and the future strategy being focused around the change plan in development.
- 10.3 The Committee discussed the education quality assurance review progress as referenced in the commentary to SR1. It was noted that it is proposed that further scoping work be undertaken with the input of external expertise in education data sets and risk. The review will be reported to Council in 2020 and consideration of cost recovery will follow the review.
- 10.4 The Committee requested that the change project being led by the Advisor to Council be referenced within the register commentary where most appropriate.
- 10.5 The Committee asked if the FTP improvement plan was embedding, the Executive responded that they were confident it was. It was noted that evidence of improvement would be provided through Quality Assurance audits.
- 10.6 In relation to SR2 the Committee and Chair of Council agreed that an update on Brexit planning and regulatory reform would be provided to Council at its September meeting.
- 10.7 In relation to SR4 the Chair of Council agreed to provide the Council with an update at its September meeting on grant funding requests and the fee increase proposals.
- 10.8 The Committee discussed the outcomes of the recent all employee development day. The Executive noted that it had been a positive event and that feedback was received that employees would appreciate more opportunities to get to know each other informally.
- 10.9 It was noted that the results of an all employee survey had shown a reduction in satisfaction, which in a time of organisational change could be expected, however SMT were engaging with their teams to discuss concerns. The September Council meeting was seen by employees as a date when some clarity would be given on the impact of change. A communications plan and workshops were being developed with HR to support this.
- 10.10 The IFD provided the Committee with an overview of SR4, Failure to be an efficient regulator. At the Committee's request the overview focused on the financial sustainability of the HCPC. The Committee noted the following points:-
- as a large profession is leaving the register, assumptions for the HCPC's cost base are being reviewed to reduce costs;

- this process is also being used to upskill the finance department to provide better challenge in monitoring management accounts with budget holders;
- an understanding of the risk of making savings has been kept in mind;
- control mechanisms would be enhanced to review costs. The process developed for this would follow industry norms; and
- action plans to accompany the targets set would be developed at the next stage of the review.

- 10.12 In response to a question the other members of SMT present responded that being set target reductions was challenging especially as no clarity was given before the meetings as to the required target reductions to enable options and their risks to be developed. However, this approach had unlocked ways of looking at savings differently.
- 10.13 The Committee asked the other members of SMT present if SMT had been engaged in considering the future financial sustainability of the HCPC. The other members of SMT responded that they had for the 5 year plan but not yet for the current review.
- 10.14 SMT confirmed they were aware of the importance of financial sustainability for the HCPC and added that it was also important not to lose sight of the HCPC's purpose in delivering safe regulation to avoid future declining performance. The Committee advised that it is necessary to keep the overall picture in view, rather than protect individual Divisions.
- 10.15 The Committee advised the Executive to keep in mind the key factors needed to provide going concern assurance to the External Auditors. Haysmacintyre LLP added that the strength of the HCPC's own going concern assessment and assumptions involved would be key to this assurance being possible.

#### **Item 11. Social work risk register (report ref: AUD 30/19)**

- 11.1 The Committee received a report from the Executive.
- 11.2 The Committee noted the following points
- since the last meeting of the committee the transfer date had been confirmed as 2 December 2019;
  - additional funding sought to cover the costs to the HCPC arising from the delay in the original transfer date has been confirmed. The element for loss of savings for the FTP legal services retender

was not agreed but would be revisited once the tender result was known;

- data migration tests would take place in September and October. The volume of data being transferred would require several days to complete the full migration;
- contingency plans for the regulatory functions were being developed for the scenario that the transfer date is delayed further;
- a Cabinet Office infrastructure projects authority gateway review would take place in October, following this another PSA hosted joint project meeting would be held;

- 11.3 The Committee discussed the risk posed by complainants not reporting concerns to SWE post transfer, and how the HCPC would ensure concerns were redirected. It was noted that a communications plan was in place jointly with SWE to address this. This risk was also included in the register.
- 11.4 In response to a question, SMT advised that they currently considered the failure of the data transfer as being the biggest risk to the project. Secondary to this was the risk that the upcoming project gateway review findings would delay the transfer date. The Committee advised that the risk register should be updated to reflect the current risks, noting that the legislation risk had diminished.
- 11.5 The Committee discussed the arrangements for transferring prepaid registration fees to SWE. It was noted that the transfer agreement required funds to be transferred by 8 January 2020. This presented a challenge in that the external auditors would need to provide assurance on the accuracy of the sum to be transferred, and that this work would need to be undertaken in a tight window. It was noted that this was being planned with Haysmacintyre LLP.
- 11.6 The Committee advised that the Executive should consider seeking to amend the agreement to provide more time to ensure accuracy. It was also noted that the wording in the agreement on transferring registrant debt was unclear and should be clarified.

#### **Item 14. Internal Assurance Report (report ref: AUD 31/19)**

- 14.1 The Committee received a paper from the Executive.
- 14.2 The Committee discussed the nature of the QA audits being undertaken, noting that they appeared to be largely process based rather than considering the quality of decision making. The Head of QA advised that process audits often also contained elements relating to quality and that some audits solely addressed the quality of decision making.

- 14.3 The Committee asked how recommendations resulting from audits were tracked. It was noted that the department maintains recommendation logs and follows up on progress with action owners regularly.
- 14.4 The Committee noted that there is good ownership of actions but that current resource pressures were showing in the longer manager response times to recommendations.
- 14.5 The Committee asked if the final hearing decision audit detailed on page 5 of the report showed correlation with the PSA's performance review. It was noted that the timeframe of cases being reviewed differed so direct comparisons could not be made. The audit did not identify any issues, particularly in relation to the brevity of decisions made by Panels, an issue which had previously been raised by the PSA.
- 14.6 The Committee noted the long narrative for the education audits, while no concerning matters were found. The Committee advised that exception reporting was preferred for audits with no significant findings.
- 14.7 The Committee was asked to provide feedback on the format of the report as this was under review. The Committee advised that a similar format of reporting to that used by BDO would be useful, with an emphasis on RAG ratings and exception reporting.

**Item 15. Audit Committee forward work plan (report ref: AUD 32/19)**

- 15.1 The Committee agreed that the forward work plan would be appended to the minutes of the meeting when shared with Council for note.

**Item 16. Any other business**

- 16.1 There was no further business

**Item 17. Date and time of next meeting:**

- 17.2 Tuesday 5 November 2019, 1pm

**Chair.....**  
**Date.....**