

## Audit Committee

### Public minutes of the 54<sup>th</sup> meeting of the Audit Committee held on:-

**Date:** Wednesday 15 June 2016

**Time:** 10:30 am

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

**Present:** Richard Kennett (Chair)  
Stephen Cohen  
Eileen Mullan  
Julie Parker

### **In attendance:**

Claire Amor, Secretary to the Committee  
John Barwick, Head of investigations  
Elaine Buckley, Chair of Council  
Kayleigh Birtwistle, Quality Compliance Auditor  
Ellis Christie, Quality Compliance Officer  
Roy Dunn, Head of Business Process Improvement  
Sara Gammon, National Audit Office  
Rebecca Gray, Quality Compliance Officer  
Emily Hopkinson, National Audit Office  
Andy Gillies, Director of Finance  
Jacqueline Ladds, Director of Communications  
Marc Seale, Chief Executive and Registrar  
Stuart Smith, Grant, Thornton LLP  
Omer Tauqir, Grant Thornton LLP  
Tian Tian, Head of Financial Accounting

**Item 1. Apologies for absence**

1.1 No apologies were received.

**Item 2. Approval of agenda**

2.1 The Committee approved the agenda.

2.2 The Chair welcomed Eileen Mullan to her first Audit Committee meeting.

**Item 3. Declarations of members' interests**

3.1 No new interest was declared. The Committee noted Julie Parker's standing interest as declared at the Audit Committee meeting on 17 June 2015.

**Item 4. Minutes of the Audit Committee meeting of 16 March 2016 (report ref: AUD 10/16)**

4.1 The Committee received the draft minutes from its last meeting held on 16 March 2016.

4.2 The Committee noted that paragraph 13.7 should read NFI in place of NHS.

4.3 The Committee agreed the minutes.

**Item 5. Matters arising (report ref: AUD 11/15)**

5.1 The Committee noted the matters arising from its meeting on 16 March 2016.

Items for discussion/approval

**Item 6. Internal audit report – Core financial controls (report ref: AUD 12/16)**

6.1 The Committee received a paper from the Executive.

6.2 The Committee noted that, as part of the Internal Audit Plan for 2015-16, Grant Thornton have undertaken a review of the core financial controls, focussing on payroll and partner payment process.

6.3 During the Committee's discussion the following points were made:-

- the overall audit opinion was that the policies, procedures and controls surrounding the payroll and partner payment processes at HCPC are generally well designed;

- the HCPC are in the early stages of establishing a relationship with a new payroll provider. As a result Grant Thornton were only able to conduct a high level assessment of how HCPC are managing this relationship;
- the audit identified a number of areas where the design of payroll processing controls could be improved under the new HR system and payroll provider, these included better defining which HCPC department, Finance or HR, is responsible for this relationship and how the contact will be managed; and
- one recommendation arising was that HCPC commissioning departments should more consistently conduct quality control checks of actual work completed by Partners before this list is sent to Finance for payment.

6.4 The Committee discussed the independent review of pension and payroll control account reconciliations performed on a monthly basis by the Finance team. It was noted that the audit recommendation was for better documentation of this check to increase accountability.

6.5 The Committee noted that all recommendations arising from the audit had been accepted.

6.6 The Committee noted the report.

**Item 7. Internal audit – update on the 5 year plan model review (report ref: AUD 13/16)**

7.1 The Committee received a paper from the Executive.

7.2 The Committee noted that Grant Thornton's audit of the 5 year plan model's functionality and controls was presented to the Committee at its meeting in November 2015. At that meeting it was agreed that Grant Thornton would be engaged to carry out a further review of the Executive's progress in implementing the responses to the recommendations in the original report.

7.3 During the Committee's discussion the following points were made:-

- Grant Thornton's initial review raised a number of concerns about the size of the model and its flexibility. The model was developed by external consultants in 2014 but was over-engineered with the result that it was difficult to use and maintain;
- the Executive has simplified the income module while also enabling modelling of changes in payment methods. Additionally, the FTP module has been adapted to enable modelling of the effect of variations in key assumptions over the future period. Grant Thornton are supportive of the changes made;

- a new approach involving some derogations from the FAST standard was adopted for Arts Therapists as a trial. The new approach worked well and Grant Thornton will be reviewing the other professions sections;
- the Executive intends to further develop the FTP module so that it can replace other spreadsheets currently maintained within the department for workforce planning purposes.

7.4 The Committee discussed the original recommendation to produce a manual on the use of the model to ensure it is not reliant on a small number of key employees. It was noted that a manual will be produced.

7.5 The Committee noted that Grant Thornton's review considered the working of the model and not the assumptions fed into the model. The Committee agreed it was important to make this distinction in the Committee's annual report.

7.6 The Committee noted the report.

#### **Item 8. Review of internal audit recommendations (report ref: AUD 14/16)**

8.1 The Committee received a paper from the Executive.

8.2 The Committee noted progress made on outstanding internal audit recommendations.

#### **Item 9. Internal audit annual report 2015-16 (report ref: AUD 15/16)**

9.1 The Committee received a paper from the Executive.

9.2 The Committee noted the following points:-

- based on the reviews undertaken Grant Thornton have been able to provide substantial assurance in respect of the HCPC's corporate governance, risk management and internal controls;
- there were no critical high priority findings raised during the year. In addition, the Executive agreed action plans in relation to all medium priority recommendations raised through internal audit work; and
- the planned review of complaints handling was removed from the audit plan as HCPC decided to work towards ISO10002 accreditation which included external audit of this area.

9.3 In response to a question Grant Thornton stated it had not encountered anything particular concern during their audits, but that the HCPC was

undergoing substantial change and so continued focus is required to ensure performance is maintained.

9.4 The Committee noted the report.

**Item 10. Internal audit plan 2016-17 (report ref: AUD 16/16)**

10.1 The Committee received a paper from the Executive.

10.2 The Committee noted that Grant Thornton have updated their internal audit plan for 2016-17 taking into account the Audit Committee's feedback and in consultation with the Executive.

10.3 The Committee noted the following points:-

- the planned review of the registration appeals process was a key audit and was required before December 2015 for reference in the PSA performance review; and
- the execution phase of the registrations project was currently anticipated to start in January 2017, therefore the proposed audit would need to be available before this to inform the project.

10.4 The Committee discussed the scope of the review of the Partner recruitment process. It was agreed that the scope should extend to consider retention and equality and diversity. The Committee agreed that audit scopes would be circulated to the Audit Committee by the Secretary prior to each audit.

10.5 The Committee agreed that a review of the HCPC's whistleblowing processes should be undertaken. The scope of this review should include internal and external whistleblowing. Grant Thornton confirmed that it had experience of undertaking whistleblowing audits in other organisations and that the audit approach to this area would differ from the usual approach, with more awareness sampling.

10.6 The Committee noted that the Council's annual action review paper contained a commitment to reviewing whistleblowing in depth, and so an audit of this area would be beneficial to the Council in this exercise. It was agreed that the audit report would be presented to the September Audit Committee meeting, with the report then being presented to Council at its meeting in September.

10.7 The Committee noted that the whistleblowing review would fall outside of the audit plan as currently presented and so Grant Thornton would prepare an estimation of cost for the Executive.

10.8 The Committee approved the internal audit plan for 2016-17 subject to the inclusion of a review of whistleblowing processes as outlined above.

**Item 11. NAO report to those charged with governance (report ref: AUD 17/16)**

- 11.1 The Committee received a paper from the Executive.
- 11.2 The Committee noted that the report summarises the key findings from the NAO's audit of the HCPC's 2015-16 financial statements.
- 11.3 The Committee noted that the NAO anticipate recommending to the Comptroller and Auditor General that he should certify the 2015-16 financial statements with an unqualified audit opinion, without modification.
- 11.4 The Committee noted the following points:-
- all recommendations made in 2014-15 were met in full;
  - the total audit fee charged for the year is in line with that set out in the audit planning report, £39,000;
  - the main change to HCPC's accounting policies in 2015-16 was increasing the capitalisation threshold from £1k to £5k, which did not have a material impact on the accounts;
  - key risks to be considered in 2016-17 include the roll out of the new partner payments system to FTP; and
  - NAO intend to attend the Council meeting in July where the accounts will be discussed mainly so they could be present when the Council considered the HCPC 3 year plan as this was a key document for the going concern judgement.
- 11.5 The Committee discussed the NAO's recommendation on internal control concerning the management accounts. The Committee noted the NAO's comments around variance analysis. It noted that the NAO consider that information should be provided to Council on the granularity of variance analysis. The NAO considers that relatively minor changes could significantly improve the quality of information provided to the Council.
- 11.6 The Committee noted that the Executive consider that they do get appropriate granularity on underspends but that presenting these small underspends to Council at each meeting would be providing too much detail which would not assist the Council in their strategic oversight of the HCPC. It was noted that the Executive will fully consider the recommendation and a formal response will be provided to the Audit Committee meeting in September.
- 11.7 The Committee reviewed the NAO's findings as set out in the report, including the draft letters of representation and audit certificates at Appendix 1 and 2. The Committee agreed that the unadjusted

misstatements, set out in the identified misstatements section of the report should not be corrected as they were not considered to be material.

**Item 12. Draft Audit Committee annual report 2015-16 (report ref: AUD 18/16)**

- 12.1 The Committee received a paper from the Executive.
- 12.2 The Committee noted that as part of the annual report and accounts, the Audit Committee provides a report to the Council and the Accounting Officer on their activity for the financial year. The report has been drafted by the Executive
- 12.3 The Committee discussed the report and agreed the following amendments:-
- the listed internal audit report on the 5 year plan should clarify that this was a review of the model only and not the assumptions inputted into it;
  - reference to both the internal and external annual report opinion should be added to the report; and
  - more information on external audit findings should be added.
- 12.4 the Committee agreed that the report would be amended and circulated to members ahead of its inclusion in the report and accounts presented to the Council in July.

**Item 13. Draft annual report and accounts 2015-16 (report ref: AUD 19/16)**

- 13.1 The Committee received a paper from the Executive, containing the draft annual report and accounts for the year ending 31 March 2016, for recommendation to Council.
- 13.2 The Committee noted that the report would be updated if more information is known about the intended changes to the regulation of social workers.
- 13.3 The Committee noted that the 5 year plan being presented to Council in July will now cover 3 years only due to the uncertainty around social worker regulation and other possible legislative changes. The Committee agreed this was a sensible approach as speculative reporting was not helpful.
- 13.4 The Committee agreed that the HCPC three year plan was adequate to form confirmation of going concern.

- 13.5 The Committee discussed the reference to fee levels on page 8 of the report. It was agreed that this should be revised as the report is a look back at the year and this information was not needed. This section also needed to be reviewed to reflect changes to the 5 year plan being reduced to 3 years.
- 13.6 The Committee agreed the following amendments:-
- the foreword to the report should be reviewed with a view to place more emphasis on the HCPC's achievements and reputation as an effective efficient regulator;
  - the section 'Directors Report' should be renamed 'Council Report';
  - information on FTP costs should note that these cost form the largest part of the HCPC's costs; and
  - the possibility of a consultation on consolidating regulators should be included in the narrative.
- 13.7 In response to a question it was noted that the £36k non audit fees paid to Grant Thornton were in relation to the follow up exercise on the 5 year plan audit. It was agreed that this should be referenced in the internal audit annual report.
- 13.8 The Committee agreed that the amended annual report would be provided to the Committee ahead of their circulation to Council. Julie Parker would also be provided with the 3 year plan and registrant numbers.
- 13.9 The Committee to recommend the annual report and accounts to Council for approval, subject to the amendments outlined during their discussion.

#### **Item 14. BPI report (report ref: AUD 20/16)**

- 14.1 The Committee received a paper from the Executive.
- 14.2 The Committee noted the activity of the Business Process Improvement department in the reporting period.

#### **Item 15. BSI ISO9001 & ISO27001 audit reports (report ref: AUD 21/16)**

- 15.1 The Committee received a paper from the Executive.
- 15.2 The Committee noted the results of two recent recertification audits for ISO9001 and ISO27001. It was noted that the HCPC successfully passed both audits.

**Item 16. Risk owner presentations (report ref: AUD 22/16)**

- 16.1 The Committee received a paper from the Executive.
- 16.2 The Committee received presentations from the Director of Communications and the Head of Investigations on the key risks and mitigations of the Communications and FTP departments.

**Item 17. Any other business**

- 17.1 There was no further business.

**Item 18. Date & time of next meeting:**

- 18.1 Wednesday 6 September 2016 10.30am

**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

Item	Reason for Exclusion
19	H

public disclosure of which would

prejudice the effective discharge of the Committee's or Council's functions.’

Summary of items considered in private.

**Item 19. Audit Committee meeting with internal and external auditors'**

19.1 The Committee met with the internal and external auditors in the absence of the Executive to discuss the findings of their work.

**Chair.....**

**Date.....**

Unconfirmed