

Audit Committee

Public minutes of the 71st meeting of the Audit Committee held on:-

Date: Tuesday 5 November 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
Julie Parker

In attendance:

Claire Amor, Secretary to the Committee
John Barwick, Interim Chief Executive
Kathryn Burton, Haysmacintyre
Gordon Dixon, Interim Director of Finance
Roy Dunn, Chief Information Security and Risk Officer (from item 7)
Sarah Hillary, BDO LLP
Claire Holt, Interim Director of HR and OD
Jacqueline Ladds, Executive Director of Policy and External Relations
Paula Lescott, Head of Quality Assurance (from item 7)
Amy Manning, National Audit Office
Ewan Shears, Governance Officer

Public

Item 1. Chairs welcome and introduction

- 1.1 The Chair welcomed those present to the 71st meeting of the Audit Committee.
- 1.2 Particular welcome was extended to John Barwick Executive Director of Regulation who had been appointed as the interim Chief Executive and Accounting Officer.
- 1.3 The Committee noted that Anna Kinghan was now the NAO Director responsible for the HCPC.

Item 2. Apologies for absence

- 2.1 Apologies were received from Gavin Scott.

Item 3. Approval of agenda

- 3.1 The Committee approved the agenda.

Item 4. Declarations of members' interests

- 4.1 No interests were declared.

Item 5. Resolution

- 5.1 The Committee resolved to consider item 6, Strategic Risk Register in private session due to it containing information which is confidential.

Item 6. Strategic Risk Register – private discussion.

- 6.1 The Interim Chief Executive provided the Committee with an overview of the impact of change planning on the strategic risk areas.

Item 7. Minutes of the Audit Committee meeting of 10 September 2019 (report ref: AUD 33/19)

- 7.1 The Committee agreed the minutes of its meeting of 10 September 2019.

Item 8. Matters arising (report ref: AUD 34/19)

- 8.1 The Committee noted this item.

Item 9.i. Internal Audit report – Fraud risk assessment (report ref: AUD 35/19)

- 9.i.1 The Committee received a report from the HCPC's Internal Auditors BDO LLP.
- 9.i.2 The Committee noted the following points:-
- BDO LLP undertook a review of the HCPC's exposure to the risk of fraud and the existing controls for managing fraud risk as part of the 2019-20 Internal Audit Plan;
 - the review found that HCPC has a low direct exposure to fraud however the risk to reputational damage as a result of a registrant committing fraud in order to gain registration was higher; and
 - the overall assessment for the review was amber. Fraud awareness training and the HCPC's strategic approach to fraud risk management were the key recommendations made by BDO and these will be implemented.
- 9.i.3 The Committee discussed the recommendation that the HCPC undertake right to work and DBS checks on all registrants. It was noted that this recommendation could have very significant cost and resource implications and that the HCPC Executive would assess this further. The Committee suggested that if the HCPC relied on the employment checks carried out by employers of registrants, intelligence on the level of scrutiny applied was important.
- 9.i.4 The Committee noted that the risk appetite for regulatory risk should be referenced when assessing the costs and benefits of requiring enhanced checks on registrants.
- 9.i.5 The Committee agreed that the presentation of fraud risk within the strategic risk register was appropriate and that fraud did not need to form its own strategic risk.

Item 9.ii. Internal Audit report – Social Workers Transfer – (report ref: AUD 36/19)

- 9.ii.1 The Committee received a report from the HCPC's Internal Auditors BDO LLP.
- 9.ii.2 The Committee noted the following points:-
- as part of the 2019-20 Internal Audit Plan, BDO LLP undertook a review to provide assurance that the project for the transfer of

social worker regulation was being managed satisfactorily and that HCPC would be ready for a successful transfer in December 2019;

- the focus of the review was on the management of the project and not the wider planning for the organisation's workforce, finances or the structure of HCPC following the transfer. The review did not include a financial audit of the fee balances on transfer; and
- the review resulted in a green - amber rating with the conclusion that the project was being managed and governed in line with good practice.

- 9.ii.3 The Committee noted that the results of the Infrastructure Projects Authority (IPA) gateway review of the project to establish Social Work England (SWE), resulted in similar findings on the readiness for transfer.
- 9.ii.4 The Committee asked if a post conclusion review of the project would be undertaken by government for learning. It was noted that the NAO often undertook such reviews but that these were for larger scale infrastructure projects. The DHSC and the HCPC will be undertaking their own reviews.
- 9.ii.5 The Committee agreed that for the 2020-21 internal audit plan, the objectives for each proposed review area should be documented to ensure there are clear expectations of audits.

Item 9.iii. Internal audit plan progress report (report ref: AUD 37/19)

- 9.iii.1 The Committee noted this item.

Item 10. Internal audit recommendations tracker (report ref: AUD 38/19)

- 10.1 The Committee requested an estimated completion date for actions listed as ongoing.

Item 11. External Audit Planning Report 2019-20 (report ref: AUD 39/19)

- 11.1 The Committee received a report from its External Auditors, Haysmacintyre LLP.
- 11.2 The Committee noted the following points:-
- the planned timetable and approach is similar to previous years;
 - the transfer of the register of social workers would continue to be considered a significant risk for the purposes of the audit;
 - due to a number of senior management changes the remuneration report would undergo additional testing; and

- an additional fee of £1,500 would be added to the annual external audit cost for additional audit work to be performed in November/December on the transfer of social workers fees;

11.3 The Committee noted the external audit plan for 2019-20.

Item 12. National Audit Office Audit Planning Report - 2019-20 (report ref: AUD 40/19)

12.1 The Committee received a report from the National Audit Office (NAO).

12.2 The Committee noted that the NAO would rely on the work of Haysmacintyre where possible.

12.3 The Committee noted that remuneration report testing would be scheduled earlier than in previous years to seek to avoid late stage changes to the accounts.

12.4 The Committee noted that due to the change in Accounting Officer (AO) mid-way through the year, assurance from the outgoing AO would be required ideally. The Committee discussed the introduction of a bi-annual assurance statement from the AO to Council. This model was in use elsewhere in the public sector. The Executive agreed to consider this.

Item 13.i. Financial update

13.i.1 The Committee received a verbal report from the Interim Director of Finance (IFD).

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

- the month seven accounts were being finalised. Initial results indicated a £1.25m better than budget position, down in part to higher than forecasted international registration fee revenue and project and payroll underspends;
- PriceWaterhouseCoopers had undertaken an independent financial baseline review of the HCPC, as part of the evidence base for the HCPC's future funding. The IFD reported that the first draft of the report was in line with the HCPC's own assessment of its financial position; and
- the 6&6 reforecast presented to Council in December 2019 for approval would include savings agreed with budget holders as part of the first phase of the change plan.

- 13.i.3 The Committee noted that establishing the cost of FTP post the Social Work transfer was ongoing. The Committee agreed that modelling of these costs was key to the future going concern assessment for the HCPC.
- 13.i.4 The Committee noted that FTP was overspent against budget. It was noted that this exceeded the £500k investment agreed by Council in July 2018. The Committee considered that the Council would require an assessment of the return on its investment in terms of performance improvement.
- 13.i.5 The Committee noted that a high level self-assessment against the PSA's revised standards of good regulation would be presented to the Council in December 2019. The Committee welcomed this assessment noting that the Council required a clear view of projected performance against the standards to make informed decisions about investment.

Item 13.ii. Application of Capitalisation and Depreciation Policies (report ref: AUD 41/19)

- 13.ii.1 The Committee received a report from the Executive.
- 13.ii.2 The Committee noted that the IFD requested the Committee's view of a change in interpretation of the Capitalisation and Depreciation Policies, rather than proposing a change to the policies.
- 13.ii.3 The Committee noted that the bundling of capital items would lead to their capitalisation under the current policy and there are differing financial treatments of a single laptop as opposed to a purchase of ten laptops.
- 13.ii.4 The Committee noted that for project costs there was further scope for capitalisation, so all directly attributable costs (both vendor and HCPC costs) were capitalised to reflect the true cost of the project.
- 13.ii.5 The Committee advised that the true cost of assets should be accounted for in a consistent way, but that it is a matter of judgement. Consistency of application was key to any interpretation of the policies.
- 13.ii.6 The Committee noted that a change to capitalise more project costs would need clear documentary evidence to be maintained. A potential issue could arise where a project was stopped before completion and the costs could therefore not be capitalised as expected.

Item 13.iii. Reserves policy review (report ref: AUD 42/19)

- 13.iii.1 The Committee received a report from the Executive.

- 13.iii.2 The Committee noted the proposed approach to reviewing the HCPC's reserves policy, moving to positive reserves.
- 13.iii.3 The Committee discussed the timescales of implementing any change to the policy. It was noted that as the policy was based on a target level of reserves there was no implementation period required.
- 13.iii.4 Haysmacintyre agreed to provide the HCPC with example policies and recent Charity Commission guidance which was pertinent to the factors an organisation needed to take into account to determine an appropriate reserves level.
- 13.iii.5 The Committee agreed that the reserves policies of other healthcare professional regulators should be reviewed as some of these organisations had achieved good levels of reserves.
- 13.iii.6 The Committee discussed the language used when discussing reserves, noting that a modest reserve level was financially responsible and was a fund for essential investment in regulatory improvements.

Item 13.iv. Scheme of Delegation review (report ref: AUD 43/19)

- 13.iv.1 The Committee received a report from the Executive.
- 13.iv.2 The Committee noted the proposal to change the Scheme of Delegation (the Scheme) so that the delegations to the Chief Executive and Register roles are specified separately.
- 13.iv.3 The Committee agreed that the Scheme should remain high level. Council delegate to the Chief Executive level only.

Item 14. Strategic Risk Register (report ref: AUD 44/19)

- 14.1 The Committee received a report from the Executive.
- 14.2 The Committee reflected its discussion during its private session regarding the impact of the change plan on the strategic risks.
- 14.3 The Committee welcomed the commentary provided regarding the change plan within the register. The Committee requested that the actions listed in the register be reviewed in light of the change plan to ensure they are up to date.

Item 15. Social work risk register (report ref: AUD 45/19)

- 15.1 The Committee received a report from the Executive.
- 15.2 The Committee noted the following points:

- the project board would meet on 11 November to further review the risk register, it was expected that the scoring of some risks would reduce due to recent developments in the project;
- the IPA had completed its gateway review of the project and provided a green/amber rating. This was a positive indication that SWE would be ready to assume the regulation of Social Workers on 2 December;
- data testing had recently taken place. SWE were running their processes using the 'dummy' data transferred in preparation for a smooth transition to live data post transfer. Further data transfer tests would take place; and
- the Minister had signed the commencement legislation before parliamentary purdah.

15.3 The Committee discussed the likely impact of any 'legacy' issues occurring post transfer. It was noted that the Executive is keen to maintain a productive working relationship with SWE post transfer and assist with any post transfer issues where the HCPC is able. It was noted that the HCPC's formal project would continue post the transfer date and undergo formal project closure processes, which included lessons learnt reflections.

Item 16. Internal Assurance Report (report ref: AUD 46/19)

- 16.1 The Committee received a report from the Executive.
- 16.2 The Committee noted the report had been amended following feedback from the recent internal audit report as well as the preferences expressed by the Committee. Further feedback was welcomed to continue to develop the report.
- 16.3 The Committee noted that the production of FTP audit reports had been delayed due to available resourcing in that team, however recommendations from audits were being shared with the FTP department. The Committee recommended that alternative ways of presenting the findings of audits be considered reduce the burden of producing full reports.
- 16.4 The Committee noted the number of information incidents received year to date. It was noted that the figure was not out of trend with previous years and that the HCPC encouraged an open reporting culture. The Chief Information Security and Risk Officer did not consider the number reported to be of concern.

- 16.5 In response to a question it was noted that no significant findings had resulted from quality assurance reports, however the majority of audits produced recommendations.

Item 17. Audit Committee forward work plan (report ref: AUD 47/19)

- 17.1 The Committee noted this item.

Item 18. Any other business

- 18.1 The Committee agreed to focus on progress with the change plan and its impact on the strategic risks at its meeting in March 2020.

Item 19. Date & time of next meeting:

- 19.1 Tuesday 28 January 2020, time tbc – workshop
Wednesday 4 March 2020, 1pm – meeting