

## Audit Committee

### Public minutes of the 73<sup>rd</sup> meeting of the Audit Committee held on:-

**Date:** Wednesday 4 March 2020

**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  
Gavin Scott

### In attendance: TBC

Claire Amor, Secretary to the Committee  
John Barwick, Interim Chief Executive  
Kathryn Burton, Haysmacintyre  
Gordon Dixon, Business Improvement  
Tian Tian, Director of Finance  
Roy Dunn, Chief Information Security and Risk Officer  
Bill Mitchell, BDO LLP  
Gavin Fernandes, BDO LLP  
Jacqueline Ladds, Executive Director of Policy and External Relations  
Guy Gaskins, Executive Director of IT and Resources  
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 73<sup>rd</sup> meeting of the Audit Committee.
- 1.2 A particular welcome was extended to Tian Tian, Director of Finance who returns from maternity leave.

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

- 2.1 No apologies for absence were received.

### **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. Minutes of the Audit Committee meeting of 5 November 2020 and 28 January 2020 (report ref: AUD 02/20)**

- 5.1 The Executive confirmed to the Committee that in reference to the independent financial baseline review referenced at 13.i.2 point 2, the recommendations had been accepted and built into the improvement work. The Executive agreed to forward the baseline report to the independent member of the Audit Committee for reference.
- 5.1 The Executive confirmed to the Committee that in reference to the FtP spend and return on investment referenced at 13.i.4, the Business Improvement Director's paper to Council at the end of March 2020 would address this.
- 5.3 The Committee approved the minutes.

### **Item 6. Matters arising (report ref: AUD 03/20)**

- 6.1 The Committee noted this item.

## **Item 7 Draft Budget 2020-21 (report ref: AUD 04/20)**

- 7.1 The Committee received the draft budget for 2020-21 from the Director of Finance.
- 7.2 It was noted that the projected deficit of £3,024k was comprised of an underlying operating deficit of £838k, as well as optional investment costs associated with proposed development and improvement activity, such as a data and intelligence function and the reduction of the FTP backlog.
- 7.3 A significant variable cost was the investment in FtP to resolve the backlog in cases. The optimum timescale for clearing this backlog had been determined to be 18 months and the budget had been prepared on that basis. Council would be provided with options for levels of investment with their resulting timescales to clear this backlog. It was noted that without a backlog, FtP would be self-sufficient.
- 7.4 The Committee noted that the budget assumed a fee increase which was yet to be agreed. Provision for an increase in Partner fees was also included.
- 7.5 The forecast of decreases in international applications volumes was discussed. This was a conservative assumption taking into consideration other factors such as Brexit. This forecast would be reviewed on a quarterly basis as part of the new approach to budgeting.
- 7.6 The Committee discussed the budgeting assumptions and recognised as a priority the need for investment in FtP, to meet the PSA standards. Investment in other areas was also required to maintain non FtP PSA standard performance.
- 7.8 The Committee queried the efficiency savings achieved to date and how further savings would be identified.
- 7.9 The Committee commented that the budgeted deficit would be within the proposed new Reserves policy. The Committee were given assurances from Management that HCPC's cash position would support the proposed budget.
- 7.10 The Committee recognised the need for investment to deliver priority areas and noted that the proposed budget would be reviewed regularly, taking into account further efficiencies that might be found. Council will decide the budget, in the light of these comments.

## **Item 8 External Audit 2019-20 update**

- 8.1 The Committee received a verbal update

- 8.2 Haysmacintyre provided a brief update on the sample checking they had undertaken in relation to the transfer of fees to Social Work England (SWE).
- 8.3 It was noted that a re-run of extractions showed up a few minor differences of data, but these were immaterial.
- 8.4 It was noted that pre-paid registration fee income has been transferred to SWE. Any adjustments to the final amount would be minor.
- 8.5 The Committee noted that The National Audit Office (NAO) would soon commence their review of Haysmacintyre's work.
- 8.6 The Committee were advised that the NAO had recently published guidance on good practice for annual reporting, this would be circulated to the Executive and Committee.

### **Item 9 Reserves policy (report ref: AUD 05/20)**

9.1 The Committee received a report from the Executive.

The Committee noted the following points:-

- the HCPC had reliable cash flow due to the prepaid nature of registrant fees;
- the HCPC had made prudent use of registrant fees to acquire without mortgage the freehold of its offices, resulting in no ongoing rent charges;
- the biggest risk to cash levels, would be a significant reduction in registrant numbers, resulting from the removal of a profession from the register;
- this risk would not materialise suddenly, as the removal of a profession from the register required primary legislation and significant time to implement as evidenced by the transfer of social worker regulation;
- therefore, it was proposed that the reserves policy would be predicated on funds from the sale or mortgage of the property as this was expected to be possible within the likely timeframe associated with a major change to the register. The Executive confirmed that the HCPC had powers to arrange mortgages.

9.5 The Committee recognised as highlighted in the proposed policy, that the HCPC had assets other than cash. The Executive agreed to review the wording in the policy of 'Net Tangible Assets' verses 'Net Assets less Intangible Assets' and to consider whether a target level should be set.

9.6 The Committee suggested that reliance on fixed assets was an unusual approach and asked the NAO and Haysmacintyre if they had seen

comparable policies from other organisations. The Committee were advised that the reserves policy needed to be appropriate for the HCPC's own circumstances.

The Committee noted that the Reserves Policy would be reviewed on an annual basis in line with the Corporate Strategy to ensure it continued to meet the HCPC's needs.

- 9.7 The Committee agreed to recommend the Reserves Policy to Council and suggested that Council would require a fuller narrative of the proposed approach when presented.

#### **Item 10 Scheme of Delegation (report ref: AUD 06/20)**

- 10.1 The Committee received a paper from the Executive.
- 10.2 The Committee noted that there were no substantive changes to the Scheme, the changes focused on clearly separating the roles of Registrar and Chief Executive.
- 10.2 The Executive agreed that this change would be raised with the HCPC's insurance providers.
- 10.3 The Committee agreed to recommend the revised Scheme of Delegation to Council for approval.

#### **Item 11.i Internal Audit report – FTP end to end process review (report ref: AUD 07/20)**

- 11.i.1 The Committee received a report from the HCPC's Internal Auditors BDO LLP.
- 11.i.2 The Committee noted the following points:-
- BDO LLP undertook a review of the HCPC's FtP end-to-end processes as part of the 2019-20 Internal Audit Plan;
  - the review found no significant issues in relation to the quality of the end-to-end processes;
  - there were some issues found in relation to timeliness, some of which could be attributed to staff shortages;
  - Other matters raised related to the timeliness of FtP QA activity; and

- the overall assessment for the review was amber.
- 11.i.4 The Committee noted that a lack of resources was a key theme in the report's findings and the resulting impact of this on timeliness.
- 11.i.6 The Executive provided an update on activity underway to address the issues highlighted in the report. This included;
- Demand and Capacity Planning to ensure focus was in the right place to make best use of current resources;
  - more focus on employee support and training, to enabling more effective working and to bring stability to the department;
  - new management information and dashboards to help management with appropriate oversight; and
  - exploring the possibility of using differing service levels based on type of case and following risk assessments.
- 11.i.7 The Committee requested that where the report recommendations were to 'remind staff', the response outlined the specific actions.
- 11.i.8 The Executive agreed to look at the use of targeted staff surveys to measure the implementation of recommendations.

**Item 11.ii Internal Audit report – Business continuity planning (report ref: AUD 08/20)**

- 11.ii.1 The Committee received a report from the HCPC's Internal Auditors BDO LLP.
- 11.ii.2 The Committee noted the following points:-
- BDO LLP undertook a review of the HCPC's Business Continuity Planning as part of the 2019-20 Internal Audit Plan;
  - the overall opinion from the review was that the HCPC's business continuity planning was at a fairly mature level with plans well developed. The overall assessment for the review was green/amber; and
  - there were a few recommendations which the Executive had accepted.
- 11.ii.3 The Committee welcomed the report as positive with recommendations that will lead to further improvements. The Committee also commended

the prompt actions that had already been undertaken by the Executive in response to the report.

- 11.ii.4 The Executive noted an error whereby the completion date of recommendation 6 should read March 2021.

**Item 11.iii Internal Audit report – FTP legal procurement phase II (report ref: AUD 09/20)**

- 11.iii.1 The Committee received a report from the HCPC's Internal Auditors BDO LLP.
- 11.iii.2 The Committee noted that this was the second and final part of an advisory review and that the overall conclusion was that the processes for procuring the new provider were generally sound, with a few areas for improvement to be made going forward.
- 11.iii.3 The Committee discussed with the Executive the value of documenting consensus meetings and the importance of having robust documentation in place that could be relied upon should it be needed. The Executive agreed that this would form part of future processes.

**Item 11.iv Internal Audit Charter (report ref: AUD 10/20)**

- 11.iv.1 The Committee noted this item.
- 11.iv.2 The Committee noted that if the Internal Auditors would not be providing an opinion for the piece of work this would be made clear in the terms of reference.
- 11.iv.3 The Committee requested a minor change in the use of the word 'can' to 'will' at 6.2 point 5 and at 10.2, so that they read, 'will receive' and 'will improve' respectively.
- 11.iv.4 The Committee approved the Internal Audit Charter subject to the amendments referred to in 11.iv.3

**Item 11.v Internal Audit Plan 2019-20 progress update (report ref: AUD 11/20)**

- 11.v.1 The Committee noted this item.

**Item 11.vi Internal Audit Plan 2020-21 (report ref: AUD 12/20)**

- 11.vi.1 The Committee received a draft plan from the HCPC's Internal Auditors BDO LLP.

- 11.vi.2 The timing of the audit around 'Change' was important given current HCPC activity. The Executive were asked to provide guidance as to the most suitable time for the review to take place to ensure maximum benefit.

A future potential audit of Board effectiveness had been included. This is more likely to be delivered by a facilitated self-assessment, rather than through internal audit.

- 11.vi.3 The Committee queried the increase in the Internal Audit fee from 2019-20. BDO LLP advised that this was due to an increase in audit days. The Committee requested that the Executive and BDO review the plan to prioritise the review areas.

- 11.vi.3 The Committee approved the Plan subject to the action outlined in paragraph 11.vi.3.

#### **Item 12. Internal audit recommendations tracker (report ref: AUD 13/20)**

- 12.1 The Committee noted progress and reiterated their request for estimated completion dates for all actions, especially those marked as ongoing.

The Committee was assured that the implementation of actions is taken seriously and the follow-up audit will confirm that.

#### **Item 13. Strategic Risk Register (report ref: AUD 14/20)**

- 13.1 The Committee received a report from the Executive.
- 13.2 The Committee noted the changes and discussed the reduction in likelihood for risks 1 and 4.
- 13.3 The Committee received a verbal update from the Interim Chief Executive on the impact of COVID-19 (Corona Virus) on the strategic risk areas. The Committee noted that a number of actions had been undertaken in mitigation.
- 13.4 The Committee noted that the HCPC was likely to receive powers to maintain an emergency register of reserve registrants, for example final year students or retired registrants. Any associated costs were expected to be covered through a grant.
- 13.5 The Committee and Executive discussed risk 2 and the possibility of Regulatory reform given the recent general election result. The Executive reported that there had been round table discussions with the Department of Health and Social Care (DHSC) and other regulators. The DHSC had outlined a timetable for regulatory reform, and would be

looking to consult on the details of fitness to practise and governance and operations framework proposals in late summer 2020.

- 13.6 The Committee requested that planned actions be updated in the Strategic Risk Register and that it reflects business improvement activities.

**Item 14. Social work risk register (report ref: AUD 15/20)**

- 14.1 The Committee received a report from the Executive.
- 14.2 The Committee noted that following the successful transfer of social workers to SWE, only one risk remained in the register. This was in relation to the impact on the HCPC culture.
- 14.3 The Committee agreed that the social work risk register could be closed down, and that any remaining items would be dealt with as business as usual.

**Item 15. Internal Assurance Report (report ref: AUD 16/20)**

- 15.1 The Committee received a report from the Executive.
- 15.2 The Committee noted changes to the Quality Assurance Team. The Committee noted that the Head of QA left the HCPC at the end of January and that recruitment for a QA lead was ongoing.
- 15.3 The Committee heard that a change in approach to Quality Assurance is being explored with the business improvement team and that the focus would be on more timely and agile reviews, working with departments to achieve more relevant and impactful QA.
- 15.4 The Committee noted that the input had also been sought from the Policy lead on PSA standard performance, with the aim of ensuring that the outputs of the QA teams work could be used as part of the annual evidence submission.
- 15.6 The Committee noted that there had been a significant increase in complaints around the time of the transfer of social workers, due to the significant increase in contacts being received by the Registration Department. Complaint levels had since returned to normal levels.
- 15.7 The Committee noted that the visibility of complaints and the learning from these was being reviewed in light of the new PSA standard relating to complaints handling.
- 15.8 The Committee agreed that the Internal Assurance Report should include reports on whistleblowing, fraud and health and safety incidents.

## **Item 16. Audit Committee self-assessment outputs**

16.1 The Committee discussed the outputs of their recent self-assessment facilitated by the NAO. It was noted that:-

- whistleblowing would be discussed at the next Audit Committee in June;
- a review of the HCPC's Committees was being undertaken by the Senior Council Member. The name of the Committee would be considered as part of this; and
- Committee Chair feedback would be reintroduced into the annual performance review forms for Council members.

## **Item 17. Audit Committee forward work plan (report ref: AUD 17/20)**

17.1 The Committee noted that whistleblowing would be added to June and the interim governance statement to the November meeting.

## **Item 18. Any other business**

18.1 There was no further business.

## **Item 19. Date & time of next meeting:**

19.1 Wednesday 10 June 2020, 1pm

### **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.'

Item	Reason for Exclusion
20	B
21	B

**Chair**.....

**Date**.....