

Audit Committee

Public minutes of the 42nd meeting of the Audit Committee held on:-

Date: Tuesday 25 June 2013

Time: 10:30 am

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

Present: Jeff Lucas (Chair)
Julia Drown
Morag MacKellar
Joy Tweed

In attendance:

Martin Burgess, National Audit Office

Graeme Clarke, Mazars LLP

Peter Cudlip, Mazars LLP

Roy Dunn, Head of Business Process Improvement

Claire Gascoigne, Secretary to the Committee

Richard Kennett, Chair, Finance and Resources Committee (observer)

Kate Mathers, National Audit Office

Charlotte Milner, Head of Financial Accounting

Tim Moore, Director of Finance

Greg Ross-Sampson, Director of Operations

Marc Seale, Chief Executive and Registrar

Anna van der Gaag, Council Chair

Item 1.13/23 Apologies for absence

1.1 There were no apologies for absence.

Item 2.13/24 Approval of agenda

2.1 The Committee approved the agenda.

Item 3.13/25 Declarations of members' interests

3.1 Members had no interests to declare in connection with the items on the agenda.

Item 4.13/26 Minutes of the Audit Committee meeting of 13 March 2013 (report ref: AUD 16/13)

4.1 It was agreed that the public minutes of the 41st meeting of the Audit Committee should be confirmed as a true record and signed by the Chair subject to item 10.4 being amended to end after the word successfully.

Item 5.13/27 Matters arising (report ref: AUD 17/13)

5.1 The Committee received a paper to note from the Executive.

5.2 The Committee noted the actions list as agreed at the last meeting. It was noted that action 1 should read as complete having been presented to the Finance and Resources Committee of 18 June 2013.

5.3 It was agreed that item 4.1 formed an action on the Director of Finance. It was agreed that the timescale for this action would be September 2013.

Item 6.13/28 Business Process Improvement report (report ref: AUD 18/13)

6.1 The Committee received a report summarising business process improvement work.

6.2 The Committee noted the following points;

- the BSI completed the final audit of the current three year cycle on 2 May 2013. The HCPC has been recommended for continued registration to ISO9001:2008;
- the next information security training CBT package for all employees, has been selected. This will be rolled out over the summer;

- last year's CBT package will be reused to train Partners on information security after appropriate modifications;
- asset owners are currently contributing to the information assets register for HCPC. Threats and vulnerabilities are being examined; and
- legal advice has been sought regarding the retention of paper applications and renewal notices within the Registrations Department. Where an electronic or film copy of an application exists, the paper original will be securely destroyed.

6.3 The Committee discussed near miss reporting, as described on page 8 of the BSI report. It was noted that a summary of all such events will be presented to Council later in 2013. In addition, a detailed analysis of complaints received during 2012-13 will be presented in September, along with a replication of the report the Executive Management Team receives. This will enable Council to determine if current reporting is adequate.

6.4 The Committee discussed information security training for Council members. It was agreed that the new package should be extended to Council and Committee members in August.

6.5 The Committee noted that last year's information security training package will be applied to all HCPC Partners; there are currently approximately 600 Partners. The training includes a test of knowledge, which is recorded electronically so that follow up training can be provided where necessary.

6.6 The Committee noted that the HCPC will be working towards a more paperless system in order to support information security.

6.7 The Committee noted the report.

Item 7.13/29 Draft Annual Report and Accounts 2012-13 (report ref: AUD 19/13)

7.1 The Committee received a paper from the Executive, containing the draft Annual Report and Accounts for the year ending 31 March 2013, for discussion/approval.

7.2 The Committee noted that the National Audit Office (NAO) had completed their audit and the annual report incorporated their feedback. It was noted that the audit had gone smoothly and no significant matters had been identified. The NAO completion report formed a later item on this agenda.

- 7.3 The Committee noted that the draft Annual Report had been discussed by the Finance and Resources Committee at their meeting of 18 June 2013. At that meeting it had been agreed that the report would cross reference the Education and Fitness to Practise Annual Reports in the foreword.
- 7.4 The Committee agreed the following amendments to the report;
- the joining dates of members Frank Burdett and Robert Templeton should read 2012 not 2013 in the Council membership table on page 10;
 - Eileen Thornton's fees on page 12 should read 'no fees charged' rather than a dash. The number of days should be inserted rather than a dash;
 - the double asterisk on page 5 should be removed and the paragraph below the table should outline the onboarding of Social Worker in England, as background to the increase in fee revenue and FtP allegations;
 - the sentence 'This resulted in an operating surplus for 2012–13 of £103K' on page 6 should be amended to 'An operating surplus for 2012–13 of £103K was achieved';
 - the reference to the Audit Committee reviewing the risk register and top 10 risks at each meeting on page 16, is incorrect and should be amended to twice a year; and
 - the language of the third bullet point of key risks addressed on page 18 should be amended to fit with the style of the other bullet points.
- 7.5 The Committee discussed the wording of the second to last paragraph on page 3 of the report. This related to the proposals for regulating adult social care workers in England. It was agreed that consensus supported the content of the paragraph.
- 7.6 The Committee agreed to recommend the Annual Report and Accounts to Council for approval subject to the amendments outlined in 7.4.

Item 8.13/30 National Audit Office - Audit Completion Report 2012-13 (report ref: AUD 20/13)

- 8.1 The Committee received a paper for discussion/approval from the Executive. The paper contained the National Audit Office report of audit findings for 2012-13.

- 8.2 The Committee noted that The Comptroller and Auditor General anticipates certifying the HCPC 2012-13 financial statements with an unqualified audit opinion, without modification. It was noted that a review of post balance sheet events and the completion of NAO internal review process were still to be completed.
- 8.3 The Committee noted the audit response, the findings and management's response to the significant risks of material misstatement identified in the audit planning report. These included
- outsourcing of the payroll function;
 - procurement;
 - liability related to Flexiplan scheme;
 - the risk of fraud through management override of controls; and
 - revenue recognition.
- 8.4 The Committee noted that there were no findings relating to the above risks, with the exception of procurement. It was noted that the HCPC is still in the process of establishing the new procurement policy and that the recently appointed procurement manager is taking this work forward. The NAO will continue to monitor this process once the policy is agreed.
- 8.5 Other areas of audit emphasis were the Transfer of Regulatory Function from the General Social Care Council and the purchase of 186 Kennington Park Road. In relation to the transfer, the NAO considered that this new area of activity is properly controlled.
- 8.6 The Committee considered that the unadjusted misstatements, set out in the identified misstatements section, should not be corrected as the uncorrected misstatements have a nil impact on both net assets and the retained surplus and as such are not considered material.
- 8.7 The Committee noted that the NAO considered that the HCPC's conclusion in regards to the disclosure of Directors remuneration in line with FReM (as presented to the Finance and Resources Committee on 18 June 2013) is consistent with the NAO's understanding of the current HCPC management structure. It was recommended that this disclosure be reviewed each year.
- 8.8 The Committee discussed the FReM definition of 'Director' in relation to the HCPC Directors. It was noted that the Finance and Resources Committee of 18 June 2013 agreed that decision making is vested in the Council and that, therefore, there is no requirement under the FReM to disclose the remuneration of the HCPC Directors. It did however recommend to Council that anonymised disclosures by salary bands should be included in future reports.

- 8.9 The Committee discussed the influence of HCPC directors on the decision making of Council. Whilst there was agreement that the Council has the power to reject any proposal put to it by the Executive, there were some differences of opinion as to the level of influence the Executive held. It was noted that the paper presented to the Finance and Resources Committee, would be seen by Council at its 4 July 2013 meeting.
- 8.10 The Committee approved the report and agreed that it would be sent to Council as an item to note.

Item 9.13/31 Internal Audit Report – Bribery Act (report ref: AUD 21/13)

- 9.1 The Committee received a paper for discussion/approval from the Executive. The paper contained an internal audit report covering the HCPC's high level framework to prevent the offering or payment of bribes by staff or associates of HCPC as well as the receipt of bribes.
- 9.2 The Committee noted that the review was undertaken using the contingency days in the internal audit strategy and operational plan.
- 9.3 The Committee noted Mazar's conclusion that the HCPC needs to take further action in order to achieve 'adequate procedures' in the anti-bribery control framework. An action plan was provided, accompanied by HCPC management comment on how it aims to implement the recommendations made.
- 9.4 The Committee requested that a timescale for the implementation of Partner training in the Bribery Act be provided.

ACTION – Partner Manager to report to the Committee on expected timescales for the implementation of Bribery Act training for Partners.

- 9.5 The Committee approved the report

Item 10.13/32 Internal Audit Annual Report 2012-13 (report ref: AUD 22/13)

- 10.1 The Committee received a paper for discussion/approval from the Executive, setting out Mazars internal audit work in 2012-13.
- 10.2 The Committee noted that Mazars had benchmarked the HCPC against a range of clients in both the public and private sectors. The Committee noted that the HCPC compared well against these other organisations and all the areas which had been reviewed had been rated as substantial assurance.

- 10.3 The Committee noted that Mazars had concluded that HCPC's governance, risk management and internal control arrangements are generally adequate and effective. Certain weaknesses and exceptions were highlighted by its audit work, none of which were fundamental in nature.
- 10.4 The Committee noted that a follow up review of 22 recommendations made by Mazars during 2011-12 found that 13 had been implemented and seven recommendations are in the process of being implemented. All recommendations made during the year were accepted by Management.
- 10.5 The Committee discussed the implementation rate of recommendations made by Mazars. It was noted that the rate was around 85% which was considered good by Mazars. The Committee agreed that requiring an implementation percentage level would not be helpful and that the Committee monitors recommendation implementation in its tracker document.
- 10.6 The Committee approved the report.

Item 11.13/33 Internal Audit – review of recommendations (report ref: AUD 23/13)

- 11.1 The Committee received a paper for discussion/approval from the Executive.
- 11.2 The Committee noted that there had been one report finalised since its last meeting. These related to the Bribery Act. This concludes the internal audit schedule for 2012/13.
- 11.3 It was noted that the timescales on pages 9, 10 and 11 should be October 2013, as other projects had taken priority. The IT Policy on page 3 will now be presented to Finance and Resources Committee in July 2013.

ACTION – Secretary to Committees to amend timescales.

- 11.4 The Committee noted the report.

Item 12.13/34 Risk Presentations (report ref: AUD 24/13)

- 12.1 The Committee received presentations on the risks owned by the Chief Executive, the Director of Standards and Policy and the Head of Business Process Improvement.
- 12.2 The Committee discussed the redevelopment of 186 Kennington Park Road. It was noted that this project did not appear as an item on the Chief Executive's risk register, as Major Projects had their own separate risk

registers. However, the Project was at an early scoping stage and approval for any expenditure had not yet been sought by the Finance and Resources Committee, so the current risk register for this Project was basic.

- 12.3 The Committee discussed how it would be updated on this project. It agreed that the reporting it received on the GSCC transfer project was comprehensive and that a similar approach would be welcomed for this Project.
- 12.4 The Committee discussed where it obtained its assurance about the HCPC's risks. It was noted in this case that an internal audit report on Project Management had been presented to the Committee in 2013. It was agreed that this issue would be discussed at the audit training session following the meeting. However, it was agreed that the Chief Executive would give a verbal update to Council on the new building project progress and the current utilisation of the building. In addition Council Members will be offered a tour of the building.

ACTION – Chief Executive to provide Council with a verbal update on the new building project progress at its meeting of 4 July.

- 12.5 It was agreed that the first mitigation for risk 1.5, loss of reputation, should be the quality of governance procedures.

ACTION – Head of Business Process Improvement to amend risk 1.5.

- 12.6 The Committee thanked the Executive for the presentations.

Item 13.13/35 Any other business

- 13.1 There was no other business.

Item 14.13/36 Date and time of next meeting

- 14.1 The next meeting would be held at 10.30 am on Tuesday 26 September 2013
- 14.2 Subsequent meetings would be held at 10.30 am on:
Tuesday 28 November 2013

Resolution

The Committee agreed to adopt the following resolution:

'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
15	d

Summary of those matters considered whilst the public were excluded

Item 15.13/37 Private minutes of the Audit Committee of 13 March 2013 (report ref: AUD 25/13)

The Committee agreed that the private minutes should be confirmed as a true record and signed by the Chair.

Item 16.13/38 Matters arising

There were no matters arising from the minutes of the last meeting.

Chair

Date