Health & Care Professions Council:
Audit Committee Effectiveness Workshop

NAO
National Audit Office

February 2020

Contents

Background

Refresh of the core principles set out in HMT's Audit Committee Handbook. Facilitated discussion through audit committee view on the five core principles.

Results

Outcome of facilitated discussion, including summary of committee assessment against each of the Audit and Risk Committee Handbook principles.

Key Challenges / Actions

From the discussion held, summary of key challenges / actions for the HCPC Audit Committee.

Further Information

Links to further information and source materials from the session

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Background

"The role of the Audit Committee is fundamental to ensuring that organisations function according to good governance and accounting and auditing standards, and adopt appropriate risk management arrangements.

The National Audit Office (NAO) regards well-functioning Audit Committees as key to helping organisations achieve good corporate governance."

Event

On Tuesday 28 January 2020, the NAO held an Audit Committee Effectiveness workshop. This workshop included an overview of the principles of effective audit committees as set out in HMT's Audit and Risk Committee Handbook. Assessment of HCPC's Audit Committee (AC) was undertaken in the format of a facilitated discussion.

Attendees

The session was attended by all members of the audit committee and also the HCPC Head of Governance.
The session was lead by the NAO engagement director, Amy Manning, and engagement manager, Andrew Ferguson.

Objective

The session was intended to aid the AC members self appraise their own effectiveness, through a facilitated discussion using the key principles of the HMT Audit and Risk Committee Handbook as a guideline, as set out below;

• **Principle 1: Membership, Independence, Objectivity and Understanding**	• **Principle 2: Skills**
• **Principles 3 & 4: Role and Scope**	• **Principle 5: Communication and Reporting**

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Results

Principle 1: Membership, Independence, Objectivity and Understanding	Principle 2: Skills
Principles 3 & 4: Role and Scope	Principle 5: Communication and Reporting

Membership / Attendance
The AC considered it's membership and was content this was appropriate, with three Lay members supported by an additional Independent Audit member. The AC was also content that appropriate HCPC executives and other participants routinely attend the AC meetings, and noted they would not expect the Chair or AO for example to attend every meeting. The committee noted that private sessions were available as required, but did not require formal scheduling for every meeting.

Sponsor Department
It was noted that neither the Department of Health and Social Care (DHSC), nor the Privy Council attend the HCPC AC, however it was considered that this was appropriate as there is no reporting requirement to DHSC, and Privy Council perform more of an administrative rather than oversight function. It was also noted that PSA do occasionally attend the overarching public council meetings, but not AC. AC would consider inviting DHSC/Privy Council/PSA as required if there were items that would benefit from their input

Independence
There is a prompt for declarations at the start of each meeting, as well as declarations made being published on the HCPC website. Additionally previous declarations are available within the materials held for AC members by the Governance team. Action noted to consider whether this process could be more proactive and transparent

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Results

Principle 1: Membership, Independence, Objectivity and Understanding	Principle 2: Skills
Principles 3 & 4: Role and Scope	Principle 5: Communication and Reporting

Terms of appointment/expectations/appraisal/training
AC members clear on their appointment terms and what is expected of them in their roles. Council members receive an annual appraisal which would include their role on AC. Learning and development provision understood and utilised by AC members as required
Minor action noted for AC chair to ensure that AC performance fed into the Council member appraisal

Conclusion
The AC considered that they were performing effectively under this principle, noting only minor actions to consider for improvement.

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Results

Principle 1: Membership, Independence, Objectivity and Understanding	Principle 2: Skills
Principles 3 & 4: Role and Scope	Principle 5: Communication and Reporting

Range of skills
The AC considered it's skill base and concluded that it was content that it had an appropriate range of skills to ensure that the Accounting Officer and Council gain the assurances they require. Additionally the AC considered that they have appropriate wider skills to be fully effective in relation to the core business of HCPC.
Independent member receives adequate information from the Council/other meetings to ensure she has suitable understanding of HCPC business

Financial experience
It was noted that AC members have a high level of recent and relevant financial experience to allow them to competently analyse the financial statement and understand good financial management discipline.

Additional skills
The AC noted that they felt appropriately empowered to co-opt additional skills as required, and have done so in the past.

Conclusion
The AC considered that they were performing effectively under this principle. No actions were noted.

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Results

Principle 1: Membership, Independence, Objectivity and Understanding	Principle 2: Skills
Principles 3 & 4: Role and Scope	Principle 5: Communication and Reporting

Insight, Challenge and Understanding

The AC considered the level of insight and challenge they provide to HCPC, and noted that this has improved in recent years, from being a "yes body", to a position which now offers a robust challenge to the business.

The AC also noted that the executive approach the AC for a view on emerging issues supporting view that the AC has a good understanding of the risks and challenges facing the organisation.

Discussion noted that whilst members understand their role and the organisation, they were unable to locate the formal role definition ahead of the session to allow reflection between the actual and presumed role.

Whistle-blowing

Whilst the AC noted that the policy comes to the AC annually for review and approval, there was not clarity as to who the senior board member with overall responsibility for HCPC was.

The AC also queried whether they should have visibility of any whistleblowing complaints made (including nil return) as currently felt unsighted on the issue.

Internal Audit

Discussion around Internal Audit highlighted that the AC are able to use assurance mapping to target areas of risk, following exercise undertaken by Internal Audit. Additionally, the AC noted that they are able to gain assurance over the implantation of policies through the work undertaken by internal audit, giving assurance that the risk management strategies employed are effective.

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Results

Principle 1: Membership, Independence, Objectivity and Understanding	Principle 2: Skills
Principles 3 & 4: Role and Scope	Principle 5: Communication and Reporting

Terms of Reference

The Terms of Reference for the AC were discussed and it was noted that whilst the terms of reference is available as a separate document through the HCPC website, that this in an Annex of broader committee terms of reference, and only the conditions specific to the AC are included within the Annex.

This is not clear to the reader of the document, and appears that the Terms for the AC are overly simplistic and brief. AC to consider whether the terms need to be revised, or updated to include link back to overarching Terms for HCPC committees. Discussion also raised issue around transparency of the terms and ensuring these are easily accessible online, which is currently not the case.

Additionally, as part of this question was raised to discuss whether the ToR should be updated to call the AC the Audit and Risk Assurance Committee, to better reflect the actual work undertaken.

Governance Statement

AC is involved in reviewing drafts of the Governance Statement but less involvement in understanding the procedures in place to provide the assurance needed. Discussed that given the significant events/changes this year that the AC should be more involved in not only the drafting of the Governance Statement but also understanding the assurance processes. Action agreed to include this is the March meeting

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Results

Principle 1: Membership, Independence, Objectivity and Understanding	Principle 2: Skills
Principles 3 & 4: Role and Scope	Principle 5: Communication and Reporting

Conclusion

The AC considered that they were performing effectively under this principle, however, there were a number of minor actions noted to help improve the AC effectiveness in this area. These included issues around;

- Transparency of whistle-blowing;
- Clarity and availability of Committee Terms of Reference.
- Involvement in the drafting of the Governance Statement and understanding the procedures to provide the necessary assurances
- Naming of the committee

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Results

Principle 1: Membership, Independence, Objectivity and Understanding	**Principle 2: Skills**
Principles 3 & 4: Role and Scope	**Principle 5: Communication and Reporting**

Communication with Council

Communication to the Accounting Officer and Council were discussed, and it was noted that reports were shared following each AC meeting, based upon the AC minutes. These are not shared with Internal / External Audit as the full minutes are available.

The AC prepares an Annual report for Council each year.

Additionally Chair noted open communication channel between with the HCPC chair and executive team exists for discussion of emerging issues.

Communication across Departmental group.

It was noted that there is currently no communication across the DHSC group, although attendance at DHSC AC chair's events in the past have been helpful. AC considered whether communication across "regulator bodies" may be more beneficial.

Conclusion

The AC considered that they were performing effectively under this principle. Single action noted to consider establishment of "regulator" group to discuss broader issues.

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Conclusion and Actions

Conclusion
Overall the AC concluded that the committee was effective, and performing well against the principles set out in the HMT Audit Committee Handbook, noting improvement in the level of challenge presented by the committee under its current stewardship. The committee did also raise a number of minor points to consider either within itself, or to discuss with the overarching council to make further improvement to it's effectiveness. These are set out below;

Actions	
As a result of the discussion held, the AC noted the following actions to take forward with view to further improving AC effectiveness.	
Principle	**Action**
1	**Declaration of Independence.** Chair to consider management of Declarations of Independence. This could include sharing declarations made by all members of the AC to ensure consistency of disclosure and also allow members to challenge each other over the completeness of disclosures made, both annual and for specific meetings. • clarify the scope of the interests to be declared • Chair to review of interests ahead of AC meetings so there is awareness of potential conflicts
1	**Annual appraisal** Ensure that Chair feeds AC performance in to the Council member annual performance appraisal
3/4	**Key Documentation** Ensure that key documentation, such as Audit Committee "Job Specification" are easily available for all AC members

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Conclusion and Actions

Actions	
As a result of the discussion held, the AC noted the following actions to take forward with view to further improving AC effectiveness.	
Principle	**Action**
3/4	**Whistle-blowing** 1. For the AC Chair to discuss with Governance Manager / Chair / COO what the role of the AC chair is with regard to whistle-blowing, including obtaining clarity over which senior board member has overall ownership of the process. 2. Consider what reporting / oversight the AC needs to have of the whistle-blowing process and how often. Consider how this information should be shared with the AC.
3/4	**Governance Statement** Given the significant events/changes this year the AC should be more involved in not only the drafting of the Governance Statement but also understanding the assurance processes. Action agreed to include this is the March meeting
3/4	**Clarity and availability of Committee Terms of Reference** 1. In line with best practice as set out within the HMT Audit Committee Handbook, the Terms of Reference should be available on the HCPC website. HCPC should consider where these are held and making this more transparent. 2. The current document entitled AC Terms of Reference is an Annex to a broader policy document on HCPC committee structure. This broader document contains the majority of the standard terms and conditions of the HCPCs committees with the Annex containing AC specific considerations. HCPC should consider ensuring that documentation entitled AC ToR contains all the information recommended in the Audit Committee handbook, or links to where this information is held.

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Conclusion and Actions

Actions	
As a result of the discussion held, the AC noted the following actions to take forward with view to further improving AC effectiveness.	

Principle	Action
3/4	**Naming of the committee** To discuss with council whether the AC should be renamed the "Audit and Risk Assurance Committee" or similar in light of current role and scope of the committee.
5	**"Regulator" Chairs Group** Chair to consider whether establishment of a communication group with other Health / Social Care regulators would benefit HCPC Governance and allow the AC to gain a broader insight into risks impacting the sector.
N/A	**Scope of the AC** Given the changes in size and nature of work undertaken by HCPC following the transfer of Social Care workers to Social Work England, the AC and Council should consider the level of assurances required by the AC, and what the proportionate amount of work to achieve these is.

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Further information

Further information

Useful links:

- [HMT's ARAC Handbook](https://www.gov.uk/government/publications/audit-committee-handbook)
https://www.gov.uk/government/publications/audit-committee-handbook

- [HMT's Assurance frameworks guidance](https://www.gov.uk/government/publications/assurance-frameworks-guidance)
https://www.gov.uk/government/publications/assurance-frameworks-guidance

- [NAO Self Assessment Checklist](https://www.nao.org.uk/report/audit-committee-self-assessment-checklist-2-2/)
https://www.nao.org.uk/report/audit-committee-self-assessment-checklist-2-2/

- [NAO Support for Audit Committees](https://www.nao.org.uk/search/pi_area/support-for-audit-committees/) https://www.nao.org.uk/search/pi_area/support-for-audit-committees/

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Further information

- The Audit and Risk Assurance Committee Handbook has seven annexes with supporting material and good practice guidance.
- The annexes cover:
  A. The Chair's role
  B. Committee support
  C. A model letter of appointment
  D. Example terms of reference
  E. An example core work programme
  F. Key questions for a committee to ask
  G. A competency framework
  H. Whistleblowing
  I. Cyber Security

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