
Audit Committee

Public minutes of the 31st meeting of the Audit Committee held as follows:-

Date: Thursday 23 September 2010

Time: 10:30 am

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

Present: Jeff Lucas (Chair)
Deep Sagar
Joy Tweed

In attendance:

Mr C Bendall, Secretary to the Committee
Mr M Burgess, National Audit Office
Mr G Butler, Director of Finance
Mr J Dee, PKF (UK) LLP
Mr T Drew, PKF (UK) LLP
Mr R Dunn, Head of Business Process Improvement
Mr M Guthrie, Director of Policy and Standards
Ms T Haskins, Director of Human Resources (items 1-8 inclusive)
Mr R Houghton, Head of Registration
Ms K Johnson, Director of Fitness to Practise (items 15-17 inclusive)
Ms J Ladds, Director of Communications (items 1-8 inclusive)
Mr G Ross-Sampson, Director of Operations
Dr A van der Gaag, Council Chair

Item 1.10/44 Apologies for absence

- 1.1 Apologies for absence were received from Mr R Kennett (observer on behalf of the Finance and Resources Committee) and the Chief Executive and Registrar.

Item 2.10/45 Approval of agenda

- 2.1 The Committee approved the agenda, subject to receiving a tabled paper (risk register for the transfer of regulatory functions from the General Social Care Council to HPC) as item 25.

Item 3.10/46 Declarations of members' interests

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

Item 4.10/47 Minutes of the Audit Committee meeting of 24 June 2010 (report ref: AUD 29/10)

- 4.1 It was agreed that the minutes of the 30th meeting of the Audit Committee should be confirmed as a true record and signed by the Chair, subject to an amendment to paragraph 9.6. It was agreed that a bullet point should be added: an action point for the Executive to meet the National Audit Office to review learning points from the audit of the 2009-10 accounts. The Committee noted that the meeting had already taken place.

Item 5.10/48 Matters arising (report ref: AUD 30/10)

- 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.
- 5.3 The Committee noted that six firms had submitted tenders for the provision of internal audit services and the short-listing panel was due to consider the tenders on 18 October 2010. The Committee was due to meet on 25 November 2010 to receive presentations from the short-listed firms.

Item 6.10/49 Business Process Improvement report (report ref: AUD 31/10)

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

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- 6.2 The Committee noted that the audit of HPC's quality management system by the British Standards Institute (BSI) had been deferred from 6 October 2010 to later in the autumn, due to availability of BSI auditors.
- 6.3 The Committee noted that the Head of Business Process Improvement had worked with the Human Resources and Registration departments to ensure that processes in the quality management system were up-to-date.
- 6.4 The Committee noted that the paper set out information about the quality management system. The Committee agreed that future reports should include a brief summary of corrective and preventive actions under the system, to show how it benefited HPC's stakeholders.

Action: RD (ongoing)

Item 7.10/50 Internal audit report – Human Resources risk management review (report ref: AUD 32/10)

- 7.1 The Committee received a paper for discussion/approval from the Executive.
- 7.2 The Committee noted that, in accordance with the internal audit plan for 2010-11 agreed by the Committee in February 2010, PKF had conducted a review of management of key Human Resources risks.
- 7.3 The Committee noted that the report had concluded that the arrangements were satisfactory and had made two recommendations:
- an enhancement to the risk register, to reflect actual mitigations for succession planning for key posts; and
 - an update to the Human Resources strategy, to reflect HPC's current thinking on its human resources requirements, including skills and training needs.
- 7.4 The Committee noted that the Executive had agreed with both recommendations and would implement them.
- 7.5 The Committee noted that the Executive carried out a review of employee exit interviews and identified any actions required. The Committee noted that the Finance and Resources Committee received an annual summary of exit interviews and action taken.
- 7.6 The Committee agreed to accept the report.

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**Item 8.10/51 Internal audit report – Stakeholder communications review
(report ref: AUD 33/10)**

- 8.1 The Committee received a paper for discussion/approval from the Executive.
- 8.2 The Committee noted that, in accordance with the internal audit plan for 2010-11 agreed by the Committee in February 2010, PKF had conducted a review of communication with stakeholders. The report had concluded that the arrangements were sound and had made no recommendations.
- 8.3 The Committee noted that the impact of HPC's communications was measured through opinion polling of different groups of stakeholders. Polling had been conducted in 2007 and was due to be conducted in 2010-11. The findings would be used to inform the communications strategy. The Committee noted that it was not always possible to immediately measure the impact of communications work, because relationships with stakeholders developed over time.
- 8.4 The Committee noted that the Communications Committee monitored progress against the communications workplan and considered issues such as Public and Patient Involvement.
- 8.5 The Committee agreed to accept the report.

**Item 9.10/52 Internal audit report – Business continuity arrangements
(report ref: AUD 34/10)**

- 9.1 The Committee received a paper for discussion/approval from the Executive.
- 9.2 The Committee noted that, in accordance with the internal audit plan for 2010-11 agreed by the Committee in February 2010, PKF had conducted a review of business continuity arrangements. The report had concluded that the arrangements were sound and had made no recommendations.
- 9.3 The Committee noted that the risk register had identified interruption to HPC's electricity supply as the most significant risk after mitigations. The Committee noted that this was based on experience of several local power cuts over the last three years and the impact on HPC's work. Some members felt that the Executive should review the risk score after mitigations.
- 9.4 The Committee agreed to accept the report.

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Item 10.10/53 Internal audit progress report (report ref: AUD 35/10)

- 10.1 The Committee received a paper for discussion/approval from the Executive.
- 10.2 The Committee noted progress on internal audit work for the second quarter of 2010-11 and the planned work for the rest of the financial year.
- 10.3 The Committee noted that eight days were scheduled for a review of the project to regulate psychotherapists and counsellors. The Committee noted that it was more likely that regulatory functions would be transferred from the General Social Care Council to HPC, before HPC began regulating psychotherapists and counsellors. The Committee noted that HPC was awaiting government decisions on both issues. The Committee agreed that, at its next meeting, it should reconsider the internal audit workplan in the light of progress on these issues.

Action: CB (by 25 November 2010)

Item 11.10/54 Review of the Audit Committee's effectiveness (report ref: AUD 36/10)

- 11.1 The Committee received a paper for discussion/approval from the Executive.
- 11.2 The Committee noted that, in 2006, it had agreed to use the National Audit Office's self-assessment checklist for audit committees to review its effectiveness. The checklist was attached to the paper, with answers to the questions based on the responses agreed by the Committee in September 2008 and its work since that date.
- 11.3 In discussion, the following points were made:
- members of the Committee were asked to declare any potential conflict of interest near the start of the meeting, so a positive response should be added to the checklist for question 14;
 - on 17 September 2010, the Council had agreed that Committee chairs and members should be appraised on their performance at committee meetings. The Committee agreed that a positive response should therefore be added to the checklist for questions 19, 21 and 74; and
 - a member would welcome guidance on a suitable training course. The Committee noted that PKF and the Executive had provided some induction training in 2009.

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- 11.4 The Committee noted that Council members were able to attend up to six training events each year and that most members attended several events during the year. One member felt that the Chair of Council, rather than the Chief Executive and Registrar, should be asked to approve applications from members. The Committee noted that the Chair considered members' training requirements as part of the annual performance and development review and was always consulted when requests for training were received.

Item 12.10/55 Audit Committee terms of reference (report ref: AUD 37/10)

- 12.1 The Committee received a paper for discussion/approval from the Executive.
- 12.2 The Committee noted that, as part of the good practice indicated in the checklist considered at item 11, it should review its terms of reference each year.
- 12.3 In discussion, it was suggested that two specific items should be added to the terms of reference: 'reviewing financial systems and accounting policies' and 'continuing value for money, fraud and whistleblowing'. It was also suggested that point 3 of the terms of reference should be amended to read 'review the external auditors' management letters and any other relevant reports and to report on these to Council as appropriate.'
- 12.4 The Committee agreed that the Executive should review the suggestions made against the terms of reference for the Finance and Resources Committee (to ensure that there was no overlap or conflict) and against the model terms of reference for an audit committee set out by HM Treasury.

Action: CB (by 25 November 2010)

Item 13.10/56 Risk appetite (report ref: AUD 38/10)

- 13.1 The Committee received a paper for discussion/approval from the Executive.
- 13.2 The Committee noted that, in February 2010, PKF had recommended that HPC should develop a statement of its risk appetite. The paper set out an example from another healthcare regulator.
- 13.3 The Committee agreed that HPC should adopt a similar statement of risk appetite, including a statement that HPC took a 'cautious' approach to risk. The Committee noted that this was the second most cautious

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approach. The Committee agreed that the Executive should produce a paper for the next meeting listing the categories of risk appetite.

Action: RD (by 25 November 2010)

Item 14.10/57 Risk register update (report ref: AUD 39/10)

- 14.1 The Committee received a paper for discussion/approval from the Executive.
- 14.2 The Committee noted that two new risks had been added to the register:
- the proposed new funding arrangements for the Council for Healthcare Regulatory Excellence, partly through a levy on the UK statutory regulators of healthcare professionals; and
 - the proposed transfer of regulatory functions from the General Social Care Council to HPC.
- 14.3 The Committee agreed that the risk register should show an overall summary of the risks facing HPC. The Committee also agreed that the Executive should consider whether the rating of risks after mitigation should be shown as a numerical score, rather than 'low', 'medium' or 'high'.

Action: RD (by 16 March 2011)

Item 15.10/58 Risks owned by the Director of Policy and Standards

- 15.1 The Committee received a verbal report on risks owned by the Director of Policy and Standards and the mitigations in place.
- 15.2 The Committee discussed whether the register should be amended to include a risk connected with developments in healthcare regulation. The Committee noted that HPC needed to be both proactive (e.g. 'scanning the horizon' for developments) and reactive (e.g. responding to policy announcements by the Government). The Committee noted that these issues related to HPC's strategy, which would be discussed at the Council awayday on 13-14 October 2010.

Item 16.10/59 Risks owned by the Head of Registration

- 16.1 The Committee received a verbal report on risks owned by the Head of Registration and the mitigations in place.
- 16.2 The Committee noted that the Executive was piloting a process to seek feedback from registrants on the Registration Department. The Committee suggested that the Executive should consider amending the

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risk register to include promotion of the online renewals system as a mitigation.

Item 17.10/60 Risks owned by the Director of Fitness to Practise

- 17.1 The Committee received a verbal report on risks owned by the Director of Fitness to Practise and the mitigations in place.
- 17.2 The Committee noted that the Executive had recently conducted research into the expectations of complainants in the fitness to practise process.
- 17.3 The Committee noted that the Fitness to Practise Committee was due to consider several papers at its meeting on 21 October 2010 relating to development of the fitness to practise process.

At 1:30 pm, in accordance with standing order 13, the Committee agreed that, as the duration of the meeting had exceeded three hours, the meeting should continue in order that the rest of the business on the agenda could be disposed of.

The Committee noted the following papers:

Item 18.10/61 Committee membership (report ref: AUD 40/10)

Item 19.10/62 Timetable of Committee business (report ref: AUD 41/10)

Item 20.10/63 Any other business

- 20.1 There was no other business.

Item 21.10/64 Date and time of next meeting

- 21.1 The next meeting of the Committee would be held at 10.30 am on Thursday 25 November 2010.
- 21.2 Subsequent meetings would be held at 10.30 am on:

Wednesday 16 March 2011
Thursday 23 June 2011
Thursday 29 September 2011

Resolution

The Committee agreed to adopt the following resolution:

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'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;

- (1) information relating to a registrant, former registrant or applicant for registration;
- (2) information relating to an employee or officer holder, former employee or applicant for any post or office;
- (3) 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;
- (4) negotiations or consultation concerning labour relations between the Council and its employees;
- (5) any issue relating to legal proceedings which are being contemplated or instituted by or against the Committee or the Council;
- (6) action being taken to prevent or detect crime or to prosecute offenders;
- (7) the source of information given to the Committee in confidence; or
- (8) 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.'

Summary of those matters considered whilst the public were excluded

Item 22.10/65 Minutes of the private part of the Audit Committee of 24 June 2010 (report ref: AUD 42/10)

The Committee considered and approved the minutes of the private part of the Audit Committee meeting held on 24 June 2010.

Item 23.10/66 Matters arising

There were no matters arising.

Item 24.10/67 Review of the performance of the external auditor (report ref: AUD 43/10)

The Committee reviewed the performance of the National Audit Office as external auditor.

Item 25.10/68 Risk register for transfer of regulatory functions from the General Social Care Council to HPC

The Committee reviewed a risk register for the proposed transfer of regulatory functions from the General Social Care Council to HPC.

Item 26.10/69 Any other business

There was no other business.

Chair

Date

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