

Audit Committee

Public minutes of the 29th meeting of the Audit Committee held as follows:-

Date: Wednesday 24 February 2010

Time: 10:30 am

Venue: Room J, Health Professions Council, Park House, 184 Kennington Park Road, London SE11 4BU

Present: Professor J Lucas (Chair)
Mrs P Blackburn
Mr D Sagar (items 6-22 inclusive)
Mrs J Tweed

In attendance:

Mr O Ammar, Acting Director of Education
Mr C Bendall, Secretary to the Committee
Mr G Butler, Director of Finance
Mr J Dee, PKF (UK) LLP
Mr R Dunn, Head of Business Process Improvement
Ms L Hart, Secretary to Council
Mr R Kennett, Chair, Finance and Resources Committee (observer)
Ms K Neuschafer, Partner Manager
Mr D Parker, National Audit Office
Mr G Ross-Sampson, Director of Operations
Mr M J Seale, Chief Executive and Registrar
Dr A van der Gaag, Council Chair
Mr R Weighell, PKF (UK) LLP

Item 1.10/1 Apologies for absence

- 1.1 Apologies for absence were received from Mr M Burgess of the National Audit Office (NAO). The Chair welcomed Mr D Parker of the NAO to the meeting.

Item 2.10/2 Approval of agenda

- 2.1 The Committee approved the agenda.

Item 3.10/3 Declarations of members' interests

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

Item 4.10/4 Minutes of the Audit Committee meeting of 9 December 2009 (report ref: AUD 1/10)

- 4.1 It was agreed that the minutes of the 28th meeting of the Audit Committee should be confirmed as a true record and signed by the Chair.

Item 5.10/5 Minutes of the private part of the Audit Committee meeting of 9 December 2009 (report ref: AUD 2/10)

- 5.1 It was agreed that the minutes of the private part of the 28th meeting of the Audit Committee should be confirmed as a true record and signed by the Chair.

Item 6.10/6 Matters arising (report ref: AUD 3/10)

- 6.1 The Committee received a paper to note from the Executive.
- 6.2 The Committee noted the actions list as agreed at the last meeting.
- 6.3 In connection with the discussion at the last meeting on the Poynter Review, the Committee noted that access control within HPC's office was expected to be activated shortly. The Executive were working towards achieving ISO 27001 (an international standard on information security).

Item 7.10/7 Business Process Improvement report (report ref: AUD 4/10)

- 7.1 The Committee received a report summarising business improvement work.
- 7.2 The Committee noted that HPC's archive of hard copy documents would shortly be located to a more secure store in Cheshire.

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7.3 The Committee noted that the online renewals system had begun operation in February 2010.

Item 8.10/8 National Audit Office external audit strategy 2009-10 (report ref: AUD 5/10)

- 8.1 The Committee received a paper for discussion/approval from the Executive.
- 8.2 The Committee noted that the external audit for 2009-10 would be the first year in which the NAO had been the sole auditor for HPC. The Committee noted that the arrangement was open-ended, although subject to the Committee's consideration of external audit arrangements.
- 8.3 The Committee noted that the external audit strategy identified a number of risks and how these would be addressed during the audit. The Committee noted that, as HPC received renewal fees in advance for a two-year registration period, the audit would need to ensure that income was accounted for in the correct year. The Committee noted that this risk had been identified and addressed in previous external audits, which had concluded that income had been correctly accounted.
- 8.4 The Committee discussed whether it would be necessary for the accounts of 22-26 Stannary Street Ltd to be audited, as the company was due to be wound up. The Committee noted that, if accounts were not necessary, then this would save time and audit fees and would simplify HPC's consolidated accounts. The Committee noted that, as an alternative, it would be possible to extend the accounting reference date to 30 June 2010, by which time the company would have been wound up. The Committee agreed that the NAO should reconsider whether it was necessary to audit the company and should report back to the next meeting.

Action: NAO (by 24 June 2010)

- 8.5 The Committee noted that two previous employee pension schemes were in the process of being wound up. The Committee noted that one of the schemes, a Capita Flexiplan scheme, was in deficit. HPC had been informed that employers who were members of the scheme would be required to contribute towards repaying the deficit. The Committee noted that HPC had been notified that its share of the deficit would be approximately £890,000, but it was unclear how this sum had been calculated, when the liability would be incurred and the period over which the sum would be payable. The Committee noted that the NAO would consider how to treat the potential liability in the accounts.

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8.6 The Committee approved the external audit strategy for 2009-10.

Action: NAO (ongoing to 24 June 2010)

Item 9.10/9 Internal audit plan 2010-11 and updated strategic plan (report ref: AUD 6/10)

- 9.1 The Committee received a paper for discussion/approval from the Executive.
- 9.2 The Committee noted that the internal audit plan for 2010-11 had been prepared in accordance with Government Internal Audit Standards. The plan included the annual reviews of governance and risk management; financial systems; and follow-up of previous recommendations. The Committee noted that the amount of time allocated to individual reviews could vary each year, depending on the amount of work which was required.
- 9.3 The Committee noted that 47 internal audit days were scheduled for 2010-11. The Committee noted that this was based on PKF's experience of conducting internal audits for HPC since 2006 and its experience of acting as internal auditor for five other healthcare regulators.
- 9.4 The Committee noted that the plan identified five potential areas which could be subject to internal audit in 2010-11, based on the most significant risks before mitigation, as identified in the risk register. The Committee was asked to select two of the five areas for review in 2010-11. After discussion, the Committee agreed that the areas which should be reviewed would be external communications, with particular emphasis on relationships with key stakeholders; and Human Resources.
- 9.5 The Committee agreed that the contingency days in the 2009-10 internal audit plan and the 2010-11 plan should be allocated to business continuity/disaster recovery (in quarter 1 or quarter 2 of 2010-11) and the project to regulate counsellors and psychotherapists. The timing of the review of the second area would be subject to a government decision being made on whether that profession should be regulated.
- 9.6 The Committee agreed that the proposed review relating to partners should be included in the internal audit plan for 2011-12.
- 9.7 Subject to the decisions made in paragraphs 9.4 and 9.5, the Committee agreed the internal audit plan for 2010-11.

Action: PKF (ongoing to 2011)

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Item 10.10/10 Internal audit report – Corporate governance and risk management (report ref: AUD 7/10)

- 10.1 The Committee received a paper for discussion/approval from the Executive.
- 10.2 The Committee noted that, in accordance with the internal audit plan for 2009-10 agreed by the Committee in February 2009, PKF had conducted a review of governance and risk management. PKF had rated the area as sound and had not made any recommendations.
- 10.3 The Committee suggested that the review of governance in 2010-11 should examine areas such as whether the scheme of delegation was appropriate, the committee structure was appropriate and the time taken for making and implementing decisions. The Committee noted that the Chair of Council and employees in Secretariat had been interviewed for previous reviews of governance.
- 10.4 The Committee noted that the review recommended that HPC should develop a statement of its risk appetite. Further discussion took place under item 17. (See paragraph 17.2 below).

Item 11.10/11 Use of contingency days in internal audit plan 2009-10 (report ref: AUD 8/10)

- 11.1 The Committee received a paper for discussion/approval from the Executive.
- 11.2 The Committee had agreed the allocation of the contingency days in its discussion at item 9 (see paragraph 9.5 above).
- 11.3 The Committee noted that the annual internal audit of financial systems would include a review of budgeting and the assumptions and sensitivity checks underlying the budget.

Item 12.10/12 Internal audit progress report (report ref: AUD 9/10)

- 12.1 The Committee received a paper for discussion/approval from the Executive.
- 12.2 The Committee noted progress on internal audit work for the fourth quarter of 2009-10. The Committee noted that, at the next meeting, PKF would present its annual report on internal audit.

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Item 13.10/13 Risk register update (report ref: AUD 10/10)

- 13.1 The Committee received a paper for discussion/approval from the Executive.
- 13.2 The Committee noted the risk register had been expanded to include more explanation of the risk matrix and a page listing changes made since the last version. The Committee noted that risk owners perceived that all risks were rated at the same level as in the previous edition of the register.
- 13.3 The Committee agreed that, had there been any changes, the Committee would have liked to see any explanation for the change rather than a description of the change.
- 13.4 The Committee agreed that, at future meetings, it should receive a paper at each meeting identifying the top ten risks on the register after mitigation (with an expanded narrative giving further detail on the risks and mitigations) and identifying any changes to the risk register. The Committee agreed that it should continue to receive the risk register every six months.

Action: RD/GRS (ongoing)

- 13.5 The Committee noted that it would continue to receive presentations from individual risk owners. The Committee agreed that it should receive short presentations from three risk owners at each meeting on the key issues relating to risk in their areas. The Committee noted that this would allow it to receive presentations from all risk owners over an 18-month period.

Action: All risk owners (ongoing)

Item 14.10/14 Education Department risks and mitigations (report ref: AUD 11/10)

- 14.1 The Committee received a paper for discussion/approval from the Executive.
- 14.2 The Committee received a presentation on the risks owned by the Director of Education and mitigations in place. The presentation also covered risks owned by the Partner Manager, which related to the work of the Education Department.
- 14.3 The Committee noted that the Department's ongoing approvals and monitoring work was intended to detect low standards in programmes and in education providers and addressed the associated risks. The Committee noted that the education providers were required to notify

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HPC of any changes to programmes which might occur due to funding issues.

- 14.4 The Committee noted that procedures were in place to ensure that HPC had an adequate number of Partners, to monitor the workload assigned to individual Visitors and to ensure that conflicts of interest were identified and addressed. The Committee noted that conflicts of interest were more likely to arise in smaller professions. On the basis of legal advice, HPC would use Visitors who had a conflict of interest provided that the conflict was clearly declared and that all parties were satisfied that the Visitor would be able to work objectively.

Item 15.10/15 Risks owned by the Head of Business Process Improvement

- 15.1 The Committee received a verbal presentation on risks owned by the Head of Business Process Improvement, covering areas related to quality management and business continuity and information security.
- 15.2 The Committee noted that controls were in place to ensure that employees only had access to the information that was necessary for them to carry out their work.
- 15.3 The Committee noted that a number of risks in this area (such as disruption to public transport and the postal service) were rated more highly than the risks owned by the Director of Education. The Committee noted that the ratings were based on the Executive's experience in recent years.

Item 16.10/16 International Financial Reporting Standards audit – report from Baker Tilly (report ref: AUD 12/10)

- 16.1 The Committee received a paper to note from the Executive.
- 16.2 The Committee noted the report from Baker Tilly on the audit of the accounts prepared under International Financial Reporting Standards.

Item 17.10/17 Statement on internal control – National Audit Office guidance (report ref: AUD 13/10)

- 17.1 The Committee received a paper to note from the Executive.
- 17.2 The Committee noted that the guidance stated that the Statement of Internal Control should describe the organisation's risk appetite. The Committee agreed that the Executive should prepare a paper for the next meeting, so that HPC could develop an appropriate statement on risk appetite.

Action: RD/GRS (by 24 June 2010)

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Item 18.10/18 Timetable of risk owner presentations (report ref: AUD 14/10)

- 18.1 The Committee received a paper to note from the Executive.
- 18.2 The Committee noted the paper. The Committee had discussed the timetable of presentations at item 13 and had agreed amendments to the timetable. (See paragraph 13.4 above).

Item 19.10/19 Any other business

- 19.1 There was no other business.

Item 20.10/20 Date and time of next meeting

- 20.1 The next meeting of the Committee would be held at 10.30 am on Thursday 24 June 2010
- 20.2 Subsequent meetings would be held at 10.30 am on:
- Thursday 23 September 2010
 - Wednesday 16 March 2011
 - Thursday 23 June 2011
 - Thursday 29 September 2011

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;

- (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;

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(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 21.10/21 Risk register update – examples of risk registers (report ref: AUD 15/10)

The Committee noted examples of risk registers provided by other organisations.

Item 22.10/22 Any other business

There was no other business.

Chair

Date

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