

<b>Audit Committee</b>
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**Public minutes of the 38th meeting of the Audit Committee held as follows:-**

**Date:** Thursday 21 June 2012

**Time:** 10:30 am

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

**Present:** Jeff Lucas (Chair)  
Morag MacKellar  
Deep Sagar (part of item 10-item 28)

**In attendance:**

Colin Bendall, Secretary to the Committee  
Graeme Clarke, Mazars LLP (items 1-24, part of item 25, 26-28)  
Ruth Cooper, PA to the Director of Operations  
Peter Cudlip, Mazars LLP (items 1-24, part of item 25, 26-28)  
Roy Dunn, Head of Business Process Improvement  
Abigail Gorringe, Director of Education (items 9-22)  
Richard Houghton, Head of Registration (items 13-22)  
Kelly Johnson, Director of Fitness to Practise (items 13-17)  
Richard Kennett, Chair, Finance and Resources Committee (observer)  
Kate Mathers, National Audit Office (items 1-24, part of item 25, 26-28)  
Tim Moore, Director of Finance  
Greg Ross-Sampson, Director of Operations (items 8-24)  
Marc Seale, Chief Executive and Registrar (items 1-10, 26 and 28)  
Anna van der Gaag, Council Chair (items 1-10, 26 and 28)

### **Item 1.12/26 Apologies for absence**

- 1.1 Apologies for absence were received from Martin Burgess of the National Audit Office and Joy Tweed. The Committee noted that Deep Sagar had been delayed and would arrive as soon as possible. The Committee noted that the Chief Executive and Registrar and the Chair of the Council would need to leave during the Committee meeting in order to attend another meeting.

### **Item 2.12/27 Approval of agenda**

- 2.1 The Committee approved the agenda.

### **Item 3.12/28 Declarations of members' interests**

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

### **Item 4.12/29 Minutes of the Audit Committee meeting of 13 March 2012 (report ref: AUD 17/12)**

- 4.1 It was agreed that the minutes of the 37th meeting of the Audit Committee should be confirmed as a true record and signed by the Chair, subject to an amendment that Richard Kennett had also been in attendance.

### **Item 5.12/30 Matters arising (report ref: AUD 18/12)**

- 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, in accordance with the action agreed at the last meeting, the summary of top ten risks had been updated and was due to be on the agenda for the Committee's next meeting.

### **Item 6.12/31 Business Process Improvement report (report ref: AUD 19/12)**

- 6.1 The Committee received a report summarising business process improvement work.
- 6.2 The Committee noted that the British Standards Institute had audited the HPC's ISO 9001:2008 quality management system (QMS) on 13 April 2012. The review had examined the Communications, Registrations grandparenting and Secretariat functions. The review had also examined the QMS document control and management review processes. The HPC had successfully retained its certification. The report was received at item 19.

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- 6.3 The Committee noted that initial work had begun to achieve the ISO 27001 information security management standard. It was intended that information security training would be arranged for all employees. In addition, the Executive continued to gather data on the information assets held by each department.
- 6.4 The Committee noted that the Executive continued to evaluate possible impacts of the 2012 Olympics on the HPC's operations.

**Item 7.12/32 Draft annual report 2011-12 (report ref: AUD 20/12)**

- 7.1 The Committee received a paper for discussion/approval from the Executive.
- 7.2 The Committee noted that the Finance and Resources Committee on 19 June 2012 had considered the draft annual report and recommended it to the Council for approval, subject to consideration by the Audit Committee.
- 7.3 The Committee noted that the draft report incorporated feedback from the National Audit Office (NAO). The draft report had also been circulated by e-mail to members for their comments.
- 7.4 The Committee agreed to recommend the draft annual report to the Council for approval.

**Action: TM (by 5 July 2012)**

**Item 8.12/33 National Audit Office audit completion report (report ref: AUD 21/12)**

- 8.1 The Committee received a paper for discussion/approval from the Executive.
- 8.2 The Committee noted that the NAO was finalising its work and expected to issue a clear audit opinion, in accordance with the agreed timetable for the audit. Work was in progress by the NAO to finalise some questions relating to procurement.
- 8.3 The Committee noted that the audit completion report set out the significant risks which had been identified in the audit planning report and how these had been addressed through the audit process.
- 8.4 The Committee noted that there had been a risk that the NetRegulate registration system and the Sage accounting system would report different levels of deferred income, following an issue which had been identified in the audit of the 2010-11 accounts. The majority of the

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differences had been resolved and/or written off. Some historic differences had been written back to income. Some small differences between the two systems continued to arise and a journal had been put through to resolve these. As a result, no differences existed at year end between the Sage and the NetRegulate balance. The Executive intended to reconcile the two systems on a monthly basis in 2012-13.

- 8.5 The Committee noted that Digital Steps would amend NetRegulate by April 2013 to enable automatic reconciliation of deferred income. The NAO would review the reconciliation of deferred income once the work had been completed.
- 8.6 The Committee noted the other risks identified in the audit planning report had been the liability relating to the Flexiplan pension scheme (the former employee pension scheme); a risk of fraud through management override of controls; and revenue recognition. All of these risks had been addressed during the audit.
- 8.7 The Committee agreed that the audit findings were welcome. The Committee agreed to approve the NAO report of audit findings for 2011-12 and agreed that the report should be submitted to the Council.

**Action: TM (by 5 July 2012)**

**Item 9.12/34 Internal audit report – Risk management (report ref: AUD 22/12)**

- 9.1 The Committee received a paper for discussion/approval from the Executive.
- 9.2 The Committee noted that Mazars had reviewed risk management, in accordance with the internal audit plan agreed by the Committee in March 2011. The report had rated this area as having substantial assurance and made two housekeeping recommendations:
- consideration should be given to greater detail in minutes of Executive Management Team meetings, recording the justification for amendments to the risk register. This recommendation had been implemented; and
  - consideration should be given to identifying ‘early warning signals’ on the risk register against significant risks, which would ‘flag-up’ the types of events/occurrences which indicate that the risk was likely to crystallise. The Committee noted that the Executive Management Team had not yet discussed whether this was appropriate and workable at the HPC. The Committee noted that, as this was a housekeeping recommendation, Mazars did not regard it as particularly significant.

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9.3 The Committee approved the report.

**Item 10.12/35 Internal audit report – Project management (report ref: AUD 23/12)**

- 10.1 The Committee received a paper for discussion/approval from the Executive.
- 10.2 The Committee noted that Mazars had reviewed project management, in accordance with the internal audit plan agreed by the Committee in March 2011. The report had rated this area as having substantial assurance and made eight housekeeping recommendations, three of which had already been completed by the Executive. The Committee noted that the Executive was addressing the other recommendations.
- 10.3 The Committee discussed whether it would be appropriate for projects to be analysed against time, cost and quality, as each part of a project was completed. The Committee noted that the Executive felt that it would be difficult to carry out an analysis during the course of a project, although these areas would be analysed at the end of each project.
- 10.4 The Committee noted that Mazars often found that their other clients' project management presented substantial risks and limited assurance. Mazars regarded the findings on the HPC's project management as a good result.
- 10.5 The Committee approved the report.

**Item 11.12/36 Internal audit – Review of recommendations (report ref: AUD 24/12)**

- 11.1 The Committee received a paper for discussion/approval from the Executive.
- 11.2 The Committee noted that, at its meeting on 29 September 2011, it had agreed that it should receive a paper at each meeting, setting out progress on recommendations from internal audit reports.
- 11.3 The Committee noted that the Finance and Resources Committee had considered the 'Procurement Requisitions and Purchases' procedures document at its meeting on 19 June 2012. That Committee had agreed that Mazars should review the document, before it was considered at a future meeting of the Finance and Resources Committee.
- 11.4 The Committee noted that, in response to a recommendation, the Council had received a report in December 2011 on health and safety at the HPC's offices. The Committee asked the Executive to check whether this would be an annual report.

**Action: CB (by 27 September 2012)**

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**Item 12.12/37 Internal audit annual report (report ref: AUD 25/12)**

- 12.1 The Committee received a paper for discussion/approval from the Executive.
- 12.2 The Committee noted that the annual report from Mazars set out its internal audit work in 2011-12. This was the first annual report from Mazars as the HPC's internal auditor.
- 12.3 The Committee noted that Mazars had benchmarked the HPC against a range of clients in both the public and private sectors, such as large charities and Non-Departmental Public Bodies. The Committee noted that the HPC compared well against these other organisations and all the areas which had been reviewed had been rated as substantial assurance. All the recommendations made by Mazars had been agreed by management.

**Item 13.12/38 Transfer of regulatory functions from General Social Care Council to HPC (report ref: AUD 26/12)**

- 13.1 The Committee received a paper for discussion/approval from the Executive.
- 13.2 There were no matters to report on the transfer of regulatory functions.

**Item 14.12/39 Record retention and disposal policy (report ref: AUD 27/12)**

- 14.1 The Committee received a paper for discussion/approval from the Executive.
- 14.2 The Committee noted that the paper set out the HPC's proposed schedule for record retention and disposal. The paper had been prepared in response to an action point from the Audit Committee on 13 March 2012, following Mazars' recommendation that the HPC should more clearly lay out its approach to this area. The Committee noted that it was anticipated that the policy would be refined over time to reach the balance between keeping operational records, disposing of records which were no longer required and meeting legal obligations. The policy had been checked by the HPC's solicitor and covered all HPC departments, except the Fitness to Practise Department, which already operated a retention policy.
- 14.3 The Committee noted that the Business Process Improvement Department would audit departments, to ensure that records were handled in accordance with the policy. The policy would be made available to employees through the intranet.

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- 14.4 The Committee agreed the policy and suggested that the Executive should check the following points:
- in Human Resources records, whether application forms, records and interview notes for unsuccessful candidates should be disposed of after 12 months, in case the outcome was challenged by candidates; and
  - whether the disposal periods for financial records met the requirements of HM Revenue and Customs.

**Item 15.12/40 Extracts from risk register (report ref: AUD 28/12)**

- 15.1 The Committee received a paper for discussion/approval from the Executive.
- 15.2 The Committee noted that the paper contained extracts from the risk register relating to the risks owned by the Director of Education, the Director of Fitness to Practise and the Head of Registration. These were provided for reference during the following verbal presentations from these risk owners.

**Item 16.12/41 Risks owned by the Director of Education**

- 16.1 The Committee received a verbal presentation on the risks owned by the Director of Education and the mitigations in place.
- 16.2 The Committee noted that the risks could be divided into external risks (relating to education providers) and internal risks (relating to resources being available to deliver processes).
- 16.3 The Committee noted that the HPC would expect education providers to provide notification of any closure of approved education programmes.
- 16.4 The Committee noted that the Education Department workplan for 2012-13 included work to establish memorandums of understanding with other regulators. These memorandums would focus on mitigating shared risks, such as concerns about placement education.

**Item 17.12/42 Risks owned by the Director of Fitness to Practise**

- 17.1 The Committee received a verbal presentation on the risks owned by the Director of Fitness to Practise and the mitigations in place.
- 17.2 The Committee noted that the likelihood of a physical assault on employees/Partners by a hearing attendee was rated as 'probable' before mitigation. The Committee noted that, after mitigations, the likelihood was reduced to low.

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- 17.3 The Committee noted that some of the risks were intended to cover issues such as the time taken to conclude cases. The Committee noted that the Executive would review the descriptions of some of the risks.
- 17.4 The Committee noted that insurance was in place to cover exceptional costs of tribunals, High Court and judicial review cases. The Committee agreed that it should receive details of the insurance cover.

**Action: KJ/CB (by 27 September 2012)**

**Item 18.12/43 Risks owned by the Head of Registration**

- 18.1 The Committee received a verbal presentation on the risks owned by the Head of Registration and the mitigations in place.
- 18.2 The Committee noted that the Executive checked Continuing Professional Development (CPD) profiles for any indications of plagiarism. The Executive would continue to review and develop the CPD process.
- 18.3 The Committee agreed that, as risk owners made presentations on their risks over the next year, the Committee should receive a copy of the previous iteration of the relevant parts of the risk register. This would enable it to review the impact of the regulation of social workers in England on the register.

**Action: CB (ongoing)**

The Committee noted the following papers:

**Item 19.12/44 British Standards Institute audit report (report ref: AUD 29/12)**

**Item 20.12/45 Annual review of actions taken in 2011-12: Public meetings (report ref: AUD 30/12)**

**Item 21.12/46 Any other business**

- 21.1 There was no other business.

**Item 22.12/47 Date and time of next meeting**

- 22.1 The next meeting would be held at 10.30 am on Thursday 27 September 2012.
- 22.2 Subsequent meetings would be held at 10.30 am on:  
 Wednesday 28 November 2012  
 Wednesday 13 March 2013  
 Tuesday 25 June 2013

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Thursday 26 September 2013  
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;

- (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 23.12/48 Private minutes of the Audit Committee of 13 March 2013 (report ref: AUD 31/12)

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

### Item 24.12/49 Matters arising

There were no matters arising.

### Item 25.12/50 Review of the performance of the internal auditor (report ref: AUD 32/12)

The Committee reviewed the performance of the internal auditor in 2011-12 and recommended to the Council that the appointment should continue for another year, subject to an ongoing annual review of performance by the Audit Committee and a recommendation to the Council on whether the appointment should continue.

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**Item 26.12/51 Transfer of regulatory functions from General Social Care Council to HPC – Risk register (report ref: AUD 33/12)**

The Committee discussed a risk register relating to the transfer of regulatory functions from GSCC to the HPC.

**Item 27.12/52 Annual review of actions taken in 2011-12: Private meetings (report ref: AUD 34/12)**

The Committee noted actions arising from private meetings in 2011-12.

**Item 28.12/53 Any other business**

The Committee received a report on a matter which had been raised by the National Audit Office.

**Chair**

**Date**

Unconfirmed

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