

unconfirmed
THE HEALTH PROFESSIONS COUNCIL

Chief Executive and Registrar: Mr Marc Seale

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MINUTES of the sixteenth meeting of the Audit Committee held on **Wednesday 28 February 2007** at The Brit Oval, Kennington, London, SE11 5SS.

PRESENT: Mr P Acres (Chairman)
 Professor T Hazell
 Mr R Kennett
 Professor C Lloyd
 Professor Graham N Smith

IN ATTENDANCE:

Mr C Bendall, Secretary to the Committee
 Mr D Blacher, Baker Tilly
 Mr S Ecroyd, National Audit Office
 Mr S Leicester, Director of Finance
 Ms N O'Sullivan, Secretary to the Council
 Mr D Ross, Accountant member - Finance and Resources Committee (Observer)
 Mr G Ross-Sampson, Director of Operations
 Mr M Seale, Chief Executive and Registrar
 Mr S Sidhu, National Audit Office (until item 10 inclusive)
 Dr A van der Gaag, President
 Mr R Weighell, PKF (UK) LLP

Item 1.07/1 APOLOGIES FOR ABSENCE

- 1.1 Apologies for absence were received from Mr D Proctor.
- 1.2 The Chairman welcomed the President and Mr Ross and welcomed Professor Smith and Mr Sidhu to their first meeting of the Committee.
- 1.3 The Committee noted that Mr M Wonnacott of PKF (UK) LLP was unable to attend due to illness.

Item 2.07/2 APPROVAL OF AGENDA

- 2.1 The Committee approved the agenda, subject to considering the PKF audit plan for 2007-8 after the other items on internal audit.

Item 3.07/3 MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 6 DECEMBER 2006

- 3.1 It was agreed that the minutes of the fifteenth meeting of the Audit Committee should be confirmed as a true record and signed by the Chairman.

Item 4.07/4 MATTERS ARISING

- 4.1 The Committee received a paper to note from the Executive.
- 4.2 The Committee noted the actions list as agreed at the last meeting.

Item 5.07/5 CHAIRMAN'S REPORT

- 5.1 The Chairman thanked PKF, Baker Tilly and the National Audit Office for their input into the training session for the Committee, which would be held after the meeting.
- 5.2 The Committee noted that the Council had held a scenario planning workshop on 23 February 2007, which had included discussion of the White Paper "Trust, Assurance and Safety - The Regulation of Health Professionals in the 21st Century". The Committee noted the importance of resilient information technology systems to the future development of the HPC.

Item 6.07/6 QUALITY MANAGER'S REPORT

- 6.1 The Committee received a report summarising quality audit information collated since the last meeting.
- 6.2 The Committee noted that the Quality Manager post was currently vacant and would be advertised later in the year. The Committee noted that internal quality audits would continue pending the appointment of the Quality Manager.
- 6.3 The Committee noted that the Director of Operations was working with the Director of Communications to communicate with stakeholders. It was agreed that we should ensure that stakeholders were made aware of all that was being done to improve our systems and that this should be a key message.

Action: JL (Ongoing)

Item 7.07/7 BAKER TILLY AUDIT STRATEGY

- 7.1 The Committee received a paper for discussion/approval from the Executive.

7.2 The Committee noted that the paper summarised Baker Tilly's audit approach, audit scope and timetable for external audit of the financial statements for 2006-7.

7.3 The Committee noted that the strategy, including the identified key audit risks, had been agreed following discussion between the Executive and Baker Tilly and between Baker Tilly and the National Audit Office (NAO). The Committee noted that the key audit risks were generally one-off issues and that several risks would usually be identified each year.

7.4 The Committee approved the Baker Tilly audit plan as submitted.

Action: Baker Tilly (Ongoing to July 2007)

Item 8.07/8 NATIONAL AUDIT OFFICE AUDIT STRATEGY

8.1 The Committee received a paper for discussion/approval from the Executive.

8.2 The Committee noted that the paper summarised the NAO's strategy for external audit of the financial statements for 2006-7.

8.3 The Committee noted that the strategy reflected a common approach between Baker Tilly and the NAO and that the same key risks were identified in both strategies.

8.4 The Committee approved the NAO audit strategy as submitted.

Action: NAO (Ongoing to July 2007)

8.5 The Committee noted that the Privy Council had written to the Chief Executive in May 2003 stating that the Chief Executive and Registrar was the Council's Accounting Officer. This may have resulted from the fact that during the shadow period from July 2001 to April 2002 the HPC had received a grant from the Department of Health. Since the end of the shadow period in April 2002 the HPC had been financially independent. The Chief Executive did not receive "Dear Accounting Officer" letters from H.M. Treasury and therefore it was unclear whether the Chief Executive was the Accounting Officer. The Committee were clear that, given the notice given by the Privy Council, they regarded and would treat the Chief Executive as the Accounting Officer until informed to the contrary.

8.6 The Committee noted that the Chief Executive would meet representatives of the NAO to clarify the situation and would report to a future meeting.

Action: MJS (by 26 June 2007)

Item 9.07/9 UPDATED RISK REGISTER

- 9.1 The Committee received a paper for discussion/approval from the Executive.
- 9.2 The Committee noted that the risk register had been updated and the Executive Management Team had reviewed the list of top risks on 6 February 2007. Baker Tilly had also provided feedback on the ordering of the top risks.
- 9.3 The Committee noted that the Executive considered the most significant risk facing the Council at present was the exceptional cost of Fitness to Practise tribunals, Fitness to Practise proceedings and registration and Continuing Professional Development appeals. Legal insurance covered Fitness to Practise case costs in excess of £125,000 but did not cover any penalties or costs imposed by the courts.
- 9.4 The Committee noted a second significant risk highlighted was that the fee change processes might not be operational by June 2007, as the project timetable was tight with respect to key project milestones. For example, the budget and changes to the fee rules were yet to be approved by the Council and consent from the Department of Health had yet to be obtained.
- 9.5 The Committee noted a third significant risk highlighted was recruiting Council members with the requisite skills. The Committee felt that this risk should be rated with a lower significance and probability as there was not a significant skills imbalance amongst the existing Council members. The Committee noted that the recent White Paper had proposed that healthcare regulators' Councils should be appointed, which might further mitigate against the risk.
- 9.5 The Committee noted that the fifth most significant risk was an inability to manage visits to educational programmes. The Committee noted that the Education Department was currently visiting all the programmes which required a visit, despite vacancies in the Department.
- 9.6 The Committee were concerned that several risks were rated as high despite action taken which should mitigate them and that it would appear that some risks concerned issues apparently within the HPC's control which the HPC should be able to mitigate. The Committee was also anxious to know that risks were being managed at all levels. It was agreed that the Director of Finance should meet PKF to discuss possible refinements to the risk register and to ensure that related risks in different sections of the register were cross-referenced to highlight their inter-connections. The Committee agreed that the amended register should be considered at a future meeting.

Action: SL/PKF (by 25 September 2007)

Item 10.07/10 INTERNAL AUDIT PROTOCOL

- 10.1 The Committee received a paper for discussion/approval from the Executive.
- 10.2 The Committee noted that the Chairman and Mr Kennett had met representatives of PKF on 14 December 2006 to discuss how the process for the agreement of internal audit reports was working, such as changes to the internal audit workplan which had not been authorised by the Committee. The meeting had agreed a draft protocol for handling internal audit reports. The Executive and PKF had agreed a number of amendments to the protocol to provide a timeframe within which work would be completed.
- 10.3 The Committee noted that the protocol would be used for all future internal audit reports and that all parties would adhere to the protocol.
- 10.4 The Committee noted that the protocol provided for a potential meeting between PKF, the head of department and the Chief Executive to clarify any unresolved issues. The Committee noted that these parties should aim to reach agreement on the report and management responses before reports were distributed to the Committee. The Committee noted that its Standing Orders included provision for additional meetings of the Committee to be called, for example to discuss any apparent difficulties with internal audit matters.
- 10.5 The Committee agreed that the audit timetable for each internal audit should be included as an appendix to the finalised internal report to identify whether there had been any delays.

Action: PKF (Ongoing)

- 10.6 The Committee agreed that the protocol should be used in relation to all upcoming internal audits.

Action: Executive/PKF (Ongoing)**Item 11.07/11 INTERNAL AUDIT PROGRESS REPORT**

- 11.1 The Committee received a paper for discussion/approval from the Executive.
- 11.2 The Committee noted that the paper summarised progress on internal audit.
- 11.3 The Committee noted that 37 out of the 46 days for internal audit in 2006-7 had been completed. The findings of audits to date indicated that generally the activities of the Council were carried out in a

controlled manner with controls in place that were fit for purpose and operating as intended. However, PKF highlighted that risk management was not fully developed at HPC.

- 11.4 The Committee noted that internal audit fieldwork on the new building project at 22-26 Stannary Street was scheduled to take place in March 2007, as planned.
- 11.5 The Committee noted that the report on the Information Technology (IT) Service Level Agreement was still outstanding, although fieldwork had been completed in September 2006. The Committee noted that the Executive felt that the draft report was factually inaccurate and noted that the most recent draft had been received by the Director of Information Technology on 27 February 2007 (i.e. after the deadline for distribution of the papers for the meeting).
- 11.6 The Committee noted that the IT fieldwork conducted in September 2006 had included high-level coverage of all the IT items included in the 2006-7 internal audit plan, but further fieldwork in 2007-8 would be needed for detailed testing. The Committee noted that members had understood that the detailed fieldwork would be undertaken in 2006-7.
- 11.7 The Committee agreed that, in the light of the delay in finalising both the Information Technology and Fitness to Practise reports, it should hold an additional meeting to consider the finalised reports on IT and Fitness to Practise. This was considered essential before the internal audit plan for next year could be agreed. The Committee agreed that, in order to facilitate the finalisation of the reports, it would be prepared to waive the usual timescale for distribution of papers.

Action: CB (by 27 March 2007)

Item 12.07/12 INTERNAL AUDIT REPORT - CORPORATE GOVERNANCE AND RISK MANAGEMENT

- 12.1 The Committee received a paper for discussion/approval from the Executive.
- 12.2 The Committee noted that PKF had reviewed corporate governance and risk management procedures and that the report included a management response which had been agreed with the Executive in February 2007.
- 12.3 The Committee noted that the report had concluded that this area was satisfactory in most respects. The Committee were concerned, however, that some recommendations made by PKF appeared not to have been agreed by the Executive and the report had been submitted to the Committee with matters unresolved. This was seen to be unusual and the expectation was that agreement would usually be reached with only exceptional issues of disagreement referred to the Committee. Both

PKF and the Executive were urged to work to achieve this in future. The Chairman undertook that the Committee could always be convened quickly if serious disagreements required early resolution.

- 12.4 The Committee noted that the register of interests of Council members had been, and would continue to be, reviewed annually.
- 12.5 The Committee agreed that the Council's Scheme of Delegation should be reviewed every three years, rather than "no more than once every three years" as indicated in the management response.
- 12.6 The Committee noted that the report recommended that departmental risk registers should be created and included in departmental workplans, to ensure that risk management was integral to business planning. The Committee noted that the management response indicated that departmental risks would be incorporated in respective departmental workplans for 2007-8. However, the Executive believed a single risk register was more appropriate for an organisation which was the size of HPC and that the Risk Owners for some risks were people other than department managers (e.g. the President, the Council or the Executive Management Team). The Committee noted that actions to mitigate risks would be clearly cross-referred to department workplans.
- 12.7 The Committee noted that PKF would follow up previous reports as part of its ongoing internal audit work.
- 12.8 The Committee agreed that due dates should be added to the report and the amended report should be considered by a future meeting.

Action: CB (by 27 March 2007)

Item 13.07/13 INTERNAL AUDIT REPORT - FINANCIAL SYSTEMS

- 13.1 The Committee received a paper for discussion/approval from the Executive.
- 13.2 The Committee noted that PKF had reviewed financial systems and that the report included a management response which had been agreed with the Executive in February 2007.
- 13.3 The Committee noted that the report had concluded that this area was satisfactory. The report also included progress against recommendations made by Baker Tilly as part of the review of management controls in 2005.
- 13.4 The Committee noted that Baker Tilly had recommended that the Management Accountant should give a monthly presentation to the Executive Management Team (EMT) meeting, identifying income and expenditure over the previous month and focusing on significant and

key variances. This would facilitate each EMT member's understanding of their budget and actual expenditure and how it fitted within the organisation. The Committee noted that the Management Accountant presently met with individual budget-holder managers (EMT and non-EMT members) to discuss their actual year to date spending against budget.

- 13.5 The Committee agreed that the Management Accountant should make a monthly presentation to the Executive Management Team meeting, as recommended by Baker Tilly. The Committee expressed the strong view that once an audit plan had been agreed in response to audit recommendations it should not be varied without reference back to the Committee.

Action: SL (Ongoing)

- 13.6 The Committee noted that the recommendation for a review of insurance cover for IT equipment had been implemented in full.
- 13.7 The Committee noted that the recommendation for implementation of a computerised purchase order system would be implemented by March 2008.

Action: SL (by March 2008)

Item 14.07/14 PKF AUDIT PLAN 2007-8

- 14.1 The Committee received a paper for discussion/approval from the Executive.
- 14.2 The Committee noted that the paper summarised the proposed internal audit plan and proposed amendments to the allocation of time for different areas.
- 14.3 The Committee agreed to reallocate one day from Business Continuity and Disaster Recovery Planning to further in-depth audit of laptop encryption security testing, laptop anti-theft procedures and software licensing.
- 14.4 The Committee agreed to reallocate three days from the building project to financial systems, on the grounds that significant controls were in place for managing and reporting on the building project. The Committee noted that PKF might need to examine the building project in more depth in the light of the conclusions of the upcoming fieldwork.
- 14.5 The Committee did not agree to reallocate two audit days from Communication to Fitness to Practise, as communications was important to the overall effectiveness of the Council and the Communications Department would be implementing a new strategy

over the next year. The Committee agreed that the internal audit should focus purely on external communications.

- 14.6 The Committee agreed to allocate two contingency days to Fitness to Practise.
- 14.7 The Committee approved the amendments to the PKF audit plan and agreed that the plan should be considered further at the next meeting in the light of the internal audit report on Information Technology, so that the Committee could see what work had already been done in this area.

Action: PKF (Ongoing to March 2008)

Item 15.07/15 FINANCIAL REGULATIONS

- 15.1 The Committee received a paper for discussion/approval from the Executive.
- 15.2 The Committee noted that it had considered the draft regulations at its meeting on 6 December 2006 and had agreed some amendments. The Committee had agreed that the amended regulations should be presented to the next meeting for further discussion.
- 15.3 The Committee agreed to recommend the draft regulations to the Council for ratification.

Action: MJS (by 29 March 2007)

Item 16.07/16 ELECTRONIC RESOLUTIONS PASSED SINCE THE LAST MEETING

- 16.1 The Committee received a paper to note from the Executive.
- 16.2 The Committee noted that, following the last meeting, it had agreed by electronic resolution to recommend that Baker Tilly should be reappointed as external auditors. The Committee noted that the Council had agreed the recommendation on 14 December 2006.

Item 17.07/17 ANY OTHER BUSINESS

- 17.1 There was no other business.

Item 18.07/18 DATE AND TIME OF NEXT MEETING

- 18.1 The next meeting of the Committee would be held on a date to be agreed.
- 18.2 Subsequent meetings would be held at 10.30 a.m. on:
Tuesday 26 June 2007

Tuesday 25 September 2007
Wednesday 5 December 2007
Wednesday 27 February 2008
Thursday 26 June 2008

CHAIRMAN

DATE

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