

The Health Professions Council

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Minutes of the 21st meeting of the Audit Committee held on **Wednesday 27 February 2008** at Park House, 184 Kennington Park Road, London, SE11 4BU.

Present: Mr P Acres (Chairman)
Professor T Hazell
Mr R Kennett
Mr D Proctor
Professor G Smith

In attendance:

Mr C Bendall, Secretary to the Committee
Mr D Blacher, Baker Tilly UK Audit LLP
Mr J Dee, PKF (UK) LLP
Mr R Dunn, Head of Business Improvement
Mr S Ecroyd, National Audit Office
Mr S Hall, Facilities Manager
Mr R Houghton, Head of Registration
Mr S Leicester, Director of Finance
Ms C Milner, Financial Controller
Ms N O'Sullivan, Secretary to Council
Mr D Parker, National Audit Office
Mr D Ross, Accountant member, Finance and Resources Committee (Observer)
Mr G Ross-Sampson, Director of Operations
Mr M J Seale, Chief Executive and Registrar
Dr A van der Gaag, President
Mr R Weighell, PKF (UK) LLP

Item 1.08/1 Apologies for absence

- 1.1 Apologies for absence were received from Professor C Lloyd.
- 1.2 The Chairman welcomed Mr Parker to his first meeting of the Committee and attendees introduced themselves.

Item 2.08/2 Approval of agenda

- 2.1 The Committee approved the agenda.

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Item 3.08/3 Minutes of the Audit Committee meeting held on 5 December 2007

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

Item 4.08/4 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 5.08/5 Chairman's report

- 5.1 The Chairman thanked Mr D S Sidhu of the National Audit Office (NAO) for his contribution to external audit work. The Chairman wished Mr Sidhu well for his new responsibilities at the NAO. A paper for information was received as item 16.
- 5.2 The Chairman reported that the NAO had invited him to attend an audit committee networking lunch on 11 March 2008 in London. The aim of the event was for representatives of audit committees from various organisations to meet their counterparts and to discuss common issues. The Chairman would report on the event at the next meeting of the Committee.
- 5.3 The Chairman thanked the Executive, PKF, Baker Tilly and the NAO for the high quality of the papers.

Item 6.08/6 Quality report

- 6.1 The Committee received a report summarising quality audit work.
- 6.2 The Committee noted that Mr Dunn had taken over as Head of Business Improvement in early 2008 and that one of his responsibilities would be maintenance of the quality management system.
- 6.3 The Committee noted that a review of data security and procedures had taken priority over the internal quality audits, but the review had now been completed. Further discussion on the review took place in the private meeting. The Head of Business Improvement was preparing for the next external audit of the quality system by the British Standards Institute.

Item 7.08/7 Baker Tilly audit plan 2007-8

- 7.1 The Committee received a paper for discussion/approval from the Executive. The paper contained the external audit plan for the 2007-8 accounts.
- 7.2 The Committee noted that the plan was presented in the same format as in previous years and was the result of discussion with the Director of Finance and the National Audit Office. The Committee noted that the draft pro-forma audit report would be used in Baker Tilly's report to the next meeting.
- 7.3 The Committee noted that the plan included key risks and that no new risks had been identified for the 2007-8 accounts. One of the risk areas identified was the accounting treatment of 22-26 Stannary Street Limited (following the completion of the renovation work) and its consolidation into the HPC's accounts.
- 7.4 The Committee noted that Baker Tilly had reviewed the internal audit reports by PKF. These had given Baker Tilly comfort that there would be no need for substantive extra testing of the finance function. The Committee thanked Baker Tilly and PKF for their ongoing work and co-operation.
- 7.5 The Committee approved the external audit plan from Baker Tilly for 2007-8.

Action: Baker Tilly (ongoing to 26 June 2008)

Item 8.08/8 National Audit Office audit strategy 2007-8

- 8.1 The Committee received a paper for discussion/approval from the Executive. The paper contained the NAO's external audit strategy for the 2007-8 accounts.
- 8.2 The Committee noted that the strategy was based on the agreed arrangement that Baker Tilly would undertake external audit work on behalf of the NAO and that the findings would then be reviewed by the NAO.
- 8.3 The Committee noted that International Financial Reporting Standards would be introduced for the public sector for the financial year 2008-9. This would have an impact on the HPC's accounts for that financial year and the NAO had supplied clients with a toolkit to assess the impact. The Committee noted that the NAO would work with Baker Tilly to ensure a smooth transition to the new standards for 2008-9.

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- 8.4 The Committee noted that the NAO's planned fee was £6500 (compared to £7200 in 2006-7). The Committee noted that the additional costs in 2006-7 had been due to additional work relating to a payment made to a former employee to terminate their contract.
- 8.5 The Committee approved the audit strategy from the National Audit Office for 2007-8.

Action: National Audit Office (ongoing to 26 June 2008)

Item 9.08/9 PKF audit plan 2008-9

- 9.1 The Committee received a paper for discussion/approval from the Executive. The paper contained the internal audit plan for the 2008-9 financial year.
- 9.2 The Committee noted that the plan was based on the internal audit needs assessment (which had been agreed by the Committee) and took into account any subsequent changes in key risks. It was proposed that there should be fewer internal audits in 2008-9 but that each audit should be in greater depth.
- 9.3 The Committee noted that the plan proposed that approvals and monitoring and Continuing Professional Development (CPD) should both be audited in the first quarter, with fieldwork of six days for each audit. The Committee noted that the approvals and monitoring process was relatively well-established, whilst the CPD process was more recent. The Committee agreed that PKF should take this into account when planning the scope of the audits and should consider whether the allocated time was still appropriate.
- 9.4 The Committee noted that, whilst not all departments and areas of HPC's work would be subject to internal audit in 2008-9, there would be a follow-up report to review recommendations and any issues from previous internal audit reports. The Committee noted that the internal audit plan could be amended or extended to other areas as necessary, subject to the Committee's agreement.
- 9.5 Subject to the guidance agreed at 9.3 above, the Committee approved the internal audit plan for 2008-9.

Action: PKF (ongoing to March 2009)

Item 10.08/10 Internal audit report – Registration Department

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

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- 10.2 The Committee noted that, as part of the internal audit plan for 2007-8, PKF had reviewed controls in operation over the registration process. The report had concluded that the controls were satisfactory and had raised one recommendation (that management should continue to conduct, review and improve the quality checks process of a sample of registrations for each registration advisor). The checks would be used to confirm that data had been recorded accurately on the Register.
- 10.3 The Committee noted that PKF had measured controls against good practice and that the HPC's registration system compared favourably against the system operated by another healthcare regulator. Mr Dee thanked the Head of Registration and his colleagues for their assistance.
- 10.4 The Committee noted that the Executive gathered feedback on the registration process through listening events, employer events, meetings with professional bodies and responding to both negative and positive feedback from individuals. The Committee noted that statistics on feedback were reported to the Council in the Chief Executive's report. The Committee noted that the Executive would take corrective action if there had been a mistake in the registration process.
- 10.5 The Committee noted that there was a risk that the HPC might be liable to pay compensation to a registrant, if an individual could prove that they had suffered financially due to a mistake by HPC in the registration process. The Committee agreed that this should be reflected in the risk register.
- 10.6 The Committee agreed to accept the report.

Item 11.08/11 Internal audit report – Governance and risk management

- 11.1 The Committee received a paper for discussion/approval from the Executive.
- 11.2 The Committee noted that, as part of the internal audit plan for 2007-8, PKF had reviewed governance and risk management arrangements in operation. The report had concluded that controls were sound (which meant that the controls met best practice) and had not raised any recommendations.
- 11.3 The Committee noted that, in PKF's view, governance was the most important area of an organisation's work and that the outcome of internal audit in this area would significantly influence PKF's annual report.

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- 11.4 The Committee noted that, during the period of the fieldwork, the Executive had taken legal advice on the implications of proposed amendments to the structure of the Council. In the light of the legal advice, the Executive had decided how to proceed with arrangements for elections to Council in 2008. Mr Dee thanked the Secretary to the Council and the Chief Executive and Registrar for their assistance.
- 11.5 The Committee noted that PKF felt that the probability and timing of risks identified in the risk register were appropriate. The Committee noted that compilation of any risk register was, to some extent, a subjective process.

Item 12.08/12 Internal audit progress report

- 12.1 The Committee received a paper for discussion/approval from the Executive. The paper included the final progress report for the 2007-8 internal audit plan.
- 12.2 The Chairman thanked PKF for ensuring that all of the planned internal audits had been completed on time in 2007-8.

Item 13.08/13 Risk register update

- 13.1 The Committee received a paper to note from the Executive. The paper included the updated version of the risk register and the ten most significant risks faced by the HPC.
- 13.2 The Committee noted that risks associated with data security had been added to the register. The Committee noted that, in the light of the discussion at item 10.5 above, the risk register would be updated to reflect the risk of a mistake in the registration process leading to a potential liability for compensation to a registrant or applicant.

Action: SL/RH (by 26 June 2008)

Item 14.08/14 Annual report 2006-7: Progress report

- 14.1 The Committee received a paper to note from the Executive.
- 14.2 The Committee noted that the Comptroller and Auditor General had signed the 2006-7 annual report and accounts on 6 December 2007. A copy of the report and accounts had been provided to the Privy Council Office, so that the Privy Council could lay it in Parliament, in accordance with the Health Professions Order 2001.
- 14.3 The Committee noted that the Stationery Office had subsequently raised issues about the style and format of the documents being laid

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in Parliament and had suggested that the HPC would need to meet the costs of printing and publishing the documents being laid. This had not occurred in the past and appeared to be related to lack of clarity as to whether HPC was a Non-Departmental Public Body. The Chief Executive had written to the Privy Council to seek clarification. The Privy Council had, in turn, sought advice from HM Treasury but no response had been received. The Committee noted that the Executive felt that the HPC should not publish the report and accounts until the matter had been resolved.

- 14.4 The Committee noted that Baker Tilly was concerned that, although the report and accounts had been signed by the Chief Executive (as accounting officer), the President and Baker Tilly in July 2007, the document had still not been published. The Committee also expressed serious concern that the Stationery Office had raised further requirements at a late stage, which had not been raised when previous HPC annual reports had been laid in Parliament. The Committee agreed that the Chief Executive and Registrar should write a letter to the minister concerned, asking for action to be taken by the government to finally clarify HPC's status.

Action: MJS (by 29 February 2008)

- 14.5 The Committee noted that HM Treasury had still not added the Chief Executive to the distribution list for 'Dear Accounting Officer' letters.
- 14.6 The Committee noted that a number of other healthcare regulators had expressed unease that their independence as professional regulators might be jeopardised if they became subject to audit by the National Audit Office.

Item 15.08/15 Reappointment of accountant members

- 15.1 The Committee received a paper to note from the Executive.
- 15.2 The Committee noted that, on 13 December 2007, the Council had agreed to reappoint the accountant members of the Finance and Resources Committee (Mr Daniel Ross) and the Audit Committee (Mr Richard Kennett). Their applications for reappointment had previously been considered and approved by a panel comprising the President, the Chairman of the relevant committee and an assessor from the Office of the Commissioner for Public Appointments.
- 15.3 The Chairman thanked Mr Kennett and Mr Ross for their input.

Item 16.08/16 National Audit Office director responsibilities

- 16.1 The Committee received a paper for information from the Executive.

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The paper explained that Mr Dean Parker of the NAO had taken over responsibility for the audit of the HPC and other healthcare responsibilities, with effect from 1 February 2008. Mr D S Sidhu had become the lead director for financial audit of the Department for Children, Families and Schools.

Item 17.08/17 Any other business

17.1 There was no other business.

Item 18.08/18 Date and time of next meeting

18.1 The next meeting of the Committee would be held at 10.30 am on Thursday 26 June 2008.

18.2 Subsequent meetings would be held at 10.30 am on:

Friday 26 September 2008
Wednesday 10 December 2008
Thursday 26 February 2009
Wednesday 24 June 2009

Chairman

Date

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