

## Audit Committee

### Public minutes of the 40th meeting of the Audit Committee held on:-

**Date:** Wednesday 28 November 2012

**Time:** 10:30 am

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

**Present:** Jeff Lucas (Chair)  
Julia Drown  
Morag MacKellar  
Joy Tweed

### In attendance:

Pradeep Agrawal, Council member (observer)  
Martin Burgess, National Audit Office  
Graeme Clarke, Mazars LLP  
James Sherrett, Mazars LLP  
Guy Gaskins, Director of Information Technology  
Steve Hall, Facilities Manager  
Teresa Haskins, Director of Human Resources  
Tim Moore, Director of Finance  
Steve Rayner, Acting Secretary to the Committee  
Greg Ross-Sampson, Director of Operations  
Marc Seale, Chief Executive and Registrar  
Anna van der Gaag, Council Chair

### **Item 1.12/78 Apologies for absence**

- 1.1 The Chair welcomed Pradeep Agrawal as an observer.
- 1.2 Apologies for absence were received from Richard Kennett (chair of the Finance and Resources Committee).

### **Item 2.12/79 Approval of agenda**

- 2.1 The Committee approved the agenda.

### **Item 3.12/80 Declarations of members' interests**

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

### **Item 4.12/81 Minutes of the Audit Committee meeting of 27 September 2012 (report ref: AUD 51/12)**

- 4.1 It was agreed that the public minutes of the 39th meeting of the Audit Committee should be confirmed as a true record and signed by the Chair.

### **Item 5.12/82 Matters arising (report ref: AUD 52/12)**

- 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 As a further matter arising from the minutes of the last meeting, regarding item 7.2 the Committee noted that the HCPC was still waiting for the court judgement in relation to the liability for HCPC and other organisations that had been a member of the Flexiplan pension scheme.
- 5.4 The Committee recorded its gratitude to the outgoing Secretary to the Committee, Colin Bendall, for his long service to the Committee, and for the high quality of his minutes.

### **Item 6.12/83 Business Process Improvement report (report ref: AUD 53/12)**

- 6.1 The Committee received a report summarising business process improvement work.
- 6.2 The Committee noted that the latest the ISO9001:2008 audit by the British Standards Institute (BSI) had been passed without any non-conformities or learning points for the organisation.
- 6.3 The Committee noted that the results of the BSI audits continued to improve. In addition to the positive nature of the results, the Committee agreed that the ISO9001:2008 standard was an extremely useful additional external assurance mechanism.

- 6.4 The Committee noted that work on the next iteration of the risk register was due to begin in December 2012.
- 6.5 In relation to information security training, the question was asked as to whether 75% was seen by management as an acceptable initial pass rate for security training. The Committee noted that the exercise was primarily intended to train employees, and required them to review their errors as part of the process. The pass mark had therefore been set high, to ensure that employees engaged with, and learnt from, incorrect answers, even if they had only got a small number of questions wrong.
- 6.6 The Committee noted that the training would be provided to all new employees as part of the induction programme.

**Item 7.12/84 Internal audit report – Income collection and debtors (report ref: AUD 54/12)**

- 7.1 The Committee received a paper for discussion/approval from the Executive.
- 7.2 The Committee noted that Mazars had undertaken a review of the arrangements for income collection and debtor management, in accordance with the internal audit plan agreed by the Committee in March 2012. Mazars had also reviewed the action taken on the recommendations made in their report on discrepancies between the NetRegulate registration system and the Sage finance system. The report was attached to the paper.
- 7.3 The Committee noted comments from Mazars, that a great deal of commitment had been shown by the executive in finding resolutions to the discrepancy issue.
- 7.4 In relation to item 6.1 of the action plan in paper AUD 54/12, the Committee noted that the housekeeping recommendation; that the Executive consider a review of checking and banking income processes; had been deferred by activity within the department resulting from the Social Workers transfer.

**ACTION: Director of Finance** Director of Finance to consider a review of checking and banking income processes and report back to the Committee at its meeting on 25 June 2013 with an estimated timescale for completion.

- 7.5 In relation to item 7.2 of the action plan, the Committee noted that work to address the issue of NetRegulate incorrectly applying readmission fee changes was planned to be undertaken in January and February of 2013.
- 7.6 The Committee approved the report.

**ACTION: Director of Finance** to submit a report to the Audit Committee on 13 March 2013 on the current status of work to address the issues in the action plan, including a timescale for completion.

**Item 8.12/85 Internal audit report – ICT security (report ref: AUD 55/12)**

- 8.1 The Committee received a paper for discussion/approval from the Executive.
- 8.2 The Committee noted that Mazars had undertaken a review of ICT security controls, in accordance with the internal audit plan agreed by the Committee in March 2012. The report was attached to the paper.
- 8.3 The Committee noted that the audit showed that ICT security was shown to be an area of good practice.
- 8.4 In relation to item 6.2 of the action plan in paper AUD 55/12, the Committee noted that a ‘white box’ internal penetration test on the internal infrastructure and risks would be considered as part of the HCPC’s business planning process.
- 8.5 The Committee noted that failure to conduct a ‘white box’ test would not constitute a significant risk, but that it was seen as a natural next step to a position of best practice.
- 8.6 The Committee added its support to the recommendation to implement ‘white box’ testing, noting that this would improve assurance regarding unauthorised access to the ICT systems.
- 8.7 The Committee approved the report.

**ACTION: Director of Information Technology** to submit a report to the Audit Committee on 13 March 2013 on the current status of work to address the observations in the action plan.

**Item 9.12/87 Internal audit progress report (report ref: AUD 56/12)**

- 9.1 The Committee received a paper for discussion/approval from the Executive, including a report from Mazars setting out progress on the internal audit plan for 2012-13.
- 9.2 The Committee noted that the audit of the Education function had been completed, and preparations were underway to audit the Fitness to Practice function.
- 9.3 The Committee noted that the Mazars had additional capacity during the next audit cycle.

9.4 The Committee noted that it may be useful to receive an organisational health check on the Bribery Act 2010.

9.5 The Committee approved the report.

**ACTION: Director of Finance and the Secretary to the Council** to liaise with Mazars regarding the development of the audit agenda.

**Item 10.12/88 Internal audit – Review of recommendations (report ref: AUD 57/12)**

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

10.2 The Committee noted that, at its meeting on 29 September 2011, it had agreed that it should receive a paper to each meeting, setting out progress on recommendations from internal audit reports.

10.3 In discussion, the following points were made:

10.3.1 A number of observations regarding governance were dependent on the future structure and size of the Council.

10.3.2 It would be important to ensure that appropriate input from the Council would be sought in the development of new governance systems.

10.3.3 If the Government consulted to change the structure of the Council after 1 July 2013, consideration would need to be given to any vacant posts following that date. It would be important to ensure that continuity of expertise and experience on the Council was not lost because of any intervening period.

10.3.4 In mitigation to this risk, there was a reappointment process in place for existing Council members, subject to their annual review process. The Privy Council also had a provision to extend appointments in cases when a review of Council membership was anticipated.

10.3.5 The Committee also noted that recent appointments to the Council had been made for a defined period, or until such time as the Council was restructured, and that this would be the case for new appointments until any restructuring were to take place.

10.3.6 The project to develop an online application process, currently under consideration as part of the HCPC work planning process, would go some way to mitigating the risk of the loss of application forms by third parties such as the post office. However the HCPC would still require registrants to send in supporting documents – so this risk will always exist in some form.

10.4 The Committee approved the report.

**Item 11.12/89 Extracts from January 2012 risk register (report ref: AUD 58/12)**

- 11.1 The Committee received a paper for discussion/approval from the Executive.
- 11.2 The Committee noted that, at its meeting on 21 June 2012, it had 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 risk register. The paper contained extracts from the risk register relating to risks owned by the Facilities Manager, the Director of Human Resources and the Secretary to the Council.

**Item 12.12/90 Extracts from July 2012 risk register (report ref: AUD 59/12)**

- 12.1 The Committee received a paper for discussion/approval from the Executive.
- 12.2 The Committee noted that the paper contained extracts from the risk register, giving details of the risks owned by the three posts mentioned in item 11. This was provided for reference during the following three verbal presentations from the risk owners.

**Item 13.12/91 Risks owned by the Director of Human Resources**

- 13.1 The Committee received a verbal presentation on the risks owned by the Director of Human Resources and the mitigations in place.
- 13.2 In relation to risk reference 11.4, the committee noted that the HR strategy placed a lot of emphasis on learning and development, and career development. The intention was to provide a balance between encouraging internal candidates and bringing in external expertise and experience.
- 13.3 The Committee noted that, as the organisation grew, the percentage of expert individual roles with exclusive skills was naturally falling. However the organisation would always be exposed to the risk of key individuals leaving.
- 13.4 Sick leave levels were now at the lowest they had been since records had been collected, being below the national average. The Committee noted that statistics on sick leave were provided to the Council and the Finance and Resources Committee on a regular basis.

13.5 The Committee approved the report.

#### **Item 14.12/92 Risks owned by the Secretary to Council**

14.1 The Committee received a verbal presentation on the risks owned by the Secretary to Council and the mitigations in place.

14.2 The Committee noted that, in addition to the risks owned by the Secretary the Council, the Secretariat supported the administration of risks owned by the Chair and by the Council as a whole.

14.3 The Committee noted that the following changes had been made to the register between January and September 2012:

14.3.1 Risk reference 4.8 – training on the Bribery Act 2010 would be added to Council member inductions. There would be a paper provided to the Council on the Bribery Act in due course.

14.3.2 Risk reference 4.10 - addition of a skills matrix to inform Council recruitment. This was a recommendation from the last Internal Audit report, and reflected the process already in place to ensure the balance of skills on the Council.

14.3.3 Risk reference 4.10 – removal of the reference to the Appointments Commission, following the abolition of that body.

14.4 In future, supervision and assurance of the appointment process for HCPC Council members would be provided by the Professional Standards Authority. The Committee noted that the Executive would provide a paper to the Council in February on compliance with PSA plans for member selection and appointments.

14.5 The Committee noted that a review of the Code of Corporate governance would be undertaken in 2013, which had the potential to affect a number of areas in the risk register.

14.6 The Committee approved the report.

#### **Item 15.12/93 Risks owned by the Facilities Manager**

15.1 The Committee received a verbal presentation on the risks owned by the Facilities Manager and the mitigations in place.

15.2 In relation to risk reference 2.7, the interruption of electricity supply, Committee noted that consideration had been given by the executive to the installation of a backup generator on site.

15.3 There was currently nowhere onsite to install a backup generator, which would need to be a considerable size to be fit for purpose. The entire site

would need to be rewired, including the rented office space in 22 Stannary Street. The installation of such a generator was not recommended at this time.

- 15.4 The Committee noted that a risk register for any project to renovate the building recently purchased by the evangelical alliance would be developed as part of the project management process.
- 15.5 The Committee approved the report.

**Item 16.12/94 Purchasing procedures (report ref: AUD 60/12)**

- 16.1 The Committee received a paper for discussion/approval from the Executive.
- 16.2 The Committee noted that, at its meeting on 27 September 2012, it had agreed that the Executive should provide further details about purchasing procedures at the next meeting. The paper gave details of changes to authorisation arrangements which had been made with effect from 19 March 2012.
- 16.3 The Committee noted that; if a departmental secondary signature approved a purchase order, and recorded the goods as received, the purchase and requisition system automatically emailed other signatories in the department with a notification that the order has been approved and goods received.
- 16.4 The Committee approved the authorisation arrangements for purchase orders.

The Committee noted the following paper:

**Item 17.12/95 British Standards Institute audit report (report ref: AUD 61/12)**

**Item 18.12/96 Any other business**

- 18.1 There was no other business.

**Item 19.12/97 Date and time of next meeting**

- 19.1 The next meeting would be held at 10.30 am on Wednesday 13 March 2013.
- 19.2 Subsequent meetings would be held at 10.30 am on:

Tuesday 25 June 2013  
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;

- (a) information relating to a registrant, former registrant or applicant for registration;
- (b) information relating to an employee or officer holder, former employee or applicant for any post or office;
- (c) 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;
- (d) negotiations or consultation concerning labour relations between the Council and its employees;
- (e) any issue relating to legal proceedings which are being contemplated or instituted by or against the Committee or the Council;
- (f) action being taken to prevent or detect crime or to prosecute offenders;
- (g) the source of information given to the Committee in confidence; or
- (h) 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.'

Item	Reason for Exclusion
20	c, d, g, h
22	c
23	c, g, h

### **Summary of those matters considered whilst the public were excluded**

#### **Item 20.12/98 Private minutes of the Audit Committee of 27 September 2012 (report ref: AUD 62/12)**

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

#### **Item 21.12/99 Matters arising**

There were no matters arising from the minutes of the last meeting.

#### **Item 22.12/100 Review of the performance of the external auditor (report ref: AUD 63/12)**

The Committee reviewed the performance of the external auditor over the last year 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.

#### **Item 23.12/101 Any other business**

The Committee held a discussion regarding a matter of commercial confidence.

**Chair Jeff Lucas**

**Date 27/09/2012**