

## THE HEALTH PROFESSIONS COUNCIL

Chief Executive and Registrar: Mr Marc Seale

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MINUTES of the eighteenth meeting of the Audit Committee held on **Tuesday 26 June 2007** at Park House, 184 Kennington Park Road, London SE11 4BU.

**PRESENT:** Professor T Hazell (Vice-Chairman)  
Mr R Kennett  
Professor C Lloyd  
Mr D Proctor  
Professor G Smith

### **IN ATTENDANCE:**

Mr C Bendall, Secretary to the Committee  
Mr D Blacher, Baker Tilly  
Mr J Dee, PKF (UK) LLP  
Mr R Dunn, Director of Information Technology  
Mr S Ecroyd, National Audit Office (until item 12 inclusive)  
Mr S Hall, Facilities Manager  
Mr M Harris, Baker Tilly  
Mr S Leicester, Director of Finance  
Ms C Milner, Management Accountant  
Mr N O'Sullivan, Secretary to Council  
Mr M Seale, Chief Executive and Registrar  
Mr D S Sidhu, National Audit Office (until item 12 inclusive)  
Dr A van der Gaag, President  
Mr R Weighell, PKF (UK) LLP

### **Item 1.07/41 APOLOGIES FOR ABSENCE**

- 1.1 Apologies for absence were received from Mr P Acres. The Committee noted that, in accordance with its standing orders, Professor Hazell would chair the meeting in the absence of the Chairman.
- 1.2 The Committee noted that Mr D Ross (observer on behalf of the Finance and Resources Committee) was unable to attend.
- 1.3 The Vice-Chairman welcomed the President and Mr Dee to the meeting. The Committee noted that Mr Dee had taken responsibility for carrying out internal audits at HPC. He had more than 20 years

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experience of audit work, including five years at PKF and had particular expertise in auditing projects.

- 1.4 The Vice-Chairman welcomed Mr Gordon Miles, Director of Resources and Planning at the General Dental Council, as an observer.
- 1.5 The Vice-Chairman noted that Mr Ecroyd and Mr Sidhu would need to leave early, to attend an Audit Committee meeting at another organisation.

**Item 2.07/42 APPROVAL OF AGENDA**

- 2.1 The Committee approved the agenda, subject to considering the National Audit Office letter of representation as item 8.

**Item 3.07/43 MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 27 MARCH 2007**

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

**Item 4.07/44 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.
- 4.3 The Committee noted that, in relation to action point 3, the internal audit of the Registrations function had been arranged for March 2008.

**Item 5.07/45 QUALITY REPORT**

- 5.1 The Committee received a report summarising quality audit work since the last report in February 2007.
- 5.2 The Committee noted that the HPC had been externally audited by the British Standards Institute on 1 May 2007. The Executive had expected that this would be an audit of several departments but had been notified on 1 May that the audit was the three-year strategic review. The HPC had passed the review with no non-conformities identified during the assessment. The Committee thanked the Executive, particularly the Director of Operations, for this achievement.
- 5.3 The Committee noted that, following interviews, the vacant Quality Manager position had not been filled. The Quality Management

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System was being maintained by the Director of Operations in the interim.

- 5.4 The Committee noted that there were some discrepancies and minor errors in the quality audit reports prepared within HPC.

**Item 6.07/46 DRAFT ANNUAL REPORT AND ACCOUNTS 2006-7**

- 6.1 The Committee received a paper for discussion/approval from the Executive. A revised version of the annual report and accounts (version 14) was tabled. Changes to the revised version including placing the management commentary on pages 53-57, minor changes to some wording and the incorporation of graphs and charts on the number of registrants.
- 6.2 The Committee noted that the draft report and accounts incorporated feedback from members of the Committee, Baker Tilly and the National Audit Office. The Committee noted that the page numbering and layout of the report and accounts was subject to change as it would be formatted into its final version.
- 6.3 In discussion, the Committee agreed that the Accounting Officer's Statement on Internal Control should refer to "operating within the requirements of the Financial Regulations..." rather than the "dictates of the Financial Regulations...". The Committee also agreed that the statement should mention that internal audit had found that controls were operating effectively in all the areas which had been audited in 2006-7.
- 6.4 Subject to the changes agreed above, the Committee approved the draft annual report and accounts.

**Action: SL (by 6 July 2007)**

- 6.5 The Committee noted that the process for preparation of the annual report and accounts had run smoothly. The Committee thanked all those involved in the process.

**Item 7.07/47 BAKER TILLY AUDIT FINDINGS AND LETTER OF REPRESENTATION**

- 7.1 The Committee received a paper for discussion/approval from the Executive. The paper included the draft audit findings and letter of representation and would be finalised following the Committee's discussion.
- 7.2 The Committee noted that the findings explained how audit and accounting issues identified at the planning stage had been

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resolved. The Committee noted that Baker Tilly's external audit had taken account of the internal audit work by PKF.

- 7.3 The Committee noted that the work to convert 22-26 Stannary Street was due to be completed in the current financial year. Baker Tilly expected that there might well be a material movement in the accounts for 2007-8 following site revaluation after the work was completed.
- 7.4 The Committee noted that some minor internal control issues had been identified in the report but these were not material.
- 7.5 The Committee noted that the largest adjustment related to grant income of £104,000 and was a prior year adjustment. This reflected a change in the Government Financial Reporting Manual to account for government grants.
- 7.6 The Committee noted that deferred income from registration and renewal fees was recognised in the balance sheet and in a note to the accounts.
- 7.7 The Committee noted that the audit had run significantly better than in previous years, due to preparation of the timetable for the process and the resources used. The Committee noted that Baker Tilly was ready to sign the annual report.
- 7.8 The Committee approved the draft audit findings and letter of representation.

**Action: Baker Tilly/SL (by 6 July 2007)**

#### **Item 8.07/48 NATIONAL AUDIT OFFICE LETTER OF REPRESENTATION**

- 8.1 The Committee received a paper for discussion/approval from the Executive.
- 8.2 The Committee noted Baker Tilly had undertaken the external audit work on behalf of the National Audit Office (NAO). The NAO had reviewed the work to satisfy itself that the accounts were sound.
- 8.3 The Committee thanked the NAO for its work and support.
- 8.4 The Committee approved the letter of representation.

**Action: SL (by 6 July 2007)**

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**Item 9.07/49 INTERNAL AUDIT REPORT - NEW BUILDING PROJECT**

- 9.1 The Committee received a paper for discussion/approval from the Executive.
- 9.2 The Committee noted that PKF had reviewed the project to refurbish the premises at 22-26 Stannary Street. The report included a management response which had been agreed with the Executive in May 2007.
- 9.3 The Committee noted that the report had recommended that the Finance and Resources Committee should receive regular, formal reports, to ensure the project was monitored at Committee level. The report had also recommended that a project risk register should be established and used as a tool to monitor the project. The Executive had accepted both recommendations, which were in line with best practice.
- 9.4 The Committee noted that the website of the Office of Government Commerce included reference material on reviewing each stage of a project.
- 9.5 The Committee thanked the Facilities Manager for ensuring that the internal audit had been successfully completed.

**Item 10.07/50 INTERNAL AUDIT REPORT - BUSINESS CONTINUITY PLANNING AND DISASTER RECOVERY PLANNING**

- 10.1 The Committee received a paper for discussion/approval from the Executive.
- 10.2 The Committee noted that PKF had reviewed business continuity planning and disaster recovery planning. The report included a management response which had been agreed with the Executive in June 2007.
- 10.3 The Committee noted that the planning was more detailed than might be expected for an organisation which was the size and complexity of the HPC. The Committee noted that the Executive would ensure that testing of the plans was robust and up-to-date.
- 10.4 The Committee noted that two Committee Chairmen held full copies of the Disaster Recovery plan.

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**Item 11.07/51 INTERNAL AUDIT REPORT - FOLLOW UP TO INFORMATION TECHNOLOGY STRATEGY 2006**

- 11.1 The Committee received a paper for discussion/approval from the Executive.
- 11.2 The Committee noted that PKF had reviewed the effectiveness of the Information Technology (IT) strategy, the effectiveness of the IT process flows, control and management of IT projects and reliance on key individuals. The Committee noted that the report addressed work remaining from the internal audit workplan for 2006-7.
- 11.3 The Committee noted that the IT strategy was in place and linked clearly to delivery of the aims of the overall HPC strategy.
- 11.4 The Committee noted that the IT team was of a similar size and structure to many organisations of a similar size and range of activity. A feature of the size of team was the need to place reliance on a few key individuals, but the structure of the team meant that the reliance was managed to reduce the risk to an acceptable level.
- 11.5 The Committee noted that the report referred to the LISA registration system recording information about "medical practitioners". The Committee noted that this was incorrect, as the HPC did not regulate that type of practitioner and the word "registrants" should be used instead.

**Item 12.07/52 INTERNAL AUDIT ANNUAL REPORT**

- 12.1 The Committee received a paper for discussion/approval from the Executive, containing PKF's report on internal audit work in 2006-7.
- 12.2 The Committee noted that the report indicated that "not all committees had documented terms of reference". The Committee noted that this referred only to the Communications Committee and that terms of reference had now been agreed by the Council.
- 12.3 The Committee noted that the report stated that "arrangements were in place to manage conduct of Council members, to the extent that is feasible." The Committee noted that this referred to training and the code of conduct for Council members and that there was little else which the HPC could reasonably do to manage conduct of individual members.
- 12.4 In discussion, the Committee agreed that the following changes should be made to the report:

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- the President should devise some suitable wording for the section about arrangements for managing the conduct of Council members;
- the control operation ratings, listed in section 5.2, should be included in the table of assurance ratings for the past year;
- the table of assurance ratings should include the IT strategy, as this was part of the work originally scheduled for 2006-7;
- the table of assurance ratings should include the business continuity internal audit, with a note that this formed part of the 2007-8 internal audit;
- the table of assurance ratings should state when the internal audits had been completed, to act as a source of reference for members.

**Action: President/PKF (by 25 September 2007)**

**Item 13.07/53 INTERNAL AUDIT PROGRESS REPORT**

- 13.1 The Committee received a paper for discussion/approval from the Executive.
- 13.2 The Committee noted that PKF had prepared a report setting out progress on internal audit work in the first quarter of 2007-8.
- 13.3 The Committee noted that PKF and the Executive were complying with the internal audit protocol.

**Item 14.07/54 PROCESS FOR REVIEWING THE PERFORMANCE OF THE EXTERNAL AUDITOR**

- 14.1 The Committee received a paper for discussion/approval from the Executive.
- 14.2 The Committee noted that the Executive, with input from Mr Kennett, had prepared a draft process for reviewing the performance of the external auditor (currently Baker Tilly). It was intended that the process would be used for the first time this year, to feed into the Committee's review of Baker Tilly's performance at the Committee meeting on 25 September 2007.
- 14.3 The Committee agreed that the timetable should be amended to indicate that, in September, the Committee would decide whether to recommend to the Council that the external auditor should be reappointed for a further year.
- 14.4 The Committee noted that the external auditor was professionally required to confirm to the client that the auditor was independent and objective. The Committee agreed that the Committee only

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needed to check whether it had received adequate assurance about the auditor's independence, instead of asking a number of questions about independence.

- 14.5 The Committee agreed that it would be more appropriate for the Executive to complete the annual client care review questionnaire which was sent out by Baker Tilly. The questionnaire would be more detailed than the proposed questionnaire in the paper. The Committee agreed that the completed questionnaire would then be brought to the Committee for discussion and a decision on whether to recommend the reappointment of the external auditor.

**Action: Baker Tilly/SL (by 25 September 2007)**

**Item 15.07/55 PROCESS FOR REVIEWING THE PERFORMANCE OF THE INTERNAL AUDITOR**

- 15.1 The Committee received a paper for discussion/approval from the Executive.
- 15.2 The Committee noted that the Executive, with input from Mr Kennett, had prepared a draft process for reviewing the performance of the internal auditor (currently PKF). It was intended that the process would be used for the first time this year, to feed into the Committee's review of PKF's performance at the Committee meeting on 25 September 2007.
- 15.3 The Committee agreed that the Executive should complete PKF's client care questionnaire. The completed questionnaire would then be brought to the Committee for discussion and a decision on whether to recommend the reappointment of the internal auditor.

**Action: PKF/SL (by 25 September 2007)**

**Item 16.07/56 DRAFT FINANCIAL REGULATIONS**

- 16.1 The Committee received a paper for discussion/approval from the Executive.
- 16.2 The Committee noted that the draft financial regulations had been approved by the Finance and Resources Committee on 20 November 2006 and by the Audit Committee on 28 February 2007. The Council on 29 March 2007 had agreed that further discussion was needed regarding the regulations and that the draft regulations should be reconsidered by both committees.
- 16.3 The Committee noted that the Finance and Resources Committee on 21 June 2007 had agreed that the Executive should consider the following proposed changes:

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- amend regulation 15A to read that the Chief Executive had "delegated authority to authorise revenue spending on items not exceeding £25,000 each";
- in regulations 38 and 39, consider whether the levels of debt which could be written off by the Finance and Resources Committee and the Chief Executive were contradictory and remove any contradiction;
- in regulation 45, delete the words "as far as possible" when requiring that contracts and procurement should be open and transparent, as this implied that there would be exceptions; and
- in regulation 45, state the minimum number of tenders which should be invited, for clarity.

16.4 The Committee welcomed and endorsed the suggestions made by the Finance and Resources Committee. The Committee noted that the revised regulations would be considered by both committees at future meetings.

16.5 The Committee agreed that regulation 52 should be amended to read that the main purpose of internal audit was to provide the Council with independent and objective assurances on the adequacy of HPC's "internal operational control and risk management systems."

**Action: SL (by 25 September 2007)**

#### **Item 17.07/57 COMMITTEE SELF-EVALUATION**

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

17.2 The Committee noted that on 29 March 2007 the Council had agreed the text of the Committee self-evaluation document and had also agreed that the use of the form should be piloted at all committee meetings. With the Chairman's agreement, the form had been emailed to members on 31 May 2007 for completion and return to the Secretary to the Committee. Copies of completed forms which had been received were attached as an appendix to the paper.

17.3 The Committee noted that the process was separate from the Committee's annual review of its effectiveness, which was scheduled for each September meeting of the Committee.

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- 17.4 The Committee agreed that it was generally working well and that it received a high level of support from the Executive.
- 17.5 In discussion, the following points were made about the self-evaluation form and the process:
- some questions on the form required a "yes" or "no" instead of a numerical rating;
  - members with less experience of the committee would find it more difficult to respond and would welcome questions such as whether appropriate information had been included in papers;
  - the wording of questions 17 and 18 was ambiguous;
  - it might be more appropriate to have a monitoring process to identify any issues in the working of a committee, with the self-evaluation form only being used when necessary; and
  - some committees, particularly the statutory committees, had a policy-making role and it might be appropriate to have a different self-evaluation process for different committees.
- 17.6 The Committee noted that PKF could provide examples of self-evaluation forms used by other organisations and agreed that this would be helpful. The Committee agreed that the comments made above should be fed back to the Council awayday in October 2007.

**Action: PKF/CB (by 25 September 2007)**

**Item 18.07/58 UPDATED RISK REGISTER**

- 18.1 The Committee received a paper to note from the Executive.
- 18.2 The Committee noted that at its meeting on 28 February 2007 it had agreed that the Director of Finance should meet PKF, to discuss refinements to the risk register.
- 18.3 The Committee noted that the Director of Finance had met PKF on 5 June 2007 and the paper included cross-referencing of risks and how the references inter-related. The updated risk register had been circulated to the Executive Management Team.
- 18.4 The Committee noted the updated risk register.

**Item 19.07/59 INTERNAL AUDIT REPORT - CORPORATE GOVERNANCE AND RISK MANAGEMENT**

- 19.1 The Committee received a paper to note from the Executive.

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- 19.2 The Committee noted that at its meeting on 27 March 2007 it had agreed that the Executive and PKF should review and agree wording for the recommendations and management responses for recommendation 5 of the report.
- 19.3 The Committee noted that the Executive and PKF had now agreed the wording and the revised report was attached to the paper.
- 19.4 The Committee noted the report.

**Item 20.07/60 AUDIT COMMITTEE STANDING ORDERS**

- 20.1 The Committee received a paper to note from the Executive.
- 20.2 The Committee noted that on 14 December 2006 the Council had agreed that governance issues should be included in the remit of the Audit Committee. To implement this decision, on 29 March 2007 the Council had agreed to amend the Committee's standing orders. The amendment provided that, at the request of the Council, the Committee should advise the Council on matters of corporate governance (but without prejudice to the Committee's power to make recommendations to the Council on corporate governance issues arising from the work of the auditors).

**Item 21.07/61 REVIEW OF ACTIONS TAKEN IN 2006-7: PUBLIC MEETINGS**

- 21.1 The Committee received a paper to note from the Executive.
- 21.2 The Committee noted the list of actions taken at public meetings in 2006-7. The Committee noted that, in respect of action point 28, the computerised purchase order system was due to be implemented by March 2008.

**Item 22.07/62 ANY OTHER BUSINESS**

- 22.1 The Vice-Chairman thanked PKF, Baker Tilly and the National Audit Office for their work. The Vice-Chairman also thanked the Executive for their work in leading to a favourable outcome in both internal and external audit findings.

**Item 23.07/63 DATE AND TIME OF NEXT MEETING**

- 23.1 The next meeting of the Committee would be held at 10.30 am on Tuesday 25 September 2007. The Vice-Chairman asked that members should double-check the dates of future meetings to ensure that they were available as far as possible.
- 23.2 Subsequent meetings would be held at 10.30 am on:

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Wednesday 5 December 2007  
Wednesday 27 February 2008  
Thursday 26 June 2008

**CHAIRMAN**

**DATE**

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