

Audit Committee

Public minutes of the 28th meeting of the Audit Committee held as follows:-

Date: Wednesday 9 December 2009

Time: 10:30 am

Venue: Room J, Health Professions Council, Park House, 184 Kennington Park Road, London SE11 4BU

Present: Professor J Lucas (Chair)
Mrs P Blackburn
Mr D Sagar
Mrs J Tweed

In attendance:

Mr C Bendall, Secretary to the Committee
Mr M Burgess, National Audit Office
Mr G Butler, Director of Finance
Mr J Dee, PKF (UK) LLP
Mr R Dunn, Head of Business Process Improvement
Ms K Johnson, Director of Fitness to Practise (items 8 – 19 inclusive)
Mr R Kennett, Chair, Finance and Resources Committee (observer)
Ms C Milner, Financial Controller
Mr G Ross-Sampson, Director of Operations
Mr M J Seale, Chief Executive and Registrar
Dr A van der Gaag, Council Chair

Item 1.09/66 Apologies for absence

1.1 Apologies for absence were received from Mr R Weighell of PKF (UK) LLP.

Item 2.09/67 Approval of agenda

2.1 The Committee approved the agenda.

Item 3.09/68 Declarations of members' interests

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

Item 4.09/69 Minutes of the Audit Committee meeting of 29 September 2009 (report ref: AUD 51/09)

4.1 It was agreed that the minutes of the 27th meeting of the Audit Committee should be confirmed as a true record and signed by the Chair, subject to the following amendments:

- Mr Kennett had been in attendance; and
- the first sentence of paragraph 10.4 should be amended to read: 'The Committee noted that HPC had insurance in place for up to a further £125,000 for cases where legal costs exceeded £125,000.'

Item 5.09/70 Matters arising (report ref: AUD 52/09)

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 it was now intended that the internal audit charter would be considered by the Council at its meeting in February 2010.

5.4 The Committee noted that, at its meeting on 29 September 2009, it had agreed that, at each meeting, PKF should report progress against recommendations made in internal audit reports. The Committee discussed this matter at item 12 (see paragraph 12.4 below).

Item 6.09/71 Business Process Improvement report (report ref: AUD 53/09)

6.1 The Committee received a report summarising business improvement work.

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- 6.2 The Committee noted that the British Standards Institute had completed a review of several departments in October 2009 and HPC had retained its certification against the ISO 9001:2008 standard.
- 6.3 The Committee noted that the National Audit Office (NAO) was using HPC's risk register as an example of good practice for the NAO's clients in Albania.

Item 7.09/72 Response to the Poynter Review (report ref: AUD 54/09)

- 7.1 The Committee received a paper for discussion/approval from the Executive.
- 7.2 The Committee noted that, in 2007, data relating to 26 million child benefit claimants had been lost in transit between HM Revenue and Customs and the NAO. In response, the government had appointed Kieron Poynter to conduct a review of HM Revenue and Custom's procedures and systems. The Committee noted that PKF had conducted an internal audit of HPC's systems in 2007, as part of HPC's response to the incident. The Executive had since reviewed the recommendations made in the Poynter Review and the paper proposed HPC's response to each recommendation.
- 7.3 The Committee received a presentation on recent high-profile losses of data in the public and private sectors and how HPC would respond to the recommendations in the Poynter Review. The Committee agreed that the paper was very comprehensive and thorough and congratulated the Executive on its work.
- 7.4 The Committee noted that a number of controls were in place at HPC to make data more secure. These included measures such as encryption of laptops, protocols for transferring data and increased security in HPC's office (such as securing access to the lift leading to the Fitness to Practise department and installing access control to the office space).
- 7.5 The Committee approved the recommendations for HPC's response to the Poynter Review.

Action: RD/GRS (ongoing)

Item 8.09/73 Risks owned by the Director of Operations

- 8.1 The Committee received a presentation on risks owned by the Director of Operations and the mitigations in place. Copies of the relevant part of the risk register were tabled, along with copies of the complete register.
- 8.2 In discussion the following points were made:

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- the Committee questioned the methodology used to compile the risk register. Some members felt that risks should be rated at a lower level than the scores assigned by the Executive;
- there was a tendency for the number of risks in the register to increase over time; and
- members had experience of other risk registers that tended to be more dynamic documents, while risks on the HPC register tended to be rated at the same level over time. The Committee noted that presentations from risk owners at its meetings would help members to understand the reasons for any changes in the rating of risks.

8.3 The Committee agreed that members of the Committee should send examples of risk registers to the Executive and that these should be compared with HPC's risk register at the next meeting.

Action: All members/GRS/RD (by January 2010)

8.4 The Committee noted that a timetable for risk owners to make presentations to the Audit Committee had been arranged. It was agreed that a copy of the timetable should be included in the papers for the next meeting.

Action: CB (by 24 February 2010)

Item 9.09/74 Internal audit report – Financial systems (report ref: AUD 55/09)

- 9.1 The Committee received a paper for discussion/approval from the Executive.
- 9.2 The Committee noted that, in accordance with the internal audit plan agreed by the Committee in February 2009, PKF had conducted a review of financial controls. PKF had concluded that controls were in place and had rated the area as satisfactory.
- 9.3 The Committee noted that PKF had raised one recommendation, that the electronic Purchase Requisition System should be used for all purchase ordering, to replace a manual system used for some purchases. The Committee noted that the Executive intended to implement the recommendation by June 2010. The Committee noted that, if electronic purchase ordering had been in place for all purchases, PKF would have given a rating of sound.
- 9.4 The Committee noted that the Finance and Resources Committee received papers forecasting registrant numbers, which fed into the budget and the financial five year plan.

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9.5 The Committee noted that the shortfall in international applications for registration was expected to have a relatively small impact on HPC's income. The Committee noted that, in the event of an unexpected decrease in income, some projects and expenditure could be deferred. The Finance and Resources Committee also received detailed explanations of variances from the budget and actions taken to address variances.

9.6 The Committee agreed to accept the report.

Item 10.09/75 Internal audit report – Online renewals project (report ref: AUD 56/09)

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

10.2 The Committee noted that, in accordance with the internal audit plan agreed by the Committee in February 2009, PKF had conducted a second review of the online renewals project. PKF had rated the project as sound to date.

10.3 The Committee noted that the project was expected to be completed in the near future. The Executive had taken a cautious approach to the project, in order to ensure that the system would be useable, secure and scaleable. The Executive had used a number of technical advisers and contractors on the project and had regularly reported on progress to the Finance and Resources Committee. The Committee noted that the project had been delayed by a total of 13 weeks for various reasons, including testing of the system and delays by a supplier in installing a leased data line.

10.4 The Committee agreed to accept the report.

Item 11.09/76 Internal audit reports – Closed cases quality assurance; Fitness to Practise procedural compliance review (report ref: AUD 57/09)

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

11.2 The Committee noted that, in accordance with the internal audit plan agreed by the Committee in February 2009, PKF had conducted a review of two areas of the Fitness to Practise Department. The Committee noted that the Council for Healthcare Regulatory Excellence was currently auditing fitness to practise work for 2008-9, as part of its audit programme for all the regulators of health professionals.

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11.3 The Committee noted that PKF had rated closed cases quality assurance as sound. One recommendation had been made – i.e. HPC should consider whether it would be beneficial to specify the types of allegations where legal advice should always be sought by the Fitness to Practise Department. The Committee noted that the Executive proposed to update operating guidance to provide further guidance on seeking advice. The Executive also proposed to produce a checklist on the issues to consider before seeking advice on closing a case.

11.4 The Committee agreed to accept the reports.

Item 12.09/77 Internal audit report – Review of recommendations from previous reports (report ref: AUD 58/09)

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

12.2 The Committee noted that, in accordance with the internal audit plan agreed by the Committee in February 2009, PKF had conducted a review of progress on recommendations from previous internal audit reports. The Committee noted that all of the recommendations had either been implemented, or would be implemented imminently. PKF had therefore commented favourably on the control framework.

12.3 The Committee noted that, at its previous meeting, it had agreed that PKF should report progress on recommendations at each meeting. The Committee agreed that, if recommendations were particularly significant or urgent, then it could exceptionally request a follow-up report from PKF at its next meeting. The Committee agreed that it would be content to continue to receive an annual review of recommendations from PKF.

12.4 The Committee agreed to accept the report.

Item 13.09/78 Internal audit progress report (report ref: AUD 59/09)

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

13.2 The Committee noted progress to date on internal audit work, which was on course with the timetable set out in the internal audit workplan for 2009-10.

13.3 The Committee noted that two contingency days had not yet been utilised and that it could consider how to use these at its next meeting.

13.4 The Committee noted that, when PKF had been appointed as internal auditor in 2006, it had conducted an audit needs assessment and prepared a three-year strategic plan for internal audit. The Committee

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noted that it was due to consider the internal audit workplan for 2010-11 at its next meeting. The Committee agreed that the three-year strategic plan for internal audit should be considered at its next meeting.

Action: PKF (by 24 February 2010)

Item 14.09/79 National Audit Office (report ref: AUD 60/09)

- 14.1 The Committee received a paper to note from the Executive.
- 14.2 The Committee noted that Mr Burgess had replaced Mr Steve Ecroyd as the HPC's contact at the NAO and that this was Mr Burgess's first meeting. Mr Dean Parker remained as the relevant director at the NAO.
- 14.3 The Committee noted that the NAO was preparing its external audit strategy for the 2009-10 financial year. Mr Burgess had held an initial meeting with the Director of Finance and would also meet Baker Tilly to arrange handover of external audit work. The Committee noted that it was due to consider the external audit strategy at its next meeting.

Item 15.09/80 International Financial Reporting Standards (IFRS) draft accounts 2008-9 (report ref: AUD 61/09)

- 15.1 The Committee received a paper to note from the Executive.
- 15.2 The Committee noted that the accounts for 2008-9 had been adopted to comply with IFRS, in order to provide a basis for comparison when the 2009-10 accounts were prepared.
- 15.3 The Committee noted that the main changes were changes in terminology (for example, the balance sheet had become a 'statement of financial position') and some presentational changes. The Committee noted that unused annual leave would have to be accrued, which would not have a material impact on the accounts.

Item 16.09/81 22-26 Stannary Street Limited (report ref: AUD 62/09)

- 16.1 The Committee received a paper to note from the Executive.
- 16.2 The Committee noted that HM Revenue and Customs had confirmed to Baker Tilly that there would be no adverse taxation implications, if 22-26 Stannary Street Limited was wound up. The Committee noted that the Executive would proceed to wind up the company.

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Item 17.09/82 Dates of Committee meetings (report ref: AUD 63/09)

- 17.1 The Committee received a paper to note from the Executive.
- 17.2 The Committee noted the dates of its meetings in 2010-11. The dates are listed at paragraph 19.2

Item 18.09/83 Any other business

- 18.1 There was no other business.

Item 19.09/84 Date and time of next meeting

- 19.1 The next meeting of the Committee would be held at 10.30 am on Wednesday 24 February 2010.
- 19.2 Subsequent meetings would be held at 10.30 am
- Thursday 24 June 2010
Thursday 23 September 2010
Wednesday 16 March 2011
Thursday 23 June 2011
Thursday 29 September 2011

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;

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(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 20.09/85 Minutes of the private part of the Audit Committee of 29 September 2009 (report ref: AUD 64/09)

The Committee approved the minutes of the private part of the 27th meeting of the Audit Committee.

Item 21.09/86 Matters arising (report ref: AUD 65/09)

The Committee noted the actions list as agreed at the last meeting.

Item 22.09/87 Any other business

There was no other business.

Chair

Date

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In attendance:

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Mr R Kennett, Chair, Finance and Resources Committee (observer)
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Item 20.09/85 Minutes of the private part of the Audit Committee of 29 September 2009 (report ref: AUD 64/09)

20.1 It was agreed that the minutes of the 27th meeting of the Audit Committee should be confirmed as a true record and signed by the Chair.

Item 21.09/86 Matters arising (report ref: AUD 65/09)

21.1 The Committee received a paper to note from the Executive.

21.2 The Committee noted the actions list as agreed at the last meeting.

Item 22.09/87 Any other business

22.1 There was no other business.

Chair

Date

Unconfirmed