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## Audit Committee

**Public minutes of the 35th meeting of the Audit Committee held as follows:-**

**Date:** Thursday 29 September 2011

**Time:** 10:30 am

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

**Present:** Jeff Lucas (Chair)  
Morag MacKellar  
Deep Sagar (items 1-21 and part of item 22)  
Joy Tweed

**In attendance:**

Colin Bendall, Secretary to the Committee  
Martin Burgess, National Audit Office  
Gary Butler, Director of Finance  
Graeme Clarke, Mazars LLP  
Julia Drown, Council Member (observer)  
Roy Dunn, Head of Business Process Improvement  
Guy Gaskins, Director of Information Technology  
Hayley Graham, Partner Manager  
Charlotte Milner, Financial Controller  
Greg Ross-Sampson, Director of Operations  
Marc Seale, Chief Executive and Registrar (items 8-25)  
Anna van der Gaag, Council Chair

**Item 1.11/52 Nomination of Committee chair (report ref: AUD 40/11)**

- 1.1 The Committee was invited to nominate a Chair to preside at any meeting of the Committee. Joy Tweed proposed Jeff Lucas as Chair and this was seconded by Morag MacKellar. There were no other nominations. The Committee nominated Jeff Lucas as Chair.

**Item 2.11/53 Apologies for absence**

- 2.1 Apologies for absence were received from Richard Kennett (Chair, Finance and Resources Committee - observer) and Peter Cudlip of Mazars LLP. The Committee noted that Deep Sagar would need to leave at 12.30 pm.
- 2.2 The Committee noted that Dean Parker, the National Audit Office (NAO) director for health organisations, would be moving to another area of responsibility in the NAO as part of the regular rotation of directors. A replacement director would be appointed.

**Item 3.11/54 Approval of agenda**

- 3.1 The Committee approved the agenda, subject to considering item 24 as an item for discussion/approval rather than to note and to considering a tabled paper at item 25.

**Item 4.11/55 Declarations of members' interests**

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

**Item 5.11/56 Minutes of the Audit Committee meeting of 8 September 2011 (report ref: AUD 41/11)**

- 5.1 It was agreed that the minutes of the 34th meeting of the Audit Committee should be confirmed as a true record and signed by the Chair.

**Item 6.11/57 Matters arising**

- 6.1 The Committee noted that there were no matters arising from the minutes.

**Item 7.11/58 Business Process Improvement report (report ref: AUD 42/11)**

- 7.1 The Committee received a report summarising business process improvement work.
- 7.2 The Committee noted that the Personal Assistant to the Director of Operations had been trained to conduct audits under the ISO 9001:2008

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quality management standard. The Committee noted that the internal audit schedule for 2011-12 was underway. The Human Resources Department and the publication process had been audited.

- 7.3 The Committee noted that the next ISO 9001:2008 audit by the British Standards Institute was due to take place on 4 October 2011.
- 7.4 The Committee noted that the Executive was preparing policy documents as part of work towards achieving the ISO 27001 standard, which related to information security.

**Item 8.11/59 Internal audit report – Partners (report ref: AUD 43/11)**

- 8.1 The Committee received a paper for discussion/approval from the Executive.
- 8.2 The Committee noted that, in accordance with the internal audit workplan, Mazars had reviewed arrangements for managing the Partner function. The report rated this area as having substantial assurance on the effectiveness of internal controls and made one recommendation.
- 8.3 The Committee noted that internal audit reports from Mazars would include:
  - the background to the review;
  - the scope and objectives of the audit;
  - a one-page summary of the overall level of assurance, the number of recommendations and findings on risk management and value for money;
  - a summary of findings; and
  - an action plan with a management response to recommendations.
- 8.4 The Committee noted that the report had observed that a health and safety update was verbally delivered by employees during the introduction of a course or a hearing. There were no records as to who received the update and there was no structured format of the content. Consequently, no formal record was maintained in support of this as a mitigating control in the risk register. The Committee noted that health and safety information provided to Partners was being reviewed. Guidance would be produced and incorporated into induction packs and/or the Partner handbook.
- 8.5 The Committee noted that the report had observed that another mitigating control in the risk register was ‘Efficient and effective support and communication from the Partner team’. However, there was no framework as to what mechanisms were involved in this control. The Committee noted that the control would be deleted and replaced with ‘Effective appraisal and monitoring of reappointment processes’. The

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Committee noted that these processes were already in place. The Executive would review how these could be improved.

- 8.6 The Committee noted that the Partner Department held regular meetings with other departments to review anticipated changes in the demand for Partners. The Committee noted that the Executive would consider how to ensure that work was offered equally to individual Partners. The Committee noted that the Executive would compare retention rates for Partner roles at HPC and other healthcare regulators to see if there were any trends in retention of HPC Partners.
- 8.7 The Committee noted that Partners from smaller professions would be used in other Partner roles if they had successfully applied for roles. The Executive wrote to registrants in small professions to invite them to apply for Partner vacancies which arose.

**Item 9.11/60 Internal audit report – Payroll (report ref: AUD 44/11)**

- 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 workplan, Mazars had reviewed arrangements for the authorised, accurate and timely payment of salaries to employees. The audit formed part of the rolling annual coverage of core financial systems and would support the financial management objectives of HPC, the Statement of Internal Control in the annual financial statements and inform the work of the external auditors. The report rated this area as having substantial assurance on the effectiveness of internal controls and made three recommendations.
- 9.3 The Committee noted that the report observed that there had been one case of under-payment in a sample of 20 'acting-up' payments in the current financial year. The report also observed that some employees had received acting-up payments which were different from the percentage stated in the employee handbook. The Committee noted that the under-payment had been corrected. The employee handbook had been updated to reflect the practice of acting-up payments not always being paid at 15% of the employee's salary.
- 9.4 The Committee noted that the report had observed that there was currently no direct interface between Human Resources systems and the Sage accounting system. Payroll data therefore had to be entered again on Sage. There was a risk that this was unlikely to be an efficient use of resources and errors were more likely to occur where data was re-entered. The Committee noted that a proposal to review the Human Resources and Partner information systems would be considered by the

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Executive Management Team in November 2011. If agreed, it would form part of the project plan for 2012-13.

**Item 10.11/61 Internal audit report – Information security/data protection review (report ref: AUD 45/11)**

- 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 workplan, Mazars had reviewed arrangements for information security. The report rated this area as having substantial assurance on the effectiveness of internal controls and made nine recommendations.
- 10.3 The Committee noted that the Executive had taken steps to enhance the effectiveness of data security, including working towards the ISO 27001 standard on information security. The Committee noted that this was best practice. As part of the project, the Executive would consider how to remind Council members and Partners of their responsibilities on information security.
- 10.4 The Committee noted that the Executive was working to ensure that payment card details were taken automatically by a third party, which would remove the need for details to be taken over the telephone by employees.
- 10.5 The Committee noted that the Executive was considering a project to introduce online applications for registration. This would significantly reduce the current paper-based process and, in turn, reduce the risk of a potential information security breach. The Committee noted that the online applications project was on the list of potential projects and would be prioritised when a suitable window in the project schedule was available. However, HPC was legally required to provide a paper-based application route.
- 10.6 The Committee noted that employees were reminded of their responsibilities about the use of devices such as USB flash drives through presentations to meetings of all employees. In addition, the IT Department would introduce greater controls on the use of removable devices.
- 10.7 The Committee noted that there had been a small number of incidents in the past year where laptops had been stolen or personal data had been lost. However, all HPC laptops were encrypted and action had been taken in response to any data losses.

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**Item 11.11/62 Internal audit report – Review of previous recommendations (report ref: AUD 46/11)**

- 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 workplan, Mazars had reviewed progress in implementing internal audit recommendations made by PKF, the previous internal auditors, in 2010-11.
- 11.3 The Committee noted that, of the six recommendations accepted by management, three had been implemented; one was in progress; one had not been implemented; and one had not reached its target date.
- 11.4 The Committee noted that Mazars would carry out an annual review of progress against recommendations made in internal audit reports. The Committee agreed that it should receive a paper at each meeting which tracked progress against recommendations in internal audit reports.

**Action: CB (ongoing)**

**Item 12.11/63 Internal audit progress report (report ref: AUD 47/11)**

- 12.1 The Committee received a paper for discussion/approval from the Executive.
- 12.2 The Committee noted that the paper set out progress on internal audit against the workplan for 2011-12. The Committee noted that planning meetings would be held for the remaining internal audits. Reviews would start in December 2011 and January 2012.
- 12.3 The Committee noted that meetings of the Executive Management Team (EMT) would receive finalised internal audit reports. This would enable members of EMT to take collective ownership of the recommendations and pick up any points which were relevant to their departments.

**Item 13.11/64 Risk register and top ten risks (report ref: AUD 48/11)**

- 13.1 The Committee received a paper for discussion/approval from the Executive.
- 13.2 The Committee noted that the paper included a list of top ten risks and details of changes since the previous iteration of the risk register. The Committee noted that the additional risks included the risk of disruption to HPC due to the Olympic Games in London in 2012.

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13.3 The Committee noted that, in due course, further detail would be added to risk 15.23 (the impact on HPC of the proposed levy to fund the Council for Healthcare Regulatory Excellence).

13.4 The Committee noted that strategic risks were identified in section 1 of the register. The Committee suggested that the Executive should consider whether the register should articulate the risks around changes in government policy on healthcare regulation. For example, it was likely that there were risks associated with the proposed introduction of voluntary registration and regulation of herbal medicine practitioners. The Committee noted that HPC continued to develop working relationships with government departments, attended party conferences and met Parliamentarians who had expressed interest in HPC's work.

**Item 14.11/65 Risks owned by the Director of Information Technology**

14.1 The Committee received a verbal presentation on the risks owned by the Director of Information Technology and the mitigations in place.

14.2 The Committee discussed whether it was appropriate to introduce random monitoring of IT systems, rather than the current overall approach to monitoring. The Committee noted that it was very important to ensure that IT systems were as secure as possible and protected against computer viruses and malware. If controls were not in place to protect the systems, there could be a very significant impact on HPC. The Committee noted that there had recently been a number of attempts to hack the HPC website. In addition, the Information Commissioner's Office had powers to levy substantial fines for breaches relating to personal data.

**Item 15.11/66 Risks owned by the Director of Operations**

15.1 The Committee received a verbal presentation on the risks owned by the Director of Operations and the mitigations in place.

15.2 The Committee noted that risk 10.4 related to a backlog of registration and grandparenting applications. The Committee noted that the Executive worked to ensure that adequate staffing levels were maintained to process applications efficiently, based on accurate forecasting of demand. In addition, all processes were reviewed and streamlined where possible.

15.3 The Committee discussed the risks relating to the transfer of regulatory functions from the General Social Care Council to HPC. The Committee suggested that the significance of these risks should be reviewed as the transfer date approached.

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### **Item 16.11/67 Risks owned by the Head of Business Process Improvement**

- 16.1 The Committee received a verbal presentation on the risks owned by the Head of Business Process Improvement and the mitigations in place.
- 16.2 The Committee noted that employees, Partners and Council members were required to sign an agreement that they would protect any personal data which they used at HPC.

### **Item 17.11/68 Transfer of regulatory functions from General Social Care Council (GSCC) to HPC (report ref: AUD 49/11)**

- 17.1 The Committee received a paper for discussion/approval from the Executive.
- 17.2 The Committee noted that the Health and Social Care Bill was due to receive its second reading in the House of Lords on 11 October 2011. HPC had written to members of the House of Lords about the proposals affecting HPC and was due to meet Lord Hunt, the opposition spokesman, on 5 October 2011. It was expected that the Bill would be passed by spring 2011.
- 17.3 The Committee noted the following points:
- the Executive had met officials from the Department of Health to discuss the transfer order, which would set out the detailed arrangements for transfer of regulatory functions from GSCC to HPC;
  - the Executive was negotiating a Memorandum of Understanding with the Department of Health for a grant towards identified costs of the project in 2012-13;
  - it was expected that registration data would be transferred from GSCC to HPC within the next few weeks, as part of testing for the final transfer;
  - GSCC and HPC had developed a communications plan on the project; and
  - the Social Work Reform Board had asked the British Association of Social Workers and the College of Social Work to attempt to resolve their differences.

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**Item 18.11/69 Committee representative at Finance and Resources Committee meetings (report ref: AUD 50/11)**

- 18.1 The Committee received a paper for discussion/approval from the Executive.
- 18.2 The Committee noted that, in 2006, the Finance and Resources Committee and the Audit Committee had both agreed that one of its members should observe the meetings of the other committee. The intention of the proposed arrangement was to ensure that there was no overlap or conflict between the committees when decisions were taken.
- 18.3 The Committee agreed to nominate Jeff Lucas as its representative to observe the meetings of the Finance and Resources Committee.

**Item 19.11/70 Any other business**

- 19.1 There was no other business.

**Item 20.11/71 Date and time of next meeting**

- 20.1 The Committee noted that the meeting of the Committee planned for 9.45 am on 6 October 2011 would be cancelled, as the papers planned for that meeting would not be ready. The Committee agreed that it should meet on 20 October 2011, before that day's Council meeting, to conduct the business which had been planned for 6 October 2011.
- 20.2 Subsequent meetings would be held at 10.30 am on:
  - Tuesday 13 March 2012
  - Thursday 21 June 2012
  - Thursday 27 September 2012
  - Wednesday 28 November 2012

**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;

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- (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;
- (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 21.11/72 Minutes of the private part of the Audit Committee of 8 September 2011 (report ref: AUD 51/11)**

The Committee considered and approved the minutes of the private part of the Audit Committee meeting held on 8 September 2011.

**Item 22.11/73 Matters arising (report ref: AUD 52/11)**

There were no matters arising.

**Item 23.11/74 Transfer of regulatory functions from General Social Care Council to HPC – Risk register (report ref: AUD 53/11)**

The Committee discussed the risk register relating to the project to transfer regulatory functions from the GSCC to HPC.

**Item 24.11/75 Letter of engagement for internal audit work (report ref: AUD 54/11)**

The Committee approved a letter of engagement for internal audit work.

**Item 25.11/76 Any other business**

The Committee approved a briefing document for Mazars to conduct work on the reports from the registration and the accounting systems.

**Chair**

**Date**

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