
Audit Committee

Public minutes of the 37th meeting of the Audit Committee held as follows:-

Date: Tuesday 13 March 2012

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

In attendance:

Colin Bendall, Secretary to the Committee
Graeme Clarke, Mazars LLP
Roy Dunn, Head of Business Process Improvement
Michael Guthrie, Director of Policy and Standards (items 10-19)
Kate Mathers, National Audit Office
Charlotte Milner, Financial Controller
Tim Moore, Director of Finance
Greg Ross-Sampson, Director of Operations
Marc Seale, Chief Executive and Registrar
Anna van der Gaag, Council Chair (items 1-23)

Item 1.12/1 Apologies for absence

- 1.1 The Chair welcomed Kate Mathers of the National Audit Office and Tim Moore (interim Director of Finance) to their first meeting of the Audit Committee.
- 1.2 Apologies for absence were received from Martin Burgess (National Audit Office), Peter Cudlip (Mazars LLP), Deep Sagar and Joy Tweed. The Committee noted that the Chair of Council would need to leave at 12:30 pm.

Item 2.12/2 Approval of agenda

- 3.1 The Committee approved the agenda.

Item 3.12/3 Declarations of members' interests

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

Item 4.12/4 Minutes of the Audit Committee meeting of 20 October 2011 (report ref: AUD 1/12)

- 4.1 It was agreed that the minutes of the 36th meeting of the Audit Committee should be confirmed as a true record and signed by the Chair.

Item 5.12/5 Matters arising (report ref: AUD 2/12)

- 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.

Item 6.12/6 Business Process Improvement report (report ref: AUD 3/12)

- 6.1 The Committee received a report summarising business process improvement work.
- 6.2 The Committee noted that the Executive had recently audited three external suppliers.
- 6.3 The Committee noted that overview documents of HPC's functions had been prepared, as requested by the auditor from the British Standards Institute. Processes relating to the Finance Department's work were being redrafted.
- 6.5 The Committee noted that, as part of HPC's certification under the ISO 9001:2008 standard, HPC's quality management system had successfully passed an audit by the British Standards Institute in October 2011. A paper on the audit was discussed under item 15.

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Item 7.12/7 National Audit Office external audit strategy (report ref: AUD 4/12)

- 7.1 The Committee received a paper for discussion/approval from the Executive.
- 7.2 The Committee noted that the external audit strategy for 2011-12 identified the following risks and an audit response for each risk:
- misstatement of deferred income;
 - liability related to the Flexiplan pension scheme (the previous pension scheme for employees, which was currently in deficit);
 - the risk of fraud through management override of controls. This risk was included due to the requirements of the International Standard on Auditing; and
 - revenue recognition.
- 7.3 The Committee noted that the strategy had identified two areas which might require special attention in the audit:
- transfer of regulatory functions from the General Social Care Council. This was expected to take place during the 2012-13 financial year and the major impact on HPC's financial statements would be during that year. In 2011-12, HPC was due to receive specific grant funding from the Department of Health for any expenditure required as a result of the planned transfer. The National Audit Office (NAO) would review the treatment of this income to ensure that it was accounted for in accordance with the requirements of the Financial Reporting Manual; and
 - the introduction of a new case management system in the Fitness to Practise Department. NAO would consider the valuation of the new system as part of its work on the Statement of Financial Position and examine which costs had been capitalised and which costs had been expensed as normal operational expenditure.
- 7.4 The Committee noted that NAO had conducted an interim audit in January-February 2012. The interim audit had not identified any areas of concern and had found that good progress had been made in resolving issues relating to deferred income. NAO would need to review the position at the end of the financial year. The Committee agreed that NAO should write to HPC to confirm its findings from the interim audit.
Action: NAO (by 31 March 2012)

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7.5 The Committee noted that there had been a number of changes to financial reporting guidance issued by HM Treasury and/or the Accounting Standards Board, which would impact on the audit plan. In particular, the Statement on Internal Control would be replaced by a requirement to produce an Annual Governance Statement, which would consolidate all reporting on risk and governance matters into a single document. HM Treasury had not provided a standard template for the statement and had left this as a matter for Accounting Officers to decide how they would report. In addition, there was a new requirement for the annual report and accounts to include a Sustainability Report, relating to consumption of greenhouse gases, waste and finite resources. The Committee agreed that these reports should be drafted by 26 April. (Secretary's note: The National Audit Office subsequently notified HPC that it would not be required to produce a Sustainability Report).

Action: TM to prepare Annual Governance Statement (by 26 April 2012)

7.6 The Committee noted that the Council would be asked to agree that the Finance and Resources Committee and the Audit Committee would be jointly responsible for considering the draft annual report and accounts. The Committee noted that this would be possible under the planned audit timetable.

7.7 The Committee approved the external audit strategy.

Action: NAO (ongoing to July 2012)

Item 8.12/8 Internal audit plan (report ref: AUD 5/12)

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

8.2 The Committee noted that the internal audit strategy and operational audit plan had been informed by meetings between Mazars and the Chief Executive and interim Director of Finance; feedback from the Executive Management Team; the latest risk register for HPC; and the results of internal audit work in 2011-12. The plan set out the planned areas of work; the planned start date of each review; and the planned dates when reports would be considered by the Executive Management Team and the Audit Committee. The Committee noted that finalised reports would be circulated by e-mail to members and discussed at meetings of the Audit Committee.

Action: CB (ongoing)

8.3 The Committee approved the internal audit plan.

Action: Mazars (ongoing to March 2013)

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Item 9.12/9 Internal audit report – Corporate governance (report ref: AUD 6/12)

- 9.1 The Committee received a paper for discussion/approval from the Executive.
- 9.2 The Committee noted that Mazars had undertaken a review of corporate governance, in accordance with the internal audit plan agreed by the Committee in March 2011. The review rated this area as having substantial assurance on the effectiveness of internal controls and made three recommendations:
- consideration should be given to setting up a central log detailing each member’s skills and training undertaken. This could then be used to help identify any potential gaps in required skills and further training requirements;
 - consideration should be given to enhancing the current annual self-assessment of effectiveness of governance through the use of an anonymous survey/questionnaire of members. The results should be collated and reported on by the Secretary to the Council, with a view to future improvements in governance; and
 - HPC should ensure that, where possible, all travel bookings were made well in advance of travel to ensure best rates were achieved. In addition, consideration should be giving to testing HPC’s arrangements with travel agents to ensure that they provided value for money. The Committee noted that a review of a sample of expense claims had found that some had been arranged very close to the actual travel date and not the two weeks in advance, as stipulated in the expenses policy.
- 9.3 The Committee noted that Mazars conducted a review of governance in all of its clients, which enabled it to make comparisons across sectors. Other clients of Mazars had found that it was helpful to conduct an anonymous survey of members.

Item 10.12/10 Internal audit report – Purchase requisition system (report ref: AUD 7/12)

- 10.1 The Committee received a paper for discussion/approval from the Executive.
- 10.2 The Committee noted that Mazars had undertaken a review of the Purchase Requisition System (PRS), in accordance with the internal audit plan agreed by the Committee in March 2011. The review rated this area as having substantial assurance on the effectiveness of internal

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controls. It made four recommendations, two of which were rated significant. The significant recommendations were:

- user profiles in PRS should be reviewed to ensure that there was appropriate segregation of duties built in to the system. This could be achieved by changing the user profile of approvers so that they could no longer raise a purchase order and/or that they could no longer mark goods/services as received; and
- HPC should amend its procedures for changes to supplier details, to ensure that any requests for changes to bank account details were confirmed through a telephone conversation with the existing contact and/or registered address.

10.3 The Committee noted that the PRS was linked to the Sage accounting system, but there was currently no link between the database of suppliers and Sage. The Executive would review PRS as part of the overall IT strategy.

Item 11.12/11 Internal audit – Review of recommendations (report ref: AUD 8/12)

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

11.2 The Committee noted that, at its meeting on 29 September 2011, it had agreed that it should receive a paper at each meeting, setting out progress on recommendations from internal audit reports. In discussion, the Committee noted the following points:

- the project in relation to secure handling of payment card details had been implemented in February 2012;
- a new supplier was dealing with collection and disposal of confidential waste; and
- the current destruction and retention policy would be updated by 1 July 2012.

Action: GRS (by 1 July 2012)

11.3 The Committee agreed that the Executive should provide a specific date for the review of the IT policy, in particular the use of USB data drives.

Action: GG/CB (by 21 June 2012)

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Item 12.12/12 Internal audit progress report (report ref: AUD 9/12)

- 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 two reports were at draft stage: Risk Management; and Project Management. These reports were due to be considered at the Committee's next meeting.

Item 13.12/13 Review of the performance of the internal auditor (report ref: AUD 10/12)

- 13.1 The Committee received a paper for discussion/approval from the Executive.
- 13.2 The Committee noted that, on 25 November 2010, it had agreed to recommend to the Council that Mazars LLP should be appointed as the internal auditor for a maximum term of four years, subject to an annual review of performance by the Committee and a recommendation to the Council on whether the appointment should continue. Mazars had been appointed as internal auditor with effect from 1 April 2011 and therefore the annual review of performance was approaching.
- 13.3 The Committee noted that the paper proposed that the annual review of performance should take the form of a paper including completed customer feedback forms from the Executive, for each internal audit completed during the year. The Committee agreed that, on an ongoing basis, the Executive should send completed customer feedback forms for each internal audit to the Secretary to the Committee. This would provide oversight of feedback by HPC. The Secretary to Committee would forward the forms to Mazars and notify the Chair of the Committee of any significant concerns which had been identified.

Action: CB (ongoing)

- 13.4 The Committee agreed that:
 - (1) the performance of the internal auditor over the past year should be reviewed at the meeting of the Committee to be held on 21 June 2012; and
 - (2) the review should take the form of a paper including completed customer feedback forms from the Executive, for each internal audit completed during the year.

Action: CB (by 21 June 2012)

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Item 14.12/14 Transfer of regulatory functions from General Social Care Council to HPC (report ref: AUD 11/12)

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

14.2 The Committee noted the following developments in relation to the project to transfer regulatory functions from the General Social Care Council (GSCC) to HPC:

- on 8 March 2012, the Education and Training Committee had made recommendations to the Council in relation to the standards of proficiency and the threshold level of education for social workers in England. The Council was due to consider these recommendations at its meeting on 29 March 2012;
- the Social Work Regulation Oversight Group had held its penultimate meeting and its last meeting was due to be held on 11 May 2012;
- the Health and Social Care Bill was in the report stage at the House of Lords, which was expected to debate the relevant part of the Bill on 13 March 2012. It was expected that the Bill would be reconsidered by the House of Commons in the week beginning 19 March 2012;
- the Fitness to Practise Department had been given access to open fitness to practise cases at GSCC, in order to advise GSCC on how to deal with the cases. GSCC did not have to follow that advice, but the process was expected to make the transfer of cases more straightforward. HPC would receive a Department of Health grant towards the costs involved in the project;
- the Executive continued to hold meetings with colleagues at the GSCC in relation to transfer of the register and education and training; and
- a decision on whether the voluntary register of social work students should transfer to HPC was subject to discussion and a decision by the Council.

Item 15.12/15 British Standards Institute audit report, October 2011 (report ref: AUD 12/12)

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

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15.2 The Committee noted that, as reported at item 6, the British Standards Institute had audited HPC's quality management system in October 2011 and HPC had successfully passed. The areas assessed had been the management review process; complaints/customer feedback; training of employees; procurement; and Education.

Item 16.12/16 Risk register update (report ref: AUD 13/12)

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

16.2 The Committee noted that there had been no significant changes to the register. The Committee noted the inclusion of a risk relating to disruption due to the 2012 Olympics and Paralympics (risk 2.13).

16.3 The Committee noted that the summary of the top risks included references to dates in 2010-11. The Executive would review and update the document as appropriate.

Action: RD (by 21 June 2012)

16.4 In discussion, the following points were made:

- the register included inability to communicate via postal services, due to disruption such as postal strikes. It was suggested that the Executive should consider whether there should be mitigation in relation to banking disruption due to strikes in the banking industry;
- in relation to the risk of a loss of reputation, more detail could be provided about the mitigations in place (for example, capacity in the Communications Department to respond to unexpected events);
- risks relating to recognition of deferred income and Mazars' recent work in this area were recorded under section 15 of the register. The work which would be needed to upgrade NetRegulate was not specifically listed and the Executive would consider whether to amend the register accordingly; and
- there were risk registers for individual projects. The Committee agreed that, once it had considered the internal audit report from Mazars on project management, it should decide whether to receive an example of a project risk register.

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Item 17.12/17 Risks owned by the Chair of Council

- 17.1 The Committee received a verbal presentation on the risks owned by the Chair of Council and the mitigations in place.
- 17.2 The Committee noted that the Chair of Council believed that risks were generally addressed through a transparent approach to HPC's work; good internal and external working relationships; and monitoring and responding to the external environment. The Committee noted that the Chair of Council believed that HPC would need to have agile strategic planning and operational work during 2012, due to expected developments in healthcare regulation.
- 17.3 The Committee noted that the Chair felt that it was important that the Council should continue to monitor any conflicts of interest and the Council's performance, as well as carefully scrutinising papers and requesting further information from the Executive where appropriate.

Item 18.12/18 Risks owned by the Chief Executive and Registrar

- 18.2 The Committee received a verbal presentation on the risks owned by the Chief Executive and Registrar and the mitigations in place.
- 18.2 The Committee noted that one risk related to a rapid increase in registrant numbers. The Committee noted that the project to regulate social workers was similar to previous projects to regulate other professions. However, the project was on a larger scale because of the number of social workers (approximately 85,000). The Committee noted that HPC would continue to develop networks and relationships with the profession.

Item 19.12/19 Risks owned by the Director of Policy and Standards

- 19.1 The Committee received a paper for discussion/approval from the Executive.
- 19.2 The Committee noted that the Policy and Standards Department would seek legal advice in relation to its work where appropriate and ensure legal scrutiny at the end of consultation periods. In addition, the training and experience of employees in the Department helped to mitigate against some of the risks.
- 19.3 The Committee suggested that the Executive should consider whether research commissioned by HPC should be included in the risk register as a mitigation.

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Item 20.12/20 Deferred income – reconciliation of figures (report ref: AUD 14/12)

- 20.1 The Committee received a paper for discussion/approval from the Executive.
- 20.2 The Committee noted that, at its meeting on 29 September 2011, it had agreed that Mazars should undertake investigation work relating to reconciliation of figures on deferred income. Mazars' findings had been considered by the Finance and Resources Committee on 26 January 2012. The two main causes of the differences in deferred income recorded on the NetRegulate registration system and the Sage finance system were:
- timing differences at the month end. On the last working day of each month, transactions were posted by the Registration department on NetRegulate which were not processed by the Finance department until the next working day. The two departments would work together to ensure that transactions were processed on the same day; and
 - correction adjustments. Where a registrant's record was updated using a correction adjustment, the accounting treatment differed depending on the reason for the correction. Reverse charges for readmissions, which were not shown on the transfer report, were one of the main reasons for the differences. As a temporary solution, the Finance Department would obtain a report from NetRegulate at month end and manually adjust any mis-postings in Sage. As a permanent solution, the NetRegulate system would be amended to automatically take account of these transactions. The timing of these changes to NetRegulate would depend on other work to the system (e.g. changes in relation to regulation of social workers in England).
- 20.3 The Committee noted that, since January 2012, the historic difference between the two systems had been identified as £46,000 and this amount had been written off in the February 2012 management accounts. It was expected that, as a result of the work taken, there would be no difference between the systems at 31 March 2012. The manual adjustment of any mis-postings in Sage did not require a significant amount of employee time.
- 20.4 The Committee agreed that the Executive should report progress on this issue to the next meeting.

Action: GRS/TM (by 21 June 2012)

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The Committee noted the following paper:

Item 21.12/21 Dates of Committee meetings 2013 (report ref: AUD 15/12)

Item 22.12/22 Any other business

22.1 There was no other business.

Item 23.12/23 Date and time of next meeting

23.1 The next meeting would be held at 10.30 am on Tuesday 21 June 2012.

23.2 Subsequent meetings would be held at 10.30 am on:

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;
- (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 24.12/24 Transfer of regulatory functions from General Social Care Council to HPC – Risk register (report ref: AUD 16/12)

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

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Item 25.12/25 Any other business

There was no other business.

Chair

Date

Unconfirmed

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