

<p style="text-align: center;">Audit Committee</p>

Public minutes of the 27th meeting of the Audit Committee held as follows:-

Date: Tuesday 29 September 2009

Time: 10:30 am

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

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

In attendance:

Mr C Bendall, Secretary to the Committee
Mr D Blacher, Baker Tilly (UK) LLP
Mr G Butler, Director of Finance
Mr J Dee, PKF (UK) LLP
Mr R Dunn, Head of Business Process Improvement
Mr S Ecroyd, National Audit Office
Ms K Johnson, Director of Fitness to Practise
Mr R Kennett, Chair, Finance and Resources Committee (observer)
Ms C Milner, Financial Controller
Mr M J Seale, Chief Executive and Registrar
Dr A van der Gaag, Council Chair

Item 1.09/44 Nomination of Committee chair

- 1.1 The Committee was asked to nominate a Chair. Mrs Tweed proposed Professor Lucas as Chair. There were no other nominations. The Committee nominated Professor Lucas as Chair.

Item 2.09/45 Apologies for absence

- 2.1 Apologies for absence were received from Mrs P Blackburn, Mr D Parker of the National Audit Office and Mr R Weighell of PKF (UK) LLP.

Item 3.09/46 Approval of agenda

- 3.1 The Committee approved the agenda, subject to considering training for the Committee under item 16 (any other business).

Item 4.09/47 Declarations of members' interests

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

Item 5.09/48 Minutes of the Audit Committee meeting of 24 June 2009 (report ref: AUD 37/09)

- 5.1 It was agreed that the minutes of the 26th meeting of the Audit Committee should be confirmed as a true record and signed by the Chair.

Item 6.09/49 Matters arising (report ref: AUD 38/09)

- 6.1 The Committee received a paper to note from the Executive.
- 6.2 The Committee noted the actions list as agreed at the last meeting.
- 6.3 The Committee noted that the Executive would report on its response to the Poynter Review at the next meeting. The Review had made a number of recommendations following a high-profile loss of data in transit between HM Revenue and Customs and the National Audit Office (NAO).

Action: RD (by 9 December 2009)

Item 7.09/50 Business Process Improvement report (report ref: AUD 39/09)

- 7.1 The Committee received a report summarising business improvement work.

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- 7.2 The Committee noted that the internal audit schedule for 2009-10 under the Quality Management System continued.
- 7.3 The Committee noted that the British Standards Institute was due to audit a number of areas on 21 October 2009.
- 7.4 The Committee noted that an audit of documents held at the hard copy archive was underway. It was intended that the hard copy archive be relocated to a new archive facility.
- 7.5 The Committee noted that feedback and customer service complaints were reported to the Executive Management Team on a monthly basis. The Continuing Professional Development presentation on DVD had been generally welcomed, with a single complaint in response.
- 7.6 The Committee noted that the business continuity plan included provision for specific incidents such as a power cut or a flu pandemic.

Item 8.09/51 22-26 Stannary Street Limited (report ref: AUD 40/09)

- 8.1 The Committee received a paper for discussion/approval from the Executive.
- 8.2 The Committee noted that, in 2005, HPC had acquired 22-26 Stannary Street Limited ('the company') in order to acquire the property at that address. The company held the property and charged HPC a commercial rent. The Executive felt that there would be a number of advantages to winding up the company, including simplifying accounting, simplifying statutory reporting and eliminating the need for company directors and filing company returns. It was proposed that, as part of the winding up process, the property at 22-26 Stannary Street should be transferred to HPC.
- 8.3 The Committee noted that it was proposed that Baker Tilly should write to HM Revenue and Customs (HMRC) to seek a pre-transaction ruling that a transfer of the property would be acceptable and there would be no tax implications for HPC. It was expected that HMRC would respond within 30 days and that, provided there were no tax implications, the property could be transferred to HPC and HPC could seek to wind up 22-26 Stannary Street Ltd.
- 8.4 The Committee noted that, if the reply from HMRC indicated that there would be a potential tax liability, then it would be possible for the property to be transferred to HPC by the end of the 2009-10 financial year and for 22-26 Stannary Street Ltd to become a dormant company.
- 8.5 The Committee agreed that Baker Tilly should write to HMRC. The Committee noted that the response would be submitted to it for

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consideration. The Committee noted that the Finance and Resources Committee had also approved the recommendation.

Action: Baker Tilly (by 7 October 2009)

Item 9.09/52 Internal audit charter (report ref: AUD 41/09)

- 9.1 The Committee received a paper for discussion/approval from the Executive.
- 9.2 The Committee noted that the Government Internal Audit Standards required HPC to have an internal audit charter in order to meet best practice.
- 9.3 The Committee noted that, whilst the internal auditors reported to the Audit Committee, the Chief Executive and Registrar (as HPC's Accounting Officer) relied on the internal auditors for assurance that internal controls were in place.
- 9.4 The Committee agreed that the draft internal audit charter should be amended as follows:
- In the section 'Head of Internal Audit', the second paragraph should read 'The Head of Internal Audit's duties are performed with the authority of the Audit Committee and the Head of Internal Audit shall have unfettered access to the Accounting Officer, the Chair of the Audit Committee and the Chair of the Council'.
- 9.5 Subject to the amendment at paragraph 9.4, the Committee approved the Internal Audit Charter for ratification by Council at a later date.

Action: GB (by 10 December 2009)

Item 10.09/53 Internal audit report – Fitness to Practise (report ref: AUD 42/09)

- 10.1 The Committee received a paper for discussion/approval from the Executive.
- 10.2 The Committee noted that, in accordance with proposals agreed by the previous meeting of the Committee, PKF was undertaking a series of reviews in relation to the Fitness to Practise Department. The first of the reviews was attached to the paper and focussed on the management of the key risks.
- 10.3 The Committee noted that, based on the audit work carried out, PKF had concluded that HPC's arrangements for managing its key risks in relation to fitness to practise were satisfactory and operating effectively at the time of the review. PKF had noted that most aspects of the arrangements

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were sound and met best practice. However, the quality assurance process needed to be (and was being) enhanced to provide the level of assurance required to meet best practice in full.

- 10.4 The Committee noted that HPC had insurance in place for up to a further £125,000 for cases where legal costs exceeded £125,000. The Committee noted HPC could only claim costs from registrants in cases where the registrant appealed to the High Court and costs were awarded to HPC. The Committee noted that learning points from High Court cases were incorporated into HPC practice notes, which guided panels on the processes to be applied in cases.
- 10.5 The Committee agreed to accept the report.
- 10.6 The Committee noted that there was a minor error in the report, which described it as a draft version when the report had been finalised. The Committee noted that a corrected version would be circulated to members.

Action: PKF/CB (by 29 September 2009)

Item 11.09/54 Internal audit progress report (report ref: AUD 43/09)

- 11.1 The Committee received a paper for discussion/approval from the Executive, summarising progress to date on the internal audit workplan for 2009-10.
- 11.2 The Committee noted that the internal audit workplan which had been agreed by the Committee in February 2009 included a follow-up of the extent that previous recommendations had been implemented in full. The Committee agreed that PKF should report on a regular basis on progress against recommendations from previous internal audit reports.

Action: PKF (ongoing)

- 11.3 The Committee noted that the internal audit workplan which had been agreed by the Committee in February 2009 included a provision of two days for contingency work.

Item 12.09/55 Risk register update (report ref: AUD 44/09)

- 12.1 The Committee received a paper for discussion/approval from the Executive.
- 12.2 The Committee noted details of amendments made to the risk register. The Committee noted that the risks in section 13 of the risk register should be labelled to indicate where individual risks had been moved.

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- 12.3 The Committee noted that, on 15 September 2009, the Finance and Resources Committee had suggested that consideration should be given to the risk of a backlash against regulation (e.g. through political change). The Committee felt that this risk was already addressed in section 1.2 of the register (unexpected change in UK legislation).
- 12.4 The Committee noted that the Finance and Resources Committee had also suggested that consideration should be given to whether there was a risk associated with the previous and current pension schemes provided to HPC employees. The Committee agreed that it was not necessary to include this risk.
- 12.5 The Committee noted that the risk of a failure to successfully open the hearing aid practitioner register was scored in the same way as the risk of a failure to successfully open the counsellors and psychotherapists register. The Committee noted that both projects involved successful project management, development of relationships with stakeholders such as professional bodies and legislative change.
- 12.6 Some members felt that the Executive should review the number of risks in the register and the methodology for assessing and moderating the likelihood of individual risks. The Committee noted that likelihood was based on whether an incident had previously occurred. The Committee noted that, over time, each risk owner would give a presentation to the Committee, providing more detail on individual risks. The Committee agreed that this would be useful in developing its understanding of the risk register.

Item 13.09/56 Committee representative at Finance and Resources Committee meetings (report ref: AUD 45/09)

- 13.1 The Committee received a paper for discussion/approval from the Executive.
- 13.2 The Committee agreed to nominate the Chair as its representative to observe Finance and Resources Committee meetings.

The Committee noted the following items:

Item 14.09/57 Role of the Comptroller and Auditor General and the National Audit Office (report ref: AUD 46/09)

Item 15.09/58 Terms of reference and standing orders (report ref: AUD 47/09)

Item 16.09/59 Any other business

- 16.1 The Committee noted that, on 17 November 2009, the Finance and Resources Committee was due to receive training on aspects of its work,

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including accounting and budgeting. The Committee noted that members of the Audit Committee were welcome to attend that training. If members were unable to attend, a separate training session would be provided for the Audit Committee.

Item 17.09/60 Date and time of next meeting

17.1 The next meeting of the Committee would be held at 10.30 am on Wednesday 9 December 2009.

17.2 Subsequent meetings would be held at 10.30 am on

Wednesday 24 February 2010

Thursday 24 June 2010

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.'

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Summary of those matters considered whilst the public were excluded

Item 18.09/61 Minutes of the private part of the Audit Committee of 24 June 2009 (report ref: AUD 48/09)

The Committee approved the minutes of the private part of the 26th meeting of the Audit Committee.

Item 19.09/62 Matters arising

There were no matters arising.

Item 20.09/63 2009-10 year end audit

The Committee made a recommendation to the Council in respect of external audit arrangements for the 2009-10 financial year.

Item 21.09/64 Review of the performance of the internal auditor

The Committee recommended to the Council that PKF (UK) LLP should be reappointed as the HPC's internal auditor for the 2010-11 financial year.

Item 22.09/65 Any other business

There was no other business.

Chair

Date

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