

<b>Audit Committee</b>
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**Public minutes of the 39th meeting of the Audit Committee held on:-**

**Date:** Thursday 27 September 2012

**Time:** 10:30 am

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

**Present:** Jeff Lucas (Chair)  
Julia Drown  
Morag MacKellar  
Joy Tweed

**In attendance:**

Colin Bendall, Secretary to the Committee  
Martin Burgess, National Audit Office  
Graeme Clarke, Mazars LLP  
Roy Dunn, Head of Business Process Improvement  
Hayley Graham, Partner Manager  
Richard Kennett, Chair, Finance and Resources Committee (observer)  
Jacqueline Ladds, Director of Communications  
Kate Mathers, National Audit Office  
Tim Moore, Director of Finance  
Greg Ross-Sampson, Director of Operations  
Marc Seale, Chief Executive and Registrar  
James Sherrett, Mazars LLP  
Anna van der Gaag, Council Chair

### **Item 1.12/54 Apologies for absence**

- 1.1 The Chair welcomed Julia Drown as a new member of the Committee and welcomed James Sherrett.
- 1.2 Apologies for absence were received from Peter Cudlip of Mazars LLP.

### **Item 2.12/55 Approval of agenda**

- 2.1 The Committee approved the agenda, subject to considering the item on meetings between the Chair of the Committee and the internal and external auditors before the item on the National Audit Office report.

### **Item 3.12/56 Declarations of members' interests**

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

### **Item 4.12/57 Public minutes of the Audit Committee meeting held on 21 June 2012 (report ref: AUD 35/12)**

- 4.1 It was agreed that the public minutes of the 38th meeting of the Audit Committee should be confirmed as a true record and signed by the Chair.

### **Item 5.12/58 Matters arising (report ref: AUD 36/12)**

- 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. (Secretary's note: Information relating to insurance policies for legal expenses was circulated to the Committee on 2 October 2012).

### **Item 6.12/59 Business Process Improvement report (report ref: AUD 37/12)**

- 6.1 The Committee received a report summarising business process improvement work.
- 6.2 The Committee noted that the Executive was reviewing procurement procedures.
- 6.3 The Committee noted that initial work had started on achieving the ISO 27001 information security management standard. Information security training had been rolled out to all employees through a computer-based training package.
- 6.4 The Committee noted that the London Olympics and Paralympics had not had a significant impact on the HCPC.

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**Item 7.12/60 National Audit Office external audit strategy (report ref: AUD 38/12)**

- 7.1 The Committee received a paper for discussion/approval from the Executive.
- 7.2 The Committee noted that the National Audit Office (NAO) external audit strategy for 2012-13 identified the following risks and an audit response for each risk:
- outsourcing of payroll function. The Committee noted that the NAO's audit would not cover data protection issues, which had been addressed by the Executive as part of their due diligence procedures in identifying a suitable company to provide the payroll function;
  - the procurement process;
  - the liability related to the Flexiplan pension scheme (the former pension scheme for employees, which was in the process of being closed). The liability for HCPC and other organisations who had been members of the scheme was to be determined by a court judgement, which was expected in October 2012;
  - 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 also identified two areas which may require special attention in the audit:
- transfer of regulatory functions from the General Social Care Council to the HCPC on 1 August 2012. Four employees had transferred from GSCC to the HCPC. As in 2011-12, HCPC would receive grant funding from the Department of Health in 2012-13 to cover additional expenditure related to the transfer. This would be accounted for in the same way as in 2011-12. The major impact on the financial statements would be the increase in income and expenditure resulting from the transfer of social workers onto the register; and
  - the purchase of 186 Kennington Park Road from the Evangelical Alliance. A deposit had been paid in 2011-12 and the purchase was due to be completed in April 2013. The NAO would expect the

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treatment of the deposit in the financial statements to remain as it was in 2011-12.

- 7.4 The Committee noted that the proposed audit fee would be £39,000, compared to £38,500 for 2011-12. The proposed fee reflected the NAO's estimate of the resources which would be required for the audit and took account of the factors mentioned above.
- 7.5 The Committee approved the external audit strategy.

**Action: National Audit Office (ongoing to July 2013)**

**Item 8.12/61 Review of the performance of the external auditor (report ref: AUD 39/12)**

- 8.1 The Committee received a paper for discussion/approval from the Executive.
- 8.2 The Committee noted that the NAO had become the HCPC's sole external auditor for the first time for the 2009-10 financial accounts. In previous years, Baker Tilly had been the first tier of external audit, with the NAO reviewing the work conducted by Baker Tilly. The NAO's performance as sole external auditor had first been reviewed by the Audit Committee on 23 September 2010, using the NAO's client questionnaire, which had been completed by the Executive. The current paper asked the Committee to decide the methodology for the review of the NAO's performance over the past year.
- 8.3 The Committee noted that the 2011-12 questionnaire was appended to the paper for information. The Committee noted that the NAO would slightly amend the wording of the questionnaire.
- 8.4 The Committee agreed that, as far as possible, members of the Committee should complete the questionnaire and this feedback should be included in a paper to the next meeting of the Committee. In addition, the paper should include the response to the questionnaire from the Executive.
- 8.5 The Committee agreed that:
- (1) the performance of the National Audit Office as the external auditor over the past year should be reviewed at the meeting of the Committee to be held on 28 November 2012; and
  - (2) the review should take the form of a paper including the NAO client questionnaire, completed by members of the Committee (as far as possible) and by the Executive.

**Action: All members/Tim Moore (by 28 November 2012)**

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**Item 9.12/62 Internal audit report – Follow-up of previous recommendations (report ref: AUD 40/12)**

- 9.1 The Committee received a paper for discussion/approval from the Executive.
- 9.2 The Committee noted that Mazars had undertaken a follow-up of previous recommendations from internal audit reports, in accordance with the internal audit plan agreed by the Committee in March 2012. The majority of recommendations had been implemented or were in progress. Where necessary, Mazars had made new recommendations.
- 9.3 The Committee noted that, in relation to risk management, Mazars had previously recommended that consideration should be given to identifying 'early warning signals' on the risk register against significant risks, which would flag-up the types of events which indicated that the risk was likely to crystallise. The Executive Management Team (EMT) had considered this recommendation at their meeting on 28 August 2012. There had been concerns about adding complexity to the risk register and so the EMT had decided not to pursue this recommendation.
- 9.4 The Committee noted that, in relation to financial systems, Mazars had previously recommended that management should complete the steps necessary to remove the option to raise paper purchase orders. The Committee noted that the procurement, requisitions and purchases procedures were being updated to reflect Mazars' comments.

**Item 10.12/63 Internal audit – Review of recommendations (report ref: AUD 41/12)**

- 10.1 The Committee received a paper for discussion/approval from the Executive.
- 10.2 The Committee noted that, at its meeting on 29 September 2011, the Committee agreed that it should receive a paper to each meeting, setting out progress on recommendations from internal auditor reports.
- 10.3 In discussion, the following points were made:
- controls relating to USB data drives had been introduced into the Fitness to Practise Department and would be introduced in all other departments;
  - during induction, employees were required to read and sign a letter from the Chief Executive explaining the HCPC's data protection policies before being given access to IT systems. A member asked for confirmation that employees kept a copy of the letter.

**Action: Colin Bendall (by 28 November 2012)**

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- departmental secondary signatures (who had an authorisation limit of £1000) could raise and approve purchase orders and update the system when goods were received. A member felt that this might create a risk in the purchasing process. The Committee agreed that the Executive should provide further details about the purchasing procedures at the next meeting.

**Action: Tim Moore (by 28 November 2012)**

**Item 11.12/64 Internal audit progress report (report ref: AUD 42/12)**

- 11.1 The Committee received a paper for discussion/approval from the Executive.
- 11.2 The Committee noted that Mazars had prepared a report setting out progress on the internal audit plan for 2012-13.
- 11.3 The Committee noted that the internal audit report on income collection and debtors had been finalised and was due to be considered at the next meeting. Fieldwork for the internal audit of ICT security had been completed and the report was being prepared.
- 11.4 The Committee noted that it was responsible for agreeing the internal audit workplan each year. Mazars met the relevant employees to plan each internal audit. The scope of each audit was driven by the risks on the risk register and by areas which Mazars had identified.

**Item 12.12/65 Transfer of regulatory functions from General Social Care Council to HCPC (report ref: AUD 43/12)**

- 12.1 The Committee received a paper for discussion/approval from the Executive.
- 12.2 The Committee noted that, at the Council meeting on 14 October 2010, the Council had agreed that there would be a standing item on every Council and Committee agenda, whereby the Executive would update the meeting on the progress of the project. The transfer of regulatory functions from the General Social Care Council to HCPC had taken place on 1 August 2012. A verbal report on the transfer was made.
- 12.3 The Committee noted that the project had been completed successfully and reports had been provided to other committees and to the Council meeting on 18 September 2012. The Committee noted that the Executive would hold a meeting to review the project in October 2012. The Committee thanked the Executive for successfully completing the project.

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**Item 13.12/66 Risk register update (report ref: AUD 44/12)**

- 13.1 The Committee received a paper for discussion/approval from the Executive.
- 13.2 The Committee noted that the risk register had been reviewed and updated. The paper included a description of the top risks (those remaining at high or medium, following mitigations) and a copy of the register, including a list of changes since the previous iteration in January 2012.
- 13.3 In discussion, the following points were made:
- the risk of exceptional costs relating to fitness to practise tribunals and appeals was now rated as 'medium'. This was based on the HCPC's experience of managing fitness to practise processes since 2001;
  - the risk of loss of reputation was mitigated through the quality of the HCPC's operational processes and through the communications strategy;
  - visits to social work education programmes were being scheduled by the Education Department, which had taken a risk-based approach to planning visits;
  - the register did not include risks relating to the planned purchase of 186 Kennington Park Road, in particular the financial and value for money risks. The Committee noted that plans for the building were at an early stage and would be subject to several factors, including prioritisation of the project and planning permission being obtained. Risks relating to the project would be identified as part of the project management process;
  - it would be helpful if the description of the top risks included a statement on whether each risk had occurred since the last iteration of the register; and
  - the list of changes to the register would be amended to include some new risks.

**Action: Roy Dunn to amend list of changes to the register (by 28 November 2012)**

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**Item 14.12/67 Extracts from January 2012 risk register (report ref: AUD 45/12)**

- 14.1 The Committee received a paper for discussion/approval from the Executive.
- 14.2 The Committee noted that, at its meeting on 21 June 2012, it had agreed that, as risk owners made presentations on their risks over the next year, the Committee should receive a copy of the previous iteration of the relevant parts of the risk register. This would enable it to review the impact of the regulation of social workers in England on the risk register.

**Item 15.12/68 Risks owned by the Director of Communications**

- 15.1 The Committee received a verbal presentation on the risks owned by the Director of Communications and the mitigations in place.
- 15.2 The Committee noted that the Communications Department had an operational plan to respond to any unexpected increase in media enquiries. The HCPC would also issues statements on its website, where appropriate.
- 15.3 The Committee discussed whether risk 3.4 (failure to inform registrants) should be amended to include prospective registrants. The Committee noted that the HCPC already carried out communications work aimed at prospective registrants, but the Executive would consider whether to amend the risk.

**Item 16.12/69 Risks owned by the Partner Manager**

- 16.1 The Committee received a verbal presentation on the risks owned by the Partner Manager and the mitigations in place.
- 16.2 The Committee noted that controls were in place to pick up any performance issues with newly-appointed Partners.

**Item 17.12/70 Any other business**

- 17.1 There was no other business.

**Item 18.12/71 Date and time of next meeting**

- 18.1 The next meeting would be held at 10.30 am on Wednesday 28 November 2012.
- 18.2 Subsequent meetings would be held at 10.30 am on:

Wednesday 13 March 2013

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Tuesday 25 June 2013  
Thursday 26 September 2013  
Tuesday 28 November 2013

## 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;

- (a) information relating to a registrant, former registrant or applicant for registration;
- (b) information relating to an employee or officer holder, former employee or applicant for any post or office;
- (c) 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;
- (d) negotiations or consultation concerning labour relations between the Council and its employees;
- (e) any issue relating to legal proceedings which are being contemplated or instituted by or against the Committee or the Council;
- (f) action being taken to prevent or detect crime or to prosecute offenders;
- (g) the source of information given to the Committee in confidence; or
- (h) 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.'

Item	Reason for Exclusion
19	c, d
20	c, d
21	d
22	h
23	c, g

## Summary of those matters considered whilst the public were excluded

### Item 19.12/72 Minutes of the private part of the Audit Committee meeting held on 21 June 2012 (report ref: AUD 46/12)

The Committee agreed that the private minutes should be confirmed as a true record and signed by the Chair.

### Item 20.12/73 Matters arising (report ref: AUD 47/12)

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

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**Item 21.12/74 Transfer of regulatory functions from General Social Care Council to HCPC (report ref: AUD 49/12)**

The Committee received a verbal report on the transfer of regulatory functions.

**Item 22.12/75 Meetings between Chair of the Committee and the internal and external auditors (report ref: AUD 48/12)**

The Committee received a verbal report from the Chair of the Committee on meetings with the internal and external auditors.

**Item 23.12/76 National Audit Office report (report ref: AUD 50/12)**

The Committee noted a report from the National Audit Office.

**Item 24.12/77 Any other business**

There was no other business.

**Chair**

**Date**

Unconfirmed

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