

unconfirmed
The Health Professions Council

Chief Executive and Registrar: Mr Marc Seale

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Minutes of the 23rd meeting of the Audit Committee held on **Friday 26 September 2008** at Park House, 184 Kennington Park Road, London, SE11 4BU.

Present: Mr P Acres (Chairman)
Professor T Hazell
Mr R Kennett
Professor C Lloyd

In attendance:

Mr C Bendall, Secretary to the Committee
Mr J Dee, PKF (UK) LLP
Mr R Dunn, Head of Business Improvement
Mr S Ecroyd, National Audit Office
Mr M Harris, Baker Tilly UK Audit LLP
Mr S Leicester, Director of Finance
Ms N O'Sullivan, Secretary to Council
Mr G Ross-Sampson, Director of Operations

Item 1.08/50 Apologies for absence

- 1.1 Apologies for absence were received from Mr D Blacher (Baker Tilly UK Audit LLP), Mr D Parker (National Audit Office), Mr D Proctor, Mr D Ross (observer on behalf of the Finance and Resources Committee), Professor G Smith, the President and the Chief Executive and Registrar.

Item 2.08/51 Approval of agenda

- 2.1 The Committee approved the agenda.

Item 3.08/52 Minutes of the Audit Committee meeting held on 26 June 2008

- 3.1 It was agreed that the minutes of the 22nd meeting of the Audit Committee should be confirmed as a true record and signed by the Chairman.

Item 4.08/53 Matters arising

- 4.1 The Committee received a paper to note from the Executive.
- 4.2 The Committee noted the actions list as agreed at the last meeting.
- 4.3 The Committee noted that PKF had reviewed the actions on internal control issues which had been identified in the Baker Tilly audit findings for the 2007-8 accounts. This action had therefore been completed. (See item 9 below).

Item 5.08/54 Chairman's report

- 5.1 The Chairman congratulated Professor Hazell on his appointment as chair of the Nursing and Midwifery Council. The Committee noted that Professor Hazell would remain a member of HPC until the end of 2008. The Chairman thanked Professor Hazell on behalf of the Committee for his work in helping to create and develop the Committee and for his work as Vice Chairman. The Chairman also thanked Professor Hazell for the personal support he had received from him.
- 5.2 The Chairman thanked Mr Kennett for his input into the work of the Committee, in particular the discussion at the previous meeting about the impairment of the value of 22-26 Stannary Street. The Chairman noted that the issue had been raised by a professional body at the HPC's annual meeting on 11 September 2008.
- 5.3 The Chairman thanked the Executive for the high quality of the papers.

Item 6.08/55 Quality report

- 6.1 The Committee received a report summarising quality audit work.
- 6.2 The Committee noted that the Information Services Manager had completed training on the International Organisation for Standardisation (ISO) internal audit procedures and had begun work on improving processes. The Committee noted that the Information Services Manager would provide additional scrutiny in the ISO audits.

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- 6.3 The Committee noted that the Information Technology (IT) Department had arranged penetration testing of the IT systems and was addressing the issues which had been identified.
- 6.4 The Committee noted that tender documents for archiving of hard copy documents had been sent to five potential suppliers. Two suppliers, including the existing supplier, had declined to respond due to HPC's requirements for additional protection around data security.

Item 7.08/56 Council for Healthcare Regulatory Excellence (CHRE) report on the Nursing and Midwifery Council: Actions for HPC

- 7.1 Professor Hazell declared an interest in this item, as Chair of the Nursing and Midwifery Council from 1 January 2009.
- 7.2 The Committee received a paper for discussion/approval from the Executive.
- 7.3 The Committee noted that, at the Council meeting on 3 July 2008, it had been agreed that the CHRE report on the performance of the Nursing and Midwifery Council should be considered at the next meeting of all HPC's committees. The Council had agreed that each committee should consider what actions the Executive needed to take forward as a result of the report. The Council had also agreed that a list of the actions would be brought back to the Council to agree how they should be prioritised.
- 7.4 The Committee noted that the CHRE performance review of the health regulators would continue to develop over time.
- 7.5 The Committee agreed that the Executive had thoroughly and carefully reviewed the issues which had been identified at the Nursing and Midwifery Council and HPC's position on each issue. The Committee agreed that its role was to ensure that HPC's processes were robust and to audit them in due course, and it was not appropriate for it to make any recommendations for further action at this stage.

Item 8.08/57 Risk register

- 8.1 The Committee received a paper for discussion/approval from the Executive.
- 8.2 The Committee noted that Mr Kennett had recently become a member of the audit committee of the Water Services Regulation Authority (Ofwat). It was the practice of Ofwat's audit committee to periodically invite the managers who were responsible for parts of the risk register to review the status of their respective risks and

mitigation plans. The paper recommended that the HPC should adopt a similar process.

- 8.3 The Committee agreed to instruct the Chief Executive to ensure that all managers, who had responsibility for risks identified on the risk register, to present a review of their respective risks and mitigation plans to the Committee once each financial year. The Committee agreed that, under this process, the most significant risks on the risk register should be addressed first. It was agreed that the first presentation should be made at the next meeting of the Committee.

Action: MJS (ongoing)

Item 9.08/58 Internal audit report – review of recommendations from previous reports

- 9.1 The Committee received a paper for discussion/approval from the Executive.
- 9.2 The Committee noted that PKF had undertaken a review of recommendations from internal audit reports in 2007-8. The Committee noted that, in accordance with the approved internal plan, the report had been scheduled for the third quarter of the 2008-9 financial year. Following discussion with the Executive, PKF had recommended that the report should be moved to the second quarter and the Committee had unanimously agreed to the proposed amendment by e-mail.
- 9.3 The Committee noted that all of PKF's recommendations from previous internal audit reports had been implemented.
- 9.4 The Committee noted that PKF had reviewed progress on the six internal control issues which had been identified in the Baker Tilly audit findings for the 2007-8 accounts. The Committee noted that Baker Tilly would also review progress at the end of the current financial year. The Committee noted that the current situation on the six issues was as follows:
- arrangements for budgeting income: implemented;
 - regular reconciliation of deferred income with the registration system: July and August 2008 accounts had been reconciled. April-June 2008 accounts were to be reconciled shortly;
 - password controls on the income analysis model: implemented;
 - adjustment of investment figures to agree with trial balance: to be implemented as part of year end final accounts procedures for 2008-9;
 - depreciation formulae in the fixed asset register: implemented;

- recognition of grant income from the Department of Health: implemented: regarding future claims for grants from the Department of Health, HPC would clarify the terms of the grant in greater detail at the onset.

9.5 The Committee agreed that the report re-emphasised that the HPC was functioning well and that it represented a great deal of work by the Executive.

Item 10.08/59 Internal audit progress report

- 10.1 The Committee received a paper for discussion/approval from the Executive.
- 10.2 The Committee noted that the progress report covered the internal audit report discussed above and summarised the internal audits planned for the third and fourth quarters of 2008-9.
- 10.3 The Committee noted that PKF believed that the Executive was fully committed to the internal audit process, which was running smoothly.
- 10.4 The Committee agreed to accept the report.

Item 11.08/60 Meeting of the Committee with the internal and external auditors

- 11.1 The Committee received a paper for discussion/approval from the Executive.
- 11.2 The Committee noted that the Committee's standing orders provided that the Committee should either hold at least one ordinary meeting each year with the internal and external auditors (including the National Audit Office) without management, to discuss matters relating to its remit and any issues arising from the audit; or delegate the holding of any such meeting to the Chairman, with the Secretary attending the meeting and presenting a record of the meeting to the next ordinary meeting of the Committee.
- 11.3 The Committee agreed that:
- (1) the meeting of the committee with the internal and external auditors (including the National Audit Office) should be held in the private part of the meeting at which the Committee received the annual report and accounts, the audit findings from the external auditors and the annual report from the internal auditor (i.e., normally the June meeting);
 - (2) exceptionally for the 2007-8 audit, the Committee should meet with the internal and external auditors in the private part of the meeting on 26 September 2008 to discuss matters relating to its remit and any issues arising from the audit of the 2007-8 accounts.

**Action: CB (Point 1: ongoing – each June meeting;
Point 2: 26 September 2008)**

Item 12.08/61 Review of the Audit Committee's effectiveness

- 12.1 The Committee received a paper for discussion/approval from the Executive.
- 12.2 The Committee noted that, at its meeting on 12 June 2006, it had agreed that it would in future use the National Audit Office self-assessment checklist to review the Committee's effectiveness (at each September meeting). The checklist was attached to the paper, with answers to the questions based on the responses agreed by the Committee on 25 September 2007.
- 12.3 In discussion, the following points were made:

- it would be good practice to include a declaration of conflicts of interest on committee and Council agendas as a standing item and that this should be considered by the Council;

Action: CB (by 11 December 2008)

- the Council should be asked to consider amending the process for appointment of members to the Audit Committee, so that members were asked to state their knowledge of the subjects mentioned in the checklist (accounting; risk management; audit; technical or specialist issues; experience of managing similar sized organisations; understanding of the wider environment; detailed understanding of the government environment and accountability structures). The Committee agreed that it should not be necessary for members to have knowledge of all of these areas;

Action: CB (by 11 December 2008)

- the Committee agreed that it did periodically obtain the views of the external auditor on the work and effectiveness of the Audit Committee;
- the Committee agreed that it did review anti-fraud and corruption policies and procedures. The Committee noted that it had discussed the whistleblowing policy in 2006, which now formed part of the employee handbook which had been agreed by the Finance and Resources Committee;

- the Committee agreed that it was not necessary for it to review the first draft of the annual accounts before the external auditors began work on it, as the external auditors had not indicated that there was any issue with the quality of the draft accounts;
- the Committee agreed that it did consider whether financial control enabled the HPC to achieve its objectives and good value for money;
- the Committee agreed that its work throughout the year dealt with the reliability and integrity of the assurances and related issues, although this was not dealt with formally in its report in the HPC's annual report and accounts. The Committee agreed that this question should be read as 'Does the Committee report annually' on the assurances and other issues;
- the Committee agreed that it collectively identified and addressed members' training needs, through the annual training day held in February;
- the restructured Council should, in due course, debate the process for appointment of members to committees.

12.4 The Committee noted that the HPC did not intend to recruit separately for the Chairman of the Audit Committee when the Council was restructured.

12.5 The Committee noted that there was no power for it to co-opt members for a period of less than one year to provide specialist skills, but that standing orders permitted anyone advising on the business to attend a meeting.

12.6 The Committee noted that it had agreed to receive annual training on aspects of its work, usually after the February meeting. The Committee noted that the National School of Government was due to hold a conference on best practice for audit committees in government on 27 November 2008. The Committee agreed that details should be circulated to members and members should be asked if they wished to attend.

Action: CB (by 1 October 2008)

12.7 The Committee noted that the National School of Government also held an induction course for audit committee members. The Committee noted that Mr Kennett would review the content of the course and recommend whether it would be suitable for members.

Action: Mr Kennett (by 10 December 2008)

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Item 13.08/62 Audit Committee terms of reference

- 13.1 The Committee received a paper for discussion/approval from the Executive.
- 13.2 The Committee noted that it had agreed in 2006 that it should review its terms of reference on an annual basis, at each September meeting. This decision had been in accordance with the good practice indicated in the National Audit Office's self-assessment checklist.
- 13.3 The Committee agreed that the restructured Council could consider whether it would be appropriate for committees to co-opt members with specialist skills.

Item 14.08/63 Risk register update

- 14.1 The Committee received a paper to note from the Executive.
- 14.2 The Committee noted that the paper included the updated version of the risk register.
- 14.3 The Committee noted that one of the top risks was a problem in recruiting Council members with the requisite skills (assessed as medium probability). The Committee noted that the significance and probability ratings were set by the risk owners and it was not appropriate for the Committee to amend the register. The Committee noted that there was no indication that the current Council lacked certain skills.

Item 15.08/64 HPC's status

- 15.1 The Committee received a paper to note from the Executive.
- 15.2 The Committee noted that, at the meeting on 26 June 2008, the Executive had agreed to update the Committee regarding progress on determining the status of the HPC as an organisation, in connection with the approval of any novel or contentious matters in the annual accounts. The Committee noted that, in a letter dated 6 August 2008 the Privy Council Office had confirmed that it would take responsibility for negotiation with HM Treasury over any such matters.

Item 16.08/65 Dates of Committee meetings 2009-10

- 16.1 The Committee received a paper to note from the Executive.

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16.2 The Committee noted the dates of meetings in 2009-10. The dates are listed at paragraph 18.2.

Item 17.08/66 Any other business

17.1 There was no other business.

Item 18.08/67 Date and time of next meeting

18.1 The next meeting of the Committee would be held at 10.30 am on Wednesday 10 December 2008.

18.2 Subsequent meetings would be held at 10.30 am on:

Thursday 26 February 2009
Wednesday 24 June 2009
Tuesday 29 September 2009
Wednesday 9 December 2009
Wednesday 24 February 2010
Thursday 24 June 2010

Chairman

Date