

unconfirmed
The Health Professions Council

Chief Executive and Registrar: Mr Marc Seale

Park House
184 Kennington Park Road
London SE11 4BU
Telephone: +44 020 7840 9710
Fax: +44 020 7840 9807
e-mail: colin.bendall@hpc-uk.org

Minutes of the 22nd meeting of the Audit Committee held on **Thursday 26 June 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
Mr D Proctor
Professor G Smith

In attendance:

Mr C Bendall, Secretary to the Committee
Mr D Blacher, Baker Tilly UK Audit LLP
Ms A Creighton, Head of Education
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 R Houghton, Head of Registration
Mr S Leicester, Director of Finance
Ms C Milner, Financial Controller
Ms N O'Sullivan, Secretary to Council
Mr D Ross, Accountant member, Finance and Resources Committee (Observer)
Dr A van der Gaag, President

Item 1.08/26 Apologies for absence

- 1.1 Apologies for absence were received from the Chief Executive and Registrar, Mr D Parker (National Audit Office), and Mr R Weighell (PKF (UK) LLP).

Item 2.08/27 Approval of agenda

- 2.1 The Committee approved the agenda.

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2008-06-20	a	ADT	MIN	Minutes Audit Committee 27 February 2008 public meeting	Final DD: None	Public RD: None

Item 3.08/28 Minutes of the Audit Committee meeting held on 27 February 2008

- 3.1 It was agreed that the minutes of the 21st meeting of the Audit Committee should be confirmed as a true record and signed by the Chairman.

Item 4.08/29 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, as agreed at the last meeting, the Chief Executive and Registrar had written to the minister concerned, asking for action to be taken by the government to finally clarify HPC's status. The Privy Council Office had indicated that it was looking into the matter but there had been no substantive reply. The Committee agreed that the Privy Council Office should be asked for a reply.

Action: NO'S (by 26 September 2008)

Item 5.08/30 Chairman's report

- 5.1 The Chairman reported that, on 11 March 2008, he had attended an audit committee networking lunch in London, which had been organised by the National Audit Office (NAO). The Chairman thanked the NAO for the event and felt that it had been useful to meet chairmen of audit committees from other organisations.
- 5.2 The Chairman reported that the Executive had arranged for the NAO to conduct an 'organisational health check' to examine how the HPC could retain the positive cultural aspects of being a small organisation while managing rapid and significant growth over the next few years.
- 5.3 The Committee noted that a paper on risk management would be presented to the next meeting on 26 September 2008.
- 5.4 The Committee noted that on 16 June 2008 the Council for Health Regulatory Excellence had published a report on the Nursing and Midwifery Council (NMC). The report had been requested by the Department of Health. The report had concluded that, while the NMC was carrying out its statutory functions, it was failing to perform these to the standard which the public had the right to expect of a regulator. The report had identified serious weaknesses in the NMC's governance and culture, in the conduct of its Council, its

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ability to protect the public through fitness to practise processes and its ability to retain the confidence of stakeholders.

- 5.5 The Committee noted that, in response to the report, the Executive had prepared a paper for the Council meeting to be held on 3 July 2008. The paper was a detailed review of the HPC's own processes, in response to the issues which had been identified at the NMC. The Council would consider whether the various committees should carry out further work on the issues.

Item 6.08/31 Quality report

- 6.1 The Committee received a report summarising quality audit work.
- 6.2 The Committee noted that the Information Services Manager would be trained in the International Organisation for Standardisation (ISO) internal audit procedures, in order to help conduct risk-based audits across the organisation.
- 6.3 The Committee noted that the British Standards Institute (BSI) had conducted an audit on 8 April 2008 covering the Registration Department and the management system. No non-conformities had been identified and minor non-conformities identified from the previous audit had been addressed. BSI had noted that there was 'A definite energy focussed on improvement' at the HPC.
- 6.4 The Committee noted that an exercise to test the business continuity plan had taken place on 29 May 2008, involving the President, two Council members and the Executive Management Team. The exercise had been successful and would lead to improvements in business continuity planning. The Committee suggested that the Executive should consider reporting the exercise in the 'HPC In Focus' newsletter, to demonstrate that the HPC was planning for business continuity issues.

Item 7.08/32 Draft annual report 2007-8

- 7.1 The Committee received a paper for discussion/approval from the Executive. The Committee noted that the paper contained version 7 of the annual report, which included input and feedback from Baker Tilly, the National Audit Office and members of the Committee. The Committee noted that two graphs would be inserted and page numbers would be added.
- 7.2 In discussion, the Committee agreed to the following amendments:
- in the committee reports, the phrase that the committees 'are comprised of' a number of members should be replaced with 'comprises';

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- in the section on listening events, details of any confirmed events for 2008-9 should be added;
- the non-Council committee members should be identified and their roles on the committees should be explained;
- the refurbishment of 22-26 Stannary Street should be mentioned, with an explanation that the refurbishment had helped improve HPC's ability and capacity to carry out its work;
- an explanation should be added to the Chief Executive's report in the front part of the report, stating that refurbishment of 22-26 Stannary Street had been carried out to meet the operational needs of the HPC. The building had been independently valued at open market value, in accordance with valuation standards published by the Royal Institution of Chartered Surveyors. The difference between the cost of the refurbishment and the market valuation had led to the resulting impairment shown in the accounts;
- in the remuneration report given in the management commentary, the final three sentences (starting 'On review of the expenses...') should be deleted as these were considered unnecessary by the Committee;
- in the remuneration report given in the management commentary, the details of payments made to the President should be checked, as the total did not agree with the figure for the President's operating expenses on note 4 of the consolidated financial statements;
- in the table showing members' attendance at Council meetings, the Executive should consider amending the table, to make it clear that alternate members only attended when the registrant member could not attend; and
- in the report of the Education and Training Committee, a paragraph should be added about the work of the Professional Liaison Group to review the standards of education and training and the associated guidance.

7.3 The Committee agreed that, subject to the amendments identified above, the annual report for 2007-8 should be approved.

Action: SL/NO'S/CB (by 3 July 2008)

7.4 The Committee noted that there was a potential for group relief on taxation of the two accounting entities (the HPC and 22-26 Stannary Street Ltd). The Committee noted that the amount involved would be immaterial (approximately £1400) and could have potentially been mentioned in the list of unadjusted items in the audit findings report.

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Item 8.08/33 Format of annual report and accounts

- 8.1 The Committee received a paper for discussion/approval from the Executive.
- 8.2 The Committee noted that the timetable for preparation of the annual report and accounts envisaged that a professionally typeset and artworked version of the annual report and accounts would be produced. It had become apparent that, if the HPC was to lay the annual report in Parliament before the July recess, there would not be enough time to prepare a professionally art worked document. The paper proposed that, once the Council had approved the annual report and accounts, a plain version of the annual report and accounts should be produced for signature and laying in Parliament. The Committee noted that Baker Tilly, the National Audit Office and the Privy Council Office had not raised any objection to the production of a plain version of the document.
- 8.3 The Committee noted that it would be possible for the HPC to lay a plain version of the document in Parliament before the summer recess and then produce an artworked version of the annual report and accounts. Any artworked version would be subject to review by both external auditors to ensure that it agreed with the version which had previously been signed by the external auditors.
- 8.4 The Committee agreed that a plain, unartworked version of the annual report and accounts should be approved by the Council at its meeting on 3 July 2008 and then signed by various signatories. This version would be laid in Parliament in July 2008, i.e. before the summer recess.

Action: NO'S (ongoing to July 2008)

- 8.5 The Committee noted that, in line with practice by other organisations and to minimise use of resources, the HPC would minimise printed copies of the annual report and accounts. The Committee noted that the annual report and accounts would be published on the HPC website.

Item 9.08/34 Baker Tilly (UK) LLP audit findings and letter of representation

- 9.1 The Committee received a paper for discussion/approval from the Executive.
- 9.2 The Committee noted that the retained deficit for the year was £968,209. The main reason for the impairment was that expenditure on the refurbishment of 22-26 Stannary Street had not added to the market value of the property.

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9.3 The Committee noted that the audit and accounting issues identified at the planning stage had all been resolved.

9.4 The Committee noted that six internal control issues had been identified during the audit. The audit findings report included a management response to each issue, with deadlines for actions and identification of the responsible employee. The Committee agreed that PKF should review implementation of the actions, as part of the internal audit of the financial systems in the third quarter of 2008-9. The issues were:

- arrangements for budgeting income, to reduce the variance between budgeted and actual income;
- regular reconciliation of deferred income with the registration system, so that any differences could be investigated as they arose;
- password controls on the income analysis model;
- adjustment of investment figures to agree with the trial balance;
- in the fixed asset register, ensuring that depreciation was recorded correctly;
- recognition of income from grants made by the Department of Health.

Action: PKF (by December 2008)

9.5 The Committee noted that there had been more adjustments to the accounts than in the previous financial year, but the impact of the building valuation accounted for most of the material adjustments.

9.6 The Committee noted that the audit process had run smoothly and to the agreed timetable. Mr Blacher thanked the Director of Finance and the Finance Department for their assistance during the audit. The Committee thanked Baker Tilly for its work.

9.7 The Committee noted that the Council and the Finance and Resources Committee had previously discussed the budgeting process. The Executive had already taken action to improve the process.

9.8 The Committee agreed to approve the audit findings from Baker Tilly and the letter of representation.

Action: SL (by 3 July 2008)

Item 10.08/35 National Audit Office audit findings and letter of representation

- 10.1 The Committee received a paper for discussion/approval from the Executive.
- 10.2 The Committee noted that the NAO had attended the audit planning and review meetings with the Director of Finance and Baker Tilly. The NAO had given its audit opinion based on the audit findings by Baker Tilly.
- 10.3 The Committee noted that the public sector would be moving to adopt International Financial Reporting Standards (IFRS), which would change the format of the accounts in future years. For the 2008-9 financial year, a shadow (unpublished) version of the accounts would need to comply with IFRS, alongside the published accounts which would comply with UK generally accepted accounting principles. The published accounts in 2009-10 would be required to comply with IFRS.
- 10.4 The Committee noted that organisations audited by the NAO would, in future, need to include information on information risk management in the statement of internal control. The requirement would apply for the 2008-9 financial year and subsequent years. The Committee noted that the HPC had already reviewed its data security and that the Committee had received a detailed internal review by the Executive and an internal audit report by PKF. The Committee noted that the Head of Business Improvement would monitor information security management on an ongoing basis as part of the ISO 9001:2000 quality management process.

Action: RD (ongoing)

- 10.5 The Committee noted that the NAO's audit findings included a section on processing any personal data received during the course of the audit. The NAO would ensure that any personal data was stored, and disposed of, securely. The Committee noted that PKF also ensured that confidential data was processed securely.
- 10.6 The Committee agreed to approve the audit findings from the NAO and the letter of representation.

Action: SL (by 3 July 2008)

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Item 11.08/36 Internal audit report – Approvals and Monitoring process review

- 11.1 The Committee received a paper for discussion/approval from the Executive.
- 11.2 The Committee noted that, as part of the internal audit plan for 2008-9, PKF had reviewed the arrangements for managing and monitoring the compliance of education providers with the standards of education and training. This included approval visits, annual monitoring and major changes to programmes. The report had concluded that controls in this area were satisfactory. Mr Dee thanked the Head of Education for her assistance during the internal audit.
- 11.3 The Committee noted that, in response to feedback from education providers, the Executive would redesign the database of contacts at education providers so that the HPC could send information to a number of preferred contacts instead of a single contact.
- 11.4 The Committee noted that the HPC had well-established approvals and monitoring systems, which were working very well.
- 11.5 The Committee agreed to accept the report.

Item 12.08/37 Internal audit report – Continuing Professional Development

- 12.1 The Committee received a paper for discussion/approval from the Executive.
- 12.2 The Committee noted that, as part of the internal audit plan for 2008-9, PKF had reviewed planning and management controls, to ensure that the new process for auditing registrants' Continuing Professional Development (CPD) was in place and operational in accordance with the HPC's planned timetable. The report had concluded that controls in this area were sound. Mr Dee thanked the Head of Registrations for his assistance during the internal audit.
- 12.3 The Committee noted that the Executive would review the process once the audits of CPD for the first two professions had been completed.
- 12.4 The Committee agreed to accept the report.

Item 13.08/38 Internal audit progress report

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

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- 13.2 The Committee noted that the progress report covered the internal audit reports discussed above and summarised the internal audits planned for the third and fourth quarters of 2008-9.

Item 14.08/39 Internal audit annual report

- 14.1 The Committee received a paper for discussion/approval from the Executive.
- 14.2 The Committee noted that the report summarised the programme of internal audit work for 2007-8. The Committee noted that, based on the internal audit work, PKF had concluded that the overall system of internal control was satisfactory and operating effectively. The Committee noted that three areas had been rated as sound and six areas rated as satisfactory. The Committee noted that the Executive had implemented all of the recommendations made by PKF.
- 14.3 The Committee thanked the Executive for its work in achieving the outcome.

Item 15.08/40 Annual review of actions taken in 2007-8: Public meetings

- 15.1 The Committee received a paper to note from the Executive.
- 15.2 The Committee noted the actions taken in 2007-8.

Item 16.08/41 Proposed changes to guidance for audit committees

- 16.1 The Committee received a paper for information from the Executive, enclosing a copy of a consultation document from the Financial Reporting Council on proposed changes to the guidance on audit committees.

Item 17.08/42 Any other business

- 17.1 There was no other business.

Item 18.08/43 Date and time of next meeting

- 18.1 The next meeting of the Committee would be held at 10.30 am on Friday 26 September 2008.
- 18.2 Subsequent meetings would be held at 10.30 am on:
Wednesday 10 December 2008
Thursday 26 February 2009
Wednesday 24 June 2009

**Chairman
Date**

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