
Audit Committee

Public minutes of the 32nd meeting of the Audit Committee held as follows:-

Date: Wednesday 16 March 2011

Time: 10:30 am

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

Present: Jeff Lucas (Chair)
Deep Sagar (item 1-part of item 14)
Joy Tweed

In attendance:

Mr C Bendall, Secretary to the Committee
Mr M Burgess, National Audit Office (items 1-16)
Mr G Butler, Director of Finance
Mr G Clarke, Mazars LLP
Mr P Cudlip, Mazars LLP
Mr J Dee, PKF (UK) LLP (items 1-12)
Mr R Dunn, Head of Business Process Improvement
Ms T Haskins, Director of Human Resources (items 12-16)
Mr R Kennett, Chair, Finance and Resources Committee (observer)
Ms J Ladds, Director of Communications (items 12-17)
Ms K Neuschafer, Partner Manager (items 1-16)
Mr G Ross-Sampson, Director of Operations
Mr M J Seale, Chief Executive and Registrar
Dr A van der Gaag, Council Chair (item 1-part of item 14, items 15-27)

Item 1.11/1 Apologies for absence

- 1.1 Apologies for absence were received from Morag MacKellar and Mr T Drew of PKF (UK) LLP.
- 1.2 The Chair welcomed the representatives of Mazars LLP to their first meeting.

Item 2.11/2 Approval of agenda

- 2.1 The Committee approved the agenda.
- 2.2 The Committee noted that a member had a question about which items were considered in the public part of the meeting and which items were considered in the private part of the meeting. The Committee noted that this would be discussed outside the meeting.

Item 3.11/3 Declarations of members' interests

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

Item 4.11/4 Minutes of the Audit Committee meeting of 25 November 2010 (report ref: AUD 1/11)

- 4.1 It was agreed that the minutes of the 31st meeting of the Audit Committee should be confirmed as a true record and signed by the Chair.

Item 5.11/5 Matters arising (report ref: AUD 2/11)

- 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 6.11/6 Business Process Improvement report (report ref: AUD 3/11)

- 6.1 The Committee received a report summarising business improvement work.
- 6.2 The Committee noted that the Personal Assistant to the Director of Operations would be leaving HPC for another post. The Executive would arrange training for an employee to replace her as an auditor under the ISO 9001:2008 quality management standard.
- 6.3 The Committee noted that, to date, 48 employees had undertaken information security training, as part of the training programme for all employees.

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6.4 The Committee noted that three employees had recently visited HPC's archive in Cheshire. The archive had been audited under the quality management system.

Item 7.11/7 Internal audit report – Review of previous recommendations (report ref: AUD 4/11)

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

7.2 The Committee noted that PKF had reviewed recommendations from previous internal audit reports, in accordance with the internal audit plan agreed by the Committee in February 2010.

7.3 The Committee discussed the following recommendations from previous reports:

- financial systems: Management should begin to take the steps necessary to remove the option for employees to raise manual purchase orders with suppliers. The Committee noted that the Executive had decided to align the necessary upgrade to the electronic Purchase Requisition System with a planned upgrade to the Sage accounting system. This was due to take place by September 2011; and
- employee health and safety: Council should be provided with details of the number and type of health and safety incidents which had arisen at HPC, at least once annually. The Committee noted that this was one of the goals and objectives for the facilities management team in 2011-12. The Committee noted that Executive conducted health and safety assessments on a monthly basis and recorded all health and safety incidents, as required by law.

Item 8.11/8 Internal audit report – Transfer of regulatory functions from General Social Care Council (report ref: AUD 5/11)

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

8.2 The Committee noted that PKF had reviewed the arrangements for the transfer of regulatory functions from the General Social Care Council (GSCC), in accordance with the decision made by the Committee on 25 November 2010. The report had rated this area as sound and had suggested main areas for HPC to focus on.

8.3 The Committee noted that the report identified risk areas and key issues for the future:

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- financial matters: HPC would need a more detailed understanding of all the potential costs of the transfer, including any potential liabilities that HPC might inadvertently inherit from GSCC (including redundancy costs) and the costs of accommodating any transferred employees. A decision would need to be taken regarding the registration of student social workers so that any potential financial impact could be managed. HPC would need to work with its external auditors to ensure the transfer of functions was correctly recorded and disclosed in the accounts for 2011-12; and
- cultural matters: the impact of the process for selecting employees for the 28 new positions and managing any associated redundancies might have an adverse impact on HPC's culture. In the longer term, the Council and Executive would need to reconsider the organisation's strategic intent to provide it with an opportunity to set out the ambitions of the organisation positively and to ensure it reflected the expectations of key stakeholders.

8.4 The Committee noted that HPC would need to:

- establish robust arrangements to manage the human resources aspects of the transfer. The coalition government had committed to funding the costs of any redundancies, although this had yet to be formally confirmed;
- better understand the nature, format and location of GSCC's registration data and devise a plan for transferring various elements of the data; and
- better understand the quality of fitness to practise casework at GSCC, the potential residual backlog and the ability of GSCC to continue operating effectively in this area in the period leading up to its abolition.

8.5 The Committee noted that, as agreed by the Council, the Executive was sending regular progress reports on the project by e-mail to Council members. The Committee agreed that it should receive the project plan, so that it could better understand the relationship between the project risk register and operational work.

Action: GR-S (by 23 June 2011)

8.6 The Committee noted that the Communications Department was working with colleagues at the GSCC to ensure that communication on the project was consistent.

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- 8.7 The Committee noted that it was intended that hard copies of fitness to practise case files would be transferred from GSCC to HPC. The Executive would review each file to ensure that it was complete and to decide whether the allegations met HPC's standard of acceptance for allegations and whether an interim order would be required. Legal advice would be obtained where necessary. Following this process, cases would be added to HPC's Fitness to Practise case management system. The Committee noted that investigation files dating back three years would be transferred to HPC, in accordance with HPC's policy on retaining data on fitness to practise cases.
- 8.8 The Committee noted that the Council for Healthcare Regulatory Excellence had reviewed GSCC's fitness to practise system in 2009 and was aware of issues with this area of GSCC's operations.

Item 9.11/9 Internal audit report – Governance review (report ref: AUD 6/11)

- 9.1 The Committee received a paper for discussion/approval from the Executive.
- 9.2 The Committee noted that PKF had reviewed governance arrangements, in accordance with the internal audit plan agreed by the Committee in February 2010. The report had rated this area as sound and had not made any recommendations. The Committee noted PKF regarded HPC's governance structure as robust.
- 9.3 The Committee agreed that PKF should amend the report as follows:
- paragraph 2.3 should be amended to clarify that the White Paper 'Trust, Assurance and Safety' had been superseded by the Command Paper 'Enabling Excellence' published in February 2011. The Committee noted that the paragraph had been correct at the time of writing the report;
 - in paragraph 3.3, the reference to statutory Fitness to Practise Committees should clarify that these were panels; and
 - in paragraph 3.16, the reference to insurance should be a separate bullet point from the reference to policies and procedures on declarations of interests and gifts.

Action: PKF (by 31 March 2011)

Item 10.11/10 Internal audit progress report (report ref: AUD 7/11)

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

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- 10.2 The Committee noted that PKF had prepared a progress report on internal audit work. This was the final progress report covering the internal audit plan for 2010-11.
- 10.3 The Committee noted that PKF would prepare an annual report on internal audit work in 2010-11, which was due to be considered at the Committee's next meeting.

Item 11.11/11 Internal audit report – Financial systems (report ref: AUD 8/11)

- 11.1 The Committee received a paper for discussion/approval from the Executive.
- 11.2 The Committee noted that PKF had reviewed financial systems, in accordance with the internal audit plan agreed by the Committee in February 2010. The report had rated this area as satisfactory and had made three recommendations.
- 11.3 The Committee noted that the three recommendations were:
- differences arising from the reconciliation between the NetRegulate registration system and the main accounting system should be analysed and details of this should be included in the documentation to support the reconciliation. The Committee noted that the Executive believed that was a historical difference, as all income reconciliations had now been made;
 - the Executive should complete the steps necessary to remove the option for individuals to raise manual purchase orders with suppliers. The Committee noted that the Executive intended to implement completely electronic purchase ordering during the 2011-12 financial year;
 - the review of bank reconciliations by the Financial Controller should be dated in future to provide evidence of when the control check had taken place. The Committee noted that all month end reconciliations were now signed and dated.
- 11.4 The Committee noted that registration fees were refunded to registrants by cheque if a registrant decided not to renew their registration, retired, or was unable to practise for health reasons. It was not possible to refund payments made by debit or credit cards directly to card accounts, as the card details were not retained by HPC.

Item 12.11/12 Explanation on difference between NetRegulate and financial issues (report ref: AUD 9/11)

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

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- 12.2 The Committee noted that the paper gave details of the reconciliation difference between NetRegulate and the financial records, which had been discussed at item 11.
- 12.3 The Committee noted that the Executive was working with Digital Steps, the company which provided support for NetRegulate, to understand the reason for the difference between the two systems. The Committee noted that the Executive would test the NetRegulate system in order to better understand the situation. A similar situation had arisen at another health regulator.
- 12.4 The Committee noted the paper.

Item 13.11/13 Internal audit workplan 2011-12 (report ref: AUD 10/11)

- 13.1 The Committee received a paper for discussion/approval from the Executive.
- 13.2 The Committee noted that, in December 2010, the Council had ratified the Committee’s recommendation that Mazars LLP should be appointed as internal auditors. A representative of Mazars had held initial individual interviews with the Executive Management Team to understand the main issues for the organisation, in order develop the draft internal audit programme. Mazars had also reviewed key documentation including HPC’s risk register and associated documentation; identified existing sources of assurance available to HPC and controls in place; reviewed PKF’s plans, findings and recommendations; and considered and identified areas of coverage that did not appear as high priority risks but where internal audit coverage could provide a tangible input. The Committee noted that not all of the risks identified in the risk register would be auditable (for example, changes of government).
- 13.3 The Committee noted that, when benchmarking HPC against other organisations, Mazars would compare HPC’s operations to the private sector where appropriate (for example, in areas such as project management and dealing with change). As HPC had a large volume of financial transactions, it would also be appropriate to compare HPC’s operations to those in financial institutions.
- 13.4 The Committee noted that the draft internal audit strategy in the paper for the three years ending 31 July 2014 was subject to change in the light of developments.
- 13.5 The Committee discussed the operational internal audit plan for 2011-12 set out in the paper. The Committee noted that several factors affected the timing of internal audit work, such as the planned dates of the external audit by the National Audit Office and the timetable for project

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work. The Committee noted that the timing of internal audit work would be subject to any developments during the year. Mazars would report progress to each meeting of the Committee and the reasons for any changes in the timing of work.

- 13.6 The Committee approved the internal audit strategy for the three years ending 31 July 2014 and the internal audit workplan for 2011-12.

Action: Mazars (ongoing to March 2012)

Item 14.11/14 Risk register (report ref: AUD 11/11)

- 14.1 The Committee received a paper for discussion/approval from the Executive.
- 14.2 The Committee noted that the paper included information about the seven top risks (risks which remained rated as high or medium after mitigation). The paper also included details of changes since the previous iteration of the risk register. The Committee noted that the changes included the risk relating to the government’s Vetting and Barring Scheme, which had been reduced in scope.
- 14.3 In discussion, some members felt that the Executive should reconsider the risks which were included in the top risks and whether some risks should be aggregated. For example, it was suggested that there should be a single risk relating to HPC’s building (to cover interruption to electricity; inability to communicate via postal services; and basement flooding). The Committee noted that the rating of risks took account of risk owners’ views and the Executive’s perception that HPC was a relatively stable organisation. The Committee noted that the risk register had developed over several years and that the Executive found that it was a useful document for operational work.
- 14.4 The Committee discussed whether the register should include a numerical score after mitigation, to indicate the effect of mitigation. The Committee noted that the Executive felt that a ‘traffic light’ rating of red, amber or green was more helpful.
- 14.5 The Committee discussed whether the register should take account of the scale of risks. In particular, the project to regulate hearing aid dispensers had been rated as highly as the project to transfer regulatory functions from GSCC. The Committee noted that both projects had involved similar processes by the Executive and would have a similar impact on HPC’s reputation. The Committee noted that the Executive had identified both projects as significant at the outset. The project to regulate social workers was more significant in retrospect.

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Item 15.11/15 Risks owned by the Director of Human Resources

- 15.1 The Committee received a verbal presentation on the risks owned by the Director of Human Resources and the mitigations in place.

Item 16.11/16 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 two new risks had been added to the register. Risk 6.6 was in relation to an adequate number and type of Partner roles. The Committee noted that this related to forecasting the number of Partners who would be required. Risk 6.7 was the risk of user departments using non-active partners.
- 16.3 The Committee noted that the fees paid to Partners were reviewed in line with HPC's five-year plan.
- 16.4 The Committee noted that fitness to practise partners were subject to a self-assessment process every two years. The Executive would evaluate the effectiveness of the process once it had been completed.

Item 17.11/17 Risks owned by the Director of Communications (report ref: AUD 12/11)

- 17.1 The Committee received a paper for discussion/approval from the Executive, setting out the risk owned by the Director of Communications and the mitigations in place.
- 17.2 The Committee noted that there were processes in place to approve content which was published on the HPC website. The Committee suggested that the Executive should consider whether a risk should be added to the risk register, relating to the approval process for information which was published by HPC.

Item 18.11/18 Transfer of regulatory functions from General Social Care Council to HPC (report ref: AUD 13/11)

- 18.1 The Committee received a paper for discussion/approval from the Executive.
- 18.2 The Committee noted that the Health and Social Care Bill Committee in Parliament was due to consider the parts of the bill relating to HPC on 22 and 24 March 2011.

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- 18.3 The Committee noted that the Executive Management Team had met officials from the Department of Health in Leeds on 21 March 2011, to discuss information which should be included in the transfer order. The Executive continued to hold operational meetings with GSCC.
- 18.4 The Committee noted that members of the GSCC's Council were due to observe a HPC Council meeting later in the year.
- 18.5 The Committee noted that HPC would attend two events organised by 'Community Care' magazine, where HPC would share a platform with GSCC and the College of Social Work. It was expected that Community Care would also publish the event as a podcast.
- 18.6 The Committee noted that, following discussions between GSCC, HPC and the Department of Health, it was now expected that the voluntary register of social work students would be transferred to HPC. The Council would be asked to consider papers on this issue at its meetings on 31 March 2011 and 12 May 2011. The Committee noted that the opening of any voluntary register would be subject to a consultation by HPC and HPC being empowered to open voluntary registers.

Item 19.11/19 Benefits of HPC's Quality Management System (report ref: AUD 14/11)

- 19.1 The Committee received a paper for discussion/approval from the Executive.
- 19.2 The Committee noted that the quality management system had a number of benefits, including reducing the number of errors; facilitating good service; documenting processes, which acted as reference for new employees; and facilitating processes which involved more than one department. The paper included examples where the system had highlighted issues.
- 19.3 The Committee noted that the system continued to be reviewed and updated.

The Committee noted the following papers:

Item 20.11/20 Committee membership (report ref: AUD 15/11)

Item 21.11/21 Dates of Committee meetings in 2012 (report ref: AUD 16/11)

Item 22.11/22 Any other business

- 22.1 There was no other business.

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Item 23.11/23 Date and time of next meeting

23.1 The next meeting of the Committee would be held at 10.30 am on Thursday 23 June 2011.

23.2 Subsequent meetings would be held at 10.30 am on:

Thursday 29 September 2011
Tuesday 13 March 2012
Thursday 21 June 2012
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 24.11/24 Minutes of the private part of the Audit Committee of 25 November 2010 (report ref: AUD 17/11)

The Committee considered and approved the minutes of the private part of the Audit Committee meeting held on 25 November 2010, subject to one amendment.

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Item 25.11/25 Matters arising (report ref: AUD 18/11)

The Committee noted matters arising from the minutes.

Item 26.11/26 Transfer of regulatory functions from General Social Care Council to HPC – Risk register (report ref: AUD 19/11)

The Committee discussed the risk register relating to the project to transfer regulatory functions from the General Social Care Council to HPC.

Item 27.11/27 Any other business

There was no other business.

Chair

Date

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