

unconfirmed
The Health Professions Council

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Minutes of the nineteenth meeting of the Audit Committee held on **Tuesday 25 September 2007** at Avonmouth House, 6 Avonmouth Street, London, SE1 6NX.

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 J Bracken, HPC's Solicitor (from item 3 inclusive)
Mr S Ecroyd, National Audit Office (from item 3 inclusive)
Ms K Johnson, Director of Fitness to Practise
Ms J Ladds, Director of Communications
Mr S Leicester, Director of Finance
Mr N O'Sullivan, Secretary to Council
Mr D Ross, Accountant member, Finance and Resources Committee (Observer)
Mr G Ross-Sampson, Director of Operations
Mr M Seale, Chief Executive and Registrar
Mr D S Sidhu, National Audit Office (from item 3 inclusive)
Dr A van der Gaag, President
Mr R Weighell, PKF (UK) LLP (until item 10 inclusive)

Item 1.07/70 Apologies for absence

- 1.1 The Chairman welcomed the President and attendees to the meeting.
- 1.2 There were no apologies for absence from members. The Committee noted that Mr D Blacher and Mr M Harris of Baker Tilly were unable to attend.
- 1.3 The Chairman thanked the Executive for the high quality of the papers.

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Item 2.07/71 Approval of agenda

- 2.1 The Committee approved the agenda, subject to the following amendments:
- considering the items on internal audit as items 6-10, as Mr Weighell had to attend an audit committee meeting at another organisation;
 - discussing the item on its effectiveness before the item on its terms of reference; and
 - considering the feedback questionnaires on the performance of Baker Tilly and PKF in the private part of the meeting.

Item 3.07/72 Minutes of the Audit Committee meeting held on 26 June 2007

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

Item 4.07/73 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 the 2006-7 annual report and accounts had not yet been signed by the Comptroller and Auditor General. The National Audit Office had indicated that approval was required from HM Treasury and the Privy Council for a payment made in 2006-7 to a former employee of HPC. The Executive had contacted HM Treasury for clarification on whether approval was required, but there had been no response. The Committee noted that the amount of the payment was not material to the accounts, but the arrangements for authorisation were material.
- 4.4 The Committee agreed that Mr Sidhu should raise the matter with HM Treasury and, if necessary, facilitate a meeting. The Committee agreed that it was important to finally resolve how HPC should prepare its accounts and the authorisation arrangements (if any) which were required for payments.

Action: Mr Sidhu (by 5 December 2007)

- 4.5 The Committee stressed to the Executive that it should be informed if it seemed that the annual report and accounts would be delayed.
- 4.6 The Committee noted that the Council's annual meeting on 11 September 2007 had included reports on the approvals and

monitoring process and fitness to practise cases. The Executive had ensured that the annual report and accounts had been prepared in accordance with the agreed timetable. In the circumstances, the Committee did not think that it was appropriate to issue a statement on the outstanding issue relating to the annual report.

Item 5.07/74 Chairman's report

5.1 The Chairman had no matters to report.

Item 6.07/75 Internal audit report - External communications

- 6.1 The Committee received a paper for discussion/approval from the Executive.
- 6.2 The Committee noted that, as part of the internal audit programme for 2007-8, PKF had reviewed arrangements for managing the HPC's external communications. The report included a management response which had been agreed with the Executive in August 2007.
- 6.3 The Committee noted that PKF had found that the communications function was satisfactory and that the resources allocated were comparable with similar organisations.
- 6.4 The Committee noted that it was difficult to statistically measure the success of the HPC's communications programme and, in particular, the impact of listening events. The Committee noted that listening events offered individuals a chance to meet, and put their questions to, members of the Council and the Executive. The events also gave HPC the opportunity to engage with individuals in the regions and at 'grass roots' level.
- 6.5 The Committee noted that the recommendations in the report had been agreed and implemented by the Executive.
- 6.6 The Committee accepted the internal audit report on external communications.

Item 7.07/76 Internal audit report - Fitness to Practise follow up

- 7.1 The Committee received a paper for discussion/approval from the Executive.
- 7.2 The Committee noted that, as part of the internal audit programme for 2007-8, PKF had reviewed the fitness to practise database. The report included a management response which had been agreed with the Executive in August 2007.

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- 7.3 The Committee noted that the report had concluded that the transfer of data to the new database had been carried out properly and that the Executive had begun periodic quality checks on the data. The report had recommended that the findings of the quality assurance check should be reported to the next meeting of the Conduct and Competence Committee. The Executive had agreed this recommendation.
- 7.4 The Committee noted that the recommendations from PKF's previous internal audit of Fitness to Practise had been implemented.
- 7.5 The Committee accepted the internal audit report on Fitness to Practise.

Item 8.07/77 Scope of PKF audit of Finance

- 8.1 The Committee received a paper for discussion/approval from the Executive.
- 8.2 The Committee noted that the approved internal audit programme for 2007-8 included 13 days to audit financial systems, in the third quarter of the financial year. The paper proposed that the scope of the audit should include a review of the recently introduced project reporting system.
- 8.3 The Committee agreed that project reporting should be included in the internal audit of the financial systems.

Action: PKF (by 5 December 2007)

Item 9.07/78 Internal audit progress report

- 9.1 The Committee received a paper for discussion/approval from the Executive.
- 9.2 The Committee noted that PKF had prepared a report setting out progress on internal audit work in the second quarter of 2007-8.
- 9.3 The Committee noted that reporting on the financial systems would be accelerated, to ensure that the finalised report could be considered by the meeting of the Committee on 5 December 2007.

Item 10.07/79 Internal audit annual report

- 10.1 The Committee received a paper to note from the Executive.
- 10.2 The Committee noted that at its meeting on 26 June 2007, it had discussed the annual report on internal audit work in 2006-7. The Committee had agreed certain changes and had agreed that the

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President should review the report. The changes had been incorporated and the revised version was included in the paper.

10.3 The Committee noted the revised internal audit annual report.

Item 11.07/80 Quality report

11.1 The Committee received a report summarising quality audit work.

11.2 The Committee noted that the Executive expected to appoint a new Quality Manager shortly.

11.3 The Committee noted that a number of internal quality audits had recently been carried out. The Director of Operations and the relevant managers had discussed the observations and had agreed responses, with target dates for action.

11.4 The Committee noted that the next quality audits by the British Standards Institute were due to be held on 23 October 2007.

11.5 The Committee thanked the Executive for their work in maintaining the quality system.

Item 12.07/81 Draft financial regulations

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

12.2 The Committee noted that the Finance and Resources Committee on 21 June 2007 had requested a number of amendments to the draft regulations. The HPC's solicitor and parliamentary agent had also been consulted on the changes. The amendments were indicated in the paper.

12.3 The Committee approved the draft regulations as amended.

Action: SL (by 13 December 2007)

Item 13.07/82 Review of the Audit Committee's effectiveness

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

13.2 The Committee noted that, on 12 June 2006, it had agreed that it would in future use the National Audit Office's self-assessment checklist for audit committees to review the Committee's effectiveness. The paper included the checklist, with draft responses to the questions.

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- 13.3 In discussion, the Committee suggested that it would be appropriate for the Council to review the performance of all of the committees.
- 13.4 The Committee agreed that its terms of reference should be redrafted to provide for the Chairman to hold formal meetings with the Accounting Officer and the Director of Finance bilaterally, at least once a year. (See the action point at 14.3).
- 13.5 The Committee agreed that its terms of reference should be redrafted to provide for the Chairman to hold formal meetings with PKF, Baker Tilly and the National Audit Office. (See the action point at 14.3).
- 13.6 The Committee noted that, in connection with the questions about relationships with internal audit, the Chairman had open lines of communication with the internal auditors and was in contact with the Director of Operations as necessary.
- 13.7 The Committee noted that it did not require an annual report on the extent of planned and actual co-operation between the internal and external auditors. The Committee noted that the audit strategies and the audit report on the annual accounts addressed these issues.
- 13.8 The Committee noted that the section on 'Communication with stakeholders' should be interpreted, in HPC's case, as meaning communication with the Privy Council and HM Treasury. The Committee agreed that, in HPC's case, it would be more appropriate for the first question in the section to be read as 'Does the Chair have appropriate lines of communication with stakeholders?'
- 13.9 The Committee agreed that its terms of reference should be redrafted to set out the frequency of meetings. The standing orders should state that this would be a minimum of four meetings per year, with additional meetings as agreed by the Committee. (See the action point at 14.3).
- 13.10 The Committee agreed that, as far as possible, actions from Committee meetings should be allocated to a single person.
- 13.11 The Committee noted that, in HPC's case, both private and public sector accounting requirements applied.
- 13.12 The Committee noted that the checklist recommended that its membership should be in the range of three to five members, but the Council had agreed that there should be six members on the Committee.

- 13.13 The Committee noted that membership of the Committee would normally be rotated, due to changes in Council membership. However, the Committee agreed to keep this under review.
- 13.14 The Committee noted that the independent external member of the committee (the accountant member) was appointed for a two-year term.
- 13.15 The Committee noted that, although it did not set down requirements for collective understanding, members were asked to complete a statement of their suitability when applying to become members of the Committee.
- 13.16 The Committee agreed that it was not appropriate in HPC's case to prepare formal assessment criteria for the appointment of the Chairman. The Committee noted that all Council members, including the Chairman, were subject to a regular appraisal with the President.
- 13.17 The Committee agreed its responses to the self-assessment checklist should be as indicated above.

Item 14.07/83 Audit Committee terms of reference

- 14.1 The Committee received a paper for discussion/approval from the Executive.
- 14.2 The Committee noted that, in 2006, it had agreed that it should review its terms of reference on an annual basis, at each September meeting. The Committee noted that the Council had last amended the Committee's terms of reference in March 2007.
- 14.3 The Committee agreed that its standing orders should be redrafted to take account of the items identified in item 13. The Committee agreed that the redrafted version should be circulated electronically to members and then discussed at the meeting to be held on 5 December 2007, prior to consideration by the Council.

Action: CB (by 5 December 2007)

Item 15.07/84 Updated risk register

- 15.1 The Committee received a paper to note from the Executive.
- 15.2 The Committee noted that the risk of physical assault on an employee or Partner by an attendee at a fitness to practise hearing was rated as a medium probability. The Committee noted that there were a number of mitigations in place against this risk and it was therefore more appropriate to rate the probability of this risk as low.

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Item 16.07/85 Dates of Committee meetings 2008-9

- 16.1 The Committee received a paper to note from the Executive.
- 16.2 The Committee noted the dates of Committee meetings in 2008-9, which had been agreed by the Chairman. The dates are listed at item 18.2

Item 17.07/86 Any other business

- 17.1 There was no other business.

Item 18.07/87 Date and time of next meeting

- 18.1 The next meeting of the Committee would be held at 10.30 am on Wednesday 5 December 2007.
- 18.2 Subsequent meetings would be held at 10.30 am on:
 - Wednesday 27 February 2008
 - Thursday 26 June 2008
 - Friday 26 September 2008
 - Wednesday 10 December 2008
 - Thursday 26 February 2009
 - Wednesday 24 June 2009

Chairman

Date