

## **AUDIT COMMITTEE**

Meeting 20<sup>th</sup> May: Minutes attached for formal approval

Meeting 22<sup>nd</sup> July: The Audit Committee will have met earlier on 22nd July. A verbal report will be given by the Chairman, Dr Sandy Yule. Formal minutes of the meeting will be brought to the Finance and Resources Committee in due course.  
attached.

**PAUL BAKER**

**Secretary to the Finance & Resources and Audit Committees**

**HEALTH PROFESSIONS COUNCIL**

**AUDIT COMMITTEE**

**MINUTES OF PRIVATE MEETING**

**of the Audit Committee held at Whitefield House, 186 Kennington Park Road, London,  
SE11 4BT on Tuesday 20<sup>th</sup> May 2003**

**PRESENT**

Mrs Jackie Stark, Vice-Chairman  
Mr Daniel Ross (co-opted)

Mr David Robinson (BDO Stoy Hayward)  
Mr Steven Corbishley (National Audit Office)

Mr Paul Baker FCA (Secretary)

The Vice-Chairman welcomed Steven Corbishley, the Director of Financial Audit: Health of the National Audit Office. Before the meeting started Mr Corbishley gave an indication of the role of the National Audit Office.

(Note: the numbering system employed in these minutes reflects a standard under consideration for adoption throughout HPC.)

**AUD02/001 APOLOGIES FOR ABSENCE**

1.1 Apologies were received from Dr Sandy Yule (Chairman) and Ann Foster. Jackie Stark chaired the meeting. The meeting remained quorate with two attending members.

**AUD02/002 APPROVAL OF AGENDA**

2.1 The Draft Agenda was adopted as the Agenda for the Meeting.

**AUD02/003 APPROVAL OF MINUTES OF THE MEETING OF COMMITTEE HELD ON 19<sup>th</sup> March 2003.**

3.1 The minutes were approved and signed by the Vice-Chairman.

**AUD02/004 MATTERS ARISING (not otherwise dealt with on the Agenda)**

4.1 The Secretary confirmed that the Terms of Reference and Standing Orders, incorporating the amendments noted in the minutes, had been ratified by the Finance and Resources Committee. Copies would be sent to the National Audit Office.

4.2

## **AUD02/005     AUDIT MANAGEMENT LETTER**

- 5.1            David Robinson set out the strategy that had been employed for the audit and took the Committee through his management letter. He indicated that the audit had gone well, good, accurate and timely work had been done and Richard Ballard, the Management Accountant, particularly should be commended.
- 5.2            It was noted that the bank had approved the granting of a temporary overdraft facility, subject to security considerations.
- 5.3            It was noted that the Department of Health had not paid over the first grant application of the new year but that a revenue grant of £1,125,000 had been awarded. It was important to note that BDO Stoy Hayward would not sign their opinion until confirmation that that part of the grant to be received which related to last year was received and that the Department of Health agreed that it could be retrospectively allocated.
- 5.4            A signed representation letter would be issued after the Council meeting scheduled for 4<sup>th</sup> June. A solicitors' letter from Ormerods was still outstanding.
- 5.5            Mr Robinson commented on the financial results of the organisation for the year. Approximately £200,000 of cheques drawn in March were not released until mid-April due to cash flow limitations. The figure would be ascertained and cash and creditors would be adjusted in the accounts.
- 5.6            Mr Robinson drew the committee's attention to emerging accounting issues that would need to be considered in the new year but did not discuss them in detail. The ones that might affect HPC would include FRED\*25 Related party disclosures, FRED27 Events after the Balance Sheet Date and FRED29 Property, Plant and Equipment; Borrowing Costs. (\*Financial Reporting Exposure Draft.)
- 5.7            Mr Robinson commented on HPC performance with respect to the key risk areas, e.g. income collection system, revenue recognition, tendering, expense authorisation, cheque signing procedures, IT system controls, major items of expenditure, litigation concerning "incompetence", investment portfolio risks and appropriate accounting policies.
- 5.8            The Committee NOTED that there were no problems encountered during the audit for any of the above risk areas EXCEPT that tendering procedures had not yet been introduced. The Secretary indicated that the limits mentioned in the text of the draft management letter of £30,000 for tenders and £1,000 for three quotes were ones mentioned at Council but had not been recommended by the Finance and Resources Committee. In the light of a year's experience, he felt that for the new year these figures should be raised to £50,000 and £10,000.
- 5.9            The Committee AGREED to recommend to the Finance and Resources Committee that these limits should be adopted for the current year and implemented as soon as possible, subject to a review of spends with individual suppliers during 2002/3.

- 5.10 The Committee NOTED that minor items had been found during the audit but a more thorough test would be undertaken during internal audit work later in the year. These included:
- (i) Depreciation of land
  - (ii) A banking error of £4 not investigated
  - (iii) Contracts of employment for staff should also cover the Professions Supplementary to medicine Charitable Trust (PSMCT) to avoid HPC having to charge PSMCT VAT on reallocated staff costs.
  - (iv) Management Reporting should include cash flow in future.
  - (v) A report should be received from the investment managers' auditors indicating that there were sufficient controls in place over HPC's investments which were held by a nominee company (now received).
- 5.11 The Committee thanked Mr Robinson for his report which was accepted. The Committee was pleased that there were only minor problems and that the accounting systems introduced for the first year's operation of HPC were robust and accurate.
- 5.12 Steven Corbishley indicated to the meeting that the National Audit Office would be reviewing BDO Stoy Hayward's file within the coming week. Currently they did not envisage any changes to the accounts but some additional information would need to be disclosed, e.g. a statement of internal control. Council should be pressed to issue an "Accounts Direction". Without this the accounts could not be signed off. Further the Accounts could not be published in the Annual Report until they had been laid before both Houses of Parliament by the Privy Council.

**AUD02/006 ANY OTHER BUSINESS**

- 6.1 The Secretary was asked to leave the room whilst his performance (from an audit point of view) was discussed. David Robinson reported that he had received extremely good co-operation from the Finance Department staff when carrying out the audit and he would particularly like to thank Paul Baker and Richard Ballard. Steven Corbishley indicated that he was very impressed at the progress HPC had made in relation to the accounts and accounting procedures in the comparatively short time the organisation had been in existence.
- 6.2 It was NOTED that an Internal Audit would be undertaken later in the year and the results reported to the Committee thereafter. David Robinson suggested that the areas of Payroll and Registration Fee Income (LISA system) should be audited this year.

**AUD02/007 DATE AND TIME OF NEXT MEETING**

- 7.1 The next meeting was confirmed as Tuesday 22<sup>nd</sup> July at 10 a.m. at a venue to be decided. The principal purpose of the meeting would be to set the internal audit work to be undertaken during the year.

Signed ..... (Chairman)

Date .....