

Audit and Risk Assurance Committee

Public minutes of the 80th meeting of the Audit and Risk Assurance Committee held on:-

Date: Thursday 16 September 2021

Time: 1 pm

Venue: MS Teams

Present: Sue Gallone (Chair)
Julie Parker
David Stirling
Kathryn Foreman
Pameleta Ricketts

In attendance:

Ewan Shears, Secretary to the Committee
Claire Amor, Head of Governance
Naomi Nicholson, Executive Director of Professional Practice an Insight
Kathryn Burton, Haysmacintyre
Bill Mitchell, BDO LLP
William Jennings, BDO LLP
Gareth Roberts, National Audit Office
Anna Raftery, QA Lead
Roy Dunn, Chief Information Security and Risk Officer
Gordon Dixon, Financial Consultant
Margaret Osibowale, Head of Financial Planning & Analysis
Antonio Pinheiro, Procurement Officer
Paul Robson, Service and Complaints Manager

Public

Item 1. Chair's welcome and introduction

- 1.1 The Chair welcomed those present to the 80th meeting of the Audit and Risk Assurance Committee.

Item 2. Apologies for absence

- 2.1 No apologies for absence were received.

Item 3. Approval of agenda

- 3.1 The Committee approved the agenda.

Item 4. Declarations of members' interests

- 4.1 No interests were declared.

Item 5. Minutes of the Audit Committee meeting of 11 November 2020 (report ref: ARAC 27/21)

- 5.1 In response to a question the Committee clarified that in paragraph 7.7 the word 'exploiting' should read as 'exploring' and it was noted that paragraph 10.6 would need amending for clarity. The Secretary to the Committee would update these. **Action Executive**
- 5.2 The Committee approved the minutes of the meeting of 11 June 2021 subject to the amendments above.

Item 6. Matters arising (report ref: ARAC 28/21)

- 6.1 The Committee noted this item.
- 6.2 In relation to matter arising number 1, it was confirmed that the internal whistleblowing policy had been reviewed earlier in the year and the register of policies would be in place by November.
- 6.3 The Executive Director of Professional Practice and Insight provided an update to matter arising number 2, stating that the Insight and Intelligence Manger had been replaced with the role of Head of Insight and Analytics (expected to be in place in November 2021) and the responsibility would sit with the new role, under the leadership of the Executive Director of Professional Practice and Insight.

- 6.4 In relation to matter arising number 4, the Executive Director of Professional Practice and Insight confirmed that the Committee's suggestion of smaller incremental mitigation activities for Strategic Risk 3 had been acted upon.
- 6.5 The Committee requested that the QA CPD report be forwarded on (matter arising number 7), as this hadn't been provided. **Action Executive**

Item 7. Strategic Risk Register (report ref: ARAC 29/21)

- 7.1 The Committee received the Strategic Risk Register (SRR) from the Executive and noted it was reviewed by ELT and updated at the beginning of September 2021.
- 7.2 The Committee noted that the completion dates had passed on some of the planned mitigations, and this should be kept up to date.
- 7.3 The Committee noted that planned mitigations shown as 'on course' implied that the risks were being fully addressed. However, this might not be reflective of reality and the Executive should find a way of incorporating this.
- 7.4 The Head of Governance briefly ran through the Strategic Risks as summarised under their headings below.

Strategic Risk 1

- 7.5 SR1 reflected that the progression of the FTP improvement plan and the positive comments in the most recent PSA report were countered by the Registration service issues, hence the current risk score had not changed.
- 7.6 The Executive assured the Committee that the FTP improvement board is now in a much better position to identify its trajectory, and for forward planning.

Strategic Risk 2

- 7.7 SR2 reflected the progression of several workstreams but also the number of senior staff vacancies, therefore the current risk score had not changed.
- 7.8 In response to a question from the Committee on the prominence given to the vacant senior staff positions in SR2, the Head of Governance noted that SR5 reflected the risk that the demands put on people were not sustainable. The Chief Executive noted that the People Strategy was recently reviewed at the People and Resources Committee and it targeted succession planning and resilience.

Strategic Risk 3

- 7.9 The target risk of SR3 had been adjusted to be more realistic and the first in-house analytics reports had been published. The insights and intelligence framework would be presented to Council the following week. The current risk score had not changed.

Strategic Risk 4

- 7.10 SR4 reflected the development work underway with stakeholder engagement, but also reflected the resourcing challenges within the communications team. The current risk score had not changed.

Strategic Risk 5

- 7.11 SR5 reflected the sustainability of the HCPC's finances and people. The risk lead was temporarily the CEO, while the ED of Corporate Service post was vacant. The current risk score had been reviewed and had not changed.

Strategic Risk 6

- 7.12 SR6 reflected the HCPC's influence on the change agenda and Registrants' experience of HCPC regulation being positive. Work with Luther Pendragon has continued. The online registration project would improve Registrants' experiences of engaging with the registration team. The current risk score had not changed.
- 7.13 The Committee noted that the wording inside the risk appetite block of SR6 was not consistent where it referred to 'within risk appetite' and this should be amended. **Action Executive**
- 7.14 The Committee highlighted that in relation to SR6 there was a concern that negative social media comments related to communication issues with the registration department. As these were issues arising over a sustained period of time, they had become an organisational reputational risk that should be identified. **Action Executive**

Item 8. Operational Risk Register (report ref: ARAC 30/21)

- 8.1 The Committee received a paper from the Executive and noted the following:
- The HCPC's Operational Risk Management process and register was reviewed, updated and launched in Q1 of 2021-22;
 - the review utilised the expertise of an external risk management consultant and took a bottom-up approach with dedicated departmental and wide ranging risk discussions through a workshop.

- all operational risks had been mapped to the strategic risks they sit under;
 - following feedback from ELT, the level of detail (granularity) in the risk scoring regime had been increased, and this would likely be replicated in the project management risk process for new projects going forward.
 - a risk management policy, full guide and a one-page guide had been developed; and
 - the Operational Risk Register would be reviewed every quarter through individual meetings with risk owners and considered by ELT.
- 8.2 The Committee noted the bottom-up approach to operational risks versus the top-down approach to strategic risks and advised the Executive to aim for consistency. The Executive explained that when reviewing the Strategic Risk Register the risk owners would consider the operational risks that were associated with the strategic risks, and work with the operational risk owners to ensure cohesion.
- 8.3 The Committee commended the work on operational risks, and noted that, moving forward, it would be helpful to see trends, to show that mitigations were having an effect.
- 8.4 In response to a question from the Committee, the HCPC's Internal Auditors, BDO endorsed the integration, but cautioned it was important for people to feel able to identify and raise specific risks.
- 8.5 The Committee agreed to receive the full Operational Risk Register annually with a commentary on changes or trends through the year of review. When reviewing the Strategic Risk Register at each meeting, the Committee agreed that it would be helpful for any major issues regarding operational risks to be drawn to their attention. In the deep dives into specific strategic risks, the Committee asked the ELT owner to bring to their attention associated operational risks of significance too. **Action Executive.**
- 8.6 The Committee welcomed the significant step forward the new approach to Operational Risk represented.

Item 9. Annual report and Accounts and External Audit 2020-2021 update

- 9.1 The Executive provided a verbal update on the progress of the delayed Annual report and Accounts. The Committee noted the following:
- there were continuing challenges with the income systems and income recognition, which were being worked on;

- the remainder of the work aside from income recognition was well advanced; and
 - there were resourcing issues and a deficit of corporate memory, which had caused delays.
- 9.2 Haysmacintyre commended the work that the Head of Financial planning had been assisting them with, recognising that this was not work they had been expected to do. The Executive noted that this necessary shift of resource was also causing delays in producing other parts of the annual report.
- 9.3 Haysmacintyre noted that there were three big issues to highlight, as follows:
- The material uncertainty (referred to in the report as ‘not placing any certainty’) of the building valuation and the consequent emphasis of matter in the audit report. This issue also arose last year;
 - the going concern assessments and the need for cashflow forecasts; and
 - not yet being able to conclude whether income and deferred income was not materially mis-stated. The HCPC were aware of the difficulties caused by the new registration system and had made work arounds. Samples have returned errors.
- 9.4 Haysmacintyre noted that further sampling would most likely return further errors and instead they were looking to make proof in totals but this was throwing up material differences. Additional reports from the system have been provided which were being used to try and come to a resolution.
- 9.5 The Executive explained that until the error rates related to the manual workarounds were resolved, ongoing issues would likely be experienced in the current years. There was a plan in place to address the issues by January.
- 9.6 The Head of Governance explained that the annual report and accounts need to be laid by the end of the calendar year and reminded the Committee that once Haysmacintyre have completed their work the NAO would need to complete their review. Therefore, the deadline date for approval was the middle of November 2021 to avoid non-compliance. The NAO noted that they would need to ensure available resource in order to fulfil their full audit responsibilities. **Action Executive**
- 9.7 The Committee discussed the risk of fraud in the work arounds regarding income. Haysmacintyre explained that the concern was the period in which the money had been accounted for, not that it had been correctly

banked. Haysmacintyre provided some assurance to the Committee that, in their view, the mechanisms with which to commit fraud in this case would need to be highly sophisticated.

- 9.8 Haysmacintyre updated the Committee that once they have completed the extra work this week on the additional reports and have cashflow forecasts they would hold an early conversation with the NAO, who also need to be satisfied in particular about the methodology and results on determining income. The Committee asked for progress reports and noted that the HCPC's Financial Consultant would be presenting an update to Council next week. It would be important to learn lessons from this experience.
- 9.9 The Committee discussed resourcing in the Finance team. The Head of Financial Planning was delegating and providing oversight to a team of interim staff. The Executive noted that three permanent vacancies were now filled, and positions would be taken up between November 2021 and January 2022. It was proposed to retain the interim staff for several months to allow for a transfer of knowledge and allow for the additional resource to resolve some of the ongoing issues.

Item 10.i. Papers from the HCPC's Internal Auditors, BDO LLP – Internal Audit - Financial Modelling (report ref: ARAC 31/21)

- 10.i.1 The Committee received a report from the HCPC's internal auditors BDO LLP.
- 10.i.2 As part of the previous year's 2020-21 Internal Audit Plan, BDO undertook a review of the HCPC's financial modelling. The report was originally due to be considered at the Audit and Risk Assurance Committee's June 2021 meeting, but was delayed due to HCPC personnel changes. The objective of the audit was to provide assurance that the HCPC's financial models were sound and constructed using appropriate data, methods and assumptions. The review was focussed on the effectiveness and efficacy of the financial models, and how appropriate these were as tools to forecast the HCPC's financial performance.
- 10.i.3 The audit was concluded that overall, the HCPC's approach to financial modelling required improvement if financial models were to be used as a tool to effectively forecast the organisation's income and expenses (an amber/red rating).
- 10.i.4 The Executive noted that the review of the budget was part of the workplan being developed and next years' budgeting process had commenced. The Executive was focusing on the four large cost centres that were of concern, which were FTP, Registration, IT Projects and Estates. All other cost centres were relatively easy to forecast.

- 10.i.5 The Head of Governance explained that a newly established working group had been formed to address recommendations and the complexity in achieving an accurate registrant forecasts. The group included internal operational managers and engagement with external stakeholders such as HEE. The HCC's new education quality assurance model incorporated a big data element that would provide access to future student numbers, which was not previously available to the HCPC. The Committee noted that an initial forecast should be available in November 2021, which would be refined further as more data was made available.
- 10.i.6 In response to a question from the NAO relating to impact on the going concern assessment, the Executive confirmed that this would not have an impact in the shorter term. Improvements were needed but the current methodology should be sufficient for going concern to be established reliably.
- 10.i.7 The Committee asked for assurance that actions would be completed as in the report, as this would be challenging with current resourcing and other priorities. Shortlisting for the new Executive Director of Corporate Services is due on 17 September 2021. The Committee requested that the completion dates in the report be revisited to ensure they were realistic. **Action Executive**

Item 10.ii. Papers from the HCPC's Internal Auditors, BDO LLP - Internal Audit - Risk Management (report ref: ARAC 32/21)

- 10.ii.1 The Committee received a report from the HCPC's internal auditors BDO LLP.
- 10.ii.2 As part of the 2021-22 Internal Audit Plan, BDO had undertaken a review of the HCPC's Risk Management. The objective of the audit was to provide assurance that the new process, policy and principles were properly designed so that they could be embedded effectively, particularly the operational risk management process and its link to organisational strategy.
- 10.ii.3 The audit assessment was a green/amber rating. The HCPC had developed a robust operational and strategic risk management framework which encompassed a more mature approach, including monthly reviews by ELT of the strategic risks and planned quarterly reviews of operational risks.
- 10.ii.4 BDO noted that the Operational Risk Register was a long document but proportionate and manageable for each team, which made it likely to be followed through as a continued process.
- 10.ii.5 BDO advised that risk be properly integrated when the organisation was making business decisions, and that the risk register was not left unconnected with what the business was deciding.

10.ii.6 The Committee welcomed the report's usefulness and assurance it provided.

Item 10.iii Internal Audit Plan 2021-22 progress update (report ref: ARAC 33/21)

10.iii.1 The Committee received the Internal Audit Plan 2021-22 progress update report, and its contents were noted.

10.iii.2 The originally planned policy and standards audit had been replaced with an audit of digital transformation benefits realisation, as the Committee's view was that this would add more value to the plan. Management had requested a change to the timing of this audit so that the fieldwork would be conducted in February 2022 with a view to the final report being presented in June 2022.

10.iii.3 The originally planned continued professional development audit had been replaced with an audit of registrations payment processes. This was in response to issues with Registration's payment processing as a result of the introduction of the Business Central system.

10.iii.4 In response to a question from the Committee, BDO noted that the HCPC might want to consider areas relating to crisis planning and climate change in future audit planning exercises.

10.iii.5 The Committee approved the changes in the audit plan.

Item 11. Internal Assurance Report (report ref: ARAC 34/21)

11.1 The Committee received and noted the report from the Executive.

11.2 The Head of Governance noted a review was underway to bring together various compliance and quality assurance activities across the organisation into one joined together HCPC Assurance Framework based on the new three lines model. A new report format would be presented to the Committee in November.

11.3 The Committee welcomed the single source tender items being included in the report and noted it would be helpful to know the value of these. The Executive agreed that a private appendix could be produced. The Executive also agreed to review the appropriateness of the level of challenge provided to individuals seeking single source tenders. **Action Executive**

11.4 The Chief Information and Security Officer provided a short summary of matters relating to organisational compliance as set out in the paper.

11.5 The Committee noted that a decreasing trend in near misses, health and safety incidents and whistleblowing was not always good news. It could

indicate people were becoming less willing to or had just fallen out of the habit of reporting incidents, possibly due to the changing nature of their working environments such as working from home. It was important to drive forward a culture where people felt comfortable in reporting incidents. The Executive noted they were alive to this and that near misses had continued to be reported.

- 11.6 The Committee noted the response times to Information Governance requests had increased. The Executive explained that the issues being addressed in Registrations such as delays with emails, had had a knock-on effect as some requests had not been forwarded to the information governance team in a timely manner. This resulted in targets being missed, especially where requests were complex.
- 11.7 The QA Lead provided a short summary of QA activity and the Committee noted that the CPD report as discussed in matters arising, would be shared with the Committee outside of this meeting. The Committee noted that the report made an amber/green rating.
- 11.8 The Committee noted that QA were communicating more broadly with the organisation, through a monthly newsletter shared with managers, and a planned regular blog item to be shared with all employees moving forward.

Item 12. Annual Service and Complaints report 2020-21 (report ref: ARAC 35/21)

- 12.1 The Committee received the report from the Service and Complaints Manager.
- 12.2 The Service and Complaints Manager described his thoughts on the received complaints over the year and how they might be split in to three distinct periods summarised below:
- Between April 2020 and August 2020 complaints were relatively quiet, possibly reflecting the relatively new pandemic lockdown situation, where people's attentions might have been elsewhere and were likely to be more understanding of the HCPCs position and any knock- on service issues;
 - between September 2020 and December 2020 normal levels of complaints and feedback were received; and
 - from January 2021 onwards, high levels of complaints were received as ongoing service issues in Registration continued, and people's expectations of the organisation might have been less forgiving i.e. not accepting the pandemic anymore as a reason for poor service.
- 12.3 The Committee further noted the following points:

- there were fewer complaints compared to the previous year, however the levels were more in line with the years before this;
- the majority of the complaints received were in relation to FTP and Registration as they have the majority of customer interactions;
- the new internal process for handling complaints had seen an improvement, with 98% of complaints being responded to within service standards;
- a high proportion of complaints were upheld this year, due in part to service issues in Registration;
- complaint themes were similar to normal, but additionally the issues with the introduction of the new online renewal portal were significant; and
- improvements as a result of feedback include more frequent updates on the internet relating to service issues, introducing new automatic responses to emails and introducing new priority email inboxes in Registration.

12.4 The Committee noted that the HCPC passed the PSA standard this year that relates to service and complaints. However, the Service and Complaints manager noted that ongoing complaints continued to be high.

12.5 In response to a question from the Committee about a complaint that historic FTP decisions were available online, the Executive explained that the retention policy was adhered to, and the decision was removed from the HCPC website. However, it was very difficult to erase all traces of it on the internet, as searches may return any news articles for example and in any case FTP decisions were public information.

12.6 The Chief Executive provided assurance to the Committee of the steps being taken to address the service issues in Registration. The issues with the phones were being improved as the Registration team was back on site and using the on-premises phone system. However, there were a limited number of lines and email demands too.

12.7 Two Committee members provided verbal feedback in relation to their own difficult experiences in using the new automated processes and asked for assurance that those systems are working properly. The Executive thanked them for their feedback and assured the Committee that they would investigate further and respond. **Action Executive**

12.8 The Executive assured the Committee that as the cycle of professions in renewal continued, the learning from the early professions that have gone into renewal would inform and improve the experiences moving forwards.

- 12.9 The Executive further noted that the new registration system was launched as a minimum product and that the online application project was now initiated, which would see vast improvements in terms of self-service and response times in Registration. Further considerations such as new telephony systems would be considered, along with the longer-term vision of more automation, webchat and other enhanced experiences people were familiar with in other sectors.
- 12.10 In response to a question from the Committee relating to the tone of voice project that was on hold, the Executive provided assurance that Luther Pendragon was working with FTP in this regard and that there would be a communications business partner embedded in the Registration team. The Committee further noted the work that was being done in relation to the recently launched behaviours standards framework and how that linked in to the above, with compassion and wellbeing a focus for HCPC staff and Registrants.
- 12.11 The Committee thanked the Service and Complaint manager for the clear format of the thought-provoking report and commended the 98% of responses within service level.

Item 13.i. Review of Finance Policies – Investment policy (report ref: ARAC 36/21)

- 13.i.1 The Committee received a paper from the Executive and noted that the Investment policy was approved for recommendation to Council on 15 September 2021 by the People and Resources Committee subject to some wording changes in relation to ethical considerations. The Committee further noted the following points:
- Government bonds have been removed as an acceptable investment, in line with advice from DHSC and HM Treasury;
 - Organisational changes have been reflected in the approvals; and
 - Bank credit ratings were reviewed.
- 13.i.2 The Committee noted that in paragraph 1.1 the reference to the strategic intent should be updated to read Corporate Strategy. **Action Executive**
- 13.i.3 The Executive assured the Committee that the policy would be reviewed annually along with a review of any bank ratings. The Executive noted that the HCPC was limited with regard to which banks it could use and that it did spread the risk with no more than 67% being allowed with any one bank.
- 13.i.4 The Committee approved the Investment Policy for recommendation to Council, subject to the comments above.

Item 13.ii. Review of Finance Policies – Procurement policy and manual (report ref: ARAC 37/21)

- 13.ii.1 The Committee received a paper from the Executive and noted it reflected organisation changes, and changes because of Brexit.
- 13.ii.2 The Executive explained the new approach to the exceptional circumstances for the single tender, as well as the value thresholds for the procurement and the selection of award contracts. The Executive provided assurance that the approval levels were aligned with the HCPC's delegation of authority.
- 13.ii.3 The Committee questioned the reference to not spending more on legal advice than the value of the contract. The HCPC should not be constrained by that in some circumstances. **Action Executive**
- 13.ii.4 In response to a question from the Committee about the extensive detail in the procurement manual, the Executive explained that the flow charts provided the short sharp guidance the average user would need, and they would take feedback from users and adjust the manual if necessary.
- 13.ii.5 The Committee approved the Procurement Policy for recommendation to Council subject to consideration of the points above.

Item 14. Internal audit recommendations tracker (report ref: ARAC 38/21)

- 14.1 The Committee noted the item.

Item 15. Committee forward work plan (report ref: ARAC 39/21)

- 15.1 The Committee noted the item.
- 15.2 Haysmacintyre noted that the Audit planning for 2022 item would need to be moved to after November 2021 due to the late completion of the 2021 Audit. **Action Executive**

Item 16. Any other business

- 16.1 There was no other business.

Item 17. Date & time of next meeting:

- 17.1 Wednesday 10 November 2021. 1pm

Item 18. Resolution

18.1 The Committee was invited to adopt one or more of the following:

'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;

- (a) information relating to a registrant, former registrant or applicant for registration;
- (b) information relating to an employee or officer holder, former employee or applicant for any post or office;
- (c) 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;
- (d) negotiations or consultation concerning labour relations between the Council and its employees;
- (e) any issue relating to legal proceedings which were being contemplated or instituted by or against the Committee or the Council;
- (f) action being taken to prevent or detect crime or to prosecute offenders;
- (g) the source of information given to the Committee in confidence; or
- (h) 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.'

Item	Reason for Exclusion
19	H
20	C

Chair.....

Date.....