

Audit and Risk Assurance Committee

Minutes of the meeting of the Audit and Risk Assurance Committee held in public on:

Date: Wednesday 13 March 2024

Time: 2pm

Venue: Videoconference (Microsoft Teams)

Members: Lianne Patterson (Chair)
Graham Masters
Jordan McKenna*
David Stirling

Apologies: Helen Gough

Attendees: Adrian Barrowdale, Equality, Diversity and Inclusion Strategic Lead (until item 9)
Francesca Bramley, Governance Manager
Alastair Bridges, Executive Director of Resources
Heather Buckingham, BDO LLP (from item 8)
Kathryn Burton, Haysmacintyre LLP (from item 14)
Roy Dunn, Chief Information Security and Risk Officer
Rebekah Eglinton, Council member
Karen Flaherty, Head of Governance
Rachael Gledhill, Head of Policy and Standards (until item 9)
Nicole Jones, Compliance Officer
Alan Keshtmand, Head of Finance
Bill Mitchell, BDO LLP
Bernie O'Reilly, Chief Executive and Registrar (from item 8)
Anna Raftery, Head of Assurance and Compliance
Daniel Reay, National Audit Office (NAO)
Gareth Roberts, NAO
Ewan Shears, Feedback and Complaints Manager
Andrew Smith, Executive Director of Education, Registration and Regulatory Standards and Deputy Chief Executive

* Council Apprentice

1. Welcome and introduction

- 1.1. The Chair welcomed those present to the meeting of the Audit and Risk Assurance Committee and extended a special welcome to those attending and observing their first formal meeting of the Committee. The Chair also thanked Sue Gallone, the previous Chair of the Committee, and the Feedback and Complaints Manager, the previous Secretary to the Committee for their contribution to the work of the Committee over several years.

2. Apologies for absence

- 2.1. Apologies were received from Helen Gough, who had recently been appointed as a member of the Committee, and was unable to attend the meeting at relatively short notice.
- 2.2. No further apologies for absence were received.

3. Approval of agenda

- 3.1. The Committee approved the agenda.

4. Declarations of members' interests in relation to agenda items

- 4.1. No interests were declared.

5. Minutes of the Audit and Risk Assurance Committee meeting held in public on 15 November 2023

- 5.1. The Committee approved the minutes of the meeting of the Committee held in public on 15 November 2023 as an accurate record of that meeting.

6. Matters arising

- 6.1. The Committee noted the updates provided in response to the actions from its previous meeting.
- 6.2. The Head of Finance confirmed that with payment runs every two weeks and meetings with the team every week, the service standard for processing refunds of registration fees would be met in cases where these were not disputed.

7. Strategic Risk Register

- 7.1. The Committee reviewed the latest version of the Strategic Risk Register (SRR). There had been no changes to the risk ratings since the SRR was last reviewed by the Committee at its meeting in November 2023. However, there had been a number of updates to the planned mitigations, which the Head of Assurance and Compliance highlighted for each of the strategic risks.
- 7.2. It was clarified that the current risk level for strategic risk 5 (having sustainable resources to achieve our strategy in place) was not within the risk appetite as reported in the paper. There had been some discussion about reducing the risk rating following the fee increase implemented in November 2023, however, it was felt that this would not be appropriate until more regular fee reviews were implemented.
- 7.3. The Committee commented on the helpfulness of the report and the importance of the Committee reviewing this regularly.
- 7.4. The Committee discussed the following areas:
- introducing some measures to monitor progress towards the target risk score, recognising that some were already incorporated in the Unified Assurance Report, including updates on performance reviews by the Professional Standards Authority (PSA), and this would be considered by the executive and senior leadership teams when reviewing the risk register for 2024-25;
 - the interaction between the disquiet among stakeholders in relation to the fee increase implemented in November 2023 and the ability to engage meaningfully with stakeholders on other areas while consultation or implementation was ongoing and this was the main area that stakeholders wished to discuss with the HCPC;
 - the challenges of engaging with stakeholders across all four nations of the UK and across 15 professions, given the range of different issues of relevance to each country and profession, although having a professional liaison consultant in each of the four nations was providing a better connection and understanding at a local level; and
 - reflecting the work on the framework for future fee reviews in the risk register once the Council had reached a decision on how best to proceed.

Action: The Head of Assurance and Compliance would consider the introduction of measures to monitor progress towards reaching the target risk score in the strategic risk register in discussions with the executive and senior leadership teams in April 2024 to develop the strategic risk register for 2024-25.

8. Strategic risk register deep dive: EDI practice

- 8.1. The Equality, Diversity and Inclusion Strategic Lead and the Head of Policy and Standards had joined the meeting for a discussion about the strategic risks relation to equality, diversity and inclusion (EDI) practice within the HCPC.
- 8.2. The presentation covered the following areas:
- the core drivers for EDI as a strategic objective and risk including the HCPC's own ambition and strategy, the PSA's Standards of Good Regulation relating to EDI and ensuring equalities legislation and other legal requirements were understood and informed the HCPC's approach;
 - the areas of risk and assurance, including the HCPC's fairness as a regulator, its inclusivity as an employer, its role in addressing inequalities in healthcare more broadly and its reputation as a fair and inclusive regulator;
 - the aims of the EDI workplan for 2024-25 to support the delivery of the overall strategy including further developing EDI data and analysis, a policy to support those engaging with HCPC and engaging with and supporting a range of HCPC projects and programmes;
 - the contribution of EDI actions in mitigating strategic risks 1-4, including the achievement of PSA standard 3 – its EDI standard, which was linked to strategic risk 1 and focused on the HCPC using and understanding the EDI data it held; and
 - the key operational risks relating to EDI, including any non-compliance, consideration of EDI in developing policies and processes and diversity of partners.
- 8.3. The Committee welcomed the way in which the work on EDI had been presented through the lens of the strategic risks, which was both helpful and relevant. The improvement in the collection of EDI data for registrants, which had increased from 19% in 2022 to over 95% in March 2024, was commended by the Committee. The lack of availability of data in relation to students at an individual, rather than an aggregated level, was acknowledged as a gap, however, the focus was on understanding the data, what would be useful for stakeholders and how to reflect the data in the HCPC's standards, particularly those relating to qualifications, education and training.
- 8.4. The Committee discussed how best to reflect the ways in which EDI had been taken into consideration in the information provided to the Council and its Committees to enable them to add to the available perspectives in this area. The internal auditor, BDO LLP, suggested that the fundamental question for management and the Council to consider was whether a decision that they made could be challenged on EDI grounds.

9. Anti-Bribery and Fraud Policies

- 9.1. The Committee reviewed and approved the updated Fraud Policy and the Anti-Bribery Policy.

10. Internal Audit Reports

People Strategy

- 10.1. The Committee noted the report from the HCPC's internal auditor, BDO LLP, following a review of the HCPC's People Strategy. This had resulted in a substantial level of assurance for both the design of the internal control framework and the operation of controls. There were no recommendations following the review, however, two observations had been provided.

Procurement of large contracts

- 10.2. The Committee noted the report following a review of the procurement of large contracts, being those with a value over £150,000, which had provided a limited level of assurance for both the design of the internal control framework and the operation of controls. Five medium and two low significance findings had been identified as a result of the review including:

- no checks of supplier and employee bank details to prevent fraud;
- no independent checks to confirm that procurement processes had been followed;
- no ongoing evaluations of key suppliers on a consistent basis;
- no up-to-date supplier list; and
- insufficient evidence of regular conflicts of interest checks at the supplier selection stage.

- 10.3. The Committee discussed the impact of the delay in the implementation of Business Central on the agreed completion dates for the actions. Business Central did include a contract management module, which captured and recorded approval workflows, as this process currently took place outside of the financial systems in place. There were checks on bank accounts as part of the verification of suppliers and when there were changes to bank account details. It was clarified that a contracts register was in place and this information had previously been included in the Finance Report.

Action: The Head of Finance agreed to review the completion dates for the actions and update the internal auditor with any changes.

Annual follow-up of internal audit recommendations

- 10.4. Each year the internal auditor reviewed a sample of its internal audit recommendations and agreed actions to check whether these had been

implemented. This sample consisted of eleven recommendations and actions due to be implemented on or before 31 December 2023.

- 10.5. Seven of the recommendations had been implemented, two were in progress and two were outstanding. Three of the recommendations that had not been fully implemented, relating to Key financial controls and Registrant forecasting internal audit reviews, were due to the delayed implementation of Business Central. A more achievable completion date had been agreed within which to update and consolidate policies and procedures, given the number involved. The remaining action, relating to the internal audit review of Diversity, related to the completion of EDI training by two individuals working in Fitness to Practise and reflected the importance of teams in areas exercising regulatory functions and with decision-making powers to be able to demonstrate awareness of EDI.

11. Internal Audit Plan 2023-24 progress report

- 11.1. The Committee noted the internal audit progress report updating on the delivery of the internal audit plan for 2023-24.
- 11.2. All internal audit reviews had been completed. The fieldwork had commenced for the review of Project management, which would be focused on benefits realisation and completed by the end of the financial year. However, as this report was advisory only it would not affect the internal auditor's annual report or opinion.

12. Draft Internal Audit Annual Report and Opinion 2023-24

- 12.1. The Committee noted the draft internal audit annual report and opinion for 2023-24. This was produced in line with the International Professional Practices Framework and the associated Standards for Professional Practice, which provided the basis for internal auditing standards in the UK. The UK Public Sector Internal Audit Standards were also used in support of this, given the HCPC's role and the role of the National Audit Office in the external audit of its annual report and accounts.
- 12.2. The internal audit opinion was based on the assurance ratings and recommendations of individual internal audit assignments conducted in 2023-24, management's responsiveness to internal audit recommendations and the overall direction of travel with regard to internal control, governance and risk management. In 2023-24 two of the six assurance reports were awarded a limited design and operating effectiveness assurance opinion, with three awarded moderate and one substantial for both opinions. The implementation of recommendations was monitored by the HCPC and reported to the Committee at each meeting. The internal auditor also conducted an annual review of internal audit recommendations as part of the internal audit plan. Through its review of assurance ratings over the previous three years, the internal auditor had concluded that there had been a steady

improvement in the control environment, with a more robust control framework in place.

- 12.3. The opinion provided a moderate rating, the second highest rating, and indicated that there was some risk that the system of internal control, governance and risk management would fail to meet management's objectives, with some areas where there were adequate and effective systems of governance, but also some specific areas of significant risk. Significant improvements were required in specific areas to improve the adequacy or effectiveness of governance, risk management and internal control.
- 12.4. In response to a question from the Committee, the internal auditor confirmed that the HCPC was comfortably within the moderate rating and that the position was likely to improve further following the implementation of Business Central in April 2024 as the implementation of a number of recommendations was predicated on this. The HCPC's regulatory functions tended to perform better in reviews than business support functions, where more issues had been identified.

13. Draft Internal Audit Three Year Strategy 2023-2026, Annual Plan 2024-25 and Charter

- 13.1. The Committee reviewed the draft internal audit strategy for the three years from 2023-26 and internal audit plan for 2024-25.
- 13.2. The internal audit plan for 2024-25 had been developed following a review of the risk register and discussions with management, including the Executive Leadership Team. The draft annual plan for 2024-25 set out the proposed scope for each review and the reasons for its inclusion in the plan. The internal auditor had also had conversations with the external auditor and the NAO and these had not raised any issues that had affected the internal audit plan for 2024-25.
- 13.3. The Committee noted that the plan was comprehensive and discussed the timing of the review of key performance indicators (KPIs) before acknowledging that the scope of the review, looking at the computation and methodology, would mean that the recommendations would be equally relevant when developing KPIs to monitor delivery of current and future corporate strategies. It was clarified that the fees provided for each review were estimates and there was a degree of flexibility, however, those reviews requiring specialist input usually had a higher fee.
- 13.4. The Committee approved the internal audit plan for 2024-25 and the three year strategy for 2023-26. The approval of the internal audit charter, previously approved by the Committee at its meeting in November 2023, was confirmed.

14. Internal audit recommendations tracker

- 14.1. The Committee noted the updates on the implementation of recommendations arising from internal audits.

Action: The Committee requested that where there was no progress to report on a recommendation or action then the commentary should include an explanation of the reasons for this.

15. External audit planning report

- 15.1. The Committee received a report from Haysmacintyre LLP (HM) confirming the arrangements for the external audit of the financial statements of the HCPC for the year ending 31 March 2024 and providing an overview of the plan and the nature and scope of the audit work. The plan would enable the annual report and accounts for 2023-24 to be approved by the Committee and Council at their meetings in September 2024.
- 15.2. The proposed approach was identical to that for the external audit of the financial statements for the previous financial year. HM was expecting to be able to rebut the presumptions around risk through its work. It was clarified that holiday pay accrual would be reviewed as part of its review of the completeness of the list of creditors and contingent liabilities.
- 15.3. The timetable had been discussed with the NAO with a view to aligning the planning of its work.
- 15.4. The Committee approved the arrangements and plan for the external audit of the financial statements of the HCPC for the year ending 31 March 2024.

16. External audit planning update

- 16.1. The new Audit Manager from the NAO for the HCPC was introduced to Committee members.
- 16.2. The NAO was already liaising with HM and the Finance team and would circulate its plan to Committee members before the next meeting in June 2024, in order to provide an opportunity for this to be reviewed and any queries responded to before the report was submitted to the Committee at its next meeting.

17. Reserves Policy

- 17.1. The Committee reviewed the updated draft Reserves policy, which had last been updated in March 2020. The updated draft policy had been reviewed by the People and Resources Committee (PRC) at its meeting on 28 February 2024 and reflected feedback from the PRC.

- 17.2. The draft policy maintained the current requirement to maintain at least positive realisable net assets but incorporated an aspiration to maintain reserves at three months of operating expenditure, which would be equivalent to around £10 million. This recognised that current reserves were too low given potential liabilities and that it was difficult to accurately forecast a date on which the HCPC could achieve a sufficient level of reserves. Three months of operating expenditure was a benchmark, which could only be achieved in step with the wider financial sustainability strategy and regular fee reviews.
- 17.3. The Committee welcomed the approach in the updated policy. There were some concerns about including an aspiration in the policy and how this might factor into decision-making about investment. However, the Committee considered and recognised that this would inform the budget-setting and medium-term financial planning and be factored into scenarios to be considered as part of the approval of the budget annually. A balance would need to be found between expenditure in the normal course of business, investment decisions and maintaining an appropriate level of reserves.
- 17.4. Some specific feedback was provided relating to the categorisation of reserves set out in the policy.

Action: The Executive Director of Resources and the Head of Finance would review the description of reserves in section 4.3 with a view to rationalising this.

- 17.5. The Committee agreed to recommend the approval of the reserves policy by the Council, subject to the proposed changes to section 4.3.

18. Review of standing orders

- 18.1. The Committee reviewed the proposed amendments and highlighted a typographical error in standing order 12.1.
- 18.2. The Committee approved the amendments to the Committee's standing orders and would recommend these to the Council for approval at its next meeting on 20 March 2024.

19. Committee forward plan 2024

- 19.1. The Committee noted the comprehensive forward plan for 2024. There were still some dates to be completed in discussion with colleagues in the HCPC and with the internal auditor. The NAO noted that it would present its report to the Committee at the meeting in September 2024.

20. Resolution to move the meeting to private session

- 20.1. The Committee resolved that the remainder of the meeting would be held in private because the matters being discussed related to matters which, in the opinion of the Chair, were confidential or the public disclosure of which would prejudice the effective discharge of the Committee's or Council's functions.

The meeting was briefly adjourned.