

## Audit Committee

### Public minutes of the 76<sup>th</sup> meeting of the Audit Committee held on:-

**Date:** Thursday 17 September 2020

**Time:** 1 pm

**Venue:** MS Teams

**Present:** Sue Gallone (Chair)  
Eileen Mullan  
Julie Parker  
Gavin Scott

### In attendance:

Ewan Shears, Secretary to the Committee  
Christine Elliott, Chair of Council  
John Barwick, Chief Executive  
Claire Amor, Head of Governance  
Gordon Dixon, Business Improvement Director  
Jacqueline Ladds, Executive Director of Policy and External Relations  
Neil Cuthbertson, Executive Director of Digital Transformation  
Tian Tian, Director of Finance  
Kathryn Burton, Haysmacintyre  
Bill Mitchell, BDO LLP  
William Jennings, BDO LLP  
Amy Manning, National Audit Office  
Anna Raftery, QA Lead (item 13)  
Paul Robson, Service and Complaints Manager (item 14)

## Public

### Item 1. Chairs welcome and introduction

- 1.1 The Chair welcomed those present to the 76<sup>th</sup> meeting of the Audit Committee, which included the Chair of the Council and the Chief Executive.

### 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 4 March 2020 (report ref: AUD 39/20)

- 5.1 The Committee approved the minutes from its meeting held on 3 August 2020.
- 5.2 In response to a query in relation the settlement special payments (ref 7.17) the Executive confirmed that the advice from the NAO was that they were a special payment.

### Item 6. Matters arising (report ref: AUD 40/20)

- 6.1 The Committee noted this item.
- 6.2 The Executive confirmed to the Committee that matter arising 10 was planned as an internal debrief, reflection and discussion, on the Annual Report and Accounts. Feedback would be presented at a subsequent Audit Committee, with the opportunity for members to add their comments to influence the 2020/21 report. The Executive agreed to consider timing and add to the Committee forward planner. **Action – Executive**
- 6.3 The Executive confirmed to the Committee that matter arising 15 was to consider a standalone meeting, for Audit Committee to consider next year's Annual Report and Accounts. The Head of Governance and Chair of Audit Committee would discuss this outside the meeting. **Action Point – Executive/Committee**

## Item 7. Draft annual report and accounts 2019-20(report ref: AUD 41/20)

- 7.1 The Committee received the latest draft Annual Report and Accounts for 2020-21, noting that this was the third occasion Committee members had to review the report. The Committee noted that the latest version of the report although still voluminous was better, clearer and addressed the points previously fed back to the Executive.
- 7.3 The Executive noted that further to this version of the draft annual report and accounts, advice has been received from Haysmacintyre to include an additional paragraph about the uncertainties around property valuation in note 8. Haysmacintyre has provided the Emphasis of Matter paragraph that that will be inserted to the independent auditor's report.
- 7.4 The Committee noted that number of days worked by Council Members would be removed from the Remuneration report. It was noted that Council Members are now paid on a salary basis and that the formal meeting listing does not reflect fairly the time given by members. Attendance records for meetings will still be shown. The Committee welcomed the proposed change.
- 7.5 The Committee noted the report referred to points in time with phrases such as, "at the current time", and referring to future activity in August with the accounts due to be signed off in September. The Committee advised the Executive to review these and to remain as time neutral as possible.
- 7.6 It was queried whether the Department of Education was a related party and therefore whether the grant received in relation to the transfer of Social Workers to Social Work England need be listed in the Related party transactions section. The Executive agreed to clarify the point to the Committee. **Action – Executive**
- 7.7 The Executive agreed to report back to Audit Committee as to what plans were in place in relation to a point on page 16 of the report where it states, " We will closely monitor the value of our properties and update the value as circumstances change." **Action – Executive**
- 7.8 The Executive agreed to report back to Audit Committee to clarify what plans were in place to ensure HCPC remains current with up to date information relating to equality and diversity, as referenced on page 45 of the report. The Committee agreed that a reflection session, following a year of EDI (Equality, Diversity and Inclusion) work should be considered for inclusion in the workplan for next year. **Action – Executive/Committee**
- 7.9 The Committee recommend the annual report and accounts to Council for approval subject to the amendments outlined above.

## **Item 8. Year in Highlights - designed excerpt (report ref: AUD 42/20)**

- 8.1 The Committee received a report from the Executive Director of Policy & External Relations.
- 8.2 The Committee noted that whilst the year in highlights report is not within the remit of Audit Committee, it needs to be consistent with the annual report and accounts.
- 8.3 The Executive highlighted the intention of the year in highlights was to showcase HCPC's public protection role, particularly in relation to the strategic aims and is not constrained by some of the statutory requirements of the annual report and accounts. It is a shorter, sharper and pithier document to support engagement with key stakeholders.
- 8.4 The Committee welcomed the design and endorsed the direct approach and the presentation of information. The Chair of Council added that the document is a key reputational and communications tool for Council and HCPC as a whole. The Chair of Council further noted the design approach as promising, but further work in relation to the content and messaging would require their and the Chief Executive's involvement outside of the Audit Committee.
- 8.5 The Chief Executive noted that the debrief and reflection on the annual report and accounts production would look in-the-round at all public facing reporting including the highlights report, as part of an overall plan of communications, and this was a priority.
- 8.6 The Committee were reassured to see a designed version that addresses some of the issues raised previously about the Annual Report and Accounts. It will be remitted back to the Executive to develop further with the Chair of Council before presenting to Council. Members agreed to send any further comments they might have on to the Executive outside of the meeting.

## **Item 9 External Auditor's report 2019-20 (report ref: AUD 43/20)**

- 9.1 The Committee received a report from Haysmacintyre (HM).
- 9.2 The Committee noted the following points: –
  - the audit had been a challenge for HCPC and HM and the systems issues that had been raised previously were highlighted by the requirements of remote audit during the pandemic;
  - in relation to the uncertainty around valuation of properties, COVID-19 has played a part. However, there had been moves that way regardless of the global pandemic and it was likely that an emphasis of matter would have still been required;

- in relation to the transfer of social workers, HM have over time gained the appropriate assurance in the amount included in the deferred income note; and
- from the information received so far and from an audit perspective HM are comfortable with the current position. However, it was noted that the capitalisation of the intangible assets was a significant number in the accounts, and the asset was still under development. HM commented that were anything to go wrong with that development up to the day of sign off, they would need to consider if there was any impairment, but reported there has been no evidence of that to date.

9.3 In response to a question from the Independent Committee member in relation to cash flow modelling, Sue Gallone and Gavin Scott, both Council members, confirmed that Council has focussed on cash flow several times along with the reserves policy and were satisfied with both.

9.4 HM noted the detailed control points in the report and updated the Committee that some items were now resolved. HM highlighted the consolidation of the fixed asset register as a previous year's recommendation and noted its improvement and that it was a work in progress. The Executive agreed to incorporate the latest position of the external audit recommendations into the Internal audit recommendations tracker, to assist the Committee in tracking their progress. **Action - Executive**

9.5 HM confirmed to the Committee their work was now complete subject to some minor liaison work with the NAO.

#### **Item 10. NAO draft report to those charged with governance (report ref: AUD 44/20)**

10.1 The Committee received a report from NAO.

10.2 The Committee noted the NAO has relied on the work of HM where appropriate and there was some final follow-up work to complete before the Council meeting of 24 September 2020.

10.3 NAO and HM discussed the emphasis of matter paragraph point. HM were clear that this needs to be included and the NAO were still to clarify their position.

10.4 The Committee noted that the NAO were finalising the position in relation to the settlement payments to the outgoing accounting officer and one other senior member of staff but were not envisaging any issues with them. The Committee noted that the HCPC should be acting in the spirit of the code of managing public money and that the Comptroller and Auditor General (C&AG) needs to be satisfied that the payments have been carried out appropriately.

10.5 The Committee noted that a laying date of 6 October is anticipated for the Annual Report and Accounts and that the NAO were confident of completing their work to the current agreed timetable.

**Item 11.i. Internal audit annual report – Reshaping the Organisation (report ref: AUD 45/20)**

11.i.1 The Committee received a report from the HCPC's Internal Auditors BDO LLP.

11.i.2 The Committee noted the following points: -

- in line with the 2020-21 Internal Audit Plan as approved by the Committee, BDO LLP have undertaken a review of the HCPC's Transformational plan;
- the main objectives of the audit were to ascertain the forward plan and how it will be achieved, whether it is sufficiently marked out and there are no major risks or pitfalls ahead that have not been anticipated, and if the approach to the project so far is sound;
- good progress has been made with good structure and oversight arrangements in place at various levels. BDO commented that the approach and the innovative nature of the transformation work was quite different and refreshing; and
- no major issues were identified, but the report highlights some key areas that should be monitored through regular review step points along with the development of the corporate and digital transformation strategies. BDO commented that it was paramount to ensure cultural shift and change is incorporated to all transformation activity.

11.i.3 The Committee welcomed the positive comments from BDO and noted the management responses in the report.

11.i.4 Following a question from a Committee member who was concerned with the comments in the report relating to the capacity of the finance team, the Committee were reassured by the Executive that the support and development of the structure within the finance team was recently considered by the senior management team and a plan has been agreed.

**Item 11.ii. Internal audit annual report – IT controls (report ref: AUD 46/20)**

11.ii.1 The Committee received a report from the HCPC's Internal Auditors BDO LLP.

11.ii.2 The Committee noted the following points: -

- as part of the 2020-21 Internal Audit Plan as approved by the Committee, BDOLLP have undertaken an audit of IT Controls, with a specific review of IT Governance and Management, Service Desk Management and Mobile Device Protection systems and processes;
- the aim of the audit was to provide assurance of the adequacy of governance of IT, whilst reflecting this is an area of ongoing change within the organisation;
- BDO were requested to think more holistically in an advisory way around the appropriateness of IT governance moving forward and the agility of IT plans to respond to changes in direction of travel as they emerge;
- there were two key areas for improvement relating to governance and service delivery; and
- IT controls were found to be generally strong and likely to be proportionate to the risks faced by the organisation. The ongoing digital transformation plans were broadly good and proportionate to the controls being developed. A reminder was given to the Executive to be mindful moving forward as the landscape of activities changes.

11.ii.3 The Committee were assured by BDO that the three formal accreditations (ISO 27001, Cyber Essentials and ITIL certifications) were noted in the report as part of HCPC's overall assurance framework and that BDO had not relied on these but performed their own audit work.

11.ii.4 The Executive provided verbal feedback in relation to the audit and noted the report provided fair feedback. The Executive had worked hard with BDO on the scope of the audit to ensure real value was obtained in the areas such as overall governance, to support the ambitions of the digital strategy. The Executive welcomed the feedback on some of the areas around service management and commented that the report was helpful in understanding the baselines and any potential blind spots.

11.ii.5 The Committee welcomed the findings of the report and noted that generally the controls were rated highly and the report provides a good level of assurance in relation to the IT systems. The Executive asserted that along with addressing the governance framework, that the organisation's ability to be agile is at the forefront.

**Item 11.iii. Internal Audit Plan 2020-21 progress update (report ref: AUD 47/20)**

11.iii.1 The Committee received a report from the HCPC's Internal Auditors BDO LLP.

- 11.iii.2 The Committee noted progress on the Internal Audit Plan.
- 11.iii.3 The Executive and BDO assured the Committee that the planned audit work and timelines were achievable over the course of audit cycle.
- 11.iii.4 BDO provided a verbal update to the Committee in relation to changes planned following the yearly performance review, and the Committee noted the following two key highlighted areas: -
- BDO gave assurances of the appropriate resourcing of internal audit to specific levels of skill, so the quality remains high. The Committee noted that Bill Mitchell would be conducting the audit on intelligence gathering and William Jennings would be conducting the audit on financial modelling; and
  - BDO committed to providing more added value which would include webinars and regular updates curated for HCPC.
- 11.iii.5 The Committee welcomed the update from BDO and noted the RNIB report included in the update paper and further noted these added value items in future would be circulated separately.
- 11.iii.6 In response to a question regarding whether the audit plan should be revised, BDO verbally provided examples of COVID-19 related audit themes they have recently undertaken for other organisations. The Executive considered the value of such specific audit activity at this time and concluded that it would not be proportionate given the other COVID-19 related considerations that the HCPC already has in place, such as the external accreditation, inter-regulator cooperation and the PSA lessons learned review that HCPC's own reflections will feed in to.
- 11.iii.7 The Executive agreed that there would be value in completing a review of 'where the organisation is now' and 'how the organisation has adapted' from a business continuity and employee lens. The Executive and Committee will consider this for the new year as either part of this audit cycle or planned for the next. **Action – Executive/Committee**
- 11.iii.8 BDO agreed to produce an 'insight' piece of how other organisations are reacting to the pandemic to share with the Executive and Committee. **Action - BDO**
- 11.iii.9 The Committee noted that the remainder of the audits planned this year will include COVID-19 as a cross-cutting risk and theme applied to all areas.

## **Item 12 Strategic Risk Register and development plan (report ref: AUD 48/20)**

- 12.1 The Committee received the report from the Executive.

12.2 The Committee noted the paper provides an overview of planned development of the HCPC risk management framework. It includes the latest iteration of the Strategic Risk Register in its new format as well as a roadmap for agreeing new strategic risks and a new risk appetite statement for the organisation, to align with the emerging Corporate Strategy due for Council approval in December 2020.

12.3 The Committee noted the following points: -

- the Council will hold a facilitated development session on risk and risk appetite at the October 2020 council development day;
- the draft strategic risks and risk appetite is on the agenda plan for discussion at the November meeting, with outputs going to the Audit Committee workshop in January, where Audit Committee will be asked to make formal recommendations to Council;
- a risk management strategy and policy will be developed in conjunction with the strategic risks and appetite;
- a review of HCPC's operational risk management systems and register will be undertaken. This will include external consultancy support to challenge current thinking and facilitate workshops with risk owners and integrate risk management into planning cycles and decision making; and
- the recommendations from the BDO session on risk appetite in February 2020, that are out in Appendix 1 of the paper.

12.4 The Committee endorse the approach and commented that when papers are being presented to Council, it will be helpful to have better consideration of what risk is being mitigated and how it fits with the risk appetite.

12.5 The Committee noted that emerging risks that develop from the operational risk register will have clearer guidance and lines of escalation up to the Audit Committee.

12.6 The Executive introduced a new format to the Strategic Risk Register (SRR) to the Committee who welcomed the new approach and presentation that is set out in a clear, informative and user-friendly way.

12.7 The Committee noted the following points: -

- The risk appetite has been incorporated in the SRR along with the current risk level and a timeline to target risk level. It was recognised that these will become more relevant as HCPC refresh the strategic risks and risk appetite in the new year;

- the current risk influencers make it clear what in the reporting period is impacting on that risk, both positively and negatively;
- the planned mitigations and their progress are RAG rated, and the type of mitigation is referenced by an at-a-glance key;
- the commentary box provides a summary of any changes within the sheet, such as change of risk score or the addition of a mitigation;
- the link to strategic priority has been removed as they are no longer current. Once the new corporate strategy is developed this element will be re-introduced; and
- each strategic risk has been assigned to an individual member of the senior management team for greater accountability.

- 12.8 The Committee noted that strategic risks 1, 4 and 5 have all reduced since June 2020.
- 12.9 The Committee were assured that in relation to strategic risk 4, the telephony issues that the HCPC were experiencing due to the pandemic and home working has now been resolved.
- 12.10 The Executive agreed to reflect 'Brexit' in the list of current risk influencers. **Action - Executive**
- 12.11 The Executive agreed in relation to strategic risk 1, to make more explicit the fitness to practise backlog as highlighted in the Annual Report and Accounts. **Action - Executive**
- 12.12 The Committee agreed to focus attention on strategic risk 5 about governance and culture at its next meeting, recognising the importance of governance at the time of pandemics. The Committee will consider at future meetings risks that have longer timelines to becoming within risk appetite, and to also explore financial planning and analysis as a new and developing area. **Action - Committee**

### **Item 13. Internal Assurance Report (report ref: AUD 49/20)**

- 13.1 The Committee received and noted the report from the Executive.
- 13.2 The Committee welcomed the new Quality Assurance Lead who presented the Quality Assurance section of the report.
- 13.3 The Committee noted the following points: -
- the Quality Assurance (QA) framework 2020-21 is complete;

- the QA schedule shows shorter, sharper and targeted audits that include the delivery to SMT and Audit Committee dates;
  - the framework is mapped to the strategic risk register showing how the work undertaken is mitigating against risks, as well as supporting achieving the PSA standards;
  - outstanding internal audit recommendations have been reviewed and updated;
  - RAG ratings have been introduced to audit reports; and
  - the team is working closely with the PSA working group and the Chief Information Security and Risk Officer to identify other areas of quality assurance work.
- 13.4 The Committee were assured that there is training planned for the team over the course of the year although this is not reflected on the workplan yet.
- 13.5 The Committee suggested for the report, a highlights and issues section at the front, summarising all internal assurance. BDO commented that it could feed into the Assurance Map.
- 13.6 The Committee welcomed the progress made and thanked the QA Lead. Any further comments would be provided outside of the meeting.

**Item 14. Annual Complaints report 2019-20 (report ref: AUD 50/20)**

- 14.1 The Committee received the report from the Service and Complaints Manager.
- 14.2 The Committee noted the following points: -
- last year was particularly busy when compared with other years and factors coming together at the same time especially in the Registration department meant more complaints have been generated than normal;
  - less than 50% of complaints were upheld;
  - themes are identified in the report for each department and are shared with the departments on a monthly basis;
  - a rise in positive feedback and that it was being received from a wider source; and
  - examples of remedial action are provided in the report.

- 14.3 The Committee noted that complaints are a huge opportunity for the HCPC to learn and sought assurance from the Executive that it was embedding and disseminating learning across the organisation.
- 14.4 The Executive noted that the intelligence and learning gained from complaints is recorded on the improvement log along with learning from near miss reports and information incident reports. A root cause analysis is performed and a record of the resolution, planned mitigation or resultant change is made.
- 14.5 The Executive noted the new PSA standard requires evidence of cross department learning, where learning in one area of the business could be applied to another. The Committee were assured that the PSA working group has been developing the improvement log to reflect the new PSA standard, and the improvement log is regularly reviewed by the group and by the heads of section to see if any learning is relevant to their departments. The Executive further noted that a new six-monthly complaints summary report is being developed for SMT with analysis of cause and learning, also indicating to SMT where there were cross functional learning and processes.
- 14.6 The Committee noted that since June of this year, complaints were triaged into either normal, or urgent priority streams as determined by the Service and Complaints Manager.
- 14.7 The Chair of Council made the following observations: -
- that complaints should have an agreed justification for the priority level of complaints, so consistency and transparency can be evidenced;
  - that benchmarking against other regulators would be helpful;
  - it is good that the HCPC receives and reports positive feedback;
  - MP complaints must be highlighted to the Chair as soon as they are received; and
  - Systemic complaints are highlighted to the communications team to formulate clear, empathetic messaging through the most suitable medium such as the website.
- 14.8 The Committee thanked the Service and Complaints Manager for the thought-provoking report.

## **Item 15. Change in Registration business process (report ref: AUD 51/20)**

- 15.1 The Committee received the report from the Executive, noting that the impact on the cashflow is £79k.

- 15.2 The Committee noted that a change in the way in which registration fees are currently requested of new graduates on to the Register is being presented to Council for approval, because Council originally approved the current process. Audit Committee are therefore asked to review and recommend the change to Council.
- 15.3 The Committee noted that as part of the Registration Transformation and Improvement project work, it will be beneficial to simplify the process of onboarding new graduates who are joining towards the end of a professional cycle. This change does not constitute a change of fee rules but a change to the application of the rules.
- 15.4 The Committee recommend to Council to approve the change as set out in the paper.

**Item 16. Internal audit recommendations tracker (report ref: AUD 52/20)**

- 16.1 The Committee noted the item.
- 16.2 The Secretary to the Committee agreed to review the layout of the tracker and open recommendations with the Chair of Committee. **Action - Executive**

**Item 17. Committee forward work plan (report ref: AUD 53/20)**

- 17.1 The Committee noted the item.
- 17.2 The Secretary to the Committee, the Head of Governance and the Chair of Committee will arrange a meeting to review the Committee forward work plan along with the internal audit recommendations tracker. **Action – Executive/Committee**

**Item 18. Any other business**

- 18.1 There was no further business

**Item 19. Date & time of next meeting:**

- 19.1 Wednesday 11 November 2020, 1pm
- 19.2 The Executive will provide 2021 dates to the Independent Committee Member once they have been agreed by Council. **Action - Executive**

**Item 20. Private minutes of the Audit Committee meeting of 3 August 2020: (report ref: AUD 54/20)**

20.1 The Committee approved the minutes from its meeting held in private on 3 August 2020.

Chair.....  
Date.....

Unconfirmed