

## Audit and Risk Assurance Committee

**Public minutes of the 78<sup>th</sup> meeting of the Audit and Risk Assurance Committee held on:-**

**Date:** Wednesday 10 March 2021

**Time:** 1 pm

**Venue:** MS Teams

**Present:** Sue Gallone (Chair)  
Julie Parker  
David Stirling  
Helen Gough  
Pameleta Ricketts

### **In attendance:**

Ewan Shears, Secretary to the Committee  
Claire Amor, Head of Governance  
Gordon Dixon, Interim Director of Business Improvement  
Andy Smith, Executive Director of Regulation  
Jo Moore, Executive Director of Corporate Services  
Neil Cuthbertson, Executive Director of Digital Transformation  
Claire Holt, Interim Director of HR and OD  
Kathryn Burton, Haysmacintyre  
Bill Mitchell, BDO LLP  
William Jennings, BDO LLP  
Andrew Ferguson, National Audit Office  
Anna Raftery, QA Lead  
Roy Dunn, Chief Information Security and Risk Officer

## Public

### **Item 1. Chairs welcome and introduction**

- 1.1 The Chair welcomed those present to the 78<sup>th</sup> meeting of the Audit and Risk Assurance Committee. It was the first meeting for Jo Moore, Andy Smith and new members and the Chair welcomed those in particular.

### **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 01/21)**

- 5.1 The Committee approved the minutes of the meeting of 11 November 2020.

### **Item 6. Matters arising (report ref: ARAC 02/21)**

- 6.1 The Committee noted this item.

### **Item 7. Strategic Risk Register (report ref: ARAC 03/21)**

- 7.1 The Committee received the latest Strategic Risk Register (SRR) and noted the changes since the last iteration presented to the Committee in November 2020. The Committee further noted the following points:
- there was a reduction in risk score for risk 5 leadership and governance, due to the publication of the HCPC's corporate strategy 2021-26, the progression of the first annual implementation plan, the formation of the new People and Resources Committee, additional Council apprentices and the recent appointments at SMT level;
  - the previously forecasted reduction in risk 4 was not achieved, due to a post launch issue with the new registration system interface

with the finance system. These issues were being resolved by the Executive; and

- since the last iteration there was more certainty on the HCPC's proposed fee rise being achieved, with an expected increase coming into force date of 1 July 2021.

7.2 The Committee noted that the new risk appetite statement was approved by Council on 25 February 2021 and that this will be referenced in future iterations of the SRR.

7.3 In response to a question from the Committee, further details were provided regarding the issues experienced in relation to risk 4 and it was noted that an error had occurred that resulted in direct debits being taken slightly too early. The Executive assured the Committee that the issue root cause was understood and was being managed.

7.4 The Committee were assured that any year-end implications resulting from the direct debit issue were understood and the extra resource brought into the finance team will help manage this.

7.5 The Committee welcomed the positive news in relation to the fee rise, noting the importance of an ongoing fee strategy, which was in the Corporate Plan for the coming year.

7.6 The Committee welcomed the development of a new set of proposed strategic risks that are tied into each of the strategic priorities.

7.7 The Committee noted that a new operational risk register is being developed and suggested that attention be given to ensuring consistency of judgement across teams. Operational risks would be managed under one of the strategic risk headings and feed into the strategic risk register.

7.8 The Executive agreed that consideration would be given to the reporting of any other emerging risks to the Committee with an accompanying commentary.

7.9 The Committee noted that the strategic risk register would form part of a new SMT monthly strategy and horizon scanning session and would continue to come to the Committee on a quarterly basis.

7.10 The Committee recommend the proposed new strategic risks to Council.

- 7.11 The Executive Director of Regulation, Andy Smith gave a verbal summary of some of the themes associated with strategic risk 1, failure to deliver effective regulatory functions. The Committee noted the themes and the expanded description of the associated mitigations.
- 7.12 The Committee noted that the audit schedule for 2021/22 did not include a specific audit related to the PSA standards. The Executive Director of Regulation provided assurance that the overview of HCPC's progress against the standards was covered by ongoing monthly meetings with the PSA and the DHSC, and further noted the following points:
- the meetings with the PSA were at the request of the HCPC;
  - progress reports are submitted to the PSA every two months;
  - following implementation of some of the changes being brought in, the Executive would consider inviting the PSA in to perform a mini audit and/or request BDO undertake a separate internal audit;
  - time is needed for the changes in hand to take effect; and
  - there is increased stakeholder engagement including with professional bodies and the fitness to practise representatives forum.
- 7.13 The Committee welcomed the greater engagement described by the Executive Director of Regulation and noted that it was key to bring people along with the HCPC to demonstrate the positive steps being made.
- 7.14 The Executive Director of Regulation noted the importance of the progression of regulatory reform for the sector and especially for the HCPC. The Committee noted that current legislation had constrained the HCPC at times and that new legislation might still be a long way off. The Committee noted the engagement with the DHSC and its importance in helping to shape the future for the HCPC.
- 7.15 The Committee queried that with the backdrop of the pandemic response whether the Government might be more dynamic in relation to legislative change, and how much influence the HCPC has in driving this forward. The Executive noted it was unlikely that regulatory reform would be a top priority for the government at the moment, but that the HCPC would continue to try and exert influence as set out within the corporate strategy.

## **Item 8. External Audit 2020-2021 update**

- 8.1 The Committee received a verbal update.
- 8.2 Haysmacintyre and the NAO provided a brief update, and the Committee noted the following:

- the interim audit was undertaken and there were no significant matters arising in relation to controls. However, it was not possible to undertake testing on income due to the switch over to the new registration system. Planning with the finance team was ongoing in order to complete this work, which was likely to happen at year-end; and
- the NAO had delayed reviewing the work of Haysmacintyre until the testing on income was complete and that this was unlikely to be prior to year-end.

8.3 The Committee were assured by Haysmacintyre that the remote auditing issues experienced during the pandemic last year would not pose the same problems this time, and that the HCPC appeared to be better prepared to provide information remotely.

**Item 9i. Papers from the HCPC's Internal Auditors, BDO LLP - Registration end to end process review (report ref: ARAC 04/21)**

- 9.i.1 The Committee received a report from HCPC's internal auditors BDO LLP.
- 9.i.2 The Committee noted that BDO undertook a review of the HCPC's registration end to end processes as part of the 2020-21 Internal Audit Plan as approved by the Committee. The review covered the wide-ranging registration activities that include initial registration and renewals, processes for temporary and permanent removal from the registers, voluntary deregistration, and the overall assurance processes.
- 9.i.3 The Committee noted the overall assessment of the report was green/amber with generally a good control framework in place. Some areas were highlighted for improvement and also some areas for consideration, as systems, controls and processes are updated moving forward.
- 9.i.4 The Committee welcomed the review and noted that the recommendations were not high priority, but that they were important areas.
- 9.i.5 In relation to the recommendation to segregate the processing of a registration from its related verification process, the Committee noted this was a hypothetical risk flagged and that no evidence had emerged during the review of any failure.
- 9.i.6 In response to a question from the Committee, the Executive agreed that they would explore further hypothetical or real data scenarios where individuals enter incorrect data in a self-service model and how those issues could then be mitigated against. The Committee noted that there

are more opportunities to build in validation online that cannot be done in paper form.

- 9.i.7 The Committee were assured by the Executive of the high confidence in the integrity of the Register.

**Item 9ii. Papers from the HCPC's Internal Auditors, BDO LLP - Intelligence gathering review (report ref: ARAC 05/21)**

- 9.ii.1 The Committee received a report from the HCPC's internal auditors BDO LLP.

- 9.ii.2 The Committee noted that as part of the 2020-21 Internal Audit Plan as approved by the Committee, BDO undertook a review of the HCPC's intelligence gathering. The Committee noted the following points:

- the review primarily focused on what the HCPC is aiming for, to improve its capability to collect and analyse data, draw insight and intelligence and respond accordingly;
- progress so far in relation to the data platform was good;
- replacement of both the registration and FTP systems would provide a strong platform for data capture;
- there should be clarity about who owns the decisions about priorities for seeking, analysing, prioritising and reacting to intelligence;
- HCPC should ensure there is sufficient data capture - soft and unstructured data as well as hard and structured data;
- there should be a primary customer relationship management IT system for capturing soft and hard data on outreach, social media, stakeholder engagement and other interactions;
- careful thought should be given to how the mechanisms to assimilate and draw conclusions from the data will work;
- the data platform would open up almost limitless opportunities for drawing insight and intelligence from data. It would be helpful to take a risk-based approach and target the questions wanting answering that meet the HCPC's most significant inherent regulatory risks; and
- for the HCPC to genuinely switch to an intelligence-based regulator it needs to have the commensurate culture, behavioural habits and direct everything it does to that goal.

- 9.ii.3 The Committee noted that the review was an advisory audit and the priority ratings in the report were reflective of what was required to be built and not a reflection of something that needs to be fixed.
- 9.ii.4 The Committee welcomed the timely report and noted some real-world benefits that could be realised. It noted that it is a useful report at this stage of the HCPC's journey on data and intelligence. The Executive would consider on how best to share the information in the report with Council. **Action Executive**
- 9.ii.5 In response to a question the Committee noted that the ownership of data processes and data quality would require a focal point at SMT level, with end-to-end responsibility, and if there was a Council member who could provide a level of expertise then that would be beneficial in acting as a critical friend. The Executive agreed to clarify ownership and governance of data and intelligence. **Action Executive**
- 9.ii.6 The Executive Director of Digital Transformation concurred that the review was a useful piece of work, that it had come early in the process and the outputs would be built into plans going forward.
- 9.ii.7 The Committee queried whether this area would impact on strategic objectives being achieved, the criteria for ARAC's interest. It was noted that there was a direct link between data and intelligence and the delivery of the strategic objectives.
- 9.ii.8 The Committee considered how best to monitor the implementation of the recommendations in the report and questioned whether the recommendations tracker was the best method in this case. SMT agreed to reflect on how best to monitor and report on progress to the Committee. **Action Executive**

**Item 9iii. Papers from the HCPC's Internal Auditors, BDO LLP - Internal Audit Plan 2020-21 progress update (report ref: ARAC 06/21)**

- 9.iii.1 The Committee noted this item and that the plan was on track.
- 9.iii.2 The Committee noted that following discussions with management, the audit of culture and ethics had been replaced with an audit (not an advisory piece of work as described in the paper) of payroll which was brought forward from the 2021-22 audit plan as a priority.
- 9.iii.3 The Committee noted the insights piece included with the update report which highlighted the changes to the Institute of Internal Auditors' Three Lines of Defence model, which is now known as the Three Lines Model. The Committee noted that the new model places less emphasis on defence and allows for organisations to seize opportunities. The Executive would review the assurance map to see if these changes of focus were reflected in it. **Action Executive**

#### **Item 9.iv Internal Audit Plan 2021-22 (report ref: ARAC 07/21)**

- 9.iv.1 The Committee received a draft plan from the HCPC's Internal Auditors BDO LLP.
- 9.iv.2 The Committee noted the plan and the topics proposed in the plan.
- 9.iv.3 The Committee noted that the plan included a follow up audit of previously raised internal audit recommendations. This included an assessment of the implementation status of planned improvements to the HCPC's fitness to practise processes, mindful of the work ongoing to address areas highlighted for improvement by the PSA.
- 9.iv.4 The Committee welcomed the inclusion of safeguarding as a topic and, regarding whether there was sufficient focus on EDI issues, were assured that the HCPC has commissioned a consultancy service to conduct an independent review of the HCPC's EDI practice, both for external facing policies and internal work. The report was due to be presented to Council at its March meeting and would be presented to the Committee at its June meeting, with the recommendations from the report monitored through the Committee's recommendation tracker.
- Action Executive**
- 9.iv.5 Following a suggestion from the new Executive Director of Corporate Services the Committee agreed that a review of the new registration system's integration with finance, the end-to-end renewal cycle, billing and the collection of payments should be incorporated into the review of key financial controls. BDO agreed to reflect this and would look to schedule the review in Q3.
- 9.iv.6 The Head of Governance expressed a preference for the risk management audit to be prioritised in Q1/Q2 as a sense check with a very quick follow up when it has been embedded later in the year. The Committee and BDO both endorsed this approach.
- 9.iv.7 The Committee noted that SMT were consulted in the development of the plan and that the Committee had had a preliminary sighting of the plan at its February workshop. The Committee approved the internal audit plan for 2021-22.

#### **Item 10. Internal Assurance Report (report ref: ARAC 08/21)**

- 10.1 The Committee received and noted the report from the Executive.
- 10.2 The Committee noted the updates to the QA Schedule that included:
- new 1<sup>st</sup> line QA checks of threshold decisions;

- an audit of the decisions made by the new senior decision makers has started, focusing on the quality and consistency of the case closure decisions being made; and
  - continued involvement in the development of the FTP CMS system.
- 10.3 The Committee noted that a rapid response audit of registration appeals was a good example of responding to the organisation's needs based on something that has arisen that was not on the schedule.
- 10.4 The Committee noted that the QA framework for 2021-22 was being finalised and that scoping meetings had been held with all regulatory departments to define and agree the workplan.
- 10.5 The Committee welcomed the new QA Charter. The Committee noted that the Charter had also received positive feedback from SMT, who felt the aim statement of the QA department supported that of the Corporate Strategy.
- 10.6 The Committee noted that the QA department will be completing Lean Six Sigma Green Belt Practitioner training.
- 10.7 The Committee noted that a ransomware attack on one of the HCPC's suppliers meant that their services were unavailable for some time and that the HCPC was still determining if it was safe to continue use of their service. The HCPC had good assurance that its data was not impacted by the breach. The Committee noted that the supplier had ISO27001 and Cyber Essentials Plus certifications. The incident prompted the HCPC to perform extra checks on its suppliers and own infrastructure for possible vulnerabilities but that it was nevertheless confident of the current depth of defence. The Committee noted that the HCPC had referred the incident to the ICO who have closed the report without regulatory action as the HCPC had the appropriate contractual clauses in place requiring data security measures.
- 10.8 The Committee noted the updated Assurance Mapping document that reflects the current position and changes to SMT. The Executive noted the insights piece on the three lines model that was included in the earlier audit progress update from BDO and would reflect on the changes to that model.
- 10.9 The Committee welcomed that there were few health and safety incidents reported and were assured by the Executive that with the new ways of working, there has been specific training and guidance given to employees to support new challenges.

#### **Item 11. Internal audit recommendations tracker (report ref: ARAC 09/21)**

- 11.1 The Committee noted the item.

- 11.2 The Committee noted that in relation to the PSA and the internal reporting audit, KPIs' definitions and methodologies, recommendation 3, the detail in the current commentary should address all of the management response undertakings.
- 11.3 The Committee noted that the Executive is currently assessing resourcing requirements of the finance department.
- 11.4 The Committee noted that business continuity testing was on hold due to the pandemic and were informed that the Chief Information Security Officer was investigating new scenarios to develop, that are up to date. BDO noted, as an example of the changing landscape, that previous or existing arrangements for remote sites as part of business continuity might be less relevant today. The Executive agreed to update the Committee on business continuity plans through matters arising for the next meeting. **Action Executive**
- 11.5 The Committee noted that the two remaining financial controls recommendations were overdue and queried whether the revised completion date of the end of March 2021 would be achieved. The Executive agreed to update the Committee outside of the meeting with a progress report. **Action Executive**

**Item 12. Committee forward work plan (report ref: ARAC 10/21)**

- 12.1 The Committee noted the item.
- 12.2 The Committee agreed that it would not focus on any one particular strategic risk at its next meeting due to the items already scheduled for that meeting and that being the first consideration of new strategic risks.

**Item 13. Audit and Risk Assurance Committee Standing Orders (report ref: ARAC 11/21)**

- 13.1 The Committee noted the Standing Orders.

**Item 14. Any other business**

- 14.1 There was no other business.

**Item 15. Date & time of next meeting:**

- 15.1 Friday 11 June 2021, 1pm

## Item 16. Resolution

16.1 The Committee is 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 are 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
17	H

Chair.....

Date.....