

Council, 28 July 2020

Unconfirmed minutes of the Audit Committee Meeting of 10 July 2020

Executive Summary

The Audit Committee (AUD) met on 10 July 2020, The HCPC's External Auditors, haysmacintyre, NAO and our Internal Auditors, Grant Thornton attended the meeting.

The draft minutes of the public meeting are enclosed. A summary of business considered is set out below.

Annual report financial section & External Audit 2019-20 update

The Committee reviewed the provided financial section of the 2019-20 annual report and accounts but it was agreed that the draft was too undeveloped to provide meaningful assurance at that time. The Committee has agreed to meet on 3 August 2020 to consider a more developed draft which has been subject to external audit review.

Similarly, the external audit was not at a stage to provide assurance and this will also be discussed on 3 August.

Internal Audit

- **Review of recommendations** – BDO undertook a review of implementation of previous internal audit recommendations. The results were positive with a small number outstanding for stated reasons.
- **Internal Audit annual report 2019-20** – the overall audit opinion given was that 'There is some risk that management's objectives may not be fully achieved. Improvements are required in those areas to enhance the adequacy and / or effectiveness of governance, risk management and internal control'. AUD agreed that given the change ongoing at the HCPC, level 2 rating was a positive result, noting there was improvement required in the areas highlighted
- **2020-21 Internal Audit plan update** – the Committee discussed the impact of remote working on the phasing of the annual plan.

Internal Assurance Report

This report brings together the HCPC led assurance activity going on across the organisation, including internal QA. AUD noted the annual update of the assurance map, which charts sources of assurance in place per business area.

Annual Information Governance Report 2019-20

This report provided information on FOIA and GDPR compliance. Key findings were that:-

- there were 81 more information requests than the previous year, However, since social workers left in December 2019, the number of information requests had reduced by approximately 20%; and
- information incidents were up by 8 (87) on last year, with the majority being caused by human error with electronic information. However, no incidents met the threshold for reporting to the Information Commissioner's Office (ICO).

AUD noted a verbal update to the paper, that an information incident outside the period covered had been reported to the ICO. AUD were notified by email subsequently that the ICO closed this self-referral with no action.

Strategic Risk Register

Discussion focused on the impact of COVID-19 on the HCPC's strategic risks. AUD have requested an update on risk management improvement work to be presented at its September 2020 meeting.

HCPC Committee review 2020

The Committee discussed their submission as part of this review led by the Senior Council Member

Audit Committee

Public minutes of the 74th meeting of the Audit Committee held on:-

Date: Wednesday 10 June 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
Claire Amor, Head of Governance
Gordon Dixon, Business Improvement Director
Jacqueline Ladds, Executive Director of Policy and External Relations
Claire Holt, Director of HR & OD
Neil Cuthbertson, Executive Director of Digital Transformation
Paul Cooper Interim Head of IT and Projects
Tian Tian, Director of Finance
Roy Dunn, Chief Information Security and Risk Officer
Kathryn Burton, Haysmacintyre
Sarah Hillary, BDO LLP
William Jennings, BDO LLP
Andrew Fergusson, National Audit Office
Maxine Noel, Information Governance Manager (item 11)

Public

Item 1. Chairs welcome and introduction

- 1.1 The Chair welcomed those present to the 74th meeting of the Audit 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 4 March 2020 (report ref: AUD 02/20)

- 5.1 The Committee approved the minutes. The Executive agreed to check that the independent financial baseline review referred to at 5.1 in the minutes had been sent to the independent member.

Item 6. Matters arising (report ref: AUD 03/20)

- 6.1 The Committee noted this item.

Item 7. Annual report financial section (report ref: AUD 22/20)

- 7.1 The Committee received the draft financial section of the Annual Report and Accounts for 2020-21 from the Director of Finance. The Committee was invited to review the paper and provide feedback on the proposed approach and content for the separate annual highlights report.
- 7.2 It was noted that the auditors had only seen this version and it had not yet been audited. A second draft will be reviewed by Council in July 2020 and the third draft will be presented to Audit Committee and Council again in September for approval.
- 7.3 The Committee considered the approach and content and commented that the Annual Report should be kept short and factual as a statutory

requirement and that effort should be put into the yearly highlights to tailor for the key stakeholders in a more flexible and engaging way.

- 7.4 Attention was drawn to the transformation (change) work and the transfer of social workers. The Executive agreed that these should be reflected in the Annual Report and the yearly highlights.
- 7.5 The Executive also agreed to include a section for EU withdrawal preparations as suggested by the Committee.
- 7.6 The Committee agreed that the Annual Report should include a section on COVID-19 and its impacts on the HCPC. Haysmacintyre advised that this should include:
- the impact it had on the business between when the pandemic started and the year end and post year end; and
 - the impact on the financial position and financial reserves.
- 7.7 Haysmacintyre further advised that depending on the impact of the above, HCPC might wish to make some more significant statements about the financial position and planned action and that even though the report is for the year ending March 2020, it should identify impact to the date of sign off and how the pandemic will influence the HCPC going forward.
- 7.8 The Executive agreed to check the reason for providing historical statistical data in the performance analysis.
- 7.9 A committee member offered to send comments on some inconsistencies in some of the tables separately.
- 7.10 It was noted that in the Statement of comprehensive net income, the business transformation costs had been netted off income in order to distinguish transformation costs from normal operational costs. The Executive agreed to review this treatment with the auditors and amend where necessary.
- 7.11 The Committee discussed the remuneration report. It was agreed that this should include any Interim Executive Directors along with the CEO and Executive Directors. The approach to disclosure for other members of the SMT was discussed. The Executive agreed to review this for transparency.
- 7.12 The Committee agreed that its ability to provide assurance oversight on the Annual Report was limited at this time as the draft was not very developed. The Committee requested a timetable for the completion of the Annual Report be circulated outside of the meeting. The Director of Finance committed to action this point.

Item 8 External Audit 2019-20 update (verbal)

- 8.1 The Committee received a verbal update from Haysmacintyre.
- 8.2 Haysmacintyre reported that the audit fieldwork commenced as planned in May and the interim audit in January 2020 had focussed on the transfer of social workers. Much of the review work of systems and processes had been undertaken.
- 8.3 The Committee noted that there was a substantial amount of documentation outstanding. Due to the delay in providing accounts and documentation the NAO (National Audit Office) review of Haysmacintyre's audit had been delayed and was being rescheduled. The auditors recognised that access to some of the paper-based information had been limited due to the pandemic restrictions. The challenges posed by remote auditing had been resource intensive for both the auditors and the Executive. The auditors and the Executive were confident that the audit would conclude to planned timescales.
- 8.4 The Committee noted that the post balance sheet event work on going concern would happen closer to final approval of the Annual Report as the figures would need to run up to the sign off date in September rather than July.
- 8.5 The Committee noted that there were no significant issues arising from the work that has been carried out to date. In response to a query, Haysmacintyre clarified that they had not reviewed the asset valuations yet.
- 8.6 The Committee noted that whilst Haysmacintyre and The NAO did not envisage delivery of the audit to enable approval in September was an issue, they required clarity from the Executive on when key stages would be met.
- 8.7 The NAO noted that as John Barwick (JB) had been appointed as the substantive Chief Executive and Accounting Officer, they would need to re-issue their letter of understanding.

Item 9 Papers from the HCPC's Internal Auditors, BDO LLP as follows;

i. Recommendations follow up (report ref: AUD 23/20)

- 9.i.1 The Committee received a report from the HCPC's Internal Auditors BDO LLP.
- 9.i.2 BDO confirmed its review had found a high percentage of fully implemented recommendations. Those that were in progress or overdue, predominantly related to the Quality Assurance (QA) and key financial controls audit, where staff absences had prevented progress.

9.i.3 The Executive assured the Committee that follow up work that would've been completed by the Transactions Manager who has now left the organisation, has been passed on to the Financial Controls Manager as part of a restructure and will be progressed.

9.i.4 The Committee noted the report complemented the internal recommendations tracker document and that this would be updated to take into account the information in BDO's follow up report. The Secretary to the Committee agreed to action this point.

ii. Internal Audit Annual Report 2019-20 (report ref: AUD 24/20)

9.ii.1 BDO presented the Annual report which was the first one received from them since being appointed as HCPCs internal auditors.

9.ii.2 BDO highlighted the level 2 rated opinion for the year on page 3 of the report which states, 'There is some risk that management's objectives may not be fully achieved. Improvements are required in those areas to enhance the adequacy and / or effectiveness of governance, risk management and internal control'

9.ii.3 BDO highlighted the two amber rated audit assignments that were in fitness to practise and in the fraud risk assessment areas, it was noted that the overall opinion took into account the significant changes in management and other environmental factors.

9.ii.4 The Committee agreed that given the change ongoing at the HCPC, level 2 rating was a positive result, noting there was improvement required in the areas highlighted. BDO noted that that most organisations of a similar size rated around level 2, with not many at level 4 and very few achieving a level 1.

iii. Internal Audit Plan 2020-21 progress update (report ref: AUD 25/20)

9.iii.1 The Committee noted that the plan was in a fluid state in terms of timelines and delivery. The Committee were invited to highlight any priorities that could be brought forward.

9.iii.2 The Committee noted that work had begun on the 'reshaping the organisation' and 'PSA internal reporting' audits. The results of these would be reported to the Committee in September 2020. The proposed Financial modelling audit would be delayed.

9.iii.3 The Executive agreed to bring forward the audit in relation to IT general controls and agreed that this would be a well-timed piece of work given the current remote working situation along with the digital transformation work.

- 9.iii.4 BDO highlighted their '4R's Rethink (React, Resilience & Release)' model which provides organisations advice on dealing with the COVID-19 pandemic.
- 9.iii.5 The Committee discussed the impact of Covid-19 on priorities in the audit plan. It was noted that the scope of each audit would consider the impacts. The Committee Chair noted that they were provided with audit scope drafts to comment on to ensure the Committee's needs were reflected.

Item 10 Internal Assurance Report (report ref: AUD 26/20)

- 10.1 The Committee received a paper from the Executive.
- 10.2 The Committee noted that recruitment for the QA Lead has been completed and that the successful candidate would join the HCPC on 22 June 2020.
- 10.3 The Committee heard that the QA team had been temporarily redeployed to assist with the pandemic response. During this time the team had provided QA advice in relation to process changes.
- 10.4 The Committee noted that the finalised QA workplan for 2020-21 will be completed with the QA Lead and presented to Audit Committee in September. Planning was focused on PSA standard performance assurance.
- 10.5 The Committee noted that complaint levels were low with around 30 per month being received. The Committee noted that very few of these are in relation to pandemic issues and that there has been positive feedback in relation to the recently published COVID-19 guidance.
- 10.6 The Executive confirmed that the complaint statistics will be a feature of the Internal Assurance report in the future and that the Annual Complaints report would be presented at the Committee's September meeting.
- 10.7 The Chief Information Security and Risk Officer presented the updated Assurance Map, which was originally developed by BDO LLP. The QA team had assisted in updating the Map and had undertaken interviews with risk owners to interrogate the validity of controls.
- 10.8 The Committee welcomed the comprehensive review of the Assurance Map. The Committee noted that this would be helpful background when agreeing internal audit plans. It was important to be mindful that the third line of defence, which was extensive, did not become disproportionate to assurance needs.

- 10.9 The Committee noted that Appendix 1 of the report, the audit schedules, would be included each time and in future findings will be RAG rated.

Item 11 Annual Information Governance Report 2019-20 (report ref: AUD 27/20)

- 11.1 The Committee received a report from the Information Governance Manager (IGM).
- 11.2 The Committee noted the following points: -
- there were 81 more information requests than the previous year, However, since social workers left in December 2019, the number of information requests had reduced by approximately 20%;
 - 94% of FOI and 92% of SAR requests were completed within the statutory timeframe, and delays were usually due to complex requests, or where requests were not passed to the Information Governance team in good time;
 - information incidents were up by 8 (87) on last year, with the majority being caused by human error with electronic information. However, no incidents met the threshold for reporting to the Information Commissioner's Office (ICO); and
 - six complaints were received from the ICO, all of which were closed with no action.
- 11.3 The IGM highlighted to the Committee that there has been one incident recently referred to the ICO, that falls outside of the 2019-20 report. The incident was due to an administrative error in FTP and the risk assessment scoring came up as a high amber. Due to other factors it was nevertheless decided to report to the ICO. It is not expected that the matter will reach the ICO threshold for regulatory action and the Committee would be updated by the Head of Governance when a response from the ICO was received.
- 11.4 The Executive agreed to include information on yearly trends and indicators of improvement in future reports.

Item 12 Strategic Risk Register (report ref: AUD 28/20)

- 12.1 The Committee received the report from the Executive and noted the changes to the strategic risks received following a review over April/May 2020.
- 12.2 The Committee noted the increase in risk reflected and the challenges highlighted in the report that the organisation has faced in response to

Covid-19 while recognising the action taken and the planned actions as set out in the report.

- 12.3 The Chief Information Security and Risk Officer confirmed that in relation to business continuity planning, the plan had not entirely met needs and a review of HCPC's response to Covid-19 and the lessons learned had commenced.
- 12.4 The Executive confirmed that the much of FTP hearings work was being moved to remote hearings. The ICP (Investigating Committee) stage was currently being used to test the technology with a view to having all hearings until the end of the year relisted by August.
- 12.5 The Committee were assured by the Executive that they are collaborating closely and regularly with the other regulators in relation to FTP during the pandemic and sharing lessons learned. There were a number of technology-based approaches in support of the hearings work being undertaken, such as the electronic bundle capability.

The risks of the temporary register and remote working will be included in the register in future.

- 12.6 The Director of HR & OD provided an update on the work and initiatives being undertaken in relation to supporting colleague's wellbeing through the remote working period. It was noted that plans for a phased return to the office would consider wellbeing, business requirements, the estate and HCPC's carbon footprint.
- 12.7 The Executive Director of Digital Transformation noted that the HCPC's technology had performed well in response to remote working. Telephony options were being reviewed by SMT as this had been an area that could not be utilised remotely.

Item 14 HCPC Committee review 2020 (report ref: AUD 29/20)

- 14.1 The Committee received an overview of the aims of the committee review project from Senior Council Member and Audit Committee member Eileen Mullan.
- 14.2 The Committee noted its review of committee effectiveness undertaken the NAO in January 2020. This had found that the Committee was fulfilling its purpose well with some minor areas for improvement.
- 14.3 The Committee agreed that some agenda items they considered in the previous year had been outside its terms of reference such as the financial strategy. The Committee discussed the value of a Finance and Resources committee, which would enable Audit committee to maintain its independence on financial issues.

- 14.4 Sarah Hillary of BDO commented that the Committee asked the right questions based on the papers it considered. She suggested that the Committee could challenge itself with a facilitated workshop on, 'what don't we know?' looking at the root cause of some organisational failures in other organisations. The Committee welcomed this suggestion and commented that this would add value for Council in terms of scrutiny. The Secretary to Committee will explore options and report back to the Chair of Audit Committee.
- 14.5 The Committee were invited to further contribute to the committee review by returning the questionnaire to the Head of Governance.

Item 15. Internal audit recommendations tracker (report ref: AUD 30/20)

- 15.1 The Committee noted the item.

Item 16. Committee forward work plan (report ref: AUD 31/20)

- 16.1 The Committee noted the item.

Item 17. Any other business

- 17.1 Gavin Scott raised the matter of adjusting the Risk Appetite. The Committee felt that this would be best served by holding a workshop with Council and SMT.
- 17.2 The Chair requested that an update on risk management improvement be presented at the September meeting.

Item 19. Date & time of next meeting:

- 18.1 Wednesday 9 September 2020, 1pm

Resolution

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
19	H
20	C

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

Unconfirmed