

Council, 21 July 2022

Unconfirmed minutes of the Audit and Risk Assurance Committee meeting  
of 9 June 2022

### Committee Chair's summary to Council

The Audit and Risk Assurance Committee (ARAC) met on 9 June 2022.

This was the year end meeting of ARAC and we had the remaining internal audit reports and the annual opinion. The reports were on Education standards, Registration payments, Key financial controls and the implementation of recommendations made, which was commendable. We heard from the external auditors about the plans for the year end audit and noted that it may be possible to consider the annual report and accounts at ARAC's September meeting, although an October meeting will be arranged as a fall back.

ARAC reviewed the updated strategic risks and asked for more consideration to be made in some areas. We heard from the Chief Executive about the new strategic risk around regulatory reform. ARAC were keen that as much as possible is done early to manage this risk area, including developing plans to have the right resource in place when needed.

As usual there was a very helpful update from Finance about improvement actions, including to overcome the issues that arose in compiling last year's annual accounts. It was good to see the progress being made.

The Quality Assurance report is now quite comprehensive about the various sources of assurance and much work has been done with internal audit to ensure each complements the other. ARAC considered that it would be helpful for Council to see this report at its next iteration. The challenge now is to summarise and interpret the information to provide an opinion and that will develop over the coming months.

*Sue Gallone, Chair of the Audit and Risk Assurance Committee*

## Audit and Risk Assurance Committee

**Public minutes of the 84<sup>th</sup> meeting of the Audit and Risk Assurance Committee held on:-**

**Date:** Thursday 9 June 2022

**Time:** 1.30pm

**Venue:** MS Teams

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

**In attendance:**

Claire Amor, Head of Governance  
John Barwick, Chief Executive and Registrar  
Alastair Bridges, Executive Director of Resources and Business Performance  
Kathryn Burton, Haysmacintyre  
Roy Dunn, Chief Information Security and Risk Officer  
Alan Keshtmand, Head of Finance  
Bill Mitchell, BDO LLP  
Ben Newman, Quality Assurance Manager  
Naomi Nicholson, Executive Director of Professional Practice and Insight  
Maxine Noel, Information governance Manager  
Anna Raftery, Quality Assurance Lead  
Gareth Roberts, National Audit Office (NAO)  
Andrew Smith, Executive Director of Regulation  
James Wilson, Quality Assurance Manager

## Public

### **Item 1. Chair's welcome and introduction**

- 1.1 The Chair welcomed those present to the 84<sup>th</sup> meeting of the Audit and Risk Assurance Committee.

### **Item 2. Apologies for absence**

- 2.1 Apologies were received from Heeral Davda.

### **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 and Risk Assurance Committee meeting of 9 March 2022 (report ref: ARAC 11/22)**

- 5.1 The Committee approved the minutes of the meeting of 9 March 2022.

### **Item 6. Matters arising (report ref: ARAC 12/22)**

- 6.1 With regards to matter arising one, the Executive confirmed that their aim was to have the draft accounts ready for recommendation at the Committee's 14 September meeting.

### **Item 7. Strategic Risk Register (report ref: ARAC 13/22)**

- 7.1 The Committee received the report from the Executive which included the latest iteration of the Strategic Risk Register (SRR).
- 7.2 The Head of Governance highlighted the following
- the strategic risks had been reviewed following one year of monitoring and some changes had been made as previously outlined to the Committee;
  - strategic risk one had been refocused on the HCPC's own targets for good regulation, though the PSA's standards would remain an important influencer on the risk, especially when standards remained not met. Other influencers for the risk included the

service responsiveness within registration, and the mitigations put in place to improve this;

- strategic risks two, three, four and five had only minor definition clarity changes. Strategic risk four was also influenced by registration service responsiveness, as well as recent stakeholder concern regarding physiotherapist renewals; and
- strategic risk six was a new risk focused on realising the benefits of regulatory reform as well as organisational implementation readiness.

7.3 The Committee discussed registration service responsiveness and asked if consideration had been given to extending the HCPC's phoneline opening to evenings and weekends. The Executive Director of Regulation advised that while the HCPC would seek stakeholder feedback on their expectations of the service in future, at present the funding was not in place to enable extended opening hours. Upgrades to the HCPC's telephone system would assist in triaging calls as well as providing greater management information on call volumes and responsiveness.

7.4 The Committee noted the need to review strategic risk five in light of the findings of the Internal Audit review of key financial controls. **ACTION.**

7.5 In response to a question, the Head of Governance confirmed that the requirement to consider EDI impacts within governance papers included an affirmative confirmation if it was not a relevant consideration for the paper.

7.6 The Committee asked that more detail on mitigations planned to facilitate any rise in fees be added to strategic risk 4. **ACTION.**

7.7 As requested by the Committee, the Chief Executive provided a verbal presentation summarising new strategic risk 6 relating to regulatory reform. The Committee noted the following points:

- regulatory reform had been in development for over a decade through many phases, the current momentum behind regulatory reform was resulting in action towards the modernisation of the regulators legislation;
- regulatory reform would enable more flexibility to design processes to be efficient and compassionate while still protecting the public. It would also afford the HCPC greater control of its financial sustainability;
- while improving regulatory performance was not wholly dependent on regulatory reform, it would enable a greater pace or improvement and efficiency through consensual disposal and other streamlined processes;

- the strategic risk had two main aspects. One being the HCPC's effectiveness in engaging with, and influencing, the development of the emerging legislation, in particular the GMC's section 60 order, as this would form the template for the remaining regulators;
- the second aspect was the uncertainty resulting from the absence of a clear timeline for the implementation of regulatory reform beyond the GMC. The lack of clarity on when the HCPC would undergo reform posed challenges in ensuring the right resource was in place to implement it while not having that resource on board too early;
- there was a strong link between strategic risk six and strategic risk 5, that the HCPC had the needed resources and skills. The Executive had reviewed the Corporate Plan 2022-23 to agree what activities would be deprioritised to free up capacity and funding for regulatory reform should the HCPC's reform commence;
- the HCPC did not have control over many of the influencers of the risk as the timing and pace of regulatory reform was not within its influence;
- additional complexity was posed by the number of different elements of reform which as a whole made up regulatory reform, which included the Health and Care Bill, the consultation on the regulation of professions and the review of the number of health profession regulators;
- there had been some delay in the GMC's section 60 consultation launching, this was expected in the autumn of 2022. It was anticipated that DHSC would publish its response to the regulatory reform consultation before this date, which it was hoped would provide a forward roadmap for implementation;
- positive risk influencers included the HCPCs extensive engagement with DHSC, other regulators and the broader policy framework. This had been helped by the development of the HCC's public affairs capabilities and the support of Luther Pendragon;
- a dedicated Policy Lead resource was in place to act as a central point for the HCPC's regulatory reform perpetration. In addition, a regulatory reform internal working group of key employees along with the Chair of Council and Luther Pendragon was meeting on a regular basis;
- the HCPC was also working closely with other regulators, in particular the NMC as their legislation was similar to the HCPC's and therefore there was the potential for undergoing reform at the same time and pooling resource for common issues;

- 7.8 The Committee asked if, while there was uncertainty on timing, the Executive were able to work to determine in theory how new processes would be designed based on the GMC legislation. The Chief Executive responded that part of the preparation for regulatory reform was the HCPC's focus on its FtP frontloading pilot and wider roll out. This would be an enabler of the new processes. While the current focus was engagement with the development of the legislation, when the consultation period was running, the HCPC would be able to refocus resources on designing future regulatory processes. The Executive Director of Regulation added that the HCPC was also preparing by ensuring all technology investment was future proof and would be able to adapt to reformed processes.
- 7.9 The Committee asked if engagement and communication on regulatory reform was solely focused on parliamentarians and other senior stakeholders. The Chief Executive confirmed that regulatory reform was a key area of discussion in meetings with professional bodies, as well as other stakeholder groups.
- 7.10 The Committee asked if the HCPC had a clear message to communicate externally about the benefits of multi professional regulation. The Chief Executive confirmed this messaging was clear and that the Executive had developed messages relating to the regulation of Social Workers in England transfer not detracting from the value of multi professional regulation.
- 7.11 The Committee asked if the HCPC had the skills it needed to effectively implement regulatory reform. The Chief Executive responded that, while many of the skills needed were already on board, one area of weakness was legal expertise as the HCPC had no in house counsel. However, the HCPC had well established relationships with a panel of law firms and would consider a secondment when resource demand increased.
- 7.12 The Committee thanked the Chief Executive for an informative and timely discussion.

## **Item 8. Annual Information Governance Report (report ref: ARAC 14/22)**

- 8.1 The Committee received a report from the Information Governance Manager. The report outlined the HCPC's information governance activity and key statistics for the period 1 April 2021 to 21 March 2022
- 8.2 The Information Governance Manager summarised the paper. The Committee noted the following points:-
- 427 information requests were received in 2021-22 which was an increase on 2020-21;
  - there had been a decline in performance against the statutory timeframes for responding to information requests when compared

to 2020-21. This was due to the impact of the correspondence backlog within registration during the summer of 2021, which had knock on effects on the timely forwarding of information requests contained within that correspondence;

- this impact had also reduced subject access request (SAR) compliance. The HCPC received a high number of complex SARs being those for interlinked FtP cases, or very large case files which required review. Where a delay was anticipated the team communicated this to the requestor;
- the number of information incidents recorded was lower than the previous three years. All incidents were risk assessed against the ICO's criteria for self-reporting; and
- five ICO concerns were received, all were closed by the ICO with no further action required of the HCPC.

8.3 The Committee welcomed the open reporting culture fostered at HCPC and the transparency of reporting to the ICO. The Committee asked when the Executive expected response time compliance rates to return to those seen in previous years. The Head of Governance responded that as the root cause was the backlog of registration correspondence and this had been resolved, the compliance rates for 2022-23 would be improved.

8.4 The Committee discussed the HCPC's information security training completion rates, noting that 80% of employees completed the 2022 training. The Chief Information Security and Risk Officer (CISRO) advised that the 20% outstanding included those on parental leave or long-term sickness absence. These employees would be required to complete the training on return. The Committee noted that information security training was mandatory for both Council members and Partners. Non compliance was followed up on an individual basis to ensure full completion.

8.5 The Committee asked if the HCPC's IT systems were interlinked and therefore assisted in reducing the need for time consuming searches for data. The Information Governance Manager responded that this was not the case but that this was the HCPC's aim in investing in future systems and its insights and intelligence framework.

8.6 The Committee thanked the Information Governance Manager for a comprehensive report, which it noted.

### **Item 9.i Audit planning report – Year end 31 March 2022 (report ref: ARAC 15/22)**

9.i.1 The Committee received a report from the HCPC's external auditors, Haysmacintyre. The report set out Haysmacintyre's plan for the HCPC's

external audit 2021-22, including the scope and key risks to be considered.

- 9.i.2 Kathryn Burton, Haysmacintyre, highlighted the following points from the report.
- the audit timeline was stretching but achievable as long as the audit encountered no significant issues;
  - there would be an increased focus on fraud in revenue recognition as a result of the issues encountered with income reconciliation during the 2020-21 external audit; and
  - the audit would consider the HCPC's implementation of IFRS 16, and any outstanding liabilities relating to FtP cases.
- 9.i.3 Kathryn Burton noted the good engagement with the Executive on planning and that the September delivery was a stretch target that could be delayed by any issues encountered.
- 9.i.4 It was noted that the outlined risk of fraud in revenue recognition related to material inaccuracy in the numbers rather than the focus being on deliberate fraud.
- 9.i.5 The Committee noted the challenging timeline outlined and the risk of slippage should issues arise. The Committee agreed that a fall-back Committee meeting in early October 2022 should be arranged as a mitigation. **ACTION.**
- 9.i.6 The Committee noted the increase in Haysmacintyre's fees for the 2021-22 audit. It was noted that this was in part due to changing regulation as well as the HCPC's system challenges.
- 9.i.7 The Committee noted the external audit plan for 2021-22.

**Item 9.ii Audit planning report - 2021-22 financial statements audit (report ref: ARAC 16/22)**

- 9.ii.1 The Committee received a report from the National Audit Office (NAO). The report set out the NAO's plan for the audit of the HCPC's financial statements for the period 2021-22, it included consideration of key risks and materiality.
- 9.ii.2 The Committee noted that the NAO would rely on the work of Haysmacintyre where possible and that the NAO's materiality basis had not changed from the previous year's (2020-21) audit.
- 9.ii.3 The Committee noted the NAO's fee estimate assumed no issues with the audit, and this would need to be revisited if issues arose.



- 9.ii.4 The Committee noted that the valuation of land and buildings remained a significant risk for 2021-22, as it did for many other organisations. Other key risks included the classification of income between recognised and deferred income, given the changes to the CRM system and issues identified in 2020-21.
- 9.ii.5 The Committee discussed appendix 8 of the report outlining good practice in Annual Reporting. The Executive noted that this would be reviewed for future years Annual Reports preparation, once the issues with income reconciliation were resolved.
- 9.ii.6 The Committee discussed appendix 9 of the report setting out considerations for Audit and Risk Assurance Committees in relation to the risk impact of the invasion of Ukraine. The Committee asked the Executive if anything relevant to the issue had been identified for HCPC. The HCPC confirmed that an initial review of the contracts register had not raised any issues and cyber risk was always a consideration.
- 9.ii.7 The Committee noted the financial statements audit planning report 2021-22.

**Item 10. HCPC Audit planning and update of recommendations (report ref: ARAC 17/22)**

- 10.1 The Committee received a paper from the Head of Finance. The paper set out the Executive's preparation for the 2021-22 external audit, and how recommendations from the 2020-21 external audit would be actioned.
- 10.2 The Committee welcomed the extensive and prompt action outlined in the paper. The Committee agreed that the new finance leadership appeared to have a good grip on the HCPC's financial governance.
- 10.3 The Committee noted that in checks made 10% of registration income had not been invoiced and noted its concern if this was a widespread issue. The Head of Finance noted that as part of an improved process the finance and registration operation teams were meeting weekly to identify registrants with payments outstanding. Historical unpaid invoices were also being reviewed and addressed.
- 10.4 The Committee asked if the progress assessment made on page 13 of the report was the assessment of the Executive or BDO LLP. The Head of Finance confirmed this was the Executive's assessment and it would be confirmed by BDO LLP as part of their review of recommendations.
- 10.5 Asked what concerned them about the HCPC's finances, the Head of Finance responded that the unknown impact of the ongoing NMC partner worker status case was a risk, as well as the lack of a bad debt policy being in place. The Executive Director of Resources and Business

Performance added that the implementation of a new Finance IT system remained a concern due to historical issues with the current system.

- 10.6 The Committee asked for clarity on whether the HCPC's process enabled applicants to be registered without payment being made. The Executive agreed to review this and report back. **ACTION.**
- 10.7 The Committee noted the report.

#### **Item 11. Capital Expenditure Policy (report ref: ARAC 18/22)**

- 11.1 The Committee received a paper from the Head of Finance. The paper proposed a new Capital Expenditure Policy for approval.
- 11.2 The Committee noted that the HCPC's approach to capitalisation was reviewed in 2021 and asked whether the Executive were confident that the change in policy would not result in unintended consequences as a result of recategorisation of expenditure. The Head of Finance noted that there remained some uncertainties around major project expenditure. The Committee requested an update on the extent and impact of the reallocation of expense between capital and operating expenditure as a result of the new policy. **ACTION.**
- 11.3 The Committee noted some concern at approving the policy without awareness of the level of any reallocation of expenditure may have. The Executive Director of Resources and Business Performance responded that the HCPC required a working policy and asked the Committee to recommend the working policy that could be adjusted if any unintended consequences arose.
- 11.4 The NAO asked if there was any potential for the new policy to depart from FReM standards. The Executive responded that this was not expected but agreed to review this. **ACTION.**
- 11.5 The Committee agreed to recommend the Capital Expenditure Policy to Council for approval while noting the importance of the actions in paragraphs 11.2 and 11.4.

#### **Item 12.i Internal Audit Report: Education Standards (report ref: ARAC 19/22)**

- 12.i.1 The Committee received a report from the HCPC's Internal Auditors BDO LLP. The report presented the findings of a recent internal audit of the HCPC's education standards.
- 12.i.2 The Committee noted the following points:-

- the objective of the audit was to provide assurance on the HCPC's policies, processes and controls intended to meet the PSA standards relating to education;
- the audit found that overall, there was a sound control framework in place to achieve the HCPC's objectives in this area and that controls to manage the risks audited were being consistently applied; and
- two low priority and one medium priority recommendations were made and all recommendations were accepted for action by the Executive.

12.i.3 The Committee noted the recommendation relating to regular Partner refresher training. It was noted that data and narrative on Partner training was reported to the People and Resources Committee.

12.i.4 The Committee noted the report.

**Item 12.ii Internal Audit Report: Registration Payments (report ref: ARAC 20/22)**

12.ii.1 The Committee received a report from BDO LLP. The report presented the findings of a recent internal audit of the HCPC's process for registration payments.

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

- the objective of the audit was to review the processes and controls intended to prevent a recurrence of the deferred income accounting issues experienced in 2021-22;
- the audit also reviewed governance processes more generally relating to business transformation, and whether lessons learned from the deferred income issue had been adopted for other change projects;
- the review found some weaknesses requiring remedial action. Two medium priority recommendations were made and accepted by the Executive for action;
- while some interim solutions had been put in place, there remained a need for a long-term solution relating to the systems implementation issues caused by the new registrations and finance systems; and
- since the audit, steps to reconcile the year end figures were underway.

- 12.ii.3 The Committee noted there was no completion date for recommendation two within the report. Bill Mitchell advised that this was because it was a continuous action and that as the action was currently being undertaken it could be considered closed.
- 12.ii.4 The Committee thanked BDO LLP for the review, noting that it was a snapshot of the process at the time of the audit and that the new finance leadership were making good progress in rectifying the issues identified.
- 12.ii.5 The Committee noted the report.

**Item 12.iii Internal Audit Report: Follow up of Recommendations (report ref: ARAC 21/22)**

- 12.iii.1 The Committee received a report from BDO LLP. The report presented the results of BDO LLPs review of the Executive's completion of internal audit actions resulting from the 2021-22 Internal Audit.
- 12.iii.2 The Committee noted the following points:-
- overall, we consider that generally good progress has been made in implementing the recommendations and agreed actions outlined in the original audit reports;
  - there were a total of 30 Priority 1 or Priority 2 recommendations across 10 different internal audit areas. 27 of the 30 had been completed;
  - of the three outstanding, one related to CPD analysis as part of the Insight and Intelligence Framework being delayed due to staff sickness. The other two recommendations both related to the registration behaviours, key financial inputs and inflationary assumptions discussed at the Registrant Forecasting Working Group. Plans to complete the actions were in place; and
  - no outstanding actions were priority one recommendations.
- 12.iii.3 Bill Mitchell noted that the completion rate was positive and that he was satisfied that the outstanding actions were well underway.
- 12.iii.4 The Committee noted the report.

**Item 12.iv Internal Audit Plan 2022-23 progress update (verbal)**

- 12.iv.1 Bill Mitchel, BDO LLP, summarised progress on the 2022-23 Internal Audit Plan. He highlighted the focus on co-working with the HCPC's Quality Assurance Team, as well as personnel changes within BDO LLP.

### **Item 13. Internal audit recommendations tracker (report ref: ARAC 22/22)**

- 13.1 The Committee received a paper from the Governance and Compliance Officer. The paper set out progresses against outstanding internal audit recommendations.
- 13.2 The Committee requested that due dates for actions not be revised, in order to better track delays against original commitments. Revised dates can be included in the progress update column. **ACTION.**

### **Item 14. Committee forward work plan (report ref: ARAC 23/22)**

- 14.1 The Committee noted the item.

### **Item 15. Any other business**

- 15.1 There was no other business.

### **Item 16. Date & time of next meeting(s):**

- 16.1 Wednesday 14 September 2022, 1.30pm

### **Item 17. Resolution**

- 17.1 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.’

<b>Item</b>	<b>Reason for Exclusion</b>
18	H
19	H
20	H

**Chair.....**

**Date.....**