

Audit Committee

Public minutes of the 77th meeting of the Audit Committee held on:-

Date: Thursday 11 November 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
John Barwick, Chief Executive and Registrar (items 7 & 8)
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 10)
Roy Dunn, Chief Information Security and Risk Officer
Margaret Osibowale, Head of Financial Planning & Analysis (item 12)

Public

Item 1. Chairs welcome and introduction

- 1.1 The Chair welcomed those present to the 77th 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 17 September 2020 (report ref: AUD 56/20)

- 5.1 The Committee approved the minutes of the meeting of 17 September 2020.
- 5.2 The Committee noted that in reference to paragraph 10.5, the Annual Report and Accounts were laid.

Item 6. Matters arising (report ref: AUD 57/20)

- 6.1 The Committee noted this item.

Item 7. Strategic Risk Register (report ref: AUD 58/20)

- 7.1 The Committee received the latest Strategic Risk register which reflected changes since the last iteration presented to the Committee in September 2020. The Head of Governance presented the report and the Committee noted the following points:

- there was no change in the risk score for SR1. Andrew Smith would join the HCPC on 16 November as the new Executive Director of Regulation, and would be the risk owner moving forward;

- the iteration was drafted just before the second Covid lockdown was announced.
- it was anticipated that the temporary register would continue, although the temporary student register was being closed;
- the risk score for SR2 had reduced due to support from Luther Pendragon greatly improving HCPC's ability to quickly respond to external changes from a communications perspective and also improving HCPC's public affairs ability;
- Brexit had been reflected as requested by the Committee at its last meeting;
- the consultation on Corporate Strategy was live and on track to be approved at December Council;
- there was no change in the risk score for SR3 and the delay in receiving the full PSA report had impacted on the time for HCPC to react to findings;
- the residual risk remained the same for SR4 due to the planned phased return to the office slowing with the changing external situation; The risk score was expected to reduce at the next iteration due to the launching of the new Registration and FTP systems, the embedding of new digital approaches and adopting process efficiencies as a result of Covid into the norm;
- a review of the Estate Strategy had been initiated and this mitigation was listed in SR4 and SR5; and
- the residual risk remained the same for SR5 with the new planned mitigation of a review of the estates strategy which aimed to support cultural change and collaborative culture.

7.2 In response to a question from a Committee member who queried why SR1 and 3 remained stable, the Executive noted the following:

- the risks introduced with the opening and uncertainty of the temporary registers had not increased as the processes have embedded and operated without any concerns.
- although the paper was drafted prior to the second lockdown, there has been no intelligence to suggest that FTP response times in respect of investigations had been affected in the same way as during the first lockdown. However, there was a loss of productivity with remote working. The Executive noted that although the backlog wasn't reducing as planned prior to the pandemic it was not significantly increasing either.

- some of the current mitigations around the risks, such as the implementation of remote telephony, the electronic transfer of documents capability and the ability to continue FTP Hearing activity, arose from learning over the period of Covid pressures.
- the Executive noted that the HCPC would continue to focus on its own assurances against the PSA Standards that are continuously being monitored and reported to Council as there were delays in receiving the PSA report.
- the collaboration and shared learning and experiences of the Regulators around FTP had been helpful during the pandemic. The regulatory Chief Executives also regularly contributed to a Covid-19 grid which shared details of all regulatory processes across the Regulators during the pandemic.
- the current target risks will be reviewed as the organisation revises its risk appetite.

7.3 The Committee commented that where the mitigating actions are on target, but risk isn't reducing, this should be explained. The Committee also noted that the Risk Register in its new format was much more detailed and clearer.

7.4 The Chief Executive and Registrar gave an oral summary of some of the themes associated with SR 5, failure of governance, leadership and culture. The Committee noted the themes and the expanded description of the associated mitigations.

7.5 In response to questions from the Committee the Executive noted the following:-

- given the current remote working situation, the emphasis on maintaining regular contact amongst employees is necessary and that there are various channels, facilitated by MS Teams which provide space for employees to engage in a less formal way. However, it was recognised that it was impossible to replicate fully the natural and spontaneous contact that would be the norm in an office environment. The Executive noted that different teams have adopted different approaches and that learning has been taken from what works well and what doesn't, and best practises would be applied across the organisation;
- culture is articulated in the strategy which encompasses the new values that were developed with employee input. The relationship with Council and the Executive is important, and the recent discussions on risk appetite are a good example of enabling cultural change. Recent changes to guidance on Council papers will also help;

- a platform for learning and development, and performance management, has been implemented which allows people to tie in their SMART objectives to the corporate objectives. The performance management system is in place throughout the organisation including at Executive level and it might be possible to extend its use to Council if it were desired. The Executive would investigate this possibility with the L&D Manager.
- EDI is embedded in to the HCPC and informs the development of policies and approaches. The new dedicated EDI role in the policy team has unfortunately become vacant and the process for recruitment is underway. There is also a dedicated EDI resource currently being recruited for the HR department.

7.6 The Committee and the Executive agreed that a step change has occurred in their relationship and also noted that a workshop will be arranged early on in Q1 or Q2 of 2021, to further work on culture.

Item 8. HCPC Risk Appetite review (report ref: AUD 59/20)

- 8.1 The Committee received a paper from the Head of Governance which outlined the steps the HCPC has taken to review and propose a new Risk Appetite statement.
- 8.2 The Committee noted that the current appetite was set in 2018 and that the Committee considered plans for the review at its meeting in September 2020. On 21 October, the Council and SMT took part in a workshop at which the proposed categories to be used for the risk appetite were considered.
- 8.3 The Committee agreed that the proposed categories were clear and that they reflect Council and SMT's views. The Committee and the Executive agreed that the workshop had been positive and there was good engagement with process.
- 8.4 The Committee noted the changes proposed from the current risk appetite statement and agreed that it will be important to base decisions on the new risk appetite. It was noted that the organisation has historically been risk adverse and this should be addressed when embedding the new appetite in wider organisation. The proposed "measured" approach to financial risk shouldn't prevent the HCPC taking appropriate financial risks, as long as financial viability is maintained.
- 8.5 BDO advised being mindful that referring to how the HCPC is perceived should not lead to a focus on PR over substance.
- 8.6 [The Independent Committee member was having a temporary difficulty with communication through MS Teams and was invited to submit any comments they might have to the Executive following the meeting.]

8.7 The Committee noted that following further consultation and testing, a final statement would be presented to the Council at its February 2021 meeting for adoption

Item 9i. Papers from the HCPC's Internal Auditors, BDO LLP - PSA and internal reporting (report ref: AUD 60/20)

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 performance management and internal reporting as part of the 2020-21 Internal Audit Plan as approved by the Committee. The Committee noted the aims of the review were to:-

- provide assurance that KPIs and performance reports, including data, currently reported to SMT and Council are accurately stated and can be supported with source information;
- provide advisory support for ongoing work to improve KPI reporting with reference to current PSA standards and HCPC's wider strategic objectives; and
- assess whether there are effective, well governed and good project management arrangements with respect to the performance working group and internal management of PSA performance.

9.i.3 The Committee noted the overall assessment of the report was Green/Amber - generally a good control framework was place with some minor weaknesses in the control framework or areas of non-compliance which may put achievement of system or business objectives at risk.

9.i.4 The Committee commented that the comparison with and examples from other regulators presented in the report were helpful. The Committee further commented that the HCPC should consider the use of more visuals with the reporting.

9.i.5 The Executive assured the Committee that a session for SMT and Council would be held in April to agree the HCPC's KPIs moving forward, in line with the Corporate strategy.

9.i.6 The Committee noted that the new Finance and Resources Committee would be helpful in reviewing KPIs and data.

Item 9ii. Papers from the HCPC's Internal Auditors, BDO LLP - FTP follow up (report ref: AUD 61/20)

- 9.ii.1 The Committee received a report from 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 follow-up audit of findings raised in the Fitness to Practise (FTP) audit which was finalised in February 2020. The Committee noted the following points:-
- the purpose of the audit was to provide assurance to Council and management that the issues previously identified in our October 2019 audit have been addressed, and where steps are still ongoing to address identified issues, to independently report on the implementation status of the recommendations.
 - overall, 13 recommendations for the FTP End to End Process audit were found to be fully implemented. Good progress has been made against one recommendation which remains in progress as the issue still exists.
 - performance around the timely handling of FTP cases has slightly improved overall but there has been a slight decrease in performance from June 2020. This impact was due to Covid-19 and ongoing staffing issues, however, HCPC is taking steps to improve matters by deploying temporary staff in the interim and developing an FTP recruitment plan.
- 9.ii.3 In response to a question, the Committee noted that fresh core data and sample cases were reviewed in making the assessment that there had been a significant improvement in performance. The Committee noted that issues with the FTP performance remained and were being monitored by Council.

Item 9iii. Papers from the HCPC's Internal Auditors, BDO LLP - Internal Audit Plan 2020-21 progress update (report ref: AUD 62/20)

- 9.iii.1 The Committee noted this item and that the plan was on track.
- 9.iii.2 The Committee noted the Insights piece included with the update in relation to responding to the pandemic.
- 9.iii.3 In response to a question about the process if there were disagreements between the Executive and the internal auditors' recommendations, BDO commented that the organisation can accept risks identified. If BDO felt that serious issues that were being disregarded, they would inform the Committee.

Item 10. Internal Assurance Report (report ref: AUD 63/20)

- 10.1 The Committee received and noted the report from the Executive.

10.2 The Committee noted the following: -

- the feedback and complaints service standard of 15 working days has been consistently met since July, following a change in process which was presented to the Committee at its last meeting.
- a six-month review was undertaken of the learning obtained from complaints, with a focus on how that learning can be applied across different areas of the organisation. A significant highlight that came from the review was learning on tone of voice, that is being addressed by a project that Policy, QA and the Service and complaints manager all feed in to. This work relates to the new PSA standard that focusses on how organisations address concerns raised about them.
- health and safety incidents were being reported for the first time, and these would continue to be reported as they occur.
- QA were requested to complete a high-level targeted review of the proposed FTP CMS System, demonstrating how the team could add value to other areas outside of the regulation departments and provide assurance as projects develop rather than finding issues at the end. One significant issue highlighted by the team was the process for restoration to the register, which had been incorrectly applied by the developer.
- the Paperless Appeals audit planned for Q4 has been brought forward to Q3 with the scope of this audit widened following feedback, and as such has been renamed Registration Appeals. The Digital Applications review has been rescheduled to QA.

10.3 The Business Improvement Director noted that QA's involvement in the FTP CMS project was very helpful, looking at it from a lay perspective in picking up issues and identifying areas where an impact could be made with tone of voice. The Committee welcomed the feedback.

Item 11. Review of internal whistleblowing policy (report ref: AUD 64/20)

11.1 The Committee received the draft Whistleblowing policy for employees from the Head of Governance and noted the following points:-

- the HCPC's Whistleblowing policy for employees was last reviewed in 2012;
- reviewing the Whistleblowing policy was an action arising from the Committee's review of its effectiveness undertaken in January 2020;

- an aim was to produce a shorter and more employee focused policy;
 - the draft policy has been considered by the SMT and Employee Forum. It has undergone legal review;
 - a clear policy welcoming concerns being raised contributes to HCPC's assurance for strategic risk 5, failure of governance, leadership or culture. It can also assist in mitigating the other risks through reporting;
 - the Audit Committee is asked to recommend the policy to Council for adoption.
- 11.2 The Committee noted that should a fraud allegation be received through whistleblowing, it would be routed through the recently reviewed fraud and anti-bribery policy and follow its response plan. This should be reflected in the whistleblowing policy.
- 11.3 The Committee noted that all incidents of whistleblowing, both upheld and not upheld would be reported to SMT and Audit Committee.
- 11.4 The Executive confirmed that a register of policies would be developed with dates for review and ownership.
- 11.5 The Senior Council member noted that the term whistleblowing could prevent people coming forward and that not everyone wants to go through a process. The Executive noted it should be mindful of the language and the mechanisms in place, along with their perceptions.
- 11.6 The Committee noted that it can be difficult to preserve anonymity, should that be requested, when investigating and that must be balanced with encouraging people to speak up. The Committee were assured that there was a commitment to ensuring that individuals were treated appropriately and not penalised in any way for whistleblowing and that the organisation would welcome challenge as part of its shift in culture. It was recognised that this would only be demonstratable in its actions.
- 11.7 On reflection the Committee agreed that the wording in the policy does strike the right balance and it recommends the policy to Council for approval.

Item 12. Financial Planning & Analysis Journey

- 12.1 The Committee received a presentation from the Head of Financial Planning & Analysis (HFP&A), that gave an insight to her role and developments at the HCPC.
- 12.2 The Committee noted the positive changes the team has brought so far. These include the implementation of a new cost model, automated

departmental reporting, the new income model and the shift to analysis and influencing to help to inform budget holders in forecasting and identifying efficiencies where possible.

- 12.3 The Committee were assured that the figures that are entered into the cost model from FTP take account of trends in the level of FTP concerns being received over time.
- 12.4 The Executive confirmed to the Committee that the higher costs associated with the pandemic are fed into the model, such as an increase in the number of days required for a hearing. However, a lessening of other costs such as for travel and accommodation have offset some of those costs and are also fed into the model.
- 12.5 The Committee thanked the HFP&A for the informative and interesting presentation.

Item 13. External Audit planning report 2020-21 (report ref: AUD 65/20)

- 13.1 The Committee received a report from its External Auditors, Haysmacintyre LLP.
- 13.2 The Committee noted that Alex Gillespie has been replaced by Jonny Broadley on HCPC's audit team and the audit staff would be confirmed once it was clearer how the audit would be conducted. Haysmacintyre have discussed and agreed their approach with the National Audit Office (NAO) and the Executive.
- 13.3 The Committee noted that the external audit this year would take place under two new international standards on auditing; Going concern and Accounting estimates. Given the ongoing impact of Covid and the significant changes with the organisation over the last year, going concern was highlighted as a heightened risk. Haysmacintyre as a point of reference in response to a question from a Committee member suggested that what the HCPC submitted for last year's accounts would likely to have been sufficient to meet the new standard for going concern had it then been in place.
- 13.4 Haysmacintyre noted that the additional work required for HCPC in relation to accounting estimates would include reviewing how the HCPC recognises its income, the methodology regarding the deferrals and the reconciliation of the CRM and the accounting systems, accruals in relation to ongoing costs of fitness to practise and the valuation of the building and other potential capital assets such as systems and software. The implementation of IFRS 16 and methodology would also be considered having been delayed for a year.
- 13.5 The Committee noted that the point of emphasis of matter which was included in last year's Annual Report and Accounts, in relation to the

uncertainties of the valuation of property, was a current hot topic that was likely to continue and it wasn't necessarily linked to Covid.

Item 14. National Audit Office Audit Planning Report - 2020-21 (report ref: AUD 66/20)

- 14.1 The Committee received a report from the National Audit Office (NAO)
- 14.2 The Committee noted that the NAO would rely on the work of Haysmacintyre where possible and that they have identified the same risks.
- 14.3 The Committee noted that the NAO would undertake some additional work such as the regulatory opinion and the remuneration report testing.
- 14.4 The Committee confirmed to the NAO that they were comfortable with the risks identified.
- 14.5 The Committee and members of the Executive who were present declared that they were not aware of any fraud in relation to the HCPC.

Item 15. Internal audit recommendations tracker (report ref: AUD 67/20)

- 15.1 The Committee noted and welcomed the redesigned recommendations tracker.
- 15.2 The Committee noted that good progress has been made on the implementation of recommendations and there was very little outstanding on the tracker.

Item 16. Committee forward work plan (report ref: AUD 68/20)

- 16.1 The Committee noted the item.

Item 17. Any other business

- 17.1 The Committee agreed that Strategic Risk 1 would be the focus of Audit Committee at its next meeting.

Item 18. Date & time of next meeting:

- 18.1 Wednesday 10 March 2021, 1pm
- 18.2 The Committee noted that there would be a separate workshop held on Wednesday 3 February 2021.

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	H
21	H

Chair.....

Date.....