Audit and Risk Assurance Committee

Public minutes of the 79ᵗʰ meeting of the Audit and Risk Assurance Committee held on:-

Date: Friday 11 June 2021

Time: 1 pm

Venue: MS Teams

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

In attendance:

Ewan Shears, Secretary to the Committee
Stephen Cohen, Chair of the People and Resources Committee
Maureen Drake, Chair of the Education and Training Committee
Sonya Lam, Chair of Remuneration Committee
Claire Amor, Head of Governance
Andy Smith, Executive Director of Regulation
Jo Moore, Executive Director of Corporate Services
Naomi Nicholson, Executive Director of Professional Practice an Insight
Kathryn Burton, Haysmacintyre
Bill Mitchell, BDO LLP
William Jennings, BDO LLP
Andrew Ferguson, National Audit Office
Gareth Roberts, National Audit Office
Anna Raftery, QA Lead
Roy Dunn, Chief Information Security and Risk Officer

Item 1. Chair's welcome and introduction

1.1 The Chair welcomed those present to the 79th meeting of the Audit and Risk Assurance Committee and invited attendees to introduce themselves. A special welcome was extended to new Committee member Kathryn Foreman to her first meeting, and to Stephen Cohen, Chair of the People and Resources Committee, Maureen Drake, Chair of Education and Training Committee and Sonya Lam, Chair of Remuneration Committee, who attended as observers.

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 13/21)

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

5.2 In response to a question the Head of Governance clarified that in paragraph 7.7 where it mentioned 'consistency of judgment across teams' this was in reference to consistency of risk scoring related to the operational risk register.

Item 6. Matters arising (report ref: ARAC 14/21)

6.1 The Committee noted this item.

6.2 The Head of Governance provided an update to matter arising number 3 that the insight and intelligence framework was expected to be presented to Council in September 2021.

6.3	In relation to matter arising number 2, the review of the investment and reserves polies would be presented to the Committee in September 2021.

6.4	In relation to matter arising number 4, the business case for a data platform was likely to be developed towards the end of the current financial year, but this would only be confirmed once the budget work was completed. The Chair of Committee requested this item remained as a live action and asked the Executive to provide a timescale with the next update. **Action Executive**

Item 7. Strategic Risk Register (report ref: ARAC 15/21)

7.1	The Committee received the Strategic Risk Register (SRR) from the Executive and noted the following points:

- this was the first population of the new Strategic Risks agreed by Council in March 2021;

- the strategic risks were aligned to the new risk appetite approved by Council in February 2021, and also linked to the corporate strategy;

- it was linked to the corporate plan through the planned mitigations for the coming year; and

- operational risks had been developed alongside and linked to the SRR, and were recently approved by SMT. The operational risk register would be presented to the Committee in September 2021.

7.2	The Committee noted that the full year budget had not yet been agreed and therefore the timings around some of the planned mitigations were subject to movement.

Strategic Risk 1

7.3	The Committee received an overview of SR1 from the Executive Director of Regulation, who noted that the current risk remained relatively high. This was mainly due to the timing of regulatory reform and the HCPC's PSA standard performance not being where the HCPC would like it to be. The Committee further noted the following points:

- there was an FtP improvement programme and governance in place, and the FtP improvement oversight board held regular meetings with attendance of the PSA and the DHSC;

- the new quality assurance model pilot in the Education department was progressing well and was expected to be approved by ETC for full implementation in September; and

- there was an increase in international applications in the Registration department due to overseas recruitment campaigns aimed at addressing the workforce challenge brought about by Brexit.

7.4 The Committee noted that there was a reduction in the impact score from 5 to 3 and this was due to the collaborative working the HCPC undertook with the PSA and the DHSC over the last six months.

Strategic Risk 2

7.5 The Committee received an overview of SR2 from the Executive Director of Professional Practice and Insight who noted that the inherent risk was high as the policy framework was fundamental to everything the HCPC does. The Committee noted the following points:

- there was a good regulatory framework in place;

- The professional liaison team was in place, and increasing this capacity would help to bring down the risk score further;

- the HCPC had passed all of the PSA standards relating to policy; and

- a timetable / forward plan for regular review of standards and guidance was in place, noting the ODP SET 1 consultation would be presented to Council in July 2021.

7.6 The Committee noted that two senior Policy members were leaving the HCPC and that recruitment was underway. This would not change the risk scoring at present but would be kept under review due to the short-term impact this might have on such a small team.

7.7 The Committee noted that the work of the insight team was being supported by a secondee from the GMC and advised the Executive to be open to exploiting different opportunities for resourcing.

7.8 The Committee noted that the current risk level was within the HCPC's risk appetite and questioned why there was a desire to reduce it, and if that was the case whether the current risk appetite was wrongly stated. The Committee cautioned about over-managing risk and the impact that might have on resourcing. The Executive noted that this particular risk was about relevance and that it should be constantly reviewed, and further noted that although it was within the risk appetite, a high level of action needed to be maintained in such an important area.

Strategic Risk 3

7.9   The Committee received an overview of SR3 from the Executive Director of Professional Practice and Insight, who noted that the HCPC had data challenges in relation to the collection and availability of data, and budgetary constraints limited the HCPC's ability to establish the systems, digital platform and analytical functions that were required. The Committee further noted the following points:

- there were two statistical analysts now in post to start up the insights team and EDI analysis was underway;

- the impact rating was high and the likelihood rating although lower was dependant on progression with the data platform; and

- to reduce risk in this area a significant increase in capabilities, capacity, skills, and systems would be required. This risk score was likely to reduce slowly over time and changes would need to be coordinated appropriately.

7.10   The Committee noted that in the audit recommendations tracker (item 12 on the agenda) some of the management updates on the intelligence gathering review recommendations signal that the HCPC was waiting for the technology to be available before action was taken. The Committee suggested that a change in culture and progression of some of the related work should be possible before the technology was available. The Executive assured the Committee that this was planned, and the tracker would be updated accordingly. **Action Executive**

7.11   The Executive Director of Corporate Services explained that there were several new core systems with embedding issues and that it was imperative these were resolved prior to progressing with the data platform. As the HCPC aims to be intelligence-led, through data collection and analysis, the Committee advised that a hearts and minds approach ahead of the data platform would benefit the HCPC.

7.12   The Committee noted that the planned mitigations appeared to be larger steps and suggested that smaller incremental activities should be captured. The Committee further noted that it was hard to understand which of the planned mitigations were driving down the impact of a failure to exploit and harness data. The Executive agreed to review the mitigations as suggested and ensure both likelihood and impact were addressed clearly. **Action Executive**

7.13   The Committee noted that capturing EDI data was a statutory requirement and this should be progressed but also advised that, where there was a wealth of data, analysis of what was not needed should be undertaken to aid implementing systems moving forward.

Strategic Risk 4

7.14   The Committee received an overview of SR4 from the Executive Director of Professional Practice and Insight, who noted that the HCPC had a complex stakeholder environment operating across 15 different professions, including the NHS, trade unions, professional bodies and the four nations. The Committee noted the following points:

- the lack of a CRM system limited the HCPC's ability to coordinate stakeholder engagement efficiently;

- there was no internal strategic relationships resource;

- there were positive results of the independent audit of the HCPC's EDI practice;

- there was ongoing support from consultants Luther Pendragon on public affairs; and

- the professional liaison function was in place which was improving stakeholder engagement.

7.15   The Committee noted that the current risk rating was high and the impact score was set at 5 due to the importance of understanding stakeholder needs, particularly at a time of regulatory reform. The Committee further noted the current likelihood risk was set at 3 due to the positive and effective stakeholder work that the HCPC has done, such as the work on ODP SET 1 noted in SR2.

Strategic Risk 5

7.16   The Committee received an overview of SR5 from the Executive Director of Corporate Services, who noted that this risk was still subject to review.

7.17   The main risk was in relation to the budget for the remainder of the year which was being prepared for the following week. At present the risk could be higher but would likely be reduced following the completion of the budget work.

7.18   There were uncertainties in setting the budget. Notably, the end of covid emergency powers, currently due to expire at the end of September 2021, would result in the resuming of face to face hearings, which has an impact on costs and the HCPC's financial position.

7.19   The Committee emphasised the need to provide a current risk scoring for such an important area and to include it in the heat map. The Executive agreed to re-evaluate the risk level once the work on the budget was completed. **Action Executive**

Strategic Risk 6

7.20 The Committee received an overview of SR6 from the Head of Governance and the Executive Director of Regulation, in the absence of the Chief Executive. The Committee noted the following:

the tone of voice review project had been postponed to later in the year, however widespread customer service workshops for employees were being undertaken;

- FTP would start a template (correspondence) review soon; and

- registrant experience improvement through the registration system should be realised once the initial implementation issues were resolved.

7.21 The Committee noted that in relation to regulatory reform the HCPC had been working very closely with the DHSC and other regulators in shaping the consultation and aligning responses where appropriate.

7.22 The Executive acknowledged the risk that the HCPC's ability to influence could be compromised when PSA performance was not as good as it might be, but the HCPC was forward looking and pro-actively engaging with stakeholders.

7.23 The Executive noted that the DHSC White Paper provided an opportunity for the HCPC, as a multi-profession regulator, to play an important role.

7.24 The Committee noted that although the tone of voice review was deferred, the HCPC should adopt the spirit of what the project aimed to achieve. The current live FTP cases are those that the PSA would retrospectively review. The Executive agreed that it was essential to be able to demonstrate that the HCPC was a compassionate regulator.

7.25 The Chair of Committee noted that a correction in the wording of the risk appetite section should be made where it stated that the current level was within risk appetite, when it should read outside risk appetite. **Action Executive**

7.26 The Committee thanked the Executive, agreeing that the new Strategic Risks and their presentation had enabled a comprehensive discussion of the key issues and what was being done about them.

7.27 The Committee agreed that it would not focus on or deep dive into any one strategic risk at its next full meeting in September, as the operational risk register would be presented.

Item 8. External Audit 2020-2021 update

8.1 Haysmacintyre and the NAO provided a brief update, and the Committee noted the following:

- work was ongoing with the finance team to produce a timetable and the audit was due to commence at the end of June 2021;

- a few issues relating to accounting and system matters had been experienced, but Haysmacintyre were confident that everyone would be ready by the end of the month for commencement of the audit and to meet the reporting deadline in September 2021;

- the NAO would ensure they were aligned to the timetable and would rely on the work of Haysmacintyre.

8.2   The Executive assured the Committee that they were on course for the audit, noting that there had been major system and personnel changes throughout 2021.

8.3   In response to a question, the Executive reported that the area of greatest risk to the completion of the audit was related to the validation of income due to system changes and related issues, however the manual processes put in place would mitigate against those issues.

Item 9.i. Papers from the HCPC's Internal Auditors, BDO LLP — Payroll (report ref: ARAC 16/21)

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

9.i.2   The Committee noted that BDO undertook a review of the HCPC's payroll processes to provide assurance that they were designed appropriately and that key risks relating to payroll were being managed effectively.

9.i.3   The Committee noted that the report received an amber rating. BDO noted that of the five overall recommendations, the three main recommendations related to the following;

- access privileges within the Core HR system;

- controls around reviewing monthly pay reports; and

- amendments to the financial scheme of delegation.

9.i.4   In response to a question the Executive provided assurance to the Committee that as a result of Brexit, there should not be any data sharing issues with the HCPC's suppliers processing data in the EU as there were agreements in place relating to this. The Executive would continue to monitor this position.

9.i.5   The Committee drew attention to the management response to recommendation number 5 of the report relating to access privileges to the Core HR system and asked that actions following enquiries be

detailed. The Committee stated that they would look to the recommendations tracker for a future update. **Action Executive/Committee**

Item 9.ii. Papers from the HCPC's Internal Auditors, BDO LLP - Internal Audit review of recommendations 2020-21 (report ref: ARAC 17/21)

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

9.ii.2   The Committee noted that this review was a follow-up of priority actions in response to internal audit recommendations that had been reported as having been implemented by management during 2020-21. There were a total of 18 Priority 1 or Priority 2 recommendations across seven different internal audit reports.

9.ii.3   The Committee noted that the report received a positive green/amber rating and that of the 18 recommendations there were two in relation to business continuity and staff training on the Shadow Planner phone application that were found to be still in progress. Updated management responses had been received and included in the report.

9.ii.4   The Committee welcomed the report and noted that it provided good assurance of the regular management updates they receive.

Item 9.iii. Papers from the HCPC's Internal Auditors, BDO LLP - Annual Report and Opinion (report ref: ARAC 18/21)

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

9.iii.2   The Committee noted the internal audit annual report with the internal audit annual opinion contained therein. The Committee noted that the annual opinion was drawn mainly from the results and assurance ratings stated in BDO's individual audit reports, and consideration was also given relating to the responsiveness of management to the recommendations, the results of any other relevant work undertaken by BDO and the direction of travel of the effectiveness of the organisation's internal control, governance and risk management processes.

9.iii.3   The Committee noted the inclusion of the recent financial modelling review which was in draft form and would be presented to the Committee in September 2021. The Committee noted that some significant issues were found in that review and management responses would be provided.

9.iii.4   The Committee noted the following highlights that were considered in forming the annual opinion:

- significant issues were found with the changes in finance systems and the ascertaining of income from registration fees;

- access privileges within the Core HR system required urgent review;

- the effect of the pandemic on the organisation had been relatively minimal and had not had a significant impact in terms of internal control and risk, whilst also acknowledging the huge challenges the organisation was presented with in relation to its emergency powers;

- the FTP follow up audit revealed that good progress was made in relation to the recommendations, which had had a positive effect on risk in that critical area;

- the management responses to the recommendations across the audits were found to be timely and complete; and

- there was a slight deterioration of overall audit opinions this year compared to the previous year, however there was a marked reduction in the number of recommendations per assignment

9.iii.5   BDO noted that they were comfortable that sufficient work had been undertaken to provide the annual opinion. The Committee noted the opinion in the annual report which concluded there was some risk that the system of internal control, governance and risk management would fail to meet management's objectives. They further noted that while there were some areas that were strong, there were also some specific areas of significant risk.

9.iii.6   The Committee noted the annual opinion was rated at level two out of the four levels of assurance and was the same level as for the previous year. The Committee noted that they were satisfied with the rating and opinion as set out in the annual report and thanked BDO for their work in relation to it.

Item 9.iv Internal Audit Plan 2021-22 progress update (report ref: ARAC 19/21)

9.iv.1   The Committee received the Internal Audit Plan 2021-22 progress update report and its contents were noted.

9.iv.2   The Committee noted that management had requested that the planned policy and standards audit be replaced as it was felt that more value would be achieved from a review of the HCPC's digital transformation approach and benefits realisation of new IT systems.

9.iv.3   The Committee noted that the proposed substitute review appeared wide ranging, would require careful scoping and should be risk driven.

9.iv.4   The Executive noted that the HCPC had invested in several new core systems and assurance was required that benefits were being realised. The Committee noted that an off the shelf product versus a bespoke build product evaluation might also be an area to consider and agreed there was value in the proposed substitute review.

9.iv.5   BDO noted the HCPC had implemented a number of important systems already, however, there were a number of systems still on the list, to be put in over time. It would therefore be important to reflect on prioritisation and the process of managing large IT transition projects, to learn the lessons to enable success for future projects.

9.iv.6   The Committee agreed that after considering the other items on the internal audit plan reserves list and that with careful scoping, the proposed substitute review should replace the review of policy and standards.

9.iv.7   The Executive had additionally requested that the planned CPD audit be replaced due to an overlap with a QA CPD audit that would take place that year. The Executive noted it could collaborate with BDO on the scope of the internal QA audit if they were content to do so, to cover the aspects BDO would focus on.

9.iv.8   The Committee noted that the CPD audit was one of the core areas to be reviewed but recognised that if the QA team were covering this area the Committee would support the change in the plan for the reasons given, on condition there was collaboration with BDO on the audit as suggested by the Executive. The Committee requested that the QA findings should be presented to the Committee. **Action Executive**

9.iv.9   The Executive proposed to replace the CPD audit with a review on the 'renewals to receipt of registration payments process'. The known systems issues that were being resolved would benefit from internal audit assurance, specifically on the end-to-end process of renewal, receipt of payment and accounting as this process was critical to the HCPC.

9.iv.10   The Committee approved the substitution in the audit plan, after considering the other items on the internal audit plan reserves list.

Item 10. Internal Assurance Report (report ref: ARAC 20/21)

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

10.2   The Head of Governance noted that the format of the report would be refreshed for the Committee meeting in September 2021 with an aim of providing a more joined up narrative to give assurance.

10.3   The Committee noted that the report contained two appendices that were:

- the Quality Assurance 2020-21 summary; and

- the Information Governance Annual Report 2020-21

10.4 The QA lead provided a short summary of QA activity and the Committee noted that:

- a review of the decisions made by the new FTP senior decision makers had been completed with an assurance rating of satisfactory which demonstrates an improvement on a previous FTP audit of threshold decisions that received a low assurance rating;

- the Education QA pilot first line checks had been completed;

- a reflective review of phase 2 of the Registration Transformation and Improvement Project had been completed with a number of lessons learnt to be fed across all projects; and

- the team was confident that through the improvements implemented in 2020, they had demonstrated the value a robust QA service could give to SMT, Council and ARAC. The focus for 2021-22 would be to raise the profile of QA with the rest of the organisation.

10.5 In response to a question, the QA lead noted that below leadership level, the awareness of QA was not yet fully embedded and that engagement with other employees (rather than simply requesting information) was helping to raise the profile and interest of the activities being undertaken by the team. Plans were also being made to engage at the 'all employees' meeting in September 2021 and to seek feedback through surveys to continue to improve. A monthly newsletter was also sent out to all management in regulation highlighting best practices and updating them on the QA activity.

10.6 The Executive Director of Professional Practice and Insight endorsed the work of the QA team and that reports they have had sight of were helpful, focussed on quality improvement and working with the teams to embed changes. The Executive Director of Regulation agreed with the comments and added that they had valued the approach of the QA team in that they had recommended changes and helped to implement those changes with the departments.

10.7 A Committee member observed that, having worked closely with Registration Appeals recently, QA was not viewed as a threat but as something everybody was responsible for and that this culture should give good assurance to the Committee. The Committee noted and welcomed the positive endorsements.

10.8 The Committee noted that a follow up on the digital applications audit was planned for Q3. The Executive agreed to include a paragraph in the QA activity report explaining issues where there was a low assurance rating found. **Action Executive**

10.9 The Information Governance Manager provided a summary of the Annual Information Governance Report 2020-21 referenced as Appendix 2. The Committee noted the following points:

- a total of 367 requests for information were received which were 192 fewer requests than received in the previous year, which was expected following the change of regulator for social workers;

- 95% (165) of the 174 FOI requests completed within the reporting period were responded to within the statutory deadline of 20 working days;

- 91% (88) of the 97 subject access requests (SAR) completed within the reporting period were responded to within the statutory deadline of one month;

- there were 51 recorded data incidents which were 36 fewer than reported the previous year; and

- a total of 3 complaints were received from the Information Commissioner's Office.

10.10 In response to a question regarding the numbers reported under the various categories of data incidents, the Executive explained that individual data incidents could be included in more than one category. The Executive further explained that the 'HCPC error' category and the 'Supplier error' category distinguish where an incident occurred. The Committee noted that incidents in both these categories could also be 'Human error' or other categories listed. The Committee noted that it was important to try to understand why there was a human error for each incident where this was identified.

10.11 The Committee acknowledged the good performance of responding to data requests within the statutory timeframes, noting that some of the requests were complex and the achievement should be recognised.

10.12 The Committee welcomed the greater use of the data privacy impact assessments.

10.13 The Committee noted that statistics were published regularly on the HCPC website and that the data published was reviewed regularly alongside FOI requests.

10.14 The Chief Information Security and Risk Officer provided a summary of matters relating to organisational compliance. The Committee noted the following points:

- the HCPC passed a comprehensive six day ISO27001 recertification audit. There were two minor non-conformances and one opportunity for improvement that were being actioned and would be completed by 4 June 2021;

- information security training and anti-bribery and fraud prevention for employees was rolled out in early April 2021;

10.15   The Committee asked for the report to include instances of single tender action in the reporting period. The Executive agreed to explore this for inclusion in the report, to be presented at the Committee's meeting in September 2021. **Action Executive**

10.16   The Executive Director of Corporate Services noted that a comprehensive procurement report was being developed the Chairs of both the People and Resources Committee and the Audit and Risk Assurance Committee agreed to meet to ascertain where the scrutiny of this item should lie. **Action Committee**

Item 11. Anti-Bribery & Fraud policy annual review (report ref: ARAC 21/21)

11.1   The Committee received a paper from the Executive.

11.2   The Committee noted there had been no changes to UK law, and that no cases of bribery or fraud had been recorded over the previous year. The content of the anti-bribery and fraud polices therefore remained unchanged.

11.3   The Committee noted that references in the policy to Audit Committee should be updated to Audit and Risk Assurance Committee.

11.4   The Committee approved the paper subject to the change above.

Item 12. Internal audit recommendations tracker (report ref: ARAC 22/21)

12.1   The Committee noted the item.

Item 13. Committee forward work plan (report ref: ARAC 23/21)

13.1   The Committee noted the item.

Item 14. Any other business

14.1   There was no other business.

Item 15. Date & time of next meeting:

15.1   Wednesday 23 June 2021, 3pm
        Thursday 16 September 2021, 1pm
        Wednesday 10 November 2021. 1pm

Item 16. Resolution

16.1   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 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
18	H
19	C
20	D

Chair………….
Date……………