Council, 6 July 2023

Unconfirmed minutes of the Audit and Risk Assurance Committee meeting of 14 June 2023.

Committee Chair's summary to Council

The Audit and Risk Assurance Committee (ARAC) met on 14 June 2023. ARAC's June meeting was full, with the flavour of the reports indicating progress and better assurance on all fronts except financial resources, which features heavily in the strategic risk. The impact of the delayed fee rise until October 2023 is being analysed.

Strategic Risk

The deep dive topic was IT & Digital and we were assured that cyber risks were being managed, with no complacency about the need to keep up to date. The challenge of resourcing developments is managed through prioritisation. We explored how the delay to the implementation of the new finance system, Business central, reflects more realistic estimates of work needed from the design phase. ARAC will have a further deep dive into the risks and implications of the Digital Strategy as that is implemented.

Internal Audit

Internal audit reported a moderate level of assurance over Fitness to Practise. ARAC discussed the management responses to two recommendations in particular, to ensure all aspects had been considered and were satisfied with the approach. There was good progress in implementing recommendations over the year and the annual opinion from Internal Audit returns to moderate this year, a welcome development following improvements in financial control.

The progress report from Internal Audit (on Members' iPads) includes points arising from a workshop on Business Transformation. These are being progressed and I suggest that Members may wish to be aware of them and note improvements planned.

External Audit

It is early days for the external audit of the Annual Report and Accounts. A good start with draft accounts has been made, with drafts available to members over the summer. It will be important to confirm that the process will be finished for Council to approve for laying in September, in view of Parliamentary recess periods.

Unified Assurance Report

The unified assurance report was summarised in the public session, covering work from the last year. In private ARAC were able to see the detail and discuss. Moderate assurance is in place.

Council, 6 July 2023
Unconfirmed minutes of the
Audit and Risk Assurance Committee meeting of 14 June 2023

Page 1 of 14

Private Session

In private ARAC also discussed the difficulty in complying with the present reserves policy, due to limited fee increases. Mitigations were helpfully listed, including the significant cash balance, and these will be included in a revised policy. Council will be kept up to date with when the HCPC expects to return to positive net assets, as specified in the policy.

Sue Gallone, Chair of the Audit and Risk Assurance Committee

Council, 6 July 2023
Unconfirmed minutes of the
Audit and Risk Assurance Committee meeting of 14 June 2023

Page 2 of 14

hcpc
health & care
professions
council

| **Audit and Risk Assurance Committee** |

Public minutes of the 89th meeting of the Audit and Risk Assurance Committee held on:-

Date: Wednesday 14 June 2023

Time: 2pm

Venue: MS Teams

Present: Sue Gallone (Chair)
David Stirling
Graham Masters
Lianne Patterson
Damien Baker

In attendance:

Ewan Shears, Secretary to the Committee
Claire Amor, Executive Director of Governance, Assurance and Planning
Alastair Bridges, Executive Director of Resources and Business Performance
Andrew Smith, Interim Deputy Chief Executive and Registrar
Laura Coffey, Interim Executive Director of Regulation
Bill Mitchell, BDO LLP
Dan Bonner, BDO LLP
Kathryn Burton, Haysmacintyre
Oliver Evatt, National Audit Office, NAO
Gareth Roberts, NAO
Anna Raftery, Head of Assurance and Compliance
Maxine Noel, Information Governance Manager
Roy Dunn, Chief Information Security and Risk Officer
Dean Button, Financial Controller
Vesna Maglov, Reg Team Leader
Chantelle Blunt, HR Business Partner
Natasha Chaugule, HR Business Partner

Council, 6 July 2023
Unconfirmed minutes of the
Audit and Risk Assurance Committee meeting of 14 June 2023

Item 1. Chair's welcome and introduction

1.1   The Chair welcomed those present to the 89th meeting of the Audit and Risk Assurance Committee.

Item 2. Apologies for absence

2.1   There were no apologies for absence received.

Item 3. Approval of agenda

3.1   The Committee agreed that Item 13 would be heard in private session to allow for full discussion. The Executive would report the main points to Council in the Finance report which would be heard in public.

3.2   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 15 March 2023 (report ref: ARAC 15/23)

5.1   The Committee approved the minutes of the meeting of 15 March 2023.

Item 6. Matters arising (report ref: ARAC 16/23)

6.1   In response to a question relating to action 1, the Executive clarified that the strategic risk headlines remained the same and the updated Risk Appetite would be reflected throughout the Strategic Risk Register by the September meeting.

6.2   The Committee noted this item.

Item 7. Strategic Risk Register (report ref: ARAC 17/23)

7.1   The Committee received the report from the Executive which included the latest iteration of the Strategic Risk Register (SRR).

7.2   The Executive Director of Governance, Assurance and Planning reported that planned mitigations had been updated for all Strategic Risks for

Council, 6 July 2023
Unconfirmed minutes of the
Audit and Risk Assurance Committee meeting of 14 June 2023

FY2023-24 and reflected in the Corporate plan with good progress made. The Committee noted the following changes and points:-

- SR1, there was no change in the risk score, however this was expected to be reduced once the PSA 2022-23 report was published. Registration service had improved and remained consistently within KPI since summer 2022;

- SR2, there was good progress on planned mitigations in Q1 2022-23 including a major review of the HCPC's SCPE's (Standards of Conduct, Performance and Ethics) and a review of English language requirements for registration;

- SR3, a revised and more realistic focus was agreed for FY2023-24 targeting underlying quality improvements and a smaller number of analysis projects. Further development of the data platform was dependant on securing a fee rise. The HCPC's first profession specific (Dietitians) EDI dashboard was published on the website at the beginning of June 2023 and other professions' EDI data would be published in the near future;

- SR4, working with Patient Association and service user focus groups for the SCPE review had been positive and 'stakeholder voice' work would be integrated with Policy development work as BAU. The extensive engagement undertaken with stakeholders in relation to a fee rise appeared to have mitigated against its negative impact with no feedback of concern received recently. The Welsh language compliance notice was finalised and work on the required changes had started;

- SR5, the risk had increased due to delays in the fee rise process outside the HCPC's control, and the HCPC were working to a new delivery date of 1 October 2023. The delay would have an impact that the HCPC would need to consider. Business Central (new finance system) reimplementation was slightly delayed with some aspects rescoped. Grant funding for the temporary register had been confirmed and it would no longer be listed as a negative impact on SR5; and

- SR6, the HCPC had responded to the consultation on regulation of physicians' associates in May 2023. DHSC had announced that the HCPC and the NMC would be the next regulators to be prioritised for reform. This had reduced the risk of significant delay to the HCPC's reforms. However, the financial risk posed had increased due to needing to scale up the HCPC's internal resource and the delay to the fee rise.

7.3   The Committee thanked the Executive Director of Governance, Assurance and Planning for the clear paper and helpful overview. The Committee commented that the SRR and UAR (Unified Assurance Report) both provided an assurance that improvements were being made

Council, 6 July 2023
Unconfirmed minutes of the
Audit and Risk Assurance Committee meeting of 14 June 2023

Page 5 of 14

in all areas except for resources due to the delays with the fee increase. The Executive agreed that the fee rise (and funding) was the greatest risk to the organisation and that regulatory reform work would need funding.

7.4   In response to a question related to SR3, the Executive agreed that a single point of failure for operational performance data reporting was still a risk. The progression of automation was currently focussed on FtP operational data reporting and should be completed in the near future. The Learning and Development plan also included data reporting training across the organisation to reduce that risk.

7.5   As requested by the Committee, the Head of IT and Digital Transformation provided a verbal presentation focussing on the HCPC's approach and Strategic and Key Operational Risks relating to IT and Digital. The Committee noted the following points and actions being undertaken by the team:-

- A refreshed Digital Strategy set out new digital principles and sharper focus on external user experience;

- to work closely with the Communications team to develop the HCPC's user experience principles and action plan;

- to continue supporting the ongoing improvement of regulatory systems and online services;

- to make improvements to the new cloud-based phone system features and reporting;

- the Programme for Data Excellence was progressing within BAU resources, with the focus streamlined for FY2023-24 to the automation of FtP operational data reporting. Acceleration of the wider programme was pending a fee increase;

- to continue providing datasets to support the Insight and Analytics workplan;

- to continue supporting the HEE data sharing agreement;

- to progress the digital technology agenda through the framework of the refreshed Digital Strategy;

- to continue working with Business Change and Finance to replace the legacy finance system with a modern future-proof solution;

- to continue the migration of legacy on-premises technologies to cloud-based solutions;

- to progress the replacement of legacy security, data and device management solutions with Microsoft E5 to enhance security

Council, 6 July 2023
Unconfirmed minutes of the
Audit and Risk Assurance Committee meeting of 14 June 2023

Page 6 of 14

posture, improve data protection controls and support a dispersed workforce; and

- to continue actively managing and monitoring supplier contractual performance and financial health with escrow arrangements being implemented where appropriate.

7.6   The Committee noted that the roll out of the new Microsoft E5 solution would be delayed due to prioritisation of the Business Central implementation. The Executive assured the Committee that the legacy systems in place provided the necessary protection required. While it was always important to keep up to date to manage cyber risk, there were no concerns about gaps in protection. The Executive further noted the features and benefits that Microsoft E5 would bring to the organisation once implemented, such as future proofing and enhancing date security, protection, retention and device management capabilities.

7.7   In response to a question the Executive explained that the high current risk score of SR5 was reflective of the current financial position, and assured the Committee that the People Strategy, which was two years into its five year plan, and the integration of the finance and registration systems, were continuing to be progressed.

7.8   The Executive agreed that the ability to resource and implement developments was a challenge for an organisation the scale of the HCPC, and that prioritising was a key part of planning.

7.9   The Business Central implementation delay had arisen following the design and planning phase. That had provided a more robust timeline and resource requirement compared to those provided initially by the supplier. The Executive acknowledged that learning would be taken by both the HCPC and supplier as they moved into the construct phase.

7.10   The Committee thanked the Head of IT and Digital for the useful overview of the risks the team was helping to manage. The Committee agreed that a future deep dive should be in relation to the Digital Strategy and any changes of its vision. **ACTION**

Item 8. Annual Information Governance Report (report ref: ARAC 18/23)

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 2022 to 31 March 2023

8.2   The Chief Information Security and Risk Officer presented and summarised the paper. The Committee noted the following points:-

- 506 information requests were received in FY2022-23 which was an increase compared to FY2021-22;

Council, 6 July 2023
Unconfirmed minutes of the
Audit and Risk Assurance Committee meeting of 14 June 2023

- there had been a slight increase in performance against the statutory timeframes for responding to information requests when compared to FY2021-22;

- common Freedom of Information (FOI) themes during the reporting period included information about international registrants with breakdown by country of origin/training, registrants with annotations and ethnicity of registrants, especially those who are subject to FtP hearings;

- the majority of Subject Access Requests (SARs) were responded to within the statutory deadline of one month, and that this was an improvement on last year;

- there were fewer incident reports than last year, and the organisation continued promoting a blame free culture and the encouragement of reporting of data incidents;

- CRM solutions in FtP and Registration sought to remove data incidents relating to the email autocomplete function;

- five ICO concerns were received, and summarised in the report;

- one incident was reported to the ICO who determined there was no further action required;

- the HCPC received a total of 39 internal review requests for both FOIs and SARs (a review of initial responses to information requests);

- data privacy impact assessments were carried out where processing was likely to result in a high risk to individuals, such as the Business Central reimplementation, the monthly data feed with HEE and for general use where data sharing was proposed;

- MOUs continued to be reviewed and updated; and

- BSI recertified the HCPC's ISO27001:2013 registration.

8.3 The Committee welcomed the improvement in response times and lack of serious incidents.

8.4 In response to a question relating to reducing incidents of potential data loss, the Executive confirmed that ELT had discussed the possibility of turning off the email autocomplete function across the organisation. On balance this would not be practical or necessary with the introduction of controls in the CRM for FtP and Registration.

Council, 6 July 2023
Unconfirmed minutes of the
Audit and Risk Assurance Committee meeting of 14 June 2023

Page 8 of 14

8.5   The Committee thanked the Information Governance Manager and the Chief Information Security and Risk Officer for a comprehensive and clear report, which it noted.

Item 9.i. Papers from the HCPC's Internal Auditors, BDO LLP – Internal Audit - Fitness to Practise end-to-end process (report ref: ARAC 19/23)

9.i.1   The Committee received a report from the HCPC's Internal Auditors BDO LLP and noted the purpose of the report was to review, evaluate and test independently the HCPC's core FtP activities and to determine whether these met the regulatory expectations as set out within the PSA's standards. The timing of the work was designed to look at the processes in place from November 2022.

9.i.2   BDO highlighted the following points to the Committee:-

- The HCPC had adequate arrangements in place to manage the FtP process. The HCPC was actively working on making improvements. BDO identified one medium priority, two low priority findings and one observation as set out in the report; and

- the overall rating of the report was moderate, with good quality and risk management practices and response times highlighted, along with clear indications of improvement work taking effect.

9.i.3   In response to questions from the Committee the Executive clarified the following points:-

- in relation to the management response to finding 2, the focus on the website was to develop and bring up to date the public guidance around the PSA Standards and link internal guidance and training to that; and

- in relation to the management response to finding 3, the issue of links to KPIs would be addressed. A key issue was the introduction of frontloaded investigations inhouse which typically took longer in the early stages and less post Investigating Committee Panel stage.

9.i.4   The Committee welcomed the report's finding.

Item 9.ii. Papers from the HCPC's Internal Auditors, BDO LLP – Follow up of recommendations (report ref: ARAC 20/23)

9.ii.1   The Committee received a report from the HCPC's Internal Auditors BDO LLP and noted the review was a follow-up of BDO's internal audit recommendations and agreed actions due to be implemented on or before 31 December 2022. The implementation of internal audit

Council, 6 July 2023
Unconfirmed minutes of the
Audit and Risk Assurance Committee meeting of 14 June 2023

recommendations was an important part of an organisation's internal control framework.

9.ii.2   BDO noted the follow points to the Committee:-

- Of the twelve recommendations tested during this review, seven recommendations were fully implemented. BDO agreed to amend the typographical error in the Executive summary overview where it stated that only four recommendations were fully implemented;

- four actions remained in progress. Of these, all had passed their original due dates, but new dates had been agreed and set. Implementation of all four were within the new dates set; and

- one action no longer remained relevant and management considered this superseded.

9.ii.3   In response to a question the Executive confirmed that the HCPC used a variety of penetration testers and that when using the same tester multiple times, the requirements and scope of the tests were always different.

9.ii.4   The Committee welcomed the report noting the progress made.

Item 9.iii. Papers from the HCPC's Internal Auditors, BDO LLP – Internal Audit - Annual Report and Opinion (report ref: ARAC 21/23)

9.iii.1   The Committee received a report from BDO LLP. The report contained the annual report and opinion of the HCPC's Internal Auditors. The audit opinion took together the assurance ratings and recommendations of individual assignments conducted in FY2022-23, management's responsiveness to internal audit recommendations and the direction of travel with regard to internal control, governance and risk management.

9.iii.2   The Committee noted that BDO's annual opinion was moderate. This was a 'level 2' or moderate opinion of four rating levels. This year's opinion was improved compared to the previous year, where the HCPC dipped to a 'level 3' or limited rating. The main reason for the improved rating was that strong improvements had been made to financial controls and that there had only been one high priority recommendation made throughout the year.

9.iii.3   BDO noted that the Audit Plan for FY2022-23 was completed and that they had not been impeded in undertaking their work, and that the HCPC's management should be commended on the progress made.

9.iii.4   The Committee welcomed and noted the report.

Council, 6 July 2023
Unconfirmed minutes of the
Audit and Risk Assurance Committee meeting of 14 June 2023

Page 10 of 14

Item 9.iv. Papers from the HCPC's Internal Auditors, BDO LLP – Internal Audit - Internal Audit Plan 2023-24 progress report (report ref: ARAC 22/23)

9.iv.1   The Committee received and noted the Internal Audit Plan FY2022-23 progress update report from BDO LLP.

9.iv.2   BDO provided a verbal update to the presented paper, noting that

- there was a change in scope to the regulatory reform work planned for this year. Preparedness would be deferred to next year's audit plan and there would be a focus on the policy development framework this year;

- BDO further noted that a mentoring programme supporting the QA team was underway; and

- BDO and NAO had agreed to have a three-way discussion, including with haysmacintyre, to share respective plans and findings.

9.iv.3   The Committee noted the report and the change to the plan. The Chair of Committee noted the outcomes of the Business Transformation workshops provided at the end of the report and would highlight those to other Council members. The actions would be taken forward and reviewed by the Change and Benefits forum and BDO would follow up with progress reported to the Committee. **ACTION**

9.iv.4   In response to a question the Executive assured the Committee that a new change and benefits forum would help formalise and provide the structure of benefits tracking from initiation to closure.

Item 10. Public Summary: Unified Assurance Framework 2022-23 (report ref: ARAC 23/23)

10.1   The Committee received the public overview of the Unified Assurance Framework FY2022-23 from the Head of Assurance and Compliance. The Committee noted the paper and that the full report, including a breakdown by function, and details of the three lines of assurance would be presented in the Committee's private session.

10.2   The report aimed to give an annual account of the assurance activity taking place within the HCPC. Each function was reviewed following quarterly risk and assurance meetings to reflect the most current and accurate assurance rating. The Executive reported that at the end of FY2022-23 the overall assurance rating was medium and that significant improvements had been seen throughout the year.

10.3   The Committee welcomed the new annual public report noting that it delivered a short, clear and positive message and was timely prior to the

Council, 6 July 2023
Unconfirmed minutes of the
Audit and Risk Assurance Committee meeting of 14 June 2023

Page 11 of 14

production of the Annual Report and Accounts. The Committee agreed to receive the public report in future years at its June meeting and for that to be added to the Committee's forward planner. **ACTION**

10.4   In response to a question the Executive assured the Committee that there were some areas of the organisation where embedding the QA process would take more time than others, mainly due to capacity and conflicting demands, but were confident that once the foundation work was in place, the continued assurance work would be easier. The Committee noted that it was important that communication channels between QA and senior leadership teams continued to foster a commonality of approach and that resources were allocated sufficiently.

Item 11. External Audit 2022-2023 update

11.i.1   The Committee received a brief verbal update from the HCPC's External Auditors, haysmacintyre (HM). The Committee noted that draft HCPC financial statements and a draft HCPC annual report had been received by HM and that the audit fieldwork had just commenced on 12 June 2023. It was progressing well, with nothing to report at this stage.

11.i.2   The Committee thanked HM for the positive update.

Item 11.ii Audit planning report - 2022-23 financial statements audit (report ref: ARAC 24/23)

11.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 FY2022-23, and included consideration of key risks and materiality.

11.ii.2   The Committee noted that the NAO would rely on the work of HM where possible and that the NAO's materiality basis had not changed from the previous year's (FY2021-22) audit.

11.ii.3   The NOA noted the risks set out in the report, and highlighted Risk 4 that was related to the implementation of the new auditing standard IFRS 16 and accounting for leases. This was included as it was a first-year implementation, and therefore needed to be recognised as a risk. The Executive assured the Committee that they were confident in the implementation of IFRS 16 going well, and that the draft financial statements already incorporated a note in relation to it. Further, the HCPC had exited from all previously leased properties by the end of the FY2022-23 and this would be recognised appropriately in the accounts, and that for future years the new standard would not apply unless any new leases were taken on.

11.ii.4   As requested by the NAO, the Committee considered the questions on page 3 of 34 of the paper, of those charged with governance. The

Council, 6 July 2023
Unconfirmed minutes of the
Audit and Risk Assurance Committee meeting of 14 June 2023

Page 12 of 14

Committee was content that all had been addressed and had nothing to raise.

11.ii.5   The Committee noted the financial statements audit planning report FY2022-23.

Item 12. Annual report and Accounts 2022-2023 update

12.1   The Executive confirmed to the Committee that they had prepared the draft annual report and accounts as per the timetable and shared them with HM and NAO. The Executive noted that some adjustments to the income figures were required, although these were not significant changes, and the narrative part of the report was also being finalised.

12.2   The Executive was planning to secure approval and sign off at the September Committee meeting in line with the plan and was grateful to the external audit team for the joint planning and work being undertaken. The Executive would check and revert to the Committee if any complications with the timetable arose, noting factors such as the parliamentary recess period. **ACTION**

12.3   The Executive noted they would circulate a draft Annual Report and Accounts to the Committee over the summer for informal feedback, prior to the September Committee meeting. **ACTION**

Item 13. Interim approach to Reserves policy

13.1   The Committee had agreed at the start of the meeting that Item 13 would be heard in private session to allow for full discussion. The Executive would report the main points to Council in the Finance report which would be heard in public.

Item 14. Internal audit recommendations tracker (report ref: ARAC 25/23)

14.1   The Committee received a paper from the Governance and Compliance Officer. The paper set out progress against outstanding internal and external audit recommendations.

14.2   The Committee noted the paper.

Item 15. Committee forward work plan (report ref: ARAC 26/23)

15.1   The Committee noted the item.

Item 16. Any other business

Council, 6 July 2023
Unconfirmed minutes of the
Audit and Risk Assurance Committee meeting of 14 June 2023

Page 13 of 14

16.1   There was no further business.

Item 17. Date and time of next meeting:

17.1   Wednesday 13 September 2023, 2pm

17.2   The Committee and all present noted that the next meeting would be held in person at the HCPC's Park House premises.

Item 18. Resolution

18.1   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.'

Item	Reason for Exclusion
13	H
19	H
20	H

Chair………….
Date……………

Council, 6 July 2023
Unconfirmed minutes of the
Audit and Risk Assurance Committee meeting of 14 June 2023

Page 14 of 14