

Audit and Risk Assurance Committee

Public minutes of the 85th meeting of the Audit and Risk Assurance Committee held on:-

Date: Wednesday 14 September 2022

Time: 2pm

Venue: MS Teams

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

In attendance:

Ewan Shears, Secretary to the Committee
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
Heather Buckingham, BDO LLP
Dan Bonner, BDO LLP (Item 1- 6 only)
Naomi Nicholson, Executive Director of Professional Practice and Insight
Paul Robson, Service and Complaints Manager (item 12 only)
Anna Raftery, Quality Assurance Lead
Gareth Roberts, National Audit Office (NAO)
Oliver Evatt, National Audit Office (NAO)
Jenna Lowry, Quality Assurance Officer (observing)
Ben Newman, Quality Assurance Manager (observing)

Public

Item 1. Chair's welcome and introduction

- 1.1 The Chair welcomed those present to the 85th meeting of the Audit and Risk Assurance 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 and Risk Assurance Committee meeting of 9 June 2022 (report ref: ARAC 28/22)

- 5.1 The Committee noted the word 'risk' should be added to paragraph 11.3 to complete the sentence.
- 5.2 The NAO noted that at the 9 June 2022 meeting following the external audit update, Committee members were asked if they had anything to raise in respect to the questions relating to awareness of fraud at the beginning of NAO's audit plan. The Committee confirmed they had considered those questions and had nothing to raise. It was agreed to record confirmation of that in today's minutes.
- 5.3 The Committee approved the minutes of the meeting of 9 June 2022 subject to the change in 5.1 and the addition to today's minutes of 5.2.

Item 6. Matters arising (report ref: ARAC 29/22)

- 6.1 With regards to matter arising four, the Committee noted the wording left some ambiguity in relation to the possibility of a registration being completed without payment, and asked the Executive to revert to them if there was a possibility of that occurring outside of the system. ACTION
- 6.2 With regards to matter arising five, the Executive clarified that the reclassification of costs from capital expenditure to operational costs was an accounting adjustment and not a fundamental change that would not result in the requirement of any extra funds. This was reflected in the

most recent management accounts and forecast, and would be included in the budget for next year.

Item 7. Strategic Risk Register (report ref: ARAC 30/22)

- 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 changes:-
- strategic risk one contained positive developments including the registration service stabilising, the online application launch and the successful partnering function with PwC now brought back in house. This was countered by the loss of one registration PSA standard in the 2021-22 performance review, and therefore the risk level remained the same;
 - strategic risk five was impacted by ongoing income level challenges. This included the proposed fee rise, the impact of inflation and the potential for regulatory reform with the associated funding pressures; and
 - strategic risk six was a new risk and included new planned mitigations for an unknown regulatory reform timetable and for potential uncertainties due recent ministerial changes. Greater clarity was expected on regulatory reform at the end of September 2022, when the government would publish their response to the consultation on regulatory reform.
- 7.3 The Committee thanked the Head of Governance for the clear paper and for highlighting the changes.
- 7.4 The Committee suggested that mitigations relating to SR5 and SR6 should include 'how we do more with what we've got'. The Executive noted that this was considered in the mitigations and could be brought out further in the risk register. The budgeting and corporate planning process was being developed for next year and would include a budget challenge process, which was already part of the current decision-making process. The Executive further noted that it was also important that consideration of staff wellbeing was factored into that process given the already high demands placed on employees. The Executive agreed to update the strategic risk register with the above mitigations. ACTION
- 7.5 The Committee noted the number of consultations listed in SR2 which might lead to stakeholder fatigue and suggested forward communication of these. The Executive explained that the new relationship management approach provided regular contact and pre-engagement work; that along with attending professional bodies forums helped stakeholders understand what was coming and when. The Committee welcomed the development but noted that numerous communications about the same

consultation could also create an impression there were more activities happening than there were and that it was important to achieve the right balance.

7.6 As requested by the Committee, the Executive Director of Resources and Business Performance provided a verbal presentation summarising strategic risk 5 which was related to resources at the HCPC. The Committee noted the following points:-

- SR5 covered a broad range of issues in relation to financial resourcing and people resourcing;
- the current risk score was 16, which was above target;
- HCPC did not hold significant reserves that could help to balance out peaks and troughs;
- HCPC was operating within a competitive jobs market and had the challenge of making hybrid-working effective for HCPC as an organisation and for the individuals working there. HCPC must ensure that it was able to recruit and retain staff to function effectively;
- the strategic risk register was underpinned by the operational risk register, which was used for more day-to-day risk management within teams and included more detail of finance risks;
- the income base was insufficient to fund operations and meet statutory responsibilities over the longer term without fee increases. This had created changes in HCPC's ability to invest and improve;
- HCPC continued to run a financial deficit that was masked significantly by the favourable position of international applications income;
- the public consultation in relation to a fee rise would commence shortly, and that formed a large part of the mitigation;
- efficiencies and internal challenges to budget holders would continue to be integral to decision making;
- the external environment, especially increasing utility costs, was a growing challenge on the organisation's cost base and also the cost-of-living pressures on staff would add to recruitment and retention challenges;
- HCPC was competitive with other organisations in the sector related to pay, but there was a risk that this would not remain to be

the case. A report covering these aspects would be going to Remuneration Committee in October 2022;

- external environment pressures could challenge support for any fee adjustment, and stakeholder engagement and consultation would be significantly important in mitigation for that; and
- there were risks carried by continuing to operate with two separate finance systems. However, plans were in place to re-implement the Business Central system for the next financial year.

7.7 In response to a suggestion about the need to work smarter rather than taking on more, the Executive confirmed this was part of the strategy and highlighted the following related points:-

- the HCPC was securing partnership funding with HEE. Although this was to deliver a specific programme, it could present an opportunity to invest in some of the longer-term system improvements;
- other partnership opportunities were being explored with an education agency within the NHS and with international recruitment. This would deliver their agendas and would deliver a legacy for the broader registration population;
- the investment strategy included benefits realisation and efficiencies for smarter working;
- the people strategy had set a range of measures to build the capability and effectiveness of the HCPCs workforce;
- online applications provided a better experience for registrants and helped the HCPC work more effectively; and
- HCPC was recognising value-add opportunities. The Registration department had brought in PwC to work on a backlog of international applications for a period and had gained from PwC's involvement, applying changes and efficiencies to HCPC's processes.

7.8 The Committee advised the Executive to risk assess the impact of a raised minimum wage on contractors' abilities to provide their services and to be more aware of cashflow. The Head of Finance assured the Committee that a cashflow reporting was in place and whilst inflation would impact that negatively, they were satisfied with the current position. Supplier evaluations and background checks were being made to ensure they were able to continue providing their services.

7.9 In response to a suggestion about the possibility of investing to save on energy the Executive reported that the HCPC was taking advice, relating

to the sustainability agenda, that would be presented to the People and Resources Committee once completed.

- 7.10 The Committee noted that there were challenges with some external website platforms having an influence on recruitment and retention. The Executive provided some assurance that there were a range of initiatives introduced to mitigate that risk and recent HR reporting had shown an improvement with turnover and recruitment.
- 7.11 The Committee thanked the Executive Director of Resources and Business Performance for the illuminating verbal deep dive. It articulated details that was not evident from the paperwork and the Committee requested that some of the other mitigations were included in the next iteration of the strategic risk register. ACTION
- 7.12 The Committee agreed the 'The Golden Thread' topic that was discussed initially at the Committee's workshop in January 2022, should be the topic for the Committee's next deep dive. This was described by the Committee as the link between the strategic plan, through team plans and on to individual objectives and how performance and budget management and workforce planning are linked in. The Executive Director of Professional Practice and Insight agreed to describe how that was applied in their directorate, with other ELT colleagues supplementing the description. ACTION

Item 8. Operational Risk Register – annual review (report ref: ARAC 31/22)

- 8.1 The Committee received a report from the Chief Information Security and Risk Officer. The Operational Risk Register (ORR) underwent a major review in 2021-22. Following a year of operation, a further internally led review had been undertaken and the first round of quarterly internal assurance meetings had taken place across the organisation resulting in the capture of additional information.
- 8.2 The Chief Information Security and Risk Officer highlighted the following points:-
- there was a gradual reduction in residual risk as departments had become more fully staffed;
 - online processes such as online applications had increased the capacity of the organisation to process applications. This had also enhanced the accuracy of data entry and mitigated against variances in demand;
 - The ORR was reviewed quarterly with Heads of Departments;
 - impacts of inflation was added to the Office Services area; and

- recruitment and retention had been separated with both reporting an improving trend.
- 8.3 The Committee cautioned the Executive to assess the risk of the payroll bureau services being withdrawn as forensically as possible. The Executive noted that the HR system had the capability to perform that function, which was being explored. The lead time to withdraw the service would allow sufficient time to ensure alternative suitable arrangements were in place, should it be required.
- 8.4 The Committee noted that outsourced applications and services placed an operational dependency on the resilience of those suppliers and advised the Executive to be candid in reviewing that risk and the mitigations needed to prevent it from becoming a strategic risk.
- 8.5 The Executive noted that risk owners were generally cautious about lowering their risks and there was a good culture of reporting risks. Heads of departments were regularly challenged on their confidence that risks were being reported to them and there was an emphasis at the HCPC on encouraging and making people feel safe in raising all issues.
- 8.6 The Committee was pleased to note the development of the operational risk register, which evidenced how the HCPC' risk management was maturing and integrating and encouraging robust discussions. It was not the function of the Committee to go through the whole register and a summary of key risks and changes would be helpful in future. ACTION

Item 9. Annual report and Accounts 2021-2022 update

- 9.1 The Executive provided a verbal update on the progress of the delayed annual report and accounts. The Committee noted the following:-
- the Executive was confident that the annual report and accounts would be presented to the Committee at an extra meeting on 12 October 2022;
 - most of the issues and queries raised by the External Auditors were now closed off with the remuneration report and expenditure by Department imminent;
 - the narrative element of the annual report was completed, with thanks to the Head of Governance for their input;
 - the financial statements were drafted in line with the workplan;
 - regular steering meetings were being held internally to monitor progress;
 - the Executive was not aware of any audit adjustments to the income position;

- reconciliation between the different systems remained challenging, as was the ability to provide timely information to the auditors on intangible assets; and
- there would be a meeting with the External Auditors on 15 September 2022 which aimed to close off any outstanding points, such as adjustments to the remuneration report and expenditure by department.

9.2 The Executive thanked the External Auditors and the Executive for the work they had undertaken and the constructive working relationship they had fostered.

Item 10. External Audit 2021-2022 update

10.1 Haysmacintyre noted that the provision of information post field work was slower than they had expected and was causing them resource difficulties. There were still some items outstanding. Haysmacintyre reported the following points:-

- after reviewing income they were comfortable that there were no adjustments to be made;
- following adjustments there were significant differences in intangible assets and they would be working with the Executive to understand the changes to those and disposals; and
- the uncertainty about the property valuation was difficult to understand and if it remains haysmacintyre would need to consider if an emphasis of matter needed to be added to their audit report.

10.2 Haysmacintyre with best endeavours would try to report to the NAO in the following week, for them to review in time to meet the 12 October 2022 meeting.

10.3 Gareth Roberts of NAO introduced Oliver Evatt who was welcomed by the Committee as Andrew Ferguson's replacement at the NAO, working with the HCPC.

10.4 NAO advised that they needed to await haysmacintyre's report and then would need two weeks to complete their work. Time was tight and the NAO would raise with the Executive if there were any real concerns with meeting the deadline for 12 October meeting as time progresses. NAO noted HCPC was in a much better position than they were last year in terms of delivery.

10.5 In response to a question the Head of Governance noted that they were aiming to lay the annual report and accounts in Parliament during the first

week of November 2022, but the date would not yet be fixed as they would be led by the progress of the work still to be carried out. The Head of Governance assured the Committee that they had no concerns about laying the annual report and accounts by the end of the calendar year as required by HCPC's legislation.

Item 11.i. Papers from the HCPC's Internal Auditors, BDO LLP – Internal Audit - Financial Modelling (report ref: ARAC 32/22)

- 11.i.1 The Committee received the Internal Audit Plan 2022-23 progress update report from BDO LLP.
- 11.i.2 Dan Bonner as a new Senior Manager at BDO LLP had been invited to introduce himself at the beginning of the Committee meeting and had made his apologies following item 6.
- 11.i.3 Bill Mitchell of BDO introduced Heather Buckingham who had been working on previous HCPC audits for several years, so was familiar with the organisation.
- 11.i.4 BDO provided a verbal update of changes further to their update report and the Committee noted the following:-
- BDO had agreed with management to defer the FtP audit to the end of February 2023. This was because the PSA would be visiting sooner than expected and the original timeframe for the audit was aiming to be concluded prior to that visit. It was decided that the audit would now follow the PSA review to take account of those outcomes and HCPCs implementation plans;
 - BDO noted that the scope of the business transformation review needed to be adjusted due to the budgetary constraints of transformation. In agreement with management BDO proposed to focus on benefits realisation and change, and to maximise the impact from transformation activities; and
 - a follow up to last year's key financial controls audit was requested by management and would commence in October 2022.
- 11.i.5 The Committee noted the importance of the registrant forecasting audit and BDO confirmed that would be completed along with management responses well in advance of the Committee's meeting in March 2023. The Committee noted the concentration of audits in Q3 and that BDO was confident all could be delivered in year.
- 11.i.6 The Committee noted and approved the changes to the audit plan.

Item 12. Annual Service and Complaints report 2021-22 (report ref: ARAC 33/22)

12.1 The Committee received the report from the Service and Complaints Manager, who highlighted the following corrections to the report:-

- point 2.1 should have noted 448 complaints with a 58% increase, rather than 488 complaints with a 45% increase; and
- point 9.2 should have referred to Registration receiving 71% of feedback and FtP receiving 26% of the feedback (rather than the other way round).

12.2 The Service and Complaints Manager described his thoughts on the received complaints over the last year:-

- this had been a very busy year for feedback and complaints, primarily due to service issues in the Registration department relating to international applications, and also spikes during the year linked to renewing professions with registrants who had lapsed from the register;
- due to the volume of complaints received there were some service issues in responding to complaints within target. Departments struggled to cope with the number of complaints allocated to individual managers, and that was reflected in both the Registration and FtP departments. That was further compounded by the changes of complaint responders across both of those departments. However, more complaints by volume were responded to within target than reported in the previous reporting period;
- there was an increase of positive feedback, reflecting the increased interaction with external stakeholders, and also because of a greater awareness among employees that the HCPC recorded positive feedback along with an encouragement to submit it for logging. All parts of the organisation were receiving positive feedback;
- several changes and improvements in HCPC's service were made as a result of feedback. This included corrections made to the website and out of date templates; and
- in this current reporting year (2022-23) to date, HCPC had received more complaints than last year, largely due to one significant spike in in July 2022 but was returning to normal levels, along with improving response times.

12.3 The Committee flagged the importance of the tone of voice work in preventing complaints and that consideration should be given as to how best to make rapid progress with this.

- 12.4 The Committee noted that the report did not cover the full three stages of the complaint process and that complaints were reported at the first stage only. Stages two and three were escalation stages where complainants were dissatisfied with the initial complaint response. There was no official external body that a complainant could appeal to following the internal escalation process. The Committee suggested that the Executive consider reporting on the escalation stages but acknowledged that the current complaints management system was not capable of detailed reporting and that reporting on complaints continued to be a manual process.
- 12.5 The Committee noted that a narrative of the wider context surrounding any rise or fall in complaints would be helpful. If there was for instance, a significant rise in contact points with stakeholders, that might explain a naturally higher number of complaints. The Committee further suggested RAG rating complaints might be a way of separating serious complaints that required urgent attention from general complaints.
- 12.6 The Executive noted that the complaints policy would be reviewed this year and the helpful comments from the Committee would be considered.
- 12.7 The Committee thanked the Service and Complaints Manager for the thought-provoking report and agreed that the points raised on complaints and indirect complaints, such as comments on social media or recruitment platforms, should be the subject of a deep dive in the context of risks arising from expectations and the reputation of the HCP. ACTION

Item 13. Internal audit recommendations tracker (report ref: ARAC 34/22)

- 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 noted that as requested, the original due dates for actions were given prominence and that revised dates were noted in the progress update column. This was helpful to the Committee in tracking delays against original commitments.

Item 14. Committee forward work plan (report ref: ARAC 35/22)

- 14.1 The Committee noted the item.
- 14.2 NAO advised the Committee that they would need to defer the NAO audit plan to the March 2023 meeting (from November 2022). This was due to the introduction next year of a revised ISA315, and subsequently the planning process was changing. This would mean that, unlike in prior years, NAO would need to review haysmacintyre's planning files before issuing their plan. Haysmacintyre noted they too would need to defer their planning report to March 2023 and would discuss that further with the

Executive at their meeting on 15 September 2022. The Committee understood the position and noted the update. ACTION

- 14.3 Both the Committee and the Executive agreed that due to time limitation they would defer the private session of today's Committee meeting until the extra Committee meeting being held on 12 October 2022, and the meeting would be extended by 30 minutes to accommodate that.

Item 15. Any other business

- 15.1 There was no other business.

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

- 16.1 Wednesday 12 October 2022, 2pm
Wednesday 9 November 2022, 2pm