

Council, 5 October 2023

Unconfirmed minutes of the Audit and Risk Assurance Committee meeting of 20 September 2023.

Committee Chair's summary to Council

The Audit and Risk Assurance Committee (ARAC) focussed on the draft Annual report and Accounts and the external auditors' progress reports. Work is not complete, due to a change requested by auditors to the way in which advance registration fees are accounted for. The provision relating to a liability to Partners was also rejected from the statutory accounts, as it does not meet the strict definition of a provision. However, the end is in sight and it looks likely that there are no significant issues. There may be changes to the versions presented to Council and we await the final audit report and there are plans to manage that.

On risk, ARAC noted the strategic risk register and had their annual update about the operational risk register. The deep dive topic was Partners, with an update on employment status considerations and a broader report on other Partner work. The risks of reliance on Partners and them often being the public face of the HCPC were considered. ARAC were pleased to note the work underway but recognised that wider aspects cannot all be achieved without additional resources which will be factored into future business plans.

ARAC considered the updated risk appetite statement and subject to consideration of a couple of points recommended this to Council for approval. The next challenge will be to make sure risk appetite is considered at suitable points when making decisions and the statement and practice are in line.

There was a change to the proposed reserves policy, setting ambitious levels of reserves that would not be reached for some years. It was agreed this is aspirational, but ensures the HCPC is not vulnerable. ARAC requested that the policy was deferred, to reflect the likely position after the fee rise and budgeting and the interim situation, so it will be reconsidered by ARAC before coming to Council.

Internal audit work is progressing well and the unified assurance report was noted. Moderate assurance is in place.

Sue Gallone, Chair of the Audit and Risk Assurance Committee

Audit and Risk Assurance Committee

Public minutes of the 90th meeting of the Audit and Risk Assurance Committee held on:-

Date: Wednesday 20 September 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
Bill Mitchell, BDO LLP
Heather Buckingham, BDO LLP (Item 10)
Kathryn Burton, Haysmacintyre
Oliver Evatt, National Audit Office, NAO
Gareth Roberts, NAO
Anna Raftery, Head of Assurance and Compliance
Roy Dunn, Chief Information Security and Risk Officer
Cain Whitehead, EA Chair & Chief Exec Office (observing)
Dean Button, Financial Controller (Items 19, 20 and 21)

Public

Item 1. Chair's welcome and introduction

- 1.1 The Chair welcomed those present to the 90th 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 In response to a question the Executive explained that as the Annual Report and Accounts were to be laid in Parliament, they were requested to not publish working drafts prior to laying, at which point they would become public documents. Therefore, this item should be in private. The NAO noted that they had no objections to that approach.
- 3.2 The Committee agreed to move to an early private session following Item 4, to discuss Items 19, 20 and 21.
- 3.3 The Committee approved the agenda.

Item 4. Declarations of members' interests

- 4.1 No interests were declared.
- 4.2 In relation to Item 7, David Stirling noted he was previously a Partner for the HCPC.

Item 5. Minutes of the Audit and Risk Assurance Committee meeting of 14 June 2023 (report ref: ARAC 29/23)

- 5.1 The Committee approved the minutes of the meeting of 14 June 2023.

Item 6. Matters arising (report ref: ARAC 30/23)

- 6.1 The Committee noted this item.

Item 7. Strategic Risk Register (report ref: ARAC 31/23)

- 7.1 The Committee received the latest iteration of the Strategic Risk Register (SRR) from Head of Assurance and Compliance and noted the changes

as set out in the report. Once approved, the new risk appetite would be reflected in the next iteration of the report.

7.2 The Committee noted that in the current risk influencers section of SR5, the Partners employment status should be revised to reflect its current position as a risk. The Executive agreed to review the description and also to ensure it was reflected in the accounts as a contingent liability. ACTION

7.3 The Committee highlighted the passage to move towards the target risk level was not clear enough in SR5 and the planned mitigations should include more detail. The Executive noted the main mitigation was in securing the fee increase and agreed to review the detail and transparency of the mitigations. ACTION

7.4 In response to a question related to how sighted Council were on the work of the professional liaison consultants (SR4 mitigations), the Executive confirmed the consultants would be presenting (in-person) to Council on their work with the HCPC at the Council's November 2023 meeting.

7.5 As requested by the Committee, the Partner Project Lead explained the issues relating to partners' employment status and described the potential changes to the way we might contract with and manage partners in the future. Any changes to the current arrangement would impact on resources and would require system alterations.

7.6 The Committee noted the following mitigating actions undertaken by the HCPC that included:-

- a task and finish group to oversee all developments concerning any changes had been established;
- strengthened financial controls and reporting around partner payments were established;
- a wider review of the Partner operating model (PwC) was undertaken and the recommendations incorporated;
- legal advice had been received from BDB Pitmans to help understand any legal risks; and
- a project to review the approach to working with Partners had been launched, firstly looking at the payment model and how the HCPC was assured about the quality of Partners work, training and guidance.

7.7 The Executive Director of Governance, Assurance and Planning noted that a full business case would be submitted to secure the funding and resources required over the next few years and the task and finish group would be expanded into a full major project. The People and Resources

Committee received progress reports as part of their remit and they along with the Remuneration Committee would be asked to make some key decisions

- 7.8 The Committee thanked the Executive for the update and for flagging the wider risks around Partners, in particular the HCPC's reliance on them and them being the public face of the HCPC to many. The Committee welcomed the approach of reviewing the HCPC Partners as a whole.

Item 8. Operational Risk Register – annual review (report ref: ARAC 32/23)

- 8.1 The Committee received a report from the Chief Information Security and Risk Officer. The paper documented the changes in operational risks faced by different parts of the HCPC over the year, and broad changes to levels of inherent or residual risk that had a bearing on the organisation. The Committee noted the report and the high-level influencers on the Operational Risk Register (ORR) as set out in the report.
- 8.2 In response to a question the Executive assured the Committee that the ELT had regular sight of the ORR and scrutinised the risks for different areas of the organisation on a rolling basis. Heads of Departments also worked with their teams to review risks as part of their workplans.
- 8.3 The Committee thanked the Chief Information Security and Risk Officer for the report and noted that it was encouraging that there were no major areas in the ORR that they were not aware of, and that the key issues appeared to be percolating up.

Item 9. Risk Appetite review 2023 (report ref: ARAC 33/23)

- 9.1 The Committee received a report from the Head of Assurance and Compliance. The paper presented the outcome of the 2023 review of risk appetite and proposed a new risk appetite statement for recommendation to Council.
- 9.2 In response to comments the Executive agreed to consider the phrasing of what could be considered conflicting sentences under the Influence and Leadership category and to make the statement less passive. In particular where it was stated, 'offering potentially higher business rewards' and 'to bring additional scrutiny'. ACTION
- 9.3 In response to a question, the Executive noted that the risk profile for Regulation was set to 'measured' as this would allow for improvements more readily than if the profile was set at minimum risk. Anything that was a requirement in the HCPC legislation or by the PSA Standards would be covered by Compliance. The Executive agreed to be clearer in the descriptions relating to Registrations and the Register to prevent misunderstanding and to consider stating that it was essential that public protection was maintained at all times and not open to risk. ACTION

- 9.4 The Committee thanked the Head of Assurance for a well-presented review paper and noted they were broadly in agreement with the proposed risk appetite and that ,subject to the areas to be reviewed, recommended the statement to Council for approval. It will be important to monitor the use of the risk appetite statement.

Item 10.i. Papers from the HCPC's Internal Auditors, BDO LLP – Internal Audit - Registration Assurance Processes and International Registrants (report ref: ARAC 34/23)

- 10.i.1 The Committee received a report from the HCPC's Internal Auditors BDO LLP and noted the purpose of the report was to assess and review the assurance framework and associated procedures for registrations from abroad.
- 10.i.2 The Committee noted the report and that it had received a moderate rating to the design and effectiveness of the controls in place to manage international registrations. The Committee further noted that variances in the level of quality checking were similar to those identified in the Unified Assurance Report and required addressing along with resource capacity planning for international registrations. Management actions had been agreed in these areas.

Item 10.ii. Papers from the HCPC's Internal Auditors, BDO LLP – Internal Audit Progress Report (report ref: ARAC 35/23)

- 10.ii.1 The Committee received and noted the Internal Audit Plan 2023-24 progress update report from BDO LLP.
- 10.ii.2 BDO provided a verbal update to the presented paper, noting that there were now four audits that had completed the fieldwork stage, which were Partners, Regulatory policy department, Procurement of large contracts and IR 35 payroll reviews. Terms of reference had been issued for the People strategy and Project management reviews, although the latter of the two would be deferred to January 2024, due to resourcing priorities in the Projects team.
- 10.ii.3 In response to a question, BDO noted that the planned delivery date column in the report was that of the original agreed delivery date in the audit plan and that they would make that clearer in future reports. The Committee thanked BDO for the update.

Item 11. Reserves policy review (report ref: ARAC 36/23)

- 11.1 The Committee received a paper from the Head of Finance. The paper set out that the HCPC's reserves policy was last updated in March 2020, and that it set a target of positive net realisable assets. Following a

review the updated policy sought to build on that with the aim to maintain reserves at a minimum of three months of operating expenditure, as adjusted for financial risk, with a maximum of six months of operating expenditure. Reserves were forecasted to reach their target in the medium term dependant on influencing factors that remained as risks and opportunities.

- 11.2 The Committee noted that the new Reserves policy was not referenced in the Annual Report and Accounts and therefore even as a future policy should not be approved by Council prior to the Accounts being signed off. Haysmacintyre advised that there was no requirement for the HCPC to disclose their Reserves policy, but it was best practice to do so and if the policy was approved between year-end and the accounts being signed off then it would need to be stated in the accounts.
- 11.3 In response to a question the Executive clarified that the People and Resources Committee had reviewed the revised policy and were satisfied from their perspective (future sustainability as an organisation) but had not approved the policy as it was not in their remit to do so.
- 11.4 In response to a question about the significant change in approach since last discussed at ARAC, the Executive noted that the current policy would equate to about one month's operating expenditure and could leave the HCPC vulnerable. Three to six months was more in line with other organisations' policies. The Executive confirmed that the policy and principles intended to be aspirational, and were aligned with other regulators. The Executive added that they were comfortable that this was something the organisation should be working towards and might achieve in three to four years. Scenario modelling had previously been undertaken for Council in respect of the fees, and the Executive planned to provide to Council an updated set of potential scenarios showing the reserves position over the medium term, that would also factor in operational efficiencies.
- 11.5 The Committee discussed a revised timeline for approving the new Reserves policy and agreed that the Executive should wait until the fee rise was through and budgeting for next year was further along, so that timelines might be more definite. The policy should be presented again to the Committee prior to going to Council for approval and it should incorporate the mitigations and actions in the appendices, and be accompanied by the modelled scenarios. The Executive agreed and noted they were comfortable with the revised timeline, for the reasons discussed. ACTION

Item 12. Internal audit recommendations tracker (report ref: ARAC 37/23)

- 12.1 The Committee noted the paper.

Item 13. Committee forward work plan (report ref: ARAC 38/23)

13.1 The Committee noted the item.

Item 14. Any other business

14.1 There was no further business.

Item 15. Date and time of next meeting:

15.1 Wednesday 15 November 2023, 2pm

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 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
17	H
18	H
19	H
20	H
21	H
22	H

Chair.....
Date.....