

## Audit and Risk Assurance Committee

### Minutes of the meeting of the Audit and Risk Assurance Committee held in public on:

**Date:** Wednesday 12 March 2025

**Time:** 2pm

**Venue:** Videoconference (Microsoft Teams)

**Members:** Lianne Patterson (Chair)  
Graham Masters  
Sejal Patel\*  
David Stirling

**Apologies:** Catharine Seddon

**Attendees:** Aihab Al-Koubaisi, Financial Controller  
Claire Amor, Executive Director of Corporate Affairs  
Francesca Bramley, Governance Manager  
Alastair Bridges, Executive Director of Resources  
Heather Buckingham, BDO LLP (from item 8)  
Aveen Croash, Quality Assurance Programme Lead  
Roy Dunn, Chief Information Security and Risk Officer  
Karen Flaherty, Head of Governance  
Nicole Jones, Improvement and Compliance Specialist  
Otilia Juravle, Front Loaded Investigations Case Manager  
Alan Keshtmand, Head of Finance and Commercial  
Bill Mitchell, BDO LLP  
Maxine Noel, Information Governance Manager  
Bernie O'Reilly, Chief Executive and Registrar (Accounting Officer)  
Daniel Reay, National Audit Office (NAO)  
Andrew Smith, Executive Director of Education, Registration and  
Regulatory Standards and Deputy Chief Executive  
Darren Stewart, NAO

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\* Council Apprentice

## **1. Welcome and introduction**

- 1.1. The Chair welcomed those present to the meeting of the Audit and Risk Assurance Committee (the Committee), including those attending or observing the meeting for the first time.

## **2. Apologies for absence**

- 2.1. Apologies for absence for the public session of the meeting had been received from Catharine Seddon, who had helpfully provided some feedback and questions in advance of the meeting in relation to the items to be considered in the public session, which the Chair would share at the appropriate point in the meeting. Catharine would be attending the private session of the meeting.

## **3. Approval of agenda**

- 3.1. The Committee approved the agenda.

## **4. Declarations of members' interests in relation to agenda items**

- 4.1. There were no interests declared. Declarations of interest for new Council members had been published on the HCPC website [here](#)

## **5. Minutes of the Audit and Risk Assurance Committee meeting held in public on 13 November 2024**

- 5.1. The Committee approved the minutes of the meeting of the Committee held in public on 13 November 2024 as an accurate record of that meeting.

## **6. Matters arising**

- 6.1. The Committee noted the updates provided in response to the actions from its previous meetings, acknowledging the positive progress in respect of each of these.

## **7. Strategic risk register**

- 7.1. The Committee reviewed the latest version of the strategic risk register (SRR). The risk score for both elements of strategic risk 3 had reduced from a score of 12 (high/medium risk) to 9 (medium risk), reflecting the progress with data insight and analysis, including the publication of supplementary analysis of fitness to practise (FTP) data at the end of 2024, the availability of self-service tools through a data hub on the HCPC website and improvements in data quality.

- 7.2. The Committee welcomed the reduction in the risk score and questioned plans to address the ongoing risk to data quality due to the short-term appointment of a data manager. The current appointment would end in June 2025 and the Head of Insight and Analytics and the Head of IT and Digital Transformation were reviewing the skills needed across the teams to better define the requirements for the role. There would be a further update on progress when the SRR was next presented to the Committee in June 2025.
- 7.3. The Committee also noted the slight delay in launching the new policy and approach for feedback and complaints, which was now scheduled to launch in April 2025. The new approach would limit the number of escalations in the process, reducing the demand on management time in FTP and Registration teams as a result of repeated reviews of the same complaints.

## **8. Internal audit reports**

- 8.1. The internal audit reports relating to the reviews of the following areas were presented:
- environmental sustainability;
  - data protection; and
  - outreach.
- 8.2. The review of environmental sustainability had resulted in a moderate level of assurance for both the design of the system of internal control and the effectiveness of these controls. Areas of good practice had been identified throughout the review including a structured and inclusive approach to identifying priorities, providing a foundation to build upon and embed environmental sustainability within the HCPC, and reporting to the directorate and Executive Leadership Team (ELT). Two medium significance findings had been identified related to:
- the consideration of the importance, risk, opportunity and impact of differing environmental sustainability factors supported by wider engagement and the use of external frameworks to underpin the strategy; and
  - a lack of defined cohesive action plans, including roles and responsibilities and timelines, to support the environmental road map.
- 8.3. The review of data protection, assessing the assurance around compliance with the UK General Data Protection Regulation, had resulted in a moderate level of assurance for both the design of the system of internal control and the effectiveness of these controls. There were two medium significance and five low significance findings identified in the report. The two medium significance findings related to:
- the granularity of the information included in the record of processing activity (RoPA), particularly relating to the systems used and third party processing and transfers of data, which may be a consequence

of the HCPC's decision to go beyond regulatory requirements and publish its RoPA; and

- the system used to support the process of responding to data subject access requests had limitations around recording the correct timescales for responding to requests and automatically distinguishing between data subject access requests and freedom of information requests.

- 8.4. All the recommendations had been accepted by the team and the two medium recommendations would be implemented by the end of May 2025. The team were aware of the limitations of the system used to process data subject access requests and an Excel spreadsheet was used to manage the dates and deadlines for responding to these. The replacement of the system had been identified as an investment priority and the IT platform to support a new system would be put in place during 2025.
- 8.5. In response to questions from Committee members, it was noted that the RoPA would continue to be published by the HCPC as it was difficult to backtrack once an expected level of transparency had been established. However, the risk information assets document already in place would be used to record the information that was not currently included in the published RoPA and would be regularly reviewed. It was also noted that learning from data breaches was shared within the relevant teams and details of data breaches were reported to the ELT regularly and thematically in the annual information governance report to the Committee. Themes from data breaches were also reflected in the annual information security training. There was a very good level of openness among employees in terms of the reporting of breaches.
- 8.6. The review of outreach had resulted in a moderate level of assurance for both the design of the system of internal control and the effectiveness of these controls. There were a number of examples of good practice and the positive impact of the work set out in the report, including the quality and knowledge of the content, highly positive feedback on events, the recording and sharing of intelligence and having a nominated professional liaison consultant for each country in the UK.
- 8.7. Four medium significance findings had been identified to develop a more strategic and structured approach including:
- the need for more strategic targeting of geographical areas, settings and professions to enable more structured coverage of stakeholders and stakeholder categories;
  - the lack of data, such as the employer's name and workplace address on the HCPC Register, which made it difficult to form a more strategic view on areas of focus based on both intelligence and stakeholder coverage;
  - more clearly identifying the resourcing requirements based on the workload and the risks and population sizes; and

- training to prepare professional liaison consultants to respond to hostile audiences should these situations arise in future.
- 8.8. The Committee found the report thought-provoking and helpful in considering the future role of and ambitions for the Professionalism and Upstream Regulation function at the HCPC as part of the development of the next corporate strategy. It was noted that Council members were also willing to be involved in supporting these outreach initiatives.
- 9. Draft internal audit annual report and opinion 2024-25**
- 9.1. The Committee noted the draft internal audit annual report and opinion for 2024-25. This was produced in line with the International Professional Practices Framework and the associated Standards for Professional Practice, which provided the basis for internal auditing standards in the UK. While an internal audit annual opinion was not a requirement for all organisations, it was provided for all public sector organisations and was used to inform the governance statement in the annual report and accounts.
- 9.2. The internal audit opinion was based on the assurance ratings and recommendations of individual internal audit assignments conducted in 2024-25, management's responsiveness to internal audit recommendations and the overall direction of travel with regard to internal control, governance and risk management. In 2024-25 one of the seven assurance reports received a substantial assurance rating for the design of the system of internal control and moderate for the effectiveness of these controls, one received a moderate assurance rating for design and substantial for effectiveness and five received a moderate assurance rating for both design and effectiveness. No high significance recommendations had been raised in any of the reviews and the implementation of the Business Central finance system had resolved a number of outstanding recommendations. A review of Business Central and core financial controls had been included in the internal audit plan for 2025-26.
- 9.3. The follow up review, which provided an annual review of internal audit recommendations as part of the internal audit plan and was currently in progress, had been awarded a limited assurance rating for both design and effectiveness. The level of implementation of recommendations was lower than normally expected given that the implementation dates were agreed by management. It was noted that there may be some discrepancies between the follow up review and the internal audit recommendations tracker, through which the HCPC monitored the implementation of recommendations, due to when responses had been provided. In particular, the internal auditor had received an update from the Procurement team since the draft opinion had been submitted to the Committee. The Head of Finance and Commercial acknowledged that some of the dates for implementation of the recommendations following the review of the procurement of large contracts had been pushed back.

- 9.4. Through its review of assurance ratings and the significance of recommendations over the previous three years, the internal auditor had concluded that there had been a steady improvement in the control environment. While there has been an increase in the total number of recommendations raised in 2024-25, the plan had included one additional review that had been deferred from the previous year.
- 9.5. The opinion provided a moderate rating, the second highest rating, and indicated that there was some risk that the system of internal control, governance and risk management would fail to meet management's objectives, with some areas where there were adequate and effective systems of governance, but also some specific areas of significant risk. Significant improvements were required in specific areas to improve the adequacy or effectiveness of governance, risk management and internal control.
- 9.6. While there were no concerns around the internal control environment, the Committee noted the importance of timely implementation of recommendations as delays could be compounded as new internal audit reviews were conducted and further recommendations were made requiring implementation.
- 9.7. In response to a question from the Chair, the internal auditor confirmed that the HCPC was comfortably within the moderate rating.
- 10. Draft internal audit strategy and plan 2025-26 (including charter and fees)**
- 10.1. The Committee reviewed the draft internal audit strategy and internal audit plan for 2025-26. This built on the internal audit work carried out in previous years in order to maintain cyclical coverage of all corporate risks.
- 10.2. The internal audit plan for 2025-26 had been developed following a review of the strategic risk register and discussions with management, including the ELT, and took account of existing assurance activity conducted by the HCPC and third parties. The draft annual plan for 2025-26 set out the proposed scope for each review and the reasons for its inclusion in the plan.
- 10.3. The Committee noted that the plan was comprehensive and considered potentially replacing the review of research in the plan for 2025-26 with a review of partners as had been highlighted by the internal auditor. The Committee agreed to revisit this decision in the third quarter of 2025-26 in order to determine the value of a review of partners in the final quarter of 2025-26, given that implementation of the changes to the arrangements for partners was scheduled for October 2025, and the capacity of the team to engage with the audit at that time. Research could be the subject of a strategic risk deep dive by the Committee during 2025-26 instead of an internal audit review. The Committee also noted that the scheduling of the internal audit review of Business Central and core financial controls in the second quarter of 2025-26 may need to be deferred due to the timing of the

external audit work, which had been finalised since the internal audit plan was reviewed with management.

- 10.4. The Committee approved the internal audit plan for 2025-26 and the internal audit charter.

**Action:** The Committee would review the position regarding the research and partners internal audit reviews at its meeting in November 2025.

## **11. Internal audit recommendations tracker**

- 11.1. The Committee noted the updates on the implementation of recommendations arising from internal audit reviews. The Improvement and Compliance Specialist highlighted that:

- the word 'proposal' was missing from the end of the commentary in response to the internal audit recommendation outstanding for education standards; and
- the basis and justification for the changes to the implementation dates for the recommendations relating to the procurement of large contracts would be tested by the internal auditors as part of its follow up review.

- 11.2. The Chair noted that she would be meeting with the Improvement and Compliance Specialist at the end of March to consider how best to standardise the information included in the tracker and provide a more consistent and coherent report for the Committee. This would include guidance to teams preparing the commentary and updates, to which BDO LLP had been asked to input to ensure that this reflected good practice and learning from other organisations.

## **12. External audit planning report (including fees)**

- 12.1. The Committee received a report from the NAO confirming the proposed approach for the audit of the 2024-25 financial statements of the HCPC and setting out its assessment of risks and materiality. The report also included details of the team carrying out the audit, the timing of the audit and the fees for the audit. The NAO expected to be able to certify the external audit by September 2025.

- 12.2. The four risks of material misstatement or irregularity within transactions and balances identified by the NAO as impacting on its audit were:

- presumed risk of management override of controls;
- risk of fraud in revenue recognition;
- valuation of land and buildings; and

- major IT change with the implementation of the Business Central finance system at the start of the 2024-25 financial year.

These were consistent with the areas of risk in prior years, with the exception of a new risk relating to the implementation of Business Central at the start of 2024-25.

- 12.3. In line with the approach in previous years, the quantitative materiality threshold for the audit had been set as approximately 2% of income, giving a planning materiality of £800,000 for 2024-25. The NAO would also consider materiality qualitatively, and, in areas that were particularly sensitive to inaccuracy or omission, misstatements might be treated as material and reported to the Committee even where these were below the quantitative threshold.
- 12.4. The proposed audit fee of £75,500 remained unchanged from the estimate provided on the appointment of the NAO as external auditor and was based on the anticipated cost of delivering the audit.
- 12.5. The Committee considered and agreed that:
  - the NAO's assessment of the risks of material misstatement to the financial statements was complete from its perspective;
  - management's response to the risks of material misstatement were adequate;
  - the proposed audit plan addressed these risks;
  - it did not believe that the financial statements could be materially misstated due to fraud and there were no areas of concern that it wished to communicate to management or the audit team;
  - there were no other matters that it believed might influence the audit of the financial statements;
  - it was not aware that the HCPC's objectives, strategies or the related business risks might result in material misstatements;
  - there were processes in place for identifying and responding to the risks of fraud;
  - no non-compliance with any laws or regulations had been reported to it;
  - policies, procedures and systems for recording non-compliance with laws, regulations and internal policies were in place; and
  - members did not have knowledge of any actual, suspected or alleged fraud affecting the HCPC.



- 12.6. The Committee approved the approach, timing and fee for the audit of the 2024-25 financial statements of the HCPC.

### **13. Annual report and accounts update**

- 13.1. The Executive Director of Resources and the NAO confirmed that there had been positive engagement with the interim external audit work, which had now been completed. Regular meetings were taking place between the Finance and external audit teams to ensure that preparations were in place for the year end external audit that would enable responses to enquiries to be provided in a timely fashion.
- 13.2. There was a potential risk to achieving the timetable for the preparation of the annual report and accounts for 2024-25, which involved certification of the external audit in September 2025 and laying of the annual report and accounts in the UK and Scottish parliaments in October 2025, due to the timing of the year end external audit fieldwork. While the timetable remained achievable it would require a tight turnaround and the risk would be mitigated by sharing information ahead of the fieldwork commencing.

**Action:** The Executive Director of Resources would update the Committee members outside the meetings if there was any change in the overall timetable.

### **14. Review of accounting policies and significant judgments and estimations**

- 14.1. The Financial Controller confirmed that there were no changes in accounting policies or significant judgments or estimations in relation to the 2024-25 financial statements.

### **15. Review of Committee effectiveness**

- 15.1. The feedback provided by Committee members and regular attendees and the analysis through the NAO's audit and risk assurance committee effectiveness tool was noted.
- 15.2. The Head of Governance highlighted that similar feedback about skills, knowledge and experience had been identified in the review of effectiveness of the People and Resources Committee and would be raised at the meeting with the Chair of the Council, the chairs of the Council's committees and the Senior Council Member the following week. There were also some non-executive networks that Committee members could join to further develop knowledge and awareness in these and other risk areas and the Head of Governance would share further details following the meeting.
- 15.3. The Committee discussed meeting in person during 2025 and it was agreed that this would be kept under review and, if needed, as much notice as possible would be provided to Committee members.

## **16. Review of standing orders**

- 16.1. The Committee reviewed the proposed amendments. It was clarified that the HCPC was only required to take the managing public money guidance into consideration, although much of this reflected good financial practice.
- 16.2. The Committee approved the amendments to the Committee's standing orders and would recommend these to the Council for approval at its next meeting on 27 March 2025.

## **17. Committee forward plan**

- 17.1. The Committee noted the forward plan for 2025.

## **18. Resolution to move the meeting to private session**

- 18.1. The Committee resolved that the remainder of the meeting would be held in private because the matters being discussed related to matters which, in the opinion of the Chair, were confidential or the public disclosure of which would prejudice the effective discharge of the Committee's or Council's functions.

The meeting was briefly adjourned.