

Audit and Risk Assurance Committee

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

Date: Thursday 18 September 2025

Time: 2pm

Venue: Videoconference (Microsoft Teams)

Members: Lianne Patterson (Chair)
Graham Masters
Sejal Patel¹
Catharine Seddon
David Stirling

Apologies: None

Attendees: Aihab Al-Koubaisi, Financial Controller
Claire Amor, Executive Director of Corporate Affairs
Francesca Bramley, Governance Manager
Alastair Bridges, Executive Director of Resources
Roy Dunn, Chief Information Security and Risk Officer
Christine Elliott, Chair of the Council
Alan Keshtmand, Head of Finance and Commercial
Noah Linley-Adams, Governance Officer
Bill Mitchell, BDO LLP
Patricia Morrissey, Head of Governance
Bernie O'Reilly, Chief Executive
Alexandra Pingali, Feedback and Information Officer
Anna Raftery, Head of Assurance and Compliance
Daniel Reay, National Audit Office (NAO)
Andrew Smith, Executive Director of Education, Registration and Regulatory Standards and Deputy Chief Executive
Darren Stewart, NAO
Joshua Wilson, BDO LLP

¹ 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. There were no apologies.

3. Approval of agenda

- 3.1. The Committee approved the agenda. The planned strategic risk deep dive into the PSA's new approach had been deferred to the Committee meeting in June 2026 to align with the PSA's timeline for completing its review of the PSA standards. This would also ensure there was adequate time for the Committee to consider the annual report and accounts 2024-25.
- 3.2. The Chair of the Committee expressed her thanks to all those who had contributed to the annual report and accounts 2024-25 and to the National Audit Office (NAO) team, noting the NAO had acted as the HCPC's sole external auditor following changes to the HCPC's external audit processes that had come into effect from 2024-25.

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

- 4.1. There were no interests declared.

5. Minutes of the Audit and Risk Assurance Committee meeting held in public on 11 June 2025

- 5.1. The Committee approved the minutes as an accurate record of its meeting held in public on 11 June 2025.

6. Matters arising

- 6.1. The Committee noted the updates provided in response to the actions from its previous meetings.
- 6.2. The Committee requested that action 25 and action 29 remained open until the steps set out in the responses had been completed.

Action: The matters arising report would be updated to reflect the Committee's feedback.

7. Strategic risk register

- 7.1. The Committee reviewed the latest version of the strategic risk register (SRR). The risk score for strategic risk 2 had slightly increased due to the Head of Professionalism and Upstream Regulation and Professional Liaison for Scotland posts being vacant, which had led to an increase in the risk likelihood.
- 7.2. In response to the Committee's feedback, the mitigations in place for strategic risks 1-3 had been updated to reflect the impact of feedback and complaints and the ongoing feedback and complaints improvement work had been referenced under strategic risk 1. A new Feedback and Information Officer had joined the HCPC in September.
- 7.3. The proposed NHS manager barring scheme had been listed as a risk influencer under strategic risk 6. Although the risk score had not changed, the impact would be closely monitored as the planning progressed.
- 7.4. A full review of the risk register was expected to take place during quarter 4 2025-26 alongside the development of the new HCPC corporate strategy and the Committee and the Council would be engaged in this process. Ahead of this full review, the Committee requested that consideration be given to the opportunities and risks arising from technological innovation, including the adoption of artificial intelligence (AI) due to the significant reputational risk if the HCPC did not engage safely and at pace.

Action: The strategic risk register submitted to the Committee meeting in November would include consideration of the opportunities and risks arising from technological innovation, including the adoption of AI.

Action: The reporting period commentary for strategic risk 1 would be updated to reflect that the PSA review had been published and the 'current risk influencers' under strategic risk 2 would be updated in view of the vacant Scottish resource post within the Professionalism and Upstream Regulation department.

- 7.5. The Executive Director of Corporate Affairs clarified that interviews for the Head of Professionalism and Upstream Regulation role were planned to take place during the week commencing 22 September 2025. It was therefore anticipated that the new head would be in post by the end of the year and would be involved in the recruitment process for the new Scottish role, as adjustments to the scope of the role were under consideration, including the application of behavioural science.

8. Operational risk register annual review

- 8.1. The Chief Information Security and Risk Officer presented the annual review of the operational risk register.
- 8.2. The Committee noted the following points:

- the total number of risks had increased slightly, with a notable shift towards higher residual risk scores;
- in response to the cyber attack involving SMS toll fraud by external actors, the IT department had successfully launched a new multi factor authentication system on 10 September 2025 with no concerns reported to date;
- a new risk had emerged around the potential accidental sharing of personal identifiable information or sensitive data in view of the HCPC's increasing use of AI, noting this required further discussion to finalise the wording of the risk register entry;
- a new risk had also been added regarding the unintended or unauthorised recording or transcription of confidential meetings;
- recruitment to some highly specialist posts within the IT department had taken longer than anticipated due to the high competition for candidates with the required technical capabilities; and
- the Senior Leadership Team was engaged in addressing the risk of the loss of corporate memory through improved retention strategies, process mapping and the development of centralised stores of organisational knowledge.

8.3. In developing the wording of the risk register entry relating to the use of AI, the Committee emphasised the importance of setting out clear and robust mitigating actions. The Executive Director of Corporate Affairs clarified that a new AI policy had recently been launched and the new corporate strategy would reference the upskilling of employees to embed the new policy into practice, ensuring employees felt empowered to use AI safely with an understanding of the associated risks.

9. Financial regulations

9.1. The Financial Controller presented the financial regulations, which had last been approved by the Council in December 2024, and highlighted the following proposed changes to the Committee:

- the Executive Leadership Team to approve proposals exceeding the aggregate budgeted spend, with Council approval sought for any singular, unplanned events resulting in a financial impact (capital or operational expenditure) that exceeded 1% of the total aggregate expenditure budget for the year and changes captured in the revised forecast and reported in the Council finance report; and
- updates to the Authority for Financial Commitments table (annex 1 of the paper) to align with the revised procurement policy.

9.2. The Committee noted that no rationale for the proposed changes had been included in the paper and enquired as to why these changes were needed.

- 9.3. The Executive Director of Corporate Affairs clarified that the proposed changes sought to clarify the threshold at which Council approval was required. The ambiguity of the current regulations had been identified when the ELT had sought approval for additional investment into Fitness to Practise services in July 2025. The proposed wording reverted to the original threshold that had been included prior to the version that had been approved in December 2024. The December 2024 amendments had unintentionally introduced ambiguity into the regulations and in practice resulted in Council approval being required for any amount exceeding aggregate financial limits.
- 9.4. The changes aimed to strike the correct balance between control and efficiency. In addition, the recently updated procurement policy set out additional requirements for the Chair of the Council's approval of contracts over a set value.
- 9.5. The Committee took assurance from the need for any spend to be aligned with the updated procurement policy. However, the Committee concluded that further information regarding the rationale for the proposed changes was required prior to approving the revised financial regulations.

Action: An updated paper including a summary of the context and rationale for the proposed changes would be circulated to Committee members by email seeking recommendation to the Council on circulation.

10. Reserves policy

- 10.1. The Committee received a report setting out a review of the reserves policy, which had last been updated in February 2024 and was reviewed annually by the Committee.
- 10.2. No changes were proposed to the policy, which was to maintain at least positive realisable net assets with an aspiration to maintain reserves at three months of operating expenditure.
- 10.3. The most recently reported reserves position showed positive realisable net assets of just over £7 million, which equated to approximately 1.5 months of operating expenditure. Steady progress had been made towards achieving the three month aspirational target over time.
- 10.4. The HCPC's positive realisable net assets were calculated by deducting intangibles from net assets. The value of property was not currently deducted in the calculation and if this were done, the reserves would be significantly lower than currently reported. Most other health care regulators were understood to deduct the value of property when calculating their free reserves.
- 10.5. The Committee requested that the next review of the reserves policy included the following:
- Consideration of making the policy more ambitious in view of the progress that had been made, including potentially moving from an aspirational target to a fixed target; and

- updating paragraph 4.3 of the policy to make the reserves definitions clearer and, if appropriate, including only the types of reserves the HCPC holds.

Action: The next review of the reserves policy would incorporate the Committee's feedback.

- 10.6. The Committee noted that the next review of the reserves policy was due in September 2026 and enquired as to whether the next review could be completed earlier than this, acknowledging the interdependency with the fees review may mean some elements of the review may take longer to complete.

Action: The Committee Chair, the Executive Director of Resources and the Head of Governance would agree the timing of the next reserves policy review and the feasibility of phasing the review.

- 10.7. In response to a question, the Executive Director of Corporate Affairs confirmed that the Committee's feedback would be shared with the People and Resources Committee, who were due to consider the reserves policy at its meeting on 19 September 2025.
- 10.8. In response to a question, the Head of Governance clarified that information was shared across Council committees through the quarterly chairs meetings and that an update on Council discussions and decisions had recently been shared with independent Committee members and that regular updates would be shared in future.

11. Internal audit recommendations tracker

- 11.1. The Head of Assurance Compliance introduced the internal audit recommendations tracker as the Improvement and Compliance Specialist was unable to join the meeting. The Committee noted the updates on the implementation of recommendations arising from internal audits.
- 11.2. In response to a question, the Executive Director of Resources clarified that recent recruitment to the Environmental Health and Safety team had led to a net head count increase of 1WTE and the new role was within the original budget.
- 11.3. The Committee requested that the next iteration of the recommendations tracker included the following:
- an explanation as to why the follow up internal audit recommendation 2 had been reopened since the previous report;
 - additional narrative for the outreach internal audit recommendation 2 to clarify that the Head of Assurance and Compliance had authorised the change to the completion date;
 - a revised deadline for completing the KPIs internal audit recommendation 1b (training) to reflect that awareness training

should be undertaken no more than three months after the new KPIs receive approval; and

- a consistent approach to listing and ordering each tracker within the paper, to facilitate comparisons across the updates over time.

Action: The internal audit recommendations tracker would be updated to reflect the Committee's feedback.

- 11.4. Bill Mitchell, BDO LLP confirmed that the recommendations and actions set out in the tracker were as expected and that the rate of implementation was good.

12. Internal audit progress report

- 12.1. Joshua Wilson, BDO introduced himself to the Committee. The Committee noted the internal audit progress report, updating on the delivery of the internal audit plan for 2025-26.
- 12.2. Good progress had been made to date and all fieldwork was on track to be delivered in line with the original internal audit plan.
- 12.3. The fitness to practise – declarations review and the fieldwork for the cyber security review had been completed. Work was ongoing to complete the Business Central review with some queries to be resolved prior to finalising the report. A scoping meeting had taken place for the health and safety review and terms of reference were in production.

13. Internal audit report – fitness to practise

- 13.1. The Committee noted the internal audit fitness to practise report. It was noted that this review had focused specifically on the fitness to practise declaration process, including the interaction between the Registration and Fitness to Practise (FTP) departments, the associated quality assurance (QA) processes and compliance with Professional Standards Authority (PSA) standards. The review has resulted in a moderate level of assurance for both the design of the system of internal control and the effectiveness of these controls.
- 13.2. A number of areas of good practice were highlighted and there was one finding of medium significance relating to gaps in the QA coverage of inherent risks, which may result in missed opportunities to enhance processes and ensure compliance with PSA standards.
- 13.3. Three low priority findings had also been identified, relating to:
- the use of multiple systems and reliance on emails, which reduced operational efficiency and could adversely impact the consistency and timeliness of decisions and/or lead to error, although no errors had been identified in the review sample;

- a lack of an automatic lessons learned process for the declarations team; and
- potential backlogs or delays in handling complex cases, with a recommendation to explore the introduction of an automation process within the case management system.

- 13.4. The Committee sought clarity as to whether the recommendation to introduce an automation process within the case management system had been accepted or rejected. The Head of Assurance and Compliance clarified that further internal discussion across a number of departments was required to agree if this would be feasible and reasonable.

Action: An update on the outcome of the discussions regarding the recommendation to introduce an automation process within the case management system would be provided in the internal audit recommendations tracker submitted to the November Committee meeting.

Action: The Head of Assurance and Compliance would ensure all future internal audit reports included a statement as to whether each recommendation was fully accepted, partially accepted, not accepted/risk accepted, or noted to be reviewed by a set date within the management response.

14. Committee forward plan

- 14.1. The Committee noted the forward plan for 2025. An initial draft of the 2026 forward plan was due to be submitted to the next Committee meeting in November.

15. Resolution to move the meeting to private session

- 15.1. 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.