

Audit Committee 29 September 2011

Internal audit report – Partners (03.11/12)

Executive summary and recommendations

Introduction

Mazars have undertaken a review of the Health Professions Council's (HPC) arrangements for managing the Partner function, in accordance with the internal audit plan agreed by the Committee in March 2011.

The report is attached as an appendix to this paper.

Decision

The Committee is asked to discuss the report.

Background information

Mazars reviewed the risks associated with partners on the HPC risk register and the relevant processes currently in place to mitigate these risks including recruitment, financial management, appraisal and training records and the health and safety of partners when engaged in HPC work.

Mazars granted substantial assurance with minor recommendations relating to housekeeping.

Resource implications

Partner Manager to review health and safety information delivered to partners at HPC events. No additional resource required.

Financial implications

None.

Appendices

Internal audit report.

Date of paper

20 September 2011.



Internal Audit Report

Partners (03.11/12)

September 2011

FINAL REPORT

CONTENTS

1. Introduction	Page 1
2. Background	1
3. Scope and objectives of the audit	1
4. Audit Findings: One page summary	3
5. Summary of findings	4
6. Action plan agreed with management	5

Appendix 1 – Definitions of Assurance Levels and Recommendations

AUDIT CONTROL SCHEDULE:

Client contacts	Teresa Haskins: Director of HR Hayley Graham: Partners Manager Marc Seale: Chief Executive and Registrar	Internal Audit Team	Peter Cudlip: Partner Graeme Clarke: Director Peter Williamson: Assistant Manager Paul Humphries: Auditor
Finish on Site \ Exit Meeting:	12 August 2011	Management responses received:	13 September 2011
Draft report issued:	2 September 2011	Final report issued:	13 September 2011

If you should wish to discuss any aspect of this report, please contact, Graeme Clarke, Director, graeme.clarke@mazars.co.uk or Peter Cudlip, Partner, peter.cudlip@mazars.co.uk.

Status of our reports

This report is confidential and has been prepared for the sole use of the Health Professions Council.

This report must not be disclosed to any third party or reproduced in whole or in part without the prior written consent of Mazars LLP. To the fullest extent permitted by law, no responsibility or liability is accepted by Mazars LLP to any third party who purports to use or rely, for any reason whatsoever, on this report, its contents or conclusions.

1. INTRODUCTION

- 1.1 As part of the Internal Audit Plan for 2011/12, we have undertaken a review of the Health Professions Council's (HPC) arrangements for managing their Partner function. This area was included in the Plan due to the significance of the risks associated with this activity in HPC's Risk Register. It is also an area not previously been subject to internal audit review.
- 1.2 We are grateful to the Director of Human Resources, the Partners Manager, the Partners Administrators and other staff across HPC for their assistance provided to us during the course of the audit.
- 1.3 This report is confidential and for the use of the Audit Committee and senior management of HPC. The report summarises the results of the internal audit work and, therefore, does not include all matters that came to our attention during the audit. Such matters have been discussed with the relevant staff.

2. BACKGROUND

- 2.1 In order for HPC to regulate a broad spectrum of professions, the organisation engages circa 500 individuals, known as 'Partners', to provide the expertise required for its decision making, and ensure that the HPC has good professional, and lay (public) input into what they do.
- 2.2 The term 'Partners' includes a variety of different roles that can be filled by people with different experience and qualifications, from members of the public to qualified lawyers and solicitors and health professionals on the HPC register. The six distinct roles categorised as Partners are CPD assessor, Legal assessor, Panel member, Panel chair, Registration assessor and Visitors.
- 2.3 The overall administration and management of Partner processes is assigned to the HR Directorate of which the Director of Human Resources has overall responsibility. The day to day management of the Partners has, however, been delegated to the Partners Manager and the Partners Team. The team is responsible for the recruitment, selection, training, monitoring and coordinating Partner appraisals.
- 2.4 Due to the planned transfer of the regulatory functions of the GSCC, there will be a requirement to recruit an estimated additional 150 Social Worker and lay Partners. This process will be managed by the Partners team.
- 2.5 The Partners budget for 2011/12 stands at £407,965 which is a part of the Human Resources budget of £863,923 for the year.

3. SCOPE AND OBJECTIVES OF THE AUDIT

- 3.1 Our audit considered the following risks relating to the area under review:
- Inability to recruit and/or retain suitable Partners (Risk 6.1);
 - Incorrect interpretation of law and/or SI's resulting in CHRE review (Risk 6.2);
 - Health and Safety of Partners (Risk 6.3);
 - Partners poor performance (Risk 6.4); and
 - Incorrect interpretation of HPO in use of Partners (Risk 6.5).

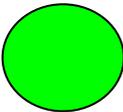
3.2 In reviewing the above risks, our audit considered the following areas:

- Partners Strategy;
- Partner framework;
- Policy and Procedures;
- Service Level Agreements with Partners – including Partners responsibilities;
- Risk Register;
- Processes for the recruitment of Partners – including induction process;
- Monitoring expenditure of Partners – including checks on invoices received/approval process;
- IT systems used for monitoring of Partners, performance, recruitment, training etc;
- Training of Partners;
- Appraisalment of Partners – peer appraisals; and
- Monitoring financial and operational performance of partners through Management/Committee/Council.

3.3 The objectives of our audit were to evaluate the adequacy of controls for the administration and management of Partners, and the extent to which controls have been applied, with a view to providing an opinion on the extent to which risks in this area are managed. In giving this assessment, it should be noted that assurance cannot be absolute. The most an Internal Audit service can provide is reasonable assurance that there are no major weaknesses in the framework of internal control.

3.4 We are only able to provide an overall assessment on those aspects of the administration and management of Partners that we have tested or reviewed. The responsibility for maintaining internal control rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy of the internal control arrangements implemented by management and perform testing on those controls to ensure that they are operating for the period under review. We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone are not a guarantee that fraud, where existing, will be discovered.

4. AUDIT FINDINGS: ONE PAGE SUMMARY

Assurance on effectiveness of internal controls	
	Substantial Assurance

Recommendations summary	
Priority	No. of recommendations
1 (Fundamental)	None
2 (Significant)	None
3 (Housekeeping)	1
Total	1

Risk management
<p>HPC's Risk Register contains a specific section of risks associated with Partners. These are detailed in 3.1 above.</p> <p>Testing undertaken as part of this audit has confirmed that the main mitigating actions in respect of these risks are in place and operating effectively. We have however made a Housekeeping recommendation concerning the wording and evidence in support of some identified controls.</p>

Value for money
<p>The use of Partners is a significant but necessary cost to HPC.</p> <p>To ensure value for money, HPC needs to ensure that there are effective mechanisms for monitoring the workload of Partners, for evaluating the costs and ensuring that there is effective coordination of Partners to make sure that they are utilised effectively.</p> <p>Whilst it is planned that new systems are going to be put in place to help the management of the Partners, at present, there are a number of ad-hoc spreadsheets used for this purpose. New systems will help to both simplify and enhance the current process in place.</p>

5. SUMMARY OF FINDINGS

Overall conclusion on effectiveness and application of internal controls

- 5.1 Taking account of the issues identified in paragraphs 5.2 and 5.3 below, in our opinion the control framework for Partners, as currently laid down and operated at the time of our review, provides **substantial** assurance that risks material to the achievement of HPC's objectives in respect of this area are adequately managed and controlled.

Areas where controls are operating effectively

- 5.2 The following are examples of controls which we have considered are operating effectively at the time of our review:

- HPC has a detailed HR workplan and strategy outlining priorities in terms of Partner recruitment and retention for the current and subsequent financial years;
- A formal documented fee structure for Partners is in place. This was approved by the Finance and Resources Committee and the full Council;
- Partners training records and partners due to receive training within the next 12 months are accurately held on the HR database;
- HPC has a contract with Bircham Dyson Bell to provide legal updates and ad-hoc legal advice where required;
- Partners have a system of self and peer appraisal. Sample testing confirmed that all appraisal records were held on file where appropriate;
- HPC has Partners public liability insurance with Chubb Insurance;
- Acceptance of the Partners Code of Conduct is given when a Partner signs a Partner Services Agreement. For all Partners sampled, an up to date Partner Services Agreement could be evidenced; and
- Where appropriate, complete Partner selection documentation was retained on file for all partners sampled.

Areas for further improvement

- 5.3 We identified one area where there is scope for further improvement in the control environment. The matter arising have been discussed with management, to whom we have made a recommendation. The recommendation has been, or is being, addressed as detailed in the management action plan (Section 6 below).

6. ACTION PLAN

Risk 3: Health & Safety of Partners (Risk No 6.3)					
	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
6.1	<p><i>Observation:</i> An health and safety update is verbally delivered by a member of staff delivering the introduction of a course or hearing.</p> <p>There are no records as to who receives the update/briefing or a structured format of the content being delivered. Consequently there is no formal record maintained in support of this as a mitigating control on the HPC Risk Register.</p> <p>Another mitigating control in the Risk Register is 'Efficient and effective support and communication from the Partner team'. However there is no framework as to what mechanisms this control entails.</p> <p><i>Risk:</i> Unclear and/or unambiguous controls within the Risk Register.</p>	<p>HPC should review its risk mitigation controls in relation to Partners to ensure these are clear and can be evidenced in practice.</p>	Housekeeping	<p>Health and Safety information provided to partners is under review and guidance will be produced and incorporated into partner induction packs and/or the partner handbook.</p> <p>This mitigating control in the risk register will be deleted and replaced with 'Effective appraisal and monitoring of reappointment processes'</p>	<p>Nov 2011</p> <p>Partner Manager/Building Manager/HR Director</p> <p>Oct 2011</p> <p>Partner Manager/HR Director</p>

Appendix 1 – Definitions of Assurance Levels and Recommendations

We use the following levels of assurance and recommendations in our audit reports:

Assurance Level	Adequacy of system design	Effectiveness of operating controls
Full Assurance:	There is a sound system of control designed to achieve the system objectives.	All controls operate effectively promoting the achievement of system objectives.
Substantial Assurance:	While a basically sound system of control exists, there is some scope for improvement.	While controls are generally operating effectively, there is some scope for improvement.
Adequate Assurance:	While a generally sound system of control exists, there are weaknesses which put some of the system objectives at risk.	While controls are generally operating effectively, there are weaknesses which put some of the system objectives at risk.
Limited Assurance:	Control is generally weak leaving the system open to significant error or abuse.	Control is generally weak leaving the system open to significant error or abuse.
No Assurance:	No controls are in place	Controls are ineffective or it is not possible to assess their effectiveness.

Recommendation Grading	Definition
Priority 1 (Fundamental)	Recommendations represent fundamental control weaknesses, which expose HPC to a high degree of unnecessary risk.
Priority 2 (Significant)	Recommendations represent significant control weaknesses which expose HPC to a moderate degree of unnecessary risk.
Priority 3 (Housekeeping)	Recommendations show areas where we have highlighted opportunities to implement a good or better practice, to improve efficiency or further reduce exposure to risk.