

Audit Committee, 24 June 2014

Internal Audit Annual Report 2013-14

Executive summary and recommendations

Introduction

The attached annual report from Mazars sets out its internal audit work in 2013-14.

Decision

The Committee is asked to discuss the report.

Background information

See internal audit workplan for 2013-14 agreed by the Committee on 13 March 2013 and individual internal audit reports received by the Committee during the past year.

Resource implications

None.

Financial implications

Mazars' annual fee is £27,000.

Appendices

Internal Audit Annual Report 2013-14.

Date of paper

16 June 2014.



Internal Audit Annual Report

For the year ended 31 March 2014

Presented to Audit Committee meeting of: 24 June 2014

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Status of our reports

This report has has been prepared for the sole use of the Health and Care Professions Council (HCPC).

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.

01 Introduction

Background

The Health Professions Council (HPC), a body corporate, was set up on 1 April 2002 by the Health Professions Order 2001 and supporting rules and guidance replacing the former Council for Professions Supplementary to Medicine (“CPSM”). From the 1 August 2012, HPC took over the regulation of social workers in England and renamed itself as the Health and Care Professions Council (HCPC). The HCPC is an independent public organisation accountable to the Privy Council.

Although the HCPC is not a non-Departmental Public Body (“NDPB”) of the Department of Health, the Accounts Direction from the Privy Council requires that its financial statements are prepared as if this were the case.

As the Accountable Officer, the Chief Executive and Registrar has responsibility for maintaining a sound system of internal control that supports the achievement of the HCPC’s policies, aims and objectives, whilst safeguarding the HCPC’s assets for which he is personally responsible, in accordance with the responsibilities assigned to him by the Privy Council.

His responsibilities for internal control are therefore identical in this respect to those of an Accounting Officer as defined in Managing Public Money. This requires Accounting Officers to make provision for internal audit in accordance with Government Internal Audit standards (“GIAS”).

Scope and purpose of internal audit

The purpose of internal audit is to provide the Council, through the Audit Committee, and the Chief Executive and Registrar (as Accounting Officer), with an independent and objective opinion on risk management, control and governance and their effectiveness in achieving HCPC’s agreed objectives.

This opinion forms part of the framework of assurances that is received by HCPC and should be used to help inform the Annual Governance Statement. Internal Audit also has an independent and objective consultancy role to help line managers improve risk management, governance and control.

Our professional responsibilities as internal auditors for the year ended 31 March 2014 are set out within Public Sector Internal Audit Standards (PSIAS) produced by the Internal Audit Standards Advisory Board and which replaced GIAS from the 1 April 2013.

Mazars LLP were appointed to provide an internal audit service to HCPC from 1 April 2011. This Annual Report covers the work we have undertaken for the year ended 31 March 2014, and incorporates our audit opinion.

The report summarises the internal audit activity and, therefore, does not include all matters which came to our attention during the year. Such matters have been included within our detailed reports to the Audit Committee during the course of the year.

Acknowledgments

We are grateful to the Chief Executive and Register, Interim Finance Director, and other staff throughout HCPC for the assistance provided to us during the year.

02 Internal audit work undertaken in 2013/14

Our Internal Audit Strategy Update and Operational Plan 2013/14 was considered and approved by the Audit Committee at its meeting on the 13 March 2013.

The Plan was for a total of 45 days including three days Follow Up, six days Audit Management and three days Contingency. We have completed all planned audits from the Plan during the year.

During the year the Contingency days were used to undertake a review of HCPC’s controls and processes for ensuring partners’ expenses are incurred, processed and paid in accordance with HCPC policy.

The audit findings in respect of each review, together with our recommendations for action and the management response were set out in our detailed reports, a summary of which have been presented to the Audit Committee during the course of the year.



A summary of the reports we have issued is included at *Appendix A*. The appendix also describes the levels of assurance we have used in assessing the control environment and effectiveness of controls and the classification of our recommendations.

03 Annual Opinion

Scope of the Internal Audit Opinion

In giving our annual audit opinion, it should be noted that assurance can never be absolute. The most that the internal audit service can provide to HCPC is a reasonable assurance that there are no major weaknesses in risk management, governance and control processes.

The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

In arriving at our opinion, we have taken the following matters into account:

- The results of all audits undertaken during the year ended 31 March 2014;
- Whether or not any Priority 2 recommendations have not been accepted by management and the consequent risks;
- The effects of any material changes in the organisation's objectives or activities;
- Matters arising from previous reports to the Audit Committee and/or Council;
- Whether or not any limitations have been placed on the scope of internal audit;
- Whether there have been any resource constraints imposed upon us which may have impinged on our ability to meet the full internal audit needs of the organisation; and
- What proportion of the organisation's internal audit needs have been covered to date.

Annual Opinion

On the basis of our audit work, we consider that HCPC's governance, risk management and internal control arrangements are generally adequate and effective. Certain weaknesses and exceptions were highlighted by our audit work, none of which were fundamental in nature. These matters have been discussed with management, to whom we have made a number of recommendations. All of these have been, or are in the process of being addressed, as detailed in our individual reports.

In reaching this opinion the following factors were taken into particular consideration:

Corporate Governance and Risk Management

Following the positive assurance from our work in 2012/13; we undertook a review of key controls and processes in respect of corporate governance and risk management arrangements within HCPC. This was also in the context of anticipated changes to the Council structure following the former Council for Healthcare Regulatory Excellence (CHRE) (now known as Professional Standards Authority for Health and Social Care) in their interim report, published in September 2011, 'Board size and effectiveness: advice to the Department of Health regarding health professional regulators'.

Overall we provided a 'Substantial' level of assurance with two Priority 3 recommendations made in respect of risk management. We also followed-up on recommendations made in our 2012/13 report Bribery Act (report reference 08.12/13) and have reiterated one 'Priority 2' and one 'Priority 3' recommendation.

Internal Control

Of the audits undertaken in the year where we provide a formal assurance level, all were given a 'Substantial' level of assurance.

During the year, we have made no 'Priority 1' and six 'Priority 2' recommendations. All remaining recommendations were categorised as 'Priority 3'. The 'Priority 2'

recommendations arose in our Core Financial Systems, Stakeholder Communications, Project Management, Partners' Expenses, and Health and Safety reviews. These related to:-

- The review of Sage user access rights and the rights associated with job roles.
- Following on from the work currently underway within HCPC regarding stakeholder analysis, the outcome should be used to confirm the most effective methods of measuring success of the various methods of engagement with stakeholders. In turn this information can be used to inform future resource planning based on any information held regarding the priorities and methods of engagement.
- The treatment of project costs for the HR and Partners Project should be brought to the attention of the Executive Management Team.
- Exception reports should be completed for any significant financial adjustment that takes place.
- HCPC should remind partners of its preference for them to book travel requirements through the appointed travel service in preference to the direct bookings which are currently made in the significant number of cases noted.

Our follow up review of 16 recommendations made during 2012/13 confirmed that four had been implemented. Ten recommendations were considered to be in the process of being implemented. All of these recommendations are 'priority 3' with three of these recommendations being carried forward from the previous year's Follow Up audit (report 02.11.12 refers). There were also a further two Priority 3 recommendations considered as superseded. These related to:

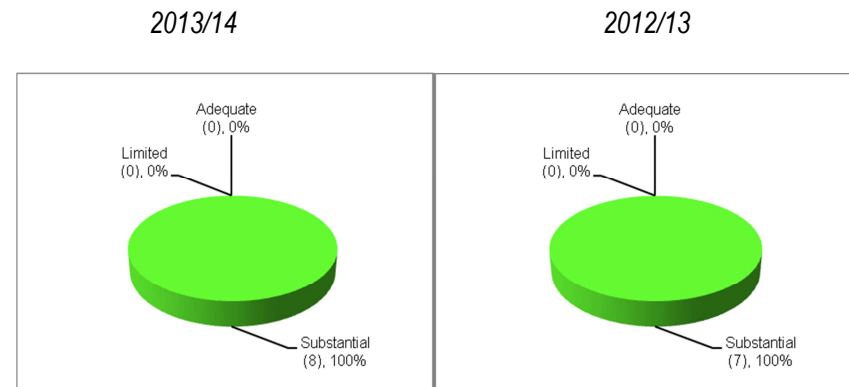
- The identification of 'early warning signals' in the Risk Register and which Management felt would unnecessarily complicate the Risk Register and would have little value; and
- Consideration should be given to introducing online applications. We were advised this has been put on hold as other developments around online activities and registration systems have been prioritise although this may be considered for future projects.

All recommendations made during the year were accepted by Management.

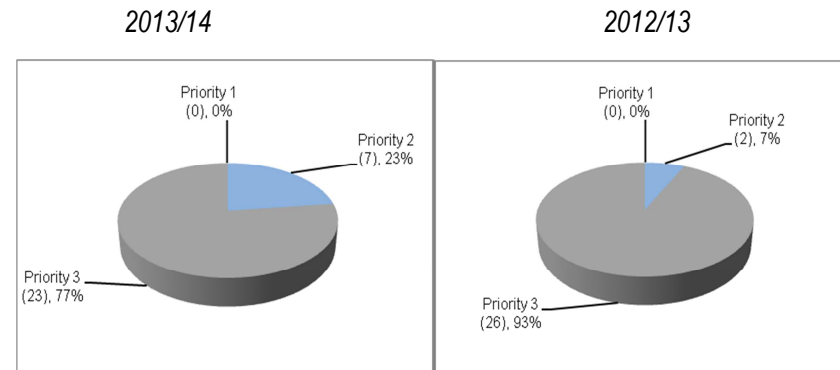
04 Benchmarking

This section compares the Assurance Levels (where given) and categorisation of recommendations made at HCPC.

Comparison of Assurance Levels (where given)



Comparison of Recommendations by categorisation



05 Performance of Internal Audit

Compliance with professional standards

We employed a risk-based approach to determining the audit needs of HCPC at the start of the year and use a risk-based methodology in planning and conducting our audit assignments. Our work has been performed in accordance with PSIAS.

Internal Audit Quality Assurance

In order to ensure the quality of the work we perform, we have a programme of quality measures which includes:

- Supervision of staff conducting audit work;
- Review of files of working papers and reports by managers and partners;
- The use of satisfaction surveys for each completed assignment.
- Annual appraisal of audit staff and the development of personal development and training plans;
- Sector specific training for staff involved in the sector;
- Regular meetings of our Sector Strategy Groups, which issues technical guidance to inform staff and provide instruction with regard to technical issues; and
- The maintenance of the firm's Internal Audit Manual.

Conflicts of Interest

There have been no instances during the year which have impacted on our independence and/or lead us to declare any interest.

Performance Measures

We have completed our audit work in accordance with the agreed plan and each of our final reports has been reported to the Audit Committee.

During 2011/12 it was agreed that the satisfaction surveys we issue alongside each final report would be collated and summarised by the Secretary to the Committees and used to inform the Audit Committee's annual assessment of the performance of internal audit. We would be happy to agree other measures of performance with the Committee should this be considered appropriate.

A1 Summary of internal audit work undertaken in 2013/14

The following reviews were undertaken during the 2013/14 audit year:

Ref	Auditable Area	Level of Assurance (If appropriate)	Recommendations				
			Priority 1 (Fundamental)	Priority 2 (Significant)	Priority 3 (Housekeeping)	Total	Total agreed by Management
01.13/14	Follow Up	Not applicable	-	-	10	10	10
02.13/14	Core Financial Systems – Asset Management, General Ledger and Payroll	Substantial	-	1	2	3	3
03.13/14	Disaster Recovery/Business Continuity Planning	Substantial	-	-	1	1	1
04.13/14	Stakeholder Communications	Substantial	-	1	1	2	2
05.13/14	HR – Recruitment, Retention & Succession Planning	Substantial	-	-	1	1	1
06.13/14	Project Management	Substantial	-	1	1	2	2
07.13/14	Partners' Expenses	Substantial	-	1	1	2	2
08.13/14	Health and Safety	Substantial	-	2	3	5	5
09.13/14	Corporate Governance and Risk Management	Substantial	-	1	3	4	4
		Totals	0	7	23	30	30
		%	0%	23%	77%		100%

We use the following levels of assurance and recommendation classifications within our audit reports:

Assurance Level	Adequacy of system design	Effectiveness of operating controls
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.

Recommendation Grading	Definition
Priority 1 (Fundamental)	Recommendations represent fundamental control weaknesses, which expose, HCPC to a high degree of unnecessary risk.
Priority 2 (Significant)	Recommendations represent significant control weaknesses which expose, HCPC 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.