

Audit Committee, 9 October 2014

Internal audit report – Follow-up of previous recommendations

Executive summary and recommendations

### **Introduction**

As part of the Internal Audit Plan for 2014-15 Mazars have undertaken a review to follow up progress made by the Health and Care Professions Council in implementing internal audit recommendations made during 2013-14. This includes recommendations from 2012/13 audit reports which had not been implemented at the time of last year's follow up review.

### **Decision**

The Committee is asked to discuss the report.

### **Resource implications**

None.

### **Financial implications**

Mazars' annual fee for 2014-15 is £27,000.

### **Appendices**

Internal audit report – Follow-up of previous recommendations

### **Date of paper**

1 October 2014



Internal Audit Report

**Follow Up  
(02.14/15)**

**October 2014**

**FINAL REPORT**

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### AUDIT CONTROL SCHEDULE:

<b>Client contacts:</b>	Marc Seale: Chief Executive and Registrar	<b>Internal Audit Team:</b>	Graeme Clarke: Director  James Sherrett: Manager  Matt Brookland: Auditor
<b>Finish on Site \ Exit Meeting:</b>	5 August 2014	<b>Management responses received:</b>	2 September 2014  1 October 2014
<b>Draft report issued: Revised draft report issued:</b>	14 August 2014  25 September 2014	<b>Final report issued:</b>	1 October 2014

In the event of any questions arising from this report please contact James Sherrett, Mazars LLP, [james.sherrett@mazars.co.uk](mailto:james.sherrett@mazars.co.uk) or Graeme Clarke, Mazars LLP [graeme.clarke@mazars.co.uk](mailto:graeme.clarke@mazars.co.uk)

#### **Status of our reports**

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## 1. INTRODUCTION

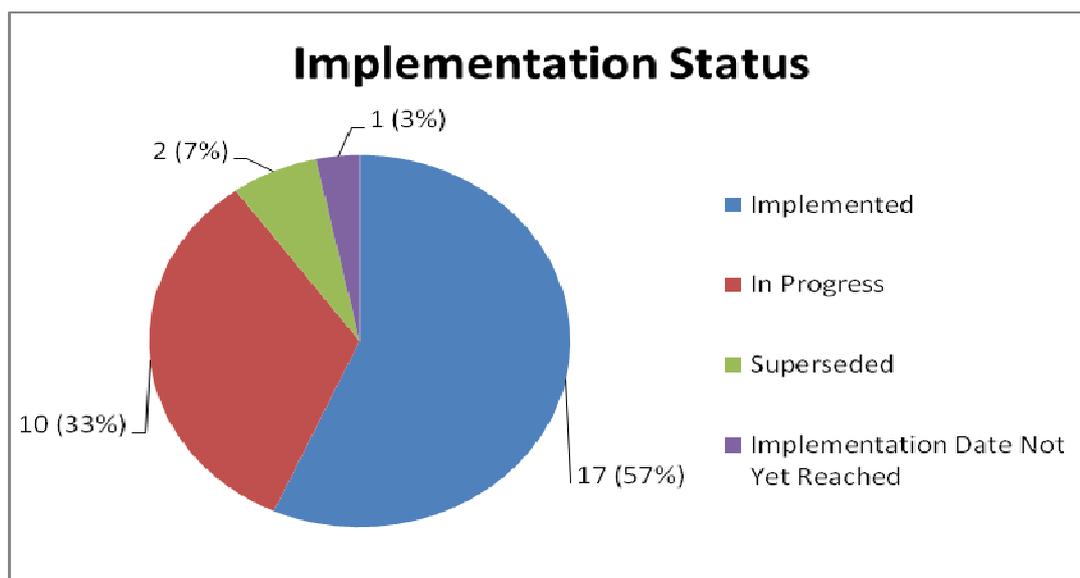
- 1.1 As part of the Internal Audit Plan for 2014/15 we have undertaken a review to follow up progress made by the Health and Care Professions Council (HCPC) in implementing internal audit recommendations made during previous years.
- 1.2 We would like to thank staff at HCPC for their assistance and help during the course of the audit.
- 1.3 The report summarises the results of the internal audit work and is by exception. It therefore, does not include all matters that came to our attention during the audit. Such matters have been discussed with the relevant staff.

## 2. SCOPE AND OBJECTIVES OF THE AUDIT

- 2.1 The audit reports considered as part of this follow up review included:
  - Follow Up (report 01.13/14 refers);
  - Core Financial Systems - Asset Management, General Ledger and Payroll (02.13/14);
  - Disaster Recovery/Business Continuity Planning (03.13/14);
  - Stakeholder Communications (04.13/14);
  - HR – Recruitment, Retention & Succession Planning (05.13/14);
  - Project Management (06.13/14);
  - Partners' Expenses (07.13/14);
  - Health & Safety (08.13/14); and
  - Corporate Governance and Risk Management (09.13/14).
- 2.2 Staff members responsible for the implementation of the recommendations were interviewed to determine the status of the agreed actions. Audit testing has been completed, where appropriate, to assess the level of compliance with this status and the controls in place.
- 2.3 HCPC has a process whereby Management report on the status of implementation of recommendations to each Audit Committee. The most recent of these reports went to the June 2014 Committee and the results of these reports have been used to inform our work.

## 3. SUMMARY OF FINDINGS

- 3.1 There were a total of 30 recommendations accepted by Management within the reports referred to in section 2.1 above. Seven of these recommendations were categorised as 'Priority 2' and the remaining 23 were categorised as 'Priority 3'.
- 3.2 Based on our review, the status of the remaining recommendations is as follows:



3.3 Seventeen recommendations are considered to have been implemented and 10 recommendations are considered to be in the process of being implemented. One of these is 'Priority 2' and the remaining nine recommendations are 'Priority 3'. Further details are included in Section 5 below.

3.4 Two 'Priority 3' recommendations were considered superseded:

- One relates to reviewing the processes for checking and banking of income received by cheque, postal order and credit/debit card to ensure that the most efficient process is in place. For example, the current checking performed by Registrations and Finance and the potential for a 'Cashier' role. (Original Report Income Collections and Debtors - 02.12/13 - refers). This has been reviewed by the Finance and Registration departments and it has been determined that this does not represent the most practical way forward; and
- The second relates to HCPC periodically considering the extent to which the strategic objectives link with existing risks on the Corporate Risk Register (report Corporate Governance and Risk Management - 09.13/14 - refers). The mapping of Strategic Objectives to Risks was presented to Audit Committee in June 2014. It was determined that this added no additional assurance and would require additional resources to maintain and use.

3.5 There is one recommendation where the target implementation date has not yet been reached. This relates to consideration being given to renewing DBS checks after an agreed time period such as three years (Health & Safety – 08.13/14 refers). The policy in relation to DBS checks is due for review by February 2015.

3.6 In respect of Management's report to the Audit Committee on the status of recommendations, based on our findings, we consider the reported stats at the June 2014 Audit Committee to be accurate.

#### 4. DEFINITIONS

4.1 We use the following categorisation of recommendations within our reports:

Priority Rating	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.

5. DETAILED FINDINGS AND ACTION PLAN

Area: Follow Up (01.13/14) (Follow Up (01.12/13) - Financial Systems Review 2010/11 – R2)							
Ref	Original Recommendation	Original Category	Original Management Response	Impl'n Date	Manager Responsible	Status	Comments/ Implication
5.1	<p><i>Original Recommendation:</i> Management should complete the steps necessary towards removing the option for individuals to follow manual procedures when raising supplier purchase orders.</p> <p><i>Follow Up Recommendation:</i> As planned, the Procurement, Requisitions and Purchases procedures should be updated to reflect our comments and approved by the Finance and Resources Committee.</p>	3	<p><i>Original Response:</i> This document will now be reconsidered to include a revised tendering policy and proposals for the supplier database. This will be completed in November 2012.</p> <p><i>Updated Management Response (August 2013):</i> Procurement policy currently being drafted, to be followed immediately by a review and update of the purchasing procedures to be completed by the procurement manager and finance team.</p>	<p>November 2012</p> <p>December 2013</p>	Director of Finance	In progress	<p>The Procurement Policy was approved by the Finance &amp; Resources Committee in November 2013 and by Council in December 2013.</p> <p>Procedures have been developed in relation to EU procurements but have not yet been documented in a manual or equivalent. Documentation of procedures for procurement will be taken forward by the Interim Procurement Manager.</p>
<b>New Recommendation</b>				<b>Updated Management Comment/Implementation Date/Manager Responsible</b>			
Recommendation carried forward. (Priority 3)				Procedures to be documented by the end of 2014-15			

Area: Follow Up (01.13/14) (Follow Up (01.12/13) – Payroll)							
Ref	Original Recommendation	Original Category	Original Management Response	Impl'n Date	Manager Responsible	Status	Comments/ Implication
5.2	<p><i>Original Recommendation:</i> As part of the planned review of the HR system, consideration should be given to a more effective interface between the HR and Payroll systems to avoid duplication in entry of data.</p> <p><i>Follow Up Recommendation:</i> As planned, HCPC should consider the interface between HR and Payroll systems including how the outsourcing of certain processes to a Payroll Bureau will impact on this.</p>	3	<p><i>Original Response:</i> The project plan and its timing will be discussed at the November 2012 away day.</p> <p><i>Updated Management Response (August 2013):</i> Continues to be part of the HR systems project review.</p>	<p>November 2012 and on-going</p> <p>Ongoing</p>	Director of Finance and Director of HR	In progress	The management update on recommendations reported to the Audit Committee on 24 June 2014 stated: "The action is still pending the HR & Partners project. Bids from suppliers have been received and are being assessed but no contract yet awarded so the project has not yet entered the build phase."
<b>New Recommendation</b>				<b>Updated Management Comment/ Implementation Date/Manager Responsible</b>			
Recommendation carried forward. (Priority 3)				See June 2014 updated response			

Area: Follow Up (01.13/14) (Follow Up (01.12/13) - Purchase Ordering System)							
Ref	Original Recommendation	Original Category	Original Management Response	Impl'n Date	Manager Responsible	Status	Comments/ Implication
5.3	<p><i>Original Recommendation:</i> As planned, HPC should complete the update to the 'Procurement Requisitions and Purchases' procedure document to ensure it reflects current practice. Once finalised, this should be communicated to all appropriate staff.</p> <p><i>Follow Up Recommendation:</i> As planned, the Procurement, Requisitions and Purchases procedures should be updated to reflect our comments and approved by the Finance and Resources Committee</p>	3	<p><i>Original Response:</i> This document will now be reconsidered to include a revised tendering policy and proposals for the supplier database. This will be completed in November 2012.</p> <p><i>Updated Management Response (August 2013):</i> Procurement policy currently being drafted, to be followed immediately by a review and update of the purchasing procedures to be completed by the Procurement Manager and Finance team.</p>	<p>November 2012</p> <p>December 2013</p>	Director of Finance	In progress	Procedures have been developed in relation to EU procurements but have not yet been documented in a manual or equivalent. Documentation of procedures for procurement will be taken forward by the Interim Procurement Manager.
<b>New Recommendation</b>				<b>Updated Management Comment/ Implementation Date/Manager Responsible</b>			
Recommendation carried forward.  (Priority 3)				Procedures to be documented by the end of 2014-15			

Area: Follow Up (01.13/14) (Follow up (01.12/13) - Corporate Governance)							
Ref	Original Recommendation	Original Category	Original Management Response	Impl'n Date	Manager Responsible	Status	Comments/ Implication
5.4	<p><i>Original Recommendation:</i> HPC should ensure that where possible all travel bookings are made well in advance of the travel date to ensure best rates are achieved. In addition, consideration to market testing its arrangements with Co-Operative Travel Management to ensure they provide value for money to the organisation.</p> <p><i>Follow Up Recommendation:</i> Consideration should be given to market testing the arrangements with Co-Operative Travel Management to ensure they provide value for money to the organisation.</p>	3	<p><i>Original Response:</i> It is in the Finance work-plan to undertake a review of the contract and it is anticipated that this will take place in the last half of the financial year.</p> <p><i>Updated Management Response (August 2013):</i> Travel contract is included in the workplan for the Procurement Manager with a view to go out to tender next year. An initiation documents is being prepared to consider the scope of the project, likely to include the whole process of purchasing and paying for travel</p>	<p>Not completed (last half of 2012/13 financial year)</p> <p>Initiation document to be presented to EMT in Dec'13.</p>	Director of Finance	In progress	HCPC are commencing the tender process for the travel contract.
<b>New Recommendation</b>				<b>Updated Management Comment/ Implementation Date/Manager Responsible</b>			
Recommendation carried forward.  (Priority 3)				The process to retender the travel management contract has started. As part of the new travel management contract, the Executive proposes that it should become mandatory to book all travel and related services such as hotel accommodation through the service provider except in exceptional circumstances. The policy would apply to Council members, Partners and Executive.			

Area: Follow Up (01.13/14) - Education Approvals Monitoring (04.12/13)							
Ref	Original Recommendation	Original Category	Original Management Response	Impl'n Date	Manager Responsible	Status	Comments/ Implication
5.5	<p><i>Original Recommendation:</i> A standard approach regarding the acceptance of forms with or without signatures should be adopted. For example, whether the Record of Decision forms should be individually signed and a scanned copy retained, or whether a batch sign off may be more appropriate.</p> <p><i>Follow Up Recommendation:</i> As planned, the Education Department project should include the development and implementation of revised business processes which are fully supported within the new system (including a review of forms and business templates utilised).</p> <p>This should be set out in the Project Initiation Document.</p>	3	<p><i>Original Response:</i> When reviewing a Record of Decision, it should be clear to an individual that a decision has been made by ETP.</p> <p>A review of the ETP procedures in relation to this observation will be undertaken by our Secretariat Department. A consistent approach will be adopted, which complies with our legal requirements, ensuring effective governance controls are maintained.</p> <p>In relation to forms used within the Education Department, a consistent approach to obtaining electronic signatures from stakeholders will be determined through the delivery of the major project.</p> <p><i>Updated Management Response (August 2013):</i> Project Initiation Document is being prepared for presentation to EMT in September 2013.</p>	<p>Secretariat – March 2013</p> <p>Education – March 2014</p>	<p>Secretariat</p> <p>Education</p>	In progress	In relation to the Education Department forms and the major project, whilst the requirements for new business processes and form completion have been included it is too early in the project for this specific issue to be cleared.
<b>New Recommendation</b>				<b>Updated Management Comment/ Implementation Date/Manager Responsible</b>			
<p>As planned, the project, which is due for delivery in 2015, should develop and implement revised business processes which are fully supported within the new system (including a review of forms and business templates utilised).</p> <p>(Priority 3)</p>				<p>Major project due for delivery in 2015.</p>			

Area: Disaster Recovery / Business Continuity Planning (03.13/14)							
Ref	Original Recommendation	Original Category	Original Management Response	Impl'n Date	Manager Responsible	Status	Comments/ Implication
5.6	HCPC should consider alternative methods of version control and distribution for the BCP, i.e. via secure internet/intranet, cloud service or secure USB key.	3	<p>The Executive consider technology based solutions for the update and distribution of the BCP every year as part of the project prioritisation process and budget discussions. To date other statutory requirements have reached a higher priority than this project.</p> <p>This item remains on the long list of important projects until actioned. This project will be considered again in the project prioritisation process and budget discussions taking place in December and February for the forthcoming (2014/15) budget year.</p>	Dec 2013/ Feb 2014	N/A	In progress	<p>The IT department have a possible solution that they could carry out using MS Exchange through O365 but this would be in the second phase of implementation of this recommendation.</p> <p>We understand this will be reconsidered for the 2015/16 Financial Year.</p>
<b>New Recommendation</b>				<b>Updated Management Comment/ Implementation Date/Manager Responsible</b>			
Recommendation carried forward.  (Priority 3)				A decision on using proposed internal technology vs. costed external services will be considered over summer / autumn 2014.			

Area: Stakeholder Communications (04.13/14)							
Ref	Original Recommendation	Original Category	Original Management Response	Impl'n Date	Manager Responsible	Status	Comments/ Implication
5.7	Following on from the work currently underway 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.	2	We will be commissioning our regular stakeholder analysis and polling in 2014-15 and this will be used to measure methods of engagement. We will also use the stakeholder analysis and mapping to inform this.	By end 2014	Director of Communications	In progress	HCPC have had a first draft of the stakeholder mapping data and are now reviewing and analysing this. The stakeholder polling will take place in autumn 2014, after which it will be analysed.  The aim is to complete the analysis work by December 2014.
<b>New Recommendation</b>				<b>Updated Management Comment/ Implementation Date/Manager Responsible</b>			
Recommendation carried forward. (Priority 3)				The stakeholder polling will take place in autumn 2014, after which it will be analysed. The aim is to complete the analysis work by December 2014.			

Area: Project Management (06.13/14)							
Ref	Original Recommendation	Original Category	Original Management Response	Impl'n Date	Manager Responsible	Status	Comments/ Implication
5.8	Consideration should be given to streamlining the current financial monitoring of projects by the Project Team. For example Budget spread sheets being automatically updated and linked to financial data in the Finance system and subject to appropriate in-built controls, reducing the need for a monthly reconciliation.	3	This has been raised with the finance department and will be investigated further in the course of a full review of the Finance systems and processes by the new Director of Finance. However it seems that the levels of detail required by the two departments differ greatly.	N/A	Project Portfolio Manager and Director of Finance	In progress	As part of the Sage and PRS upgrade project that the project accounting module be utilised. This will facilitate project reporting and control of invoice allocation. Spreadsheets maintained by the project management team will be based on downloads of data from the SAGE system.
<b>New Recommendation</b>				<b>Updated Management Comment/ Implementation Date/Manager Responsible</b>			
Recommendation carried forward. (Priority 3)				Sage and PRS upgrade to be completed by the end of 2014-15			

Area: Corporate Governance and Risk Management (09.13/14) ( Follow Up of Bribery Act (08.12/13))							
Ref	Original Recommendation	Original Category	Original Management Response	Impl'n Date	Manager Responsible	Status	Comments/ Implication
5.9	<p><i>Original Recommendation:</i> As well as general completion of this action plan, arrangements made for emerging bribery risks to be considered going forward and captured, where appropriate, on the Corporate Risk Register.</p> <p><i>Follow Up Recommendation:</i> An anti-bribery control framework setting out HCPC's approach to ensure adequate procedures should be developed. This should include arrangements for emerging bribery risks. (Priority 2).</p>	2	<p><i>Original Response:</i> We will prepare an action plan to set out adequate procedures in the anti- bribery control framework. Resultant risks will be added to the risk register.</p> <p><i>Updated Management Response (July 2014):</i> Our anti-bribery policy is set out within the employee handbook. We gave a presentation on the policy and fraud and bribery risks at the June 2014 all employee meeting, and we will develop our procedures for ongoing communication of the policy and identification of emerging bribery risks. We have purchased an anti-bribery toolkit and parts of this may be used within HCPC if appropriate. This risk is now owned by the Finance department.</p>	September 2013	<p>Head of BPI (risk register aspects only)</p> <p>Director of Finance</p>	In progress	<p>The anti-bribery policy is set out within the employee handbook. The employees have also been given a presentation on the policy and fraud and bribery risks at the June 2014 all employees meeting.</p> <p>Management plan to continue to develop their procedures for ongoing communication of the policy and identification of emerging bribery risks.</p>
<b>New Recommendation</b>				<b>Updated Management Comment/ Implementation Date/Manager Responsible</b>			
Recommendation carried forward.  (Priority 2)				See July 2014 updated management response. The procedures that we develop will be proportionate to the risk, which we consider to be relatively low. We do not have any sales or exports, which reduces the risk that our staff would be incentivised to offer bribes, and the markets in which we are buying goods and services and the functions we perform carry a relatively low risk that our staff would be offered bribes. Procedures to be documented by the end of 2014-15.			

<b>Area: Corporate Governance and Risk Management (09.13/14 (Follow Up of Bribery Act (08.12/13))</b>							
<b>Ref</b>	<b>Original Recommendation</b>	<b>Original Category</b>	<b>Original Management Response</b>	<b>Impl'n Date</b>	<b>Manager Responsible</b>	<b>Status</b>	<b>Comments/ Implication</b>
5.10	<p><i>Original Recommendation:</i> Based on expenditure (both in terms of value and number of transactions), the sector/services they are involved in, and the country in which they are based, an assessment should be made on the current and future supplier list to identify any that could be considered higher risk. For any such suppliers due diligence should be extended as appropriate, for example conducting a search of directors with disqualifications, news searches for court cases involving bribery etc.</p> <p><i>Follow Up Recommendation:</i> Recommendation carried forward.</p>	3	<p><i>Original Response:</i> All our suppliers are based in the UK. We undertake due diligence on new suppliers and tendering via the OJEU imposes controls through prescribed requirements and involvement of different people in the process.</p> <p>A review of our suppliers' database will be one of the tasks assigned to our procurement manager when recruited.</p> <p><i>Updated Management Response (July 2014):</i> We are developing procedures for the review of the financial health and the integrity of our suppliers to address this risk and risk 15.21 on the risk register, using credit reference agencies. Our view is that suppliers in our sector are relatively low risk in relation to bribery.</p>	September 2013	Director of Finance	In progress	<p>The Procurement Manager post is currently vacant.</p> <p>The recommendation will be followed up once the position is filled.</p>
<b>New Recommendation</b>			<b>Updated Management Comment/ Implementation Date/Manager Responsible</b>				
Recommendation carried forward. (Priority 3)			See July 2014 updated management response. An Interim Procurement Manager was engaged at the end of September. Procedures to be documented by the end of 2014-15.				