

Audit Committee, 19 March 2015

Internal audit plan 2015-16

Executive summary and recommendations

Introduction

The internal audit service was retendered in November for the three years 2015-16 to 2017-18. The Audit Committee opted to increase the annual budget and reduce the number of audits each year with the aim of securing deeper audits which add more value.

The tender was won by Grant Thornton, whose appointment was confirmed by Council in December.

Grant Thornton have developed their internal audit plan in consultation with the Executive and now present the plan to the Audit Committee for approval.

Decision

The Audit Committee is asked to discuss and approve the attached internal audit plan.

Background information

See Grant Thornton's plan, attached

Resource implications

None

Financial implications

Internal audit fees £38,523 plus VAT per annum, increasing by no more than CPI.

Appendices

Grant Thornton's internal audit plan 2015-16

Date of paper

10 March 2015



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Health & Care Professions Council (HCPC)

Annual Internal Audit Plan

Internal Audit Year 2015/16

March 2015

Introduction

The main purpose of this document is to set out proposals for the internal audit plan for the financial year 2015/16. Our approach has involved:

- review of the HCPC Risk Register (as presented to the October 2014 Audit Committee) and other published corporate documents
- review of past internal audit work and debrief discussion with the incumbent internal auditors
- our own sector experience
- initial soundings from Chief Executive & Registrar and the Finance Director
- feedback from EMT on draft proposals and prioritisation.

The document also sets out some initial options for the audit plans for 16/17 and 17/18.

Next steps

We request that the Audit Committee considers the proposed audit plan for 2015-16 (including whether the Committee agree with the proposed four priority areas) and provides its approval to proceed with its delivery.

We also request Audit Committee's initial steer on the outline plans for 2016/17 and 2017/18 (these are only indicative at this stage and will be refreshed based on an assessment of risks and EMT' steer before the start of the relevant financial years).

Grant Thornton LLP
March 2015

Draft Internal Audit Plan 2015/16

Feedback requested from Audit Committee

- proposed review areas (including whether there are any other more pressing priorities that should be considered)?

Please note that there is a reserved allocation for core financial controls, follow up of previous recommendations and the contingency .

Audit	Summary question	Associated risks (indicative)	Scope (indicative)
Review of the registration project (design phase)	Is the registration project (design stage) appropriately focused on defining the business improvements to be secured, the 'to be' business process state and how the technology is expected to support the 'to be' business process (and associated roles and responsibilities)?	<ul style="list-style-type: none"> - current disconnect between net regulate and finance system continues (in some form), resulting in a missed opportunity to realise efficiencies, reduce data inconsistency risk and realise more joined up and insightful management information - the new 'IT system' dictates business process, creating new data and delivery risks - skewed balance between short term 'fixes' and longer term 'future proofing' 	<p>Proposed review will have a forward looking focus, working with project sponsor and team, assessing the 'design stage' before the next decision stage (currently pencilled in for August 2015)</p> <ul style="list-style-type: none"> - Primary focus is likely to be on how the design stage work has defined future required business process (and user requirements), focusing on making 'to be' business processes lean & cost effective and how the design has been informed by current business processes (internally and at other regulators) - understand how effectively project governance & resourcing has worked in practice for the design stage and any lessons to take into next stage - drawing on our own experience from other regulators
Arrangements for managing customer complaints (in relation to HCPC's customer service, not fitness to practice)	<p>Is our overall approach to receiving, assessing and responding to complaints about HCPC's customer service levels coherent and robust?</p> <p>Does HCPC use complaints effectively as a learning/improvement process?</p>	<ul style="list-style-type: none"> - lack of clarity around 'how to complain or service standards to be expected from HCPC' creates a perception amongst stakeholders that HCPC does not have adequate systems to drive continuous improvements - 'process' is not adequately defined in cross organisational terms, resulting in complaints not being dealt with consistently, promptly and effectively 	<p>Review will particularly focus on:</p> <ul style="list-style-type: none"> - information communicated externally on 'how to complain' on customer service (note: scope does not include fitness to practice related concerns) - internal HCPC roles and responsibilities and practical process for receiving (via different communication mediums), assessing and responding to complaints - triaging process for determining at what level within HCPC the response to complaints be created, quality reviewed etc - evaluating how past complaints have been dealt with in practice.
Overarching coherence of key planning models	Is the current way of planning and modelling through separate but integrated models (registrant numbers, fitness to practice, income, five year financial model & business planning) coherent, appropriate and consistent with best practice?	<ul style="list-style-type: none"> - changes to individual models makes their integration/feed more challenging, creating risks of errors and omission - maintaining separate models with localised knowledge of structure, changes and how they work creates risk if key staff with detailed knowledge leave HCPC - overall approach is not efficient 	<p>A spreadsheet modelling specialist will:</p> <ul style="list-style-type: none"> - assess the design and operation of how the different models are structured, feed each other etc to deliver the information required to plan and control the HCPC business - compare the overall approach of having the separate planning tools, with what we have seen at other relevant clients with similar challenges of being reliant on accurate demand planning.

<p>Consultation process</p>	<p>As we evolve and make our consultation process (for changes to regulatory regime) more accessible (ie use of more varied channels), does our practical process for requesting feedback, analysing responses and providing a balanced, representative and evaluative summary to EMT and Council remain robust?</p>	<ul style="list-style-type: none"> - consultation request not appropriately framed or not sufficiently tailored for the communication medium - important responses get missed, mis-interpreted or not adequately reflected in the overall analysis of feedback that informs final policy decisions 	<p>The review will assess both the design and operation of the consultation process. Specifically this will include understanding:</p> <ul style="list-style-type: none"> - how consultation process is approached to maximise the access to stakeholders different communication mediums provide - the end to end process as it is 'expected to operate' - how selected completed consultations were completed (case study examples to be selected from last 2/3 years). The case study cases will be selected in consultation with Director of Policy and Standards. We will be mindful of only selecting those cases where stakeholder feedback would have been expected to significantly influence the decisions being consulted upon.
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Forward plan options: 2016/17

Feedback requested from Audit Committee

- Is the broad direction of outline plan appropriate?
- Are there other areas of potential future risks that should be considered?
- Only 4 of the 5 review options could be resourced in the plan (to be considered before start of the financial year 16/17).

Audit	Summary question	Associated risks (indicative)	Scope (indicative)
Review of the registration project (execution phase)	<ul style="list-style-type: none"> - Is project execution being managed in a way that enables appropriate control to deliver 'to be' business processes and associated technology solutions to cost, quality and time? 	<ul style="list-style-type: none"> - project focus diverts from expected business benefits - Technology solution is not fit for purpose and not taking into account learning from peers and other 'service oriented businesses' - Wider implications for costs, IT infrastructure etc don't get enough traction 	<p>Assess the execution phase of project, with particular focus on:</p> <ul style="list-style-type: none"> - project management (including internal staff roles and externally sourced skills) - cost, time and quality control process - commercial arrangements (and sharing of risks between HCPC and supplier) - stakeholder engagement.
Fitness to practice (FtP) processes	<ul style="list-style-type: none"> - Given FtP function is a significant proportion of HCPC operating costs, how does HCPC continue to focus on improving how the work is delivered (balancing better quality outcomes with efficiency)? - How does this account for learning from other regulators and comparable organisations? 	<ul style="list-style-type: none"> - current processes and systems start to come under strain from workload, impacting quality - increased ad-hoc or unplanned costs for registrants (to absorb increasing FtP caseload) impacts reputation 	<p>Assess the overall programme of work within HCPC to:</p> <ul style="list-style-type: none"> - balance effective implementation for current approach and processes for handling FtP caseload - review, and if appropriate, re-engineer approach to dealing with FtP caseload <p>Compare and contrast with other regulators, within health but also outside in wider government</p>
Property strategy	<ul style="list-style-type: none"> - Is HCPC's evolving strategy for meeting its accommodation needs (both current and future) adequately considering relevant options, associated costs and benefits and recommendations to Council underpinned by sound rationale? 	<ul style="list-style-type: none"> - 'future proofing' opportunities missed - infrastructure not fit for efficient and effective working 	<p>Working alongside with management, we will provide 'live' challenge (through a property specialist) as management are developing the overall property strategy. This will potentially cover challenge on both the process and also insights from our experience at other clients.</p>
Use of Procurement frameworks	<p>Is the way HCPC's engaging with the use of procurement frameworks enabling efficient process (and user experience), value for money and high quality outcomes?</p>	<ul style="list-style-type: none"> - onerous process - shorter process benefits outweighed by limited supplier choice - 'process' focus results in procurement benefits and outcomes required getting less prominence. 	<p>Review of a sample of completed procurements completed through procurement frameworks with the objective of providing assurance, but also identifying both positives and lessons for the future.</p>

Forward plan options: 2017/18

Feedback requested from Audit Committee

- Is the broad direction of outline plan appropriate?
- Are there other areas of potential future risks that should be considered?

Audit	Summary question	Associated risks (indicative)	Scope (indicative)
Strategic and operational planning	Given fundamental transformation of the HCPC business (from 90k to 330k registrants, income from £2.7m to £26m, staff from 37 to 230), how has the strategic planning process effectively led to a strategic direction that is appropriate for what is now a very different business? How is revised strategic direction genuinely guiding operational priorities?	<ul style="list-style-type: none"> - strategic direction not clear, not relevant for a current scale of business, does not protect existing performance levels and enhance it where appropriate 	<ul style="list-style-type: none"> - review of the processes for creation and approval of the HCPC's strategic and operational level plans from conception, to Council review, to formalisation and implementation - key focus on the information made available in the course of strategic and operational planning - examine the alignment between the risk registers and the business and operational plans, the challenge and approval processes in place to ensure that only a rigorously reviewed and approved work programme is implemented
Continuing professional development	How does HCPC's ensure that the CPD process continues to remain fit for purpose?	<ul style="list-style-type: none"> - lack of assurance that all licensed registrants are able and aware of CPD requirements 	<ul style="list-style-type: none"> - review of key processes associated with managing CPD for registrants
Information Governance (including freedom of information and data protection)	<p>How has HCPC's information governance evolved so that it remains fit for purpose for the 'here and now' business but also how the business is changing?</p> <p>And specifically, are HCPC's processes for adhering to Data Protection and freedom of information requirements adequate and being applied in practice?</p>	<ul style="list-style-type: none"> - major information protection failure results in reputational damage - breach of external regulatory requirements creates reputational risks for HCPC 	<p>The review will assess both:</p> <ul style="list-style-type: none"> - assess the overall framework at the HCPC not just with regard to Data Protection, but also the development and maturity of information governance arrangements - the adequacy of HCPC's guidance, roles and responsibilities and practical process for ensuring compliance - application of processes in practice, for example selecting a sample of FoI requests (particularly for higher risk information such as that relating to casework) and evaluating how practically they have been assessed and how information provided meets FoI requirements whilst redacting where appropriate - will specifically compare the arrangements to practical experience at other relevant regulators.

HCPC – IA Summary (as sourced from Audit Committee papers on HCPC website)

The main objective of listing a summary of the work undertaken by our predecessors is to demonstrate that we have taken account of their work, and endeavoured to build on their coverage and not duplicate any areas where assurance or advice has been recently provided.

2013/14 annual opinion ¹ : 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.	
Review	Findings
Corporate Governance and Risk Management	<p><i>Scope:</i> A review of key controls and processes - in the context of anticipated changes to the Council structure following PSA’s interim report, published in September 2011, ‘Board size and effectiveness: advice to the Department of Health regarding health professional regulators’ - ‘Substantial’</p> <p><i>Rec:</i>The identification of ‘early warning signals’ in the Risk Register - which management felt would unnecessarily complicate the Risk Register and would have little value</p>
Core Financial Systems	<p><i>Scope:</i> The areas focused on under this review were Asset Management, General Ledger and Payroll. ‘Substantial’</p> <p><i>Rec:</i> User access rights to the Sage finance system have not been reviewed since the system was set up. Job roles and responsibilities have changed and there may be staff with access to areas of the system to which they should not be able to view or make amendments. The review of Sage user access rights and the rights associated with job roles.</p>
Stakeholder Communications	<p>‘Substantial’</p> <p><i>Rec:</i> 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.</p>
Project Management	<p><i>Scope:</i> Review of the management of the major projects. ‘Substantial’</p> <p><i>Rec:</i> The original budget for the HR and Partners Project was approximately £100k. During the course of the project a reforecast indicated that this was likely to increase to approximately £124k. This budget increase was subject to an exception report and has been approved. However, the original budget was for all expenditure to be OPEX and none to be CAPEX. The split between these types of expenditure has been revised such that approximately £75.5k is CAPEX and £48.5k OPEX although this reallocation was not subject to a formal exception report to EMT. Therefore - the treatment of project costs for the HR and Partners Project should be brought to the attention of the Executive Management Team.</p>
Partners’ Expenses	<p><i>Scope:</i> At the request of the Audit Committee - ensuring partners’ expenses are incurred, processed and paid in accordance with HCPC policy. ‘Substantial’</p> <p>We understand partners is the term used to describe individuals who work for the HCPC as agents providing expertise required to ensure robust decision making and to have a general input into the work of HCPC. There are six different types of Partner: CPD Assessors; Legal Assessors; Panel Members; Panel Chairs; Registration Assessors; and Visitors.</p> <p><i>Rec:</i> Up to period 9 of the current financial year, 42% (by value - £390k of £930k) of partners’ expenses authorised and paid by HCPC were claimed by direct reimbursement rather than using the services of Co-operative Travel Management. 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.</p>

¹ The Plan was for a total of 45 days including three days Follow Up, six days Audit Management and three days Contingency.

Health and Safety	<p>A review of arrangements for ensuring the health and safety of staff, visitors and Council Members (at the time, HCPC's Risk Register identified a specific risk related to the health and safety of its Council Members). 'Substantial'</p> <p>An Annual Report on Health and Safety matters should be produced and reviewed by Members. Typically such reports provide detail of existing policy frameworks including review/update, operation of the safety management system & summary of incidents</p>
Business Continuity	'Substantial' - Nothing of significance noted
Bribery Act	<p>Scope: A review of HCPC's high level framework to prevent the offering or payment of bribes by staff or associates of HCPC as well as the receipt of bribes.</p> <p>Rec: There is no overall sponsor at a senior level for ensuring an anti-bribery culture and control framework is embedded, nor are there any existing plans for further reporting to the Council on the implications of the Bribery. A sponsor at Council level should be appointed and the Council updated on ant bribery risks and actions plans on at least an annual basis.</p>

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