

Audit Committee, 14 June 2017

Internal Audit Annual Report 2016-17

Executive summary and recommendations

Introduction

Grant Thornton's annual report on the HCPC's governance, risk management and internal control systems is attached.

Decision

The Committee is asked to review and discuss the report.

Background information

The internal audit programme includes an annual report. The annual report summarises the findings of internal audits during the year, and includes the internal auditors' overall opinion on the system of governance, risk management and internal control, which is provided to the Accounting Officer and the Audit Committee.

The internal auditors' programme of work and their overall opinion supports the description of the system of internal control within the governance statement section of the Annual Report & Accounts, and also forms part of the assurance framework which the Committee and Council can draw upon in deciding whether to approve the Annual Report & Accounts.

Resource implications

None

Financial implications

Grant Thornton's agreed fees for 2016-17 were £47k including VAT.

Appendices

Grant Thornton's internal audit annual report

Date of paper

7 June 2017



The Health and Care Professions Council

Annual Internal Audit Report 2016-17

05 June 2017

Contents

Sections

1	Introduction	3
2	Annual Opinion	5
3	Summary of findings	6

Appendices

A	Definitions	10
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It is the responsibility solely of the Health and Care Professions Council's management to ensure that there are adequate arrangements in place in relation to risk management, governance and control.

1 Introduction

1.1 Introduction

Grant Thornton UK LLP is the appointed Internal Auditor to the Health and Care Professions Council (HCPC) for the period 1 April 2016 to 31 March 2017.

This report summarises our work during the year, together with our internal audit opinion and supporting commentary.

1.2 Responsibilities

It is the responsibility of HCPC to ensure that it has adequate and effective risk management, control and governance processes.

In fulfilling its responsibilities, the HCPC is responsible for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives. The HCPC should maintain sound risk management and internal control systems and should establish formal and transparent arrangements for considering how they should apply the corporate reporting and risk management and internal control principles and for maintaining an appropriate relationship with the organisation's auditors.

Our role as internal auditor to the HCPC is to provide an independent opinion to the Audit Committee on risk management, control and governance processes, by undertaking a programme of work that we are directed to undertake by the Audit Committee.

1.3 Internal audit approach

Internal audit plan

The internal audit plan for 2016-17 was approved under the direction of the Audit Committee and was informed by soundings from the HCPC's Chief Executive, senior management and initial feedback from the Audit Committee.

The internal audit plan consisted of seven reviews:

- Whistleblowing review
- Partner recruitment review
- Non-FTP legal cost management review
- Registrations appeals review
- Recruitment and retention review
- Property management review
- Core financial controls – Payroll review

Audit assignments

We have reviewed the control and activities established by the HCPC to manage the risks that it has identified to its business objectives as set out in the 2016-17 Annual Internal Audit Plan, approved by the Audit Committee on 16 June 2016.

This report is made solely in relation to those business areas and risks reviewed in the year and does not relate to any of the other operations of the HCPC. We adopted a risk based approach to our work which required us to:

- establish the controls and activities in place to address the key business risks in each area under review
- interview key staff to gain an understanding of the adequacy of controls and activities in place to manage the risks in each area under review
- review certain key documents to confirm the existence and operation of the controls and activities identified
- where applicable, perform tests to determine whether the controls and activities have operated as expected during the period.

Together these and other such procedures as we considered necessary, enabled us to evaluate whether the control policies and procedures were suitably designed to meet the risk objectives and whether these control policies were operating with sufficient effectiveness to provide reasonably, but not absolute, assurance that those risk management objectives were achieved during the period reviewed. Our opinion is based on the work scope of work we have carried out in 2016-17. Our opinion should not be taken to mean that all transactions have been properly authorised and processed.

In common with most organisations, the control environment at the HCPC depends on the competence of its staff and compliance with procedures. Changes in staff, staff absences and, in extreme cases, collusion and/or deliberate actions by key individuals can corrupt it. The day-to-day maintenance of the control environment, therefore, depends on management control and supervision.

Acknowledgements

We would like to take this opportunity to thank the members of the Audit Committee, HCPC's management and staff for their assistance and support during the course of the 2016-17 financial year.

2 Annual Opinion

2.1 Overall assurance

As the internal auditor to HCPC, our work in 2016-17 was carried out in accordance with the Internal Audit Plan directed and approved by the Audit Committee. We have carried out seven reviews through our programme of work. Therefore the level of assurance we are able to provide is limited to these areas and does not cover the full operations of the HCPC.

In assessing the level of assurances to be given, we have taken into account:

- the extent to which the finally agreed internal audit plan has been completed – *this was 100% completed*
- any significant recommendations not accepted by management and the consequent risks - *there were none*
- any limitations which may have been placed on the scope of internal audit - *there were none*
- the extent to which resource constraints may impinge on our ability to meet the full audit needs of the HCPC - *there were none.*

Control policies and procedures designed to address specified business objectives are subject to inherent limitations and, accordingly, errors may occur and not be detected.

In giving our opinion it should be noted that assurance can never be absolute. The most that we can provide to the HCPC is a reasonable assurance that there are no major weaknesses in the HCPC's risk management, control and governance processes in the areas where we have carried out work in 2016-17.

2.2 Our opinion

We have carried out seven reviews in 2016-17. None of the audits highlighted any fundamental or significant issues in respect of risk, governance or control. However our work does not cover the full operations of the HCPC.

Based specifically on the scope of reviews undertaken and specific testing/evaluation we performed during 2016/17, we provide '**Substantial**' assurance in respect of corporate governance, risk management and internal controls in the seven areas we have reviewed.

2.3 Basis of conclusion

Our opinion is drawn from the specific reviews undertaken during the year. We have taken out of the nature and significance of the findings, the quality of the management action plans and progress we have seen from our work.

3 Summary of findings

3.1 Key themes and insights from our work

The internal audit plan had good coverage across a range of strategic, core business and financial risks. This included:

- key strategic risk areas such as management of partner recruitment audit and the Registration Appeals audit
- operating risk coverage included through the reviews of whistleblowing review, Non-FITP legal cost management review, recruitment and retention and property management
- financial systems reviewed through the payroll audit

Governance and Risk Management

Based on the reviews carried out we found that overall HCPC has good governance and risk management procedures in place. Each of the audit sponsors we spoke to during the audit planning and field work had a good level of understanding in respect of their departments and associated risks.

The Risk register is regularly updated by management and reviewed throughout the year in detail by the Audit Committee. We have observed during the Audit Committee that there is a reasonable level of challenge from the members which we see as good practice.

We have feedback to the Audit Committee in March 2017 that the risk register is very detailed beyond what we have typically seen at other regulators. The

Audit Committee confirmed they would review the level of detail in the risk register going forwards.

Management and the Audit Committee have both been involved in ensuring the focus of the internal audit plan aligns to HCPC's key strategic and operational risks. The internal audit plan and audit reports are discussed and debated at an appropriate level of detail by members and detailed questions have been asked which demonstrates good member engagement.

The HCPC are planning for a period of potentially significant change and it will be important for HCPC to ensure that it continues to exert the same level of challenge and engagement over its governance and risk management arrangements.

Internal Control

A good control environment will encompass three types of controls. A foundational control that prevents a risk from occurring (such as policy and procedures, access restrictions). A specific control if designed and operating as intended will ensure the preventative control is working well (such as approval and authorisation). And finally, a monitoring control that acts as a detective control, for example, management reporting or exception reports.

During our reviews, we looked to check whether we could identify the three types of controls for each risk area as detailed in each individual audit brief. Secondly, we looked to examine to what extent the identified controls were designed and operating effectively.

Review	Rating			
	High	Medium	Low	Info only
Whistleblowing review	-	2	1	-
Partner recruitment	-	1	2	-
Non-FTP legal cost management review	-	-	2	-
Registrations appeals review		1	2	-
Recruitment and Retention	-	-	3	-
Property management	-	-	2	-
Core financial controls - Payroll	-	2	1	1
Total	-	6	13	1

Based on the reviews carried out we found that overall HCPC has good internal control arrangements in place, which is demonstrated by the low level of red rated findings during the year. For example, in the whistleblowing and registration appeals process, we found the policies and procedures are regularly reviewed and updated which helps to ensure that staff are aware of the procedures to be followed. In particular, we found the whistleblowing arrangements for employees consistent with good practice.

In respect of the other controls, there were no major themes around control design and operation. For example payroll calculations were incorrectly calculated by the Payroll Bureau, however, due to well-designed controls in place within the HR the errors were detected and controls and processes established with the Payroll Bureau to ensure that the errors are prevented from recurring.

Whilst the internal control environment is relatively robust, there are several areas of improvement as identified during the year. We have summarised the key audit findings in the table below.

3.2 Summary of audit findings and ratings

Table1: Summary of audit findings and ratings.

Table1 above summarises the number of audit findings and ratings for each review carried out in 2016-17. During the year management have accepted all recommendations and put into place agreed action plans to ensure all recommendations are implemented in a timely manner.

In this section, we have summarised the High and Medium findings from each of the reviews undertaken in 2016-17.

Whistleblowing review

The objective of this review was to provide assurance to the Audit Committee that:

- in relation to HCPC’s role as a prescribed person, reports by persons other than employees are appropriately responded to and in a consistent manner
- HCPC’s whistleblowing arrangements for employees are consistent with good practice and that policies and procedures are being adhered to

Our audit has focussed on the design of whistleblowing arrangements only and not operational effectiveness

Overall we noted a number of good practices such as the Council has protocols to share information with other bodies such as the Care Quality Commission and Disclosure and Barring Service through Memorandum of Understanding documents. The internal whistleblowing arrangements were found to be adequate

Two medium findings were raised as follows:

- HCPC should ensure that a Prescribed Persons Policy is developed, approved and introduced within an agreed timescale. All employees, partners and Council and committee members should be made aware of the new policy so that the HCPC’s role as a prescribed person is clear and understood.
- The Director of HR should review the draft policies for Employees, Partners and Council and committee members with policies we have

seen we have we have seen elsewhere, such as; the Freedom to speak up, raising concerns (whistleblowing) policy for the NHS April 2016, Guidance for Employers and Code of Practice – Department for BIS, March 2015, Healthcare Regulator, NHS, April 2016, Guidance for Employers and Code of Practice – Department for BIS, March 2015, Healthcare Regulator, Economic Regulator, Human Resources example policy

Partner recruitment

The scope of the review was to audit of the partner recruitment process, including how equality and diversity issues are dealt with. The objectives of the audit were to assess whether there is a robust and transparent process in place that can demonstrate that partners are recruited based on set requirements and that there are appropriate safeguards against the bias of partners with protected characteristics.

The objective of this review was to consider the following key areas:

- roles and responsibilities for managing relations with legal providers
- process for commissioning individual requirements
- the nature of the review and controls before a requirement is placed with a provider
- process to ensure there is adequate and specifically defined requirement to ensure actual delivery and costs can be controlled

Our audit concluded that the HCPC has robust and transparent processes in place for Partner recruitment. Our testing identified that recruitment procedures were complied with including appropriate safeguards against bias against Partners with protected characteristics. This included three registered disabled candidates who applied for the positions. We found two exceptions (one Medium and one low). The medium rating related to the accuracy of record keeping of partners, where procedures were not complied with and inputting errors were identified mist notably an out of date UK passport.

Non-FtP legal cost management

As part of our 2016-17 Internal Audit Plan, it was agreed with the Audit Committee and Management that Internal Audit would review the processes for commissioning legal advice on matters other than case preparation and presentation within the Health and Care Professions Council ('HCPC'). Fitness to Practise case preparation and presentation is undertaken for HCPC by Kingsley Napley LLP (KN) who were appointed in 2014 following an OJEU tender. The commissioning of KN's work was outside the scope of this audit.

Overall, it was evident during our review that the policies, procedures and controls surrounding the commissioning of non-case preparation and presentation legal services at the HCPC were in the main well designed. We found two low rated findings only.

Registrations appeals

The objective of the audit was to assess whether there is a robust and transparent process in place for appeals and that they are being undertaken in accordance with the published process and timetable. The HCPC in exercising its function is the protection of the public. To do this, HCPC maintain a register of health and care professionals who meet their standards for training, professional skills, behaviour and health. As of 31 March 2016, the HCPC regulated c.341,000 individuals, known as registrants, from the 16 professions they regulate.

We identified three areas for improvement, of which one was rated as 'medium' relating to the lack of verification of employer references provided by the appellant as part of their appeal.

Review of Property Management – Tribunal suite

The objective and scope of the review was to undertake a high level review of the FtP planning and scheduling processes (both space scheduling and staff planning processes) and how it ensures efficient use of the capacity at 405 Kennington Road, including the use and reporting of service standards and management information. In addition, to assess how cancellations and rescheduling are managed and minimised to ensure that there is a consistent and adequate utilisation of the available space. We also assessed the quality and

upkeep of the space, through feedback from key users and staff to gauge whether the space is available in the right condition at the right time for FtP tribunals (including access to required facilities and IT requirements).

The planning process was found to be robust. Whilst the scheduling approach was not particularly sophisticated (being undertaken in MS Outlook) the process worked and was fully understood by all necessary staff. We understood that management was in the process of potentially procuring a new Case Management System within the next two to three years and a scheduling tool which would form part of any new system procured.

Management information and service standards on the utilisation of the building was found to be in place, fit for purpose and reported to Council on a quarterly basis. Whilst these simply state the overall level of utilisation based on frequency (rather than on a room by room or occupancy basis) we consider that this is appropriate. The utilisation at the time of our field work was reported as 89%.

Core financial controls – Payroll review

The review focused on an audit of the new payroll system – Core HR system. The Core HR system was adopted in December 2016 and payroll is processed by an outsourced payroll provider Core Computer Consultants Limited (Payroll Bureau). The objective of the review was to assess the adequacy of processes, procedures and controls in place post implementation and to ensure payroll is being processed accurately.

Overall the payroll controls were adequately designed and found to be operating effectively. However, we found three findings including one point that merited management's attention (information only). Of the three findings, two were medium rated findings and one of a low rated finding.

The first medium rated finding related to the absence of service standards within the service level agreement between HCPC and the Payroll Bureau. We would expect a set of robust service standards to be in place to ensure HCPC can measure and monitor the service performance of the payroll provider going forwards.

The second medium finding related to no evidence being retained by the Director of Finance and the Director of HR that they had reviewed the monthly

Gross to Net report for completeness and accuracy before authorising for the final monthly salary payment to be made to staff.

A Definitions

Assurance Levels

Full	Overall, we have concluded that, in the areas examined, the risk management activities and controls are suitably designed, and were operating with sufficient effectiveness, to provide reasonable assurance that the control environment was effectively managed during the period under review.
Substantial	Overall, we have concluded that, except for the specific weaknesses identified by our audit, in the areas examined, the risk management activities and controls are suitably designed, and were operating with sufficient effectiveness, to provide reasonable assurance that the control environment was effectively managed during the period under review.
Limited	Overall, we have concluded that, in the areas examined, the risk management activities and controls are not suitably designed, or were not operating with sufficient effectiveness, to provide reasonable assurance that the control environment was effectively managed during the period under review.
None	Overall, we have not been able to form an opinion on whether the internal controls examined have been designed, or are operating sufficiently, to ensure that the control environment was effectively managed during the period under review.

Audit issue rating

Within each report, every audit issue is given a rating. This is summarised in the table below.

Rating	Description	Features
High	Findings that are fundamental to the management of risk in the business area, representing a weakness in control that requires the immediate attention of management	<ul style="list-style-type: none"> • Key control not designed or operating effectively • Potential for fraud identified • Non-compliance with key procedures/standards • Non-compliance with regulation
Medium	Important findings that are to be resolved by line management.	<ul style="list-style-type: none"> • Impact is contained within the department and compensating controls would detect errors • Possibility for fraud exists • Control failures identified but not in key controls • Non-compliance with procedures/standards (but not resulting in key control failure)
Low	Findings that identify non-compliance with established procedures.	<ul style="list-style-type: none"> • Minor control weakness • Minor non-compliance with procedures/standards
Improvement	Items requiring no action but which may be of interest to management or best practice advice	<ul style="list-style-type: none"> • Information for department management • Control operating but not necessarily in accordance with best practice



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