

Audit Committee, 14 June 2017

Internal audit – Review of recommendations

Executive summary and recommendations

At its meeting on 29 September 2011, the Committee agreed that it should receive a paper at each meeting, setting out progress on recommendations from internal audit reports.

Most of the information in the appendix is taken from the wording of the internal audit reports. The exception is the 'update' paragraph in the right-hand column, which provides details of progress.

Recommendations which have been implemented have been removed from this report. The original numbering of recommendations has been retained.

**Decision**

The Committee is requested to discuss the paper.

**Background information**

Please refer to individual internal audit reports for the background to recommendations.

**Resource implications**

None

**Financial implications**

None

**Appendices**

None

**Date of paper**

7 June 2017

## Recommendations from internal audit reports

### Core Financial Systems – Payroll (report dated September 2011 – considered at Audit Committee 29 September 2011)

**Assurance on effectiveness of internal controls:** Substantial Assurance

#### Recommendations summary

### Review of five year plan model functionality and controls review (report dated November 2015 – considered at Audit Committee 26 November 2015)

This report was not presented in traditional observation/recommendation/management response format. Observations that did not have an associated recommendation and recommendations that have been implemented have not been reproduced. The following recommendations are still open.

	Recommendation	Priority	Management response	Timescale/ Responsibility
<b>Fitness to practise section of the model</b>				
	We did not identify any major issues with inserting new data to reforecast the 5 year plan based on updated actuals. We do however recommend inserting a model version tracker as a way of assessing performance against the budget and long term forecasts. We note that it is not currently possible to change the forecast dates for FtP costs independently to other calculations and understand this functionality may be helpful. One approach would be to insert a flag to limit changes to forecast and actual periods to only the FTP sections of the model. However when implementing this we would recommend that this is clearly reported to users so they are aware of assumptions being used	Low	Noted, though to reforecast, the start and end date of the budget actuals would need to change, which impacts on registrant numbers calculated elsewhere.	Finance Director / Director of Fitness to Practise  <b>Update</b>  14/06/2017 – Work still underway  <b>Previous updates</b>  15/03/2017 – The work has started but is still underway
	We have observed that the model can cannot currently be used for sensitivity analysis or as a resource /workflow planning tool. In the models current state the addition of monthly updates to enable resource planning and effective reforecasting would require a periodic freeze of the registrant assumptions. This would also drive the need for a reconciliation/ logic check between the frozen and updated registrant values. Implementing this would require an update of the model with	Low	Noted and agreed. We'd want to do this to assist with future budget planning and resource management, especially to monitor the impact of planned changes in FTP	22/11/2016 – This work has slipped and is now starting in November with the aim of completing by the end of the financial year.  06/09/2016 – Finance and FTP are working together with the aim of integrating the FTP module of the 5 year plan with FTP's workforce planning and

	Recommendation	Priority	Management response	Timescale/ Responsibility
	sufficient testing to ensure a robust procedure for updating inputs and reconciling frozen values.		processes and structures.	management information systems. These recommendations will be considered as part of that work, due to complete by November 2016.

## Core financial controls review (report dated May 2016 – considered at Audit Committee 16 June 2016)

### Recommendations summary

Priority	Number of recommendations
High	None
Medium	3
Low	5

	Finding and Implication	Recommendation	Priority	Management response	Timescale/ Responsibility
2	<p>HR are responsible for managing pension and corporate gym membership payroll deductions from HCPC employees. The deductions themselves are calculated by the outsourced payroll provider (Access) as part of wider payroll calculations.</p> <p>A periodic review of pension and corporate gym membership payroll deductions is not being conducted by HR to ensure these remain up-to-date (e.g. corporate gym membership is still being used by the employee) and accurately reflect internal records held by the HCPC HR team (e.g. employee pension contribution levels). Pension reports are generated by both Access and HCPC Finance which set out the monthly pension deductions for each employee. Whilst these reports could be used to perform a reasonableness check of pension deductions, they do not enable completeness or accuracy of</p>	<p>HR should conduct a periodic review of all pension and corporate gym membership payroll deductions against outsourced payroll provider records.</p> <p>This review should look to ensure that payroll deductions are only being taken from employees who have corporate gym memberships and/or have not opted out of pension contributions.</p> <p>Furthermore, this review should also include a spot check of payroll deductions to ensure these align with</p>	Low	<p>The gym deduction amount is confirmed by HR and then communicated to Access. The gym deduction amounts have been confirmed with employees for 2015-2016. Next review is due November 2016.</p> <p>Currently Finance do checks on the payroll deductions, however this is not well documented and the checks only apply to changes recorded in the check report from HR. The rate of all current employee and employer pension contributions will be checked.</p> <p>Going forward under the new HR system, we will ensure deductions are reviewed and spot checks are done by the HR department each month.</p> <p>Checklists will be produced to ensure this</p>	<p>Head of Financial Accounting/ Human Resources Manager</p> <p><b>Update</b></p> <p>14/06/2017 – Complete, the new system has been implemented along with a revised checking process which was audited in May 2017.</p> <p><b>Previous updates</b></p> <p>06/03/17 – the Finance department is in the process of correcting the errors that were found. A delay occurred due to</p>

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	<p>pension deductions to be assessed.</p> <p>Without regular, independent checks of payroll deductions by HCPC, there is a risk that payroll payments made to employees are not accurate.</p>	<p>supporting records maintained by HR (such as pension contribution levels).</p>		<p>is done and reviewed.</p> <p><i>Date Effective:</i> Pension contribution checks by end of June 2016. Other actions in Nov/Dec 2016 (aligned with the implementation of new payroll bureau system)  <i>Owner:</i> HR department</p>	<p>incorrect information being provided by our previous payroll bureau</p> <p>The new system has gone live and includes monthly reviews of deductions carried out by the HR department</p> <p>22/11/2016 – go live is now planned for December following a parallel run in November</p> <p>06/09/2016 - On track, contract has been signed with the new payroll provider and implementation is underway leading to planned go live in November 2016.</p> <p>All current employee and employer pension contributions were checked in the August payroll, and a small number of errors have been found. We will contact the employees concerned by the end of September to make the corrections.</p>

	<b>Finding and Implication</b>	<b>Recommendation</b>	<b>Priority</b>	<b>Management response</b>	<b>Timescale/ Responsibility</b>
3	<p>HR employees we spoke to as part of this review noted that the current payroll reports prepared by Access do not present information in a way that meet their needs. In particular, it was felt that current reports present information in an overly complex format, hindering HR's ease of payroll oversight and review. For example, Access generate a 'Net Pay' report which sets out the changes made to payroll masterfile that month. This report, whilst received by HR, is not currently being reviewed as part of the authorisation of payroll. HR are instead reviewing payslips for those employees whose payroll masterfile data has changed.</p>	<p>HCPC should work with the new outsourced payroll supplier, Core, to ensure that payroll reports are fit-for-purpose to allow oversight and review of payroll by HR.</p>	Low	<p>Monthly checks are done on payslips and the payslips will show deduction items. The current reports are not user friendly and this is something we will focus on when designing the reports for the new system.</p> <p>During the designing phase of the new payroll system, we will hold several meetings with the supplier to ensure reports meet the need of both HR and Finance departments and will be user friendly.</p> <p>Date Effective: June – October (Designing phase of the payroll bureau system) Owner: HR/Finance</p>	<p>Head of Financial Accounting/ Human Resources Manager</p> <p><b>Update</b></p> <p>14/06/2017 – Complete, the new system has been implemented along with new check reports which were audited in May 2017.</p> <p><b>Previous updates</b></p> <p>06/03/17 – Reports are being built which will meet the needs of both the Finance and HR departments. Additional reports can be built by both HR and Finance departments as required</p> <p>22/11/2016 – go live is now planned for December following a parallel run in November</p> <p>06/09/2016 - On track, contract has been signed with the new payroll provider and implementation is underway leading to planned go live in November 2016</p>

	Finding and Implication	Recommendation	Priority	Management response	Timescale/ Responsibility
5	<p>We were informed during our audit that HR Advisors, the HR Manager and Head of HR Operations review payslips for all employees who have had a change in the payroll Masterfile data to ensure that payroll calculations appear accurate. However, this review is not currently being documented by HR and we were therefore unable to evidence that these reviews were occurring as part of our audit.</p> <p>Furthermore, our sample testing of new starters identified that a New Starter Form (available on Lotus Notes) had not been completed for one out of ten employees sampled. This employee had previously been a temporary employee and had changed into a permanent position. However, a New Starter Form should have been completed when they commenced permanent employment. Without regular reviews of payroll processing by HR, there is a risk that HCPC may not make accurate payroll payments to employees.</p>	<p>HR should commence documenting the payroll reviews they perform and retain these reviews for audit trail purposes. The Head of HR Operations should remind the HCPC Managers of the importance of completing New Starter Forms for all new starters, including where individuals move from temporary to permanent employment.</p>	Low	<p>Currently the HR Co-ordinator checks the payslips against the changes and the HR Manager/ Head of HR Ops reviews any errors identified with the HR Co-ordinator. The Quality Monitoring Sheet is used to capture any issues/ errors which have been identified by HR and Finance during the checking process each month. An email is also sent by the HR Coordinator responsible for that month's payroll to Finance when the check reports have been checked and HR are happy that no further changes need to be made. Under the new payroll system, we will produce a monthly checklist and will ask the preparing and reviewer to both sign the checklist physically or electronically to show that review has been done.</p> <p>The incident where a new starter form was not completed was a one off. The employee in question was firstly a temp, then employed in a permanent position in a different department, and then transferred to another permanent role in the original department.</p> <p>Upon moving back to this role, a new starter form was not completed. HR department would normally make sure new starter forms are filled out for all employees.</p> <p>Date Effective: Nov/Dec 2016 (Implementation of new payroll bureau system) Owner: HR department</p>	<p>Head of Financial Accounting/ Human Resources Manager</p> <p><b>Update</b></p> <p>14/06/2017 – Complete, the new system has been implemented along with new check reports and processes which were audited in May 2017.</p> <p><b>Previous updates</b></p> <p>06/03/17 – Integrated payroll and HR system went live in December. We have now run 3 payrolls and are reviewing the process checking and sign off process.</p> <p>Integrated HR and payroll system mean that non-completion of new starter form is no longer an issue.</p> <p>22/11/2016 – go live is now planned for December following a parallel run in November</p> <p>06/09/2016 - On track,</p>

Finding and Implication	Recommendation	Priority	Management response	Timescale/ Responsibility
				contract has been signed with the new payroll provider and implementation is underway leading to planned go live in November 2016
<p>Payroll</p> <p>HCPC's outsourced payroll provider (Access) have developed procedural documentation for the payroll activities they complete on behalf of HCPC. At the time of our audit this procedural documentation had recently been updated and had yet to be reviewed by HCPC to ensure that changes appear appropriate. In our experience, changes to procedure documentation (particularly that of third party service providers) must be reviewed and agreed upon in a timely manner as changes to processes may weaken the control environment and could lead to payroll processing errors.</p> <p>Furthermore, the current internal process flow documentation maintained by HCPC does not cover all payroll activities performed by HR and Finance teams. For example, this does not detail the nature of checks performed by HR and Finance over payroll before this is processed by Access. Without up-to-date and comprehensive guidance material, there is a risk that a change in staff involved in payroll processing may lead to key activities not being performed efficiently or key controls within the payroll process not being adhered to.</p>	<p>The HCPC HR and Finance teams should review recent amendments to Access's payroll procedural documentation to ensure that these appear reasonable, and feedback any changes they feel should be made to ensure a robust control environment is in place. The HCPC HR and Finance teams should provide formal approval for all amendments required by Access to their procedural documentation going forward.</p> <p>The HCPC HR and Finance teams should expand the current payroll flow documentation to cover all key payroll processing activities. Additionally, this procedural guidance should be updated to reflect changes in processes due to movement to the new outsourced payroll provider.</p>	Low	<p>A new detailed process note for payroll will be produced as part of the new payroll and HR system. We will ensure that if CoreHR propose a change to the procedures in the future, this will get sign offs from HCPC first. The only amendment to Access's payroll procedures was the change to the calculation for mid-month salary increase. This is updated in the payroll procedures manual and have now been reviewed by HCPC. We will look to update the process notes for partner payments once FTP has been transferred to this process and checklist/sign off sheet has been agreed with all departments.</p> <p>Date Effective:</p> <ul style="list-style-type: none"> <li>· Payroll: Nov/Dec 2016 (Implementation of new payroll bureau system)</li> <li>· Payment process – Q2/3 2016</li> </ul> <p>Owner: Finance department</p>	<p>Head of Financial Accounting/ Human Resources Manager</p> <p><b>Update</b></p> <p>14/06/2017 – Complete, new process flows have been developed which were audited in May 2017.</p> <p><b>Previous updates</b></p> <p>06/03/2017 – on track, a new payroll process flow for employees is due to be completed shortly</p> <p>22/11/2016 – go live is now planned for December following a parallel run in November</p> <p>06/09/2016 - On track, contract has been signed with the new payroll provider and implementation is</p>

	<b>Finding and Implication</b>	<b>Recommendation</b>	<b>Priority</b>	<b>Management response</b>	<b>Timescale/ Responsibility</b>
	<p>Partner Payments</p> <p>The current partner payment process flow documentation maintained by HCPC does not cover all partner payment activities performed by Finance and relevant Departments. For example, it does not currently include how to input partner payments into WAP, and how Departments should maintain their own records of partner work completed.</p> <p>Without up-to-date and comprehensive guidance material, there is a risk that a change in staff involved in processing partner payments may lead to key activities not being performed efficiently or key controls within the partner payment process not being adhered to.</p>	<p>The HCPC Finance team, and other relevant Departments across the organisation involved in partner payments, should expand the current partner payment flow documentation to cover all key activities in this area.</p>			<p>underway leading to planned go live in November 2016</p>

## Review of Whistleblowing arrangements (report dated August 2016 – considered at Audit Committee 6 September 2016)

### Recommendations summary

<b>Priority</b>	<b>Number of recommendations</b>
High	None
Medium	2
Low	1

	<b>Finding and Implication</b>	<b>Recommendation</b>	<b>Priority</b>	<b>Management response</b>	<b>Timescale/ Responsibility</b>
1	<p>Since becoming a prescribed person in October 2014, the Council at its meeting in March 2015 considered the Francis Report on Freedom to Speak Up and made a number of commitments to be completed within agreed timescales. One of these was to continue work in 2015/16 on developing an organisation-wide process for identifying, recording and handling protected disclosures made to the HCPC as a prescribed</p>	<p>The Council should ensure that a Prescribed Persons Policy is developed, approved and introduced within an agreed timescale and</p>	Medium	<p>Recent discussion with the Solicitor to Council has confirmed that we are compliant with the legal expectations placed on us as a prescribed person.</p>	<p>Director of Policy and Standards</p> <p><b>Update</b></p> <p>14/06/2017 –</p>

	<b>Finding and Implication</b>	<b>Recommendation</b>	<b>Priority</b>	<b>Management response</b>	<b>Timescale/ Responsibility</b>
	<p>person under PIDA. The Director of Policy and Standards informed us that management had recently published more detailed information on its website about making such disclosures (as part of an existing section for registrants on reporting and escalating concerns).</p> <p>An internal policy setting out what is means to be a prescribed person and what procedures need to be followed had not yet been produced, but is planned for autumn 2016. The Council should use the launch of this policy to promote the role of the HCPC as a prescribed person to managers and staff and to brief and/or train as appropriate those who might receive such disclosures. There may not be clarity within the HCPC in how to deal with disclosures to it as a prescribed person without a policy.</p>	<p>monitored. 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.</p>		<p>We agree, however, that an internal policy which can be used to raise awareness across the organisation of our role as a prescribed person would be very helpful. A policy will be produced and agreed by the Executive Management Team in 2016, with progress reported in the Policy and Standards Directorate report to Council.</p>	<p>Underdevelopment. This will now be informed by a meeting with other regulators to take place in July 2017</p> <p><b>Previous updates</b></p> <p>15/03/2017 - This work is now expected to be considered by the EMT in March 2017</p> <p>22/11/2016 – This is underdevelopment and is due to be considered by the Executive Management Team in January 2017.</p>

## Review of Registration Appeals Process (report dated November 2016 – considered at Audit Committee 22 November 2016)

### Recommendations summary

<b>Priority</b>	<b>Number of recommendations</b>
High	None
Medium	1
Low	2

	<b>Finding and Implication</b>	<b>Recommendation</b>	<b>Priority</b>	<b>Management response</b>	<b>Timescale/ Responsibility</b>
1	<p>Current practice states that Appeal Panel chairs must also be a Council member. There is no separate role profile for Panel Chairs. It is undertaken as part of their Council member role. The Panel Chairs we spoke to stated that it would be beneficial to develop a specific role profile clearly outlining the role and responsibilities.</p> <p>The Panel Chairs also stated that further training on the role would support the process. This could include training on the roles and responsibilities of all involved in the appeals process and some simulated experiences of dealing with potentially difficult/aggressive appellants. Failure to provided clarity on the role, with associated training, may lead to inconsistent practices.</p>	<p>The HCPC should develop a specific role profile for the Registration Appeals Panel Chair.</p> <p>This should be supplemented with refresher training including simulated experiences of managing difficult appellants.</p>	Low	<p>A specific role profile will be created for the Panel Chairs and implemented on or before the 21 November 2016.</p> <p>The content of refresher training will be reviewed and any enhancements will be included within the refresher training scheduled for 2017.</p>	<p>Registrations Appeals Manager</p> <p><b>Update</b></p> <p>14/06/2017 – Registration Appeals team have observed FTP Panel Chair training. The scheduling for the next Registration Appeal Panel Chair/member refresher training for late 2017 is soon to commence.</p> <p><b>Previous updates</b></p> <p>15/03/2017 - Discussions with FTP are in progress to enable us to see what we can emulate and what they have in place for new Panel Chair training/refresher training. These changes once identified will be included in the refresher training that will be delivered in 2017</p>

## Review of Recruitment and Retention (report dated March 2017 – considered at Audit Committee 15 March 2017)

### Recommendations summary

Priority	Number of recommendations
High	None
Medium	None
Low	3

	Finding and Implication	Recommendation	Priority	Management response	Timescale/ Responsibility
1	<p>As part of our review, we randomly selected five recent recruitment campaigns for testing purposes. This included the recruitment of the Quality Compliance Manager and Scheduling Officer.</p> <p>Applications were received from 23 candidates for the two positions on offer. Whilst we identified mainly a high level of compliance with the approved procedures, as detailed in Section 1 of this report, we identified a failure to file documents in a central location leading to a delay in locating the interview shortlisting score sheets for these two campaigns.</p> <p>Current procedures state that the candidates should be scored by the Panel Chair and one other member of staff for interview shortlisting purposes. These documents should be retained in the agreed central location so that they can be quickly located to demonstrate that the process has been adhered to.</p> <p>We identified that the paperwork for this process could not be immediately located during our review for the Quality Compliance Manager candidates (all six candidates) and for seven of the Scheduling Officer candidates (there were 17 candidates that applied in total).</p> <p>However, we were advised by both the Panel Chairs and HR staff that the process had been followed correctly but the paperwork simply could not be located during the on-site field</p>	<p>We recommend that the HR Business Partner and recruiting manager ensures compliance with agreed policies and procedures and that supporting documentation is retained in the agreed central location for all decisions taken.</p> <p>The introduction of the Core HR Portal and electronic transfer of recruitment documentation will support this process as shortlisting will take place within the system.</p>	Low	Review of filing implemented immediately. On-line recruitment within Core HR to be operational by April 2017.	<p>Director of Human Resources</p> <p><b>Update</b></p> <p>14/06/2017 – Complete, online recruitment has been implemented along with a revised filing process</p>

	<b>Finding and Implication</b>	<b>Recommendation</b>	<b>Priority</b>	<b>Management response</b>	<b>Timescale/ Responsibility</b>
	<p>work. The paperwork was however located in email folders and was promptly provided after the draft report was shared with management.</p> <p>We understand from the HR staff that applicants would not be invited to the interview stage if the paperwork had not been received by them at the time of the campaign.</p> <p>Failure to file documentation in a central location to demonstrate a level of consistency in shortlisting candidates for interview may lead to delays in responding to external challenge over the result of the exercise.</p>				
2	<p>We understand from our meeting with the HR Business Partner that references for successful candidates should cover a minimum three year period. We further understand from the HR Business Partner that discretion maybe applied depending in the applicant's history and experience.</p> <p>Our testing highlighted that for one successful candidate for a fixed term role their reference did not cover this minimum period.</p> <p>The references obtained covered the periods from 19 November 2015 to the date of employment and a further reference from 27 June 2012 to 19 July 2013. The application form for the individual provided details of a further two short – term assignments of four months' and two months' duration respectively over the period August 2013 to November 2015. Discretion was applied in this case and the decision was taken to obtain a reference for the longer period of employment (June 2012 – July 2013) rather than the slightly more recent but much shorter contracts.</p> <p>References validate (or not) what the candidate has put on their CV and told you during selection and therefore failure to provide them for the agreed minimum period could lead to external challenge over the result of the exercise.</p>	<p>The HR Business Partner should ensure that references for all successful candidates are provided in accordance with the agreed procedures provided that this is reasonable, proportionate and appropriate given the details of the individual's work history.</p>	Low	<p>Reference policy will continue to be followed, references will be reviewed and discretion will be applied about time periods in appropriate cases.</p>	<p>Director of Human Resources</p> <p><b>Update</b></p> <p>14/06/2017 – Complete: Reference policy continues to be followed</p>

	Finding and Implication	Recommendation	Priority	Management response	Timescale/ Responsibility
3	<p>Existing recruitment procedural guidance is contained in a number of individual documents, these include:</p> <ul style="list-style-type: none"> <li>• Interview assessment guidance</li> <li>• Stages of the interview guidance</li> <li>• Process flowchart for recruitment</li> </ul> <p>A number of these documents were last reviewed/updated in December 2015. Training in the guidance was also last provided in December 2015. The recruiting managers that we interviewed during the review all stated that they would benefit from further training in the recruitment process.</p> <p>Failure to have procedural guidance in a single location, complemented with recent training, may lead to recruiting managers not comprehensively following the agreed process. This may lead to external challenge over the process.</p>	<p>The HR Business Partner should ensure that all recruitment procedural guidance is reviewed, up to date and maintained in a single place for ease of access.</p> <p>Recruitment training should also be offered to all existing and new Recruitment Managers and recruitment panel members.</p>	Low	Recruitment Guidance will be reviewed and training delivered as part of our on-going 'HR Essentials' programme by March 2018	<p>Director of Human Resources</p> <p><b>Update</b></p> <p>14/06/2017 – this work is due to be completed by march 2018</p>