



Health and Care Professions Council

Key Financial Controls Review – Transactions Team

Internal Audit Year: 2018/19

Final Report

25 February 2019

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It is the responsibility solely of HCPC's management and Council to ensure that there are adequate arrangements in place in relation to risk management, governance and control.

Key Financial Controls – Transactions Team		Imp.	Low	Med.	High
	Findings raised	-	2	3	-
<p>The objective of this review was to examine the key financial controls, focusing on the processes within the Transactions Team, with specific emphasis on banking, refunds and credit control. We reviewed a sample of 20 refunds, 25 rejected payments, 25 banking payments, 15 bank reconciliations and 25 aged debt balances; and despite the observations noted within this report, there were no significant issues identified in relation to the accuracy with which the transactions were processed within NetRegulate, the system used to manage the banking, refunds and credit control related activities, nor Sage, the accounting software. In order to validate the accuracy the transactions were traced from source and supporting data through to payment.</p> <p>To ensure that HCPC can accurately process payments and refunds, and follow-up on overdue debt, the Transactions Team have to undertake a significant number of manual processes and validations. NetRegulate does not have the functionality to facilitate or automate any of these processes, and Management have recognised this limitation. A new system will be implemented in approximately two years; the Transactions Team have already begun to document their requirements as the organisation moves into supplier selection phase.</p> <p>This audit identified examples of labour intensive manual processes which require multiple layers of review, all of which is significantly impacting on time spent processing transactions. There were also instances where policies and procedures for the Transactions Team, Financial Accounting Team and Registration Operations Team do not clearly capture key processes, and controls, or where processes are not documented at all. Absence of robust policies and procedures, when combined with highly manual processes, means significant reliance is placed on the knowledge of key personnel. Overly complex manual processes are also inefficient, time consuming and are more susceptible to human error. Management have identified this issue and efforts are being made to share responsibilities and to train other staff within the Transactions Team. In addition to focusing on up-skilling across the team, it is also recommended that HCPC undertake a review of the current processes and controls which the Transactions Team operate to assess whether they are fit for purpose and whether there is an opportunity to streamline and simplify. Policies and procedures should be updated to ensure they reflect current process. Refer to the detailed finding in section 2 for some examples of how these recommendations could be applied in practice.</p> <p>One other medium observation was identified, relating to an absence of management information and reporting on aged debt for overdue registrant fees. This is a key source of income for the organisation. Implementing robust reporting mechanisms will ensure that management can act in a timely manner and make appropriate decisions in relation to ensuring that fees are recovered.</p> <p>Whilst the processes and controls of the Registration Team were not in scope for this audit, there are a number of processes within the Transactions Team which are impacted by inputs from the Registration Team. Two low rated findings were therefore raised relating to improving transparency, collaboration and information sharing between the two teams; this will improve efficiencies in the processing of transactions.</p>					

1.1 Background

It was agreed with the Audit Committee and Management that Internal Audit would perform a review of selected key financial controls processed with the Transactions team, with specific emphasis on banking, refunds and credit control.

The Transactions Team are primarily responsible for banking, processing refunds and credit control related activities for HCPC's Registrants. The workload is managed by the Transactions Manager, a Transaction Officer and a Finance Officer (who works two and a half days per week for the Transactions Team).

NetRegulate is the system used to manage the banking, refunds and credit control related activities.

Banking

The banking activities include processing payments including cheque, postal / money orders and card payments from registrants.

Refunds

The main cause of refunds is overpayments, individuals no longer wanting to be on the Register, the individual being deceased or error in calculation by the Registration Team.

Refunds are processed via cheque, as well as BACS, and through the Worldpay system if the registrant initially paid through Semafone, or using the online HCPC portal (which links to Worldpay).

Credit control

Credit control related activities are managed by the Transactions Team through a balance report which is produced through the NetRegulate system. Registrants who do not pay by the deadlines imposed by HCPC are automatically removed from the relevant Register.

1.2 Scope and risk areas

The objective of the review is to provide assurance over the design and operational effectiveness of selected key financial controls for transaction related activities. The key risks identified during audit planning were:

- The transaction processes (banking, refunds and credit control) may not be supported by robust policies and procedures.
- Inadequate controls may be in place to detect errors in banking related activities (cheque, postal / money order card payments).
- Lack of review of rejected payments, leading to increasing aged debt provisions.
- Inadequate segregation of duties for transactional related activities (banking, refunds and credit control).
- Refunds may be processed without sufficient supporting documentation and approval per HCPC's delegation of authority (DOA)
- Credit control related activities may not include appropriate review processes by Senior Management within the Finance and Registration teams.
- Transactions may not be appropriately approved.

1.3 Acknowledgement

We would like to take this opportunity to thank the staff involved for their co-operation during this internal audit.

2 Detailed findings

HIGHLY MANUAL PROCESSES

Ref	Audit finding and potential risk	Issue rating	Agreed management actions
1.	<p>Good practice Automated processes and controls are more robust than manual controls as they are more efficient and less prone to human error. Where manual processes do exist, a pragmatic approach should be taken which balances the associated risks, benefits, and the time taken to undertake the work.</p> <p>Finding To ensure that HCPC can accurately process payments and refunds, and follow-up on overdue debt, the Transactions Team have to undertake a significant number of manual processes, reviews and validations. The current system, NetRegulate, does not have the functionality to automate any of the processes, and Management are currently implementing a new Customer Relationship Management (CRM) System which is more fit for purpose. This will be implemented in approximately two years, and significant work has already been undertaken as part of the requirements gathering phase. We understand that minimising the number of manual processes was considered a key aim when the requirements were drawn up for the new CRM system.</p> <p>Through our fieldwork we identified numerous examples of labour intensive manual processes with multiple reviews and validations, all of which has significantly impacted on the time spent processing transactions within the Transactions Team. This has also contributed to a reliance on the Transactions Manager. The Transaction Manager is supported by a team, who are trained in elements of the process, and there has been a concerted effort to share responsibilities and increase training to address this issue.</p> <p>Some examples of complex manual processes are captured below. It should be acknowledged that our sample testing did not identify any transaction processing errors.</p> <p>Refunds In order to process refunds, there are three different levels of review. The Transactions Manager, Director of Finance and Treasury Accountant all perform varying degrees of reviews, including some duplication, before refunds can be processed.</p> <p>Non-payment from registrants The HCPC regulation stipulates that three payment request letters are required at different time frames (giving 21 days, then 14 days, and then a final removal notice on the 36th day). Manual calendar reminders are created within Outlook to prompt the issue of notice letters. This could be time consuming considering the volume of letters and the</p>	Medium	<p>Management should review and analyse the current processes and controls in place which the Transactions Team operate, and assess whether they are fit for purpose and if there is an opportunity to streamline and simplify them. To guide this process, Management should assess time spent against benefits, value and risks.</p> <p>As an example, efficiencies could be gained through management using a risk based sample checking approach to reviewing transactions, as opposed to all transactions in some instances such as refunds.</p> <p>To specifically address the examples within the finding, Management, in consultation with IT, may wish to consider:</p> <ul style="list-style-type: none"> • Whether there is an opportunity to remove and consolidate review steps in relation to processing refunds. • What mechanisms/ applications can be utilised to set automated reminders for when payment request letters are due to be sent out. For example a spreadsheet with formulae and conditional formatting could flag when items are due. • Whether Netregulate or a mail merge function can auto-populate the fee value to be inserted into the payment request letters. <p>Date Effective: 30 September 2019</p> <p>Owner: Transaction manager</p>

HIGHLY MANUAL PROCESSES

<p>fact that the Transactions Manager will manually count the number of days of when the letter should be sent.</p> <p>The content of the payment request letters is populated through NetRegulate and MailMerge (automated addition of names and address from a database to letters), however the Transaction/Finance Officers need to manually amend the fee within the letters before these are posted. A sample of the letters is reviewed by a separate member of the transaction team, to ensure the values have been input correctly.</p> <p>Risk Overly complex manual processes are inefficient, time-consuming, and are more susceptible to human error. This risk is magnified where there is an over-reliance on key persons to perform manual processes and controls, as observed with the current Transactions Manager.</p>		
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POLICIES AND PROCEDURES

Ref	Audit finding and potential risk	Issue rating	Agreed management actions
2.	<p>Good practice</p> <p>Process and procedure documentation should be in place for all core processes and should include an adequate level of detail to provide clarity to those unfamiliar with the ways of working and to drive a consistent approach. Policies and procedures should also capture the document owner, as well as past and future dates for review.</p> <p>Finding</p> <p>From a review of core policies and procedures which govern the Transactions Team, Registration Operations Team and Financial Accounting Team's operations, there were instances identified where documents do not clearly capture key processes and controls and where processes are not documented. Significant reliance is also placed on the knowledge of key personnel within HCPC. Specific observations include:</p> <ul style="list-style-type: none"> • There is no detailed process document in place for credit controls. Although there is a process map, this is high-level and does not contain sufficient detail to re-perform the task without guidance from management. • Fitness to practice cases are complex and decisions on whether registrants should be contacted for fees are based on a complex set of outcomes from the case. There is currently no documented guidance in place for the Registration Operations Team in relation to contacting registrants on fitness to practice cases on unpaid fees. • From our discussions with the Treasury Accountant we understand that the bank reconciliations process document does not reflect the current practice. The document does not specify the owner and review dates. • The Director of Finance's payment authorisation limit is £25,000, which is documented in a July 2018 council meeting paper. From our discussions with the Director of Finance we understand that she is able to delegate an amount to other managers in the team at her discretion and has delegated an authorisation limit of £10,000 for some expense items to the Head of Financial Accounting. These delegations are not documented and it is unclear whether the Council intends the £25k delegated amount to Directors to be sub-delegated without the Council's express authorization. • Detailed process documents are produced by the Transactions Manager on banking and refund processes, however these documents do not specify the owner and document review dates. <p>Risk</p> <p>Lack of formally documented procedures heightens the succession risk in case of a</p>	Medium	<p>Management will implement the following actions:</p> <ul style="list-style-type: none"> • Develop a detailed process document for credit control related activities. <p>Date Effective: 30 September 2019 Owner: Transactions manager</p> <ul style="list-style-type: none"> • Produce a process document to provide guidance to the Registration Operations Team in relation to chasing for payments from registrants in fitness to practice cases. <p>Date Effective: 30 June 2019 Owner: Registration Operations manager</p> <ul style="list-style-type: none"> • Update the bank reconciliations process document to reflect the current process in place. <p>Date Effective: 30 June 2019 Owner: Head of Financial Accounting</p> <ul style="list-style-type: none"> • Management should ascertain whether the Council intends the £25k delegated amount to Directors to be sub-delegated without the Council's express authorization. Based on the outcome of discussions with the Council, Management may have to document the delegations of authority capturing the Director of Finance's delegations. <p>Date Effective: 31 July 2019 Owner: Director of Finance</p> <ul style="list-style-type: none"> • Update all policies and procedure documents to capture the owner and dates of review.

POLICIES AND PROCEDURES

	<p>loss of key personnel. This may lead to an incorrect/inconsistent application of key processes and decisions being taken.</p> <p>Outdated procedures can also cause confusion for a new person who joins any of the above teams regarding what processes to follow, and may lead to processing errors.</p>		<p>Date Effective: 30 September 2019 Owner:</p> <ul style="list-style-type: none">• Transaction manager• Registration Operations Manager• Treasury accountant / Head of Financial Accounting.
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ABSENCE OF MANAGEMENT INFORMATION IN RELATION TO DEBT

Ref	Audit finding and potential risk	Issue rating	Agreed management actions
3.	<p>Good practice Management information should be made available to senior management in relation to aged debt to facilitate planning, decision making, and to ensure effective oversight.</p> <p>Finding Registrant fees are the main source of HCPC income. For 2017-2018, registrants' fees income totalled c. £33 million. There is no management information or analysis provided to Management regarding aged debt balances.</p> <p>The Transactions Manager captures reasons for non-payment in the registrants balance report, however the format is free text and therefore cannot be used for analysing and reporting trends on the main reasons of non-payment.</p> <p>Risk There is a risk that management cannot act in a timely manner and make appropriate decisions in response to changes in debt position, which ultimately could lead to increased levels of debt and could impact on HCPC cash flows and could ultimately result in registrants being removed from the register.</p>	Medium	<p>Management information and analysis surrounding aged debt balances are to be communicated to Senior Management. Frequency of reporting, and forums for which to report to are to be determined, though at a minimum Finance and Registration should have oversight.</p> <p>Management should define categories or reason codes for non-payment and these should be captured within the registrants balance report, in order to facilitate more detailed analysis and discussion.</p> <p>Areas to consider as part of reporting could include (but are not limited to): debtor trends over time (e.g. by profession), analysis on most common reasons for non-payment, and write-offs due to registrants being removed from the register.</p> <p>Date Effective: 31 July 2019 Owner: Transaction Manager</p>

LACK OF COLLABORATION BETWEEN REGISTRANTS TEAM AND TRANSACTIONS TEAM

Ref	Audit finding and potential risk	Issue rating	Agreed management actions
4.	<p>Good practice The Transactions Team and Registration Team should share details relating to information on and communications with registrants. Collaboration and transparency between the Transactions and Registration Teams is critical to increase efficiencies and ensure a more positive registrant experience.</p> <p>Finding This audit identified some examples where information was not able to be shared between teams either at all or in a timely manner that has impacted on the ability for the Transactions Team to effectively process transactions and communicate with registrants.</p> <p>For example, hard copy registrant application forms are received by the Registration Team, stored short-term, scanned by a third party provider, and the scanned files are saved by IT onto NetRegulate for reference. Management advised that this process can take a number of months. There were 6/25 (24%) instances where registrant application forms could not be located, though three do relate to the prior three months. From our discussions with the Transactions Manager, we understand that in several cases the Transactions Team has spoken to registrants to request information that the registrant challenged was in their application form, leading to a negative registrant experience. The Transactions Team will request the registrant to fill in their payment information in a direct debit form, leading to duplication of work with the Registration Team.</p> <p>The Transactions Team is not able to view the email communications between the registrants and the Registration Advisors. We understand that there have been instances of errors made by Registration Advisors in processing registrant's details on NetRegulate (such as errors in recording the registrant name or direct debit details). The Transactions Team has then contacted the registrants for the information in order to process their payments, which has led to registrants challenging that the information was already provided to the Registration Team accurately.</p> <p>Risk If the Transactions Team do not have access to registrant information and communications, there is a risk that they are unable to accurately process transactions and communicate with registrants. There is also a risk that both the Transactions and Registration Teams are communicating with the same registrant at the same time which could negatively impact on the registrant's experience.</p>	Low	<p>The Transactions and Registration team are to increase transparency and sharing of information. To facilitate this, both teams should define their information needs, and Management should determine the best way to facilitate/implement the sharing of information.</p> <p>As an example this could include a requirement for increased detail on registrant's notes within NetRegulate, and/or copying the contents of email correspondence between Registration Officers and registrants on the NetRegulate communications log.</p> <p>Date Effective: 30 September 2019 Owner: Registration Operations Manager</p> <p>There should be an agreed timeframe in place by when the direct debit forms (including payment options) need to be uploaded by. As the Registration Team processes were out of scope, we were unable to determine the cause of the delay in uploading the registrant application forms on NetRegulate.</p> <p>Date Effective: 30 September 2019 Owner: Transaction Manager and Registration Operations Manager</p> <p>The Registration Team should investigate the reason for the delay in uploading the application forms on NetRegulate, as well as establish and monitor SLAs with the third party provider when appropriate.</p> <p>Date Effective: 30 September 2019 Owner: Registration Operations Manager</p>

LEARNING FOR REGISTRATION TEAM

Ref	Audit finding and potential risk	Issue rating	Agreed management actions
5.	<p>Good practice</p> <p>To enable continuous improvement within the Registration Team, robust processes should be in place to ensure input errors are communicated to the team in a timely manner, appropriate training is identified and provided, and there is effective oversight.</p> <p>Finding</p> <p>A significant number of errors (459 errors for the period April to December 2018) were made by Registration Advisors on registrant payment details. During October and November ('busy period'), there were 214 errors from registration Advisors making up for over 45% of the total number of errors. However, it should be noted that out of the 214 errors, 70 related to stricter checks on cheques and postal orders, which were caused by a new process that HCPC's bank implemented.</p> <p>The Transactions Team detects and records these mistakes in a spreadsheet and sends a daily email to the Registration Team leaders and the Registration Operations Team detailing the errors captured. The Registration Operations Team also keeps a separate spreadsheet on the registration Advisor's performance which includes details on their payment errors.</p> <p>The format of these spreadsheets is free text and therefore cannot be used for analysing and reporting trends on main reasons for errors.</p> <p>There are current processes in place to feedback to Registration Advisors on an individual basis, however, there is no mechanism to identify systemic training needs. The current feedback mechanisms may not be fit for purpose given the number of errors identified</p> <p>Furthermore, NetRegulate could automatically put the registrants on a removal process, if the registrant's payment is rejected and they are on a debit balance. In order to take the registrant out of the removal process on NetRegulate, the Transactions Manager has to manually remove the registrant from the online register and re-admit them. The online registration dates of the registrant are permanently altered. The Transactions Team will also need to ask the registrant for their direct debit payment details again, leading to a negative registrant experience.</p> <p>Risk</p> <p>Whilst we understand that the purpose of the Transactions Team is to capture any errors made by Registration Advisors in processing registrant payment details, this leads to an increased workload for the Transactions Team and potential instances of negative registrant experience.</p>	Low	<p>Management information and analysis surrounding errors made by Registration Advisors when processing registrant payment details should be communicated to Management. Frequency of reporting, and forums are to be determined, though at a minimum Finance and Registration should have oversight.</p> <p>Management should define categories of reason codes for errors and these should be captured within the errors report, in order to facilitate a more detailed analysis. Areas to consider as part of reporting could include (but are not limited to) error trends over time, analysis on common reasons for errors, and analysis on errors per Registration Advisor.</p> <p>Date Effective: 30 September 2019 Owner: Transaction Manager</p> <p>There should be a forum where Registration Advisors receive regular training on common errors and how to improve the registration process. Depending on the preferred method of delivery Management may wish to leverage existing forums (e.g. team meetings).</p> <p>Date Effective: 30 September 2019 Owner: Registration Operations Manager</p>

A Approach and responsibilities

Approach

Our outline approach to the audit was as follows:

- Meeting with key staff to gain an understanding of the arrangements in place, building upon the information we have already gained through our engagement planning process
- Reviewing key documents and controls identified to determine whether they are appropriately designed to assess the associated risks
- Highlighting areas of good practice within the project and areas for further development

Client staff

The following staff were consulted as part of this review:

- Tian Tian, Director of Finance
- Chantelle Mayoss, Transactions Manager
- Daniel Dawit, Treasury Accountant
- Fernando Masuko, Resource Planning and Service Delivery Coordinator
- Claire Harkin, Registration Operations Manager

Documents received

The following documents were received and reviewed during the course of this audit:

- Process map documents for banking, refunds and credit controls
- Detailed process documents for banking and refunds
- Screenshots from NetRegulate for refunds
- Payment request forms for refunds
- Sage Screenshots for refunds
- Scanned cheques for cheque refunds
- Letters to registrants confirming the refund
- CSV report for auto-refunds
- Balance report for registrants
- Letters chasing for payments from registrants
- Screenshots from NetRegulate matching the balance report
- Bank reconciliation performance and review documents
- Emails, errors spreadsheet and screenshots for rejected payments

- Screenshots from NetRegulate, payment request forms, emails, screenshots from Sage on banking payments via cheque, postal / money order and card.

Locations

The following location was visited during the course of this review:

184 Kennington Park Road, London, SE11 4BU

B Audit Issue Rating

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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