



# The Health and Care Professions Council

Annual Internal Audit Report 2018-19

March 2019

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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 was the appointed Internal Auditor to the Health and Care Professions Council (HCPC) for the period 1st of April 2018 to the 31<sup>st</sup> of March 2019.

This report summarises our work during the year, together with our internal audit conclusion 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, 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 independent assurance 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 2018-19 was prepared under the direction of, and approved by, the Audit Committee and was informed through a discussion with the HCPC's Chief Executive and senior management, a review of the risks facing the organisation, and other considerations such as the strategic objectives of the organisation.

The internal audit plan consisted of the following reviews:

- Strategic and operational planning
- Review of five-year model
- Fitness to Practice Improvement Plan
- Social workers transfer project
- Key Financial Controls – Transactions
- Annual Follow-up

The following audits were not included within the 2018-19 audit plan, though were undertaken during the year at the request of management:

- Phase 1 registration project
- 186 Kennington Park Road

### Audit assignments

We have reviewed the control activities established by the HCPC in the areas included within the 2018-19 Annual Internal Audit Plan, which was approved

by the Audit Committee in March 2018, subject to the additions to the plan discussed above.

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.

These, and other such procedures as we considered necessary, enabled us to evaluate whether the controls were suitably designed to meet the risk objectives, and whether these controls were operating with sufficient effectiveness to provide reasonable, but not absolute, assurance that those risk management objectives were achieved during the period reviewed. Our conclusion is based on the scope of work we have carried out in 2018-19. Our conclusion 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 2018-19 financial year.

## 2 Annual Conclusion

### 2.1 Overall assurance

As the Internal Auditor to HCPC, our work in 2018-19 was carried out in accordance with the Internal Audit Plan directed and approved by the Audit Committee. We have carried out seven reviews (as well as a follow-up review) 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 the internal audit - *there were none.*

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

In giving our conclusion, it should be noted that assurance can never be absolute. The most assurance that we can provide 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 2018-19.

### 2.2 Our Conclusion

We have carried out seven reviews (plus a follow-up review) in 2018-19. None of the audits highlighted any fundamental (high priority rated) 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 sample testing/evaluation we performed during 2018/19, we provide '**Substantial**' assurance in respect of corporate governance, risk management and internal controls in the areas we have reviewed. This conclusion should be read in conjunction with the table included in Appendix A of this report.

### 2.3 Basis of conclusion

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

### 2.4 Other important matters

The HCPC has been through a significant corporate restructure, amongst other known changes to the organisation (i.e. transfer of social workers and implementation of a new registrations system). This naturally creates uncertainties for staff members, but also can create or escalate risks over the loss of corporate knowledge, and the potential for existing internal controls in place to operate less effectively, or stop operating altogether during this transition phase. The restructure started in the 2017/18 financial year, with the main impact expected in the current 2018/19 financial year and onwards.

## 3 Summary of findings

### 3.1 Summary of our work

The Internal Audit Plan included limited coverage across the organisation, but did examine some operational and financial risks. These included:

- Design and implementation of core project controls to ensure projects are delivered on time, in budget and in line with scope. Specifically, this related to the “Fitness to Practice” improvement plan project, social workers transfers project, registrations project and 186 Kennington Park Rd renovation.
- Key financial risks, focused on controls to ensure complete and accurate processing of transactions.

We have considered key aspects of governance, risk management and internal control in reaching our annual conclusion, listed below.

#### Governance:

Our internal audit reviews include, where considered appropriate, consideration of the governance arrangements in place within the area being reviewed. We also ensured that there were regular discussions with management in order to understand any changes in governance arrangements within the organisation.

An example of this has been understanding the changes and implications to the governance arrangements arising from the internal corporate restructure, which included significant change to the Senior Management Team (SMT), previously the Executive Management Team (EMT). We also noted that, during the year, Sue Gallone was elected interim Chair of the Audit Committee, and Stephen Cohen was elected interim chair of the Council.

#### Risk management:

In respect of risk management activity in the year, the HCPC held a ‘white board’ strategic risk workshop focused on understanding the current and future strategic risks facing the organisation and wider sector. The Audit Committee

have expressed to management that the risks within the strategic risk register throughout the year need to be articulated more concisely and clearly, and should be presented in an easily understandable format. Management are actioning this, and have sought best practice guidance from both Grant Thornton as the Internal Auditor, and Hays MacIntyre and the National Audit Office as HCPC’s external auditors.

#### Internal control:

Our reviews included an evaluation of internal controls in terms of the adequacy of design and operational effectiveness. Table 1 below summarises the ratings for individual internal audit observations from the 2018-19 Internal Audit Programme of work. (Note: This excludes the Annual Follow-Up)

Review	Rating			
	High	Medium	Low	Impr.
Strategic and operational planning	-	2	2	1
Review of five-year model	N/A – non-standard report			
Fitness to Practice Improvement Plan	-	2	1	-
Social workers transfer project	-	1	1	-
Key Financial Controls – Transaction	-	3	2	-
Phase 1 registration project	-	2	3	2
186 Kennington Park Rd	-	2	2	1
<b>Total</b>	-	<b>12</b>	<b>11</b>	<b>3</b>

Table 1: Summary of audit recommendation priority ratings by audit reviews

Below, we have summarised the key findings from each of the reviews undertaken in 2018-19 (note that this excludes the Annual Follow-Up).

### Strategic and Operational Planning

HCPC's strategic planning process was considered to be collaborative and involved input from key stakeholders such as the SMT, Audit Committee, CEO and Council. HCPC's strategic away day is also used as a mechanism to determine key strategic priorities and areas of focus for the coming years.

Notwithstanding the areas of good practice noted above, our review identified areas where the current control framework requires strengthening. The review identified the need to formally document the strategic and operational planning process to ensure there is consistent understanding among relevant stakeholders, including documenting roles and responsibilities, and the change management process. Whilst not directly related to the strategic and operational planning process, we noted a need for the Communications Team to develop a stakeholder prioritisation map/matrix, which categorises stakeholders into quadrants based on their level of interest and impact. This is in line with Strategic Priority 2 – 'Ensure our communication and engagement activities are proactive, effective and informed by the views and expectations of our stakeholders', within HCPC's Corporate Plan.

### Review of five-year model

We undertook a review of the Five-Year Plan model that is used to forecast and monitor the expected revenues and costs for the regulator. Management regularly updates the model to reflect changes to budgets and forecasts for the healthcare professions that it regulates. Key findings from the review are noted below:

- The five-year model used for this analysis was compared to a version prior. This indicated some difference in the calculation of forecasts, but these were not considered to have a material impact on the analysis.
- The model was originally developed as a business-planning tool for HCPC and so should provide the agreed baseline for medium-term financial planning. We therefore concluded that the use of the model to undertake the analysis by overlaying movements in cost and revenue assumptions is reasonable. The model reports a couple of errors which are not considered to have a material impact on the result. Once a decision has been reached on the options which will be adopted, we

suggest that any redundant workings are removed from the model going forward and remaining model error checks are resolved.

- Appropriateness of the calculations based upon the methodology was reviewed and we did not identify any options that appear unreasonable based upon the information presented. Most of the inputs for the scenarios are based on some form of management judgement; for the avoidance of doubt, we provided no opinion or assurance as to the correctness of input values which remain management assumptions.
- We reviewed the approach taken to adjustments to the model and reproduced a bridge analysis to identify the relative contribution to closing the funding gap for each scenario. A bridge analysis shows how each input change contributes to the overall movement in net surplus.

### Fitness to Practice Improvement Plan

In its annual review of performance, the Professional Standards Authority (PSA) found that HCPC did not meet six of the ten Fitness to Practice Standards of Good Regulation. An action plan was drafted in response, and the focus of this internal audit review was to provide assurance as to whether the governance arrangements in place for the plan project are robust.

Overall, we observed that well-designed internal reporting processes are in place to communicate progress in respect of the project to a range of stakeholders. This includes the tracking of, and reporting on, progress against project deliverables at the project team and board meetings.

Two key findings were raised. Firstly, the internal communication plan was not formally reviewed and approved by the project board and was not sufficiently detailed or regularly updated. Instances were noted where the responsibility for the completion of actions were not noted or not specific, and clear due dates were not always specified. A detailed external communications plan has not been documented, although a high-level communications strategy and stakeholder analysis was observed which includes external stakeholders. It was noted that clear due dates and responsible persons had not been articulated for all actions in the high-level communications strategy. Both aforementioned documents have not been updated since they were prepared to reflect the status

of actions and further, the actions in respect of internal and external communications are not tracked in MS Project.

Secondly, we identified instances where resources have not been allocated to tasks on the project plan as the deliverable were delayed. The delay was a result of management not identifying interdependencies with five other activities that needed to be completed before the work could commence. It was advised that the resource would be planned closer to the time, however this might result in possible capacity constraints not being identified suitably in advance.

### **Social workers transfer project**

At the time of this review, the project was at the initiation stage, which involved the submission of the PID and overall project set-up. We observed that the key individuals who are directly involved in the project have a robust understanding of how the project will be delivered and have identified the key risks that will need to be managed effectively during the delivery of this project. Our review identified one medium finding, which related to the project management guide in use, which was last updated in January 2014. The guide is not periodically (at least annually) reviewed to ensure that the information in the guide is up-to-date and still relevant for major projects delivered by HCPC such as this project.

### **Key Financial Controls – Transactions**

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 do not clearly capture key processes and controls, or where processes are not documented at all. The absence of robust policies and procedures, when combined with highly manual processes, means significant reliance is placed on the knowledge of the Transactions Manager, as the only individual within HCPC with the knowledge and experience to operate all the Transactions Team's related activities. 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.

Another 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.

### **Phase 1 registration project**

The purpose of the project is to replace a legacy registration system (Net Regulate) that better supports the requirements, processes and practices that have developed within the registration department. The focus for this audit was to provide assurance that governance arrangements and controls applied in phase 1 were robust, and to establish the project's readiness to commence phase 2.

Overall, the governance and project management framework for phase 1 were robust, with three low-risk findings raised.

In respect of phase 2 readiness, we observed that robust controls are being applied to planning and to procurement in particular. In considering potential barriers to using the most effective approach to the procurement and delivery of phase 2, we have identified two medium-risk findings, rated as such primarily because there is a time imperative for management action given the planned start to phase 2.

Firstly, in relation to the project management methodology, options should be assessed for applicability/effectiveness, and a recommendation made to SMT for approval. Secondly, the current procurement process should be evaluated to ensure that it will not preclude selection of the most effective solution/supplier, such as, in this instance, a supplier who is not on the G-Cloud framework.

### **186 Kennington Park Rd**

Overall, we have found that for both the purchase and subsequent renovation, analysis of options and justification for the selected course of action has been documented. Official approval for funding and for the project to proceed had been sought and gained at each major stage in the project. We also observed a number of instances of good practice including: analysis of the relative merits of options available and including all aspects, such as staff retention, and not just those directly related to the physical accommodation itself; support of the project at a senior level, specifically the oversight and support provided by the Chief Executive; and in the latter stages, engagement of specialist project management resource with strong relevant experience.

While these good practices were observed, we have also raised two medium level observations. First, there is no evidence that a full cost benefit analysis was performed either on the renovation stages or on the project as a whole. There is no evidence that benefits realisation tracking procedures have been established for the 186 Kennington Park Road projects specifically, and it is not standard practice for HCPC to do so for capital investment projects. The lack of benefits tracking hinders HCPC's ability to determine the level of success of the project in delivering its stated aims and does not facilitate identification of missed benefits and the opportunity to take remedial action.

Our second medium level observation concerns the use of contingency in the management of projects. Contingency amounts for time and cost have been

included at each stage of the renovation project. There is, however, no explanation of how a specific amount has been derived and whether the amount is reasonable in terms of the profile of the project. There was also no procedure for approval of using contingency and no record stating how contingency has been used specifically during the life of the renovation project.

One of the objectives of the audit was to establish whether there is evidence of discussions amongst and critical challenge by Management and Council. We have found that such evidence cannot be provided for the projects that are the subject of this audit principally because minutes taken at these meetings are in an abbreviated style that focuses on decisions made and actions agreed only. Council may wish to consider in particular cases whether it would be appropriate to record more detail of discussions held concerning, for example, important investment decisions.

## A Definitions

### Overall Assurance Levels

<b>Full</b>	Overall, we have concluded that, in the areas examined, the risk management activities and controls were suitably designed, and were operating with sufficient effectiveness, to provide reasonable assurance that the control environment was effectively managed during the period under review.
<b>Substantial</b>	Overall, we have concluded that, except for the specific weaknesses identified during our audits, in the areas examined, the risk management activities and controls were robustly designed, and were operating with sufficient effectiveness, to provide reasonable assurance that the control environment was robustly managed during the period under review.
<b>Limited</b>	Overall, we have concluded that, in the areas examined, the risk management activities and controls were 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.
<b>None</b>	Overall, we have not been able to form an opinion on whether the internal controls examined have been robustly 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
<b>High</b>	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"> <li>• Key control not designed or operating effectively</li> <li>• Potential for fraud identified</li> <li>• Non-compliance with key procedures/standards</li> <li>• Non-compliance with regulation</li> </ul>
<b>Medium</b>	Important findings that are to be resolved by line management.	<ul style="list-style-type: none"> <li>• Impact is contained within the department and compensating controls would detect errors</li> <li>• Possibility for fraud exists</li> <li>• Control failures identified but not in key controls</li> <li>• Non-compliance with procedures/standards (but not resulting in key control failure)</li> </ul>
<b>Low</b>	Findings that identify non-compliance with established procedures.	<ul style="list-style-type: none"> <li>• Minor control weakness</li> <li>• Minor non-compliance with procedures/standards</li> </ul>
<b>Improvement</b>	Items requiring no action but which may be of interest to management or best practice advice	<ul style="list-style-type: none"> <li>• Information for department management</li> <li>• Control operating but not necessarily in accordance with best practice</li> </ul>



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