

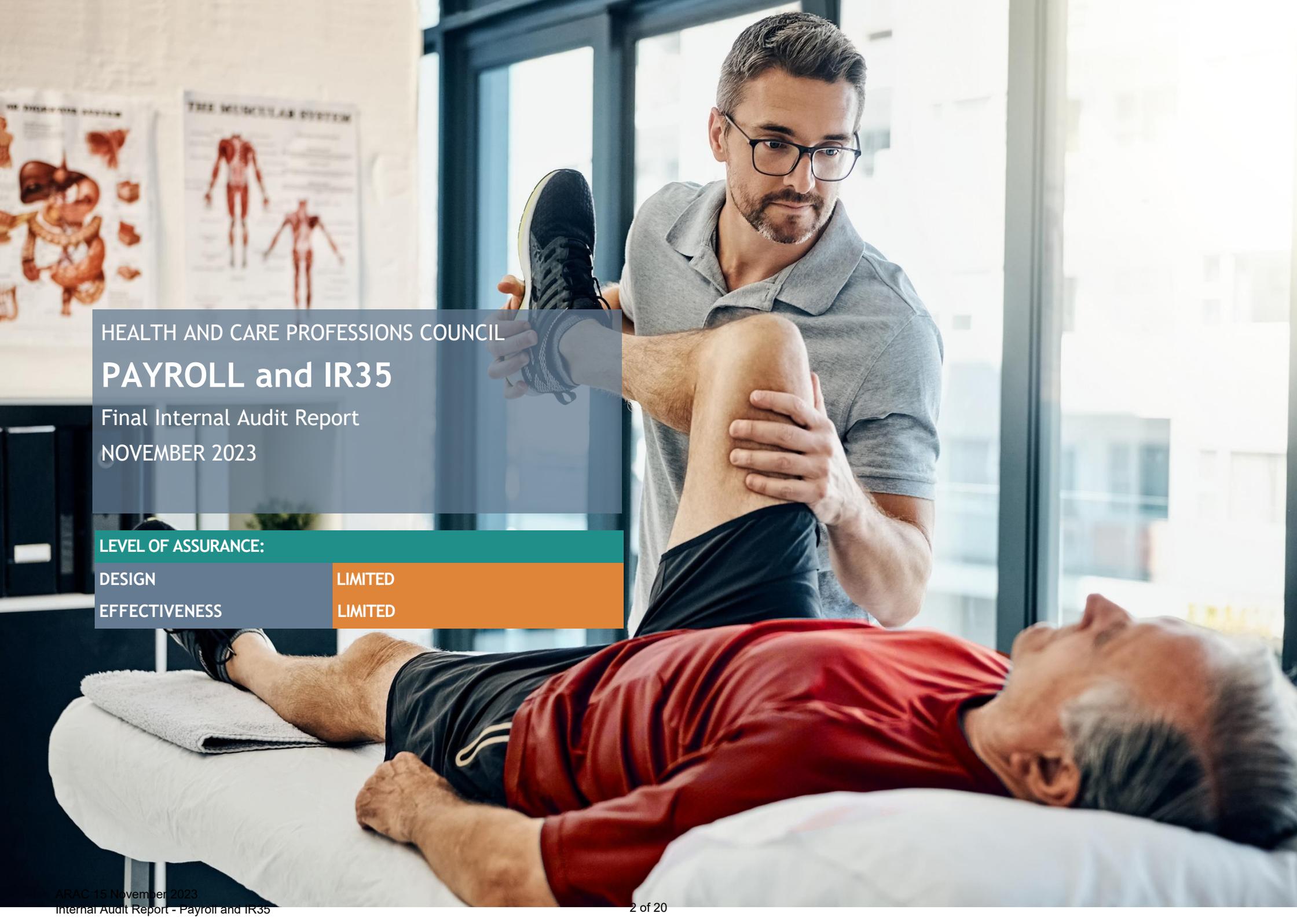
Internal Audit report – Payroll and IR35

Executive Summary

As part of the 2023-24 Internal Audit Plan as approved by the Committee, BDO LLP have undertaken a review of HCPC Partners.

The purpose of this review was to provide assurance on the robustness of payroll and IR35 controls processes currently operating at HCPC.

Previous consideration	The report has been reviewed by ELT
Decision	The Committee is invited to discuss the report.
Next steps	Recommended actions agreed with the Executive will be tracked for progress in the Committee’s standing recommendation tracker report.
Strategic priority	All
Risk	As detailed in the findings
Financial and resource implications	The cost of the audit is included in the Internal Audit annual fee.
Author	BDO LLP



HEALTH AND CARE PROFESSIONS COUNCIL

## PAYROLL and IR35

Final Internal Audit Report

NOVEMBER 2023

### LEVEL OF ASSURANCE:

DESIGN

LIMITED

EFFECTIVENESS

LIMITED

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## RESTRICTIONS OF USE

The matters raised in this report are only those which came to our attention during our audit and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. The report has been prepared solely for the management of the organisation and should not be quoted in whole or in part without our prior written consent. BDO LLP neither owes nor accepts any duty to any third party whether in contract or in tort and shall not be liable, in respect of any loss, damage or expense which is caused by their reliance on this report.

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## REPORT STATUS

LEAD AUDITOR:	Magdeline Choshane
REVIEWED BY:	Heather Buckingham, Bill Mitchell
DATES WORK PERFORMED:	21 AUGUST 2023 - 25 AUGUST 2023
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FINAL REPORT ISSUED:	07 November 2023



# EXECUTIVE SUMMARY

LEVEL OF ASSURANCE: (SEE APPENDIX I FOR DEFINITIONS)

DESIGN	LIMITED	System of internal controls is weakened with system objectives at risk of not being achieved.
EFFECTIVENESS	LIMITED	Non-compliance with key procedures and controls places the system objectives at risk.

SUMMARY OF FINDINGS (SEE APPENDIX I)			# OF AGREED ACTIONS
H	1		1
M	4		4
L	0		-
TOTAL NUMBER OF FINDINGS: 5			

- This audit covered the following areas:
- Policies and procedures
  - Starters, leavers, changes (incl. movers) and overtime
  - Bank details
  - Core HR
  - IR35 checks
  - Monitoring

## BACKGROUND & SCOPE

As part of the internal audit plan for 2023/24, approved by the Audit and Risk Assurance Committee (ARAC), we undertook a review of payroll and IR35 controls.

### Payroll

Payroll is currently outsourced to the external provider Core Bureau. Internally, the payroll function is supported by one member of staff, the Payroll Manager along with the Finance and HR team. Currently, there is one payroll staff member and approximately 12 HR staff members.

Core Bureau is responsible for running the monthly payroll on behalf of HCPC. Once completed, the Payroll Manager checks to ensure the payroll is accurate.

The Head of Finance and Head of HR & OD are responsible for the final review and approval of the monthly payroll before it is processed for payment.

The Core HR system is used for both HR and Payroll. There is a segregation of duties in place: HR staff are unable to access payroll information and Payroll are unable to access HR information.

There is a secure collaborative platform managed by Core Bureau that all payroll information is shared and queries between Core Bureau and HCPC are resolved. Access to authorise or approve payroll on the platform is restricted to the Payroll Manager, Head of Finance and Head of HR & OD. Other HR staff have read-only access.

The payroll deadline is the 4<sup>th</sup>/5<sup>th</sup> of every month with an expectation for staff to be paid on the 20<sup>th</sup>.

### IR35

IR35, also known as off-payroll working rules, apply to clients, workers (contractors) and their intermediaries. The rules apply to all organisations. The off-payroll working rules make sure that a worker (sometimes known as a contractor) pays broadly the same Income Tax and National Insurance as an employee would and the employer pays NI.

HCPC perform IR35 assessments on contractors that they are engaging with before the effective date of the contract and uses the assistance of an agency to source these contractors. HCPC is required to communicate its determination to the contractor using a Status Determination Statement (SDS) and explain its conclusion and reason for reaching the determination. HR Advisors and Administrators at HCPC are responsible for completing the IR35 assessments. At the time of the audit (August / September 2023), the HR Business Partner signed-off the IR35 guidance procedure which is developed to provide guidance to HR staff on the IR35 rules.

### PURPOSE

The purpose of this review was to provide assurance on the robustness of payroll and IR35 controls processes currently operating at HCPC.

### CONCLUSION

HCPC have control arrangements in place to manage payroll and IR35. However, we have identified ONE finding of HIGH significance:

- ▶ IR35: At the time of the audit, no formal training was in place for staff who manage the onboarding of contractors. In addition, there are incomplete records of IR35 checks undertaken. Poor record keeping or lack of knowledge could result in incorrect assessments or non-compliance with HMRC requirements.

And FOUR findings of MEDIUM significance:

- ▶ Incomplete Payroll Manual. For example, the Manual does not include how to recover employee overpayments and the timeliness of actions. There was one employee in our sample with an overpayment of £322.61.



# EXECUTIVE SUMMARY

- ▶ Access to the Core HR system is not reviewed on a regular basis, and therefore ‘super user’ staff such as those in HR and Payroll who may have left or changed roles as HCPC may have inappropriate access to key personnel information.
- ▶ One officer worked 58 hours overtime during January 2023, indicating inadequate oversight of excessive working hours. Employees who work overtime are required to sign a document to waive the 48 hour working time directives.
- ▶ Checks are currently not completed of employee bank details against supplier bank details. These checks can spot instances where an employee may be related to a supplier or where an employee could be committing a fraud.

## SUMMARY OF GOOD PRACTICE

HCPC has some effective controls in place to manage payroll and IR35 assessments:

- ▶ An up-to-date IR35 Guidance is in place and was last updated in August 2023. The guidance was developed in accordance with the IR35 rules published on the UK Government website.
- ▶ We have tested a sample of five new starters and noted that new starters are added to the Core HR system in a timely manner with first salary payments accurate and paid in the next payment run.
- ▶ There are system controls in place within Core HR that allow employees to change their own bank account details.
- ▶ There are segregation of duty controls embedded within Core HR to ensure that HR staff are unable to access payroll information and the Payroll Manager is unable to access all but necessary HR information.

## SUMMARY OF KEY THEMES

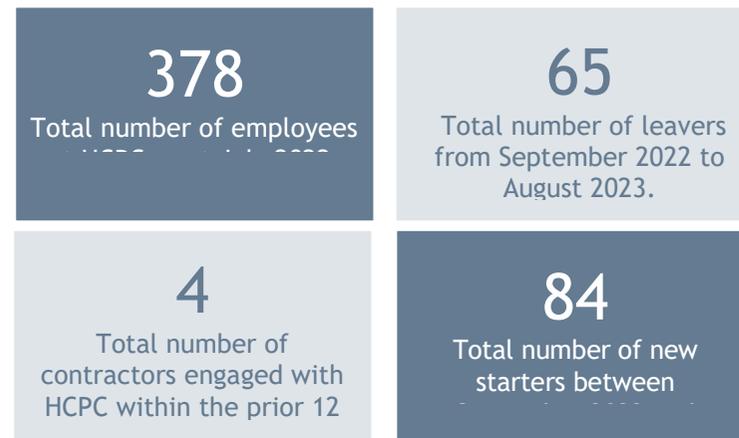
We have identified one HIGH priority findings and four MEDIUM priority findings during the review.

- ▶ There is no documented set timescale in place for making changes to employee’s records regarding leavers and changes (it is expected that leaver notifications are sent 30 days, 7 days and 1 day prior to the leave). Furthermore, there is no process in place for recovering payroll

overpayments. There is a risk that overpayments will be made and cannot be recouped. (MEDIUM)

- ▶ On review of overtime payments, we noted an instance whereby one officer worked 58 hours overtime during January 2023, indicating inadequate oversight of excessive working hours. Employees who work overtime are required in law to opt out of the working time directive. We were not provided the waiver for this officer. There is also a risk to staff wellbeing which may ultimately result in employee stress and illness, and consequent claims on the employer. (MEDIUM)
- ▶ System access for Core HR ‘super user’ access such as HR and payroll staff who may have left or changed roles at HCPC is not reviewed on a regular basis. This may lead to incomplete fields and ‘leavers’ still being included within the system. (MEDIUM).
- ▶ There are no regular internal checks on employee bank details against supplier details. Therefore, there is a risk that staff are redirecting supplier funds to their personal bank accounts undetected, or supplier relationships are. (MEDIUM)
- ▶ Employees who work with onboarding contractors do not receive formal IR35 training (at the time of the audit). In addition, we identified that Status Determination Statements (SDS) could not be located for two individuals. There is a risk that without formal IR35 training staff are unaware of the importance of maintaining IR35 documentation. (HIGH)

## USEFUL STATISTICS



# FINDINGS



# DETAILED FINDINGS

## RISK 1: Inappropriate payroll payments are made to employees and contractors who work with HCPC

FINDING [ 1 ] - Incomplete procedure manual			TYPE
<p>Policies, procedures and guidance underpin the processes in place to help ensure a consistent processes that are compliant with key laws and regulations.</p> <p>HCPC has Payroll Manual in place which was last reviewed in June 2023. We noted the following exceptions:</p> <ul style="list-style-type: none"> <li>One employee out of a sample of five leavers was overpaid by £322.61. The employee was paid for the full month of February, although their employment ended on 17 February 2023. HCPC does not have a formally documented process for recovering leaver overpayments.</li> <li>Defined timelines are not in place to document when leavers should be removed from the Core HR System. There is a general understanding that leavers should be processed before their leaving date to prevent the leaver from being paid in the payroll run following their departure.</li> <li>Defined timelines are not recorded in the Payroll Manual of when departmental or role changes should be actioned on Core HR. We tested a sample of five departmental changes and noted two instances that were not actioned in Core HR in a timely manner. The changes were actioned almost a month (&gt;24 working days) after the changes were approved by management.</li> </ul>			DESIGN
IMPLICATION			SIGNIFICANCE
Where key processes are not formally documented for payroll activities there is a risk that employees are overpaid and the monies cannot be recovered.			MEDIUM
RECOMMENDATIONS	ACTION OWNER	MANAGEMENT RESPONSE	COMPLETION DATE
<p>1. HCPC should update the Payroll Manual to include the following:</p> <p>a) A documented process for recovering overpayments from employees.</p> <p>b) Defined and documented timelines of when leavers and changes should be processed on the Core HR system.</p>	<p><i>Madalina Botezatu</i> Payroll Manager - Finance</p>	<p><i>Payroll is currently managed externally and is in process of being brought inhouse. Recommendations to be included once migration has been completed successfully. Payroll procedures process chart already covers the process and timelines. If overpayments have been made- the leaver's letter sets out how the overpayments will be recovered. The HCPC contracts also makes reference to overpayments and how these will be recovered. (Payroll procedures process map attached)</i></p>	<p>a) 31 December 2023</p> <p>b) N/A in place</p>



# DETAILED FINDINGS

## RISK 2: Key changes to HCPCs workforce are not identified in a timely manner

FINDING [2] - Overtime			TYPE
<p>Overtime maybe needed in busy periods or where there may be staff shortages. Where overtime is required, the time should be agreed prior to the overtime completed and should not be extensive to help ensure employee wellbeing.</p> <p>The Overtime and Time-Off in Lieu policy states that the standard working hours at the HCPC are Monday to Friday with a two-day break (Saturday and Sunday). Circumstances where working over and above contractual hours may be required include:</p> <ul style="list-style-type: none"> <li>• Where regular travel is an inherent duty and requirement of the job</li> <li>• Lack of employee resources due to vacancies or long-term employee absences</li> <li>• Significant and/or temporary increases in workload, e.g., project work</li> </ul> <p>Overtime hours are approved by the head of departments or line managers on the Core HR system.</p> <p>We tested a sample of five overtime payments and identified one officer who worked 58 hours overtime (the officer had not signed an ‘opt out’ of the working time directive) during January 2023, indicating inadequate oversight of excessive working hours. Employees who work overtime are required to sign a document to waive the 48 hour working time directives. Through discussion with the line manager, the high volume of overtime hours were due to an increase in international applications and other associated tasks for the registration advisors and jump leaders. Currently, there is a new team of registration that provides the additional support. Overtime is considered an ‘exception’ rather than the norm.</p>			DESIGN AND EFFECTIVENESS
IMPLICATION			SIGNIFICANCE
Where employees undertake substantial overtime hours there is a risk to employees’ wellbeing which could result in stress and ultimately periods of prolonged leave as well as a breach of the working time directive.			MEDIUM
RECOMMENDATIONS	ACTION OWNER	MANAGEMENT RESPONSE	COMPLETION DATE
<p>2. HR should:</p> <p>a) Create staff awareness regarding the Work Time Regulations 1998 and the number of acceptable ‘overtime’ hours staff can work.</p> <p>b) Follow-up on any overtime hours that are classed as ‘excessive’ with Managers and confirm this is an ‘exception’ rather than routine. HR should confirm waivers are in place where required.</p>	<p>a) <i>Human Resources Business</i></p> <p>b) <i>Head of Finance</i></p>	<p>a) <i>This is covered via Work Time Regulations 1998 Act and noted in Overtime Policy. Maximum of 48 hours over 7-day period. Current work hours per week is 35 hours which means weekly threshold for overtime is 13 hours per week. Those employees who work beyond 35 hours have signed a waiver. Although overtime offering has</i></p>	<p>a) <i>31 December (awareness on policy and regulations)</i></p> <p><i>Ongoing monthly monitoring.</i></p>



			<p><i>now been minimised.</i></p> <p><i>Awareness on policy and regulations to be shared with Line Managers.</i></p> <p><i>b) The overtime process is now managed via on-system approvals up to department head level and we also provide monthly overtime reports for specific departments with a view by individual, hours and associated costs. Overtime for the previous financial year was significantly higher due to the level of international applications that required additional time and effort for processing.</i></p>	<p><i>b) Completed</i></p>
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## DETAILED FINDINGS

**RISK 2:** Key changes to HCPCs workforce are not identified in a timely manner

**RISK 4:** Inaccurate payments made due to employee records not kept up to date

FINDING [3] - Core HR			TYPE
<p>It is imperative to have up to date user access rights for payroll systems as they contain personal and sensitive employee information, and deliberate or accidental alteration of data, such as bank details, would lead to incorrect payments made.</p> <p>Core HR is the system that manages the payroll process at HCPC. There is one System Administrator, who is responsible for supporting and setting up end users (HR and Payroll department staff).</p> <p>We noted the following:</p> <ol style="list-style-type: none"> <li>1. There is no regular review of Super User (HR and payroll staff) access rights report undertaken to ensure that only appropriate users (such as the Payroll Manager and HR staff) have access to the Core HR system as part of ongoing monitoring arrangements.</li> <li>2. Core HR does not have the functionality to provide an audit trail of who has updated or created a user profile.</li> <li>3. We reviewed the employee users report extracted from Core HR. There is an activity status column which indicates whether the user profile is active or inactive. There are 213 user access profiles of employees that did not have the activity status completed and therefore it is unclear how many officers are actually using Core HR. It is expected that the user profiles with the incomplete status' are still current employees. Regular checks however would have identified the incomplete status reports and thus the glitch in the system.</li> </ol>			DESIGN AND EFFECTIVENESS
IMPLICATION			SIGNIFICANCE
<p>Where user access rights to Core HR by 'super users' such as HR and payroll staff is not reviewed on a regular basis there is a risk that 'super users' who have left or changed roles within HCPC are able to access the system (and see personal data) and make changes. This risk is further heightened where there is no audit trail for the tasks such as setting up new profiles within the system.</p>			MEDIUM
RECOMMENDATIONS	ACTION OWNER	MANAGEMENT RESPONSE	COMPLETION DATE
<p>3. HCPC should:</p> <ol style="list-style-type: none"> <li>a) Review 'super user' HR and payroll staff system access to Core HR on an annual basis and document this check within a suitable procedure.</li> <li>b) Consider what action they can undertake to ensure there is an audit trail of updating and creating user profiles.</li> </ol>	<p>Human Resources IT</p>	<p>a) The payroll module to CoreHR will only be accessible to the Payroll manager once payroll is inhouse. The people management modules of the system will only be accessible by HR. HR review of access ongoing and leavers access stopped on termination.</p> <p>b) User profiles are created by IT.</p>	31 December and Ongoing

		<i>This is now resolved and being updated progressively.</i>	
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# DETAILED FINDINGS

## RISK 3: Unauthorised changes to bank details

FINDING [4] - Bank detail checks			TYPE
<p>To help limit the risk of internal fraud, regular checks should be undertaken between employee bank accounts and supplier bank accounts to verify there are no overlaps.</p> <p>Employees are able to update their own bank details on the Core HR system. If an employee is unable to update their bank details, the Core HR System Administrator can make the required changes.</p> <p>HCPC do not undertake formal checks between employee bank accounts and supplier bank accounts on a regular basis to identify any matches. A system administrator may redirect staff salaries to their own bank accounts. Also, the check enables HCPC to spot any suppliers that may have a link to an employee or where the supplier details have been fraudulently changed by an employee to their own bank account.</p>			DESIGN
IMPLICATION			SIGNIFICANCE
Where reconciliations are not undertaken between employee bank accounts vs supplier bank accounts there is a risk that payments are made into employee bank accounts which are disguised as suppliers.			MEDIUM
RECOMMENDATIONS	ACTION OWNER	MANAGEMENT RESPONSE	COMPLETION DATE
4. On an annual basis, employee vs supplier bank account checks should be undertaken across the whole organisation. Other triggers for review of employee vs supplier bank account details could include the following: onboarding of new suppliers, new or change in supplier bank details and new employee details.	<i>Finance</i>	<i>This was highlighted in a review meeting, and we are in agreement with this recommendation. We will be implementing this control measure going forward to ensure that duplication of bank details in terms of both data quality and fraud prevention are addressed.</i>	<i>December 2023</i>



## DETAILED FINDINGS

**RISK 5:** Individuals who fall within the IR35 remit are not identified and managed accordingly

**Risk 6:** Inappropriate payroll deductions and payroll payments made

FINDING [5] - IR35 Assessments		TYPE	
<p>IR35, also known as off-payroll working rules, apply to clients, workers (contractors) and their intermediaries to ensure that the contractor pays broadly the same Income Tax and National Insurance as an employee would.</p> <p>HCPC engages with contractors through an agency called Morgan Law. The HR Advisor/Administrator that is responsible for onboarding the contractor is responsible for ensuring that the contractor's IR35 assessment is complete, and the Status Determination Statement (SDS) is communicated to the contractor. The SDS is used to outline the determination of HCPC about the employment status of a contractor and the reasons for reaching the determination.</p> <ol style="list-style-type: none"> <li>In the last 12 months, there has been three contractors that required an IR35 assessment to be completed. Two contractors sampled did not have their SDS retained on file. The HR Business Partner confirmed that the SDS of the contractors were not kept on file as the employee who communicated the SDS to the contractors left the organisation and did not store the documents.</li> </ol> <p>The IR35 rules as per the UK Government website states that, organisations should keep detailed records of all the employment status determinations, including the reasons for the determination and fees paid.</p> <ol style="list-style-type: none"> <li>There is no formal IR35 training for HR Advisors and Administrators. There are guidance and processes in place to support HR Advisors on how to carry out IR35 rules however training is not formalised. This has led to inconsistencies in how IR35 checks are carried out and documented as per point 1.</li> <li>A log is not in place that keeps records of all completed IR35 assessments to ensure that monitoring arrangements are in place. According to the IR35 rules found on the UK Government website, organisations should keep a record of the contractors they engage, including the names and addresses of both the contractor and their intermediary.</li> </ol>		DESIGN AND EFFECTIVENESS	
IMPLICATION		SIGNIFICANCE	
Failure to adhere to the IR35 rules and regulations could lead to HCPC incurring substantial fines and reputational damage.		HIGH	
RECOMMENDATIONS	ACTION OWNER	MANAGEMENT RESPONSE	COMPLETION DATE
<p>5. HCPC should:</p> <ol style="list-style-type: none"> <li>Ensure there is an up-to-date Status Determination Statements (SDS) of all present contractor.</li> <li>Retain all SDS documents in a central location.</li> </ol>	Human Resources	<ol style="list-style-type: none"> <li>A centralised folder has been created where all contractor details and SDS documents are kept on file.</li> <li>IR35 Guidance Training was held</li> </ol>	<ol style="list-style-type: none"> <li>September 2023</li> <li>13 September</li> </ol>



<p>c) Introduce formal IR35 training for staff who manage contractors within the HR/Payroll team.</p> <p>d) Implement a log/register to keep a record of all contractors that have completed IR35 assessments and monitor.</p>		<p><i>13/09/2023 with HR Team. Review / retrain as required.</i></p> <p><i>c) Now completed</i></p> <p><i>d) Register has been created. Ongoing monitoring.</i></p>	<p><i>2023</i></p> <p><i>c) Complete</i></p> <p><i>d) 31 October 2023</i></p>
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# APPENDICES



# APPENDIX I: DEFINITIONS

LEVEL OF ASSURANCE	DESIGN OF INTERNAL CONTROL FRAMEWORK		OPERATIONAL EFFECTIVENESS OF CONTROLS	
	FINDINGS FROM REVIEW	DESIGN OPINION	FINDINGS FROM REVIEW	EFFECTIVENESS OPINION
<b>SUBSTANTIAL</b>	Appropriate procedures and controls in place to mitigate the key risks.	There is a sound system of internal control designed to achieve system objectives.	No, or only minor, exceptions found in testing of the procedures and controls.	The controls that are in place are being consistently applied.
<b>MODERATE</b>	In the main there are appropriate procedures and controls in place to mitigate the key risks reviewed albeit with some that are not fully effective.	Generally, a sound system of internal control designed to achieve system objectives with some exceptions.	A small number of exceptions found in testing of the procedures and controls.	Evidence of non-compliance with some controls, which may put some of the system objectives at risk.
<b>LIMITED</b>	A number of significant gaps identified in the procedures and controls in key areas. Where practical, efforts should be made to address in-year.	System of internal controls is weakened with system objectives at risk of not being achieved.	A number of reoccurring exceptions found in testing of the procedures and controls. Where practical, efforts should be made to address in-year.	Non-compliance with key procedures and controls places the system objectives at risk.
<b>NO</b>	For all risk areas there are significant gaps in the procedures and controls. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Poor system of internal control.	Due to absence of effective controls and procedures, no reliance can be placed on their operation. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Non-compliance and/or compliance with inadequate controls.

RECOMMENDATION SIGNIFICANCE	
<b>HIGH</b>	A weakness where there is substantial risk of loss, fraud, impropriety, poor value for money, or failure to achieve organisational objectives. Such risk could lead to an adverse impact on the business. Remedial action must be taken urgently.
<b>MEDIUM</b>	A weakness in control which, although not fundamental, relates to shortcomings which expose individual business systems to a less immediate level of threatening risk or poor value for money. Such a risk could impact on operational objectives and should be of concern to senior management and requires prompt specific action.
<b>LOW</b>	Areas that individually have no significant impact, but where management would benefit from improved controls and/or have the opportunity to achieve greater effectiveness and/or efficiency.
<b>ADVISORY</b>	A weakness that does not have a risk impact or consequence but has been raised to highlight areas of inefficiencies or potential best practice improvements.



## APPENDIX II: TERMS OF REFERENCE

### EXTRACT FROM TERMS OF REFERENCE

#### PURPOSE

The purpose of this review was to provide assurance on the robustness of payroll and IR35 controls processes currently operating at HCPC. The payroll system is due to be updated in 2023/24, with more payroll administration brought inhouse.

#### KEY RISKS

The key risks with this area of activity are:

- Inappropriate payroll payments are made to employees and contractors who work with HCPC
- Key changes to HCPCs workforce are not identified in a timely manner
- Unauthorised changes to bank details
- Inaccurate payments made due to employee records not kept up to date
- Individuals who fall within the IR35 remit are not identified and managed accordingly
- Inappropriate payroll deductions and payroll payments made

#### SCOPE

- Policies and procedures
- Starters, leavers, changes (incl. movers) and overtime
- Bank details
- Core HR
- IR35 checks
- Monitoring



## APPENDIX III: STAFF INTERVIEWED

BDO LLP APPRECIATES THE TIME PROVIDED BY ALL THE INDIVIDUALS INVOLVED IN THIS REVIEW AND WOULD LIKE TO THANK THEM FOR THEIR ASSISTANCE AND COOPERATION.

Madalina Botezatu	Payroll Manager	
Aditya Palai	HR Advisor	
Chantelle Blunt	HR Manager	
Ewan Shears	Governance Officer	
Cornelia Ma	HR Systems Administrator	
Natasha Chaugule	HR Business Partner	



## APPENDIX IV: LIMITATIONS AND RESPONSIBILITIES

### MANAGEMENT RESPONSIBILITIES

The Board is responsible for determining the scope of internal audit work, and for deciding the action to be taken on the outcome of our findings from our work.

The Board is responsible for ensuring the internal audit function has:

- The support of the Company's management team.
- Direct access and freedom to report to senior management, including the Chair of the Audit Committee.
- The Board is responsible for the establishment and proper operation of a system of internal control, including proper accounting records and other management information suitable for running the Company.

Internal controls covers the whole system of controls, financial and otherwise, established by the Board in order to carry on the business of the Company in an orderly and efficient manner, ensure adherence to management policies, safeguard the assets and secure as far as possible the completeness and accuracy of the records. The individual components of an internal control system are known as 'controls' or 'internal controls'.

The Board is responsible for risk management in the organisation, and for deciding the action to be taken on the outcome of any findings from our work. The identification of risks and the strategies put in place to deal with identified risks remain the sole responsibility of the Board.

### LIMITATIONS

The scope of the review is limited to the areas documented under Appendix II - Terms of reference. All other areas are considered outside of the scope of this review.

Our work is inherently limited by the honest representation of those interviewed as part of colleagues interviewed as part of the review. Our work and conclusion is subject to sampling risk, which means that our work may not be representative of the full population.

Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

Our assessment of controls is for the period specified only. Historic evaluation of effectiveness may not be relevant to future periods due to the risk that: the design of controls may become inadequate because of changes in operating environment, law, regulation or other; or the degree of compliance with policies and procedures may deteriorate.

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