
HCPC Audit planning and update of recommendations

Executive Summary

The attached slides provide an update for ARAC on preparing the year-end statutory accounts and external audit planning, as well as on addressing issues and recommendations arising from last year's audit as and from work by internal audit report.

Previous consideration	The Committee received an update at their previous meeting in March 2022.
Decision	The Committee is asked to note the update.
Next steps	The actions set out in the update are being taken forward by Finance as part of a programme of improvements to HCPC's financial management and in preparation for the statutory audit of 2021-22.
Strategic priority	Strategic priority 5: Build a resilient, healthy, capable and sustainable organisation
Financial and resource implications	No direct budgetary implications. The wider financial implications are as set out in the update slides.
EDI impact	No direct implications.
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Finance - Audit Update

Overview

- Proposed Timeline – Year-end & Audit

- External Audit Issues and Progress:
 1. Systems Implementation – CRM/Finance (Business Central)
 2. Income Recognition
 3. Reconciliations
 4. Treasury Management
 5. Finance Policy – Asset Valuations
 6. Contract Management

- 7. Other Key Workstreams

- 8. Internal Audit Issues and Progress

Year-end & Audit Timeline

ACTIVITY	% COMPLETE	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22
Income Analysis & Recognition - Activities	85%	█	█	█	█	█							
Payroll / Staff Cost Activities	100%	█	█	█	█								
Pension Activities	100%	█	█	█									
Purchase Ledger & Cashbook Close Activities	100%	█	█	█	█								
Fixed Asset Management Activities - Tangible & Intangible	75%	█	█	█	█	█	█						
Current Asset Management Activities	75%	█	█	█	█	█	█						
Current Liabilities Management Activities	75%	█	█	█	█	█	█						
Liabilities > 1 Year Activities	75%			█	█	█	█						
Reserve Activities	50%					█	█						
Preparation of Draft Financial Statements	10%						█	█					
Audit Planning Meeting (May & June)	50%					█	█						
Audit Fieldwork HM/NAO (late July to September)	0%							█	█	█			
Report to Audit Committee (September/October)	0%									█	█		

Note. Auditing Planning Meeting in June will be part of the ARAC Meeting to be held on 9 June 2022.

1. Systems Implementation

AUDIT ISSUE	PRIORITY	UPDATE
<p>Following the implementation of the new CRM system, CE, it was clear from our testing that regular reconciliations from the CRM system to the accounting system were not being undertaken.</p>	<p>High</p>	<p>The data from Business Central has been reconciled against CRM up to 31 March 2022.</p> <p>This will also be done on an on-going basis with support from the Reg Ops Team with weekly interdepartmental team meetings being held to track progress.</p>

Note. A new systems accountant has joined and is now responsible for managing the reimplementation of Business Central.

2. Income Recognition

AUDIT ISSUE	PRIORITY	UPDATE
<p>As part of our testing of registrations income, 47 applicants were randomly selected and traced to ensure a signed application form was in place on the system and that their payment of scrutiny and registration fees had been correctly recorded within the accounts. Of those 47 applicants, the following issues were found:</p> <ul style="list-style-type: none"> - 14 had lag of at least 1 month (up to 4) between registration and actual posting to BC (finance system) - 5 had not been invoiced with a further 2 only part invoiced - 1 was posted after year end, so would not be included in income for the year - 1 had a registration date after posting date - 1 registrant's account could not be followed with no information on why the account was generated or what information is missing 	<p>High</p>	<p>Registration recently upgraded their CRM system and discussions with senior management indicate process improvements within Registration Department to address the audit issues.</p> <p>Finance conduct sense checks and reconciliations to ensure data is flowing through correctly, e.g. standing orders and credit memos. We will also liaise with Registrations to monitor how that data is processed within CRM.</p> <p>Finance have finished a detailed income reconciliation exercise for FY21/22 for each profession, and we are now in the process of posting the related adjustments to Business Central and CRM.</p>

3. Reconciliations

AUDIT ISSUE	PRIORITY	UPDATE
<p>Income, deferred income and debtors are posted to the finance system using a number of control and suspense accounts. Suspense accounts are held within both BC and Sage and have not been reviewed or cleared down regularly.</p>	<p>High</p>	<p>BC Reimplementation will eliminate the need for suspense accounts in the long-term.</p> <p>Finance have finished a detailed income reconciliation exercise for FY21/22 for each profession, with the calculation of expected income and deferred income. We are in the process of posting the related adjustments to Business Central and CRM.</p> <p>Suspense accounts will be reviewed and cleared for the year end date after the aforementioned adjustments. We are on track with the timetable for completion of management accounts in June 2022.</p>

4. Treasury Management

AUDIT ISSUE	PRIORITY	UPDATE
<p>The movements in the Natwest bank accounts had not been posted for the year and HCPC were unable to provide us with copies of bank statements.</p>	<p>Low</p>	<p>Natwest account movements have now been updated as part of the internal audit process.</p> <p>Status: Complete</p>

5. Finance Policy – Asset Valuations

AUDIT ISSUE	PRIORITY	UPDATE
<p>Our audit testing identified that the fixed asset register for intangibles was not always applying the right amortising rate for each asset. There is therefore a risk that assets are not held at an appropriate value.</p>	<p>Low</p>	<p>The long-term approach will be to implement a Fixed Asset Model in Business Central to avoid any human errors in calculations going forward.</p> <p>As part of year end, there will be a detailed review of the Capital Projects costs that have been classified as Intangible Fixed Assets, which includes reviewing the amortisation rate for the intangibles.</p>

6. Contract Management

AUDIT ISSUE	PRIORITY	UPDATE
<p>HCPC has received funding from the Department of Health for the temporary register, however a signed copy of the grant agreement was not available.</p>	<p>Low</p>	<p>We have now received the relevant signed contract from the Department of Health and Social Care regarding the grant.</p> <p>Status: Complete</p>

7. Other Key Workstreams

AUDIT ISSUE	PRIORITY	UPDATE
Key Policies - Capital Expenditure, Bad Debt	High	<p>We are going to review the current policies and amend as per business requirements. Current approach to capital expenditure is quite unclear. The aim is to move towards the approach that all expenditure is operational unless we meet the capital spend criteria as per the updated policy.</p> <p>In regards to bad debt, we will review current policies and focus on implementing a clear governance structure when writing off significant debt.</p> <p>Capital expenditure policy has been produced and waiting for sign-off, and the bad debt policy is still in progress.</p>

7. Other Key Workstreams

AUDIT ISSUE	PRIORITY	UPDATE
Management Reporting – Strategic Finance Plan	High	Most of the new Finance Team members were recruited in May 2022 and we will develop a 2 to 3 year finance plan as part of the Q1 forecasting exercise for FY22-23.
Project Accounting – Benefits Realisation	High	<p>Further work will be carried out with the Projects team to ensure requirements are captured within the reporting functions of Business Central, e.g. CoA Dimensions.</p> <p>Invitation to Tender (with updated requirements) had been sent out for reimplementation of Business Central in May-22 with a deadline of 10th June 2022 set for potential suppliers to submit their bids.</p>

8. Internal Audit – Progress Update

Key objective of the internal audit was to provide assurance over processes and controls relating to cash and banking, and controls aimed at ensuring the accuracy of the General Ledger.

AUDIT AREA	STATUS	UPDATE
Appropriate policy and procedural guidance have been developed and communicated to relevant personnel to ensure they have a clear understanding of associated processes and requirements.	In Progress	We are in the process of updating key policies and are rolling out a detailed month-end timetable with action owners and deadlines. We also maintain a control log to capture any control failings and an action log for any non-BAU tasks.
Access to create or amend bank account details within finance systems can be achieved only with appropriate approvals.	Complete	Due to historic issues related to key team members having left the finance department, we have since updated access and approval workflows to include the recently appointed roles including the Financial Controls Manager and the Senior Financial Accountant.
Banking mandates are current, complete, and in line with HCPC’s delegated financial authority limits.	In Progress	We are drafting letters to update the banking mandates with the newly appointed individuals. As per the update above, this was delayed due to the lack of individuals within key posts. We are now in the process of updating the banking mandates.
Adequate segregation of duties is maintained between payment processing and payment authorisation functions.	Complete	Transactional activities and financial controls have now been split with individuals processing transactions requiring review from the Senior Financial Accountant and final approval provided by budget holders. Individuals processing payments are not able to approve the payments and those approving payments cannot authorise the bank payments.
Discrepancies and/or errors are identified and addressed in a timely manner as periodic key account / ledger.	Complete	Regular monthly balance sheet reconciliations are now taking place with particular focus on the bank reconciliation. This is carried out by the Senior Financial Accountant and review meetings held with the Head of Finance to provide sign-off.