Health Professions Council
Audit Committee 6 December 2006

Internal Audit Report - Human Resources

Executive Summary and Recommendations

Introduction

Mark Wonnacott of PKF has prepared the attached report which sets out the findings of the internal audit of the Human Resources Department. The report is a follow-up to the previous review conducted by the HPC's former auditors.

Decision

The Committee is asked to discuss the report.

Background information

At its meeting on 28 June, the Committee approved the Internal Audit Needs Assessment and Internal Audit Plan for 2006-7. (See paper AUD 43/06).

Resource implications

None.

Financial implications

None.

Appendices

Follow Up Report - Human Resources.

Date of paper

17 November 2006.

PKF

Accountants &
business advisers

hpc health professions council

Follow Up Report - Human Resources

September 2006

Final - Confidential

Assurance Level

Satisfactory – Satisfactory design of internal control that addresses the main risks and is operating as intended but falls short of best practice.

Audit Team – Mark Wonnacott

Staff Interviewed – Larissa Foster, Kelly Webster

Contents

1 Introduction 1
2 Executive Summary 2
3 Detailed Findings 3
4 Action Plan 9
5 Assurance Definitions 19

1 Introduction

1.1 This audit forms part of our 2006/2007 internal audit, which was agreed with management and the Audit Committee in June 2006.

1.2 The review supports the annual statement on internal control required by the Treasury and was carried out in accordance with Government Internal Audit Standards.

1.3 The purpose of our review was to:

- Ascertain the extent to which previously agreed audit recommendations raised by BDO Stoy Hayward have been implemented; and
- Consider any changes in internal control framework since our last review in these areas and the relevance and applicability of previously agreed recommendations.

1.4 Our work was carried out primarily by holding discussions with relevant staff and the review of any available documentation.

1.5 This report has been prepared as part of the internal audit of the Health Professions Council under the terms of the engagement for internal audit services. It has been prepared for the Health Professions Council and we neither accept nor assume any responsibility or duty of care to any third party in relation to it. The conclusions and recommendations are based on the results of audit work carried out and are reported in good faith. However, our methodology relies upon explanations by managers and sample testing and management should satisfy itself of the validity of any recommendations before acting upon them.

2 Executive Summary

2.1 This report summarises the work undertaken by PKF and our conclusions on internal control in respect of our ongoing review of audit recommendations and reporting to the audit committee. The report summarises the progress made by the Health Professions Council towards implementing recommendations raised during the 2004/05 review of Human Resources.

Overall Conclusion

2.2 The previous review of Human Resources conducted by BDO Stoy Hayward concluded that the level of control over human resources was that ***controls appear deficient***. There was a high number of recommendations were raised to improve overall control within this area.

2.3 Our review established that all of the recommendations within this area had been addressed and we now note internal control in this area as ***satisfactory***. HPC now has policies and procedures in place and these are being consistently applied throughout the organisation.

2.4 A large amount of work has gone into implementing these systems and will ensure that the Human Resources department continues to help senior management actively manage the business.

2.5 Finally, we wish to thank all members of staff for their availability, co-operation and assistance during the course of our review.

PKF (UK) LLP
September 2006

3 Detailed Findings

Progress with Implementation of Recommendations

Recruitment of Employees

3.1 It was established that from a review of fourteen new employees there were a number cases where references had not been obtained, there was no evidence of an employee induction taking place, interview notes had not been retained or a recruitment authorisation form was not held.

3.2 It was recommended that a file checklist be prepared detailing all the relevant forms that are required for each employee file and that files for new starters are reviewed and missing documentation obtained where practical.

Findings from follow up review

3.3 A new starter checklist is now in place and used for all new starters. The HR department have developed the checklist with assistance from their Employment Lawyers. The checklist ensures that each item is signed off by line management and HR.

3.4 We have undertaken testing of a sample of new starters and have confirmed that the new starter checklist has been used and that for the sample tested a recruitment authorisation form, completed induction forms, references and interview notes have been retained on file.

3.5 The agreed actions in this area have therefore been satisfactorily implemented.

Evidence of Entitlement to Work in the UK

3.6 It was ascertained that in a number of cases there was no evidence of the employees' entitlement to work in the UK of the employees file.

3.7 It was recommended that adequate evidence of entitlement to work within the UK should be obtained for all new members of staff and a copy of such evidence should be retained on each employees file.

Findings from follow up review

3.8 A review of all employee files has been undertaken by the HR department to ensure that evidence of entitlement to work in the UK is recorded on the file.

3.9 We have reviewed a sample of files and found one instance where no evidence was shown on the individuals file. We recommend that HR review the files again to ensure that such evidence exists for all employees.

Long Term Sickness

3.10 It was established that the monitoring of long term sickness had been delegated to line management and that upon review of individual employee files there was a lack of evidence of monitoring retained within the files. It was recommended that documentation detailing the monitoring of employees on long term absence should be maintained within their personnel file.

Findings from follow up review

3.11 We have reviewed a sample of files for individuals with known long term absence. In each case we found the appropriate evidence for:

- Review meetings held with the employee to determine progress;
- Referrals made to an Occupational Health doctor for a second opinion and the results of referrals; and
- Return to work meetings held with the employee.

3.12 The agreed actions in this area have therefore been satisfactorily implemented.

Approval of Partners

3.13 It was established that there was no written documentation in place for evidencing the approval to recruit new partners. It was recommended that a standard form should be introduced to evidence the justification and approval of any new partners.

Findings from follow up review

3.14 A form has now been introduced for the recruitment of new partners. There is a separate form for Registration Assessor, Visitor and Panel Members. This form requires the authorisation of the Department Director, Partner Manager, Finance Director and the Chief Executive.

3.15 The agreed actions in this area have therefore been satisfactorily implemented.

Leaving Procedures

3.16 It was established that when an employee left the HPC there was no evidence of checks undertaken to ensure that all appropriate information had been obtained and equipment returned prior to the employee's leaving date. It was recommended that a leavers checklist should be introduced to ensure that all relevant information was checked.

3.17 Leavers were completing a exit questionnaire on a voluntary basis when leaving the organisation. However, employees were not being offered the opportunity to conduct an exit interview.

Findings from follow up review

3.18 A leavers checklist has been introduced by the HR department and is being operated by all leavers at the HPC. We have undertaken sample testing and this has indicated that the checklist is being operated and completed correctly.

3.19 All leavers are now offered the opportunity to have an exit interview. The HR department have devised an exit procedure to be followed by management and has devised a proforma exit interview form to be used when conducting exit interviews. We have undertaken sample testing and this has indicated that the exit interview process is operated effectively.

3.20 The agreed actions in this area have therefore been satisfactorily implemented.

Amendments to HR Records

3.21 It was established that through testing that salary details recorded on the HR system did not match the salary details recorded in the payroll department. It was recommended that all documentation authorising amendments to employee's records should be signed as evidence of input into the HR system.

Findings from follow up review

3.22 All amendments to an individuals details are now processed using a form which requires the individuals signature and signature of member of the HR department. To enhance the control environment no changes are now made to the payroll apart from the monthly summary of changes that is provided by the HR adviser and authorised by the HR Director. This ensures that all amendments to payroll agree to the HR records.

3.23 The agreed actions in this area have therefore been satisfactorily implemented.

Temporary Staff

3.24 It was noted that there was no monitoring carried out of the end dates of employees on short term contracts. It was recommended that employees with temporary contracts are identified and that the HR system is utilised to flag those individuals end dates.

Findings from follow up review

3.25 The HR department have undertaken an exercise to identify all employees that are employed on a temporary contract basis.

3.26 The agreed actions in this area have therefore been satisfactorily implemented. This analysis is used and incorporated into the monthly changes summary provided to payroll for amendments to the payroll. The HR adviser also utilised the diary facility to prompt changes with temporary staff.

Staff Appraisals

3.27 The previous review of Human Resources established that there was not an Officer who had been given responsibility for the annual appraisal system. There was also no monitoring to ensure that all staff had received an annual appraisal. It was recommended that a delegated Officer should be given responsibility for monitoring the completion of staff appraisals.

Findings from follow up review

3.28 Larissa Foster, the HR Director has been appointed as the delegated Officer with responsibility for the appraisal system. A new system was introduced and rolled out to all staff in February 2006. All completed forms have been retained on the individuals file and the completed forms have been used by HR to establish the training needs of the organisation. We have undertaken sample testing within this area and this has indicated that the an appraisal has taken place for each individual within the HPC.

3.29 The agreed actions in this area have therefore been satisfactorily implemented.

Probation Period

3.30 It was established that there were no procedures in place to inform employees and the relevant department manager of probationary period end dates. The review recommended that the end dates should be logged on the HR system and that standard letters recognising the end of an employee's probation period should be introduced as part of standard HR procedures.

Findings from follow up review

3.31 Standard forms and letter templates have been introduced as part of the standard HR procedures. There is guidance on the end of probation and a form titles end of probation review to be completed by the relevant department manager. There are also three letter templates available:

- Failure to pass probation template letter;
- Extension of probation period template letter; and
- Confirmation of passed probation template letter.

3.32 The HR Officer also utilises the diary facility to prompt probation period end dates for all new staff. We have undertaken a review of a sample of files and each has included a completed form and has the appropriate probation letter sent to the individual. The agreed actions in this area have therefore been satisfactorily implemented.

Educational Sponsorship

3.33 There was no monitoring taking place of employees who have been sponsored to study for professional qualifications. There was also no written approval of the sponsorship granted. It was recommended that sponsored individuals are identified and this is recorded within the HR training records. The approval of the sponsorship should be formally documented.

Findings from follow up review

3.34 The HR department have devised a new form – application for a course of study. This form requires the approval of the individuals line manager, HR Director, Finance Manager and the Chief Executive. There is a low number of individuals who are sponsored by the HPC, from a review of their files all have the appropriate documentation recorded.

3.35 The agreed actions in this area have therefore been satisfactorily implemented.

Staff Training and Development

3.36 The previous review of Human Resources identified that there was no structured training provided to staff. It was recommended that the training needs of the HPC should be identified through the performance management procedures.

Findings from follow up review

3.37 Larissa Foster, the HR Director has been appointed as the delegated Officer with responsibility for the appraisal system. A new system was introduced and rolled out to all staff in February 2006. All completed forms have been retained on the individuals file and the completed forms have been used by HR to establish the training needs of the organisation. We have undertaken sample testing within this area and this has indicated that the an appraisal has taken place for each individual within the HPC and that this has been used to create the training needs of the HPC.

3.38 The agreed actions in this area have therefore been satisfactorily implemented.

Absence – Sickness Records

3.39 It was established that the spreadsheet mechanism for recording absence relating to sickness was incorrect and that self certificates were not being obtained in all cases of absence. It was recommended that facilities with the HR system are investigated and whether reports can be generated accurately.

Findings from follow up review

3.40 Following the previous review the absence module of the HR system is now utilised fully. All absence is recorded on the HR system and this is used to generate a monthly report of absence. This report is circulated to all members of management and used to highlight those

individuals who have reached a trigger number of days that require formal action. The HR department have also created three proforma letters for use by management:

- Sickness absence review meeting trigger;
- Sickness absence review meeting; and
- Sickness absence review follow-up meeting.

3.41 We have reviewed the information contained in these reports and traced a sample of occurrences to the individuals file to ensure that self certificates have been obtained.

3.42 The agreed actions in this area have therefore been satisfactorily implemented.

Recruitment of Partners

3.43 It was established that there were no procedures in place to identify the usage levels of the partners employed at the HPC. It was recommended that a review was undertaken to identify the utilisation rates of partners and that a shared database should be set up which would allow the departments access to partner details.

Findings from follow up review

3.44 A review of the partners in place has been undertaken and the level of partners reduced. The i-extensions database has also been introduced which includes details of all of the partners being used by the HPC. This database can be accessed by all department within the HPC.

4 Action Plan

Ref.	Original Recommendation	Priority	Findings	Conclusion/Further Action *Management Response*
R1	**Recruitment of Employees** A file checklist should be prepared detailing all relevant forms required for each employee file. This checklist should be signed by a Member of the Human Resources Department when completed. Personnel files for new starters during the current financial year should be reviewed and missing documentation obtained where practical.	Fundamental	A new starter checklist is now in place and used for all new starters. The HR department have developed the checklist with assistance from their Employment Lawyers. The checklist ensures that each item is signed off by line management and HR. We have undertaken testing of a sample of new starters and have confirmed that the new starter checklist has been used and that for the sample tested a recruitment authorisation form, completed induction forms, references and interview notes have been retained on file.	Satisfactory, no further action required.

Ref.	Original Recommendation	Priority	Findings	Conclusion/Further Action *Management Response*
R2	**Evidence of Entitlement to Work in UK** Adequate evidence of entitlement to work within the UK should be obtained for all new members of staff and a copy of such evidence should be retained on file.	Fundamental	A review of all employee files has been undertaken by the HR department to ensure that evidence of entitlement to work in the UK is recorded on the file. We have reviewed a sample of files and found one instance where no evidence was shown on the individuals file.	We recommend that HR conduct a further review of all files to ensure that the appropriate evidence of entitlement to work within the UK is retained.

Ref.	Original Recommendation	Priority	Findings	Conclusion/Further Action *Management Response*
R3	**Long Term Sickness** Documentation detailing the monitoring of employees on long term absence should be maintained within their personnel file. In line with the Absence policy this should include evidence of the following: • Review meetings held with the employee to determine progress; • Referrals made to an Occupational Health doctor for a second opinion; and • Return to work meetings held with the employee.	Fundamental	We have reviewed a sample of files for individuals with known long term absence. In each case we found the appropriate evidence for: • Review meetings held with the employee to determine progress; • Referrals made to an Occupational Health doctor for a second opinion and the results of referrals; and • Return to work meetings held with the employee.	Satisfactory, no further action required.

Ref.	Original Recommendation	Priority	Findings	Conclusion/Further Action *Management Response*
R4	**Approval of Partners** A standard form should be introduced to evidence the justification and approval to recruit new partners.	Fundamental	A form has now been introduced for the recruitment of new partners. There is a separate form for Registration Assessor, Visitor and Panel Members. This form requires the authorisation of the Department Director, Partner Manager, Finance Director and the Chief Executive.	Satisfactory, no further action required.
R5	**Leaving Procedures** A leavers checklist should be introduced to ensure that information such as outstanding holidays, outstanding loans and the return of equipment have been checked prior to the employee's leaving date. Employees should also be offered the option of an exit interview with the Human Resources department.	Fundamental	A leavers checklist has been introduced by the HR department and is being operated by all leavers at the HPC. We have undertaken sample testing and this has indicated that the checklist is being operated and completed correctly. All leavers are now offered the opportunity to have an exit interview. The HR department have devised an exit procedure to be followed by management and has devised a proforma exit interview form to be used when conducting exit interviews. We have undertaken sample testing and this has indicated that the exit interview process is operated effectively.	Satisfactory, no further action required.

Ref.	Original Recommendation	Priority	Findings	Conclusion/Further Action *Management Response*
R6	**Amendments to HR Records** All documentation authorising amendments to an employee's record on the HR system should be signed or initialled by the relevant member of staff as evidence of input into the HR system.	Significant	All amendments to an individuals details are now processed using a form which requires the individuals signature and signature of member of the HR department. To enhance the control environment no changes are now made to the payroll apart from the monthly summary of changes that is provided by the HR adviser and authorised by the HR Director. This ensures that all amendments to payroll agree to the HR records.	Satisfactory, no further action required.
R7	**Temporary Staff** All employees with temporary contracts should be identified. The facilities of the HR system should be investigated and fully utilised to ensure that where an employee's contract end date is approaching, it is "flagged" on system.	Significant	The HR department have undertaken an exercise to identify all employees that are employed on a temporary contract basis. This analysis is used and incorporated into the monthly changes summary provided to payroll for amendments to the payroll. The HR adviser also utilised the diary facility to prompt changes with temporary staff.	Satisfactory, no further action required.

Ref.	Original Recommendation	Priority	Findings	Conclusion/Further Action *Management Response*
R8	**Staff Appraisals** To ensure that all staff have received an annual appraisal, a delegated Officer independent from the appraisal process should be given responsibility for monitoring the completion of staff appraisals.	Significant	Larissa Foster, the HR Director has been appointed as the delegated Officer with responsibility for the appraisal system. A new system was introduced and rolled out to all staff in February 2006. All completed forms have been retained on the individuals file and the completed forms have been used by HR to establish the training needs of the organisation. We have undertaken sample testing within this area and this has indicated that the an appraisal has taken place for each individual within the HPC.	Satisfactory, no further action required.

Ref.	Original Recommendation	Priority	Findings	Conclusion/Further Action *Management Response*
R9	**Probation Period** Probation period end dates should be "logged" onto the HR system and monitored by the HR staff. A standard letter recognising an employee's completion of probation period should be introduced and form part of HR procedures.	Significant	Standard forms and letter templates have been introduced as part of the standard HR procedures. There is guidance on the end of probation and a form titles end of probation review to be completed by the relevant department manager. There are also three letter templates available: • Failure to pass probation template letter; • Extension of probation period template letter; and • Confirmation of passed probation template letter. The HR Adviser also utilises the diary facility to prompt probation period end dates for all new staff. We have undertaken a review of a sample of files and each has included a completed form and has the appropriate probation letter sent to the individual.	Satisfactory, no further action required.

Ref.	Original Recommendation	Priority	Findings	Conclusion/Further Action *Management Response*
R10	**Educational Sponsorship** All sponsored employees should be identified and recorded within HR training records. Approval of educational sponsorship should be formally documented.	Significant	The HR department have devised a new form – application for a course of study. This form requires the approval of the individuals line manager, HR Director, Finance Manager and the Chief Executive. There is a low number of individuals who are sponsored by the HPC, from a review of their files all have the appropriate documentation recorded.	Satisfactory, no further action required.
R11	**Staff Training and Development** Training needs within the organisation should be identified through the performance management procedures. In accordance with the policy on staff training, staff should be encouraged to undertake training courses where a skills gap has been identified and to ensure that they are up to date with latest developments.	Significant	A new appraisal system was introduced and rolled out to all staff in February 2006. All completed forms have been retained on the individuals file and the completed forms have been used by HR to establish the training needs of the organisation. We have undertaken sample testing within this area and this has indicated that the an appraisal has taken place for each individual within the HPC and that this has been used to create the training needs of the HPC.	Satisfactory, no further action required.

Ref.	Original Recommendation	Priority	Findings	Conclusion/Further Action *Management Response*
R12	**Absence – Sickness Records** Absence details should be recorded onto the HR system. Facilities of the HR system should be investigated in order to generate reports on absence. The absence reports generated should then be checked against supporting documentation to confirm accuracy.	Significant	Following the previous review the absence module of the HR system is now utilised fully. All absence is recorded on the HR system and this is used to generate a monthly report of absence. This report is circulated to all members of management and used to highlight those individuals who have reached a trigger number of days that require formal action. The HR department have also created three proforma letters for use by management: • Sickness absence review meeting trigger; • Sickness absence review meeting; and • Sickness absence review follow-up meeting. We have reviewed the information contained in these reports and traced a sample of occurrences to the individuals file to ensure that self certificates have been obtained.	Satisfactory, no further action required.

Ref.	Original Recommendation	Priority	Findings	Conclusion/Further Action *Management Response*
R13	**Recruitment of Partners** A review should be carried out to identify the utilisation rates of partners. A shared database should be set up which allows the various departments access to partner details. This will help to inform staff of partners' availability, location and ability to carry out the work required. Thus, reducing administration costs of finding new partners unnecessarily.	Significant	A review of the partners in place has been undertaken and the level of partners reduced. The i-extensions database has also been introduced which includes details of all of the partners being used by the HPC. This database can be accessed by all department within the HPC.	Satisfactory, no further action required.

5 Assurance Definitions

Assurance Level	Definition
Sound	*Satisfactory design of internal control that addresses risk and meets best practice and is operating as intended.*
Satisfactory	*Satisfactory design of internal control that addresses the main risks and is operating as intended but falls short of best practice.*
Satisfactory in Most Respects	*Generally satisfactory design of internal control that addresses the main risks and is operating as intended but either has control weaknesses or is not operating fully in some significant respect.*
Satisfactory Except For…..	*Satisfactory design of internal control that addresses the main risks and is operating as intended in most respects but with a major failure in design or operation in the specified area.*
Not Satisfactory	*Major flaws in design of internal control or significant non operation of controls that leaves significant exposure to risk.*