Audit Committee, 19 March 2015

Internal Audit Report – Partners

Executive summary and recommendations

Introduction

As part of the Internal Audit Plan for 2014-15 Mazars have undertaken a review of arrangements for ensuring the effective management of the HCPC's Partner function.

Decision

The Committee is asked to discuss the report

Resource implications

None

Financial implications

Mazars' agreed fees in 2014-15 are £24,000 including VAT and expenses.

Appendices

Internal Audit Report – Partners.

Date of paper

12 March 2015

hcpc
health & care professions council

Internal Audit Report

**Partners
(03.14/15)**

March 2015

FINAL REPORT

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Appendix 1 – Definitions of Assurance Levels and Recommendations

AUDIT CONTROL SCHEDULE:

Client contacts	Teresa Haskins: Director of HR Hayley Graham: Partner Manager	Internal Audit Team	Peter Cudlip: Partner Graeme Clarke: Director James Sherrett: Manager David Kershaw: Senior Auditor
Finish on Site \ Exit Meeting:	26 September 2014	**Management responses received:**	12 March 2015
Draft report issued:	14 November 2014	**Final report issued:**	12 March 2015

In the event of any questions arising from this report please contact James Sherrett, Mazars LLP james.sherrett@mazars.co.uk or Graeme Clarke, Mazars LLP graeme.clarke@mazars.co.uk

Status of our reports

The responsibility for maintaining internal control rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy of the internal control arrangements implemented by management and perform testing on those controls to ensure that they are operating for the period under review. We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone are not a guarantee that fraud, where existing, will be discovered.

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1.   INTRODUCTION

1.1   As part of the Internal Audit Plan for 2014/15, we have undertaken a review of the Health and Care Professions Council's (HCPC) arrangements for ensuring the effective management of its Partner function. This area was included in the Plan due to the significance of risks associated with this area on HCPC's Risk Register.

1.2   The last full internal audit review of this area was undertaken 2011/12 when substantial assurance was provided, with one housekeeping recommendation made. In addition, using part of the contingency days within the Plan for 2013/14, at the request of the Audit Committee, we undertook a review of controls and processes for Partners' expenses. This resulted in Substantial assurance with two recommendations made: one categorised as Priority 2 and one as Priority 3. Progress on the implementation of these recommendations has been reviewed through our Follow Up work in 2014/15.

1.3   We are grateful to the Partner Manager, members of the Partner team and other members of staff for their assistance during the course of the audit.

1.4   This report is for the use of the Audit Committee and senior management of HCPC. The report summarises the results of the internal audit work and, therefore, does not include all matters that came to our attention during the audit. Such matters have been discussed with the relevant staff.

2.   BACKGROUND

2.1   In order for HCPC to effectively regulate the 16 professions it employs the services of approximately 650 individuals as agents, known as Partners. The role of a Partner is to provide the expertise required for decision-making, and ensure that the HCPC has good professional, and lay (public) input into its operations.

2.2   Partners cover a variety of different roles and may be held by people with different experience and qualifications, from members of the public to qualified lawyers, solicitors and health professionals on the HCPC Register. There are six Partner roles: CPD Assessor, Legal Assessor, Panel Member, Panel Chair, Registration Assessor and Visitor.

2.3   Responsibility for the work of HCPC's Partners falls under the HR Directorate with overall responsibility being assigned to the Director of HR. Day-to-day management of Partners is the responsibility of the Partner Manager and Partner Team which comprises one Partner Coordinator and two Partner Administrators, one of which is a part-time role. Duties of the team include Partner recruitment, selection, training, monitoring and coordinating Partner appraisals, alongside any additional areas where work may be required, such as where complaints are received.

2.4   In managing its Partners HCPC uses the Bond HR system which is complimented by a range of Word documents and Excel spreadsheets. Management has acknowledged some room for improvement in the current systems and as a result a major project to review processes and systems is currently underway. A key part of this project is to ensure IT systems are able to increase efficiency of partner management and to help ensure HCPC is able to cope with the possibility of future regulatory change.

2.5   Following a recruitment process similar to that required for a standard recruitment exercise, Partners sign a Partner Services Agreement (PSA) which sets out details of the role including the obligations of each party. The partner role is fee and

expense-based with the partner submitting a claim to HCPC in relation to work undertaken.

2.6   The Partners team has a dedicated budget for 2014/15 of £574k. The Partner budget covers Partner team employees, Partner recruitment, training and expenses.

3.   SCOPE AND OBJECTIVES OF THE AUDIT

3.1   Our audit considered the following risks relating to the area under review:

- Inability to recruit/and or retain suitable Partners (*Risk Register, January 2014, Ref 6.1*);

- Partners poor performance (*Risk Register January 2014, Ref 6.4*); and

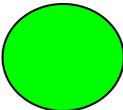- Adequate number and type of partner roles (*Risk Register, January 2014, Ref 6.6*).

3.2   In reviewing the above risks, our audit considered the following areas:

- Partners Strategy (part of HR Strategy);

- Policies and procedures relating to the recruitment and management of Partners;

- Service Level Agreements (known as a Partner Services Agreement) with Partners, including Partners responsibilities;

- Processes for the recruitment of partners, including induction process;

- IT systems used for the monitoring of partners, performance, recruitment, training etc;

- Training of Partners;

- Partner performance assessments and reviews including peer appraisals; and

- Monitoring of financial and operational performance of Partners through Management/Committee/Council.

3.3   The objective of our audit was to evaluate the adequacy and effectiveness of HCPC's controls and processes for the management of Partners and the extent to which controls have been applied, with a view to providing an opinion on the extent to which risks in this area are managed. In giving this assessment, it should be noted that assurance cannot be absolute. The most an Internal Audit service can provide is reasonable assurance that there are no major weaknesses in the framework of internal control.

3.4   We are only able to provide an overall assessment on those aspects of the controls and processes for management of Partners that we have tested or reviewed. The responsibility for maintaining internal control rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy of the internal control arrangements implemented by management and perform testing on those controls to ensure that they are operating for the period under review. We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone are not a guarantee that fraud, where existing, will be discovered.

4.   AUDIT FINDINGS: ONE PAGE SUMMARY

Assurance on effectiveness of internal controls	
	Substantial Assurance

Recommendations summary	
Priority	**No. of recommendations**
1 (Fundamental)	None
2 (Significant)	None
3 (Housekeeping)	1
Total	**1**

Risk management
As set out in 3.1 above, HCPC's Risk Register identifies specific risks related to Partners Risk 6.4 'Partners Poor Performance' is assigned the highest risk score of the related risks at 12, resulting from an impact of 4 and likelihood of 3. Mitigating controls include training, appraisal, complaints process, and Partner Code of Conduct.
As part of this audit we have undertaken testing which has confirmed, for the samples reviewed, that mitigating actions are in place and operating effectively. We have, however, made one recommendation where there may be opportunity to further strengthen control, as identified in Section 6 below.

Value for money
Management of Partners has remained relatively consistent since the time of our last review in 2011, with systems generally operating effectively. In addition to the work of the various departments and links these have with Partners, there are value for money implications in the operation of the Partners team.
As evidenced by the departmental Work Plan the most significant area of work in 2014/15 is a major project to purchase and build new HR and Partners IT systems. The process, in conjunction with HR, is underway and we were informed during the audit that a replacement IT system is anticipated within the next 18 months. In addition to processing efficiencies and potential replacement of the range of spreadsheets currently in use this should result in improved management information, usage, and trend analysis. Any new system will need to be 'future proof' as far as possible, adaptable and take account of the possible need for responsive action resulting from regulatory developments.

5.   SUMMARY OF FINDINGS

Overall conclusion on effectiveness and application of internal controls

5.1   Taking account of the issues identified in paragraphs 5.2 to 5.4 below, in our opinion the control framework for Partners, as currently laid down and operated at the time of our review, provides **substantial assurance** that risks material to the achievement of HCPC's objectives in respect of this area are adequately managed and controlled.

Areas where controls are operating effectively

5.2   The following are examples of controls which we have considered are operating effectively at the time of our review:

- A Work Plan which outlines the strategic needs and requirements of HCPC in relation to partner recruitment is in place. It is valid for the 2014/15 financial year and also includes longer term considerations for 2015/16;

- A systems and process review has been undertaken by a third party company, with a report issued in January 2014. The report highlights a range of areas where efficiencies may be achieved through improving information flows, reduction of manual processes, and improvements to management information;

- The outcome of a review of HCPC's expense policies was presented to the Council meeting of 24 September 2014, with the policies to become effective in November 2014. This includes a revised Fees and Expenses Policy specific to Partners;

- Partner selection documentation was retained on file for all 20 Partners we sample tested. Partner Agreements have been prepared and signed following selection. For each of our sample these were found to be available for review and appropriately completed;

- Panel Member Induction training is vital to the effective functioning of a Partner. For a sample of 20 Partners, we confirmed training had been provided. Induction sessions include coverage of, for example, equality and diversity, legal framework and human rights, engagement skills, information security, alongside role focused sessions on the conduct and competence of committee panels;

- Partners Interdepartmental Team Meetings are held quarterly. The meetings are used to discuss such issues as Partner recruitment, training, appraisal, and exceptional travel claims; and

- Complaints are managed internally within the Partner team with input dependent on the specific case from relevant individuals or departments. The examples we reviewed showed a satisfactory process to have been followed.

Areas for further improvement

5.3   We identified certain areas where there is scope for further improvement in the control environment. The matters arising have been discussed with management, to whom we have made one recommendation and comment below in 5.4. The recommendation has been, or is being, addressed as detailed in the management action plan (Section 6 below).

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5.4   HCPC is currently conducting a system review and upgrade project covering HR (including partners), recruitment, training and payroll. 'Go live' of the new system is expected to be late 2015. It is acknowledged that in order to ensure the project objectives are met this is a significant and long term project which will involve the procurement of a new system. We have therefore not made a formal recommendation in respect of this matter as part of our review.

6.   ACTION PLAN

	Observation/Risk	Recommendation	Priority	Management response	Timescale/responsibility
6.1	*Observation:* We sample tested 20 Partners to review processes for recruitment and induction. Due to the longstanding nature of some of the random selection, it was noted that evidence to support Fitness To Practice (FTP) checks for 2012/13 and earlier had been deleted along with the recruitment records. This was part of routine (electronic) system archiving. Following initial testing it was confirmed that two of the CPD Assessors from our sample were existing partners and therefore no FTP checks were required to be undertaken. This meant that whilst our sample testing was satisfactory, it may not be possible for HCPC to evidence that appropriate FTP checks have be made and that the ability to check is date dependent. *Risk:* Gaps in the audit trail mean it is not possible to evidence FTP checks have been completed.	Records to confirm FTP checks for Partners have been completed should be excluded from automatic email (or other) archiving and retained. Alternatively consideration should be given to another means of ensuring that evidence of FTP checks having been completed for Partners is retained.	3	The date that an FTP check has been carried is also recorded on the recruitment progress spreadsheet. With immediate effect the email which confirms the check with FTP will be saved by the relevant member of the Partner Team in the relevant folder on the G Drive instead of in the email folder relating to a recruitment campaign of which the contents are routinely deleted to comply with the retention policy.	HG Immediate This action has been completed.

Appendix 1 – Definitions of Assurance Levels and Recommendations

We use the following levels of assurance and recommendations in our audit reports:

Assurance Level	Adequacy of system design	Effectiveness of operating controls
Substantial Assurance:	While a basically sound system of control exists, there is some scope for improvement.	While controls are generally operating effectively, there is some scope for improvement.
Adequate Assurance:	While a generally sound system of control exists, there are weaknesses which put some of the system objectives at risk.	While controls are generally operating effectively, there are weaknesses which put some of the system objectives at risk.
Limited Assurance:	Control is generally weak leaving the system open to significant error or abuse.	Control is generally weak leaving the system open to significant error or abuse.

Recommendation Grading	Definition
Priority 1 (Fundamental)	Recommendations represent fundamental control weaknesses, which expose, HCPC to a high degree of unnecessary risk.
Priority 2 (Significant)	Recommendations represent significant control weaknesses which expose, HCPC to a moderate degree of unnecessary risk.
Priority 3 (Housekeeping)	Recommendations show areas where we have highlighted opportunities to implement a good or better practice, to improve efficiency or further reduce exposure to risk.

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