

Audit Committee 15 June 2016

Internal audit plan for 2016-17

Executive summary and recommendations

**Introduction**

Grant Thornton have developed their internal audit plan for 2016-17 in consultation with the Executive and now present the plan to the Audit Committee for approval.

**Decision**

The Audit Committee is asked to discuss and approve the attached internal audit plan.

**Background information**

See Grant Thornton's plan, attached

**Resource implications**

None

**Financial implications**

Grant Thornton's fees for 2016-17 will be approx. £46k including VAT.

**Appendices**

Grant Thornton's internal audit plan 2016-17

**Date of paper**

03 June 2016



**Grant Thornton**

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## Health & Care Professions Council (HCPC)

**Progress against IA audit plan 2015/16**

**Updated internal audit Year 2016/17 & 17/18**

June 2016

**Introduction**

The main purpose of this document is to provide:

- an update against the internal audit plan for 2015-16, which has been completed (including the additional follow up review to the financial modelling audit)
- updated proposals for the internal audit plan for the financial year 2016/17, which reflect the feedback from the Audit Committee and EMT.

**Next steps**

We request that the Audit Committee reviews and formally approves the proposed audit plan for 2016-17 and provides its approval to proceed with its delivery.

**Grant Thornton LLP**  
**June 2016**

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## Internal Audit Plan 2015/16: progress report

Audit	Summary question	Current status	Comments
Review of the registration project (design phase)	Is the registration project (design stage) appropriately focused on defining the business improvements to be secured, the 'to be' business process state and how the technology is expected to support the 'to be' business process (and associated roles and responsibilities)?	Completed	The scope of the review was significant extended to include review and challenge to underlying technical process for design of requirements as part of the initial key gates of the project and the focus of the overall procurement approach.
Overarching coherence of key planning models	Is the current way of planning and modelling through separate but integrated models (registrant numbers, fitness to practice, income, five year financial model & business planning) coherent, appropriate and consistent with best practice?	Completed	Post the completion of the review, management have requested and we have completed follow up support work to provide advice/support in implementing the remedial actions identified as part of the audit. We have also completed this subsequent review (which is being reported to the June 16 Audit Committee meeting).
Consultation process	As we evolve and make our consultation process (for changes to regulatory regime) more accessible (ie use of more varied channels), does our practical process for requesting feedback, analysing responses and providing a balanced, representative and evaluative summary to EMT and Council remain robust?	Completed	The report is included in the audit committee pack for the March 2016 meeting.
Arrangements for managing customer complaints (in relation to HCPC's customer service, not fitness to practice)	Is our overall approach to receiving, assessing and responding to complaints about HCPC's customer service levels coherent and robust? Does HCPC use complaints effectively as a learning/improvement process?	Removed	The Audit was rescheduled from original timetable (in December) because of the need to ensure the right specialist staff undertook the audit.  However, HCPC have decided to progress with ISO accreditation of its customer complaints handling process. We have agreed with management that, therefore, an audit would represent a duplication of assurance and review activity and therefore that this audit should be removed from the audit plan.
Core financial controls	High level review of financial controls framework within HCPC.	Completed	Review focused on payroll and partner payments

## Forward plan options: 2016/17

### Feedback requested from Audit Committee

- Does the plan reflect the Committee's steer in March 2016?

Audit	Summary question	Associated risks (indicative)	Scope (indicative)
<b>Core plan</b>			
Staff recruitment & retention (Risk 11.2 & 11.4)	<ul style="list-style-type: none"> <li>- Are HCPC's approaches/methods coherent and effective to facilitate successful recruitment of key skills to key roles and enhancing staff engagement (with a view to maximising staff retention)?</li> <li>- Are there appropriate staff retention processes in place (including succession planning for EMT)?</li> </ul>	<ul style="list-style-type: none"> <li>- succession planning for critical senior leadership represents a challenge for most organisations</li> <li>- high turnover of staff</li> <li>- Lack of technical and managerial skills to deliver the HCPC strategy</li> </ul>	<p>In this review we will:</p> <ul style="list-style-type: none"> <li>- Evaluate whether the HR operational processes are effective and operating as intended to support staff satisfaction and, therefore, by extension staff retention and HCPC's ability to attract talent (to include consideration of the staff reward and appraisal structures and succession planning)</li> <li>- specifically include succession planning approach and arrangements for EMT team</li> <li>- In conducting the review we will:               <ul style="list-style-type: none"> <li>- Hold discussions with key HR staff, and review documentation as necessary, to gain a broad understanding of the HR initiatives already in place</li> <li>- Complete interviews with a sample of staff, including line managers, to assess at an operational level, the effectiveness of the existing arrangements and comparing them with established good practice to identify scope for improvement and priorities for developing the HR function and areas</li> </ul> </li> </ul>
Property management (focused on utilisation of tribunal suite at 405 Kennington Road for FTP tribunals)	<ul style="list-style-type: none"> <li>- The review will assess (as part of testing how effective new investment in property is being used to enhance operations) whether the new tribunal space at 405 Kennington Road is being used efficiently and effectively through appropriate planning and scheduling of FTP tribunals</li> <li>- Does the facility have consistent access to the appropriate infrastructure (such as IT support) to operate efficiently?</li> </ul>	<ul style="list-style-type: none"> <li>- ineffective planning, scheduling and management of FTP tribunals may lead to suboptimal use of new resource, resulting in waste of new investment</li> </ul>	<p>This review will assess:</p> <ul style="list-style-type: none"> <li>- FTP tribunal planning and scheduling process and how it ensures efficient use of the capacity at 405 Kennington Road</li> <li>- how cancellations and rescheduling are managed and minimised to ensure that there is consistent and adequate utilisation of available space</li> <li>- quality and upkeep of the space, through feedback from key users to gauge whether the space is available in the right condition at the right time for FTP Tribunals.</li> </ul>
Partner recruitment process	<ul style="list-style-type: none"> <li>- Is there a robust and transparent process in place that can demonstrate that partners are recruited based on set requirements and that there are appropriate safeguards against bias against partners with protected characteristics?</li> </ul>	<ul style="list-style-type: none"> <li>- partner recruitment process may be subject to external challenge, causing reputational damage.</li> </ul>	<p>This review will:</p> <ul style="list-style-type: none"> <li>- assess the end to end partner recruitment process to establish if appropriate controls are designed into how partner recruitment is expected to work</li> <li>- undertake specific testing of selected recruitment undertaken over last 12 months to assess the robustness of evidence to show that due process was followed and partner selection did not indicate any evidence of bias.</li> </ul>
Non FTP legal services cost management	<ul style="list-style-type: none"> <li>- Are there appropriate processes and controls to control commissioning of non FTP legal services, so that they are only utilised where there is an appropriate business need, requirement is appropriately scoped and costs incurred are appropriately controlled?</li> </ul>	<ul style="list-style-type: none"> <li>- resources may be wasted due to unnecessary expenditure due to weak controls</li> </ul>	<p>This review will consider:</p> <ul style="list-style-type: none"> <li>- roles and responsibilities for managing relationship with relevant legal providers</li> <li>- processes for commissioning individual requirements, the nature of review and controls before a requirement is placed with a provider</li> <li>- processes to ensure there is adequate and specifically defined requirement to ensure actual delivery and costs can be controlled</li> <li>- whether there is evidence of monitoring and review of actual costs incurred against initial requirements.</li> </ul>

<i>Other optional reviews</i>			
<p>Review of the registration project (execution phase)</p> <p><i>Possible audit (subject to how the registration project progresses and whether it would be appropriate for it to subject to a further audit in 16-17)</i></p>	<ul style="list-style-type: none"> <li>- Is project execution being managed in a way that enables appropriate control to deliver 'to be' business processes and associated technology solutions to cost, quality and time?</li> </ul>	<ul style="list-style-type: none"> <li>- project focus diverts from expected business benefits</li> <li>- Technology solution is not fit for purpose and not taking into account learning from peers and other 'service oriented businesses'</li> <li>- Wider implications for costs, IT infrastructure etc don't get enough traction</li> </ul>	<p>Assess the execution phase of project, with particular focus on:</p> <ul style="list-style-type: none"> <li>- project management (including internal staff roles and externally sourced skills)</li> <li>- cost, time and quality control process</li> <li>- commercial arrangements (and sharing of risks between HCPC and supplier)</li> <li>- stakeholder engagement.</li> </ul>
<p>Registration appeals process</p>	<ul style="list-style-type: none"> <li>- The recent move of the function from FTP to registration has not led to any risks arising in how the appeals process is operating (including management of any conflict of interest risks)?</li> </ul>	<ul style="list-style-type: none"> <li>- process may begin to operate at sub optimal level due to inadequate monitoring or due to confusion over roles and responsibilities?</li> </ul>	<p>This audit is subject to more detailed scoping if it was elected to become part of the core audit plan.</p>

## Forward plan options: 2017/18

### Feedback requested from Audit Committee

- The plan options listed below are likely to be expanded by 'optional reviews' currently on the long list for 2016-17. Does the Committee consider any other risk areas need to be accounted for at this point?

Audit	Summary question	Associated risks (indicative)	Scope (indicative)
Strategic and operational planning	Given fundamental transformation of the HCPC business (from 90k to 330k registrants, income from £2.7m to £26m, staff from 37 to 230), how has the strategic planning process effectively led to a strategic direction that is appropriate for what is now a very different business? How is revised strategic direction genuinely guiding operational priorities?	<ul style="list-style-type: none"> <li>- strategic direction not clear, not relevant for a current scale of business, does not protect existing performance levels and enhance it where appropriate</li> </ul>	<ul style="list-style-type: none"> <li>- review of the processes for creation and approval of the HCPC's <b>strategic and operational level plans from conception, to Council review, to formalisation and implementation</b></li> <li>- key focus on the information made available in the course of strategic and operational planning</li> <li>- examine the alignment between the risk registers and the business and operational plans, the challenge and approval processes in place to ensure that only a rigorously reviewed and approved work programme is implemented</li> </ul>
Continuing professional development	How does HCPC's ensure that the CPD process continues to remain fit for purpose?	<ul style="list-style-type: none"> <li>- lack of assurance that all licensed registrants are able and aware of CPD requirements</li> </ul>	<ul style="list-style-type: none"> <li>- review of key processes associated with managing CPD for registrants</li> </ul>

## HCPC – IA Summary (as sourced from Audit Committee papers on HCPC website)

The main objective of listing a summary of the work undertaken by our predecessors is to demonstrate that we have taken account of their work, and endeavoured to build on their coverage and not duplicate any areas where assurance or advice has been recently provided.

2013/14 annual opinion <sup>1</sup> : On the basis of our audit work, we consider that HCPC’s governance, risk management and internal control arrangements are generally adequate and effective. Certain weaknesses and exceptions were highlighted by our audit work, none of which were fundamental in nature.	
Review	Findings
Corporate Governance and Risk Management	<p><i>Scope:</i> A review of key controls and processes - in the context of anticipated changes to the Council structure following PSA’s interim report, published in September 2011, ‘Board size and effectiveness: advice to the Department of Health regarding health professional regulators’ - <b>‘Substantial’</b></p> <p><i>Rec:</i>The identification of ‘early warning signals’ in the Risk Register - which management felt would unnecessarily complicate the Risk Register and would have little value</p>
Core Financial Systems	<p><i>Scope:</i> The areas focused on under this review were Asset Management, General Ledger and Payroll. <b>‘Substantial’</b></p> <p><i>Rec:</i> User access rights to the Sage finance system have not been reviewed since the system was set up. Job roles and responsibilities have changed and there may be staff with access to areas of the system to which they should not be able to view or make amendments. The review of Sage user access rights and the rights associated with job roles.</p>
Stakeholder Communications	<p><b>‘Substantial’</b></p> <p><i>Rec:</i> Following on from the work currently underway within HCPC regarding stakeholder analysis, the outcome should be used to confirm the most effective methods of measuring success of the various methods of engagement with stakeholders. In turn this information can be used to inform future resource planning based on any information held regarding the priorities and methods of engagement.</p>
Project Management	<p><i>Scope:</i> Review of the management of the major projects. <b>‘Substantial’</b></p> <p><i>Rec:</i> The original budget for the HR and Partners Project was approximately £100k. During the course of the project a reforecast indicated that this was likely to increase to approximately £124k. This budget increase was subject to an exception report and has been approved. However, the original budget was for all expenditure to be OPEX and none to be CAPEX. The split between these types of expenditure has been revised such that approximately £75.5k is CAPEX and £48.5k OPEX although this reallocation was not subject to a formal exception report to EMT. Therefore - the treatment of project costs for the HR and Partners Project should be brought to the attention of the Executive Management Team.</p>
Partners’ Expenses	<p><i>Scope:</i> At the request of the Audit Committee - ensuring partners’ expenses are incurred, processed and paid in accordance with HCPC policy. <b>‘Substantial’</b></p> <p>We understand partners is the term used to describe individuals who work for the HCPC as agents providing expertise required to ensure robust decision making and to have a general input into the work of HCPC. There are six different types of Partner: CPD Assessors; Legal Assessors; Panel Members; Panel Chairs; Registration Assessors; and Visitors.</p> <p><i>Rec:</i> Up to period 9 of the current financial year, 42% (by value - £390k of £930k) of partners’ expenses authorised and paid by HCPC were claimed by direct reimbursement rather than using the services of Co-operative Travel Management. HCPC should remind partners of its preference for them to book travel requirements through the appointed travel service in preference to the direct bookings which are currently made in the significant number of cases noted.</p>

<sup>1</sup> The Plan was for a total of 45 days including three days Follow Up, six days Audit Management and three days Contingency.



Health and Safety	<p>A review of arrangements for ensuring the health and safety of staff, visitors and Council Members (at the time, HCPC's Risk Register identified a specific risk related to the health and safety of its Council Members). <b>'Substantial'</b></p> <p>An Annual Report on Health and Safety matters should be produced and reviewed by Members. Typically such reports provide detail of existing policy frameworks including review/update, operation of the safety management system &amp; summary of incidents</p>
Business Continuity	<b>'Substantial'</b> - Nothing of significance noted
Bribery Act	<p>Scope: A review of HCPC's high level framework to prevent the offering or payment of bribes by staff or associates of HCPC as well as the receipt of bribes.</p> <p>Rec: There is no overall sponsor at a senior level for ensuring an anti-bribery culture and control framework is embedded, nor are there any existing plans for further reporting to the Council on the implications of the Bribery. A sponsor at Council level should be appointed and the Council updated on ant bribery risks and actions plans on at least an annual basis.</p>

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