Audit and Risk Assurance Committee

hcpc | health & care professions council

Internal Audit – Annual Report / Opinion

Executive Summary

The annual opinion is reached through a risk-based plan of work, agreed with management and approved by the Audit and Risk Assurance Committee. This should provide a reasonable level of assurance, subject to the inherent limitation of internal audit (covering both the control environment and the assurance over controls).

The audit opinion takes together the assurance ratings and recommendations of individual assignments conducted in 2020/21, management's responsiveness to internal audit recommendations and the direction of travel with regard to internal control, governance and risk management.

Previous consideration	None.
Decision	The Committee is invited to discuss the report.
Next steps	N/A
Strategic priority	All
Risk	All
Financial and resource implications	The cost of the annual report is included in the Internal Audit annual fee.
Author	BDO LLP

INTERNAL AUDIT ANNUAL REPORT

2020/21

THE HEALTH AND CARE PROFESSIONS COUNCIL

CONFIDENTIAL
STATUS - DRAFT

JUNE 2021

BDO

Contents

Document history		Distribution	
Draft	01/06/2021	The Health and Care Professions Council	Draft v1

Author: William Jennings
Reviewed by: Bill Mitchell

1. Executive Summary & Opinion

Introduction

1.1 The International Professional Practices Framework (IPPF) and the associated International Standards for the Professional Practice, provide the basis of internal auditing standards in the UK. They state that the Head of Internal Audit is required to produce an annual report on the risk management, governance and control framework on the organisation subject to internal audit.

1.2 Because of HCPC's public interest, for transparency, we also adhere to the UK Public Sector Internal Audit Standards (PSIAS). PSIAS also require the Head of Internal Audit to provide a formal annual opinion to the Accounting Officer, providing assurance on the effectiveness of the organisation's risk management, control and governance processes.

1.3 Standards also requires the Head of Internal Audit to provide a summary of the internal audit work undertaken across the year, which can be used support The Health and Care Professions Council' Governance Statement. This report thus:

- provides assurance to the Accounting Officer on areas reviewed, to support the Governance Statement, which is included in The Health and Care Professions Council' annual report and accounts;

- summarises internal audit activity in 2020/21;

- highlights the assurance ratings and key issues arising from the individual reviews undertaken in the year; and

- confirms compliance with the IPPF and Public Sector Internal Audit Standards.

1.4 While this report and annual Internal Audit Opinion is a key element of the framework designed to inform the Annual Governance Statement, there are also a number of other important sources of assurance which the Accounting Officer utilises.

Scope

1.5 The annual opinion is reached through a risk-based plan of work, agreed with management and approved by the Audit and Risk Assurance Committee. This should provide a reasonable level of assurance, subject to the inherent limitation of internal audit (covering both the control environment and the assurance over controls) described below and set out in Appendix C. The opinion does not imply that Internal Audit have reviewed all risks relating to the organisation. We experienced no limits to the scope of our audit work.

Internal Audit Annual Opinion

1.6 The audit opinion takes together the assurance ratings and recommendations of individual assignments conducted in 2020/21, management's responsiveness to internal audit recommendations and the direction of travel with regard to internal control, governance and risk management. Our opinion is that:

1.7 **There is some risk that the system of internal control, governance and risk management will fail to meet management's objectives – some areas there are adequate and effective systems of governance, but there are also some specific areas of significant risk. Significant improvements are required in specific areas to improve the adequacy and / or effectiveness of governance, risk management and internal control.**

1.8 This is a 'level 2' rating of four rating levels. Our opinion for 2020/21 remains the same level as for the 2019/20 financial year, owing to similar results of our audit work as before.

1.9   The basis for the opinion is given in the next section (Section 2), with a summary of the findings from our assurance work is in Section 3.

2. Basis for the annual opinion

Introduction

2.1   The annual opinion is drawn mainly from the results and assurance ratings stated in our individual audit reports. Our opinions for each assignment are based on our assessment of whether the controls in place support the achievement of management's objectives as set out in our individual assignment terms of reference.

2.2   We also consider other factors in forming our annual opinion, including the:

- responsiveness of management to the implementation of our audit recommendations during the year;

- results of any other relevant work such as advisory assignments, investigations and special exercises conducted by ourselves, management or third parties, where applicable; and

- the direction of travel of the effectiveness of the organisation's internal control, governance and risk management processes.

Individual Assignment Assurance Ratings

2.3   Overall, there were eight audit assignments and one advisory conducted during the year. These figures include two follow up. The pie chart (Figure 1a) summarises the assurance opinions provided in the audits undertaken and Figure 1b shows the number of recommendations therein, by priority rating. In 2020/21 there were six of which received a green/amber rating, one received an amber rating, one received an amber/red rating, one was advisory in nature where no overall rating was provided.

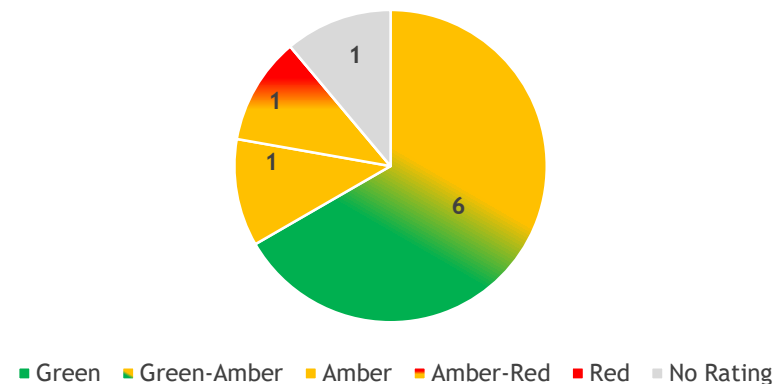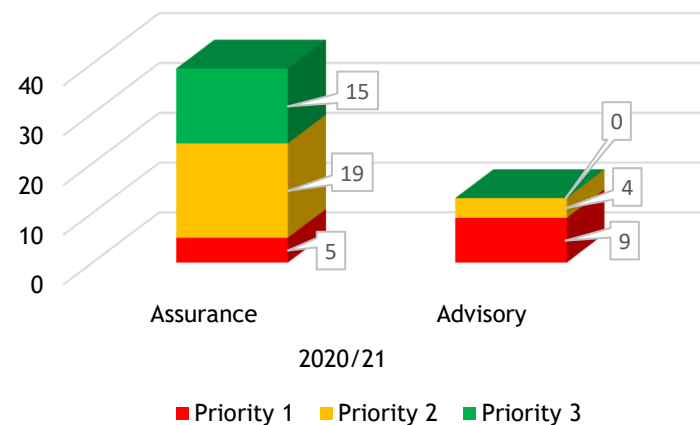*Fig 1a. Summary of Audit Report Assurance Opinions 2020/21*

■ Green ■ Green-Amber ■ Amber ■ Amber-Red ■ Red ■ No Rating

Fig 1b. Summary of Recommendations Priority Ratings Raised 2020/21

2020/21

■ Priority 1 ■ Priority 2 ■ Priority 3

2.4 Recommendations relating to audits comprised five Priority 1 ratings, 19 Priority 2 and 15 Priority 3. The advisory review recommendations are shown separately for information, as they relate to the design of future programmes and activities.

2.5 Our initial draft reports are sent to the key officer responsible for the area under review in order to gather management responses and develop an action plan. In every instance there is an opportunity to discuss the draft report in detail. Therefore, any issues or concerns can be discussed with management before finalisation of the reports and recommendation and their due date for implementation is agreed with management.

Significant Findings Affecting the Opinion

2.6 It is a requirement of PSIAS to highlight any significant issues identified during the year identified in our work and for management to include them in the Governance Statement.

2.7 In our Financial Modelling audit we made four "Priority 1" recommendations. These included to:

- HCPC not having a costs forecasting model over multiple years, and so income and costs are not forecast alongside one another;

- The assumptions that drive registrant numbers within the Income Model appearing inaccurate when compared to actual figures after six months of a given period;

- The introduction of the new Dynamics CRM and Business Central systems mean that the way in which the Income Model has been designed to receive live information needs to be re-designed; and

- HCPC does not currently compare year-end actual performance against start-of-year predictions for the purposes of refining the accuracy of its Income Model.

2.8 In our Payroll audit we made one "Priority 1" recommendation relating to how any user with HR access rights within the Core HR system can grant the higher level access rights of a HR Manager to other individuals, even if those job roles are not linked to HR. This, combined with a lack of effective audit reporting from the system itself, creates risks that users have access to sensitive information inappropriate for their roles.

Effects of any Significant Changes in Organisational Objectives or Systems

2.9 In October 2020, HCPC introduced new registrations and income systems Dynamics CRM and Business Central. The introduction of these new systems has resulted in complications with how HCPC accounts for its registrants' income, specifically to how this income is deferred over the two-year period that registration fees are accounted for. This has coincided with the appointment of an Executive Director of Corporate Services, which is a newly created role for HCPC, and the appointment of an interim Head of Finance.

2.10 While we observed that the introduction of these new systems has posed some challenges with how registrant and income data is incorporated into HCPC's income financial model, we understand that further complications have arisen with HCPC's financial accounting processes (notably income recognition) which are currently being addressed.

2.11 The implementation of new finance systems poses risks for any organisation and so ongoing focus from management and assurance providers in this area is recommended.

2.12 The Covid-19 pandemic had a significant effect on the operations of organisations across the globe and The Health and Care Professions Council were no exception. The Health and Care Professions Council enacted their Business Continuity Plan and moved to a fully remote way of working, including the introduction of remote hearings for Fitness to Practise purposes. This had a resultant potential impact on the control

environment for the organisation in terms of the management of financial transactions which had to be managed fully electronically. However, the systems in place were already largely digitised, which led to a relatively unchanged system of internal financial control.

2.13 As part of the Government's pandemic response HCPC, like other healthcare professions regulators, were tasked with creating temporary mechanisms to allow final-year students register as full registrants, or change rules associated with returning professionals. These temporary changes resulted in the creation of temporary register to keep fully registered and temporarily registered professionals separate. These controls formed part of our Registration end-to-end audit report.

2.14 As The Health and Care Professions Council navigated the pandemic, internal audit sought to support the organisation by providing timely advice and assurance on emerging risks. Where possible we tailored our scopes to specifically target emerging risks associated with operating in the new remote environment. Our assessment of these areas identified no significant areas of concern.

Significant Matters Arising from Previous Internal Audit Reports

2.15 During the year we completed a follow-up review of progress made following our 2019/20 internal audit report into Fitness to Practise. Overall we found good progress was made in making improvements in this area. 13 recommendations for the FtP End to End Process audit were fully implemented at that time, with the remaining action completed during the

year and verified during our year-end follow-up testing. Further details on the findings from this audit are summarised in Appendix B.

Table 1: Assurance ratings for all audit plan assignments conducted 2020/21

Assignment	Assurance Rating	Recommendations Priority rating		
		1	2	3
1. Reshaping the Organisation	🟩🟧	-	3	5
2. PSA & Internal Reporting	🟩🟧	-	2	3
3. IT Controls	🟩🟧	-	3	3
4. Registration end to end	🟩🟧	-	3	2
5. Payroll	🟧	1	2	2
6. Financial Modelling	🟧🟥	4	6	-
7. Intelligence Gathering	Advisory	9	4	-
8. Follow Up	🟩🟧			
9. FTP follow-up	🟩🟧			
TOTAL for 2020/21		**14**	**23**	**15**

Responsiveness to internal audit recommendations

2.16 A critical part of an organisation's internal control, governance and risk management framework is management's responsiveness to the implementation of agreed internal audit recommendations. Timely and full implementation of internal audit recommendations indicates that management are making positive steps towards improvement.

2.17 The Health and Care Professions Council monitors the implementation of internal audit, regulatory assurance and external statutory audit recommendations and reports the outcome of the implementation process to the Audit and Risk Assurance Committee. It also tracks the response to findings by the PSA.

2.18 Internal Audit reviews the implementation of internal audit recommendations as part of the work conducted for individual assignments where the assignment covers areas of work subject to previous internal audit recommendations. Moreover, Internal Audit selects a sample of higher priority recommendations for specific evidenced confirmation or retesting.

2.19 Our work concluded that the organisation is committed to responding the agreed audit recommendations. Out of 16 "Priority 2" recommendations previously raised internal audit recommendations that were reported to Council as having been completed during the year, we further verified through testing that 13 had been fully implemented, with one being superseded due to changes in operating environments, and two requiring some further work to be considered fully implemented.

Direction of travel

2.20 Our assurance ratings are an assessment at the time the assignment was conducted. However, organisations rarely remain static – the internal control, governance and risk management in an organisation may improve or deteriorate in individual areas or across the whole organisation over time.

2.21 One indicator of the direction of travel is the assurance rating and number of recommendations overall and per audit between the current year and previous years. While assignment subjects differ each year and thus coverage to what the assurance ratings refer, such a comparison can give an indication of the direction of travel for an organisation. This is set out in Figure 2 below.

2.22 We have also compared the audit report 'traffic light' opinions over the last three years and the associated priority rating of recommendations. This is shown in Figure 3a and 3b overleaf, in absolute numbers. Advisory assignments are excluded from this count.

2.23 The graphs give a broad indication of the direction of travel for audit assignments' assurance ratings. While the percentage of green/amber ratings has increased in the last year, compared with 2019/20, this year we have issued our first amber/red rating indicating our assessment in the area under review where significant weaknesses have been identified.

2.24 Furthermore, Figure 3b provides an assessment of the number and priority of recommendations raised in our audit (not advisory) reports shows that the total number of "Priority 2" recommendations has decreased, these "Priority 1" and "Priority 2" recommendations made this year make up a greater proportion of the total number of recommendations made.
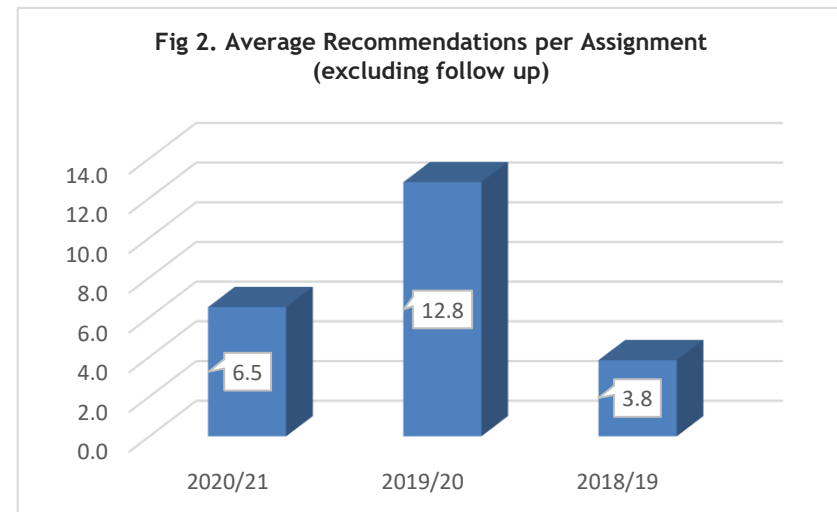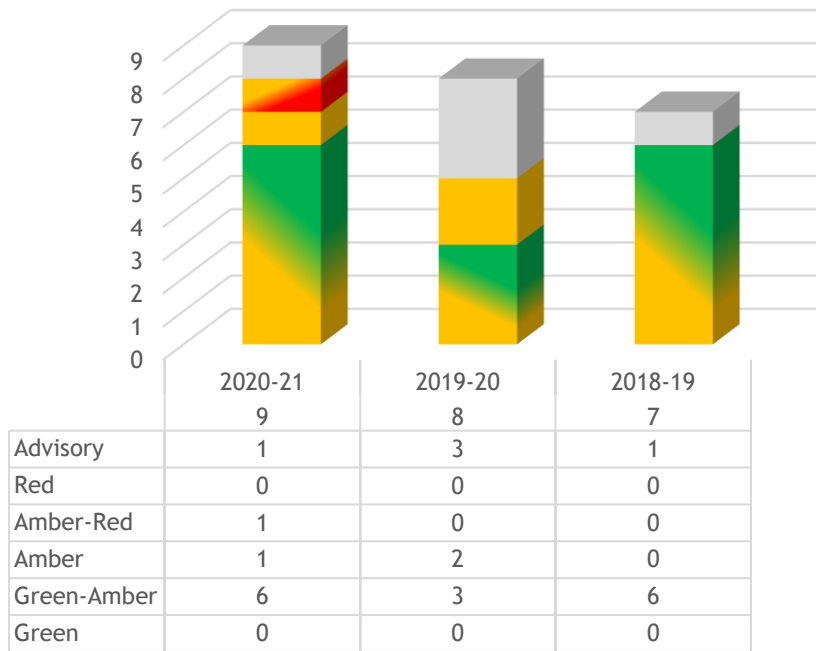

Fig 2. Average Recommendations per Assignment (excluding follow up)

Year	Average Recommendations
2020/21	6.5
2019/20	12.8
2018/19	3.8

Fig. 3a - Audit Report Opinions - 2018/19 to 2020/21

	2020-21 9	2019-20 8	2018-19 7
Advisory	1	3	1
Red	0	0	0
Amber-Red	1	0	0
Amber	1	2	0
Green-Amber	6	3	6
Green	0	0	0

Audit Years & Number of Reports

■ Green ■ Green-Amber ■ Amber ◩ Amber-Red ■ Red ■ Advisory

Fig 3b. Recommendations by Priority - 2018/19 to 2020/21

Number of Recs.

2020-21	2019-20	2018-19
15	28	11
19	34	12
5	2	
39	64	23
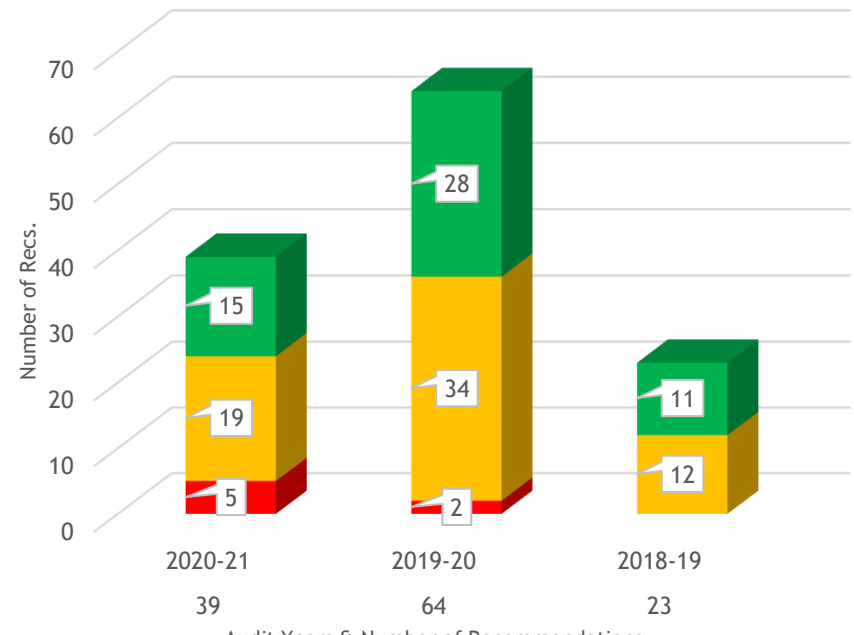
Audit Years & Number of Recommendations

■ Priority 1 ■ Priority 2 ■ Priority 3

Completion of the audit plan

2.25 Internal audit work was performed in accordance with BDO's Internal Audit methodology which conforms to the Public Sector Internal Audit Standards and Chartered Institute of Internal Auditors' Position Statement on Risk Based Internal Auditing. The Public Sector Internal Audit Standards require the annual report to include the results of the Internal Audit function's quality assurance and improvement programme. Details of our method and quality assurance programme are outlined in Appendix D.

2.26 Our findings are based upon and limited to the results of the internal audit work performed during the 2020/21 financial year. In completing the delivery of our audit plan, there were no restrictions placed upon the scope of our work.

Table 4: Internal Audit assignments conducted in 2020/21

Assignment	Work type	Planned budget £	Expected Total Cost £	Completion status
Reshaping the Organisation	Assurance	4,500	4,500	Complete
PSA & Internal Reporting	Assurance	6,500	6,500	Complete
IT Controls	Assurance	4,500	4,500	Complete
Intelligence Gathering	Advisory	5,450	5,450	Complete
Fitness to Practise - follow-up	Assurance	4,650	4,650	Complete
Registration end to end	Assurance	8,700	8,700	Complete
Payroll	Assurance	6,000	6,000	Complete
Financial Modelling	Assurance	6,300	6,300	Complete
Follow up	Assurance	2,600	2,600	Complete
Annual Report	Contract Management	1,200	1,200	Complete
2021/22 Planning & Management	Contract Management	8,300	8,300	Complete
TOTAL		**58,700**	**58,700**	

Appendix A - Summary of findings from assurance assignments undertaken in the year

1. Reshaping the Organisation	Assessment:	G	A

Introduction

1.1   The main objectives were to ascertain the forward plan and how it would be achieved, avoiding major risks or pitfalls. We also considered the approach to the project so far.

Key conclusions

1.2   The audit highlighted eight recommendations:

Priority 1	Priority 2	Priority 3
-	3	5

1.3   Overall, we found comprehensive turnaround plan had been produced, outlining goals until 2022; and a high level transformation map used to outline intended progress for each year. The impact of Covid-19 had hastened many of the changes, with some new ways of working already in place. A digital strategy was being created, initially focussing on quick-wins. The predominant focus of the work so far at the time of review had been, rightly, on improving the FtP processes and implementing a new registration system, though change to Finance and HR structures have been implemented.

1.4   The programme was being overseen by Council, with good levels of ongoing monitoring of each individual workstream by SMT. Project management processes were being used for the major projects, and we generally noted good governance practices in place for these.

1.5   However, while short term workstreams were in place to achieve 12 specific priorities, it was not always clear how the transformation workstreams featured within HCPC's wider corporate strategy. The transformation plan outlined objectives from September 2019 - March 2020, 2020-21, and 2021-22, at which point the plan expects all the vision areas to be met. While HCPC was developing its broader corporate strategy, there was no formal corporate strategy at the time to contextualise the shorter-term transformational change. There was, therefore, the risk that HCPC's transformation activity would be too focussed on the short / medium term, and so opportunities to implement change to achieve longer term strategic aims may be missed. Management were aware of the risk, but we advised the need to keep the risk in view through the transformation and strategy work.

1.6   In addition, HCPC was still formulating its wider digital strategy and its approach to managing data across the organisation. Individual lines of business have historically been responsible for their own IT applications and data, and from interviews with staff, there were still areas of IT activity that have yet to be mapped out.

1.7   There were also opportunities for further focus on employee wellbeing and culture of transformation.

1.8   Finally, while the major aspects of the transformation plan (FtP and Registration) had robust project management tools in place, project management arrangements for the other workstreams, other than the SMT "ABCD" reports, were comparatively less formal and less clearly defined.

Management's Response and Action

1.9   The recommendations were accepted by management and an action plan agreed.

2. PSA and Internal Reporting	Assessment:	G	A

Introduction

2.1 The main objectives of the audit were to provide assurance that KPIs and performance reports, including data currently reported to SMT and Council, are accurately stated and can be supported with source information. Another aim was to advise on KPI reporting with reference to current PSA standards and HCPC's wider strategic aims.

Key conclusions

2.2 The audit highlighted 5 recommendations:

Priority 1	Priority 2	Priority 3
-	2	3

2.3 Overall, we found that the current corporate KPIs being reported were mostly accurate and reliable, although our review of the definitions and recalculations of a sample of these KPIs did identify a few minor discrepancies. Despite the documented processes and methodologies for calculating most of the performance indicators at Council and SMT level were working largely as intended, there remains a high degree of manual intervention and calculation, with an increased risk of human error potentially impacting the accuracy and reliability of performance reporting. This demonstrates that, until there are fully automated performance reporting tools in place, there is an ongoing need for detailed checking of performance figures prior to submission.

2.4 We note that management information and KPI reporting processes are being redesigned, particularly regarding the performance reporting of the FtP department. At the time of our fieldwork, iterations of this dashboard reporting had been seen at several Council meetings, with feedback incorporated following each presentation. It was clear from our review of these

reports that HCPC has reflected on the need for clearer reporting over FtP performance using a combination of 'leading' and 'lagging' metrics to balance the importance of understanding what performance is, while also helping to take early action if indicators show potential issues with performance in future.

2.5 This work built upon an exercise conducted with Council and SMT in 2018, to decide upon a format of performance reporting, which has been used for the past two years. With the introduction of the new PSA standards and HCPC's organisation changes, we recommend a similar exercise be conducted so that Council has sufficient time to consider and feedback how it would like to receive performance information relevant to HCPC's objectives and regulatory requirements.

2.6 As part of our work, we reviewed other organisations' KPIs and, specifically, compared in detail the publically-available performance reports of two other healthcare profession regulators the GMC and NMC and set out relevant extracts from reports from their July 2020 Council meetings within Section 3. While there are wide ranges of performance reports across sectors we specifically focussed on these examples due to their similarity to HCPC as healthcare profession regulators. There are many different available approaches to reporting on performance and HCPC should review and consider a range of reporting techniques in deciding on an approach to follow that is appropriate for the organisation's needs. We made the following observations:

- Examples 1 and 2 show the GMC's performance reporting clearly links performance measures with its stated core regulatory objective. This helps demonstrate the 'golden thread' from the high-level strategic objective through to the relevant performance measures designed to show whether or not that objective is being met. We highlighted this example as in our view the KPIs are well defined and clearly link to the objective.

- Example 3 (NMC) uses a range of techniques but the graphs used to display performance give a very clear indication of what the target is

and whether it is being met. By showing the results in graphical form the user can easily identify whether performance is in an upward or downward trend.

- Example 4 (NMC) shows that HCPC is not alone in facing challenges in presenting operational information in a way that enables strategic oversight. Here the NMC is presenting FtP caseload information and, because of the highly operational nature of the data, it is not easy to quickly establish the direction of travel or whether performance is satisfactory.

2.7 KPIs and performance reports should ideally be agreed by both Council and the SMT together as the main forums that receive the reports. This will help achieve a balance between keeping performance reports sufficiently strategic while ensuring enough operational data is also presented. These new performance indicators should reflect the key performance of the departments, as well as replicating the assessment of the PSA. These are also the main aims of the performance working group in their development of more efficient and effective performance metrics across all the departments. The working group is supported with an action plan set up to mirror the 18 PSA standards. From our review of the action plan document we noted its clear structure in linking responsible individuals to actions and deliverables.

2.8 In continuing to design HCPC's performance reporting framework the approaches of other healthcare profession regulators should be considered. As general observations from our review we noted:

- Presenting monthly performance figures in a graph format tends to allow for easier comparison against previous years, trends and targets.

- Creating measurable targets for FtP performance, and then measuring against these targets, gives a much clearer view over performance compared with presenting operational data.

- Presenting KPIs in the context of the strategic or regulatory objective helps contextualise the risks where performance is not at target level.

2.9 However, we noted a few improvements regarding the governance of the performance action plan. The performance working group lacks an approved Terms of Reference, with some gaps noted in progress reporting. Nevertheless the creation and approach of this performance working group, as well as the design of their action plan, we assess as appropriate for the purpose of making improvements to HCPC's performance reporting and alignment with the expected PSA standards.

2.10 Finally, we recognise that the heavy reliance on spreadsheets and manual calculations is a known issue for HCPC, and automation being a primary driver behind changes and modernisation of systems and process. However, we found some minor instances where KPIs were either calculated incorrectly or lacked clear definitions and methodologies.

Management's Response and Action

2.11 The recommendations were accepted by management and an action plan agreed.

3. IT Controls	Assessment:	G	A

Introduction

3.1   The objectives of the audit was to provide assurance that adequate governance of IT is in place and to identify strategies for strengthening internal controls in critical areas. We also considered whether the IT controls in place in the areas under review were scalable to meet future business requirements.

Key conclusions

3.2   The audit highlighted 6 recommendations:

Priority 1	Priority 2	Priority 3
-	3	3

3.3   Overall, have a good understanding of the need for strong IT controls and we identified many areas of good practice. The audit also highlighted that Information Assets Management and Mobile Device Management at HCPC are well implemented and controlled and we believe that IT controls around these two practices are appropriate to the risk profile and size of the organisation.

3.4   We considered that the controls were generally strong and proportionate to the risks. We noted, as a key illustration, that HCPC have attained ISO 27001, Cyber Essentials and ITIL certifications. Having all three certifications is above standard practice for organisations of the size of HCPC, as there is a cost overhead in maintaining, auditing and re-certification.   However, HCPC is very much a data driven organisation and keeping this often sensitive data secure is critical. Other controls we found in our review to reflect this overall theme, broadly striking the right balance between opportunity and risk.

3.5   With the ongoing digital transformation plans, we also reflected on whether the current control arrangements would unnecessarily inhibit the ability of the HCPC to transform its approaches, processes and IT systems. In our opinion,

for the transformation agenda we consider that the current control arrangements to be also about right, so would support maintaining this level of assessment. What HCPC will need to do is ensure that IT controls and security controls are reviewed as the organisation develops its new processes and IT system changes. Designing in strong but proportionate controls into what is being developed will be key and should form a core part of transformation and system development.

3.6   Nonetheless, we identified two key areas for improvement were noted during the review:

- IT governance, where the current governance processes should be further developed and formalised.

- IT service delivery, where the existing operating model should be redesigned to match the core aspects of service delivery.

- In addition, key service management processes should to be supported with appropriate formal procedures.

- Governance -   IT-related matters and emphasise that strategic IT decisions should be formalised and owned by senior management.

- Service desk - given the digital transformation ahead, the current service desk model would benefit from improvement to effectively support the planned transformation.

3.7   The practices related to the Information Asset Management and Mobile Device Management form part of a regular improvement process within the Information Security Management System (ISMS). These improvements are made using the continuous improvement model of the Deming cycle (Plan-Do-Check-Act).

Management's Response and Action

3.8   The recommendations were accepted by management and an action plan agreed.

4. Registration end-to-end	Assessment:	G	A

Introduction

4.1 The objective of the audit was to provide assurance over the processes and controls intended to ensure completeness and accuracy of the HCPC register:

- Initial registration – UK and overseas applicants.

- Renewals (ensuring those on the register renewing have complied with requirements including payment of the registration fee and CPD).

- Temporary and permanent removal from the register.

- Voluntary de-registration.

Key conclusions

4.2 The audit highlighted 5 recommendations:

Priority 1	Priority 2	Priority 3
-	3	2

4.3 HCPC has developed detailed process maps and user guides covering the registration, renewal and deregistration processes. Furthermore, additional procedural guidance exists to employees covering key aspects of the registration process, such as qualification verification. Our testing of examples found that current practices reflected expected procedures. However, we did note that some process maps to update the Register on the outcome of FtP hearings and QA procedures refer to NetRegulate, the previous system, throughout instead of CRM Dynamics.

4.4 Other positive findings were:

- HCPC successfully created a separate temporary register in response to Covid-19 and also took steps to investigate and prevent the temporary registration of an applicant where an FtP issue had previously been recorded.

- introduced a predominantly customer self-service model, specifically in relation to professionals renewing their registration and voluntarily deregistering, reducing risks of inaccuracy.

- Adopting two-factor authentication for registrants, but , it could be strengthened by using automated emails to registrant email addresses in the event that any account, password or mobile phone details are updated.

4.5 Meanwhile, the process to place prospective registrants on the Register is still reliant on Registration Advisors (RAs) copying information recorded on application forms onto CRM Dynamics. This does create a risk of entry errors occurring. HCPC is in the process of developing an online application form. However a full self-service application model for initial applicants does create risks around the verification of identify and proof of address documents; these are currently reviewed by RAs as part of the initial registration process and this element of the manual process should be retained.

4.6 In addition, the process for placing a UK applicant on the Register is performed by one RA in its entirety. To minimise errors, we recommended a degree of segregation between the 'doer' and 'checker' during the registration life-cycle.

4.7 Our testing found evidence of computer-based controls within CRM Dynamics help to prevent an individual being placed on the register who should not be. If the necessary checks and verifications have not been performed, or an anomaly identified, a registrant can be placed "on hold" and the registration cannot be processed any further. In addition, the system automatically updates registration dates preventing RAs from amending dates. The system enables application evidence to be linked to a registration record, has the ability to generate various reports to monitor how quickly applications are processed, and automates email to communication with registrants.

4.8 We reviewed the record all of all active users and found that access rights appropriate for the roles assessed. But we noted that the review of access rights is intermittent in frequency.

4.9 A Quality Assurance process is in place covering the activity undertaken by HCPC's Registration team. Errors have been categorised depending on their severity and this is built into the QA process. Monthly QA reports are prepared which highlight the number of errors by category and monitor the actual number of quality checks performed against targets.

Management's Response and Action

4.10 The recommendations were accepted by management and an action plan agreed

5. Payroll	Assessment:	A

Introduction

5.1   The objective of the audit was to provide assurance that the HCPC's payroll process have been designed appropriately and that key risks relating to payroll are being managed effectively.

Key conclusions

5.2   The audit highlighted 5 recommendations:

Priority 1	Priority 2	Priority 3
1	2	2

5.3   Overall, the payroll processes under review at HCPC were found to be mostly well managed. The policies and procedures in place cover any processes, calculations and operational queries that relevant staff may have to action the payroll. From interviews with staff during the audit fieldwork, we noted that staff had a good understanding of the overall processes and the control measures in place. We also noted that segregation of duties was present throughout the payroll process and sufficient oversight by other employees was demonstrated.

5.4   However we noted that:

- the PG200 payroll processing procedure conducted by the Finance department is not documented in the Payroll Manual or any supporting payroll files.

- Core Bureau's data processing centres hold ISO 27001:2013 accreditations but, ISO27001 is a 'point in time' certification, whereas SOC2 certifications provide ongoing assurance, however, do provide such assurances over maintenance of standards over a period.

- the financial scheme of delegation does not contain mention or reference to the approved individuals capable of authorising payroll

transactions, and is therefore not in line with the BACS Trustee list held within the organisation.

- it is not currently part of the process to require line managers to confirm that there are no accuracies with the upcoming payroll. From our walkthrough of historic payroll errors highlighted to us by HCPC staff, opportunities to identify and prevent errors (e.g. the delayed return from maternity leave which led to a payroll overpayment) were missed by Heads of Department and other departmental line managers.

- during testing we noted that HR and admin level capabilities can be provided to any HCPC employee without further approvals in the Core HR system and without oversight from senior management, which creates a risk that access privileges can be granted without proper oversight.

- we also noted Core HR user access rights currently require manual verification checks within Core HR to ensure the veracity of the reports generated by the system, as the information within the reports generated does not align to system access rights observed in practice.

Management's Response and Action

5.5   The recommendations are yet to be agreed by management.

6. Financial Modelling	Assessment:	A	R

Introduction

6.1 The objective of the audit was to provide assurance that HCPC's income and cost models are sound and constructed using appropriate data, methods and assumptions. The review was focussed on the effectiveness and efficacy of the financial models, and how appropriate these are as tools to forecast HCPC's financial performance.

Key conclusions

5.6 The audit highlighted 10 recommendations:

Priority 1	Priority 2	Priority 3
4	6	-

5.7 Overall HCPC's approach to financial modelling requires improvement if financial models are to be used as a tool to effectively forecast the organisation's income and expenses.

Income

5.8 HCPC has an Income Model which is supported by a detailed guidance document. This model predicts future income by making assumptions about registrant numbers, registration behaviours and registration/renewal fees. As a result of our review of the model, although we found some discrepancies with how the model, as a tool is constructed, these discrepancies were unlikely to result in a material difference or error in calculations. However, there were a number of other areas associated with this tool which give rise to risks that HCPC's multi-year financial projections are unreliable.

5.9 Information used to justify some of the original inputs or assumptions within the model, including any inflationary assumptions to produce future-year figures, is not subject to an independent review or approval. This increases

risks that key variables and assumptions within the model are not accurate or are not well-understood. Whenever source information is entered into models it is advised that this is independently reviewed and approved by EMT and Council, with a clear record of what information is being inputted and where that information originated from.

5.10 Following the move from Net Regulate (the previous registrations system) to Business Central and Dynamics CRM, issues have emerged with how live data is uploaded into the Income Model. This used to occur on a monthly basis but has not occurred since October 2020. The Income Model has been designed to receive data in a format exported from the old Net Regulate system. The new systems export data reports on registrants and fees in a different way, and these are expected to require some manual manipulation prior to being in a format that can be readily uploaded into the model. This creates additional risks that data inputs into the model contain errors. Producing data reports which minimise manual intervention to upload into the Income Model should be prioritised. In the interim a detailed work-around should be introduced so that accurate forecasting of HCPC's income can be resumed.

5.11 We conducted some testing over registrant numbers, projected from October 2020 to April 2021 in the Income Model against live figures of registrants as at April 2021. We found that current assumptions within the model on changes to registrant numbers appeared to be inaccurately forecasting total registrant numbers with an expected impact on projected income. The model was predicting 20,000 more UK registrants across all professions by April 2021 than real data indicated.

5.12 We discussed this with management and found that there is no standard annual practice to compare HCPC's models' projected outputs with actual performance information at the end of the year. This is a commonly conducted activity because it helps organisations validate how well the models perform in practice. In doing so a variance analysis exercise can identify which variable assumptions have been accurate and which ones require refinement. In this way the models can be continuously adjusted to be as accurate as possible.

Expenditure

5.13   HCPC's Budget Costs Model primarily uses costs codes from the General Ledger. These break down costs by type and department. On a monthly basis the Head of Financial Planning and Analysis meets with budget holders to go through the YTD and forecast budgets to explore variances to identify whether these are due to the forecasts or costs spreadsheets.

5.14   From our review of budget setting spreadsheets and consolidated budgets spreadsheets we confirmed that the format of the Budget Costs Model spreadsheet is using account codes from HCPC's chart of accounts. In this way risks that costs are wrongly classified are controlled in the same way as the ordinary budget setting process.

5.15   Whilst HCPC has a Budget Costs Model, which is used to conduct monthly variance analysis over budgeting information exported from the finance system Sage, HCPC does not currently have costs forecasting models aimed at modelling and predicting future years' costs. Modelling an organisation's costs into the future is an essential element of financial planning and forecasting, as comparing anticipated income against anticipated costs gives an estimate of the organisation's long-term financial viability.

5.16   Each year a financial planning exercise should be undertaken where both the income and costs models are updated with their latest assumptions, with the outputs presented to Council for review. These should also be subjected to sensitivity analysis / stress testing so that HCPC can identify which variables have the greatest impact on the organisation's financial health.

Management's Response and Action

5.17   The recommendations are yet to be agreed by management.

Appendix B - Summary of other assignments undertaken in the year

1. Intelligence Gathering	Assessment:	Advisory

Introduction

1.1 Using data to provide intelligence on either 1) individual registrants, cohorts/groups of registrants and, 2) more general insights about the professions to inform regulatory decisions, is a critical component of good regulation. A regulator that does not manage to 'join the dots' with the data it holds, particularly the data it collects as a matter of routine, and thus does not see major regulatory risks emerging, would be reasonably regarded as failing in its core responsibilities. Likewise, regulators that do not talk to and share intelligence with their counterpart regulators within the system in which they operate, creates a risk to both the regulator in question and erodes public confidence in the sector's regulation generally. Thus, intelligence gathering is an inherently important risk management strategy that HCPC should be managing.

Key conclusions

1.2 The advisory review highlighted 13 recommendations:

Priority 1	Priority 2	Priority 3
9	4	-

Positive findings

1.3 The HCPC's intended framework for the intelligence-led regulatory end-to-end 'process' mirrors good practice and other similar organisations' approaches:

- Identifying sources of data, information, intelligence and insight

- Import the data in a readily analysable form into a system

- Hold all data in a data platform or warehouse

- Conduct analysis and drawing patterns and insight

- Prioritise findings and report them internally to the right people at the right time and frequency

- Take action using an array of regulatory tools – referrals for individual FtP cases, policy, changes to CPD, education etc.

- Feedback & review to check impact.

1.4 The new data platform provides a strong basis for the future and will be integral to the long term aims of HCPC to be an intelligence-led regulator. The principles of its architecture, including the drawing in of data from both established operational systems such as registration, FtP and education, together with other data sources such as from stakeholder engagement and outreach work, media, social media, etc., are the correct ones.

Areas for further development

1.5 However, our review has highlighted a number of key areas that need to be developed. To maximise the benefits of gathering data and for intelligence-led regulation to properly take off, the work needs go beyond the building of systems. We consider, and HCPC recognise, that the gaps to fill relate to the underlying and feeder 'systems', methods, approaches and culture that need to be developed alongside the digital technology and strategic aims. We consider there are many strands still to flesh out, design and implement before HCPC will meet their ambition of being an 'upstream' regulator:

- **Governance of the end-to-end process** - There needs to be much clearer ownership and lines of authority over the end-to-end intelligence process, the data and its accuracy, the systems supporting the processes and information governance. In our experience, without clear responsibilities,

the effectiveness of insights and intelligence work will be impeded significantly. Many parties in HCPC will be inevitably involved, so it will be harder to coordinate. Thus, the new Executive Director for Professional Practice and Insights role is key, but that person will need to have proper oversight and authority of the whole end-to-end process. If set up right, that person can provide the necessary governance and to ensure the end-to-end process delivers successfully, efficiently and coherently.

- **Governance of data and priority of effort** - There also needs to be clarity about who owns the decisions about priorities for seeking, analysing, prioritising and reacting to intelligence. Clarity is required on the authority for the prioritisation of the raw data required, the intelligence being sought, its reporting and HCPC's regulatory responses to that intelligence. These activities will have to involve a broad group of senior personnel. A Council representative for data and intelligence could provide expertise and act as a critical friend. Moreover, information governance needs to continue to be embedded in everything that is designed, built and used.

- **Include all data types** – HCPC needs to ensure there is sufficient data capture - soft and unstructured data as well as hard and structured data. Care needs to be taken to not overburden the registrant with data requirements and not stray from data required for clear statutory reasons.

- **Stakeholder & outreach engagement data capture** - There needs to be an primary customer relationship management (CRM) IT system for capturing soft and hard data on outreach, social media, stakeholder engagement and other interactions, whether the interactions' primary purpose is for intelligence gathering or other reasons such as stakeholder engagement or press relations. Such a CRM is needed for good management of stakeholder and other engagement and provide the route in by which intelligence can enter the data platform.

- **Mechanisms for assimilation, drawing conclusions & taking actions** - Careful thought needs to be considered now on the mechanisms to assimilate and draw conclusions from the data is going to work. In a similar way to governance and ownership of data and the role of the intelligence

and insights system, there needs to be clear authority and governance on the information sharing, reporting and the coordination and tracking of regulatory responses to insights and intelligence:

— A forum for the initial assessment of intelligence
— Escalation protocols for the escalation of intelligence to more a more senior level
— A senior cross-HCPC group is for prioritising actions and making decisions on the best regulatory interventions and have the authority to instruct others in HCPC to build the intervention required.
— A mechanism to track delivery of the intervention and measure its success.

- **Rooting intelligence-gathering priorities in strategic priorities and risks** - The data platform will open up almost limitless opportunities' for drawing insight and intelligence from data. While it is fine to take the approach of 'build it and they'll come' when construction such a tool, because the possibilities are numerous, it is helpful to take a risk based approach and target the questions wanting answering that meet HCPC's most significant inherent regulatory risks. We consider that a clear series of structured questions is required. This can take the form of giving the intelligence process some short, medium and longer term goals, combined with testing pertinent hypothesis about the registrant communities – (answering questions such as "is there high association between being self-employed practitioner and being more likely to harm patients").

- **Cultural and behavioural change** - Finally, to switch genuinely to an intelligence regulator needs to have the commensurate culture, behavioural habits and direct everything it does to that goal. The building of a data platform is only the start. HCPC probably recognise this, but a lot more needs to be done to embed this radically new approach.

Management's Response and Action

1.6   The recommendations were accepted by management and an action plan agree

2. Fitness to Practise follow-up	Assessment:	G	A

Introduction

2.1 This was a follow-up review of recommendations previously raised in the Fitness to Practise audit report. The original audit received an "Amber" assurance grading for both the design and operational effectiveness with 13 "medium" priority and one "low" priority recommendations raised. The key themes identified in the audit were:

- Timescales were not being consistently adhered to across the various process stages - from triage through to case completion.

- Although management checks were in place in the form of the quality assurance reviews, there was no specific reporting on the organisation's ability to meet the required timescales within FtP processes.

- In one Interim Order case sent to the Panel the case had to be put on hold due to insufficient information being presented in the 'bundle' pack. This caused a delay in the decision that was made. Though we understand that this was an isolated issue it highlighted a concern around the checking of completeness of information bundles.

- Information sent to the Audit Committee and Council with regards to recommendations from QA audits did not include how many cases' recommendations had been completed, were in progress and still outstanding and have passed the implementation date.

- FtP management did not respond to the QA team in a timely manner and therefore the FtP tracker was not up to date.

2.2 The review was conducted through an evaluation of the process design and substantive testing of a sample of Interim Orders, FtP cases, protection of title cases, miscellaneous cases and health and character declarations. In addition, we held interviews with other relevant staff involved within the FtP process from quality assurance techniques to management reporting. A review of key documentation including policies and standard operating procedures was also undertaken.

2.3 The purpose of the audit was to provide assurance to Council and management that the issues previously identified in our October 2019 audit have been addressed, and where steps are still ongoing to address identified issues, to independently report on the implementation status of the recommendations.

Key conclusions

2.4 Overall, we found 13 recommendations out of 14 for the FtP End to End Process audit to be fully implemented. Good progress has been made against the one recommendation which remains in progress as the issue still exists. The deadline for implementation for these were in Q4 2019/20 and management explained that staff are reminded of the importance of completing actions within given timescales.

2.5 Moving onto the FtP performance more generally, we found that performance around the timely handling of FtP cases has slightly improved overall but there has been a slight decrease in performance from June 2020. This impact is due to Covid-19 and ongoing staffing issues, however, HCPC is taking steps to improve matters by deploying temporary staff in the interim and developing an FtP recruitment plan.

Appendix C - Definitions

Possible Annual Opinions	
1	There is an adequate and effective system of governance, risk management and internal control to address the risk that management's objectives are not fully achieved.
2	There is some risk that management's objectives may not be fully achieved. Improvements are required in those areas to enhance the adequacy and / or effectiveness of governance, risk management and internal control. OR There is some risk that the system of internal control, governance and risk management will fail to meet management's objectives – some areas there are adequate and effective systems of governance, *but there are also some specific areas of significant risk*. Significant improvements are required in specific areas to improve the adequacy and / or effectiveness of governance, risk management and internal control.
3	There is considerable risk that the system of internal control, governance and risk management will fail to meet management's objectives. Significant improvements are required to improve the adequacy and / or effectiveness of governance, risk management and internal control.
4	The systems have failed or there is a real and substantial risk that the systems of internal control, governance and risk management will fail to meet management's objectives. Immediate action is required to improve the adequacy and / or effectiveness of governance, risk management and internal control.

Individual assignment assurances	
(Green)	Overall, there is a sound control framework in place to achieve system objectives and the controls to manage the risks audited are being consistently applied. There may be some weaknesses but these are relatively small or relate to attaining higher or best practice standards.
(Green-Amber)	Generally a good control framework is in place. However, some minor weaknesses have been identified in the control framework or areas of non-compliance which may put achievement of system or business objectives at risk.
(Amber)	Weaknesses have been identified in the control framework or non-compliance which put achievement of system objectives at risk. Some remedial action will be required.
(Amber-Red)	Significant weaknesses have been identified in the control framework or non-compliance with controls which put achievement of system objectives at risk. Remedial action should be taken promptly.
(Red)	Fundamental weaknesses have been identified in the control framework or non-compliance with controls leaving the systems open to error or abuse. Remedial action is required as a priority.

Individual assignment recommendation ratings	
Priority ranking 1:	There is potential for financial loss, damage to the organisation's reputation or loss of information. This may have implications for the achievement of business objectives and the recommendation should be actioned immediately.
Priority ranking 2:	There is a need to strengthen internal control or enhance business efficiency.
Priority ranking 3:	Internal control should be strengthened, but there is little risk of material loss or recommendation is of a housekeeping nature.

Appendix D - Internal Audit Quality Assurance

Quality assurance processes and procedures	
Procedures	Our audit procedures were designed to ensure the service we deliver is of the highest standard and complies with the Public Sector Internal Audit Standards (PSIAS). We utilise specially designed internal audit software Pentana to conduct our work and all reports are subject to review by a senior manager (Stage 1) and director or partner (Stage 2). All reports are also checked for proofing errors at draft and final report stage by another staff member.
Knowledge Library	Our audit testing programmes, and good practices we find are imported into our Knowledge Library. The Knowledge Library is part of our Pentana audit workflow system and enables auditors to see examples of best practice across our client base. This enhances the quality of our audit work – understanding the features of best practice in the areas under audit and also auditing techniques applied. It also includes some standardised reporting templates.
Professional training, CPD and development	Staff are suitably professionally qualified or working towards qualification. There is a full programme of continuing professional development and training provided by BDO LLP and to specific members of the BDO LLP relating to internal audit, risk management and governance.
Quality assurance improvement programme (QAIP)	The BDO LLP has an internal audit Quality Assurance Improvement Programme (QAIP). Such a programme is a requirement of PSIAS and international internal auditing standards. It ensures that any issues identified by the quality processes are assigned actions and resolution is monitored. Specific improvements required are directed to the relevant person – generic changes to processes are recorded and tracked using the firm's internal audit quality group.
Customer satisfaction survey	We have online satisfaction surveys. These are available on a periodic 'per client' or 'per assignment' basis.

BDO client care programme	Firm-wide satisfaction survey which benchmarks our service against the firm and the industry.
Hot review	Peer review of a selection of audits to ensure each client receives the same high standards of audit work.
Cold review	The BDO LLP Risk Advisory Services Group conducts an internal 'cold review' of its internal audit working practises, reports and files annually. The review is conducted annually and was last conducted in January-February 2020. The findings feed into the QAIP.
External review	BDO LLP's internal audit work was subject to an external quality review in 2015 (both BDO LLP & legacy Moore Stephens LLP). The review was undertaken in 2020/21.

Appendix E - Limitations

We have prepared the Internal Audit Annual Report and undertaken the agreed programme of work as agreed with management and the Audit and Risk Assurance Committee, subject to the limitations outlined below.

Limitations	
Opinion	Our opinion is based on the work undertaken as part of the Audit Strategy and Plan. The work addressed the key risk areas agreed for each individual internal audit assignments as set out in our individual assignment terms of reference. There might be weaknesses in the system of internal control that we are not aware of because they did not form part of our programme of work, were excluded from the scope of individual internal audit assignments or were not brought to our attention. As a consequence the reader should be aware that our opinion may have differed if our programme of work or scope for individual reviews was extended or other relevant matters were brought to our attention.
Internal control systems	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.
Future periods	Our assessment of controls relating to National Lottery Heritage Fund is for the year end of the year 2020/21. 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.

Management's responsibilities	It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems. We endeavour to plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we shall carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected, and our examinations as internal auditors should not be relied upon to disclose all fraud, defalcations or other irregularities which may exist.

FOR MORE INFORMATION:

SARAH HILLARY

Sarah.Hillary@bdo.co.uk

Freedom of Information Disclaimer

In the event you are required to disclose any information contained in this report by virtue of the Freedom of Information Act 2000 ("the Act"), you must notify BDO LLP promptly prior to any disclosure. You agree to pay due regard to any representations which BDO LLP makes in connection with such disclosure and you shall apply any relevant exemptions which may exist under the Act. If, following consultation with BDO LLP, you disclose this report in whole or in part, you shall ensure that any disclaimer which BDO LLP has included, or may subsequently wish to include, is reproduced in full in any copies.