Audit Committee, 16 March 2016

Internal Audit - progress report 2015-16 and 2016-17 plan

Executive summary and recommendations

Introduction

Grant Thornton have prepared the attached report which sets out progress on the internal audit plan for 2015-16 and the proposed audit plan for 2016-17.

Decision

The Committee is asked to discuss and approve the report.

Background information

At its meeting on 17 June 2015, the Committee approved the internal audit plan for 2015-16.

Resource implications

None.

Financial implications

Grant Thornton's annual fee for 2015-16 is £38,523 plus VAT.

Appendices

None.

Date of paper

9 March 2016.

Health & Care Professions Council (HCPC)

Progress against IA audit plan 2015/16

Updated internal audit Year 2016/17 & 17/18

March 2016

Introduction

The main purpose of this document is to provide:

- an update against the internal audit plan for 2015-16
- provide updated proposals for the internal audit plan for the financial year 2016/17. Our approach has involved:
    - accounting for proposals which were previously developed as part of putting in place a three year internal audit strategy, which took into account soundings from Chief Executive & Registrar and the Finance Director and feedback from EMT
    - review of the HCPC Risk Register (as presented to the October 2015 Audit Committee) and other published corporate documents
    - review of the assurance map submitted to the HCPC Audit Committee in November 2015, particularly accounting for where the assurance map highlights that reliance is placed on internal audit assurance
    - our own sector experience.

Next steps

We request that the Audit Committee considers the proposed audit plan for 2016-17 (including whether the Committee agree with the proposed four priority areas) and provides its approval to proceed with its delivery (these are only indicative at this stage and will be refreshed based on an assessment of risks and EMT steer before the start of the relevant financial years).

Grant Thornton LLP
March 2016

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.
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.	Due to be presented to Audit Committee in June 2016	

Forward plan options: 2016/17

Feedback requested from Audit Committee
- Is the broad direction of outline plan appropriate?
- Are there other areas of potential future risks that should be considered?
- Only **4 of the 7** review options could be resourced in the plan (to be considered before start of the financial year 16/17).

Audit	Summary question	Associated risks (indicative)	Scope (indicative)
Review of the registration project (execution phase)	- 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?	- project focus diverts from expected business benefits - Technology solution is not fit for purpose and not taking into account learning from peers and other 'service oriented businesses' - Wider implications for costs, IT infrastructure etc don't get enough traction	Assess the execution phase of project, with particular focus on: - project management (including internal staff roles and externally sourced skills) - cost, time and quality control process - commercial arrangements (and sharing of risks between HCPC and supplier) - stakeholder engagement.
Fitness to practice (FtP) processes	- Given FtP function is a significant proportion of HCPC operating costs, how does HCPC continue to focus on improving how the work is delivered (balancing better quality outcomes with efficiency)? - How does this account for learning from other regulators and comparable organisations?	- current processes and systems start to come under strain from workload, impacting quality - increased ad-hoc or unplanned costs for registrants (to absorb increasing FtP caseload) impacts reputation	Assess the overall programme of work within HCPC to: - balance effective implementation for current approach and processes for handling FtP caseload - review, and if appropriate, re-engineer approach to dealing with FtP caseload Compare and contrast with other regulators, within health but also outside in wider government
Property strategy	- Is HCPC's evolving strategy for meeting its accommodation needs (both current and future) adequately considering relevant options, associated costs and benefits and recommendations to Council underpinned by sound rationale?	- 'future proofing' opportunities missed - infrastructure not fit for efficient and effective working	Working alongside with management, we will provide 'live' challenge (through a property specialist) as management are developing the overall property strategy. This will potentially cover challenge on both the process and also insights from our experience at other clients.
Use of Procurement frameworks	Is the way HCPC's engaging with the use of procurement frameworks enabling efficient process (and user experience), value for money and high quality outcomes?	- onerous process - shorter process benefits outweighed by limited supplier choice - 'process' focus results in procurement benefits and outcomes required getting less prominence.	Review of a sample of completed procurements completed through procurement frameworks with the objective of providing assurance, but also identifying both positives and lessons for the future.
Staff recruitment & retention (Risk 11.2 & 11.4) **New review option**	Are HCPC's approaches/methods coherent and effective to facilitate successful recruitment of key skills to key roles (including at management level) and enhancing staff engagement (with a view to maximising staff retention)?	- high turnover of staff - Lack of technical and managerial skills to deliver the HCPC strategy	In this review we will: - 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) - In conducting the review we will: - Hold discussions with key HR staff, and review documentation as necessary, to gain a broad understanding of the HR initiatives already in place - Complete interviews with a sample of staff, including line managers, to assess at an operational level, the effectiveness of the

Audit	Summary question	Associated risks (indicative)	Scope (indicative)
			existing arrangements and comparing them with established good practice to identify scope for improvement and priorities for developing the HR function and areas
Transfer of regulatory functions relating to social workers **New review option**	Does HCPC have appropriate plans in place to enable it to execute an effective transfer of responsibilities relating to social care workers, once a new and appropriate body has been established (through primary legislation) by DoH/DfE?	- diversion of management resources which disrupt other business as usual operations - ineffective transfer leads to reputation risks for HCPC	Assess the adequacy and effectiveness of the planning, with particular focus on: - overall coherence of the plan for transfer of responsibilities - project management (including internal staff roles and externally sourced skills) - cost, time and quality control process - stakeholder engagement.
Management of legal costs (Risk 13.1) **New review option**	Is HCPC's overall approach to contracting for and managing external legal services balanced to ensure it balances working within budget, draw down skills (and associated costs at right level) and ensure overall value for money is achieved?	- legal costs overun - value for money is not achieved	In this review we will: - assess robustness of process for determining legal cost budgets - approach for committing against budget & forecasting for overall legal costs for the financial year to ensure legal costs are managed effectively and within budget - appropriate control is exercised to ensure HCPC acts as an appropriate 'client' so that legal services are called off in a controlled way, securing the skills required at the right level (in terms of seniority) and in the right quantum.

Forward plan options: 2017/18

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?	- strategic direction not clear, not relevant for a current scale of business, does not protect existing performance levels and enhance it where appropriate	- review of the processes for creation and approval of the HCPC's **strategic and operational level plans from conception, to Council review, to formalisation and implementation** - key focus on the information made available in the course of strategic and operational planning - 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
Continuing professional development	How does HCPC's ensure that the CPD process continues to remain fit for purpose?	- lack of assurance that all licensed registrants are able and aware of CPD requirements	- review of key processes associated with managing CPD for registrants
Information Governance (including freedom of information and data protection)	How has HCPC's information governance evolved so that it remains fit for purpose for the 'here and now' business but also how the business is changing? And specifically, are HCPC's processes for adhering to Data Protection and freedom of information requirements adequate and being applied in practice?	- major information protection failure results in reputational damage - breach of external regulatory requirements creates reputational risks for HCPC	The review will assess both: - assess the overall framework at the HCPC not just with regard to Data Protection, but also the development and maturity of information governance arrangements - the adequacy of HCPC's guidance, roles and responsibilities and practical process for ensuring compliance - application of processes in practice, for example selecting a sample of FoI requests (particularly for higher risk information such as that relating to casework) and evaluating how practically they have been assessed and how information provided meets FoI requirements whilst redacting where appropriate - will specifically compare the arrangements to practical experience at other relevant regulators.

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 [1]: 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		*Scope:* 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' - **'Substantial'**
		Rec: The identification of 'early warning signals' in the Risk Register - which management felt would unnecessarily complicate the Risk Register and would have little value
Core Financial Systems		*Scope:* The areas focused on under this review were Asset Management, General Ledger and Payroll. **'Substantial'**
		Rec: 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.
Stakeholder Communications		**'Substantial'**
		Rec: 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.
Project Management		*Scope:* Review of the management of the major projects. **'Substantial'**
		Rec: 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.
Partners' Expenses		*Scope:* At the request of the Audit Committee - ensuring partners' expenses are incurred, processed and paid in accordance with HCPC policy. **'Substantial'**
		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.
		Rec: 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.
Health and		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

[1] The Plan was for a total of 45 days including three days Follow Up, six days Audit Management and three days Contingency.

Safety		safety of its Council Members). **'Substantial'** 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 & summary of incidents
Business Continuity		**'Substantial'** - Nothing of significance noted
Bribery Act		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. 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.

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