

Audit Committee 12 June 2018

Internal audit report – review of recommendations

Executive summary and recommendations

**Introduction**

As part of the Internal Audit Plan for 2017-18, Grant Thornton have undertaken a follow up review of the HCPC's progress in meeting previously issued internal audit recommendations.

**Decision**

The Committee is asked to review and discuss the report.

**Background information**

See Grant Thornton's report, attached

**Resource implications**

None

**Financial implications**

Grant Thornton's agreed fees for 2017-18 were £47k including VAT.

**Appendices**

Internal Audit Report – review of recommendations

**Date of paper**

5 June 2018



**Grant Thornton**

An instinct for growth™

**Paul Rao**

Engagement Lead

T: 07775 548 347

E: [Paul.Rao@uk.gt.com](mailto:Paul.Rao@uk.gt.com)

**Amit M Patel**

Manager

T: 078 2454 1004

E: [amit.m.patel@uk.gt.com](mailto:amit.m.patel@uk.gt.com)

**Harriet Card**

Associate

T: 0207 184 4760

E: [harriet.j.card@uk.gt.com](mailto:harriet.j.card@uk.gt.com)

## Health and Care Professions Council

Internal Audit Report 2017-18

Follow Up Review of Internal Audit Recommendations

June 2018

# Contents

## Sections

<b>1</b>	<b>Executive Summary</b>	<b>1</b>
<b>2</b>	<b>Detailed Results</b>	<b>3</b>

## Appendices

<b>A</b>	<b>Approach</b>	<b>9</b>
----------	-----------------	----------

This report is confidential and is intended for use by the management and council members of HCPC only. It forms part of our continuing dialogue with you. It should not be made available, in whole or in part, to any third party without our prior written consent. We do not accept responsibility for any reliance that third parties may place upon this report. Any third party relying on this report does so entirely at its own risk. We accept no liability to any third party for any loss or damage suffered or costs incurred, arising out of or in connection with the use of this report, however, such loss or damage is caused.

It is the responsibility solely of HCPC's management to ensure that there are adequate arrangements in place in relation to risk management, governance and control.

# 1 Executive Summary

## 1.1 Background

As part of the 2017-18 Internal Audit plan, we carried out a follow up review of internal audit recommendations raised at the Health and Care Professions Council (HCPC) to determine whether the recommendations have been completed in line with agreed timeframes.

## 1.2 Scope

The purpose of this review is to assess the progress made by Management in implementing the internal audit recommendations prior to 30th April 2018 for the following internal audit reports:

- Core Financial Controls
- Review of Whistleblowing
- Review of Partner Recruitment
- Payroll

Our approach to this review was to request supporting evidence from the owner of each of the high and medium rated internal audit recommendations. Management carry out their own follow up exercise of low rated recommendations.

The table below sets out the internal audit reports which were included within our review, and the number of high and medium recommendations assessed as part of this review.

Audit Review	Total no. of High and Medium Recommendations Raised in the initial report	Recommendations due for Follow Up as at 30 April 2018		High and Medium Recommendations not yet due
		High	Medium	
Core Financial Controls	1	0	1	0
Review of Whistleblowing	1	0	1	0
Review of Partner Recruitment	1	0	1	0
Payroll	2	0	2	0
<b>TOTAL</b>	<b>5</b>	<b>0</b>	<b>5</b>	<b>0</b>

Our findings are reported in the context of the following:

- A total of five agreed recommendations for high and medium rated findings were included in the reports under review. All of these recommendations were followed up.
- The agreed recommendations were reviewed with the relevant individuals and supporting evidence obtained to determine whether the recommendations have been completed.

It must however be noted that:

- From review of the evidence obtained, we determined whether the action had been completed or not.
- We have not re-performed the audit or completed detailed testing of the controls or mitigating actions, but instead determined whether the actions noted have been completed by Management via discussions with staff and limited testing.

### 1.3 Summary

A summary of the status of implementation as at 30 April 2018 is shown below:

Audit Review	Recommendations due for Follow Up as at 30 April 2018		Completed		Outstanding	
	High	Medium	High	Medium	High	Medium
Core Financial Controls	0	1	0	1	0	0
Review of Whistleblowing	0	1	0	0	0	1
Review of Partner Recruitment	0	1	0	1	0	0
Payroll	0	2	0	2	0	0
<b>TOTAL</b>	<b>0</b>	<b>5</b>	<b>0</b>	<b>4</b>	<b>0</b>	<b>1</b>

The status of our review, as at 30 April 2018, is set out below:

- Of the five recommendations reviewed, four (80%) have been implemented within the agreed time-scale and 1 recommendation (20%) is outstanding and overdue for implementation. This relates to the ongoing lack of a Prescribed

Persons Policy. This was identified during the Whistleblowing review, and relates to an internal policy setting out what is means to be a prescribed person and what procedures need to be followed. We were not able to ascertain the reason for this action not being completed.

We set out in Section 2 of this report the detailed results.

### 1.4 Acknowledgement

We would like to take this opportunity to thank all individuals involved for their co-operation during this follow up review

## 2 Detailed Results

### Core Financial Controls

	<b>Medium</b>	<b>Management of HCPC's outsourced payroll provider</b>	
<b>Finding and Implication raised in the initial report</b>	<b>Proposed action as per the initial report</b>	<b>Agreed action (Date/ Ownership)</b>	<b>Grant Thornton Follow-up Review</b>
<p>At the time of our review ,HCPC were not holding regular meetings with their outsourced payroll provider (Access) to discuss common payroll processing errors and/or contract performance. Furthermore, HCPC are not receiving regular reports from Access on key performance indicators (KPI) or service level agreements (SLA).</p> <p>HCPC are in the process of determining who will be the relationship manager for the new outsourced payroll provider (Core). Until this relationship manager is appointed, KPI and SLA reporting, and regulation contract meetings need to be formalised.</p> <p>Without regular meetings and reports from Access, there is a risk that poor performance is not identified and resolved in a timely manner.</p>	<p>HCPC should appoint a relationship manager for the new payroll service provider as soon as possible. Consideration should be given to this role sitting with the HCPC HR team given the service provider are also developing and supporting a new HR system.</p> <p>HCPC should also agree with Core the nature of regular contract meetings and KPI / SLA reporting are required. These meetings and reports should be formally documented as part of the contract between HCPC and Core.</p>	<p><b>Agreed Action:</b>                      For the new payroll bureau system, a relationship manager will be appointed to deal with general queries with the supplier and to hold meetings with CoreHR. This person is likely to sit with HR, however Finance will communicate findings from monthly check to HR and assist in setting KPIs and attending meetings when required. HR department will hold the contract with Core.</p> <p><b>Date Due:</b> Nov/ Dec 16  <b>Owner:</b> HR Department</p>	<p><b>Complete:</b>                      HCPC have a new relationship manager called Martin Eade – Director of Global Outsourced Services.</p> <p>Quarterly review meetings are held between CoreHR and HCPC and items such as uploading of tax codes, accuracy of processing payroll changes, timeliness of reporting, uploading of BACS files and responses to queries are discussed. This is also documented in the CoreHR payroll bureau contract amendment, which was approved in April 2018 by the Finance Director.</p>

## Review of Whistleblowing

**Medium**

### Development Of Policy

Finding and Implication raised in the initial report	Proposed action as per the initial report	Agreed action ( <i>Date/Ownership</i> )	Grant Thornton Follow-up Review
<p>The Council at its meeting in March 2015 considered the Francis Report on Freedom to Speak Up and made a number of commitments to be completed within agreed timescales. One of these was to continue work in 2015/16 on developing an organisation-wide process for identifying, recording and handling protected disclosures made to the HCPC as a prescribed person under PIDA.</p> <p>The Policy and Standards Director informed us that management had recently published more detailed information on its website about making such disclosures (as part of an existing section for registrants on reporting and escalating concerns).</p> <p>An internal policy setting out what is means to be a prescribed person and what procedures need to be followed had not yet been produced, but is planned for autumn 2016. The Council should use the launch of this policy to promote the role of the HCPC as a prescribed person to managers and staff and to brief and/or train as appropriate those who might receive such disclosures.</p> <p>There may not be clarity within the HCPC in how to deal with disclosures to it as a prescribed person without a policy.</p>	<p>The Council should ensure that a Prescribed Persons Policy is developed, approved and introduced within an agreed timescale and monitored.</p> <p>All employees, partners and Council and committee members should be made aware of the new policy so that the HCPC's role as a prescribed person is clear and understood.</p>	<p><b>Agreed Action:</b></p> <p>Recent discussion with the Solicitor to Council has confirmed that we are compliant with the legal expectations placed on us as a prescribed person. We agree, however, that an internal policy which can be used to raise awareness across the organisation of our role as a prescribed person would be very helpful.</p> <p>A policy will be produced and agreed by the Executive Management Team in 2016, with progress reported in the Policy and Standards Directorate report to Council.</p> <p><b>Date Due:</b> November 2016</p> <p><b>Owner:</b> Michael Guthrie</p>	<p><b>Outstanding:</b></p> <p>We have not been provided with evidence to support that the HCPC has a policy in place which defines who a "prescribed person" is. Therefore, the action remains outstanding.</p>

## Review of Partner Records

<b>Medium</b>	<b>Accuracy of partner record keeping</b>
---------------	---

Finding and Implication raised in the initial report	Proposed action as per the initial report	Agreed action ( <i>Date/ Ownership</i> )	Grant Thornton Follow-up Review
<p>As part of our review we randomly selected the May 2016 recruitment campaign for Social Worker Panel members for testing.</p> <p>Applications were received from 33 candidates for the nine positions on offer.</p> <p>Whilst we identified mainly a high level of compliance with the approved procedures, as detailed in Section 1 of this report, there were a couple of errors:</p> <ul style="list-style-type: none"> <li>- Candidate A09703 had advised on his application that he was an atheist, however this was entered incorrectly on the HR system. (This was amended by the Partner Co-ordinator during the audit).</li> <li>- Candidates A09703 and A09634 references had not been signed as being reviewed by the Partner Manager, in accordance with the agreed procedures. We were advised that this was due to an oversight. (We have advised the Partner Manager to ensure that all references are reviewed and signed as evidenced prior to acceptance.)</li> <li>- a UK passport had expired in 2014, however, this is still acceptable as right to work in the UK under Home Office rules.</li> </ul> <p>Without checks on data inputting to the system or for compliance with procedures, errors may remain undetected and undermine confidence in records.</p>	<p>We recommend that the Partner Manager undertakes regular self-audits/checks to ensure compliance with agreed policies.</p> <p>HCPC to consider whether there is potential to introduce system based functionality to flag dates where right to work in the UK is expiring.</p>	<p><b>Agreed Action:</b> Current recruitment processes are extremely labour intensive and paper-based due to the limitations of the current HR system. Some input errors are inevitable. A new Partner information system is due to go live in 2017 which will address this issue as there will be less duplication of data entry.</p> <p>From 2017, the Partner Manager will carry out an audit of agreed policies once a quarter to ensure compliance.</p> <p>The new partner system will also include functionality to flag when right to work in the UK is expiring</p> <p><b>Date Due:</b> June 2017</p> <p><b>Owner:</b> Partner Manager</p>	<p><b>Complete:</b></p> <p>We have evidenced documents named "Reference Self-Audit" for October 17, December 17 and March 18. These files include dates, details of recruitment campaign, partner roles and successful candidates. It then states whom references were checked by and states whether references were signed by referee and Partner Manager. The file is then signed by the HR Manager. Additionally notes are given where references or required information is outstanding. For example in March 18 file notes states "Outstanding reference for one of the candidates".</p> <p>Through our discussions with Management and review of supporting documentation, we noted that the Partner Portal did not go live until end January 2018 and HCPC have only started using the recruitment functionality since March 2018.</p>

			<p>HCPC currently have no partners with visa requirements, but the partner's personal files on the Partner Portal can hold visa requirements such as visa type, expiry date and visa number, which can only be added by the Partner Team. During the recruitment process partners enter if they have the right to work in the UK and HR copy their passports at the time of interview and training before issuing their contract.</p>
--	--	--	---

## Payroll

	<b>Medium</b>	<b>Introduction of service standards for monitoring Payroll Bureau performance</b>
--	---------------	--

Finding and Implication raised in the initial report	Proposed action as per the initial report	Agreed action ( <i>Date/Ownership</i> )	Grant Thornton Follow-up Review (March 2018)
<p>A SOW has been established since June 2016 and was last updated in March 2017. Whilst the SOW details the formal responsibilities for HCPC and the Payroll Bureau there have been a number of issues arising from the Payroll Bureau such as:</p> <ul style="list-style-type: none"> <li>Delays in receipt of the first set of Check Reports from the Payroll Bureau ranging from 2-4 working days for March 2017 and April 2017 respectively</li> <li>Three or more sets of Check Reports sent by the Payroll Bureau for each monthly payroll run as opposed to two sets in SOW. The Check Reports include payroll files processed by the Payroll Bureau. These are checked by the HR and Finance teams before the files are uploaded in the system by the Payroll Bureau. As per SOW, the Check Reports are resent until all queries have been satisfactorily resolved by Payroll Bureau. A target date has not yet been set to reduce the exercise to two Check Reports.</li> <li>Partial production of payroll reports as opposed to producing the full suite of payroll reports as agreed in the SOW</li> <li>Timeliness of communication from Payroll Bureau to HCPC's payroll queries</li> </ul> <p>Whilst a SLA is in place between the Payroll Bureau and HCPC, from our review of the SLA we note that there are no service standards included in the SLA which we would typically expect for any organisation to have in place when working with a third-party payroll provider.</p> <p>Given the issues highlighted it would be beneficial and good practice for HCPC to agree on a set of robust service standards with the Payroll Bureau to ensure that the level of performance provided by the Payroll Bureau meets HCPC's required expectations. This would enable HCPC to objectively monitor and hold to account the Payroll Bureau.</p>	<p>We recommend that HCPC considers defining service standards for monitoring the Payroll Bureau's service performance. Such service standards should be discussed and agreed with the Payroll Bureau and regularly monitored during the quarterly meetings.</p> <p>In the context of Check Reports, we recommend HCPC to communicate a formal deadline to the Payroll Bureau for achieving two sets of Check Reports.</p>	<p><b>Agreed Action:</b> Agreed. We will agree a revision of the SOW with the Payroll Bureau, including appropriate service standards.</p> <p><b>Date:</b> Revised SOW to be in place by end of July 2017.</p> <p><b>Ownership:</b> HR Director and Finance Director</p> <p><b>Date Due:</b> End of July 2017</p> <p><b>Owner:</b> HR Director and Finance Director</p>	<p><b>Complete:</b></p> <p>We have evidenced a signed contract amendment between Core Computer Consultants Limited and HCPC. This was signed on 17 April 2018, by both HCPC (Andy Gillies, Finance Director) &amp; Core Computer Consultants Limited. However we note that this was not signed as at July 17 as agreed in the management response. We have observed emails detailing the reasons for the delay to the contract being signed.</p> <p>Through our interview with the Finance Team and evidence reviewed, we identified that a "Pay Queries" log is in place which allows the Finance Team to communicate errors or queries to the HR Team and subsequently Core HR (the external payroll provider).</p> <p>There are also quarterly meetings held by Finance, HR and Core HR representatives to discuss KPIs and any issues that have been encountered.</p>

**Medium** No audit trail for review of Gross to Net comparison report

Finding and Implication raised in the initial report	Proposed action as per the initial report	Agreed action (Date/ Ownership)	Grant Thornton Follow-up Review (March 2018)
<p>The HR Director and the Finance Director are required to review the Gross to Net comparison report before approving the monthly salary payments.</p> <p>Whilst we observed evidence to demonstrate the monthly approval of salary payment by both Directors, there is no evidence to verify that the monthly Gross to Net comparison reports had been approved by both Directors.</p> <p>We would expect there to be an audit trail that demonstrates both Directors have reviewed the monthly Gross to Net comparison reports to check completeness and accuracy of payroll prior to its processing. The checks would include the Directors' review of:</p> <ul style="list-style-type: none"> <li>• Variances between prior and current month's gross salary for individual employees</li> <li>• Variances between prior and current month's net salary for individual employees</li> <li>• Explanations/ commentary on variances as provided by the Payroll Bureau and confirmed by the HR team</li> </ul>	<p>We recommend that the HR Director and the Finance Director retain evidence of review of the Gross to Net comparison reports prior to approving the monthly salary payments either via emails confirming their review to their deputies (Head of Financial Accounting and HRBP) or signing off on hard copies of Gross to Net comparison reports and archiving the same electronically.</p>	<p><b>Agreed Action:</b> Agreed. We will implement an email based process to evidence review of Gross to Net reports prior to approval.</p> <p><b>Date Due:</b> June 2017 payroll onwards</p> <p><b>Owner:</b> HR Director and Finance Director</p>	<p><b>Complete:</b></p> <p>As part of our testing, we reviewed the May 2018 Gross to Net Comparison, and payroll files for January and February 2018. In all instances we noted that these were signed-off via e-mail by the Finance Director and HR Director.</p> <p>We also noted that the Gross to Net Comparison for May 2018 contained commentary for variances +/- £100. For example these included overtime, increase in pay, new starter and sick pay were common causes for variances versus prior period.</p>

## A Approach

### **Approach**

As part of our 2017-18 Internal Audit Plan, it was agreed with the Audit Committee and Management that Internal Audit would test a sample of recommendations raised to determine HCPC's progress in implementing previous internal audit recommendations.

We achieved our audit objectives by:

- Holding discussions with responsible HCPC Management and staff to assess the current status of internal audit recommendations which were due.
- Obtaining evidence to confirm appropriate steps have been taken to implement recommendations that have fallen due, including ensuring that steps taken are in line with the recommendation and agreed management action.

### **Additional information**

#### **Client staff**

The following staff were consulted as part of this review:

- Giba Rahman, Governance and Appointments Officer
- Claire Amor, Governance Manager
- Teresa Haskins, HR Director
- Tian Tian, Head of Finance



# Grant Thornton

An instinct for growth™

© 2018 Grant Thornton UK LLP. All rights reserved

“Grant Thornton” refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires.

Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another’s acts or omissions.

**[grant-thornton.co.uk](http://grant-thornton.co.uk)**