Audit Committee, 10 September 2019

Internal and External audit recommendations tracker

Executive summary

This report provides the Committee with progress updates on the implementation of recommendations arising from Internal and External audits. In addition, any significant Quality Assurance recommendations and recommendations arising from ISO standard audits will be added.

Recommendations which have been implemented have been removed from this report. The original numbering of recommendations has been retained.

Decision

The Committee is requested to note the paper.

Background information

Please refer to individual internal audit reports for the background to recommendations.

Date of paper

28 May 2019

Recommendations from internal audit reports

2019

Assurance map (considered at Audit Committee 4 June 2019)

Recommendations summary

Priority	Number of recommendations
High	None
Medium	2
Low	7

	Finding and Implication	Recommendation	Priority	Management response	Timescale/ Responsibility
1	The finance systems SAGE and WAP are not well integrated and require a degree of manual input.	The finance systems and their integration should be considered to see if improved functionality can be identified.	Low	SAGE and WAP are constraints until the systems can be replaced, therefore we need review the finance processes to create improvements plans for key risk areas e.g. cheque and postal order processing. This may also involve the production of improved control reports. The 2019-20 Budgets are being revised with the assumptions being clearly documented. The actual vs budget process is being revised with a turnaround lens resulting in a higher level of scrutiny of variances.	Director of Finance Progress update 10/09/19 – see updated management response
2	Process maps are in place for the media handling and communications team to follow however these include staff names and re very basic. The escalation and approval procedures for communication/media channels both for internal and external communication is not currently clearly documented.	It would be beneficial for the team to produce procedures or more detailed process maps, including staff job titles, expected timeframes and clear routes of approval. This will improve the first line of defence. The first line of defence can also be strengthened with escalation and approval procedures for	Low	The Quality Assurance Department will be assisting the Communications team in a review of processes as the Head of Communications had identified a lack of consistency in approach across communications teams and that staff names had been used instead of role names. The workshop is scheduled mid-June. An interim escalation route has been put in place until the revised processes are developed. The Communications team recommend an audit takes	Head of Communications Target completion date: 31/10/2019 Progress update 10/09/19 - Process workshop was held

	Finding and Implication	Recommendation	Priority	Management response	Timescale/ Responsibility
		communication/media channels both for internal and external communication. No recent third part review/assurance of this team has been undertaken. HCPC will benefit from an Internal Audit in this area.		place three months after the new processes are developed to ensure these are embedded and sufficient.	in June, with draft process maps and briefing document created and being tested. These need further refinement, but are on track for the completion target of end October.
3	Staff had training and were therefore made aware of GDPR / DPA 2018There is currently not management oversight on GDPR / DPA 2018 compliance.	Second line of defence can be strengthened with Management oversight arrangements for monitoring compliance with GDPR/DPA 2018 compliance.	Low	Non - compliance with GDPR and DPA 2018 is reported through the monthly Governance Report to SMT.	Head of Governance No action resulting
4	Assurances around the procurement function show weakness in the following areas. *First line of defence* A centralised procurement system is not in place, but is planned to be put in place in quarter 3. The current preferred supplier list is not up to date and includes suppliers that are no longer used. Staff involved with procuring goods and services have not had training *Second line of defence* Management reporting on procurement activity is not undertaken regularly	Updating of current preferred supplier listing. Appropriate training of staff involved in the procuring of goods and services. Capturing and monitoring of performance data related to procurement activity, for example procurement spend information, procurement routes, minimising supplier lists etc.	Medium	The HCPC has a centralised procurement support approach rather than a centralised function. A procurement policy is in place which includes thresholds and procedures. A procurement specific role is in place within the finance team to provide procurement support to other departments. An improvement plan will be created for our procurement function. The second line of defence – i.e. management reporting will be improved as a priority – e.g. ClickTravel. The third line of defence – i.e. expenditure commitment is being improved through the improved budget variance analysis.	Director of Finance 10/09/19 – see updated management response

	Finding and Implication	Recommendation	Priority	Management response	Timescale/ Responsibility
5	There hasn't been a recent audit on the HR function by the third line of defence with respect to starters and leavers and them being input to the payroll system in addition to the removal of staff once left. This has also not been looked at from the perspective of both staff and partners of HCPC.	HCPC should consider if this would be beneficial For example a general HR Controls review of starters and leavers with regarding to adding and removal of the payroll and other systems within HCPC.	Low	Payroll and Recruitment and Retention were reviewed by the previous internal auditors. More detail on the aims of a proposed review required.	Director of HR and OD Complete IA plan prioritisation was agreed by Audit Committee in June 2019.
6	An overall independent review of Health and Safety within HCPC has not been undertaken.	An independent review in this area should be considered as well to provide independent assurance.	Low	The Office Services Department Facilities Team were audited by internal audit (Quality Assurance) prior to ISO Auditing (9001/27001) which covered elements of Health and Safety (eg security and fire safety). Office Services further commissioned an external auditor to review Facilities and Health and Safety Compliance, report still in progress during May whilst the BDO Audit was taking place.	Office Services Manager Complete
7	Although the in-house QA team review the BCP /DR plan and undertake reviews as part of second line of defence assurances, an independent review should be considered.	Review of the BCP / DR by the Internal Auditors has not been undertaken for a number of years and should be considered.	Low	BCP/DR tests and plan processes are reviewed under ISO9001 & ISO27001. Last internal BCM/DR test with IT took place in 21 Sept 2018 at the recovery site. Recovery / restoration of redirected services was successfully tested. BSI reviewed this at the ISO 27001 external audit in April 2019. Significant incidents and Near Misses are reported and reviewed by SMT and BSI if and when they occur.	CISRO Complete – Included in the IA plan for 2019-20
8	Controls within different areas in HCPC exist to help to address fraud risk. For example, the payroll function which is outsourced and approved for payment via both HR and finance, however there does need to be specific mitigations and assurances around fraud prevention. For example, there is a risk of fraud in the	As part of its first line of defence arrangements, HCPC should ensure that all new staff undertake appropriate fraud awareness training in the aforementioned areas on commencement of their roles at HCPC and on a cyclical basis.	Medium Low	This will be considered following the independent review findings. The Executive would welcome such a review should the Audit Committee agree to include this in the annual internal audit plan.	SMT A review of this area is included in the IA plan for 2019-20. Resulting

	Finding and Implication	Recommendation	Priority	Management response	Timescale/ Responsibility
	frontline regulations such as ID theft etc. There currently is no training in the following areas: • fraud and fraud awareness; • anti-money laundering, and • bribery and corruption. As part of its first line of defence arrangements, HCPC should ensure that all new staff undertake appropriate fraud awareness training in the aforementioned areas on commencement of their roles at HCPC and on a cyclical basis. Management should consider whether an external fraud risk assessment will be beneficial.	Management should consider whether an external fraud risk assessment will be beneficial – this can be done as part of an internal audit plan.			recommendations will inform improvements in this area.

Key Financial Controls Review – Transactions Team (considered at Audit Committee March 2019)

Recommendations summary

Priority	Number of recommendations
High	None
Medium	3
Low	2
Improvement	None

	Finding and Implication	Priority	Agreed management action	Timescale/ Responsibility
1	**Finding** To ensure that HCPC can accurately process payments and refunds, and follow-up on overdue debt, the Transactions Team have to undertake a significant number of manual processes, reviews and validations. The current system, NetRegulate, does not have the functionality to automate	Medium	Management should review and analyse the current processes and controls in place which the Transactions Team operate, and assess whether they are fit for purpose and	**Owner:** Transaction manager **Date Effective**: 30 September 2019

Finding and Implication	Priority	Agreed management action	Timescale/ Responsibility
any of the processes, and Management are currently implementing a new Customer Relationship Management (CRM) System which is more fit for purpose. This will be implemented in approximately two years, and significant work has already been undertaken as part of the requirements gathering phase. We understand that minimising the number of manual process was considered and a key aim when the requirements were drawn up for the new CRM system. Through our fieldwork we identified numerous examples of labour intensive manual processes with multiple reviews and validations, all of which has significantly impacted on the time spent processing transactions within the Transactions Team. This has also contributed to a reliance on the Transactions Manager. The Transaction Manager is supported by a team, who are trained in elements of the process, and there has been a concerted effort to share responsibilities and increase training to address this issue. Some examples of complex manual processes are captured below. It should be acknowledged that our sample testing did not identify any transaction processing errors. Refunds In order to process refunds, there are three different levels of review. The Transactions Manager, Director of Finance and Treasury Accountant all perform varying degrees of reviews, including some duplication, before refunds can be processed. Non-payment from registrants The HCPC regulation stipulates that three payment request letters are required at different time frames (giving 21 days, then 14 days, and then a final removal notice on the 36th day). Manual calendar reminders are created within Outlook to prompt the issue of notice letters. This could be time consuming considering the volume of letters and the fact that the Transactions Manager will manually count the number of days of when the letter should be sent. The content of the payment request letters is populated through NetRegulate and MailMerge (automated addition of names and address from a database to letters), however the Transaction/Finance Officers need to manually amend the fee within the letters before these are posted. A sample of the letters is reviewed by a separate member of the transactions team, to ensure		if there is an opportunity to streamline and simplify them. To guide this process, Management should assess time spent against benefits, value and risks. As an example, efficiencies could be gained through management using a risk based sample checking approach to reviewing transactions, as opposed to all transactions in some instances such as refunds. To specifically address the examples within the finding, Management, in consultation with IT, may wish to consider: • Whether there an opportunity to remove and consolidate review steps in relation to processing refunds. • What mechanisms / applications can be utilised to set automated reminders for when payment request letters are due to be sent out. For example a spreadsheet with formulae and conditional formatting could flag when items are due. • Whether Netregulate or a mail merge function can auto-populate the fee value to be inserted into the payment request letters. We will prioritise improved control and exception reports. We will undertake Root Cause Analysis (RCA) for the key issues and develop Action Plans to resolve / minimise the risks. e.g. RCA of the cheque	**Progress - Not yet due** 10/09/19 - We are sample checking refunds. Due to the volume of projects and priority of SWE project, access to consider changes to NetRegulate to auto-populate amounts in template letters has been deprioritised; we have reviewed templates to minimise manual intervention. Work on auto reminders is yet to begin. 04/06/19 - This has been included in the transaction manager's annual objectives. Work has not started yet due to the team's focus on external audit and in preparation of the SWE project.

	Finding and Implication	Priority	Agreed management action	Timescale/ Responsibility
	the values have been input correctly. **Risk** Overly complex manual processes are inefficient, time-consuming, and are more susceptible to human error. This risk is magnified where there is on over-reliance on key persons to perform manual processes and controls, as observed with the current Transactions Manager.		and Postal Orders has shown that by allowing electronic payment by new registrants should significantly reduce the volume of manual transactions.	
2	**Finding** From a review of core policies and procedures which govern the Transactions Team, Registration Operations Team and Financial Accounting Team's operations, there were instances identified where documents do not clearly capture key processes and controls and where processes are not documented. Significant reliance is also placed on the knowledge of key personnel within HCPC. Specific observations include: • There is no detailed process document in place for credit controls. Although there is a process map, this is high-level and does not contain sufficient detail to re-perform the task without guidance from management. • Fitness to practice cases are complex and decisions on whether registrants should be contacted for fees are based on a complex set of outcomes from the case. There is currently no documented guidance in place for the Registration Operations Team in relation to contacting registrants on fitness to practice cases on unpaid fees. • From our discussions with the Treasury Accountant we understand that the bank reconciliations process document does not reflect the current practice. The document does not specify the owner and review dates. • The Director of Finance's payment authorisation limit is £25,000, which is documented in a July 2018 council meeting paper. From our discussions with the Director of Finance we understand that she is able to delegate an amount to other managers in the team at her discretion and has delegated an authorisation limit of £10,000 for	Medium	Management will implement the following actions: 1) Develop a detailed process document for credit control related activities. 2) Produce a process document to provide guidance to the Registration Operations Team in relation to chasing for payments from registrants in fitness to practice cases. 3) Update the bank reconciliations process document to reflect the current process in place. 4) Management should ascertain whether the Council intends the £25k delegated amount to Directors to be sub-delegated without the Council's express authorization. Based on the outcome of discussions with the Council, Management may have to document the delegations of authority capturing the Director of Finance's delegations. 5) Update all policies and procedure documents to capture the owner and dates of review.	**1) Owner:** Transactions manager **Date Effective**: 30 September 2019 **Progress - Not yet due** 10/09/19 – Training notes on the credit control / balance report process (excluding those coming out of FTP processes which is covered by the Reg Ops team) has been done and requires approval by FD. **2) Owner:** Registration Operations manager **Date Effective**:30 June 2019 **Progress** 10/09/19 - The deadline for this was 30 June 2019, but we haven't been able to meet that given workload and resource shortages. The guidance has been drafted and is in the final stages. It will be complete by 30 September 2019. 4/06/2019 - Not yet due. Current process documentation is in the process of being reviewed **3) Owner:** Head of Financial Accounting **Date Effective**:30 June 2019

Finding and Implication	Priority	Agreed management action	Timescale/ Responsibility
some expense items to the Head of Financial Accounting. These delegations are not documented and it is unclear whether the Council intends the £25k delegated amount to Directors to be sub-delegated without the Council's express authorization. • Detailed process documents are produced by the Transactions Manager on banking and refund processes, however these documents do not specify the owner and document review dates. **Risk** Lack of formally documented procedures heightens the succession risk in case of a loss of key personnel. This may lead to an incorrect/inconsistent application of key processes and decisions being taken. Outdated procedures can also cause confusion for a new person who joins any of the above teams regarding what processes to follow, and may lead to processing errors.		As part of the RCA of the process issues, we will process map the processes and document the control points. Improvement plans will be created based on risk.	**Progress** 10/06/19 - Completed; might require sign off before the audit committee meeting 04/06/19 **-** Agreed management action is in the Treasury Accountant's objectives and due in the second quarter. **4) Owner:** Director of Finance **Date Effective**:31 July 2019 **Progress** 10/09/19 – see updated management response 04/06/19 – To be reviewed as part of the full review and update of the scheme of delegation. **5) Owner:** Transaction manager Registration Operations Manager Treasury accountant / Head of Financial Accounting. **Date Effective**:30 September 2019 **Progress** HOFA 10/09/19 – All Finance Procedure notes are currently being updated and will be completed by 30 September 2019 10/09/19 - All Transaction processes have been updated to include owner and review dates.

	Finding and Implication	Priority	Agreed management action	Timescale/ Responsibility
				04/06/19 - Agreed management action is in the Treasury and Financial Accountant's objectives. Plans are in place to allocate a day a month to update procedures.
3	Management information and analysis surrounding aged debt balances are to be communicated to Senior Management. Frequency of reporting, and forums for which to report to are to be determined, though at a minimum Finance and Registration should have oversight. Management should define categories or reason codes for non-payment and these should be captured within the registrants balance report, in order to facilitate more detailed analysis and discussion. Areas to consider as part of reporting could include (but are not limited to): debtor trends over time (e.g.by profession), analysis on most common reasons for non-payment, and write-offs due to registrants being removed from the register.	Medium	Management information and analysis surrounding aged debt balances are to be communicated to Senior Management. Frequency of reporting, and forums for which to report to are to be determined, though at a minimum Finance and Registration should have oversight. Management should define categories or reason codes for non-payment and these should be captured within the registrants balance report, in order to facilitate more detailed analysis and discussion. Areas to consider as part of reporting could include (but are not limited to): debtor trends over time (e.g.by profession), analysis on most common reasons for non-payment, and write-offs due to registrants being removed from the register.	**Owner:** Transaction Manager **Date Effective:**31 July 2019 **Progress** 10/09/19 - Energysys have been engaged to design and produce via NetRegulate a debt report highlighting overall debt, current debt, 30 days, 60 days and 90+ days including the statuses and registration numbers. We are awaiting deployment into the UAT environment of NetRegulate to test. In the interim, the TM includes reason codes via data validation tools into the current balance report for non-payment. 04/06/19 - Included in the transaction managers objectives. Some of reports recommended can be prepared internally and some will need assistance from the Supplier or It department.
4	**Finding** This audit identified some examples where information was not able to be shared between teams either at all or in a timely manner that has impacted on the ability for the Transactions Team to effectively process transactions and communicate with registrants. For example, hard copy registrant application forms are received by the Registration Team, stored short-term, scanned by a third party provider, and the scanned files are saved by IT onto NetRegulate for reference. Management advised that this process can take a number of months. There	Low	1) The Transactions and Registration team are to increase transparency and sharing of information. To facilitate this, both teams should define their information needs, and Management should determine the best way to facilitate/implement the sharing of information.	**1) Owner:** Registration Operations Manager **Date Effective**: 30 September 2019 **Progress** 10/09/19 - Complete. Notes are more regularly added to NetReg, emails sent are generated via the communications log to ensure there is a record and

Finding and Implication	Priority	Agreed management action	Timescale/ Responsibility
were 6/25 (24%) instances where registrant application forms could not be located, though three do relate to the prior three months. From our discussions with the Transactions Manager, we understand that in several cases the Transactions Team has spoken to registrants to request information that the registrant challenged was in their application form, leading to a negative registrant experience. The Transactions Team will request the registrant to fill in their payment information in a direct debit form, leading to duplication of work with the Registration Team. The Transactions Team is not able to view the email communications between the registrants and the Registration Advisors. We understand that there have been instances of errors made by Registration Advisors in processing registrant's details on NetRegulate (such as errors in recording the registrant name or direct debit details). The Transactions Team has then contacted the registrants for the information in order to process their payments, which has led to registrants challenging that the information was already provided to the Registration Team accurately. **Risk** If the Transactions Team do not have access to registrant information and communications, there is a risk that they are unable to accurately process transactions and communicate with registrants. There is also a risk that both the Transactions and Registration Teams are communicating with the same registrant at the same time which could negatively impact on the registrant's experience.		2) As an example this could include a requirement for increased detail on registrant's notes within NetRegulate, and/or copying the contents of email correspondence between Registration Officers and registrants on the NetRegulate communications log. 3) There should be an agreed timeframe in place by when the direct debit forms (including payment options) need to be uploaded by. As the Registration Team processes were out of scope, we were unable to determine the cause of the delay in uploading the registrant application forms on NetRegulate. The Registration Team should investigate the reason for the delay in uploading the application forms on NetRegulate, as well as establish and monitor SLAs with the third party provider when appropriate.	relevant communications amended / improved to include useful / important information. There has been no further feedback from Finance. **2) Owner:** Transaction Manager and Registration Operations Manager **Date Effective**: 30 September 2019 **Progress** 10/09/19 -The Transactions team are adding notes when making changes to NetRegulate records. We are awaiting an update on SLA's for Direct Debits / Applications to be uploaded to NetRegulate records from Registrations. 04/06/19 - High level discussion have been held with Registration Finance and Projects to see if processes can be simplified **3) Owner:** Registration Operations Manager **Date Effective**: 30 September 2019 **Progress** 10/09/19 - Complete. The process was reviewed in May and several meetings / conversations took place with our supplier (Service Point). As a result, several improvements were made by both parties, including improving the way in which we record and track work and monitor SLA. We also produced a guide 'NetRegulate bulk upload' user guide.

	Finding and Implication	Priority	Agreed management action	Timescale/ Responsibility
				04/06/19 - This occurred mostly due to a number of changes of manager looking after this process. We took the opportunity to completely review and re-build the process, which has now been implemented and is working well. There is a process guide and QMS will be updated in due course.
5	**Finding** A significant number of errors (459 errors for the period April to December 2018) were made by Registration Advisor son registrant payment details. During October and November ('busy period'), there were 214 errors from registration Advisors making up for over 45% of the total number of errors. However, it should be noted that out of the 214 errors, 70 related to stricter checks on cheques and postal orders, which were caused by a new process that HCPC's bank implemented. The Transactions Team detects and records these mistakes in a spreadsheet and sends a daily email to the Registration Team leaders and the Registration Operations Team detailing the errors captured. The Registration Operations Team also keeps a separate spreadsheet on the registration Advisor's performance which includes details on their payment errors. The format of these spreadsheets is free text and therefore cannot be used for analysing and reporting trends on main reasons for errors. There are current processes in place to feedback to Registration advisors on an individual basis, however, there is no mechanism to identify systemic training needs. The current feedback mechanisms may not be fit for purpose given the number of errors identified Furthermore, NetRegulate could automatically put the registrants on a removal process, if the registrant's payment is rejected and they are on a debit balance. In order to take the registrant out of the removal process on NetRegulate, the Transactions Manager has to manually remove the registrant from the online register and re-admit them. The online registration dates of the registrant are permanently altered. The Transactions Team will also need to ask the registrant for their direct debit payment details again,	Low	1) Management information and analysis surrounding errors made by Registration Advisors when processing registrant payment details should be communicated to Management. Frequency of reporting, and forums are to be determined, though at a minimum Finance and Registration should have oversight. Management should define categories of reason codes for errors and these should be captured within the errors report, in order to facilitate a more detailed analysis. Areas to consider as part of reporting could include (but are not limited to) error trends over time, analysis on common reasons for errors, and analysis on errors per Registration Advisor. 2) There should be a forum where Registration Advisors receive regular training on common errors and how to improve the registration process. Depending on the preferred method of delivery Management may wish to leverage existing forums (e.g. team meetings).	**1) Owner:** Transaction Manager **Date Effective:**30 September 2019 **Progress** **10/09/19 -** The Transactions team are on a daily and monthly basis sharing errors made by the Registration Department with the Reg Ops team to identify training needs. They include reason codes for errors. The TM has also shared FAQ's she created (e.g. graduate fees, how to enter payments) with some members of the Reg Management team to share with their teams. **2) Owner:** Registration Operations Manager **Date Effective:**30 September 2019 **Progress** **10/09/19 -** Regular feedback is provided to Registration Advisors. However, feedback regarding payment entry

	Finding and Implication	Priority	Agreed management action	Timescale/ Responsibility
	leading to a negative registrant experience. **Risk** Whilst we understand that the purpose of the Transactions Team is to capture any errors made by Registration Advisors in processing registrant payment details, this leads to an increased workload for the Transactions Team and potential instances of negative registrant experience.			errors is still being provided by email on a daily basis which is unnecessary and time consuming for both parties. Finance have a spreadsheet which they populate on a daily basis, but are still unwilling to allow us access to it until the end of each month.

186 Kennington Park Road (considered at Audit Committee March 2019)

Recommendations summary

Priority	Number of recommendations
High	None
Medium	2
Low	2
Improvement	1

	Finding and Implication	Priority	Management response	Timescale/ Responsibility
1	**Finding -** There is no evidence that a full cost benefits analysis was performed nor were benefits realisation tracking procedures established for the 186 KPR project specifically, and we could not see evidence that a procedure exists whereby tracking is established for all projects. Based on interviews held, however, there is anecdotal evidence that benefits have been realised, though not given a financial value. For example, comments made to HCPC by visitors and from employees that the working environment has improved, though these comments as they stand do not facilitate assigning a financial value to the benefits realised. HCPC has a number of means to gather data to facilitate tracking of benefits as part of its business as usual processes, including monitoring of staff turnover and	Medium	The existing methodology caters for limited benefits Management through the net present value (NPV) calculations submitted as part of Initiation. As per the existing Audit point referencing the updated Project Management methodology, which targets increased Agility and a focus on increasing the predictability of project outcomes, the Financial Year (FY) 2019-20 Workplan includes an activity to update the methodology in line with the draft government standard for project delivery (GovS002). This	**Owner**: Head of Projects **Date Effective**: 31/03/2020 **Progress** 10/09/19 – Project Management Guidance has been reinforced, and reflect in the project manager guide with respect to Benefits identification and ownership. The Project RAID logs now include a benefits tracker which is an essential entry

Finding and Implication	Priority	Management response	Timescale/ Responsibility
conducting staff surveys on the particular theme of the working environment. **Risk -** In the absence of benefits realisation tracking (monitoring, assessing and reporting), there is a risk that benefits may be significantly lower than expected and that the shortfall may go unnoticed leading to a business case that is no longer viable. Where benefits realisation is not reported, there is a risk that any opportunity to remedy any shortfall will be missed.		methodology update will embed benefits and the realisation plan both, during and post project at its core. Management will ensure that this methodology update retains a standard benefits realisation tracking procedure as part of its core scope. Immediate action: Re-enforce the existing process to ensure benefits are identified and presented during Initiation, along with proposed owners, proposed realisation timeframe and agreement is reached on the appropriate level of measure.	point for new project initiation. - At the point of initiation, benefits are reviewed and discussed on the options presented. - Preparation work is in progress for the end of year budget planning session and templates are being updated in line with the methodology refresh to ensure benefits and the required realisation plan is created and approved at project initiation. 4/6/19 **-** The immediate action are complete – the message has been reinforced to the team and it has been confirmed that all new projects will specifically address Benefit tracking, ownership and realisation planning at the point of Initiation. The initiation plan template has been updated to include the benefit work flow and the project management guide calls out the requirements. The considered by Council reinforces this. The full Benefit Management workflow will be completed as part of the updated methodology by March 2020.

	Finding and Implication	Priority	Management response	Timescale/ Responsibility
2	**Finding** Contingency amounts for time and cost have been included at each stage of the renovation project. There is, however, no explanation of how the amount has been derived and how it has been assessed as reasonable for the particular project. There is also no procedure for approval of using contingency and no record stating how contingency has been used specifically in the renovation of 186 Kennington Park Road. **Risk** In the absence of a procedure to determine the amount of contingency to be added to a project plan/proposal, there is a risk that the amount may not be appropriate. In the absence of a procedure for approval of the use of contingency, there is a risk that it will be used to cover late completion or increased	Medium	The existing project management methodology calls for a standard 15% contingency on the capital expenditure (CAPEX) line. All project spend, including contingency falls under the governance of the project board. This message should be reinforced for all projects. Moving forward, the methodology update in response to the existing Audit point will further expand governance of the primary delivery phase to include formal stage gates and decision points for key events. During this methodology update, the level of contingency will be reviewed to ensure that an appropriate level is set per project if a straight 15% is not applicable.	**Owner**: Head of Projects **Date Effective:** 31/03/2019 **Progress** 10/09/19 – At the point of initiation, the recommended level of contingency is discussed with SMT and set to an appropriate level. The Project Board retains ownership over the use of the contingency – this is not delegated to the project manager. 4/6/19 -Contingency is owned by the project board and its usage is subject to the boards approval. At Initiation, all projects will refer to the 15% standard level on CAPEX to SMT and take guidance if they believe changes to level are required.
3	**Finding** The project initiation document and papers submitted to Council for the renovation project include costs but do not clearly identify the total value of benefits. The business case for the original purchase of 186 KPR did, however, include values for many of the benefits of the purchase option when compared with others considered at the time. For example, the expected additional costs of relocation outside London, such as potential redundancy payments, were described in detail. **Risk** In the absence of a full cost benefit analysis that justifies proceeding with a capital (or indeed any) project; there is a risk that the project may be authorised even if it is not financially viable or affordable. There is a further risk that the success of the project may not be easily measured at completion against its original objectives.	Low	As per point 1 (finding 1) in this paper, the project management methodology review will expand on the current options analysis and benefit tracking contained within the methodology. The existing methodology does reflect the need for benefit identification and NPV calculations, and these are now included in the project Initiation activities. Looking forward, Business Case options will be anchored by the benefits to be realised, over what time frame and at what cost. Where benefits are non-tangible, or it is not	**Owner**: Head of Projects **Date Effective**: 31/03/2020 See progress for point 1.

Finding and Implication	Priority	Management response	Timescale/ Responsibility
		appropriate to calculate, it will be called out clearly in a benefit realisation plan.	

2018

Strategic and Operational Planning (considered at Audit Committee September 2018)

Recommendations summary

Priority	Number of recommendations
High	None
Medium	2
Low	2
Improvement	1

	Finding and Implication	Recommendation	Priority	Management response	Timescale/ Responsibility
1	The method in which HCPC communicates its Corporate Plan and strategic priorities to key stakeholders (e.g. Government and Professional Standards Authority (PSA)) is not being performed consistently across the organisation. For example, the Corporate Plan has been discussed with the PSA by the Director of Regulations to highlight the organisation's commitment in ensuring that PSA standards are of strategic importance. In contrast, the Corporate Plan has not been communicated to government representatives (e.g. assemblies and members of parliament) and education providers (e.g., universities). We also noted opportunities for enhanced collaboration between the Communications Team and SMT in terms of tailoring communication to manage stakeholder expectations, for example through implementing	1)The Communications Team should ensure that HCPC's Corporate Plan is consistently communicated to relevant stakeholders, for example through the organisation's intranet, newsletters, CEO communication and/or holding local events/seminars. 2)The Communications Team should create Personal Communication	Low	The organisation's Strategic Intent is a public document and available on our website. Following Council's decision in March to replace this document with a revised Corporate Strategy and corporate plan, we will be undertaking this work in Q3 and will build in communications to relevant stakeholders once this work is completed. In May 2018, the Council discussed a new approach to	1)**Owner:** ED of Policy and External Relations **Agreed date of implementation:** End of Q4 2018-19 **Progress** 10/09/19 - A dissemination plan will be put in place when the Corporate Strategy has been revised and approved at Council. (HoC)

Finding and Implication	Recommendation	Priority	Management response	Timescale/ Responsibility
Personal Communication Plans (PCPs). At present, through discussion with members of Management, it was identified that SMT members are typically communicating with stakeholders through individual silos. Implication - Without agreed communication protocols in relation to HCPC's Corporate Plan and strategic priorities, stakeholders such as the PSA, government and education providers may not be aware of the organisation's strategic priorities for the future. A lack of involvement from the Communications Team when communicating to external stakeholders may result in stakeholder needs not being satisfied, or known best practice not being consistently applied across the organisation.	Plans for SMT members and relevant Heads of Department with objectives over the next six to twelve months being documented and progress reviewed.		stakeholder communications and engagement. Part of this was the development of personal communications plans. With the restructuring of the EMT, we recognised this would be a good opportunity to do this and work is currently underway. Collaboration with communications continues, particularly in the development of agendas and briefing notes for stakeholder meetings as well daily alerts to external issues.	16/05/19 - A dissemination plan will be put in place when the Corporate Strategy has been revised and approved. **2) Owner**: ED of Policy and External Relations **Agreed date of implementation:** Ongoing **Progress** 10/09/19 – A Personal Engagement plan for ED of Policy and External Relations is in development. Action on further plans has been delayed due to turnover of staff in Communications. Inability to recruit to two key roles in Communications due to the recruitment freeze is likely to mean slow progress going forward. (HoC) 16/05/19 - This is work in progress and part of the Communications Department workplan

External Audit Recommendations

External audit report 2018-19 (considered at Audit Committee 4 June 2019)

Risk	Recommendation	Priority	Management response	Timescale/ Responsibility
Fixed asset register We reviewed the fixed asset register and noted that the register was somewhat challenging to use, as journal and other adjusting entries had been included within additions for the year. A cleaner register will assist management in their review of costs incurred to date on capital items which, operationally, could assist them in their decision making and review of capital costs against those contracted and budgeted.	We recommend that the fixed asset register is consolidated, so that the register includes only the pertinent information of capital costs.	Important	Agreed and to be implemented by Head of Financial Accounts by or before October 2019.	**Owner:** Head of Financial Accounting **Timescale:** October 2019 **Progress** 10/09/19 - The recommendations have been implemented. The monthly accruals have been eliminated and the fixed asset register is now consolidated.
Review of journal entries. In all entities, there is scope for journals to be used to conceal fraudulent activities. HCPC address this risk through performing spot checks of journals during their month end procedures. We observed two issues relating to this process: • Firstly, at the time of audit the review of journals posted in March had yet to be carried out. We will review this work once complete. • Secondly, we understand that the starting	We recommend that journals are reviewed on a timely basis, to reduce the risk of any unusual journals going undetected. We also recommend that the starting point for the checks should be the finance system, rather than an external print out of journals, to reduce the risk of any unusual journals being outside the scope of review. In due course, and in conjunction with the point raised above on financial reporting efficiencies, a new finance	Important	All journals, including adhoc and recurring are reviewed by the Head of Financial Accounts before any accounting period is closed. This is done by generating a system driven report and comparing the same against our manual listing. Any technical journals are approved by the Head of Financial Accountant or in their absence the Finance Director. The ledger for March remains open to enable us to journal any adjustments if so required by the auditors. Our current financial ledger system does not have the online facility to approve journals to	**Owner:** Director of Finance **Progress** 10/09/19 - see updated management response HoFA commented - The journals are already reviewed on a monthly basis

point for the check was a journal sheet, rather than the finance system.	system may have greater scope for a more immediate electronic review of journals at the time they are posted throughout the year, rather than being a retrospective process.		prior to being posted. Although it is not operationally feasible to manually review all journals prior to posting, the requirement will be taken into the future project to replace the Sage financial system. Improved third line defence will be undertaken by increasing the scrutiny at the budget variance meetings. (Need to explore the ability to segregate Balance Sheet within the finance function)	before the month is closed.
Overpayment to HMRC of employment tax After the year-end, an overpayment was made to HMRC in relation to the balance on the PAYE/NIC control account as at 31 March 2019. Whilst this does not impact the 2019 financial statements (and the overpayment has subsequently been recovered), we understand the error occurred due to an oversight in the normal review of the payroll report and agreement with the control accounts, due to changes in personnel during the period.	We recommend that the control account continues to be reviewed as part of the month-end procedures.	**Important**	We have modified the reconciliation and review process to reduce the risk of a reoccurrence.	**Owner:** Director of Finance **Timescale:** Complete