

HEALTH AND CARE PROFESSIONS COUNCIL

INTERNAL AUDIT ANNUAL REPORT AND OPINION 2023-24

ARAC MARCH 2024

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General Disclaimer

The content of this report is confidential and not for distribution to anyone other than the HCPC. Disclosure to third parties cannot be made without the written consent of BDO LLP. Our work and deliverables are designed to meet applicable recognised internal audit standards. Our work is not designed or intended to comply with the International Auditing and Assurance Standards Board (IAASB), International Framework for Assurance Engagements (IFAE) and International Standard on Assurance Engagements (ISAE) 3000.

1. EXECUTIVE SUMMARY & OPINION

INTRODUCTION

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.

Given HCPC's role and external audit by the National Audit Office, we also adhere to UK Public Sector Internal Audit Standards (PSIAS).

PSIAS requires 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. 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 HCPC's Governance Statement. This report thus:

- provides assurance to the Accounting Officer on areas reviewed, to support the Governance Statement, which is included in HCPC's annual report and accounts;
- summarises internal audit activity in 2023/24;
- highlights the assurance ratings and key issues arising from the individual reviews undertaken in the year; and
- confirms compliance with the IPPF and PSIAS.

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 may use.

SCOPE

The annual opinion is achieved through a risk-based plan of work, agreed with management and approved by the Audit, Risk and Assurance Committee (ARAC), which 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 A. 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 [DRAFT]*

RATING	DEFINITION
2	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 or effectiveness of governance, risk management and internal control.

The audit opinion takes together the assurance ratings and recommendations of individual Internal Audit assignments conducted in 2023/24, management's responsiveness to internal audit recommendations and the direction of travel with regard to internal control, governance and risk management. The basis of our opinion is set out on pages 5, 6, 7 & 8 of this report.

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.

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

- responsiveness of management to the implementation of 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 group's internal control, governance and risk management processes.

** Note: Subject to satisfactory outcome of the follow up of previous audit recommendations (currently in draft).*

1. EXECUTIVE SUMMARY & OPINION

Continued from previous page....

This is a 'level 2' or MODERATE rating of four rating levels, the highest rating. This is consistent with the 'MODERATE' rating given in the previous year.

This outcome is driven by one review receiving SUBSTANTIAL/SUBSTANTIAL assurance, three reviews receiving MODERATE/MODERATE assurance and two reviews receiving LIMITED/LIMITED assurance. Two 'HIGH' recommendations were awarded in the IR35 & Payroll review of which both recommendations were due to be implemented by December 2023. The follow up has been issued in draft.

The basis for the opinion is given in the next section, with a summary of the findings from our assurance work thereafter.

SIGNIFICANT FINDINGS AFFECTING THE OPINION

It is a requirement to highlight any significant issues identified during the year identified in our work and recommended for management to include them in the Governance Statement. This year, we have identified two significant issues details of which are as follows:

Payroll IR35 (November 2023)

From our review of the Payroll and IR35 audit we identified two HIGH priority findings. The findings related to:

- IR35 assessments and the Status Determination Statements (SDS) were not consistently retained on file to confirm how the HCPC have determined the employment status of the employee.
- Checks are not undertaken by Procurement between supplier bank account details vs employee bank account details to verify that there is no supplication of records in place, which could result in monies misappropriated from suppliers to employee bank accounts.

EFFECTS OF ANY SIGNIFICANT CHANGES IN ORGANISATIONAL OBJECTIVES OR SYSTEMS

HCPC have successfully transitioned to hybrid model for employees and this approach is embedded. Changes to the finance system are currently underway with the development of the Business Central software. As the switchover has yet to be take place, there is no impact on this year's annual opinion.

SIGNIFICANT MATTERS ARISING FROM PREVIOUS INTERNAL AUDIT REPORTS

In the previous financial year, we completed a review of the fitness to practise (FtP) end to end process. This was undertaken as a result of a PSA review completed in 2021/22 which identified that of the five FtP standards HCPC had only achieved one. As a result of our audit, we identified one MEDIUM finding and two LOW findings. As part of our follow up, we reviewed whether the MEDIUM recommendation relating to key performance indicators for managing cases and a documented review and approval process of cases was now in place. We confirmed the recommendation is now implemented.

Due to the delayed implementation of Business Central (BC) (due to go live in April 2024) this has impact the full implementation of some of the recommendations relating to the Registrant Forecasting review. Once BC goes live, it is anticipated that the remainder of the Registrant Forecasting review will be implemented (hopefully by the end of December 2024).

BASIS FOR ANNUAL OPINION

6 Assurance, 1 Advisory & 1 Follow up Assignment

SUMMARY OF INDIVIDUAL ASSURANCE ASSIGNMENTS IN 2023/24 - HCPC

Overall, there were six audit assignments, one advisory and a follow up review. The pie chart, Figure 1a summarises the DESIGN assurance opinions provided to the audits undertaken and Figure 1b shows the OPERATING EFFECTIVENESS assurance opinions provided to the audits undertaken during the year 2023/24.

In 2023/24 two of the six assurance reports were awarded a LIMITED design and operating effectiveness assurance opinion, with three awarded MODERATE and one SUBSTANTIAL for both opinions.

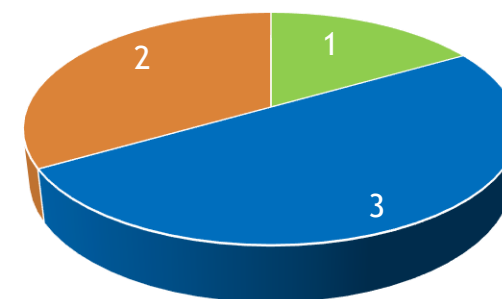
The six assurance reports resulted in us raising a total of 20 recommendations of which two were rated High, 13 were rated Medium and the remaining five recommendations were rated Low.

The methodology for rating our opinions, reports, observations and recommendations can be found in [Appendix 1](#) and [Appendix 2](#).

Table 1 - Individual assurance assignments design and operating effectiveness rating and recommendation rating.

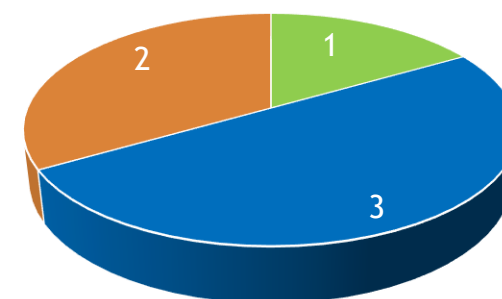
AUDIT	ASSURANCE RATING		RECOMMENDATIONS PRIORITY RATING			
	D	OE	HIGH	MED	LOW	ADV
1. REGULATORY POLICY DEVELOPMENT	M	M	-	1	3	-
2. PARTNERS	M	M	-	2	-	-
3. REGISTRATION ASSURANCE PROCESSES AND INTERNATIONAL REGISTRANTS	M	M	-	2	-	-
4. PAYROLL & IR35	L	L	2	3	-	-
5. PROCUREMENT OF LARGE CONTRACTS	L	L	-	5	2	-
6. PEOPLE STRATEGY	S	S	-	-	-	-
7. PROJECT MANAGEMENT	TBC	TBC	TBC	TBC	TBC	TBC
TOTAL FOR 2023/24			2	13	5	-

Figure 1a - DESIGN Summary of Assurance Ratings for 2023/24



■ Substantial ■ Moderate ■ Limited ■ No Assurance

Figure 1b - OPERATING EFFECTIVENESS Summary of Assurance Ratings for 2023/24



■ Substantial ■ Moderate ■ Limited ■ No Assurance

BASIS FOR ANNUAL OPINION

DIRECTION OF TRAVEL

We have provided some analysis of opinions over the last three years. 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.

One indicator of the direction of travel is the assurance rating and number of recommendations per assignment 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.

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 2a and 2b below, in absolute numbers.

The charts give a broad indication of the direction of travel for audit assignments' assurance ratings. No 'No' Assurance (Red) audit report opinions were provided in the three-year period. We completed one advisory review in the past 12 months.

Both charts show a steady improvement in the control environment. Whilst there has been one more 'HIGH' priority finding issued, there have been less MEDIUM and LOW recommendations overall, indicating a more robust control framework is in place.

Figure 2a - Audit Assignment Opinions - 2021/22 to 2023/24

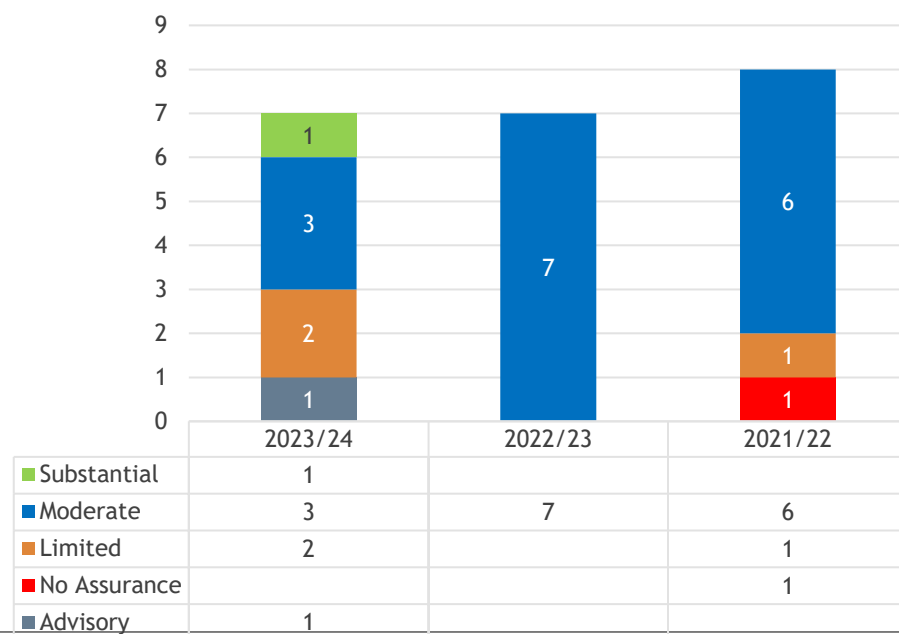
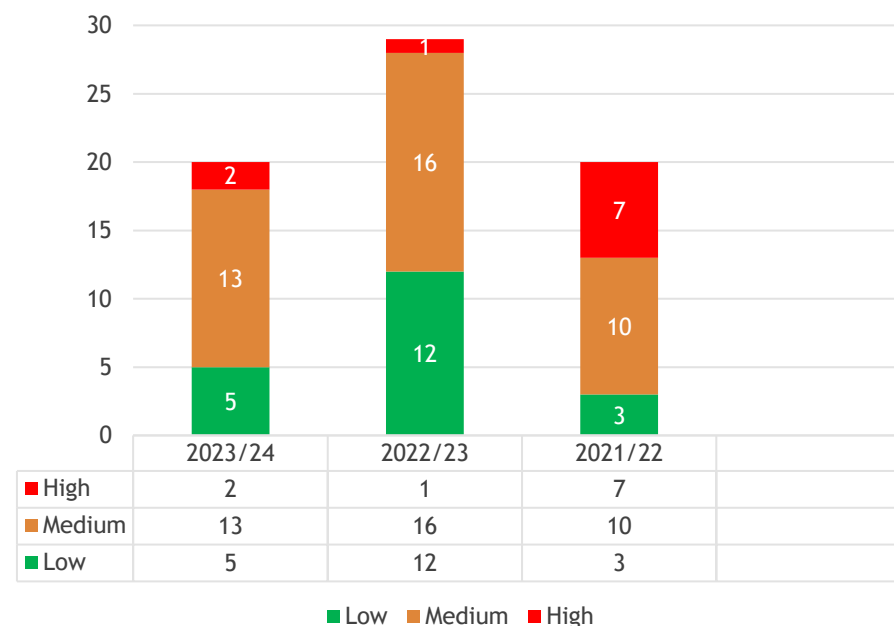


Figure 2b - Recommendations by priority - 2021/22 to 2023/24



BASIS FOR ANNUAL OPINION

RESPONSIVENESS TO INTERNAL AUDIT RECOMMENDATIONS

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 control and assurance environment improvement.

HCPC monitors the implementation of recommendations and reports the outcome of the implementation process to the ARAC. Internal Audit reviews the implementation of 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 and medium priority recommendations to verify with recommendations have been implemented as agreed.

During the year we completed a follow up on previous internal audit recommendations. One High and 10 Medium rated recommendations were due for implementation pertaining to the following reviews:

- Registrant Forecasting (22/23)
- IT Cyber (22/23)
- Diversity (22/23)
- KFC Follow Up (22/23)
- Fitness to Practise (22/23)

OUTSTANDING ACTIONS WITH REVISED DUE DATES	HIGH	MEDIUM	LOW
At February 2024	1 (9%)	10 (91%)	-
Audits	<ul style="list-style-type: none"> • Registrant Forecasting 	<ul style="list-style-type: none"> • Registrant Forecasting • IT Cyber • Diversity • KFC Follow Up • Fitness to Practise 	-

Of these 11 recommendations due for implementation, 7 were implemented during 2023, 2 are in progress and 2 are outstanding and yet to be implemented with revised implementation dates of no later than December 2024. (This report is currently in draft).






Audits	Due	Implemented	Revised Due Date
Registrant Forecasting	<ul style="list-style-type: none"> • 1 (High) • 4 (Medium) 	4 (incl. HIGH)	Dec 24
IT Cyber	<ul style="list-style-type: none"> • 2 (Medium) 	2	Aug 24
Diversity	<ul style="list-style-type: none"> • 1 (Medium) 	-	June 24
KFC Follow Up	<ul style="list-style-type: none"> • 2 (Medium) 	-	Dec 24
Fitness to Practise	<ul style="list-style-type: none"> • 1 (Medium) 	1	N/A

BASIS FOR ANNUAL OPINION

ASSURANCE RATINGS

This is the second year in which we have provided our internal audits with two assurance ratings: one for control design and one control effectiveness. This helps organisations to identify if the controls in place are not sufficiently designed to mitigate the risks or whether they are not effective, for example due to staff non-compliance. We have included a brief comparison table below to map the ratings. In Appendix II is a more detailed description of the grading system can be found.

We have converted the ratings from previous reports into the new format for consistency.

 GREEN	SUBSTANTIAL
 GREEN AMBER	MODERATE
 AMBER	LIMITED
 AMBER RED	NO
 RED	

COMPLETION OF AUDIT PLAN

Internal audit work was performed in accordance with BDO 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 III](#).

Our findings are based upon and limited to the results of the internal audit work performed during the 2023/24 financial year. In completing the delivery of our audit plan, there were no restrictions placed upon the scope of our work.

AUDIT	WORK TYPE	STATUS
1. Regulatory Policy Development	Assurance	Completed
2. Partners	Assurance	Completed
3. Registration Assurance Processes and International Registrants	Assurance	Completed
4. Payroll IR35	Assurance	Completed
6. Procurement of Large Contracts	Assurance	Completed
7. People Strategy	Assurance	Completed
8. Project Management	Advisory	In progress
9. Follow Up	Assurance	In progress (Draft)

SUMMARY OF FINDINGS FROM ASSIGNMENTS UNDERTAKEN IN THE YEAR

PARTNERS		MODERATE (Design)	MODERATE (Operating Effectiveness)
PRIORITY LEVEL	FINDINGS AND RECOMMENDATIONS		
Medium	<p>Finding: We identified through interviews and document review that there are clear differences in the automation, and therefore overall reliability, of the processes for partner payments in Fitness to Practise when compared to Education and Registration. The ‘weak link’ for all three is the requirement for manual data processing in Microsoft Excel to create a spreadsheet suitable for upload to the WAP (Accounts Payable) system. This increases the risk that manual changes may be made without any accompanying explanation or appropriate highlighting.</p> <p>While the policy documents covering payments to partners are overall consistent across HCPC as an organisation, and satisfactory guidance on how to perform the procedures was evidenced, the procedures themselves are inconsistent. Some procedures are automated with a clear basis of calculation, while others are manual and do not appear to have a reasonable basis of calculation (FtP cancellation fees).</p> <p>Finance is unable to reasonably check FtP cancellation data for errors due to a lack of access to the Nexus system or any supporting documentation. The Interim Financial Controller identified this after a concern over a payment request, which resulted in all partner payments being put on hold. Ultimately, payments were resumed due to internal concern over the reputational impact of contractual non-performance if owed payments were not made on time. Thus, the potential discrepancy remains and needs to be investigated and resolved.</p> <p>Recommendation: <i>We recommend that HCPC should:</i></p> <ul style="list-style-type: none"> • <i>Review the process for calculating cancellation payments within the FtP directorate, and the methods of calculation. Consider whether the process can be redefined and updated to be more efficient.</i> • <i>Ensure where practicable, all requests for payment which are derived from data in the Nexus system, include supporting documentation. Finance should then verify the payment charge is valid and has not been previously paid.</i> • <i>On a regular basis, assess whether upgrades can be made to its business systems to allow an automated transfer of payment data from the CRM system to the WAP system, which would remove the need for manual Excel spreadsheets as a delivery mechanism.</i> <p><i>Management have agreed to implement the prescribed recommendation by April 2024.</i></p>		

SUMMARY OF FINDINGS FROM ASSIGNMENTS UNDERTAKEN IN THE YEAR

PARTNERS		MODERATE (Design)	MODERATE (Operating Effectiveness)
PRIORITY LEVEL	FINDINGS AND RECOMMENDATIONS		
Medium	<p>Finding: We verified from sample testing of 15 CPD assessments (from a total of 166) conducted in August 2023 and comparison against the CPD assessment policy for the Royal College of Anaesthetists (RCoA)¹, who have a similar policy to HCPC of using qualified subject matter experts to assess CPD submissions, we found that the minimum requirements for assessment at HCPC are less clearly defined and may not prompt as thorough review as intended. For example, there is no minimum expectation of time to be spent on undertaking an assessment, whereas the RCoA guidance suggests a minimum of one hour to verify that the CPD activity presented is genuine and sufficient.</p> <p>Additionally, the RCoA guidance details using a formal CPD unit system to verify that all courses/activities undertaken were suitable for CPD purposes (with reference to an internal RCoA Matrix) and that the overall volume of activity presented is sufficient. This involves completing a ‘Event review for CPD approval’ form in which assessors formally declare, whether the event itself is relevant to the partner’s overall development.</p> <p>Recommendation: <i>We recommend that HCPC should:</i></p> <ul style="list-style-type: none"> • <i>Review the process for CPD Assessments to include more specific detail on the expected time and review work to be carried out. This should specify how long assessments are expected to take, and if considered necessary, include a specific requirement to assess the CPD record and verify that a sample of courses provided a satisfactory level of training.</i> • <i>Consider re-introducing a maximum number of assessments that an assessor can undertake in a specified period.</i> • <i>Undertake periodic spot checks on CPD assessments to verify that the level of review is consistent with policy requirements, ie that there has not been a ‘light touch’ review which does not delve into the details of training and make a formal assessment of its suitability.</i> <p>Management have agreed to implement the prescribed recommendation by April 2024.</p>		

SUMMARY OF FINDINGS FROM ASSIGNMENTS UNDERTAKEN IN THE YEAR

INTERNATIONAL REGISTRANTS

MODERATE (Design)

MODERATE (Operating Effectiveness)

PRIORITY LEVEL	FINDINGS AND RECOMMENDATIONS
Medium	<p>Finding: First line quality assurance checks: We tested a sample of 20 applications (ten accepted and ten rejected) to assess whether they had been assessed by two assessors. We identified that in one instance (for a rejected application), reference, AA803939, the test of competence was performed by a single assessor, with the remaining 19 in our sample showing evidence of dual assessment.</p> <p>We were informed by the Registration Manager that sometimes only one assessor can perform the test of competence due to resource constraints. Where this is the case HCPC will confirm with the applicant first that they are happy to proceed on this basis.</p> <p>However, we did not find exceptions permitting this within guidance.</p> <p>Second line quality assurance checks: Monthly QA reports are produced listing the assurance activities undertaken throughout the Registration Department to review activity for errors. These break down the work performed into 15 processes, against which a risk rating is assigned, and the monthly volume processed and check recorded.</p> <p>We reviewed the June and July 2023 reports to verify whether they evidenced reasonable and proportionate checks of monthly activity. While reasonable checks were conducted in June, the July 2023 report stated that no checks were performed on UK correspondence, International apps, International verification, International emails, Renewals (paper), UK verification, and International correspondence.</p> <p>Recommendation: <i>We recommend:</i></p> <ul style="list-style-type: none"> <i>for the first line assurance: The ‘Assessment Preparation Guidance’ and the ‘Assessors and Assessor Pairing Guidance’ should be updated to include the process where there may be staffing constraints. This process should be referred to as an ‘exception’ rather than the norm and all evidence should be retained on file to demonstrate the process has been followed.</i> <i>for the second line assurance: a) The Quality Assurance report template for second line checks should be updated to specify the volume of review activity for each process. b) A formula column could be included to calculate whether the actual volume checked was at or above the required QA level. c) Where there is a variance in the level of QA undertaken, these should be explained.</i> <p>Management have agreed to implement the prescribed recommendation. Specifically for first line HCPC will look to understand the reasons for the exceptions (November 23). Second line, HCPC have agreed to introduce a new quality assurance process for international applications and subsequently update the reporting template. (October 23).</p>

SUMMARY OF FINDINGS FROM ASSIGNMENTS UNDERTAKEN IN THE YEAR

INTERNATIONAL REGISTRANTS

MODERATE (Design)

MODERATE (Operating Effectiveness)

PRIORITY LEVEL	FINDINGS AND RECOMMENDATIONS
Medium	<p>Finding: Regular financial information on registration costs is reported to Council, which ensures there is satisfactory oversight of the costs incurred. However, some non-financial information presented to Senior Management covering registration is combined (i.e., covers registration activity as a whole) rather than separating out the UK and International registrations information. While the appeals commentary notes that 23 appeals were received in June 2023, and 54 in the financial year to date (of which 41 were from international applicants), data on the volume of appeals received in international and UK is not presented as the chart only shows the number of appeal decisions made. This may make it difficult for the recipients to identify what is driving the volume of appeals received, e.g., whether there is a disproportionate volume of appeals being received from International applicants over a period of several months which may reflect underlying issues in the international registration process.</p> <p>There has also been periodic forecasting to understand the volume of international applications expected in the future, arising from an increased volume of applications received against expectations over the last year. We were informed that the Head of Education recently compiled a business case demonstrating the income and direct costs associated with paying assessor fees for international registrations which identified there is a margin of approximately £300 per application, which is considered reasonable.</p> <p>The 12,500 international applications initially forecast for 2023 has since been increased to 15,500. August 2023 activity included processing approximately 4,000 new applications. An increased level of forecasting for the expected volume of processing activity in future months would be beneficial.</p> <p>Recommendation: <i>We recommend:</i></p> <ul style="list-style-type: none"> • <i>Appeals reporting data presented in charts and data tables is split between UK and International registrants and includes detail of the monthly volume of appeals received for each to aid comparison with the data on monthly applications received and processed.</i> • <i>Implementing a regular financial forecast covering the volume and associated costs of international registrations activity over the next 2-3 months.</i> • <i>Re-consider resource capacity once volume forecasts are determined.</i> <p><i>Management have agreed to implement the prescribed recommendation. Specifically reporting will be enhanced regarding appeals received, with further analysis and resource capacity reviewed. (31 October 23).</i></p>

SUMMARY OF FINDINGS FROM ASSIGNMENTS UNDERTAKEN IN THE YEAR

REGULATORY POLICY DEVELOPMENT

MODERATE (Design)

MODERATE (Operating Effectiveness)

PRIORITY LEVEL	FINDINGS AND RECOMMENDATIONS
Medium	<p>Finding: HCPC have a legislative obligation to consult in certain circumstances: Article 3(14), of the Health Professions Order states, “<i>Before establishing any standards or giving any guidance under this Order the Council shall consult representatives of any group of persons it considers appropriate including, as it sees fit, representatives of— (a) registrants or classes of registrant; (b) employers of registrants; (c) users of the services of registrants; and (d) persons providing, assessing or funding education or training for registrants or prospective registrants.</i>”</p> <p>On review of the Fees Consultation Arrangements ELT paper, we noted a risk assessment was undertaken which highlighted current risks as well as the impact for: cross organisational, external stakeholders, strategy and corporate plan and EDI. However, there is no direct link to risk appetite, nor a direct link to a risk on the strategic risk register such as:</p> <p>HCPC has an appetite category of “<i>risk seeks</i>” for Risk 4: We do not understand our stakeholders needs and so are unable to be as effective a regulator as we can be.</p> <p>This risk 4 of the strategic risk register at the time of this audit (August 23) had an associated risk appetite of ‘<i>risk seeks</i>’. When proposed consultations are taken to ELT and the Council for final approval it would be beneficial to note the risk appetite, tolerance and confirm how the consultation and subject matter will fair.</p> <p>Recommendation: <i>We recommend that HCPC should align its risk assessment for individual consultations directly to the strategic risk register and report this in its papers to ELT and the Council. The paper should set out whether the subject matter risk sits within the risk appetite or outside of the risk appetite. Where the consultation subject matter sits outside, HCPC should consider whether additional controls are required such as what additional actions will be undertaken because of the risk assessment. HCPC can also consider the ‘phrasing’ of consultations to ensure appropriate for the risk and to enable stakeholder buy-in.</i></p> <p><i>Management have agreed to implement the prescribed recommendation and will work with Governance to identify a ways to include risk assessment and risk appetite within the governance paper cover sheets across the organisation. (Q4 23-24)</i></p>

SUMMARY OF FINDINGS FROM ASSIGNMENTS UNDERTAKEN IN THE YEAR

PAYROLL (IR35)		LIMITED (Design)	LIMITED (Operating Effectiveness)
PRIORITY LEVEL	FINDINGS AND RECOMMENDATIONS		
Medium	<p>Finding: HCPC has a Payroll Manual in place which was last reviewed in June 2023. We noted the following exceptions:</p> <p>One employee out of a sample of five leavers was overpaid by £322.61. The employee was paid for the full month of February, although their employment ended on 17 February 2023. HCPC does not have a formally documented process for recovering leaver overpayments.</p> <p>Defined timelines are not in place to document when leavers should be removed from the Core HR System. There is a general understanding that leavers should be processed before their leaving date to prevent the leaver from being paid in the payroll run following their departure.</p> <p>Defined timelines are not recorded in the Payroll Manual of when departmental or role changes should be actioned on Core HR. We tested a sample of five departmental changes and noted two instances that were not actioned in Core HR in a timely manner. The changes were actioned almost a month (>24 working days) after the changes were approved by management.</p> <p>Recommendation: We recommend HCPC should update the Payroll Manual to include a documented process for recovering overpayments from employees and defined and documented timelines of when leavers and changes should be processed on the Core HR system.</p> <p><i>Management have agreed to implement the prescribed recommendation once the payroll process has been brought inhouse and migration has been completed. (December 23)</i></p>		
Medium	<p>Finding: We tested a sample of five overtime payments and identified one officer who worked 58 hours overtime (the officer had not signed an ‘opt out’ of the working time directive) during January 2023, indicating inadequate oversight of excessive working hours. Employees who work overtime are required to sign a document to waive the 48 hour working time directives. Through discussion with the line manager, the high volume of overtime hours were due to an increase in international applications and other associated tasks for the registration advisors and jump leaders. Currently, there is a new team of registration that provides the additional support. Overtime is considered an ‘exception’ rather than the norm.</p> <p>Recommendation: We recommend HR should:</p> <ul style="list-style-type: none"> • Create staff awareness regarding the Work Time Regulations 1998 and the number of acceptable ‘overtime’ hours staff can work. • Follow-up on any overtime hours that are classed as ‘excessive’ with Managers and confirm this is an ‘exception’ rather than routine. HR should confirm waivers are in place where required. <p><i>Management have agreed to implement the prescribed recommendation. Management agreed to ensure awareness of line managers to the overtime policy. (December 23)</i></p>		

SUMMARY OF FINDINGS FROM ASSIGNMENTS UNDERTAKEN IN THE YEAR

PAYROLL (IR35)		LIMITED (Design)	LIMITED (Operating Effectiveness)
PRIORITY LEVEL	FINDINGS AND RECOMMENDATIONS		
Medium	<p>Finding: Core HR is the system that manages the payroll process at HCPC. There is one System Administrator, who is responsible for supporting and setting up end users (HR and Payroll department staff). We noted the following:</p> <ul style="list-style-type: none"> • There is no regular review of Super User (HR and payroll staff) access rights report undertaken to ensure that only appropriate users (such as the Payroll Manager and HR staff) have access to the Core HR system as part of ongoing monitoring arrangements. • Core HR does not have the functionality to provide an audit trail of who has updated or created a user profile. • We reviewed the employee users report extracted from Core HR. There is an activity status column which indicates whether the user profile is active or inactive. There are 213 user access profiles of employees that did not have the activity status completed and therefore it is unclear how many officers are actually using Core HR. It is expected that the user profiles with the incomplete status' are still current employees. Regular checks however would have identified the incomplete status reports and thus the glitch in the system. <p>Recommendation: <i>We recommend HCPC should:</i></p> <ul style="list-style-type: none"> • <i>Review 'super user' HR and payroll staff system access to Core HR on an annual basis and document this check within a suitable procedure.</i> • <i>Consider what action they can undertake to ensure there is an audit trail of updating and creating user profiles.</i> <p><i>Management have agreed to implement the prescribed recommendation. Once Payroll is moved inhouse it is expected that Core HR will be accessible by the Payroll Manager, with the people management modules accessible by HR. Discussions to be held with IT regarding maintaining an audit trail when updating and creating user profiles. (December 23)</i></p>		

SUMMARY OF FINDINGS FROM ASSIGNMENTS UNDERTAKEN IN THE YEAR

PAYROLL (IR35) (contd.)

LIMITED (Design)

LIMITED (Operating Effectiveness)

PRIORITY LEVEL	FINDINGS AND RECOMMENDATIONS
<p>High</p>	<p>Finding: To help limit the risk of internal fraud, regular checks should be undertaken between employee bank accounts and supplier bank accounts to verify there are no overlaps.</p> <p>Employees are able to update their own bank details on the Core HR system. If an employee is unable to update their bank details, the Core HR System Administrator can make the required changes.</p> <p>HCPC do not undertake formal checks between employee bank accounts and supplier bank accounts on a regular basis to identify any matches. A system administrator may redirect staff salaries to their own bank accounts. Also, the check enables HCPC to spot any suppliers that may have a link to an employee or where the supplier details have been fraudulently changed by an employee to their own bank account.</p> <p>Recommendation: We recommend that on an annual basis, employee vs supplier bank account checks should be undertaken across the whole organisation. Other triggers for review of employee vs supplier bank account details could include the following: onboarding of new suppliers, new or change in supplier bank details and new employee details.</p> <p><i>Management have agreed to implement the prescribed recommendation. (December 23)</i></p>
<p>High</p>	<p>Finding: HCPC engages with contractors through an agency called Morgan Law. The HR Advisor/Administrator that is responsible for onboarding the contractor is responsible for ensuring that the contractor's IR35 assessment is complete, and the Status Determination Statement (SDS) is communicated to the contractor. The SDS is used to outline the determination of HCPC about the employment status of a contractor and the reasons for reaching the determination.</p> <ul style="list-style-type: none"> • In the last 12 months, there has been three contractors that required an IR35 assessment to be completed. Two contractors sampled did not have their SDS retained on file. The HR Business Partner confirmed that the SDS of the contractors were not kept on file as the employee who communicated the SDS to the contractors left the organisation and did not store the documents. The IR35 rules as per the UK Government website states that, organisations should keep detailed records of all the employment status determinations, including the reasons for the determination and fees paid. • There is no formal IR35 training for HR Advisors and Administrators. There are guidance and processes in place to support HR Advisors on how to carry out IR35 rules however training is not formalised. This has led to inconsistencies in how IR35 checks are carried out and documented as per point 1. • A log is not in place that keeps records of all completed IR35 assessments to ensure that monitoring arrangements are in place. According to the IR35 rules found on the UK Government website, organisations should keep a record of the contractors they engage, including the names and addresses of both the contractor and their intermediary. <p>Recommendation: We recommend that HCPC should:</p> <ul style="list-style-type: none"> • Ensure there is an up-to-date Status Determination Statements (SDS) of all present contractor. • Retain all SDS documents in a central location. • Introduce formal IR35 training for staff who manage contractors within the HR/Payroll team. • Implement a log/register to keep a record of all contractors that have completed IR35 assessments and monitor. <p><i>Management have agreed to implement the prescribed recommendation and has created a centralised folder for contractor details and SDS documents, undertaken IR35 Guidance training and has created a register listing contractors that have completed the IR35 assessments. (October 23)</i></p>

SUMMARY OF FINDINGS FROM ASSIGNMENTS UNDERTAKEN IN THE YEAR

PROCUREMENT OF LARGE CONTRACTS

LIMITED (Design)

LIMITED (Operating Effectiveness)

PRIORITY LEVEL	FINDINGS AND RECOMMENDATIONS
Medium	<p>Finding: The Procurement team has historically included one Procurement manager only; however, a Procurement Business Support officer has recently been recruited. No second line checks have been undertaken on the activity of the Procurement team thus far due to a small team.</p> <p>Recommendation: <i>We recommend the Procurement team should:</i></p> <ul style="list-style-type: none"> • <i>introduce second line ‘spot checks’ to ensure that procurement activity is in line with prescribed guidance.</i> • <i>discuss second line sport checks with the Quality Assurance team and consider if they are able to support in undertaking them on a regular basis.</i> • <i>Introduce a more comprehensive description of any large value contracts single source requests with a focus on the effectiveness of the procurement process.</i> <p><i>Management have agreed to implement the prescribed recommendation to enhance the end to end procurement process via ‘spot checks’ and enhance the detail in the quarterly reports which includes a listing of large value contracts and single source requests. (June 24)</i></p>
Medium	<p>Finding: HCPC do not actively and consistently review and consider the performance of its key suppliers on a regular basis to ensure they are receiving VFM for its supply of goods and services. From our discussion with the Procurement Manager, the Procurement team intend to introduce a formal evaluation process once the pre-award Evaluation Form and new Procurement policy is approved by Council.</p> <p>Recommendation: <i>HCPC should introduce regular (at least 6 monthly) reviews of its contracts in place to ensure performance is in line with expectations and any areas of identified under performance are identified and rectified in a timely manner.</i></p> <p><i>Management have agreed to implement the prescribed recommendation to explore regular reviews of supplier performance. (June 24)</i></p>
Medium	<p>Finding: An approved supplier list enables goods and services to be procured from suppliers who have already undergone appropriate due diligence checks and have been assessed as offering a value for money service.</p> <p>HCPC have an approved supplier list in place however this has not been recently reviewed.</p> <p>Recommendation: <i>HCPC should review the approved supplier list on a regular basis and where required, remove suppliers no longer identified as providing value for money and add where new value for money suppliers are identified.</i></p> <p><i>Management have agreed to implement the prescribed recommendation and review the supplier list once Business Central is in place. (June 24)</i></p>

SUMMARY OF FINDINGS FROM ASSIGNMENTS UNDERTAKEN IN THE YEAR

PROCUREMENT OF LARGE CONTRACTS		LIMITED (Design)	LIMITED (Operating Effectiveness)
PRIORITY LEVEL	FINDINGS AND RECOMMENDATIONS		
Medium	<p>Finding: HCPC do not undertake formal checks between employee bank accounts and supplier bank accounts, which are triggered by suppliers changing their bank details, to identify any similarities or where monies may be misdirected.</p> <p>Recommendation: <i>On at least an annual basis, employee vs supplier bank account checks should be undertaken (Similar to Payroll IR35).</i></p> <p><i>Management have agreed to implement the prescribed recommendation and implement a periodic check between supplier and employee bank accounts. (June 24)</i></p>		
Medium	<p>Finding: All staff at HCPC are required to verify when they first start working at HCPC whether they have any COIs. Currently employees are not asked or reminded to review and where appropriate update their COIs.</p> <p>The Procurement manager explained that COI is considered as part of the procurement process. However, there is no documented evidence that this is completed or where any COI's have been identified appropriate safeguards have been put in place.</p> <p>Recommendation: <i>HCPC should ensure that:</i></p> <ul style="list-style-type: none"> • <i>on at least an annual basis employees are reminded to review and update their Conflict of Interest (COI's) declarations.</i> • <i>there is documented evidence for each procurement activity that potential conflicts of interest have been considered.</i> <p><i>Management have agreed to implement the prescribed recommendation and ensure that the requirement for conflicts of interest to be declared is formally documented. (November 23)</i></p>		

APPENDIX I: DEFINITIONS FOR ANNUAL OPINION

ANNUAL INTERNAL AUDIT OPINION

Council are collectively accountable for maintaining a sound system of internal control that supports the achievement of the organisation's objectives, and is responsible for putting in place arrangements for gaining assurance about the effectiveness of that overall system. A key element in that flow of assurance is the overall internal audit assurance opinion issued by BDO.

In determining the overall annual opinion, we consider:

- all internal audits undertaken by BDO LLP during the financial year;
- follow-up action taken in respect of audits from previous periods;
- whether any significant recommendations have not been accepted by management and the consequent risks associated with this;
- the effects of any significant changes in the organisation's objectives or systems;
- matters arising from previous internal audit reports provided to the HCPC; and
- any limitations which may have been placed on the scope of internal audit.

Possible Annual Opinions	
SUBSTANTIAL (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.
MODERATE (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.
LIMITED (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.
NO (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.

APPENDIX II: REPORT DEFINITIONS HCPC

LEVEL OF ASSURANCE	DESIGN OF INTERNAL CONTROL FRAMEWORK		OPERATIONAL EFFECTIVENESS OF CONTROLS	
	FINDINGS FROM REVIEW	DESIGN OPINION	FINDINGS FROM REVIEW	EFFECTIVENESS OPINION
SUBSTANTIAL	Appropriate procedures and controls in place to mitigate the key risks.	There is a sound system of internal control designed to achieve system objectives.	No, or only minor, exceptions found in testing of the procedures and controls.	The controls that are in place are being consistently applied.
MODERATE	In the main there are appropriate procedures and controls in place to mitigate the key risks reviewed albeit with some that are not fully effective.	Generally a sound system of internal control designed to achieve system objectives with some exceptions.	A small number of exceptions found in testing of the procedures and controls.	Evidence of non compliance with some controls, that may put some of the system objectives at risk.
LIMITED	A number of significant gaps identified in the procedures and controls in key areas. Where practical, efforts should be made to address in-year.	System of internal controls is weakened with system objectives at risk of not being achieved.	A number of reoccurring exceptions found in testing of the procedures and controls. Where practical, efforts should be made to address in-year.	Non-compliance with key procedures and controls places the system objectives at risk.
NO	For all risk areas there are significant gaps in the procedures and controls. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Poor system of internal control.	Due to absence of effective controls and procedures, no reliance can be placed on their operation. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Non compliance and/or compliance with inadequate controls.

RECOMMENDATION SIGNIFICANCE	
HIGH	A weakness where there is substantial risk of loss, fraud, impropriety, poor value for money, or failure to achieve organisational objectives. Such risk could lead to an adverse impact on the business. Remedial action must be taken urgently.
MEDIUM	A weakness in control which, although not fundamental, relates to shortcomings which expose individual business systems to a less immediate level of threatening risk or poor value for money. Such a risk could impact on operational objectives and should be of concern to senior management and requires prompt specific action.
LOW	Areas that individually have no significant impact, but where management would benefit from improved controls and/or have the opportunity to achieve greater effectiveness and/or efficiency.
ADVISORY	A weakness that does not have a risk impact or consequence but has been raised to highlight areas of inefficiencies or potential best practice improvements.

APPENDIX III: INTERNAL AUDIT QUALITY ASSURANCE & LIMITATIONS

Quality assurance processes and procedures	
Procedures	Our audit procedures were designed to ensure the service we deliver is of the highest standard. We utilise specially designed internal audit software Pentana to conduct our work and all reports are subject to review by a manager or senior manager (Stage 1) and director or partner (Stage 2).
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 a relevant 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 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.
Cold review	The BDO Risk and Advisory Services Group conducts an internal 'cold review' of its internal audit working practises, reports and files annually. The findings feed into the QAIP.
External Quality Review	A full External Quality Assessment over BDO was conducted in 2021/22. We received the highest award level - "Generally Conforms".

Limitations - We have prepared the Internal Audit Annual Report and undertaken the agreed programme of work as agreed with management and the Finance, Risk and Audit Committee, subject to the limitations outlined below.	
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 the HCPC is for the year ended 31 March 2024. 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.

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