

Audit Committee, 6 September 2016

Internal audit – Review of recommendations

Executive summary and recommendations

At its meeting on 29 September 2011, the Committee agreed that it should receive a paper at each meeting, setting out progress on recommendations from internal audit reports.

Most of the information in the appendix is taken from the wording of the internal audit reports. The exception is the 'update' paragraph in the right-hand column, which provides details of progress.

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 discuss the paper.

Background information

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

Resource implications

None

Financial implications

None

Appendices

None

Date of paper

24 August 2016

Recommendations from internal audit reports

Core Financial Systems – Payroll (report dated September 2011 – considered at Audit Committee 29 September 2011)

Assurance on effectiveness of internal controls: Substantial Assurance

Recommendations summary

| | |
|-----------------|----------------------------------|
| Priority | Number of recommendations |
| Fundamental | None |
| Significant | None |
| Housekeeping | 3 |

Risk 3: Financial losses arising from fraud or error, inefficient processing or inappropriate activity (such as ghost employees, payment of staff who no longer work at the Council, authorised payments, etc)

| | Observation/Risk | Recommendation | Priority | Management response | Timescale/responsibility |
|---|--|---|--------------|---|---|
| 2 | <p><i>Observation:</i> Finance receive an HR Pack on a monthly basis which includes the HR Summary spreadsheet and relevant supporting documentation detailing starters; leavers; contractual variations; acting-up allowances; changes to address etc.</p> <p>Whilst our review confirmed that this information was received by Finance, in a timely manner and before the deadline of the 15th of the month, as there is currently no direct interface</p> | As part of the planned review of the HR system, consideration should be given to a more effective interface between the HR and Payroll systems to avoid duplication in entry of data. | Housekeeping | Project proposal to review HR & partners information systems, including link to payroll to be submitted to Executive team in November 2011. If agreed will form part of 2012/13 project plan. | <p>Director of Finance/ HR Director.</p> <p>Update</p> <p>06/09/2016 – On track, no change from 15/06/16 update</p> <p>Previous updates:</p> <p>15/06/2016 - we have signed a contract with the supplier of the HR and partners system for their payroll bureau service, and the new service is expected to go live during 2016/17. The payroll software is integrated with the HR system so duplication of data entry will be avoided.</p> <p>16/03/2016 - we have reconsidered the option of using the supplier of the HR and partners system, and have conducted an information security audit on their systems, with satisfactory results. We are currently in negotiation with the supplier over contract terms.</p> |

| | Observation/Risk | Recommendation | Priority | Management response | Timescale/ responsibility |
|--|--|----------------|----------|---------------------|---|
| | <p>between the HR Systems and Sage, the information has to be entered again on to Sage.</p> <p>It is noted that a review of the HR system is planned to be undertaken.</p> <p><i>Risk:</i> Holding two databases with staff details and duplication of data entry are unlikely to be an efficient use of resources.</p> <p>Errors are more likely to arise where data is re-keyed.</p> | | | | <p>26/11/2015 - On track, no change from 17/6/15 update</p> <p>08/09/2015 – On track, no change from 17/6/15 update</p> <p>17/06/2015 – The payroll service offered by the supplier of the new HR and Partners system is not appropriately certified for information security, so we are reviewing other options for the contracted out payroll service, expecting to conclude by the end of 2015-16. We still intend and expect the new HR system to better integrate with payroll, whichever option for payroll is chosen.</p> <p>10/3/2015 – We have started discussions with the supplier of the HR and Partners system to identify whether their integrated payroll service would be suitable for our needs.</p> <p>09/10/2014 – The HR and Partners system build business case was approved by EMT to enter the start-up phase on 9 September. A supplier has been identified.</p> <p>24/06/2014 – Still pending the HR & Partners project. Bids from suppliers have been received and are being assessed but no contract yet awarded so the project has not yet entered the build phase.</p> <p>20/03/2014 - HR & Partners Systems Review phase is due to end on 31 March 2014. The project will then enter the build stage.</p> |

Disaster Recovery / Business Continuity Planning (report dated October 2013 – considered at Audit Committee 28 November 2013)

Assurance on effectiveness of internal controls: Substantial Assurance

Recommendations summary

Priority
Fundamental
Significant
Housekeeping

Number of recommendations
None
None
1

| | Observation/Risk | Recommendation | Priority | Management response | Timescale/ Responsibility |
|-----|---|--|----------|---|---|
| 6.2 | <p>Observation: The Business Continuity Plan is centrally controlled and managed by the Head of Business Process Improvement but is distributed as a paper document to 52 different people or locations.</p> <p>This makes it possible for uncontrolled documentation that may be outdated to still be held. Anecdotal evidence suggests that this has been the case on a number of occasions.</p> <p>There would be benefits with using an alternative method for managing how the plan is accessed such as improved version control and distribution.</p> <p>Potential alternatives include managing access via a central storage point i.e. secure internet or intranet location, cloud-based service or distributed by secure USB device.</p> <p>Risk: Plans may lack effective version control which may cause people to refer to old or out-dated version of the Business Continuity Plan causing delays in recovery.</p> | <p>HCPC should consider alternative methods of version control and distribution for the BCP, i.e. via secure internet/intranet, cloud service or secure USB key.</p> | 3 | <p>The Executive consider technology based solutions for the update and distribution of the BCP every year as part of the project prioritisation process and budget discussions. To date other statutory requirements have reached a higher priority than this project.</p> <p>This item remains on the long list of important projects until actioned. This project will be considered again in the project prioritisation process and budget discussions taking place in December and February for the forthcoming (2014/15) budget year.</p> | <p>Head of Business Process Improvement</p> <p>Update</p> <p>06/09/2016 -</p> <p>Previous updates:</p> <p>15/06/2016 - Awaiting decision on mobile device selection</p> <ul style="list-style-type: none"> • BlackBerry O/S7 devices are compatible with ShadowPlanner • BlackBerry O/S10 devices are not compatible with ShadowPlanner • BlackBerry Android devices are compatible with ShadowPlanner • iPhone 5 & 6 devices are compatible with ShadowPlanner • Android Lollipop (O/S 5) devices are compatible with ShadowPlanner • Android Marshmallow (O/S 6) devices are compatible with ShadowPlanner • Microsoft Phone is not compatible with ShadowPlanner <p>16/03/2016 - The Shadow Planner application was demonstrated to EMT following the Council Away Day. We are now awaiting a beta version that will be compatible with the latest Blackberry devices that we are obtaining for the organisation.</p> |

| | Observation/Risk | Recommendation | Priority | Management response | Timescale/ Responsibility |
|--|------------------|----------------|----------|---------------------|--|
| | | | | | <p>26/11/2015 - A demonstration was provided to EMT in October on HCPC Blackberry devices, and the restructure of the plan has been made to fit the online delivery model. All plan data has now been input to the supporting secure website, and we will be training EMT and CDT / Heads of Department on maintenance of the plan for their areas of responsibility over the next few months.</p> <p>08/09/2015 - Implementation work is under way with the supplier. Some editing of content layout is required to fully utilise the format options available, and this is in progress.</p> <p>17/06/2015 - Licence PO is in progress for the software and service selected. Development of our service will commence shortly</p> <p>19/03/2015 - A successful test with the preferred supplier has taken place and the procurement exercise is completing</p> <p>09/10/2014 – BPI are meeting a potential external supplier on 02/10/2014. Options will be reviewed following this. If the external option is perused a procurement process will be run.</p> <p>24/06/2014 – BPI plan to investigate if an in house system could be used instead of an external procurement.</p> <p>20/03/2014 – This project has been provided for within the 2014-15 BPI budget. The ability to produce paper versions will remain as a contingency</p> |

Review of five year plan model functionality and controls review (report dated November 2015 – considered at Audit Committee 26 November 2015)

This report was not presented in traditional observation/recommendation/management response format. Observations that did not have an associated recommendation and recommendations that have been implemented have not been reproduced. The following recommendations are still open.

| | Recommendation | Priority | Management response | Timescale/ Responsibility |
|---|--|----------|--|---|
| Income section of the model | | | | |
| | We would recommend that the model is subject to future testing, particularly where structural changes are made. For example such testing could involve running through test data scenarios. HCPC may also wish to consider undertaking a full model review when substantial changes are made. | Medium | Agreed | Finance Director Update 06/09/2016 – as noted below, we continue to develop the 5 year plan model with the support of Grant Thornton. Changes to individual sections are tested by comparing outputs before and after the change. We will carry out a full review when the current round of changes is complete. The individual changes are expected to be completed by November 2016 and the full review should be completed by the end of 2016-17. |
| Registrant numbers section of the model | | | | |
| | The Readmissions are calculated in each period as a percentage of the opening balance rather than those who left in the previous period. This implicitly relies on a stable correlation between the number of leavers in the last period and readmissions. There is no check in place that any actual input (which would overwrite calculated values) for the number of readmissions is not higher than the number of leavers in previous period. While this may be possible due to the definitions of the terms, we suggest you may wish to consider adding an "alert" to highlight where this occurs so the model user does check this input is appropriate. | Medium | We will consider this as a possible amendment / improvement. | Head of BPI Update 06/09/2016 – the Registrant numbers module is currently being reworked with the support of Grant Thornton. This recommendation will be considered as part of that work, due to complete by November 2016. |
| Fitness to practise section of the model | | | | |
| | We did not identify any major issues with inserting new data to | Low | Noted, though to reforecast, the | Finance Director / Director of Fitness to |

| | Recommendation | Priority | Management response | Timescale/ Responsibility |
|--|---|---------------|---|--|
| | <p>reforecast the 5 year plan based on updated actuals. We do however recommend inserting a model version tracker as a way of assessing performance against the budget and long term forecasts. We note that it is not currently possible to change the forecast dates for FtP costs independently to other calculations and understand this functionality may be helpful. One approach would be to insert a flag to limit changes to forecast and actual periods to only the FTP sections of the model. However when implementing this we would recommend that this is clearly reported to users so they are aware of assumptions being used</p> | | <p>start and end date of the budget actuals would need to change, which impacts on registrant numbers calculated elsewhere.</p> | <p>Practise Update 06/09/2016 – Finance and FTP are working together with the aim of integrating the FTP module of the 5 year plan with FTP’s workforce planning and management information systems. These recommendations will be considered as part of that work, due to complete by November 2016.</p> |
| | <p>We have observed that the model can cannot currently be used for sensitivity analysis or as a resource /workflow planning tool. In the models current state the addition of monthly updates to enable resource planning and effective reforecasting would require a periodic freeze of the registrant assumptions. This would also drive the need for a reconciliation/ logic check between the frozen and updated registrant values. Implementing this would require an update of the model with sufficient testing to ensure a robust procedure for updating inputs and reconciling frozen values.</p> | <p>Low</p> | <p>Noted and agreed. We’d want to do this to assist with future budget planning and resource management, especially to monitor the impact of planned changes in FTP processes and structures.</p> | |
| Overall review of 5 year plan and framework for updating / modifying versions and the individual components | | | | |
| | <p>We note there are no detailed user guides or maps for a complex model which presents risks on succession planning. We recommend that guides are developed as to how the various inputs are updated each year to ensure assumptions are reviewed and updated in a consistent manner. This is particularly important where models include a number of input sheets or where the inputs need to be updated in a specific way. For example it is important that any adjustment to renewal fees entered on the "Fee changes" worksheet coincide with the renewal dates entered on "RegInp_M"!I280:I297"</p> | <p>Medium</p> | <p>Agreed</p> | <p>Finance Director Update 06/09/2016 – preparation of a detailed user guide has started, and should be complete by November 2016. The Head of Financial Accounting will be trained on the model over the same period.</p> |
| Staffing model | | | | |
| | <p>From our discussions we understand the salaries model sits with the HR team and is independent from the 5 Year Plan Model. Although there is a major project underway to update the HR information system, at present there is both: (i) a separate spreadsheet recording salaries by HR which is</p> | <p>Medium</p> | <p>[no response included within original report]</p> | <p>Finance Director Update 06/09/2016 – up till now forecast salary costs in the 5 year plan have been modelled based on the</p> |

| | Recommendation | Priority | Management response | Timescale/ Responsibility |
|--|--|-----------------|----------------------------|---|
| | <p>used to flex salaries to assess impact of pay reviews (ii) HR database which does not have enough detail on salaries or abilities to flex.</p> <p>For planning purposes the separate spreadsheet is run independently from the 5 year budgeting of staff costs where these are based independently</p> <p>It is not unusual for detailed staffing to be managed separately given these typically contain confidential information, however we recommend having a reconciliation check between that spreadsheet and the 5 year plan to ensure forecasting and pay award decisions are being applied on a consistent basis.</p> | | | <p>current year's budgeted total costs plus wage inflation, subject to manual adjustments for known changes in complement. We intend to base forecast salary costs on more detailed post-level calculations, using the HR salaries spreadsheet as a baseline. This development should be complete by November 2016.</p> |

Core financial controls review (report dated May 2016 – considered at Audit Committee 16 June 2016)

Recommendations summary

| Priority | Number of recommendations |
|----------|---------------------------|
| High | None |
| Medium | 3 |
| Low | 5 |

| | Finding and Implication | Recommendation | Priority | Management response | Timescale/ Responsibility |
|---|---|---|----------|---|--|
| 1 | <p>The HCPC Finance team conduct monthly reconciliations of payroll and pension control accounts. Testing during our audit identified that whilst control account reconciliations are being prepared by Finance, there is currently no sign-off by the preparer or reviewer. We acknowledge that recent changes in staffing, and financial year end, have put pressure on the Finance team and may have contributed to this issue.</p> <p>There is a risk that without independent review of control account reconciliations, any errors or issues in the reconciliation may not be picked up and further investigations conducted.</p> | <p>Finance should ensure that all control account reconciliations are signed off by both the preparer and the reviewer.</p> <p>Evidence of this sign off should be retained for audit trail purposes.</p> | Medium | <p>Finance will perform review of the balance sheet during and after the month end (as part of our new journal review process). Review of the balance sheet reconciliations will be documented electronically in the Finance drive.</p> <p><i>Date Effective:</i> 01/06/2016 <i>Owner:</i> Finance department</p> | <p>Head of Financial Accounting</p> <p>Update</p> <p>06/09/2016 – cleared, the new process for review and sign off of monthly reconciliations was implemented from the June 2016 month end.</p> |
| 2 | <p>At the time of our review, HCPC were not holding regular meetings with their outsourced payroll provider (Access) to discuss common payroll processing errors and/or contract performance. Furthermore, HCPC are not receiving regular reports from Access on key performance indicators (KPI) or service level agreements (SLA).</p> <p>HCPC are in the process of determining who will be the relationship manager for the new outsourced payroll provider (Core). Until this relationship</p> | <p>HCPC should appoint a relationship manager for the new payroll service provider as soon as possible. Consideration should be given to this role sitting with the HCPC HR team given the service provider are also developing and supporting a new HR system.</p> | Medium | <p>For the new payroll bureau system, a relationship manager will be appointed to deal with general queries with the supplier and to hold meetings with CoreHR. This person is likely to sit with HR, however Finance will communicate findings from monthly check to HR and assist in setting KPIs and attending meetings when required. HR department will hold the contract with Core.</p> | <p>Head of Financial Accounting/ [Human Resources Manager]</p> <p>Update</p> <p>06/09/2016 - On track, contract has been signed with the new payroll provider and implementation is</p> |

| | Finding and Implication | Recommendation | Priority | Management response | Timescale/ Responsibility |
|---|--|---|-----------------|--|--|
| | <p>manager is appointed, KPI and SLA reporting, and regulation contract meetings need to be formalised.</p> <p>Without regular meetings and reports from Access, there is a risk that poor performance is not identified and resolved in a timely manner.</p> | <p>HCPC should also agree with Core the nature of regular contract meetings and KPI / SLA reporting are required. These meetings and reports should be formally documented as part of the contract between HCPC and Core.</p> | | <p><i>Date Effective:</i> Nov/Dec 2016 (Implementation of new payroll bureau system) <i>Owner:</i> HR department</p> | <p>underway leading to planned go live in November 2016</p> |
| 3 | <p>HR are responsible for managing pension and corporate gym membership payroll deductions from HCPC employees. The deductions themselves are calculated by the outsourced payroll provider (Access) as part of wider payroll calculations.</p> <p>A periodic review of pension and corporate gym membership payroll deductions is not being conducted by HR to ensure these remain up-to-date (e.g. corporate gym membership is still being used by the employee) and accurately reflect internal records held by the HCPC HR team (e.g. employee pension contribution levels). Pension reports are generated by both Access and HCPC Finance which set out the monthly pension deductions for each employee. Whilst these reports could be used to perform a reasonableness check of pension deductions, they do not enable completeness or accuracy of pension deductions to be assessed.</p> <p>Without regular, independent checks of payroll deductions by HCPC, there is a risk that payroll payments made to employees are not accurate.</p> | <p>HR should conduct a periodic review of all pension and corporate gym membership payroll deductions against outsourced payroll provider records.</p> <p>This review should look to ensure that payroll deductions are only being taken from employees who have corporate gym memberships and/or have not opted out of pension contributions.</p> <p>Furthermore, this review should also include a spot check of payroll deductions to ensure these align with supporting records maintained by HR (such as pension contribution levels).</p> | Low | <p>The gym deduction amount is confirmed by HR and then communicated to Access. The gym deduction amounts have been confirmed with employees for 2015-2016. Next review is due November 2016.</p> <p>Currently Finance do checks on the payroll deductions, however this is not well documented and the checks only apply to changes recorded in the check report from HR. The rate of all current employee and employer pension contributions will be checked.</p> <p>Going forward under the new HR system, we will ensure deductions are reviewed and spot checks are done by the HR department each month.</p> <p>Checklists will be produced to ensure this is done and reviewed.</p> <p><i>Date Effective:</i> Pension contribution checks by end of June 2016. Other actions in Nov/Dec 2016 (aligned with the implementation of new payroll bureau system)</p> | <p>Head of Financial Accounting/ [Human Resources Manager]</p> <p>Update</p> <p>06/09/2016 - On track, contract has been signed with the new payroll provider and implementation is underway leading to planned go live in November 2016.</p> <p>All current employee and employer pension contributions were checked in the August payroll, and a small number of errors have been found. We will contact the employees concerned by the end of September to make the corrections.</p> |

| | Finding and Implication | Recommendation | Priority | Management response | Timescale/ Responsibility |
|---|---|--|----------|---|--|
| | | | | Owner: HR department | |
| 4 | <p>HR employees we spoke to as part of this review noted that the current payroll reports prepared by Access do not present information in a way that meet their needs. In particular, it was felt that current reports present information in an overly complex format, hindering HR's ease of payroll oversight and review. For example, Access generate a 'Net Pay' report which sets out the changes made to payroll masterfile that month. This report, whilst received by HR, is not currently being reviewed as part of the authorisation of payroll. HR are instead reviewing payslips for those employees whose payroll masterfile data has changed.</p> | <p>HCPC should work with the new outsourced payroll supplier, Core, to ensure that payroll reports are fit-for-purpose to allow oversight and review of payroll by HR.</p> | Low | <p>Monthly checks are done on payslips and the payslips will show deduction items. The current reports are not user friendly and this is something we will focus on when designing the reports for the new system.</p> <p>During the designing phase of the new payroll system, we will hold several meetings with the supplier to ensure reports meet the need of both HR and Finance departments and will be user friendly.</p> <p>Date Effective: June – October (Designing phase of the payroll bureau system) Owner: HR/Finance</p> | <p>Head of Financial Accounting/ [Human Resources Manager]</p> <p>Update</p> <p>06/09/2016 - On track, contract has been signed with the new payroll provider and implementation is underway leading to planned go live in November 2016.</p> |
| 5 | <p>We were informed during our audit that HR Advisors, the HR Manager and Head of HR Operations review payslips for all employees who have had a change in the payroll Masterfile data to ensure that payroll calculations appear accurate. However, this review is not currently being documented by HR and we were therefore unable to evidence that these reviews were occurring as part of our audit.</p> <p>Furthermore, our sample testing of new starters identified that a New Starter Form (available on Lotus Notes) had not been completed for one out of ten employees sampled. This employee had previously been a temporary employee and had changed into a permanent position. However, a New Starter Form should have been completed when they commenced permanent employment. Without regular reviews of payroll processing by</p> | <p>HR should commence documenting the payroll reviews they perform and retain these reviews for audit trail purposes. The Head of HR Operations should remind the HCPC Managers of the importance of completing New Starter Forms for all new starters, including where individuals move from temporary to permanent employment.</p> | Low | <p>Currently the HR Co-ordinator checks the payslips against the changes and the HR Manager/ Head of HR Ops reviews any errors identified with the HR Co-ordinator. The Quality Monitoring Sheet is used to capture any issues/ errors which have been identified by HR and Finance during the checking process each month. An email is also sent by the HR Coordinator responsible for that month's payroll to Finance when the check reports have been checked and HR are happy that no further changes need to be made. Under the new payroll system, we will produce a monthly checklist and will ask the preparing and reviewer to both sign the checklist physically or electronically to show that review has been done.</p> | <p>Head of Financial Accounting/ [Human Resources Manager]</p> <p>Update</p> <p>06/09/2016 - On track, contract has been signed with the new payroll provider and implementation is underway leading to planned go live in November 2016.</p> |

| | Finding and Implication | Recommendation | Priority | Management response | Timescale/ Responsibility |
|---|--|---|----------|--|--|
| | HR, there is a risk that HCPC may not make accurate payroll payments to employees. | | | <p>The incident where a new starter form was not completed was a one off. The employee in question was firstly a temp, then employed in a permanent position in a different department, and then transferred to another permanent role in the original department.</p> <p>Upon moving back to this role, a new starter form was not completed. HR department would normally make sure new starter forms are filled out for all employees.</p> <p>Date Effective: Nov/Dec 2016 (Implementation of new payroll bureau system) <i>Owner:</i> HR department</p> | |
| 6 | <p>Departmental Review</p> <p>HCPC Departments maintain their own operational spreadsheets which record the work completed by partners e.g. the date and length of training sessions partners attend.</p> <p>Extracts of these operational spreadsheet showing the nature of work performed by partners are sent to Finance for processing of payments. Discussions with the Registration Department and Partners Department during our review identified that quality assurance checks of the accuracy and completeness of spreadsheet records do not always occur until after these spreadsheets have been sent to Finance for processing.</p> <p>We acknowledge that Departments are required to authorise payments and therefore are provided with</p> | <p>HCPC Departments should conduct a quality check of spreadsheets setting out partner work completed before these are sent to Finance for processing. This check should include a reasonableness assessment of the total amount of partner work completed during the period against their general knowledge; along with a spot check of individual partner work to supporting documentation.</p> <p>Finance should review individuals who have the</p> | Medium | <p>We are looking to implement checklist/ sign off sheets for departments to complete before sending lists of partner fees payable to Finance, which can document the preparer of the data and the reviewer of the data. This will ensure the departments check the data for reasonableness. Individual who can both approve and submit only refer to one authorising manager in Education, where the person who sends us the information is also one of the final approvers on WAP for the entries. When finance post the records on the WAP system, they are checked and approved by a different person in first instance before this is then send back to the person who sent the information for final approval. Therefore there is independent review in place.</p> | <p>Head of Financial Accounting</p> <p>Update</p> <p>06/09/2016 – Upon review with relevant departments, we will implement a simpler version of the sign off process. The direct payment process notes will make clear that by sending the operational spreadsheet to the finance department, the person confirms that he/she has checked the information for</p> |

| | Finding and Implication | Recommendation | Priority | Management response | Timescale/ Responsibility |
|---|--|---|----------|---|--|
| | <p>this further opportunity to assess the accuracy and completeness of partner work conducted before payments are processed. Additionally, partners are likely to raise their own queries where incomplete, or no, payment has been received (due to error in Departmental spreadsheets).</p> <p>Payment Authorisation</p> <p>Authorised Managers from the relevant HCPC Department must approve partner transactions before payments to partners are made. We understand from the Purchase Ledger Officer and Partners Department team that Authorised Managers can approve the same partner transactions they submitted to Finance. As a result there is a risk that inappropriate partner payments are made due to a lack of independent review. We acknowledge that notification of payments requiring approval will be sent to multiple Authorised Managers in each Department which enables oversight from multiple employees, not just the individual who provides the final approval. This is also to provide cover for authorised for when they are on leave or out of office, by having a few delegate meant partner payment is not delayed.</p> | <p>ability to approve partner payments in the WAP system, ensuring these are not the same individuals who submit spreadsheets to Finance for processing.</p> | | <p>Date Effective: Departmental checklist/ sign off sheet: Q2 2016</p> <p>Owner: Finance department</p> | <p>completeness and accuracy.</p> <p>Currently all payment requests will be approved by 2 individuals in each department through WAP system, therefore there is independent review in place.</p> |
| 7 | <p>In order to process partner payments, a .txt payment file must be extracted from the Sage Finance system and uploaded into the Lloyds banking system. The partner payment file is combined with up to three other payment files whilst in .txt format to minimise the number of Lloyds payment files that signatories must authorise.</p> <p>Due to Finance's manual amalgamation of the .txt partner payment file with other payment files, there is a risk that the value or bank account details of</p> | <p>The Finance team should investigate whether the Sage Finance system can combine multiple payment files together before extracting this combined payment run as a .txt file. If Sage Finance system functionality allows a single payment file to be created, the Finance team should</p> | Low | <p>Currently, we cannot create one file that holds partners, suppliers and staff payment details, which are split into their own groups. The way Sage is set up we would be forced to import three separate files into Lloydslink, resulting in there being 4 payment files, including one-offs and refunds, for signatories to approve. This will also result in higher bank charges due to the volume of transaction. We can use hash totals to check files</p> | <p>Head of Financial Accounting</p> <p>Update</p> <p>06/09/2016 – We have now changed our process so that the .txt file is uploaded straight to the Lloyds banking system, instead of</p> |

| | Finding and Implication | Recommendation | Priority | Management response | Timescale/ Responsibility |
|--|---|--|----------|---|--|
| | <p>individual payments could be altered. In other organisation, we see hash total control checks be introduced, which raise an alert when a .txt payment file is entered into Lloyds that differs from what was extracted from the Sage Finance system.</p> <p>However, as the.txt payment file is being combined with other payment files, it is not currently possible to implement this control in the HCPC environment. We do acknowledge that documentation is provided when the paperwork is presented to the signatories in an appropriate format.</p> | <p>implement a hash total check on this .txt file. This hash total would identify any amendments made between the export from Sage and input into the Lloyds banking system.</p> <p>In the interim, the Finance team should consider implementing a spot check of individual line items from the Lloyds partner payment report against the partner payment file in Sage to ensure no amendments have been made. This spot check should not be undertaken by the Treasury Accountant in order to ensure segregation of duties are in place.</p> | | <p>have not been manipulated. The payment signatories check the BACS total to the underlying listings, providing an independent review.</p> <p>Date Effective: N/a Owner: Finance department</p> | <p>combining it with other payment files. This eliminates the need for any manual intervention between Sage and Lloyds. Once uploaded, the payment signatories will check the BACs total to the underlying listing from Sage, providing an independent review.</p> |
| | <p>Payroll</p> <p>HCPC's outsourced payroll provider (Access) have developed procedural documentation for the payroll activities they complete on behalf of HCPC. At the time of our audit this procedural documentation had recently been updated and had yet to be reviewed by HCPC to ensure that changes appear appropriate. In our experience, changes to procedure documentation (particularly that of third party service providers) must be reviewed and agreed upon in a timely manner as changes to processes may weaken the control environment and could lead to payroll processing errors.</p> | <p>The HCPC HR and Finance teams should review recent amendments to Access's payroll procedural documentation to ensure that these appear reasonable, and feedback any changes they feel should be made to ensure a robust control environment is in place. The HCPC HR and Finance teams should provide formal approval for all amendments required by</p> | Low | <p>A new detailed process note for payroll will be produced as part of the new payroll and HR system. We will ensure that if CoreHR propose a change to the procedures in the future, this will get sign offs from HCPC first. The only amendment to Access's payroll procedures was the change to the calculation for mid-month salary increase. This is updated in the payroll procedures manual and have now been reviewed by HCPC. We will look to update the process notes for partner payments once FTP has been transferred to this process and checklist/sign off sheet has been agreed</p> | <p>Head of Financial Accounting/ [Human Resources Manager]</p> <p>Update</p> <p>06/09/2016 - On track, contract has been signed with the new payroll provider and implementation is underway leading to planned go live in November 2016</p> |

| | Finding and Implication | Recommendation | Priority | Management response | Timescale/ Responsibility |
|--|---|---|----------|---|------------------------------|
| | <p>Furthermore, the current internal process flow documentation maintained by HCPC does not cover all payroll activities performed by HR and Finance teams. For example, this does not detail the nature of checks performed by HR and Finance over payroll before this is processed by Access. Without up-to-date and comprehensive guidance material, there is a risk that a change in staff involved in payroll processing may lead to key activities not being performed efficiently or key controls within the payroll process not being adhered to.</p> <p>Partner Payments</p> <p>The current partner payment process flow documentation maintained by HCPC does not cover all partner payment activities performed by Finance and relevant Departments. For example, it does not currently include how to input partner payments into WAP, and how Departments should maintain their own records of partner work completed.</p> <p>Without up-to-date and comprehensive guidance material, there is a risk that a change in staff involved in processing partner payments may lead to key activities not being performed efficiently or key controls within the partner payment process not being adhered to.</p> | <p>Access to their procedural documentation going forward.</p> <p>The HCPC HR and Finance teams should expand the current payroll flow documentation to cover all key payroll processing activities. Additionally, this procedural guidance should be updated to reflect changes in processes due to movement to the new outsourced payroll provider.</p> <p>The HCPC Finance team, and other relevant Departments across the organisation involved in partner payments, should expand the current partner payment flow documentation to cover all key activities in this area.</p> | | <p>with all departments.</p> <p>Date Effective:</p> <ul style="list-style-type: none"> · Payroll: Nov/Dec 2016 (Implementation of new payroll bureau system) · Payment process – Q2/3 2016 <p>Owner: Finance department</p> | |