Audit and Risk Assurance Committee
15 March 2023

hcpc health & care professions council

Internal Audit report – Unified Assurance Framework

Executive Summary

As part of the 2022-23 Internal Audit Plan as approved by the Committee, BDO LLP have undertaken a review of the Unified Assurance Framework (UAF).

The primary objective of this review was to assess the UAF and to provide an opinion on the design and effectiveness of the current process, as well as providing advice on enhancements that may be made to make the process more effective.

Previous consideration	The report has been reviewed by ELT
Decision	The Committee is invited to discuss the report.
Next steps	Recommended actions agreed with the Executive will be tracked for progress in the Committee's standing recommendation tracker report.
Strategic priority	All
Risk	As detailed in the findings
Financial and resource implications	The cost of the audit is included in the Internal Audit annual fee.
Author	BDO LLP

Health and Care Professions Council

UNIFIED ASSURANCE FRAMEWORK

INTERNAL AUDIT REPORT – Final

LEVEL OF ASSURANCE:

DESIGN	**MODERATE[1]**
EFFECTIVENESS	**MODERATE**

[1] Equivalent to 'Green/Amber'

IDEAS | PEOPLE | TRUST

BDO

CONTENTS

DISTRIBUTION LIST

FOR ACTION	Anna Raftery	Quality Assurance Lead
	Roy Dunn	Chief Information Security and Risk Officer
FOR INFORMATION		

REPORT STATUS

LEAD AUDITOR:	Dan Bonner
DATES WORK PERFORMED:	23/11/2022 to 13/01/2023
ADDITIONAL DOCUMENTATION RECEIVED:	N/A
DRAFT REPORT ISSUED:	23/01/2023
MANAGEMENT RESPONSES RECEIVED:	22/02/2023
FINAL REPORT ISSUED:	23/02/2023

EXECUTIVE SUMMARY

LEVEL OF ASSURANCE: (SEE APPENDIX I FOR DEFINITIONS)		
DESIGN	MODERATE (Green/Amber)	Generally, a sound system of internal control designed to achieve system objectives with some exceptions.
EFFECTIVENESS	MODERATE (Green/Amber)	Evidence of non-compliance with some controls, which may put some of the system objectives at risk.

SUMMARY OF FINDINGS (SEE APPENDIX I)			# OF AGREED ACTIONS
H	0		0
M	6		6
L	1		1
TOTAL NUMBER OF FINDINGS: 4			7

BACKGROUND & SCOPE

As part of the plan for 2022/23, as approved by the Audit and Risk Assurance Committee, we have undertaken a review of the Unified Assurance Framework (UAF). The UAF is an organisational framework with underlying processes, that aims to ensure and document that management have accurate, complete and timely assurance on HCPC's operations and risks.

The UAF divides the assurance framework into three 'lines' of defence. Each line in each business area should have its own control and assurance mechanisms. 'Line 1' relates to controls in each detailed business process; 'line 2' checks or oversees the line 1 controls.

PURPOSE

The primary objective of this review was to assess the UAF and to provide an opinion on the design and effectiveness of the current process, as well as providing advice on enhancements that may be made to make the process more effective.

CONCLUSION

HCPC has established a UAF and put in place systems and processes to maintain this as a live document. However, it is recognised that HCPC is at the early stages of embedding the process and thus improvements could be made to enhance its maturity and the assurances that can be derived from it.

The UAF processes implemented clearly link risks and assurance activity to HCPC's strategic objectives. The undertaking of quarterly reviews that assess both the Corporate Risk Register and the UAF, at the same time, ensure clear alignment between assurance and risk discussions. Moreover, managers across the business confirmed that management find the report and process useful. However, it is unclear how the assurance activity that has been captured within the UAF has been determined as key to each department.

It is also clear that there has been continued efforts to enhance the process in an effort to maintain continuous improvement. However, the processes established to gather information and provide assurances, particularly at line 1, could be enhanced by providing a set of principles for what 'good'/'better'/'best' look like and the assurances derived from 'line 1' controls could be measured. Further assurance could then be gained via line 2 reviews of self-assessed maturity which provide a semi-independent review of the level of compliance. At this stage, HCPC should be clear about the amount of assurance that can be derived from the UAF.

It would also be beneficial if ownership of the UAF was handed to departments, who could then take responsibility for maintaining it as a live document. The quarterly conversations observed were reactive and place a significant administrative burden on the Quality Assurance Lead and Chief Information Security and Risk Officer. Removing some of the administrative burden for maintaining the UAF would enable quality assurance functions to undertake assurance activity to provide greater assurance over the controls in place at Line 1.

As a result of our work, we have raised 0 high, 6 medium and 1 low priority recommendations, which have been raised to provide guidance on how HCPC can enhance the maturity of the existing process. While we have provided a Moderate design and effectiveness opinion, it should be recognised HCPC colleagues are keen to learn from other good practice and establish a more mature model.

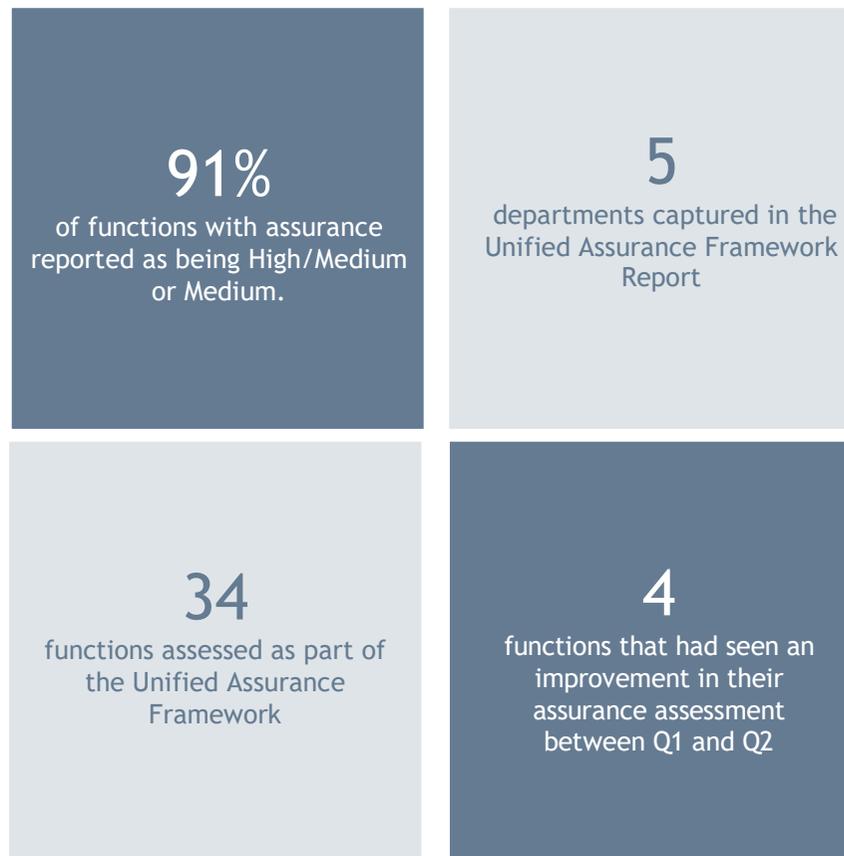# EXECUTIVE SUMMARY

SUMMARY OF GOOD PRACTICE

► HCPC has established a Unified Assurance Framework which is supported by management who agree that it is a useful tool and process.

► The Framework clearly links to the organisation's strategic objectives and there are clear links between risks captured in the Corporate Risk Register and the assurance activity being undertaken.

► The reports produced provide a clear, high level, summary of assurance activity in place and the direction of travel for the assurance activity identified

SUMMARY OF KEY THEMES

Although there is good practice noted, we noted the following where HCPC can improve the process further:

► **Quality Framework:** HCPC could enhance the maturity of the Framework and consistency of reporting by developing a Quality Framework which outlines high level principles that define what good/better/best assurance activities look like to enhance consistency in reporting and enable continuous improvement.

► **Ownership:** Ownership of the maintenance of the Framework should pass to the business to enable the approach to maintenance to become more proactive and to free up time in the Quality Assurance Team to provide assurance over the control activities that have been established and thus the assurance that can be derived on the Framework.

► **Independent Assessment:** As part of HCPC's efforts to make the Framework and the assurances derived therefrom more mature, over time, HCPC should establish a process for Line 2 to independently assess the veracity of self-assessed assurance statements.

► **Risk Appetite:** When assessing risk as part of the Framework discussions, it may be beneficial to link it with HCPC's wider risk appetite, and where risks may need to be mitigated or accepted.

USEFUL STATISTICS

91%
of functions with assurance reported as being High/Medium or Medium.

5
departments captured in the Unified Assurance Framework Report

34
functions assessed as part of the Unified Assurance Framework

4
functions that had seen an improvement in their assurance assessment between Q1 and Q2

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DETAILED FINDINGS

DETAILED FINDINGS

RISK: Completeness of the Assurance Framework

FINDING 1 - Quality Framework	TYPE
It is essential that when designing an Assurance Framework, organisations capture all functions and activities. Further, when developing an Assurance Framework that is designed to assess the adequacy and effectiveness of the entire control environment in line 1, that all control activities are captured. We examined the approach HCPC has taken to designing the UAF to determine how it has been ensured that a complete and accurate picture of all first line control activities have been captured and assessed._ We established that the key control activities within each department were initially discussed with associate directors and that key controls were identified, captured within the UAF, and self-monitored on an ongoing basis. However, we found the controls captured within each department differ in some instances and the content and structure of the UAF differs from department to department. In organisations where the Assurance Framework is more mature, a Quality Framework has been established to define high level control principles which is then used to assess control across departments consistently and ensure any gaps can easily be identified. However, it should be noted that this process, and implementation of the suite of iterative recommendations below may take two years to embed.	**DESIGN**

IMPLICATION	SIGNIFICANCE
• The current approach to determining the control environment in each department may mean that key aspects of the line 1 control environment is overlooked. Furthermore, lack of a Quality Framework may make it more difficult to compare the adequacy and effectiveness of controls operating across the organisation.	**MEDIUM**

RECOMMENDATIONS	ACTION OWNER	MANAGEMENT RESPONSE	COMPLETION DATE
1. Develop a Quality Framework that contains 'pillars' to create a standard way in which to assess the control environment across departments. These pillars could include Policies and Guidance, Induction and Training, Quality Checks / Peer Review, Continuous Improvement and Performance Monitoring, as examples (Year 1). 2. For each pillar, design high level guidance setting out expectations for the expected controls to be captured within each pillar, including a good/better/best system of self-assessment to support continuous improvement (Year 1). 3. Ask teams to complete a self-assessment against each of the pillars, utilising the good practice guidance. Collate these responses and use them as the basis for the population of the UAF (Year 2).	Anna Raftery, Quality Assurance Lead.	Accepted. The variability of level 1 assurance activity across departments reflects the existing matrix of departmental workload, resources, processes and stability of those variables. Level 1 check enhancement may require resources greater than those possible under existing financial constraints. However, efforts to include these potential pillars will continue and progress to deliver against these pillars will be monitored.	Requires a complete cycle of audits to create and check compliance 01/03/2024 Year 1 activities and 01/03/2025 Year 2 active use in UAF.

DETAILED FINDINGS

RISK: Balance between management and independent assurance

FINDING 2 – Ownership of the Process	TYPE
It is important in developing any Assurance Map to ensure that there is an appropriate split of roles and responsibilities and that the process itself is useful to the business. We discussed with managers across HCPC how the UAF operates in practice, to determine whether the approach taken is efficient and effective in ensuring the efficacy of the process and the assurances derived from the UAF. We confirmed that colleagues find the UAF valuable, particularly the regular quarterly catch ups and the process of updating the UAF supported management in considering risk. The skills, knowledge and experience of both the Quality Assurance Lead and Chief Information Security and Risk Officer in supporting management to embed controls into their processes were noted to be especially valuable. However, through our observations of the quarterly updates we noted that conversations tended to be quite reactive and discussions were undertaken on a line-by-line basis, with the Quality Assurance Lead and Chief Information Security Risk Officer leading the discussions on each risk and control area. In organisations with more mature risk management, we would expect to see risk and UAF discussions owned by the business, with updates prepared in advance through risk discussions that are embedded within management team meetings and central colleagues taking more of a support and challenge role as part of update discussions.	DESIGN

IMPLICATION	SIGNIFICANCE
• The process of updating the Risk Register and UAF may not be as efficient as possible, and the Quality Assurance Lead and Chief Information Security and Risk Officer means overdependency on them and less time for them to provide line 2 assurance of the controls that exist, ultimately reducing the assurance that can be placed on the UAF.	MEDIUM

RECOMMENDATIONS	ACTION OWNER	MANAGEMENT RESPONSE	COMPLETION DATE
4. Take steps to hand the administration of the Risk Register and the UAF over to departments, undertaking monitoring to ensure that both documents become 'live' and are subject to frequent discussion within regular management fora, such as Department Management Team meetings.	Roy Dunn CISRO & Anna Raftery, Quality Assurance Lead	Whilst the outsourcing of this work to the risk owners would lower the effort required in the QA and R&C departments, we believe this recommendation has a very low probability of being successful. Prompting and interrogation of risk owners acts as a form of coaching and is required to ensure risks and assurance are treated consistently across the organisation; and sufficient detail is included to frame the risks and treatments adequately. This approach	Not accepted.

| | | also fits in with HCPC's culture, where the conversation is as important as the metrics collected.

The departmental logging of operational risks proposed in the recommendations has been tried in the last 6 years and was inconsistent in its results.

The rigour of the existing process is almost certainly why it has been relatively successful to date.

We may attempt to attend team meetings to gauge the alignment of the ORR to reality. | |

DETAILED FINDINGS

RISK: Reliability and probity of the assurance, in principle

FINDING 3 – Independent Assessment	TYPE
To enhance the veracity of the assurances that can be derived from an assurance framework, it is important that both the design and effectiveness of any control environment is independently tested for an unbiased assessment of the controls' efficacy. Undertaking this work centrally also allows for benchmarking to take place and for best practice to be shared. We examined the process for validating the efficacy of the controls in place as part of HCPC's UAF, to understand to what extend controls had been independently tested and benchmarked. Discussions with colleagues confirmed that at present the detail contained within the UAF has been gathered through their conversations with management as determine the key controls in operation within each department. No independent examination of these controls has been undertaken, over and above the general line 2 activity that is undertaken as part of their plan of work. Again, as the recommendations laid out below are predicated on implementation of recommendations 1-3, it may be that two years before HCPC is able to embed these actions.	DESIGN

IMPLICATION	SIGNIFICANCE
• Failure to have an independent assessment of controls could result in an unreliable or inaccurate assessment of control adequacy and effectiveness, thus giving those charged with governance false assurance as to the efficacy of HCPC's system of governance, risk management and internal control.	MEDIUM

RECOMMENDATIONS	ACTION OWNER	MANAGEMENT RESPONSE	COMPLETION DATE
5. Following implementation of recommendations 1-4, The Quality Assurance Team should introduce a rolling programme of reviews of team assurance maps over a three-year cycle, assessing the veracity of the self-assessment statements and providing and independent assessment of the strength of the control environment (Year 2). 6. As part of the above process, collate information on best practice observed and use this to continually improve the good practice guidance and Quality Framework (Year 2).	Anna Raftery, Quality Assurance Lead.	Accepted Departmental self-assessment statements and methods will be evaluated on a case by case basis, to check the veracity of claimed effectiveness, and share best practise where observed and applicable to other departments.	01/03/2024

DETAILED FINDINGS

RISK: The assurance framework is proportionate in complexity and effort relative to the risk

FINDING 4 – Risk Appetite	TYPE
Key to effective risk management in any organisation is ensuring that the organisation's response to risk is proportionate. Any risk management framework should recognise that there is a tipping point at which the cost/benefit of continuing to try and reduce the impact or likelihood of risk crystallising is outweighed by the impact of the risk itself. We observed quarterly UAF meetings and held discussions with the Quality Assurance Lead and Chief Information Security and Risk Officer to determine how risk appetite features in discussions related to the UAF. We observed that during the meetings attended there was little discussion of risk appetite and that consideration of risk appetite did not feature in discussions, nor incorporated into the Risk Register at a local level. Given the significant amount of work done corporately on risk appetite over the last two years or so, it suggests that risk appetite has not percolated to the working level discussion on risk.	DESIGN

IMPLICATION	SIGNIFICANCE
• The organisation may exhaust a disproportionate amount of resource trying to mitigate against a risk that senior management and the Board may be willing to accept, reducing the efficiency and effectiveness of the risk management process. Our earlier recommendations to have more proactive local manager involvement in the risk, control and assurance framework could widen the disconnect with the corporate risk appetite thinking.	LOW

RECOMMENDATIONS	ACTION OWNER	MANAGEMENT RESPONSE	COMPLETION DATE
7. Incorporate risk appetite into discussions around risk as part of the quarterly update process and consider whether a target risk score, linked to the organisation's risk appetite statement should be included within the Risk Register.	Roy Dunn. CISRO	Partially accepted. Whilst Risk Appetite is not prompted specifically in ORR discussions with risk owners, they are always asked if the residual risk and target risk are appropriate to the individual ORR being discussed. This is effectively examining risk appetite on a more fine scale than applied via the Strategic Risk Register Risk Appetite and is thus more beneficial. Strategic Risk Appetite will be added as an approximation to individual ORRs.	01/07/2023

APPENDICES

APPENDIX I: DEFINITIONS

LEVEL OF ASSURANCE	DESIGN OF INTERNAL CONTROL FRAMEWORK		OPERATIONAL EFFECTIVENESS OF CONTROLS	
	FINDINGS FROM REVIEW	DESIGN OPINION	FINDINGS FROM REVIEW	EFFECTIVENESS OPINION
SUBSTANTIAL =Green	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 Green Amber	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, which may put some of the system objectives at risk.
LIMITED Amber	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 Amber/Red	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.

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APPENDIX II: TERMS OF REFERENCE

EXTRACT FROM TERMS OF REFERENCE
PURPOSE
The primary objective of this review was to assess the Unified Assurance Framework and to provide an opinion on the design and effectiveness of the current process, as well as providing advice on enhancements that may be made to make the process more effective.
KEY RISKS
The key risks considered within this area of activity were whether: • the assurance framework is not complete – some areas or activities of the business are not included, including functions, teams and geographic locations; • the assurance in principle, or the evidence of it, is unreliable, lacks probity or is too infrequent or not timely enough to be of use; • there is insufficient balance between management and independent assurance; • the assurance framework is disproportionately complex or burdensome relative to the risks and HCPC's capacity to handle risk; and • the assurance activity is conducted but not adequately communicated to the appropriate persons.
SCOPE
Our review was limited to assessing the design and development of the Unified Assurance Framework, assessing how robust the assurances are that are derived from it.
APPROACH
Our approach was be to conduct interviews to establish how the Unified Assurance Framework has been developed and populated and we also undertook document reviews to examine the Unified Assurance Framework and the evidence that has been sought to provide assurance of the controls that exist at the first and second line. We also attended quarterly team meetings in November and December alongside the Quality Assurance Lead to understand how this process informs the population of the United Assurance Framework and met with colleagues from the business to understand their views on whether they find the process useful.
EXCLUSIONS
The scope of the review is limited to the areas documented under the scope and approach section of this document. All other areas are considered outside of the scope of this review.

APPENDIX III: STAFF INTERVIEWED

BDO LLP APPRECIATES THE TIME PROVIDED BY ALL THE INDIVIDUALS INVOLVED IN THIS REVIEW AND WOULD LIKE TO THANK THEM FOR THEIR ASSISTANCE AND COOPERATION.		
Anna Raftery	Quality Assurance Lead	
Roy Dunn	Chief Information Security and Risk Officer	
Jamie Hunt	Acting Head of Education	
Richard Houghton	Head of Registration	

APPENDIX IV: LIMITATIONS AND RESPONSIBILITIES

MANAGEMENT RESPONSIBILITIES

The audit sponsor is responsible for determining the scope of internal audit work, and for deciding the action to be taken on the outcome of our findings from our work.

The Board is responsible for ensuring the internal audit function has:

- The support of the Company's management team.
- Direct access and freedom to report to senior management, including the Chair of the Audit and Risk Committee.
- The Board is responsible for the establishment and proper operation of a system of internal control, including proper accounting records and other management information suitable for running the Company.

Internal controls cover the whole system of controls, financial and otherwise, established by the Board in order to carry on the business of the Company in an orderly and efficient manner, ensure adherence to management policies, safeguard the assets and secure as far as possible the completeness and accuracy of the records. The individual components of an internal control system are known as 'controls' or 'internal controls'.

The Board is responsible for risk management in the organisation, and for deciding the action to be taken on the outcome of any findings from our work. The identification of risks and the strategies put in place to deal with identified risks remain the sole responsibility of the Board.

LIMITATIONS

The scope of the review is limited to the areas documented under Appendix II - Terms of reference. All other areas are considered outside of the scope of this review.

Our work is inherently limited by the honest representation of those interviewed as part of colleagues interviewed as part of the review. Our work and conclusion are subject to sampling risk, which means that our work may not be representative of the full population.

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.

Our assessment of controls is for the period specified only. 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

FOR MORE INFORMATION:

SARAH HILLARY, PARTNER

sarah.hillary@bdo.co.uk

www.bdo.co.uk

42001482