

Audit Committee 27 September 2012

Internal audit report – Follow-up of previous recommendations

Executive summary and recommendations

Introduction

Mazars has undertaken a follow-up of previous recommendations from internal audit reports, in accordance with the internal audit plan agreed by the Committee in March 2012. The report is attached as an appendix to this paper.

Decision

The Committee is asked to discuss the report.

Background information

At its meeting in March 2012, the Committee approved the Internal Audit Plan for 2012-13.

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. This information was provided in papers discussed at the Committee's meetings in March and June 2012 and a further paper is on the agenda for today's meeting.

Resource implications

None.

Financial implications

None.

Appendices

Internal audit report – Follow-up of previous recommendations

Date of paper

17 September 2012



Internal Audit Report

**Follow Up
(01.12/13)**

September 2012

FINAL REPORT

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AUDIT CONTROL SCHEDULE:

| | | | |
|---|--|---|--|
| Client contacts: | Tim Moore: Director of Finance Louise Hart: Secretary to Council Marc Seale: Chief Executive and Registrar | Internal Audit Team: | Peter Cudlip: Partner Graeme Clarke: Director James Sherrett: Senior Auditor David Kershaw: Auditor |
| Finish on Site \ Exit Meeting: | 3 July 2012 | Management responses received: | 1 August 2012 24 August 2012 28 August 2012 |
| Draft report issued: | 18 July 2012 | Final report issued: | 4 September 2012 |
| Revised Draft report issued: | 28 August 2012 | | |

In the event of any questions arising from this report please contact Graeme Clarke, Director, Mazars LLP graeme.clarke@mazars.co.uk

Status of our reports

This report is confidential and has been prepared for the sole use of the Health and Care Professions Council.

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1. INTRODUCTION

- 1.1 As part of the Internal Audit Plan for 2012/13 we have undertaken a review to follow up progress made by the Health and Care Professions Council (HCPC) in implementing internal audit recommendations made during 2011/12. This included recommendations from 2010/11 audit reports which had not been implemented at the time of last year's follow up review.
- 1.2 We would like to thank staff at HCPC for their assistance and help during the course of the audit.
- 1.3 This report is confidential and for the use of the Audit Committee and senior management of HCPC. The report summarises the results of the internal audit work and is by exception. It therefore, does not include all matters that came to our attention during the audit. Such matters have been discussed with the relevant staff.

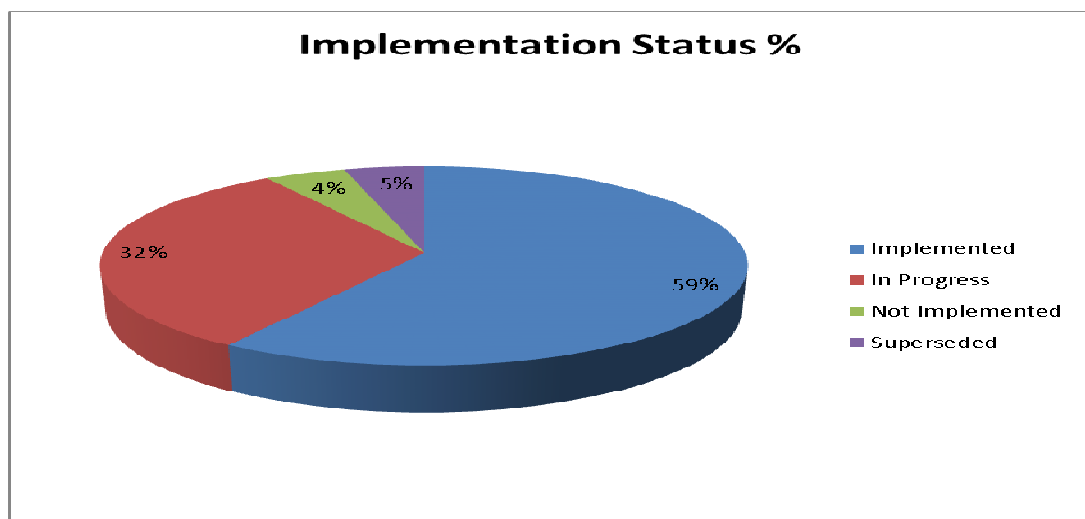
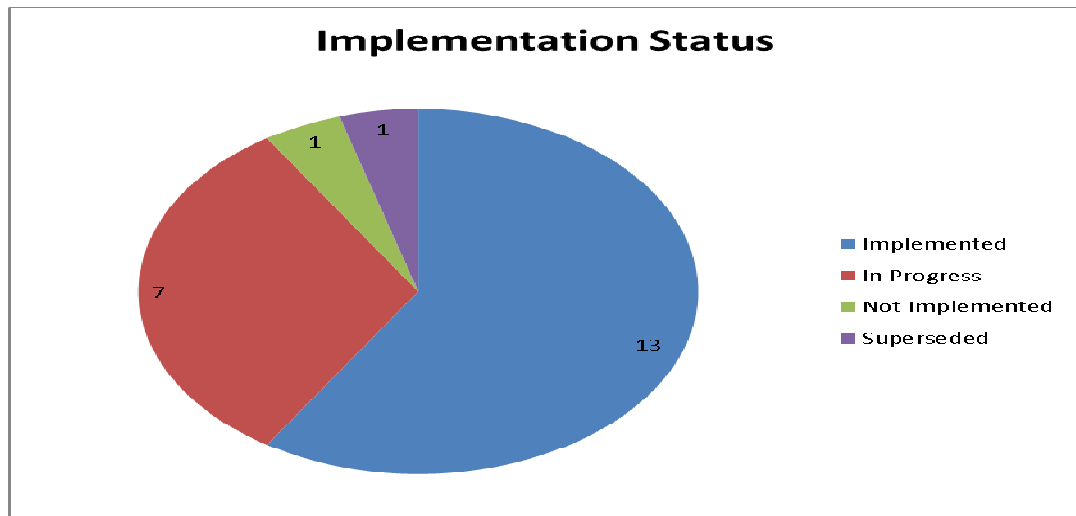
2. SCOPE AND OBJECTIVES OF THE AUDIT

- 2.1 The audit areas considered as part of this follow up review included:
- Information Security & Data Protection (report reference 01.11/12);
 - Follow Up (02.11/12);
 - Partners (03.11/12);
 - Payroll (04.11/12);
 - Risk Management (05.11/12);
 - Corporate Governance (06.11/12); and
 - Purchase Ordering System (07.11/12).
- 2.2 Recommendations in respect of Project Management (08.11/12) will be followed-up as part of the specific Project Management review included in the Plan for 2012/13.
- 2.3 Staff members responsible for the implementation of the recommendations were interviewed to determine the status of the agreed actions. Audit testing has been completed, where appropriate, to assess the level of compliance with this status and the controls in place.
- 2.4 During 2011/12, HCPC have introduced a process whereby Management report on the status of implementation of recommendations to each Audit Committee, most recently in June 2012. The results of these reports have been used to inform our work.

3. SUMMARY OF FINDINGS

- 3.1 There were a total of 25 recommendations accepted by Management within the reports referred to in section 2.1 above. Three of these recommendations were categorised as 'Priority 2' and 20 categorised as "Priority 3'.
- 3.2 In three cases, the target date for implementation had not been reached and therefore we did not consider these recommendations as part of this review. All were categorised as Priority 3, one 'was from our review of Information Security and Data Protection and two 'from our review of Corporate Governance.

3.3 Based on our review, the status of the remaining recommendations is as follows:



3.4 Thirteen recommendations have been implemented. Seven recommendations are considered to be in the process of being implemented. One of these was a 'Priority 2' recommendation carried forward from the previous follow up review concerning the Procurement, Requisitions & Purchases procedures which have been drafted and are soon to be approved and implemented. The remaining recommendations were categorised as 'Priority 3'. Further detail is included in Section 5 below.

3.5 The one recommendation classified as 'not implemented' is categorised as 'Priority 3' and relates to implementation of online applications which forms part of a current significant project.

3.6 One 'Priority 3' recommendation was considered superseded. This related to additional information being included in the Employee Handbook. However the information is available elsewhere and management consider that it is not necessary to duplicate this in the Employee Handbook.

3.7 Finally, we consider the status of our work to be consistent with that reported by Management to the Audit Committee as part of their progress monitoring reports.

4. DEFINITIONS

4.1 The status of recommendations are assessed as follows:

| Status | Detail |
|--------|--|
| 1 | The recommendation has been implemented |
| 2 | Progress has been made on implementation of the recommendation |
| 3 | The recommendation has not yet been implemented |

4.2 Where we have reiterated recommendations or reworded them the following categories have been used:

| Priority Rating | Definition |
|------------------------------|--|
| Priority 1 (Fundamental) | Recommendations represent fundamental control weaknesses, which expose HCPC to a high degree of unnecessary risk. |
| Priority 2 (Significant) | Recommendations represent significant control weaknesses which expose HCPC to a moderate degree of unnecessary risk. |
| Priority 3 (Housekeeping) | Recommendations show areas where we have highlighted opportunities to implement a good or better practice, to improve efficiency or further reduce exposure to risk. |

5. DETAILED FINDINGS AND ACTION PLAN

| Area: Information Security & Data Protection (01.11/12) | | | | | | | | |
|---|---|-------------------|---|---------------|--|--------|--|---|
| Orig Ref | Original Recommendation | Original Category | Original Management Response | Impl'n Date | Manager Responsible | Status | Comments/ Implication | New Recommendation |
| 6.6 (a) | HPC should consider updating the Office Security Policy within the Employee Handbook to make explicit reference to ensuring that all filing cabinets are locked when the section is unmanned. | Priority 3 | Departmental guidelines require confidential material to be secured overnight, however we will look to update the employee handbook | By April 2012 | Head of BPI & Facilities Mgr. (Director of HR) | 2 | Recommendations for updates to the handbook have been drafted and are to be included in the next update. | As planned, the Handbook should be updated following final approval (Priority 3). |
| | | | | | | | | Updated Management Comment/ Implementation Date/Manager Responsible |
| | | | | | | | | The handbook will be updated during August 2012. |
| | | | | | | | | Head of BPI & Facilities Mgr. (Director of HR) |

| Area: Information Security & Data Protection (01.11/12) | | | | | | | | |
|---|--|-------------------|---|---------------|---|--------|--|--|
| Orig Ref | Original Recommendation | Original Category | Original Management Response and Updated Response | Impl'n Date | Manager Responsible | Status | Comments/ Implication | New Recommendation |
| 6.6 (a) | When practical the organisation should look towards introducing a 'clear desk policy' to ensure that all sensitive and personal data is locked away at the end of each day. Once implemented this should be detailed in the Employee Handbook. | Priority 3 | Departmental guidelines require confidential material to be secured overnight, however we will look to update the employee handbook | By April 2012 | Head of BPI & Facilities Mgr. (Director of HR) | 2 | As above, recommendations for updates to the handbook are to be included in the next available update. | <p>As planned, the Handbook should be updated following final approval (Priority 3).</p> <p>Updated Management Comment/ Implementation Date/Manager Responsible</p> <p>The handbook will be updated during August 2012.</p> <p>Head of BPI & Facilities Mgr. (Director of HR)</p> |

| Area: Information Security & Data Protection (01.11/12) | | | | | | | | |
|---|--|-------------------|---|-------------|------------------------------|--------|--|--|
| Orig Ref | Original Recommendation | Original Category | Original Management Response | Impl'n Date | Manager Responsible | Status | Comments/ Implication | New Recommendation |
| 6.8 | As planned, HPC should consider the introduction of online applications. | Priority 3 | <p>Online Applications are already on a project list, and will be prioritised when a suitable window in the projects schedule allows.</p> <p>However, we are legally required to provide a paper application route.</p> | Ongoing | Director of Operations / EMT | 3 | <p>This has not yet been implemented due to this recommendation requiring a large project.</p> <p>Major project prioritisation process is due to take place in October 2012.</p> | <p>As planned, HCPC should consider the introduction of online applications. (Priority 3)</p> <p>Updated Management Comment/ Implementation Date/Manager Responsible</p> <p>Online applications is a project which sits on the list of projects for future consideration. These will be discussed at the EMT away-day in November 2012 to determine the project prioritisation.</p> <p>Director of Operations / EMT</p> |

| Area: Follow Up (02.11/12) (Financial Systems Review 2010/11 – R2) | | | | | | | | |
|--|---|-------------------|--|-------------|---------------------|--------|--|--|
| Orig Ref | Original Recommendation | Original Category | Original Management Response | Impl'n Date | Manager Responsible | Status | Comments/ Implication | New Recommendation |
| 5.1 | Management should complete the steps necessary towards removing the option for individuals to follow manual procedures when raising supplier purchase orders. | Priority 2 | It is proposed to introduce the required changes as part of a major project in 2012/13 Financial Year but will need to be after the Social Work on-boarding major project. | 2012/13 | Director of Finance | 2 | <p>The Procurement, Requisitions and Purchases procedures have been drafted and comments invited from Mazars as part of this review. These have been provided separately to Management.</p> <p>Following consideration of the suggested amendments and approval of the procedures document by the Finances and Resources Committee this recommendation will be complete.</p> | <p>As planned, the Procurement, Requisitions and Purchases procedures should be updated to reflect our comments and approved by the Finance and Resources Committee. (Priority 3)</p> <p>Updated Management Comment/ Implementation Date/Manager Responsible</p> <p>This document will now be reconsidered to include a revised tendering policy and proposals for the supplier database. This will be completed in November 2012.</p> <p>Director of Finance</p> |

| Area: Payroll (04.11/12) | | | | | | | | |
|--------------------------|---|-------------------|---|--|---------------------|--------|---|--|
| Orig Ref | Original Recommendation | Original Category | Original Management Response | Impl'n Date | Manager Responsible | Status | Comments/ Implication | New Recommendation |
| 6.2 | 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. | Priority 3 | 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. | Timescales pending outcome of Executive Team meeting November 2011 | Director of Finance | 2 | The project is planned and is currently at an early stage. Likely completion is anticipated to be 2013/14. | <p>Recommendation carried forward. (Priority 3)</p> <p>Updated Management Comment/ Implementation Date/Manager Responsible</p> <p>The project plan and its timing will be discussed at the November 2012 away day. Director of Finance</p> |

| Area: Risk Management (05.11/12) | | | | | | | | |
|----------------------------------|--|-------------------|---|-------------|---------------------|--------|---|--|
| Orig Ref | Original Recommendation | Original Category | Original Management Response | Impl'n Date | Manager Responsible | Status | Comments/ Implication | New Recommendation |
| 6.2 | Consideration should be given to identifying 'early warning signals' on the Risk Register, against significant risks, which would 'flag-up' the types of events/occurrences which indicate that the risk is likely to crystallise. | Priority 3 | <p>The EMT would like to examine working examples of such early warning flagging mechanisms, to determine if they are appropriate and workable at HPC.</p> <p>We would like Mazars to provide examples from similar sized organisations working in similar areas if possible.</p> <p><i>Audit Comment:</i> We have provided an illustrative example of the types of early warning indicators used in other organisations for consideration.</p> | - | - | 2 | This recommendation will be reviewed by Management before the September 2012 Audit Committee meeting taking account of concerns around legibility/ congestion of the Risk Register. | <p>As planned, Management should consider identifying 'early warning signals' on the Risk Register, against significant risks. (Priority 3)</p> <p>Updated Management Comment/ Implementation Date/Manager Responsible</p> <p>EMT gave consideration to this recommendation at their meeting on 28 August 2012. There were concerns in relation to legibility of the risk register and so it was decided not to pursue this recommendation.</p> |

| Area: Corporate Governance (06.11/12) | | | | | | | | |
|---------------------------------------|---|-------------------|--|-------------|---------------------|--------|--|---|
| Orig Ref | Original Recommendation | Original Category | Original Management Response | Impl'n Date | Manager Responsible | Status | Comments/ Implication | New Recommendation |
| 6.3 | <p>HPC should ensure that where possible all travel bookings are made well in advance of the travel date to ensure best rates are achieved.</p> <p>In addition, consideration to market testing its arrangements with Co-Op travel agents to ensure they provide value for money to the organisation.</p> | Priority 3 | <p>The Secretary to Council will write to Council members reminding them of the expenses policy in relation to travel.</p> <p>A review of the contract with co-operative travel will take place during the financial year 2012-2013.</p> | - | - | 2 | <p>Whilst the first part of the recommendation has been implemented, the Co-Op travel agents contract has not yet been reviewed.</p> | <p>Consideration should be given to market testing the arrangements with Co-Op travel agents to ensure they provide value for money to the organisation. (Priority 3)</p> <p>Updated Management Comment/ Implementation Date/Manager Responsible</p> <p>It is in the Finance work-plan to undertake a review of the contract and it is anticipated that this will take place in the last half of the financial year.</p> |

| Area: Purchase Ordering System (07.11/12) | | | | | | | | |
|---|--|-------------------|--|---------------|---------------------|--------|--------------------------------------|--|
| Orig Ref | Original Recommendation | Original Category | Original Management Response | Impl'n Date | Manager Responsible | Status | Comments/ Implication | New Recommendation |
| 6.2 | As planned, HPC should complete the update to the 'Procurement Requisitions and Purchases' procedure document to ensure it reflects current practice. Once finalised, this should be communicated to all appropriate staff. | Priority 3 | Agreed Completion of this procedures document is in hand and this will be finalised and submitted to the Finance and Resources Committee in April for approval. | 31 March 2012 | Director of Finance | 2 | As above at Follow Up 2011/12 - 5.4. | As above at Follow Up 2011/12 - 5.1. |
| | | | | | | | | Updated Management Comment/ Implementation Date/Manager Responsible |
| | | | | | | | | As above at Follow Up 2011/12 - 5.1. |