

Audit Committee 9 December 2009

Internal audit progress report

Executive summary and recommendations

Introduction

Jon Dee of PKF has prepared the attached report which sets out progress on internal audit. This is the third progress report covering the internal audit plan for 2009-10.

Decision

The Committee is asked to discuss the report.

Background information

At its meeting on 26 February 2009, the Committee approved the internal audit plan for 2009-10. Internal audit reports for each completed audit are considered at committee meetings during the year. Each committee meeting during the year also receives a progress report on internal audit.

The Committee will be asked to consider the internal audit plan for the 2010-11 financial year at its meeting in February 2010.

Resource implications

None.

Financial implications

None.

Appendices

Internal Audit Progress Report.

Date of paper

27 November 2009.

Date	Ver.	Dept/Cmte	Doc Type	Title	Status	Int. Aud.
2009-11-27	a	ADT	PPR	Executive summary internal audit progress report Audit Committee 9 December 2009	Final DD: None	Public RD: None

Health Professions Council

Internal Audit

Audit Committee Progress Report – 2009/10

27th November 2009



Accountants &
business advisers

Introduction

This report summarises the progress that we have made with the 2009/10 internal audit programme and the results arising from the reviews that we have undertaken in the period since we last presented our findings to the Audit Committee.

Overview of progress

We are pleased to note that the audit programme is progressing steadily and delivery is in line with the timetable approved by the Audit Committee in February 2009.

Total planned audit days for 2009/10	47 days
Target audit days to be completed by 27 th November 2009	36 days
Actual audit days completed as at 27 th November 2009	36 days
Remaining audit days to be completed	11 days
Quarter four projects	9 days
Contingency	2 days

We have also completed two additional reviews at the request of management in relation to fitness to practise. These have been reported to the December 2009 Audit Committee

We wish to thank all HPC employees for their availability, co-operation and assistance during the course of the reviews undertaken during this period.

Implications for governance

No significant control failures have been identified from the audits carried out to date.

Summary of the results of the audits undertaken to 27th November 2009

Review Outline	Progress/Conclusions	STATUS
<p>Employees' health & safety : 6 audit days</p> <p>Our review covered the key aspects of health & safety management including risk assessments, policies and procedures, incident reporting and insurances. The review specifically considered the arrangements for managing the priority risk 11.5 Health & Safety of employees</p>	<p>Opinion – Satisfactory</p> <p>Previously reported to June 2009 Audit Committee.</p>	<p>FINAL</p>
<p>Fitness to practice: 8 audit days</p> <p>The review will be focusing upon the higher level controls within the department, specifically in relation to the management of the HPC's investigation processes and the underlying management information available. High priority risks covered will include: 13.2 Legal challenge to HPC operations, 13.3 Tribunal exceptional costs.</p>	<p>Opinion – Satisfactory</p> <p>Previously reported to September 2009 Audit Committee.</p>	<p>FINAL</p>

Summary of the results of the audits undertaken to 27th November 2009 (cont.)

Review Outline	Progress/Conclusions	STATUS
<p>Follow up: 3 audit days</p> <p>Follow up of the extent that our previous recommendations have been implemented in full. Some examples of past reviews where recommendations have been raised include: registration, IT, governance and finance.</p>	<p>Opinion – Satisfactory</p> <p>There were a total of seven recommendations raised by PKF during 2008/09 and 2009/10 that were scheduled to have completed by November 2009. The recommendations raised related to following areas:</p> <ul style="list-style-type: none"> • Financial systems; and • Employee health & safety. <p>The improvements to the control framework that we suggested were aimed at sharpening the focus of well-established existing controls over the HPC's key systems.</p> <p>We were pleased to note that all of our 2008/09 recommendations have now been implemented. Management has also planned actions to address the two recommendations (due to be implemented by July 2009) that were raised in our 2009/10 report on employee health & safety. We understand that these actions will be completed before the next meeting of Council.</p> <p>We were also pleased to note that the outstanding recommendations raised by Baker Tilley included in our last follow up report had also been implemented.</p>	<p>FINAL</p>

Summary of the results of the audits undertaken to 27th November 2009 (cont.)

Review Outline	Progress/Conclusions	STATUS
<p>IT review – online renewals project: 6 audit days</p>	<p>Opinion – Sound to date</p>	<p>FINAL</p>
<p>To follow up on our initial review of this project our work will specifically focus upon the system testing and implementation phase of the project.</p> <p>The review will specifically consider the arrangements for managing the priority risks - 5.1 Software virus damage, 8.6 on-line renewals 17.1 electronic record data security, 17.3 data held by third parties, 17.4 data received from third parties.</p>	<p>Based on the audit work carried out we have concluded that the HPC's controls over the implementation of the new on-line renewals system were sound and have been operating effectively to date, although there remains some further work and system testing to be undertaken before the system becomes operational. We noted that many of the key risks associated with the project, notability in relation to usability scalability and security issues were addressed in detail through the design of the system, drawing upon specialist technical advisors to ensure that best practice in these areas was followed. Our review work has indicated that technical advisors have continued to be used to support the testing and implementation phase of the project. We understand that the support of these advisors will continue until the implementation is completed.</p> <p>Nevertheless, whatever protection an organisation puts into place, there will always remain a danger that an expert and determined hacker could access its data or the credit/ debit card details of registrants. There is also the threat of phishing through which a fraudster could set up a duplicate of the HPC's portal and convince unsuspecting registrants to provide the fraudulent site with their personal details and organisations need to have agreed contingency plans with their internet service provider for dealing with the consequences of this. However, in our view the HPC has taken the appropriate advice and built the security measures suggested by professional specialists into the design of the system accordingly.</p>	

Summary of the results of the audits undertaken to 27th November 2009 (cont.)

Review Outline	Progress/Conclusions	STATUS
<p>Financial systems : 10 audit days</p> <p>Review and testing of the controls over the main financial systems. This will cover the core areas of:</p> <ul style="list-style-type: none"> • Payroll; • Budgetary control; • Ledger management; • Asset management; • Income, including forecasting, billing, recovery and recognition; • Purchasing and payments; • Travel and subsistence; and • Cash management including cash flow management, banking and reporting. 	<p>Opinion – Satisfactory</p> <p>Based on our review work, we have concluded that the HPC's financial systems were satisfactory and were operating effectively at the time of our audit visit. However, we noted one area where there remains scope for improvement to enhance the control framework and to meet best practice going forward.</p> <p>Specifically, we noted that procedures were operating as expected over purchase ledger processing, although there is scope for refining these procedures now to ensure that the full benefits of the PRS automated purchase ordering system are delivered. We therefore raised a recommendation in relation to this matter.</p>	<p>FINAL</p>

Summary of the results of the audits undertaken to 27th November 2009 (cont.)

Review Outline	Progress/Conclusions	STATUS
<p data-bbox="199 387 819 459">Corporate Governance and Risk Management : 6 audit days</p> <p data-bbox="199 501 869 571">Annual assessment of the corporate governance arrangements for the Health Professions Council.</p> <p data-bbox="199 612 869 842">The review will specifically cover the controls in place to manage the high priority risks - 2.2 rapid increase in registrants numbers, 4.2 Council members conflict of interest, 4.4 Failure to meet Council and Committee quorums and 4.12 Operationalisation of section 60 legislation</p>	<p data-bbox="889 387 1155 416">Quarter Four Review</p> <p data-bbox="889 501 1536 529">Report to be presented to June 2010 Audit Committee.</p>	<p data-bbox="1910 387 2029 416">Quarter 4</p>