

Audit Committee 23 June 2011

Internal audit annual report

Executive summary and recommendations

Introduction

PKF has prepared the attached annual report on its internal audit work in 2010-11. This is the final report from PKF as HPC's internal auditor.

Decision

The Committee is asked to discuss the report.

Background information

See internal audit workplan for 2010-11 agreed by the Committee on 24 February 2010 and individual internal audit reports received by the Committee during the past year.

Resource implications

None.

Financial implications

None.

Appendices

Internal audit annual report.

Date of paper

6 June 2011.



Health Professions Council

Internal audit annual report

2010/11

Final June 2011

Confidential



Accountants &
business advisers

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1 Overall conclusion on internal control

- 1.1 We are pleased to report that we have completed our agreed programme of internal audit work for the Health Professions Council (“HPC”) for the year ended 31 March 2011.
- 1.2 Our programme took into account the challenges facing the HPC during the year, the key risks identified by the organisation and our assessment of the coverage required to meet Government Internal Audit Standards (“GIAS”).

Conclusion

- 1.3 Based on our audit work, we concluded that the overall system of internal control was satisfactory and operating effectively during 2010/11 for the purposes of the HPC.**

Principal findings

- 1.4 The detailed findings and recommendations from our work are contained in the individual audit project reports, which have previously been provided to management and the Audit Committee during the year.
- 1.5 The key recommendations from our review work during the current year are included, for ease of reference, in Section 4 of this report.

Governance and risk management

- 1.6 Our review indicated that the work of Council and its Committees was undertaken in accordance with an agreed timetable with a clear agenda and a commitment to provide the necessary detailed reports to enable members to take informed and timely decisions.
- 1.7 We also noted that robust policies and procedures covering the conduct of Council and Committee members were in place at the HPC. The Secretariat ensures that members are provided with the necessary support and training to be able to follow these arrangements.
- 1.8 The “on-boarding” of new professions is managed through the HPC’s project process and Executive Management Team (“EMT”), since establishing a new register for each profession involves work from many of the HPC’s various departments including Registration, Policy and Standards and Operations.
- 1.9 We noted that regular progress reports were provided to the Council in relation to each new profession and members’ approval sought where necessary for any developments and enhancements continued to be made to the Risk Register and risk management during 2010/11.

Business processes

- 1.10 Core business processes such as stakeholder communications and human resources management operated effectively and further enhancements to procedures were introduced throughout the financial year. Some of these improvements were in response to our recommendations.
- 1.11 For the principal business continuity risk areas identified by the HPC, such as flood damage and disruption to the organisation by postal or public transport strikes and electrical and telephone faults, our review work indicated that management has put into place preventative controls to mitigate the impact of these circumstances. The organisation has also put into place disaster recovery arrangements that have been regularly tested and should therefore operate effectively should they be required.
- 1.12 Since the HPC came into being as the need for additional space has been identified through the planning process, new premises have been purchased to provide the required accommodation. Shorter term measures have also been applied at the HPC whilst the accommodation is being made ready for occupation such as renting additional meeting room space and hot-desking. These arrangements appear to have proved sufficient for the HPC's purposes to date.
- 1.13 We noted that more office space is required and a paper setting out the HPC's current office accommodation strategy was presented to the September 2010 meeting of the Finance and Resources Committee. This followed on from a previous paper presented in November 2009.
- 1.14 However, there remains some uncertainty regarding the precise accommodation requirements for the organisation going forward in the light of the scheduled abolition of the General Social Care Council ("GSCC") and the transfer of its regulatory functions to the HPC. This may require the HPC to reconsider its accommodation needs again at a later date.

Other sources of assurance

- 1.15 The HPC has established a process of in-house quality compliance audits in accordance with the ISO 9001:2000 standard. The British Standards Institute ("BSI") also conducts two audits a year. The results of the quality process are reported to the Audit Committee.

Financial systems

- 1.16 Detailed management accounts and a commentary on the key variances against budget were prepared every month and action was taken by management to address any issues arising. Compliance with the HPC's reserves policy was also monitored closely throughout the year.

- 1.17 Our sample testing indicated that financial processing controls were operating effectively, although the continuing use of the manual procedures alongside the automated purchase ordering processes indicates that the anticipated benefits of the PRS system are not at present being delivered in full.
- 1.18 We understand that management will be taking the steps necessary towards removing the option for individuals to follow manual procedures when raising supplier purchase orders during 2011/12 once the necessary upgrades to the HPC's financial systems have been implemented.
- 1.19 We also noted that there was a need for differences arising from the reconciliation between the Netregulate system and the main accounting system to be analysed and included in the documentation to support the reconciliation. We understand that this work was completed in readiness for the NAO's external work for 2010/11.

Projects

- 1.20 The most significant development for the HPC during 2010/11 was the Government's decision to transfer the regulatory functions of the GSCC to the HPC as set out in the Health and Social Care Bill 2011, which was published in January 2011.
- 1.21 The HPC's Executive Management Team is the principal means through which the HPC is seeking to manage its risks in relation to the transfer of the regulatory functions of the GSCC, with regular reports being provided to Council and the relevant committees of Council as well as EMT meetings.
- 1.22 We concluded that Council has been provided with sufficient information in relation to the transfer of functions from the GSCC to the HPC at this stage. Evidently further information will need to be provided as more details regarding the specific aspects of the transfer and the wider social work reform agenda emerge.
- 1.23 However, inevitably many aspects of the transfer have still to be worked through and resolved and further issues may develop during the course of the period until the GSCC's functions are transferred to the HPC.
- 1.24 We anticipate that the HPC's new internal auditors will also undertake further review work in relation to this area over the coming year to ensure that the Audit Committee continue to receive robust assurance regarding the various risks and management controls in place to mitigate them.

Action on recommendations

- 1.25 We were pleased to note that the recommendations arising from our programme of work for 2009/10 had been largely implemented during the year.

- 1.26 Only one key recommendation had not been implemented due to the need to align the recommended improvements to financial controls with the planned upgrade of the HPC's financial systems in September 2011. Details of our previous recommendations are included in Section 5 of this report.
- 1.27 We would like to take this opportunity to thank the members of staff and management at the HPC for their co-operation and availability during our audit reviews.
- 1.28 This report has been prepared as part of the internal audit of the HPC under the terms of our letter of engagement for the provision of internal audit services. It has been prepared for the HPC and we neither accept nor assume any responsibility or duty of care to any third party in relation to it.
- 1.29 The conclusions and recommendations are based on the results of the audit work carried out and are reported in good faith. However, our methodology relies upon explanations by managers and sample testing and management should satisfy itself of the validity of any recommendations before acting upon them.

PKF (UK) LLP

June 2011

2 Context of our audit

- 2.1 The HPC, a body corporate, was set up on 1st April 2002 by the Health Professions Order 2001 and supporting rules and guidance replacing the former Council for Professions Supplementary to Medicine (“CPSM”). The HPC is an independent public organisation accountable to the Privy Council.
- 2.2 Although the HPC is not a non-Departmental Public Body (“NDPB”) of the Department of Health, the Accounts Direction from the Privy Council requires that its financial statements are prepared as if this were the case.
- 2.3 As the Accountable Officer, the Chief Executive and Registrar has responsibility for maintaining a sound system of internal control that supports the achievement of the HPC’s policies, aims and objectives, whilst safeguarding the HPC’s assets for which he is personally responsible, in accordance with the responsibilities assigned to him by the Privy Council.
- 2.4 His responsibilities for internal control are therefore identical in this respect to those of an Accounting Officer as defined in *Managing Public Money*.
- 2.5 *Managing Public Money* requires Accounting Officers to make provision for internal audit in accordance with Government Internal Audit standards (“GIAS”). Since we were appointed as internal auditors to the HPC in March 2006, we have therefore provided a service to the HPC that complies with these standards. The terms of reference for our appointment are set out in our engagement letter with the HPC.
- 2.6 At the time of our appointment, an Audit Needs Assessment was carried out and a three-year strategic work programme developed and agreed by the Audit Committee. For 2010/11, we revisited our strategic programme and updated it to reflect discussions with management and the Audit Committee and changes in the HPC’s risk profile as noted in the organisation’s risk register.
- 2.7 A detailed Audit Plan for 2010/11 showing the specific areas that we proposed to review and the planned timetable was presented to and approved by the Audit Committee in February 2010. We undertook a detailed review of personal data security during 2007/08 and we noted that these matters have been kept under regular review by the HPC since that time. For this reason we have not undertaken any further review work in relation to this area ourselves subsequently. However, we have undertaken reviews in 2009 and 2010 of the implementation of the HPC’s on-line renewals system, which had data security implications.
- 2.8 The areas that we reviewed and the assurances provided by our detailed work are set out in the following section of this report.

3 Assurances from our detailed work 2010/11

Review Area	Number of Recommendations	Final Report Date	Rating at Date of Audit Report		Year end Control Design Rating
			Control Design	Control Operation	
Governance and risk management	-	February 2011	Sound	Effective	Sound
Stakeholder communications	-	August 2010	Sound to date	Effective	Sound
Human resources key risk management	2	August 2010	Satisfactory	Effective	Satisfactory
Business continuity arrangements	-	August 2010	Sound to date	Effective	Sound to date*
Financial systems	3	December 2010	Satisfactory	Effective	Satisfactory
Follow up	3 (outstanding at December 2010)	February 2011	Satisfactory	Effective	Satisfactory
GSCC transfer project	-	March 2011	Sound to date	Effective	Sound to date*

* controls may require further enhancement once the full consequences of the transfer of regulatory functions of the GSCC upon the HPC are clearer

4 Key recommendations from our 2010/11 audit programme

System	Recommendation	Responsible Officer	Due Date
Human resources management	<p>Skills to deliver the strategy</p> <p>The HPC's Human Resources Strategy should be updated to reflect the organisation's current thinking on its human resources requirements, including skills and training needs.</p>	Director of Human Resources	November 2010
	<p>Expenditure systems</p> <p>Management should begin to take the steps necessary towards removing the option for individuals to follow manual procedures when raising supplier purchase orders.</p>	Director of Finance	June 2010/ revised to September 2011
Financial systems	<p>Income systems</p> <p>Differences arising from the reconciliation between the Netregulate system and the main accounting system should be analysed and details of this should be included in the documentation to support the reconciliation. This should be undertaken during the NAO's interim audit in February 2011 and signed off by the Financial Controller when completed.</p>	Financial Controller	March 2011

5 Follow up of our key recommendations from 2009/10

System	Recommendation	Responsible Officer	Due Date/ Status
Employees health & safety	<p>Risk assessments</p> <p>The HPC should undertake a formal review of its health & safety risk assessments each year in order to meet HSE best practice.</p>	Facilities Manager	<p>July 2010</p> <p>Implemented</p>
Financial systems	<p>Expenditure systems</p> <p>Management should begin to take the steps necessary towards removing the option for individuals to follow manual procedures when raising supplier purchase orders.</p>	Director of Finance	<p>June 2010</p> <p>Not implemented/ project to move to full automation of purchasing rescheduled for September 2011</p>
Fitness to practise procedural compliance	<p>Fitness to practise procedures</p> <p>A report should be provided to the Fitness to Practise Committee explaining the reasons why the date set for a review of a supervision order fell after the date that the order expired. The report should also set out the actions that have already been taken by management to address this matter.</p>	Director of Fitness to Practise	<p>March 2010</p> <p>Implemented</p>