

Audit Committee 28 November 2012

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

1 October 2012

Recommendations from internal audit reports

Information Security/Data protection (report dated September 2011 – considered at Audit Committee 29 September 2011)

Assurance on effectiveness of internal controls: Substantial Assurance

Recommendations summary

Priority

Fundamental
Significant
Housekeeping

Number of recommendations

None
None
9

Risk 1: Electronic data is removed inappropriately by an employee (Data Security – Risk No 17.1)

Observation/Risk	Recommendation	Priority	Management response	Timescale/responsibility
<p>1</p> <p><i>Observation:</i> Staff are asked to sign up to the Information Technology Policy under section 5h of the Employee Handbook. This policy details the responsibilities of the staff and the use of devices such as laptops and PDA's and use of email, telephone calls etc.</p> <p>Whilst it mentions that information held on USB drives is the property of HCPC, it does not mention HCPC's specific policy in respect of these tools. For example, the responsibilities of Staff using USB drives, that only encrypted</p>	<p>As planned, HCPC should review and update the Information Technology Policy held within the Employee Handbook to ensure it provides more detail on the use of USB data drives.</p>	Housekeeping	<p>A review of the IT Policy is scheduled for 2012-13 financial year. These updates will reflect changes in technology that are rolled out to the organisation over the next few months</p>	<p>2012-13 Financial year</p> <p>Director of HR /Director of IT</p> <p>Update: The Director of Information Technology has indicated that his department will aim to get the USB controls in place by 27 September 2012 and the policy change in place by 29 November 2012. The policy change</p>

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		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.			updated during August 2012.
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Risk 4: Loss of physical despatched to and held by third party for the delivery of their services (Data Security – Risk No 17.5)

	Observation/Risk	Recommendation	Priority	Management response	Timescale/responsibility
8	<p><i>Observation:</i> Applications are entered on to the NetRegulate system on arrival. Once entered the hard copy applications are picked up by Service Point who will scan and copy the documents with one copy being sent back to HCPC and an electronic copy being sent on disk. A copy of the paperwork will be sent on to assessors for evaluation.</p> <p>Through discussion with the Head of Registration he confirmed that the current process is not ideal and</p>	As planned, HCPC should consider the introduction of online applications.	Housekeeping	<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>	<p>Ongoing</p> <p>Director of Operations/EMT.</p> <p>Update: Online applications is a project on the list of projects for future consideration. These will be discussed at the Executive Management Team in November 2012 to</p>

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	<p>informed us that HCPC are currently looking at a project to consider introducing online applications. Whilst there would still be a requirement for certain proof of identity documents to be sent through the post, this would significantly reduce the current process which in turn would reduce the risk to potential information security breach.</p> <p><i>Risk:</i> Ineffective processes resulting in an increased risk of information security breach.</p>					<p>determine prioritisation of projects.</p>
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Follow up of previous recommendations (report dated September 2011 – considered at Audit Committee 29 September 2011)

Observation/ Risk	Original category	Original management response and update response as of September 2011	Implementation date and manager responsible	Status	Comments/implication	New recommendation
<p>1 Management should complete the steps necessary by September 2011 towards removing the option for individuals to follow manual procedures when</p>	<p>Medium</p>	<p>Agreed. The system changes are required for both PRS and Sage to ensure that the full benefits are realised and to ensure cross product compatibility. This should be</p>	<p>Sept 11 Director of Finance</p>	<p>The agreed date for implementation of the recommendation has not yet been reached</p>	<p>The implementation date for this recommendation had not yet been reached at the time of carrying out this audit. However, the upgrades required have been delayed until next year.</p>	<p>Management should complete the steps necessary towards removing the option for individuals to follow manual procedures when raising supplier purchase orders. (Significant)</p>

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	raising supplier purchase orders.		implemented in the FY 2011/12, subject to budget approval.		HCPC are currently undergoing several projects involving systems upgrades including major projects relating to Case Management and Fitness to Practice in anticipation of taking over responsibilities relating to GSCC and these have been prioritised.	<p>Updated management comment:</p> <p>The procurement, requisitions and purchases procedures will be reconsidered to include a revised tendering policy and proposals for the supplier database. This will be completed in November 2012.</p>
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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
Fundamental
Significant
Housekeeping

Number of recommendations
None
None
3

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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 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>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.</p>	Housekeeping	<p>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>	<p>Director of Finance/HR Director. Timescales pending outcome of Executive Team meeting November 2011</p> <p>Update: The project plan and its timing will be discussed at the November 2012 Executive Management Team awayday.</p>

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	Errors are more likely to arise where data is re-keyed.			
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Internal audit report – Corporate governance (report dated February 2012 – considered at Audit Committee 13 March 2012)

Assurance on effectiveness of internal controls: Substantial Assurance

Recommendations summary

Priority	Number of recommendations
Fundamental	None
Significant	None
Housekeeping	3

Risk 5: Member recruitment problem (with the requisite skills)

Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
<p>1</p> <p><i>Observation:</i> An annual review and appraisal process is carried out for each Council Member by the Chair.</p> <p>The outcomes of this review helps to determine the future training requirements for Members. Through discussion with the Secretary of the Council we were informed that a log of the skills for each of the Members is maintained by the Chair of the Council, but this tends to be more informally set up and they are not aware of any formal log.</p>	<p>Consideration be given to setting up a central log detailing each Members skills and training undertaken. This could then be used to help identify any potential gaps in required skills and further training requirements.</p>	Housekeeping	<p>Full consideration will be given to the skill set of Council members as part of the restructuring of Council scheduled to take place in July 2013.</p> <p>Post restructure, Secretariat will take forward this recommendation and maintain a central log.</p>	<p>As part of restructuring process Secretary to Council.</p>

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	<p>In our experience with other organisations we have seen the use of a skills matrix to help record members skills, show potential gaps and help in identifying prerequisite skills needed for future appointments.</p> <p><i>Risk:</i> Skill-set requirements for the Council is either limited or not recorded resulting in key subject areas not represented at Council level, expertise/knowledge gaps and inappropriate future recruitment.</p>				
2	<p><i>Observation:</i> The Council undertakes a self assessment of the effectiveness of its Governance arrangements.</p> <p>Whilst we feel this probably provides an accurate assessment of the Council's effectiveness, there is always a risk that some members might be less willing to provide an open and honest appraisal.</p> <p>In our experience with other organisations, we have seen the use of a simple anonymous survey process, which is circulated to Members for completion and is then collated and the results reported anonymously by the equivalent to the Secretary to the Council.</p>	<p>Consideration is given to enhancing the current annual self assessment of effectiveness of governance through the use of an anonymous survey/questionnaire of Members (perhaps using free survey facilities such as Survey Monkey).</p> <p>The results should be collated and</p>	Housekeeping	<p>We are anticipating major change in terms of the governance structures as a result of the restructuring of Council which is due to take place in July 2013.</p> <p>Full consideration will be given to introducing an enhanced self-assessment of effectiveness of governance once the restructuring has taken place.</p>	<p>Following the restructuring process. Secretary to Council.</p>

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	<p><i>Risk:</i> Council fails to adequately assess its effectiveness, leading to complacency in its operation.</p>	<p>reported on by the Secretary to the Council with a view to future improvements in governance.</p>			
3	<p><i>Observation:</i> The Council has an Expenses Policy which explicitly details the responsibilities of the Members in respect of all travel claims.</p> <p>The Council has a preferred supplier agreement with Co-Operative Travel for providing train and air travel arrangements for Partners and Members.</p> <p>A review of a sample of expense claims noted that some had been arranged very close to the actual travel date, and not the two weeks in advance as stipulated in the Policy. It was also noted that some of the actual travel costs charged by Co-Op appeared to be quite excessive. During our review, it was not clear when these arrangements were last subject to market testing.</p> <p><i>Risk:</i> Failure to achieve value for money in travel expenses.</p>	<p>HCPC 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>	Housekeeping	<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 Cooperative Travel will take place during the financial year 2012-2013.</p>	<p>Update: On 26 March 2012, the Secretary to Council sent an e-mail to Council members about the expenses policy in relation to travel.</p> <p>In relation to the second part of the recommendation, the Finance workplan includes a review of the contract and it is anticipated that this will take place in the last half of the financial year.</p>

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Internal audit report – Core Financial Systems – Purchase Ordering System (report dated February 2012 – considered at Audit Committee 13 March 2012)

Assurance on effectiveness of internal controls: Substantial Assurance

Recommendations summary

Priority	Number of recommendations
Fundamental	None
Significant	2
Housekeeping	2

Risk 2: Purchases of goods and services are not authorised appropriately resulting in financial loss to the Council.

Observation/Risk	Recommendation	Priority	Management response	Timescale/responsibility
<p>1</p> <p><i>Observation:</i> Review of the profiles of budget-holders found that they have access to carry out the following tasks on PRS:</p> <ul style="list-style-type: none"> - Raise a purchase order; - Approve the purchase order; and - Receipt goods/services. <p>Review of a sample of 24 purchases processed through PRS found six cases where this had happened.</p> <p>Given the matching process undertaken on invoicing, so long as the invoice</p>	<p>User profiles should be reviewed to ensure that there is appropriate segregation of duties built-in to the system.</p> <p>This could be achieved by changing the user profile of approvers so that they can no longer</p>	Significant	<p>Agreed</p> <p>We will consider the best way to ensure segregation of duties.</p>	<p>Director of Finance</p> <p>Update:</p> <p>The following amendments were made with effect from 19 March 2012:</p> <ul style="list-style-type: none"> • Departmental Managers (who have authorisation limits of £8000, £10000 & £25000) cannot raise

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	<p>matches the purchase order no further authorisation is required.</p> <p><i>Risk:</i> Lack of segregation of duties meaning that one person could raise a purchase order to a value within their authorisation limits, authorise the purchase order and 'receipt' the goods/service potentially resulting in errors and/or financial losses to HCPC.</p>	<p>raise a purchase order and/or that they can no longer 'receipt' goods/services.</p>			<p>purchase orders but can approve and goods receive</p> <ul style="list-style-type: none"> Departmental secondary signatures (who have an authorisation limit of £1000) can raise, approve and goods receive purchase orders All other users (who have no signing authority) can raise and goods receive purchase orders <p>Update: The procedures document was considered by the Finance and Resources Committee on 19 June.</p> <p>The procurement, requisitions and purchases</p>
2	<p><i>Observation:</i> The procedures document 'Procurement Requisitions and Purchases' is a detailed set of procedures which set out the processes for all matters relating to the purchasing system and includes relevant screen-prints for illustrative purposes. The procedures are currently in draft format and are being reviewed and updated.</p> <p><i>Risk:</i> Staff are not aware of how to carry</p>	<p>As planned, HCPC should complete the update to the 'Procurement, Requisitions and Purchases' procedure document to ensure it reflects current practice.</p>	<p>Housekeeping.</p>	<p>Agreed.</p> <p>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.</p>	

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	out their responsibilities and/or do so in an inefficient manner.	Once finalised, this should be communicated to all appropriate staff.		procedures will be reconsidered to include a revised tendering policy and proposals for the supplier database. This will be completed in November 2012.
4	<p><i>Observation:</i> Currently, paper-based/manual purchase orders are completed for some purchases. These may include the following types of goods: stationery; office services such as key-cutting, florists and minor building maintenance; transcript writer costs; photocopying, scanning and associated costs with photocopying such as stapling, tags and collation; one-off suppliers; and pro-forma invoices.</p> <p>For many of these types of purchases PRS could be used.</p> <p><i>Risk:</i> Not utilising PRS for all purchases leads to inconsistent practices and potentially results in inefficiencies.</p>	PRS should be used for purchases wherever possible.	Housekeeping.	<p>Agreed.</p> <p>We are including a review of PRS as part of our overall IT strategy for the future, which will cover these issues.</p> <p>Executive Management Team.</p> <p>Financial year 2012-13.</p>

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Internal audit report – Project management (report dated June 2012 – considered at Audit Committee 21 June 2012)

Recommendations summary

Priority	Number of recommendations
Fundamental	None
Significant	None
Housekeeping	8

Risk 1: Failure to deliver a strategic view of FTP Case Management (Risk 8.9, Council Risk Register).

Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
<p>1</p> <p><i>Observation:</i> The HCPC Project Management Handbook stipulates that once each business case is reported back, the Portfolio Manager will undertake research analysis to establish any potential benchmarking or cost benefits.</p> <p>The Project Portfolio Manager informed us that no such analysis has been carried out due to limited resources in terms of time and staff.</p> <p><i>Risk:</i> Proper due diligence is not taken and projects that are unfeasible are approved, resulting in overspends.</p>	<p>Where possible, the Project Team should consider undertaking an analysis of each project at the post business case stage.</p> <p>Feasibility reports containing cost-benefit or benchmarking analysis may prove a useful tool to EMT when making a decision on project prioritisation.</p>	Housekeeping	<p>Although a cost benefit analysis is not performed at the initial prioritisation stage, during Initiation of the project a full budgetary analysis is undertaken and this must be approved by EMT before the project can move into 'Build'. At this point, should EMT consider that the project is not worthwhile given the benefits expected, the project would not be approved or would be de-prioritised.</p>	

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Risk 3: Major Project Cost Over-runs (15.3, Council Risk Register).

Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
<p>5</p> <p><i>Observation:</i> Statutory projects such as the GSCC register do not require a Business Case to be prepared; as such we did not find any document outlining the project background; project definition; project approach; project team; budget risks; quality plan; or communications plan.</p> <p>Whilst we can appreciate not requiring a business case, we feel that the project should contain a Project Brief document which sets out the key elements mentioned above.</p> <p><i>Risk:</i> Planning issues, with staff unsure of responsibilities and unable to reference a document that clearly outlines the project plan.</p>	<p>HCPC should consider the use of Project Briefs for statutory projects. These should include;</p> <ul style="list-style-type: none"> - project background; - project definition; - project approach; - project team; - budget risks; - quality plan; and - communications plan. 	Housekeeping	All statutory projects will go through the standard project initiation process and will have a Project Initiation Document compiled – in line with all other projects.	
<p>6</p> <p><i>Observation:</i> Budgets are set for each project and are outlined in the Project Brief.</p> <p>A Contingency is built into each budget. This tends to be set using historical costs, supplier contingency quotes and experience from previous projects. The</p>	<p>Consideration is given to separating out the contingency costs out of the overall budget in each project to provide greater transparency.</p> <p>This would also allow</p>	Housekeeping	All project budgets will have a specific contingency line included.	

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	<p>budget is agreed by the Project Manager and the relevant department, and approved through EMT and the Finance and Resources Committee.</p> <p>However the contingency is not explicitly separated out or reported on as such.</p> <p><i>Risk:</i> Lack of transparency means EMT could make decisions not knowing the full picture.</p>	<p>the Project Manager to be more explicit about quantifying the precise amount allocated to contingency.</p>			
7	<p><i>Observation:</i> On discussion with the Portfolio Manager we noted that HCPC does not currently undertake an annual analytical review process that collates all projects together and clearly outlines how many have over/under spent or which have met/not met deadlines among other key data.</p> <p>This was something the Portfolio Project Manager was planning to do, but limited resources has made it difficult to do</p> <p><i>Risk:</i> Major trends in overspending and un-timeliness are overlooked, resulting in recurring problems for future projects.</p>	<p>The Project Management team should endeavour to create an annual end of year overall project summary including key data such as: number of projects overspent/underspent; number of deadlines met/not met; departments where deadlines/budgets are met/not met.</p>	<p>Housekeeping</p>	<p>All projects undergo a Project End process. This analyses how a project performed against Time, Cost and Quality. At the end of the financial year – if resources permit – a report will be written to collate all project end report findings.</p>	
8	<p><i>Observation:</i> Once a project is closed it is no longer monitored by the Project Management Team. The Head of Business Process Improvement has the</p>	<p>The Project Management team should log the findings from the Near Miss</p>	<p>Housekeeping</p>	<p>At the end of each project a full project review is undertaken and the success of the project is measured</p>	

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<p>responsibility for reporting any benefits realised through the 'Near Miss' report.</p> <p>Whilst the Project Management Team does get some informal feedback on the success of the project, more formal feedback on completed projects would be beneficial to the Project Management team and should be reviewed for learning lessons moving forward on future projects.</p> <p><i>Risk:</i> Useful feedback is not given to the Project Management team resulting in lessons not being learnt and issues repeating themselves in future projects.</p>	<p>reports, and informal departmental feedback that on closed projects that relate to the project management process, as best practice for learning lessons for future projects.</p>	<p>against Cost, Time and Quality. The findings of this review are summarised by the Project manager in the End Project Report. The report will also assess the effectiveness of the project management processes throughout the life of the project. Therefore all lessons to be learned from the project are captured at this stage and are fed through to future projects.</p> <p>With regards to the ongoing performance of the product created by the project, this is monitored by the EMT on a monthly basis through the management information pack.</p> <p>Near Miss reports relate to issues that arise within the business and would rarely be relevant in feeding back lessons learned to the Project Management team.</p>	
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