Audit Committee 23 September 2010

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 first progress report covering the internal audit plan for 2010-11.

Decision

The Committee is asked to discuss the report.

Background information

At its meeting on 24 February 2010, the Committee approved the internal audit plan for 2010-11. Internal audit reports for each completed audit are considered at committee meetings during the year. Committee meetings during the year also receive progress reports on internal audit.

The Committee will be asked to consider the internal audit plan for the 2011-12 financial year at its meeting on 16 March 2011.

Resource implications

None.

Financial implications

None.

Appendices

Internal Audit Progress Report.

Date of paper

13 September 2010.

Health Professions Council

Internal Audit

Audit Committee Progress Report – 2010/11

13th September 2010

Introduction

This report summarises the progress that we have made with the 2010/11 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 2010.

Total planned audit days for 2010/11	**49 days**
Target audit days to be completed by 13th September 2010	20 days
Actual audit days completed as at 13th September 2010	20 days
Remaining audit days to be completed	**29 days**
Quarter three and four projects	29 days

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 13th September 2010

Review Outline	Progress/Conclusions	STATUS
Stakeholder communications : 6 audit days At the request of the Audit Committee, the review focused upon the key risk involving loss of support from key stakeholders including professional bodies, employers or Government (risk 3.2).	**Opinion – Sound to date** Based on the audit work carried out we concluded that the HPC's arrangements for managing its key risk in relation to engaging with the organisation's key stakeholders were sound at the time of our review, although inevitably much of the communications work scheduled for 2010/11 had still to be completed. The direct activity undertaken by the HPC to seek to maintain the support of its key stakeholders is set out in the organisation's Communications Strategy and the Communications Department work plan. The work plan was noted by Council at its May 2010 meeting. Our review of the work plan indicated that actions had been included in relation to all of the HPC's key stakeholders. Progress against each task is monitored within the Communications Department and reported to the Communications Committee within the departmental progress report. As part of our assessment, we reviewed the HPC's work plan for communicating with its key stakeholders and compared the approaches adopted by the HPC to each type of key stakeholder with other health regulators. We have concluded that the HPC's approach is consistent with the approaches adopted by other regulators and therefore meets best practice. We did not identify any significant disparities that we believe that the HPC needs to address.	FINAL

Summary of the results of the audits undertaken to 13th September 2010 (cont.)

Review Outline	Progress/Conclusions	STATUS
Human Resources Management: 6 audit days The review focused upon the five high priority risks (before mitigations) identified in relation to Human Resources Management: 11.1 Loss of key HPC employees, 11.4 Lack of technical and managerial skills to delivery the strategy, 11.7 employee and ex-employee litigation and 11.8 employer, employee inappropriate behaviour.	**Opinion – Satisfactory** Based on the audit work carried out we concluded that the HPC's arrangements for managing its key human resources risks were satisfactory and operating effectively at the time of our review. We noted that the Human Resources Team maintains a schedule that was developed by the Chief Executive and Director of Human Resources that sets out the key posts identified by the HPC and the arrangements that will be put into place to provide short and medium term cover in the event that the current post holder decided to leave the HPC or was not available. The HPC has also thoroughly documented its key processes, which should enable an individual to understand the key stages of each process quickly should they be required to provide cover at short notice. The HPC also has a Human Resources Strategy in place which was developed in 2008 for the period from 2008/11. From our discussions with management, we noted that the HPC recognises that this now needs to be updated to bring it into line with the HPC's most recent *Strategic Intent* and Five Year Plan. The HPC's Employee Handbook contains all the organisation's key policies and procedures in relation to human resources matters. From our discussions with the Director of Human Resources we understand that the HPC is not currently responding to any litigation by an employee and the exit interviews undertaken have not identified any significant issues. On the basis of this evidence, the HPC's policies and procedures appear to be operating effectively.	FINAL

Summary of the results of the audits undertaken to 13th September 2010 (cont.)

Review Outline	Progress/Conclusions	STATUS
Business continuity arrangements: 4 audit days Our review focused upon the following business continuity risks identified by the HPC. 2.4 Inability to communicate via postal services, 2.5 Public transport disruption leading to inability to use Park House, 2.6 Inability to accommodate HPC employees, 2.7 Interruption to electrical supply, 2.10 Telephone systems failure resulting in protracted service outage, 2.11 Basement flooding, 5.4 failure of IT continuity provision.	**Opinion – Sound to date** Based on the audit work carried out we concluded that the HPC's business continuity arrangements were satisfactory and operating effectively at the time of our review. For the principal 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 HPC has also put into place disaster recovery arrangements that have been regularly tested and should therefore operate effectively should they be required. Since the HPC came into being as the need for additional space has been identified through this planning process, new premises have been purchased to provide the required accommodation. We noted that more office space is still required and a paper setting out the HPC's current office accommodation strategy was presented to the September meeting of the Finance and Resources Committee. However, there remains some uncertainty regarding the precise accommodation requirements for the organisation going forward in the light of the proposed abolition of the General Social Care Council 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.	FINAL

Summary of the results of the audits undertaken to 13th September 2010 (cont.)

Review Outline	Progress/Conclusions	STATUS
Financial systems : 10 audit days Review and testing of the controls over the main financial systems. This will cover the core areas of: • 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.	**Quarter Three Review** Report to be presented to March 2011 Audit Committee.	Quarter 3

Summary of the results of the audits undertaken to 13th September 2010 (cont.)

Review Outline	Progress/Conclusions	STATUS
Follow up: 3 audit days 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: IT, governance and finance.	**Quarter Three Review** Report to be presented to March 2011 Audit Committee.	Quarter 3
Projects review : 8 audit days We have selected the Counsellors and Psychotherapists project for review since it involves the largest number of new registrants (over 30,000 initially rising to over 45,000). Our work will focus upon the project planning and management of the implementation of the project. The review will specifically consider the arrangements for managing the high priority risks – 2.2 Rapid increase in registrant numbers, 8.11 Failure to successfully open the Counsellors and Psychotherapists register	**Quarter Four Review** Report to be presented to March 2011 Audit Committee.	Quarter 4

Summary of the results of the audits undertaken to 13th September 2010 (cont.)

Review Outline	Progress/Conclusions	STATUS
Corporate Governance and Risk Management : 6 audit days Annual assessment of the corporate governance arrangements for the Health Professions Council. The review will specifically cover the controls in place to manage the high priority risks - 4.2 Council members conflict of interest, 4.4 Failure to meet Council and Committee quorums	**Quarter Four Review** Report to be presented to March 2011 Audit Committee.	Quarter 4