

Audit Committee 16 March 2011

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 final 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.

As agreed by the Committee at its meeting on 25 November 2010, PKF have been asked to prepare an annual report on internal audit work in 2010-11. This is due to be considered by the Committee at its meeting on 23 June 2011.

The Committee is being asked to consider the internal audit plan for the 2011-12 financial year at its meeting today.

### **Resource implications**

None.

### **Financial implications**

None.

### **Appendices**

Internal Audit Progress Report.

### **Date of paper**

4 March 2011.

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2011-02-16	a	ADT	PPR	Executive summary internal audit progress report Audit Committee 16 March 2011	Final DD: None	Public RD: None

# **Health Professions Council**

## **Internal Audit**

### **Audit Committee Progress Report – 2010/11**

*16<sup>th</sup> March 2011*



Accountants &  
business advisers

## 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 we have completed the audit programme in accordance with the timetable approved by the Audit Committee in February 2010.

<b>Total planned audit days for 2010/11</b>	<b>49 days</b>
Target audit days to be completed by 16 <sup>th</sup> March 2011	49 days
Actual audit days completed as at 16 <sup>th</sup> March 2011	49 days
<b>Remaining audit days to be completed</b>	<b>Nil days</b>

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 16<sup>th</sup> March 2011

Review Outline	Progress/Conclusions	STATUS
<p><b>Stakeholder communications : 6 audit days</b></p> <p>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).</p>	<p><b>Opinion – Sound to date</b></p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>	<p><b>FINAL</b></p> <p>September 2010</p>

### Summary of the results of the audits undertaken to 16<sup>th</sup> March 2011 (cont.)

Review Outline	Progress/Conclusions	STATUS
<p><b>Human Resources Management: 6 audit days</b></p> <p>The review focused upon the high priority risks (before mitigations) identified in relation to Human Resources Management:</p> <p>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.</p>	<p><b>Opinion – Satisfactory</b></p> <p>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.</p> <p>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.</p> <p>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 <i>Strategic Intent</i> and Five Year Plan.</p> <p>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.</p>	<p><b>FINAL</b></p> <p>September 2010</p>

### Summary of the results of the audits undertaken to 16<sup>th</sup> March 2011 (cont.)

Review Outline	Progress/Conclusions	STATUS
<p><b>Business continuity arrangements: 4 audit days</b></p> <p>Our review focused upon the following business continuity risks identified by the HPC.</p> <p>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.</p>	<p><b>Opinion – Sound to date</b></p> <p>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.</p> <p>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.</p> <p>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 2010 meeting of the Finance and Resources Committee. This followed on from a previous paper presented in November 2009.</p> <p>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.</p>	<p><b>FINAL</b></p> <p>September 2010</p>

### Summary of the results of the audits undertaken to 16<sup>th</sup> March 2011 (cont.)

Review Outline	Progress/Conclusions	STATUS
<p><b>Financial systems : 10 audit days</b></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"> <li>• Payroll;</li> <li>• Budgetary control;</li> <li>• Ledger management;</li> <li>• Asset management;</li> <li>• Income, including forecasting, billing, recovery and recognition;</li> <li>• Purchasing and payments;</li> <li>• Travel and subsistence; and</li> <li>• Cash management including cash flow management, banking and reporting.</li> </ul>	<p><b>Opinion- Satisfactory</b></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.</p> <p>However, we noted three areas where there remains scope for improvement to enhance the control framework and to meet best practice going forward.</p> <p>These related to the following areas:</p> <ul style="list-style-type: none"> <li>• Removing the option for individuals to follow manual procedures when raising supplier purchase orders.</li> <li>• Dating bank reconciliations to evidence when they were undertaken; and</li> <li>• Netregulate reconciliations.</li> </ul>	<p><b>FINAL</b></p> <p>March 2011</p>

### Summary of the results of the audits undertaken to 16<sup>th</sup> March 2011 (cont.)

Review Outline	Progress/Conclusions	STATUS
<p><b>Follow up: 3 audit days</b></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: IT, governance and finance.</p>	<p><b>Opinion- N/a</b></p> <p>There were a total of seven recommendations raised by PKF during 2009/10 and 2010/11 that were scheduled to have been completed by January 2011. The recommendations raised related to following areas:</p> <ul style="list-style-type: none"> <li>• Financial systems;</li> <li>• Employee health &amp; safety;</li> <li>• Fitness to practise; and</li> <li>• Human Resources management.</li> </ul> <p>We were pleased to note that most of the recommendations that we had raised have been implemented in full or are in progress. The recommendations in relation to Fitness to Practise have been implemented in full. None of the actions that remain outstanding for the other aspects of the HPC's operations relate to high priority recommendations.</p>	<p><b>FINAL</b></p> <p>March 2011</p>



### Summary of the results of the audits undertaken to 16<sup>th</sup> March 2011 (cont.)

Review Outline	Progress/Conclusions	STATUS
<p><b>Projects review : 8 audit days GSCC transfer</b></p> <p>During July 2010, it was announced that the regulatory functions of the GSCC would be transferred to the HPC. Since the announcement the HPC has been working with the GSCC and Government to clarify the terms and timing of the transfer and to develop a project plan to address the associated practical issues.</p> <p>As requested by the November 2010 Audit Committee, we undertook a review of the arrangements in place to manage the key risks identified by the HPC in relation to this area.</p>	<p><b>Opinion- Sound to date</b></p> <p>Based on the audit work carried out we have concluded that the HPC's arrangements for managing the transfer of regulatory functions have been sound to date and the approach adopted has proven effective in identifying and responding to the key issues as they have emerged.</p> <p>We have also 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. We have not therefore raised any recommendations in relation to this area.</p> <p>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. 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 various risks and the management controls to mitigate these that are in operation at the HPC.</p>	<p><b>FINAL</b></p> <p>March 2011</p>

Summary of the results of the audits undertaken to 16<sup>th</sup> March 2011 (cont.)

Review Outline	Progress/Conclusions	STATUS
<p><b>Corporate Governance and Risk Management : 6 audit days</b></p> <p>Annual assessment of the corporate governance arrangements for the Health Professions Council.</p> <p>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</p>	<p><b>Opinion – Sound</b></p> <p>Based on the audit work carried out we have concluded that the HPC’s governance arrangements during 2010/11 were sound and that the organisation has continued to develop these arrangements to ensure that they meet best practice. Some examples of these during 2010/11 are the reviews undertaken of the Code of Conduct and the terms of reference of the Audit Committee. We also noted that enhancements have been made to the performance review process for members, the Chair and the Chief Executive and Registrar during 2010/11.</p>	<p><b>FINAL</b></p> <p>March 2011</p>