Audit Committee, 28 November 2013

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**

18 November 2013

# 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 | Number of recommendations |
|---|---|
| Fundamental | None |
| Significant | None |
| Housekeeping | 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 |
|---|---|---|---|---|---|
| 1 | *Observation:* 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.

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 | 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. | Housekeeping | 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 | 2012-13 Financial year

Director of HR /Director of IT

**Update:** The USB controls are in operation in the Registration, FTP, Partners, Secretariat and Policy departments. The software is now being deployed as part of the Windows 7 PC upgrade to the whole of the |

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| drives can be used, what USBs should be used for and the security of these.

We were informed that the Policy is currently being reviewed and should be in place from September 2011.

*Risk:* Staff are not fully aware of their responsibilities in respect of the use of USB data drives. | | | | organisation and is expected to conclude by the end of 2013

The IT Policy was approved by the Council at its meeting on 17 October. IT is currently drafting the declaration forms required for Council and Partners to sign. The policy is expected to come into force by the end of 2013. |

**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 |
|---|---|---|---|---|---|---|---|
| 1 | Management should complete the steps necessary by September 2011 towards removing the option for individuals to | Medium | Agreed. The system changes are required for both PRS and Sage to ensure that the full benefits are realised and to ensure cross product | Sept 11

Director of Finance | The agreed date for implemen tation of the recomme ndation | The implementation date for this recommendation had not yet been reached at the time of carrying out this audit. However, the upgrades required | A Procurement Policy will be presented to the Finance and Resources Committee on 21 November 2013. The procurement, requisitions and purchases procedures |

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| follow manual procedures when raising supplier purchase orders. | | compatibility. This should be implemented in the FY 2011/12, subject to budget approval. | | has not yet been reached | have been delayed until next year. 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. | will be drafted and in place by the end 0f 2013 |

**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** | **Number of recommendations** |
|---|---|
| Fundamental | None |
| Significant | None |
| Housekeeping | 3 |

**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)

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| | Observation/Risk | Recommendation | Priority | Management response | Timescale/ responsibility |
|---|---|---|---|---|---|
| 2 | *Observation:* 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.<br><br>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.<br><br>It is noted that a review of the HR system is planned to be undertaken.<br><br>*Risk:* Holding two databases with staff details and duplication of data entry are unlikely to be an efficient use of resources.<br><br>Errors are more likely to arise where data is re-keyed. | 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. | Housekeeping | 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. | Director of Finance/ HR Director.<br><br>**Update**: HR & Partners Systems & Process Review Phase 1 is due to take place between 01/04/13 - 31/12/13 |

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**ICT Security (report dated November 2012 – considered at Audit Committee 28 November 2012)**

**Assurance on effectiveness of internal controls:** Substantial Assurance

**Recommendations summary**

| Priority | Number of recommendations |
|---|---|
| Fundamental | None |
| Significant | None |
| Housekeeping | 3 |

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

**Risk 2:** Malicious damage from unauthorised access (Information Technology – Risk No 5.5)

| | Observation/Risk | Recommendation | Priority | Management response | Timescale/ responsibility |
|---|---|---|---|---|---|
| 1 | *Observation:* An Information Technology Policy is documented as part of the staff handbook. The policy covers a number of standard including acceptable use, the ownership of systems, security over passwords and the monitoring mechanisms in place. Users are required to sign-up to this policy on joining the organisation as part of the awareness of the wider handbook. However there are some matters which require review and the policy is currently in the process of being updated. The Director of ICT has | 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 and reflects current technologies and | Housekeeping | The IT policy is being reviewed as part of the 2012-13 IT Work Plan. | Director of IT

**Update:** The USB controls are in operation in the Registration, FTP, Partners, Secretariat and Policy departments. The software is now being deployed as part of the Windows 7 PC upgrade to the whole of the organisation and is expected to |

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| liaised with a number of similar organisations in the sector to obtain their IT Security policies to benchmark against.<br><br>*Risk:* Policy in place does not reflect current practice, intention or controls. | policy on the use of IT. | | | conclude by the end of 2013<br><br>The IT Policy was approved by the Council at its meeting on 17 October. IT are currently drafting the declaration forms required for Council and Partners to sign. The policy is expected to come into force by the end of 2013. |

**Income Collection & Debtors (report dated September 2012 – considered at Audit Committee 28 November 2012)**

**Assurance on effectiveness of internal controls:** Substantial Assurance

**Recommendations summary**

| Priority | Number of recommendations |
|---|---|
| Fundamental | None |
| Significant | None |
| Housekeeping | 3 |

**Risk 1:** Inability to collect from debtors (Finance – Risk No 15.6)

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| | Observation/Risk | Recommendation | Priority | Management response | Timescale/responsibility |
|---|---|---|---|---|---|
| 1 | *Observation:* Currently, all payments received by cheque, postal order and cash are initially processed on NetRegulate by Registration Advisors and then all information is transferred to Finance – Transactions team for checking and processing the following day. The same cheque/postal order is reviewed and checked twice (once in Registrations when it is input to NetRegulate, and once in Finance as part of the daily banking). It is not clear that the checking of each cheque/postal order in Finance, which may take a considerable amount of time, adds much value in addition to the original check performed by Registrations.<br><br>The checking of cheques and postal orders is not the main role of Registration Advisors who primarily deal with processing application forms and advising registrants and applicants on matters relating to their registration. Therefore a 'cashier' role specifically dealing with cheques, postal orders and credit/debit card payments and not dealing with other parts of the Registration process may be more | Consideration should be given to reviewing the processes for checking and banking of income received by cheque, postal order and credit /debit card to ensure that the most efficient process is in place. For example, the current checking performed by Registrations and Finance and the potential for a 'Cashier' role. | Housekeeping | We agree that the way this process is currently handled is not the most efficient and consideration will be given to ways of eliminating the duplication of tasks. | Director of Finance/Head of Registration<br><br>Improvements to this system will be considered in HCPC project prioritisation plan for the new financial year 2014/15 |

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| | efficient and less likely to produce errors. Such a role would reduce or remove the need for additional checks in Finance – Transactions and would also speed up the processing, such that transactions processed on NetRegulate by Registrations would not have to wait until the following day to be checked and processed in Finance – Transactions, but could be banked the same day – thereby reducing problems around cut-off at the end of each month.<br><br>*Risk:* Duplication of effort resulting in inefficient use of resources. | | | |
| | *Issue:* Timing difference at month end date – On the last working day of the month, transactions are posted by the Registration team on NetRegulate which are not processed by the Finance team until the following day.<br><br>*Recommendation:* Finance team to work with Registration team to ensure that items posted on last working day of month in NetRegulate are also processed on the same day | Currently, this has been resolved by members of the Finance – Transactions team staying late at month-end to ensure transactions are processed the same day. | Housekeeping | NetRegulate process changes are being developed by DSL to enable us to produce a monthly report to show exactly what is being processed at month end. | Head of Financial Accounting<br><br>Improvements to this system will be considered in HCPC project prioritisation plan for the new financial year 2014/15 |
| | *Issue:* Correction Adjustments - where a registrant's record is updated using a | As planned, a solution involving | | As part of the automated Readmission project, | Project team |

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| correction adjustment, the treatment of the way the record is accounted for differs depending on the reason. A main cause of difference has been identified as re-admission reverse charges which are not shown on the transfer report. *Recommendation:* As a temporary work around going forward, Finance team to obtain a DBA Visualizer (based on an SQL query) report from NetRegulate at month end and manually adjust any mis-postings in Sage.<br><br>A NetRegulate change request will be created to amend NetRegulate to automatically take account of these transactions as a permanent solution. This will form part of the NetRegulate change request process.<br><br>Reports are currently obtained from NetRegulate at month-end and manual adjustments are made to correct readmission charges on individual registrants' records which have been incorrectly applied and a reversing journal is posted.<br><br>A project is currently underway to address the issue of NetRegulate | updating the NetRegulate system to automatically take account of these transactions should be implemented. | | reversal readmission charges will no longer be posted. This change will remove this issue. | Improvements to this system will be considered in HCPC project prioritisation plan for the new financial year 2014/15 |

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| incorrectly applying the readmission fee within the four week window where the readmission fee is not chargeable. | | |

**Corporate Governance and Risk Management (report dated February 2013 – considered at Audit Committee 13 March 2013)**

**Assurance on effectiveness of internal controls:** Substantial Assurance

**Recommendations summary**

| Priority | Number of recommendations |
|---|---|
| Fundamental | None |
| Significant | None |
| Housekeeping | 2 |

**Risk 1:** Council inability to make decisions (Secretariat – Risk No 4.1)

| | Observation/Risk | Recommendation | Priority | Management response | Timescale/ Responsibility |
|---|---|---|---|---|---|
| 6.1 | In the context of the CHRE interim report, published in September 2011, *'Board size and effectiveness: advice to the Department of Health regarding health professional regulators',* the Council will be restructured with the number of members reducing from January 2014.<br><br>This is also anticipated to result in a reduction in the number of Committees with more business being dealt with by | As planned, the Secretariat should, in conjunction with the Chair and other Members, determine a plan for the implementation of a new governance structure | 3 | During 2013, the governance arrangements including the Code of Corporate Governance will be reviewed. Furthermore, detailed planning will be undertaken in relation to the appointments process for members of council and this will include reviewing the competencies required and ensuring the breadth | Secretary to the Council<br><br>Council approved a revised Code of Corporate Governance at its meeting on 17 September. |

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| | the full Council .<br><br>Therefore HCPC will need to establish a clear plan in order to achieve this, whilst ensuring that its governance arrangements continue to operate effectively. | | | | of skill mix across the newly recruited council members. | |

**Bribery Act (report dated March 2013 – considered at Audit Committee 25 June 2013)**

**Assurance on effectiveness of internal controls:** Substantial Assurance

**Recommendations summary**

| Priority | Number of recommendations |
|---|---|
| Fundamental | None |
| Significant | 2 |
| Housekeeping | 5 |

| | Observation/Risk | Recommendation | Priority | Management response | Timescale/ Responsibility |
|---|---|---|---|---|---|
| 5.2 | *Risk Assessment:* The recommendations from risk assessment undertaken as part of this audit review have not yet been actioned and, linked to the recommendation above, there are no immediate plans to monitor and report on emerging bribery risks going | As well as general completion of this action plan, arrangements made for emerging bribery risks to be considered going forward and captured, where | 2 | We will prepare an action plan to set out adequate procedures in the anti-bribery control framework. Resultant risks will be added to the risk register. | September 2013<br><br>Head of BPI<br><br>The anti- bribery control framework is currently under |

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| | forward. | appropriate, on the Corporate Risk Register. | | | development.<br><br>Overall risks have been added to the risk register. |
| 5.4 | *Procurement procedures – terms and conditions:* There are no standard HCPC terms and conditions in place with suppliers that make any reference to the Bribery Act and HCPC's zero tolerance to bribery. | The HCPC should develop supplier terms and conditions that make reference to compliance with the Bribery Act and where possible introduce them into all future contracts and for existing contracts as they come up for renewal. | 3 | This will be included in the action plan for the to be recruited Procurement Manager | A procurement policy has been drafted and will be considered by the Finance and Resources committee at its meeting of 21 November 2013 |
| 5.5 | *Supplier Due Diligence:* High risk suppliers that would warrant enhanced due diligence have not yet been identified.<br><br>There is a risk that HCPC are engaging with suppliers who have been, or who are currently, engaged in bribery, thereby leading to reputational damage and potential breach of the Bribery Act by the organisation. | Based on expenditure (both in terms of value and number of transactions), the sector/services they are involved in, and the country in which they are based, an assessment should be made on the current and future supplier list to identify any that could be considered higher risk. | 3 | All our suppliers are based in the UK. We undertake due diligence on new suppliers and tendering via the OJEU imposes controls through prescribed requirements and involvement of different people in the process.<br><br>A review of our suppliers' database will be one of the tasks assigned to our procurement manager | Procurement Manager<br><br>This review will be undertaken by the end of the current financial year 2013/14 |

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| | | Observation/Risk | Recommendation | Priority | Management response | Timescale/Responsibility |
|---|---|---|---|---|---|---|
| | | For any such suppliers due diligence should be extended as appropriate, for example conducting a search of directors with disqualifications, news searches for court cases involving bribery etc. | | | when recruited. | |

**Core Financial Systems – Asset Management, General Ledger and Payroll (report dated September 2013 – considered at Audit Committee 26 September 2013)**

**Assurance on effectiveness of internal controls:** Substantial Assurance

**Recommendations summary**

| Priority | Number of recommendations |
|---|---|
| Fundamental | None |
| Significant | 1 |
| Housekeeping | 2 |

| | Observation/Risk | Recommendation | Priority | Management response | Timescale/Responsibility |
|---|---|---|---|---|---|
| 6.1 | Observation: During our review we noted that current Financial Regulations being used by the Finance team are in need of updating. For example, they refer to HPC rather than HCPC and the description of the payroll functions do not reflect the outsourcing of these to a | As planned, Financial Regulations should be reviewed and approved by the appropriate Committee and communicated to relevant Staff. | 3 | The financial regulations require updating and will be presented to the November 2013 F&R Committee, for approval by the Council in December. | November 2013

Interim Director of Finance |

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| | Bureau.<br><br>We were informed that updated Regulations are due to be presented to the next meeting of the Finance and Resources Committee.<br><br>Risk: Staff are not aware and/or do comply with the required processes. | | | | |
| 6.2 | Observation: User access rights to the Sage finance system have not been reviewed since the system was set up. Job roles and responsibilities have changed and there may be staff with access to areas of the system to which they should not be able to view or make amendments.<br><br>Risk: System access is available to staff where it is not required, or incorrect/ unauthorised access rights may have been granted. | Sage user access rights and the rights associated with job roles should be reviewed. We are aware of a possible Sage upgrade in the coming months; management may consider this the best time to undertake such a review. | 2 | Sage 200 was introduced in 2009 and a number of roles have changed since then.<br><br>HCPC will engage its Sage suppliers to review the roles and user access and ensure that the correct staff members have the correct access.<br><br>The possible upgrade is not scheduled until early part of next year so this review will be done before the upgrade. | December 2013<br><br>Head of Financial Accounting and Interim Director of Finance. |
| 6.3 | Observation: During our fieldwork we noted there is currently a large amount of printed documentation and it is likely | Consideration should be given to reducing the amount of hard copy | 3 | The cashbook and purchase ledger month-end sign-off sheets are | November 2013<br><br>Head of Financial |

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| | little would be lost by moving further towards electronic document storage, supported by a paper based sign off sheet which could be used to collate all sign offs, such as those for Purchase Ledger, General Ledger and Cash Book.<br><br>Risk: Full efficiencies are not achieved through failure to minimise use of paper and printing materials, in addition to potential inefficient use of storage areas. | documentation used and retained, subject to sufficient records and an audit trail being securely maintained. Such electronic records could be supported by a paper based physical sign off sheet. | | now scanned each month. Currently we print and sign the nominal ledger reconciliations and trail balance. These are now scanned into the system.<br><br>We are currently reviewing the month-end and nominal close down process and will look at having one sign off sheet, instead of a number of sheets. | Accounting |

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