Audit Committee, 17 June 2015

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

8 June 2015

Recommendations from internal audit reports

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)

	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. 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	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. **Update** 17/06/2015 – The payroll service offered by the supplier of the new HR and Partners system is not appropriately certified for information security, so we are reviewing other options for the

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
	to Sage. It is noted that a review of the HR system is planned to be undertaken. *Risk:* Holding two databases with staff details and duplication of data entry are unlikely to be an efficient use of resources. Errors are more likely to arise where data is re-keyed.				contracted out payroll service, expecting to conclude by the end of 2015-16. We still intend and expect the new HR system to better integrate with payroll, whichever option for payroll is chosen. **Previous updates**: 10/3/2015 – We have started discussions with the supplier of the HR and Partners system to identify whether their integrated payroll service would be suitable for our needs. 09/10/2014 – The HR and Partners system build business case was approved by EMT to enter the start-up phase on 9 September. A

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
					supplier has been identified. 24/06/2014 – Still pending the HR & Partners project. Bids from suppliers have been received and are being assessed but no contract yet awarded so the project has not yet entered the build phase. 20/03/2014 - HR & Partners Systems Review phase is due to end on 31 March 2014. The project will then enter the build stage.

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
5.5	*Supplier Due Diligence:* High risk suppliers that would warrant enhanced due diligence have not yet been identified. 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. 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.	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. A review of our suppliers' database will be one of the tasks assigned to our procurement manager when recruited.	Procurement Manager **Update** 17/06/2015 – see 10/3/2015 update. **Previous updates**: 10/3/2015 – Documentation of procurement procedures has started but is not yet complete. Revised date for completion by end quarter two of 2015-16.

| | | | | | 09/10/2014 – Procedures to be documented by the end of 2014-15.

24/06/2014 – We are developing procedures for the review of the financial health and the integrity of our suppliers to address this risk and risk 15.21 on the risk register, using credit reference agencies. Our view is that suppliers in our sector are relatively low risk in relation to bribery.

20/03/2014 - The review will be undertaken in the first quarter of 2014-15 |
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Disaster Recovery / Business Continuity Planning (report dated October 2013 – considered at Audit Committee 28 November 2013)

Assurance on effectiveness of internal controls: Substantial Assurance

Recommendations summary

Priority	Number of recommendations
Fundamental	None
Significant	None
Housekeeping	1

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ Responsibility
6.2	Observation: The Business Continuity Plan is centrally controlled and managed by the Head of Business Process Improvement but is distributed as a paper document to 52 different people or locations. This makes it possible for uncontrolled documentation that may be outdated to still be held. Anecdotal evidence suggests that this has been the case on a number of occasions. There would be benefits with using an alternative method for managing how the plan is accessed such as improved version control and distribution. Potential alternatives include managing	HCPC should consider alternative methods of version control and distribution for the BCP, i.e. via secure internet/intranet, cloud service or secure USB key..	3	The Executive consider technology based solutions for the update and distribution of the BCP every year as part of the project prioritisation process and budget discussions. To date other statutory requirements have reached a higher priority than this project. This item remains on the long list of important projects until actioned. This project will be considered again in the project prioritisation process and budget discussions taking	Head of Business Process Improvement **Update** 17/06/2015 - Licence PO is in progress for the software and service selected. Development of our service will commence shortly **Previous updates**: 19/03/2015 - A successful test with the preferred supplier has taken place and

	access via a central storage point i.e. secure internet or intranet location, cloud-based service or distributed by secure USB device. Risk: Plans may lack effective version control which may cause people to refer to old or out-dated version of the Business Continuity Plan causing delays in recovery.			place in December and February for the forthcoming (2014/15) budget year.	the procurement exercise is completing 09/10/2014 – BPI are meeting a potential external supplier on 02/10/2014. Options will be reviewed following this. If the external option is perused a procurement process will be run. 24/06/2014 – BPI plan to investigate if an in house system could be used instead of an external procurement. 20/03/2014 – This project has been provided for within the 2014-15 BPI budget. The ability to produce paper versions will remain as a contingency

Partners Expenses (Report dated March 2014 – considered at Audit Committee 20 March 2014)

Assurance on effectiveness of internal controls: Substantial Assurance

Recommendations summary

Priority	Number of recommendations
Fundamental	None
Significant	1
Housekeeping	1

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ Responsibility
6.1	*Observation:* The Expenses Policy for Partners states "Travel and accommodation should be booked through the HCPC's preferred travel agent Co-operative Travel Management". However, this is not mandatory and there are no specific consequences for not doing so other than if abused. Up to period 9 of the current financial year, 42% (by value - £390k of £930k) of partners' expenses authorised and paid by HCPC have been claimed by direct reimbursement rather than using the services of Co-operative Travel Management. In addition to the value for money implications, limited usage of the travel	(i) HCPC should remind partners of its preference for them to book travel requirements through the appointed travel service in preference to the direct bookings which are currently made in the significant number of cases noted.	2	Agreed. Partners will be reminded of the current policy. Through the travel tender, we intend to address partners' concerns about the current system (including usability & price) and review their comments as to why they are not using the travel company. We will also explain to partners the benefits to HCPC of routing all bookings through the travel provider (simplified transactions, duty of care, better value for money, better management information).	December 2014 - Head of Financial Accounting. **Update** 17/06/2015 – The migration to the new travel management contract is on track, per the 10/3/2015 update. **Previous updates**: 10/3/2015 – The new travel management contract was signed in February 2015 and is due to go live in

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ Responsibility
	bureau means that management information on expenditure is restricted. HCPC is currently planning to market test its travel management arrangements and forms redesigned to obtain additional detail regarding the reasons for direct bookings. *Risk:* Failure to achieve value for money.			As part of the new travel management contract, the Executive proposes that it should become mandatory to book all travel and related services such as hotel accommodation through the service provider except in exceptional circumstances. The policy would apply to Council members, Partners and Executive.	April. We plan a parallel run of 3 or 4 months with the previous travel supplier before use of the new supplier becomes mandatory. 09/10/2014 - Updated expenses policies were agreed by Council in September and are being communicated to partners and employees. We expect to complete the travel management contract retender by the end of 2014-15. 24/06/2014 – Partners were reminded of the policy in December and January, and the policy is explained at new partners' induction training. The process to

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ Responsibility
					retender the travel management contract has started.

Health and Safety (Report dated March 2014 – considered at Audit Committee 20 March 2014)

Assurance on effectiveness of internal controls: Substantial Assurance

Recommendations summary

Priority	Number of recommendations
Fundamental	None
Significant	2
Housekeeping	3

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ Responsibility
6.2	*Observation:* A criminal record checking provider, TMG is used to carry out such checks for staff in FTP. The TMG online criminal record check application allows electronic submission of such applications and tracks progress of applications from the application management dashboard. Prior to this a spread sheet was in use to record the issue dates of the DBS checks received. The spread sheet record is still held. Our sample testing of new starters as part of our internal audit of	Consideration should be given to renewing DBS checks after an agreed time period such as three years.	3	The policy will be reviewed over the next 12 months.	Director of Human Resources - February 2015 **Update** 17/06/2015 - Further advice is being sought as it has transpired that DBS checks may be unnecessary for FTP roles. This is being

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ Responsibility
	HR – Recruitment, Retention and Succession Planning (report reference 05.13/14) did not identify any exceptions in relation to DBS checking of new starters during 2013/14.

HCPC currently employs 78 staff within FtP. From a list of such staff, we selected a sample of 15 to verify whether the required DBS check was conducted. Nine of our sample pre-dated the use of the TMG CRB system and were checked against the previous process. We confirmed that for six of these, the DBS check was carried out at least five years ago.

Although there is no official expiry date for a criminal record check issued by DBS, the information revealed will only be accurate at the time the certificate was issued. It is therefore generally considered good practice to renew DBS checks after an agreed time period usually three years.

Risk: HCPC may not be aware of any changes to the criminal record of staff in post, which may lead to no appropriate action taken and/ or reputational damage. | | | | looked into further.

Previous updates

19/03/2015 - The HR Director is currently seeking legal advice. The review should be complete by June 2015

09/10/2014 – This review will initiate towards the end of 2014 when resources are available.

24/06/2014 - This review will initiate towards the end of 2014. |

Core Financial Systems – Procurement, Treasury Management, and Budget Setting and Control (Report dated March 2015 – considered at Audit Committee 19 March 2015)

Assurance on effectiveness of internal controls: Substantial Assurance

Recommendations summary

Priority	Number of recommendations
Fundamental	None
Significant	None
Housekeeping	3

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ Responsibility
6.1	While reviewing the procurement policy we noted some inconsistencies between the policy and the Financial Regulations, namely that the Chief Executive authorisation values are inconsistent between the two policies, and the OJEC tendering threshold has not been updated in the Procurement Policy. *Risk:* Staff may use incorrect information for procurement activities which could result in non-compliance or inefficiency.	The Procurement Policy should be updated to be consistent with the Financial Regulations.	3	Agreed. The Procurement Policy will be updated during 2015-16.	Finance Director **Update** 17/06/2015 - A redraft of the policy has been reviewed by HCPC's legal advisors. The redrafted policy plus procedures will be reviewed by EMT in July, then Audit

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ Responsibility
					Committee and Council in September 2015. 19/3/2015 - Draft for discussion at June 2015 Audit Committee and approval at June 2015 Council
6.3	While HCPC follows best practice by retaining requests for a change in supplier details and contacting suppliers to confirm change, other organisations adopt a formal documented process to ensure this procedure is followed correctly and consistently, even during a period of staff turnover. *Risk:* A fraudulent change of details request may be mistakenly completed.	A form should be created for every time a supplier details amendment takes place allowing confirmation that procedure has been followed and that the change in details is correct. This provides a safeguard for staff involved in the process. This should allow staff to speedily tick off to confirm suppliers have been contacted and the change confirmed. Additionally the form should specify and confirm that the	3	We are implementing a change which will achieve the objective of ensuring that the supplier details change process is followed correctly and consistently. As part of the finance systems upgrade, an audit trail module is being introduced. This will track every change to supplier details incl who made the change and a reason for the change. This is then reviewed by either the Head of	Head of Financial Accounting March 2015 **Update** 17/6/15 – Complete. The upgraded finance system went live in April 2015 including the audit trail

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ Responsibility
		supplier is contacted by the phone number already retained by the organisation, not a number supplied with the request for the amendment.		Financial Accounting or the Finance Director. Any notifications of change in details will be attached to the supplier record within Sage.	module.