Audit Committee 5 December 2007

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.

Decision

The Committee is asked to discuss the report.

Background information

At its meeting on 27 March 2007, the Committee approved the Internal Audit Plan for 2007-8. Internal audit reports for each completed audit are considered at committee meetings during the year.

Resource implications

None.

Financial implications

None.

Appendices

Internal Audit Progress Report.

Date of paper

22 November 2007.

Health Professions Council

Internal Audit

Audit Committee Progress Report – 2007/08

23rd November 2007

Introduction

This report summarises the progress that we have made with the 2007/08 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 in accordance with the timetable approved by the Audit Committee in February 2007.

Total planned audit days for 2007/08	**47 days**
Target audit days to be completed by 23rd November 2007	33 days
Actual audit days completed as at 23rd November 2007	34 days
Remaining audit days to be completed	**13 days**
Projects scheduled for quarter 4	11 days
Unallocated contingency	2 days

We wish to thank all members of staff 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. However, we suggest that the remaining unallocated contingency should be utilised to undertake a further follow up of the management controls over the Stannary Street refurbishment.

Summary of the results of the audits undertaken to 23rd November 2007

Review Outline	Progress/Conclusions	STATUS
Business Continuity Planning and Disaster Recovery Planning : 3 audit days Assessment of non IT business continuity arrangements and disaster recovery arrangements with a focus on premises and staff availability issues and the ability to respond to major incidents. The review examined : • Risk assessment processes for business-critical elements at a corporate level; • Adequacy of response planning; and • Adequacy of testing.	**Opinion – Satisfactory** Previously reported to the June 2007 Audit Committee.	FINAL

Summary of the results of the audits undertaken to 23rd November 2007 (cont.)

Review Outline	Progress/Conclusions	STATUS
External Communications : 6 audit days Assessment of the arrangements for managing the quality, timeliness and consistency of external communications, focusing on communications with registrants and with the public (under Article 3 (13)). This will consider the risks involved, how the required communications are delivered and the effectiveness of the monitoring of performance in these areas.	**Opinion - Satisfactory in most respects** Previously reported to the September 2007 Audit Committee.	FINAL
Fitness to Practise – Phase II : 3 audit days Follow up of the audit recommendation from our 2006/07 review and specific consideration of the management of the implementation of the new FTP database.	**Opinion – Satisfactory** Previously reported to the September 2007 Audit Committee.	FINAL

Summary of the results of the audits undertaken to 23rd November 2007 (cont.)

Review Outline	Progress/Conclusions	STATUS
Financial Systems: 13 audit days Review and testing of the controls over the main financial systems and follow up of agreed actions from the 2006/07 review. This covered project financial management, 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.	**Opinion – Satisfactory** Based on our review work, we have concluded that the HPC's financial systems were satisfactory. Detailed steps are taken to refine the annual budget each year and to evaluate the underlying assumptions behind the HPC's forecasts within the context of the organisation's Five Year Plan. We noted that detailed management accounts and a commentary on the key variances were prepared every month and that action was taken by management to address any issues arising. Project reporting has also been enhanced during 2007/08. Financial and operational reports are now regularly produced for all key projects. These arrangements, together with the cautious approach adopted by the HPC to procurement should ensure that the risk of project cost overruns is successfully mitigated. The key month end routines and checks were all operating effectively. Our testing also indicated that tight control is maintained over cash, credit cards and expense claims. However, we noted some areas where there remains scope for improvement to meet best practice and have therefore raised three recommendations.	FINAL

Summary of the results of the audits undertaken to 23rd November 2007 (cont.)

Review Outline	Progress/Conclusions	STATUS
New Building Project: 2 audit days The review revisited the arrangements for managing the project and sought to confirm that the key project controls were continuing to operate.	**Opinion – Satisfactory in most respects** Based on our follow up work of the controls in place over the 22-26 Stannary Street project, we have concluded that the HPC's arrangements for managing the project were satisfactory, although these now need to be strengthened to enable the organisation to manage the possibility of significant delays that has emerged recently. We noted that the main contractor is currently indicating that the works have incurred a delay in the order of 12 weeks, although we understand that the architect has yet to award CFC any justified extensions of time and the HPC contests the main contractor's position. We understand that CFC are looking at ways of addressing this issue and has submitted revised project programmes to the project meeting showing the various options available. Contingency plans are now being implemented by the Facilities Manager. There will however be some impact upon the HPC, placing further pressure on meeting room space and delaying the office restacking that is planned to take place once the new premises become available. The main contractor's revised programme should therefore continue to be scrutinised closely to ensure that the risk of any further slippage is highlighted, enabling the HPC to take effective mitigating action.	FINAL

Summary of the results of the audits undertaken to 23rd November 2007 (cont.)

Review Outline	Progress/Conclusions	STATUS
IT review – Laptop controls: 2 audit days Assessment of arrangements for laptop encryption and anti-theft arrangements and software licensing.	**Opinion – Sound** Based on the audit work carried out we concluded that the HPC's controls over its issued laptops were sound, although these arrangements need to be kept under review to ensure that they keep pace with the evolution of viruses and other technological developments that may threaten the security of the organisation's data in the future. Whatever protection an organisation puts into place, there will always remain a danger that an expert and determined hacker could access its data. However, in our view the HPC's arrangements are what we would expect for an organisation with the risk profile of the HPC and to heighten security still further would be likely to be a very expensive option.	FINAL

Summary of the results of the audits undertaken to 23rd November 2007 (cont.)

Review Outline	Progress/Conclusions	STATUS
Registrations: 5 audit days Review and testing of the controls within the Registrations function. This will cover the risk management arrangements, performance management arrangements and operational controls relating to registrations.	**Quarter Four Review**	Quarter 4
Corporate Governance and Risk Management: 5 audit days Annual assessment of the corporate governance arrangements for the Health Professions Council. This year's review will focus on the development and use of risk management and follow up of action on the issues identified in the year one review.	**Quarter Four Review**	Quarter 4