INTERNAL AUDIT PROGRESS REPORT

Executive Summary and Recommendations

Introduction

Mark Wonnacott 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 28 June, the Committee approved the Internal Audit Needs Assessment and Internal Audit Plan for 2006-7. (See paper AUD 43/06).

Resource implications

None.

Financial implications

None.

Appendices

Internal Audit Progress Report.

Date of paper

25 January 2007.

Health Professions Council

Internal Audit

Audit Committee Progress Report – 2006/07

28th February 2007

Introduction

This report presents a summary of the progress on the 2006/07 internal audit and the results arising from the reviews.

Overview of progress

The audit overall is progressing in accordance with the timetable presented to the Committee in June 2006and no items have been re-timetabled.

Total Days for 2006/07 Audit   46 days

Days Completed to 16th February   37 days

Implications for governance

The findings of the audits carried out to date indicate that generally the activities of the HPC are carried out in a controlled manner, with controls in place that are fit for purpose and operating as intended. In particular we note that progress is being made in addressing past audit recommendations. However, risk management is not fully developed and in a number of cases the control arrangements fall short of best practice thereby increasing the likelihood of error or abuse, but in the majority of cases these do not relate to fundamental issues. The most important thing is that risk management and the internal control structure continue to develop.

The main area of concern to date relates to the management of the externally provided aspects of the IT infrastructure. The contract letting and management arrangements appear to be weak and to expose HPC to a risk of poor value for money or service failures. These need to be addressed.

Summary of the results of the audit to 16th February 2007: -

Review Outline	Progress/Conclusions	STATUS
HR Follow Up : 3 days The review followed up the HR report issued by the previous internal auditors BDO to ensure that the necessary improvements to the systems have been made.	**Opinion – Satisfactory** Reported at the December Audit Committee	FINAL

Review Outline	Progress/Conclusions	STATUS
Corporate Governance & Risk Management : 6 days Review of the corporate governance and risk management arrangements in place across the Health Professions Council.	**Opinion – Satisfactory in Most Respects** Based on the results of the audit work carried out we have concluded that: - Governance structures are appropriate and properly administered, although not all committees have documented terms of reference; - Arrangements are in place to manage conduct however not all members have signed the Code of Conduct; - Appropriate training is available to members; - The objectives and strategy of HPC are clear with detailed strategies approved for all key areas; - Delegation arrangements are in place and appropriate although the web-site record of this has not been kept up to date; - Performance indicators and measures have been developed for most areas of activity and are regularly monitored. However, these do not cover Finance or the Secretariat; - Financial approvals and monitoring is in place; - Risk management is at a relatively early stage of development. Whilst risks are identified at a high level these are not cascaded through the departments nor is their management embedded. However, we have made a number of recommendations to improve the control environment governance arrangements. These are being considered by management.	FINAL

Review Outline	Progress/Conclusions	STATUS
IT Service Level Agreement – VFM review: 5 days The review provides an assessment of the Service Level Agreement that is in place with contractors for the support, maintenance and recovery of the IT systems at the HPC. The review examined the appropriateness of the arrangements in place and the value for money implications of the proposed changes.	**Opinions** **IT Support – Satisfactory in Most Respects** **Contract Management – Satisfactory except for LISA** **Back Up and Disaster Recovery - Satisfactory** IT support is provided by a combination of the in-house team, which provides the first line support, with a number of contractors in support including DSL for LISA, Universal for telecoms and HP for servers and printers. The arrangements for receiving and handling requests for support are managed appropriately and the in-house team are able to resolve a large proportion of the queries received. However, little performance information is generated by contractors and, whilst there is regular contact with suppliers, this needs to be more structured to assess value for money. Whilst in overall terms the service level agreements for supporting IT systems have worked, the service level agreement for LISA is unclear in terms of roles and responsibilities. The management of the contract has been weak in that it has allowed part of the application supporting LISA to become unsupported, thereby increasing the risk of failure of this business critical system. Ways to upgrade the system are being explored. Two main options are being explored, one by BES and one by SUN, which DSL would support. DSL have advised HPC that the lower cost BES solution is unsuitable but without providing evidence. It is clear that HPC will need objective support in specifying their need and are	DRAFT to be finalised in week commencing 19th February

Review Outline	Progress/Conclusions	STATUS
	commissioning consultants to provide this. A disaster recovery plan is in place and was successfully tested in February 2006 and shown to be practical. It is planned to test the plan regularly by simulating various disaster scenarios. Back up is undertaken on a daily basis. Relevant procedures are documented and our testing indicated that they were being followed. Follow up work is planned to include the additional items included in a IT health check.	

Review Outline	Progress/Conclusions	STATUS
Financial Systems: 13 days Review and testing of the controls over the main financial systems. This will cover payroll, budgetary control, ledger management, asset management, income and debtors, purchasing and payments, travel and subsistence and cash, bank and treasury management. The review will also include a detailed follow up of the Management Controls report conducted by Baker Tilly to ensure that the necessary improvements to the systems have been made.	**Opinion – Satisfactory** We have concluded that the overall design of controls in place over the main financial systems at the HPC are **Satisfactory** and that the systems can be relied upon for management information and for accurate processing. We have also followed up the work undertaken by Baker Tilly – Management Controls. This has shown that management have continued to make progress in implementing the outstanding recommendations. We have not identified any fundamental concerns in any of the areas covered during this audit, although there remain some areas affected by minor risks whereby further steps should be taken to strengthen the controls in order to mitigate these risks. We have identified areas where controls could be further strengthened and have made recommendations in this regard notably in respect of: • Management should ensure that the verification of assets is undertaken on an annual basis, during the physical verification exercise all capitalised assets should be tagged and asset register updated to reflect all movements; • Management should ensure that the Sage system prompts staff to change their password every 90 days; • Management should ensure that for all journals the supporting documentation is retained and that all journals are signed by the preparer and approved before inputting into Sage; and • Budgets holders should sign off their budgets as evidence of ownership.	FINAL

Review Outline	Progress/Conclusions	STATUS

Fitness to Practice: 6 days
 	
Review and testing of the controls within the Fitness to Practice function. This will cover the risk management arrangements, performance management arrangements and operational controls relating to fitness to practice cases.
	Opinion – Satisfactory.
	
	The role of the Health Professions Council (HPC) is to protect the health and well-being of people who use the service of the health professionals registered with them. Currently the HPC registers members of 13 professions. Only individuals who meet HPC standards for professional skills, behaviour and health are registered with the HPC.
	
	The responsibility for the fitness to practise function has been entrusted to the Director of Fitness to Practise by the Health Professions Council. There is a detailed scheme of delegation that is in place giving the Director of Fitness to Practise the appropriate powers. We have examined the procedures in place over the four core areas:
	
	  - Fitness to Practice cases; - Registration Appeals cases;
	
	  - Prosecution cases; and - Health and Character approvals.
	
	The testing undertaken has indicated that the procedures in place are being followed and no exceptions were noted. We have not identified any fundamental concerns in any of the areas covered during this audit, although there remain some areas affected by minor risks whereby further steps should be taken to strengthen the controls in order to mitigate these risks.
	
	We have identified an area where controls could be further strengthened and have made recommendations in this regard notably in respect of:
	
	• A Departmental risk registers should be created and included within the departmental work plans to ensure that risk management is an integral part of business planning within the organisation.
		DRAFT

Review Outline	Progress/Conclusions	STATUS
New Building Project: 7 days The review will look at the effectiveness of the project management of the new building project. This will also cover the risk management arrangements, the budgetary control of the project and reporting against the project plans.	Audit fieldwork scheduled to take place in March 2007. Fieldwork to take place in week beginning 12th March.	Quarter 4