

Audit Committee, 20 March 2014

Internal audit progress report

Executive summary and recommendations

### **Introduction**

Mazars have prepared the attached report which sets out progress on the internal audit plan for 2013-14.

### **Decision**

The Committee is asked to discuss the report.

### **Background information**

At its meeting on 13 March 2013, the Committee approved the internal audit plan for 2013-14.

Internal audit reports for each completed audit are considered at committee meetings during the year.

### **Resource implications**

None.

### **Financial implications**

Mazars' annual fee for 2013-14 is £27,000.

### **Appendices**

Internal Audit Progress Report.

### **Date of paper**

12 March 2014



# Internal Audit Progress Report

For the year ended 31 March 2014

Presented to Audit Committee Meeting of: 20 March 2014



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**Status of our reports**

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## 1. Introduction

- 1.1 The purpose of this report is to update the Audit Committee as to the progress in respect of the Operational Plan for the year ended 31 March 2014. The Plan was considered and approved by the Audit Committee at its meeting on the 7 March 2013.

## 2. Summary of internal audit activity since the last Audit Committee meeting

- 2.1 In accordance with the agreed timetable for delivery of the Plan for 2013/14, there have been five reports finalised since the last meeting of the Audit Committee. These relate to Stakeholder Communications (report 04.13/14 refers), HR – Recruitment, Retention and Succession Planning (05.13/14), Project Management (06.13/14), Partners Expenses (07.13/14) and Health and Safety (08.13/14).
- 2.2 A planning meeting for the audit of Corporate Governance and Risk Management has been held and terms of reference issued. Timings for the fieldwork for this audit have been deferred and the audit will now commence on 18 March 2014.
- 2.3 In the period since the last Audit Committee we have discussed a proposed Plan for 2014/15. This is included separately on the agenda.

### 3. Key issues arising from the internal audit programme to date

3.1 The following table provides a summary of assurances and the number and categorisation of recommendations in reports finalised to date.

Ref	Auditable Area	Level of Assurance (If appropriate)	Recommendations				
			Priority 1 (Fundamental)	Priority 2 (Significant)	Priority 3 (Housekeeping)	Total	Total agreed by Management
01.13/14	Follow Up	Not Applicable	-	-	10	10	10
02.13/14	Core Financial Systems	Substantial	-	1	2	3	3
03.13/14	Disaster Recovery / Business Continuity Planning	Substantial	-	-	1	1	1
04.13/14	Stakeholder Communications	Substantial	-	1	1	2	2
05.13/14	HR – Recruitment, Retention and Succession Planning	Substantial	-	-	1	1	1
06.13/14	Project Management	Substantial	-	1	1	2	2
07.13/14	Partners Expenses	Substantial	-	1	1	2	2
08.13/14	Health and Safety	Substantial	-	2	3	5	5
		<b>Totals</b>	<b>0</b>	<b>6</b>	<b>20</b>	<b>26</b>	<b>26</b>
		<b>%</b>	<b>0%</b>	<b>23%</b>	<b>77%</b>	<b>100%</b>	<b>100%</b>

3.2 We use the following levels of opinion and recommendation classifications within our audit reports:

<b>Recommendation Classifications</b>	<b>Description</b>
Priority 1 (Fundamental)	Recommendations represent fundamental control weaknesses, which expose HCPC to a high degree of unnecessary risk.
Priority 2 (Significant)	Recommendations represent significant control weaknesses which expose HCPC to a moderate degree of unnecessary risk.
Priority 3 (Housekeeping)	Recommendations show areas where we have highlighted opportunities to implement a good or better practice, to improve efficiency or further reduce exposure to risk.

<b>Levels of Opinion</b>	<b>Control Environment</b>	<b>Effectiveness of Controls</b>
Substantial Assurance:	While a basically sound system of control exists, there is some scope for improvement.	While controls are generally operating effectively, there is some scope for improvement.
Adequate Assurance:	While a generally sound system of control exists, there are weaknesses which put some of the system objectives at risk.	While controls are generally operating effectively, there are weaknesses which put some of the system objectives at risk.
Limited Assurance:	Control is generally weak leaving the system open to significant error or abuse.	Control is generally weak leaving the system open to significant error or abuse.

## 4. Comparison to Detailed Audit Timetable for 2013/14

Auditable Area	Target Review Start Date	Actual Review Start Date	Target Audit Committee	Actual Audit Committee	Comments
Follow Up	1 July 2013	15 July 2013	September 2013	26 September 2013	Final Report issued.
Core Financial Systems	19 August 2013	19 August 2013	September 2013	26 September 2013	Final Report issued.
Disaster Recovery / Business Continuity Planning	16 September 2013	2 October 2013	November 2013	28 November 2013	Final Report issued.
Stakeholder Communication	11 November 2013	11 November 2013	March 2014	20 March 2014	See 2.1. Final Report issued.
HR – Recruitment, Retention and Succession Planning	2 December 2014	2 December 2013	March 2014	20 March 2014	See 2.1. Final Report issued.
Project Management	9 December 2013	9 December 2013	March 2014	20 March 2014	See 2.1. Final Report issued.
Health and Safety	13 January 2014	27 January 2014	March 2014	20 March 2014	See 2.1. Final Report issued.
Corporate Governance and Risk Management	27 January 2014	18 March 2014	March 2014	-	See 2.2.
Partners Expenses	N/A	13 January 2014	N/A	20 March 2014	See 2.1. Final Report issued.  Audit carried out using the Contingency days allocation at the request of the Audit Committee
Audit Management	Not applicable	Not applicable	Not applicable	Not applicable	