

Audit Committee, 20 March 2014

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

10 March 2014

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	<p><i>Observation:</i> 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.</p> <p>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</p>	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.	<p>Director of Finance/ HR Director.</p> <p>Update: HR & Partners Systems Review phase is due to end on 31 March 2014. The project will then enter the build stage.</p>

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<p>information has to be entered again on to Sage.</p> <p>It is noted that a review of the HR system is planned to be undertaken.</p> <p><i>Risk:</i> Holding two databases with staff details and duplication of data entry are unlikely to be an efficient use of resources.</p> <p>Errors are more likely to arise where data is re-keyed.</p>				
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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)

Observation/Risk					Recommendation	Priority	Management response	Timescale/ responsibility
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1	<p><i>Observation:</i> 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.</p> <p>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 efficient and less likely to produce errors. Such a role would reduce or remove the need for additional checks</p>	<p>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.</p>	Housekeeping	<p>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.</p>	<p>Director of Finance/Head of Registration</p> <p>Improvements to this system will be considered in HCPC project prioritisation plan for the new financial year 2014/15</p>
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	<p>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.</p> <p><i>Risk:</i> Duplication of effort resulting in inefficient use of resources.</p>				
	<p><i>Issue:</i> 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.</p> <p><i>Recommendation:</i> 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</p>	<p>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.</p>	Housekeeping	<p>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.</p>	<p>Head of Financial Accounting</p> <p>Improvements to this system will be considered in HCPC project prioritisation plan for the new financial year 2014/15</p>
	<p><i>Issue:</i> Correction Adjustments - where a registrant's record is updated using a 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</p>	<p>As planned, a solution involving updating the NetRegulate system to automatically take</p>		<p>As part of the automated Readmission project, reversal readmission charges will no longer be posted. This change will remove this issue.</p>	<p>Project team</p> <p>Improvements to this system will be considered in HCPC project prioritisation</p>

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	<p>as re-admission reverse charges which are not shown on the transfer report. <i>Recommendation:</i> 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.</p> <p>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.</p> <p>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.</p> <p>A project is currently underway to address the issue of NetRegulate incorrectly applying the readmission fee within the four week window where the readmission fee is not chargeable.</p>	<p>account of these transactions should be implemented.</p>			<p>plan for the new financial year 2014/15</p>
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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	<p><i>Supplier Due Diligence:</i> High risk suppliers that would warrant enhanced due diligence have not yet been identified.</p> <p>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.</p>	<p>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.</p> <p>For any such suppliers due diligence should be extended as appropriate, for example conducting a search of directors with</p>	3	<p>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.</p> <p>A review of our suppliers' database will be one of the tasks assigned to our procurement manager when recruited.</p>	<p>Procurement Manager</p> <p>The review will be undertaken in the first quarter of 2014-15</p>

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		disqualifications, news searches for court cases involving bribery etc.			
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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
6.2	<p>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.</p> <p>Risk: System access is available to staff where it is not required, or incorrect/ unauthorised access rights may have been granted.</p>	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	<p>Sage 200 was introduced in 2009 and a number of roles have changed since then.</p> <p>HCPC will engage its Sage suppliers to review the roles and user access and ensure that the correct staff members have the correct access.</p> <p>The possible upgrade is</p>	This is currently being undertaken. TSG (SAGE 200 consultants) have run a report showing all the access rights and this has been reviewed by the finance department. Some changes are required to ensure good segregation of duties and will be

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				not scheduled until early part of next year so this review will be done before the upgrade.	made by TSG on their next visit in April. Head of Financial Accounting and Interim Director of Finance.
6.3	<p>Observation: During our fieldwork we noted there is currently a large amount of printed documentation and it is likely 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.</p> <p>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.</p>	Consideration should be given to reducing the amount of hard copy 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.	3	<p>The cashbook and purchase ledger month-end sign-off sheets are now scanned each month. Currently we print and sign the nominal ledger reconciliations and trail balance. These are now scanned into the system.</p> <p>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.</p>	<p>This has been reviewed and one-sign off sheet has been in place since November 2013.</p> <p>Head of Financial Accounting</p>

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

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Fundamental
Significant
Housekeeping

None
None
1

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ Responsibility
6.2	<p>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.</p> <p>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.</p> <p>There would be benefits with using an alternative method for managing how the plan is accessed such as improved version control and distribution.</p> <p>Potential alternatives include managing access via a central storage point i.e. secure internet or intranet location, cloud-based service or distributed by secure USB device.</p> <p>Risk: Plans may lack effective version control which may cause people to refer</p>	<p>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..</p>	3	<p>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.</p> <p>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 place in December and February for the forthcoming (2014/15) budget year.</p>	<p>Head of Business Process Improvement</p> <p>This project has been provided for within the 2014-15 BPI budget.</p> <p>The ability to produce paper versions will remain as a contingency</p>

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	to old or out-dated version of the Business Continuity Plan causing delays in recovery.				
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