

Audit Committee, 9 October 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

1 October 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 information has to be entered again on</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 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 supplier has been identified.</p> <p>Previous updates:</p>

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
	<p>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>				<p>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.</p> <p>20/03/2014 - HR & Partners Systems Review phase is due to end on 31 March 2014. The project will then enter the build stage.</p>

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
Fundamental

Number of recommendations
None

Significant
Housekeeping

None
3

Risk 1: Inability to collect from debtors (Finance – Risk No 15.6)

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
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</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>Update 09/10/2014 – Still pending while higher priority issues are addressed.</p> <p>Previous updates:</p> <p>24/06/2014 – Still pending while higher priority issues are addressed.</p> <p>20/03/2014 - Improvements to this system will be considered in HCPC project prioritisation plan for the new financial year 2014/15</p>

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
	<p>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 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> 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 as re-admission reverse charges which are not shown on the transfer report.</p> <p><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</p>	<p>As planned, a solution involving updating the NetRegulate system to automatically take account of these transactions should be implemented.</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>Update 09/10/2014 – Cleared. The change has been implemented</p> <p>Previous updates: 24/06/2014 – Still pending while higher priority issues are</p>

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
	<p>manually adjust any mis-postings in Sage. 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>addressed.</p> <p>20/03/2014 - Improvements to this system will be considered in HCPC project prioritisation plan for the new financial year 2014/15</p>

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

	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 disqualifications, news searches for court cases involving bribery etc.</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>Update 09/10/2014 – Procedures to be documented by the end of 2014-15.</p> <p>Previous updates: 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.</p> <p>20/03/2014 - The review will be</p>

					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	<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</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</p>	<p>Head of Business Process Improvement</p> <p>Update 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.</p>

<p>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 to old or out-dated version of the Business Continuity Plan causing delays in recovery.</p>				<p>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>Previous updates: 24/06/2014 – BPI plan to investigate if an in house system could be used instead of an external procurement.</p> <p>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</p>
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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	<i>Observation:</i> The Expenses Policy for Partners states “Travel and accommodation should be booked	(i) HCPC should remind partners of its preference for them to book travel	2	Agreed. Partners will be reminded of the current policy. Through the travel	December 2014 - Head of Financial Accounting.

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ Responsibility
	<p>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.</p> <p>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.</p> <p>In addition to the value for money implications, limited usage of the travel bureau means that management information on expenditure is restricted.</p> <p>HCPC is currently planning to market test its travel management arrangements and forms redesigned to obtain additional detail regarding the reasons for direct bookings.</p> <p><i>Risk:</i> Failure to achieve value for money.</p>	<p>requirements through the appointed travel service in preference to the direct bookings which are currently made in the significant number of cases noted.</p>		<p>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.</p> <p>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).</p> <p>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.</p>	<p>Update 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.</p> <p>Previous updates: 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 retender the travel management contract has started.</p>

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ Responsibility
6.1	As above	(ii) Further to (i) above, consideration should be given to developing further management information regarding partners' expenses for analysis and to inform future policy.	3	<p>The partner expense codes in the nominal ledger are currently being reviewed. More codes will be introduced to help with the analysis of the expenses.</p> <p>A full requirement of the management information will be included within the travel tender documents, which will allow for greater analysis.</p>	<p>April 2014 - Head of Financial Accounting</p> <p>Update 09/10/2014 - No change</p> <p>Previous updates 24/06/2014 - To be addressed in parallel with the travel tender.</p> <p>December 2014 - Head of Financial Accounting</p> <p>Update 09/10/2014 - No change</p> <p>Previous updates 24/06/2014 – Pending the travel tender.</p>

Stakeholder Communications (Report dated January 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
6.2	<p><i>Observation:</i> As is typical across the communications functions of many organisations, there is difficulty in establishing definite measurement and quantification of the effectiveness and impact of communication with stakeholders. Responses to traditional questionnaires generally tend to achieve a low response rate.</p> <p>There may be an opportunity to develop the processes for measurement of effectiveness following completion of the stakeholder analysis work noted earlier in this report.</p> <p><i>Risk:</i> Weaknesses in knowledge of which communication methods are most effective can lead to the allocation of resource not achieving maximum efficiency.</p>	<p>Following on from the work currently underway regarding stakeholder analysis, the outcome should be used to confirm the most effective methods of measuring success of the various methods of engagement with stakeholders.</p> <p>In turn this information can be used to inform future resource planning based on any information held regarding the priorities and methods of engagement.</p>	2	We will be commissioning our regular stakeholder analysis and polling in 2014-15 and this will be used to measure methods of engagement. We will also use the stakeholder analysis and mapping to inform this.	<p>By end 2014 / Director of Communications</p> <p>Update 09/10/2014 - The stakeholder polling will take place in autumn 2014, after which it will be analysed. The aim is to complete the analysis work by December 2014</p> <p>Previous updates 24/06/2014 - This activity is included in the Communications budget and workplan for 2014-15</p>

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	<p><i>Observation:</i> 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 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.</p> <p>HPCP currently employs 78 staff within</p>	<p>Consideration should be given to renewing DBS checks after an agreed time period such as three years.</p>	3	<p>The policy will be reviewed over the next 12 months.</p>	<p>Director of Human Resources - February 2015</p> <p>Update 09/10/2014 – This review will initiate towards the end of 2014 when resources are available.</p> <p>Previous updates 24/06/2014 - This review will initiate towards the end of 2014.</p>

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ Responsibility
	<p>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 predated 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.</p> <p>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.</p> <p><i>Risk:</i> 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.</p>				
6.3	<p><i>Observation:</i> For the leased site at 33 Stannary Street, arrangements for testing and inspection of fire alarms and the annual servicing of fire extinguishers are the responsibility of the company maintaining the premises. At the time of</p>	<p>HCPC should obtain assurances/copies of certificates for servicing of the fire extinguishers and tests of fire alarms for 33 Stannary Street.</p>	2	<p>HCPC have requested assurances from the managing agents that the fire alarm system is tested in accordance with the statutory regulations.</p>	<p>April 2014</p> <p>Update 09/10/2014 – the managing agents of 33 Stannary Street</p>

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ Responsibility
	<p>our visit HCPC had not received any formal assurances from the company that these are up to date.</p> <p><i>Risk:</i> Fire alarms and extinguishers may not be serviced in accordance with agreed intervals and therefore prove ineffective in the event of an incident occurring.</p>			<p>Copies of the relevant certificates in relation to the servicing of fire extinguishers have also been requested. HCPC has also requested a copy of the current Health & Safety/Fire Safety Risk Assessment. All information has been requested by 1st April 2014</p>	<p>have recently changed, we continue to follow up our previous request for the documents.</p> <p>Previous updates 24/06/2014 - Documents have been requested from the managing agents.</p>

Corporate Governance and Risk Management (Report dated June 2014 – considered at Audit Committee 24 June 2014)

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
6.2	<p><i>Observation:</i> Review of the mitigation actions identified in the risk register indicated that they were linked and related to the risks noted.</p>	<p>HCPC should consider further development of the documentation of the existing internal</p>	3	<p>The use of an assurance map does not add any tangible value to the risk management process at</p>	<p>Complete</p> <p>Risk presentations by risk owners will</p>

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ Responsibility
	<p>However, the sources of assurance over the controls and mitigating actions against risks have not been formally documented identified. 'Assurance Mapping' is a process involving identifying the various sources of assurance against identified risks and/or key processes and work streams. This can then be used to present the assurance framework, in particular to Council, and to identify potential areas where there are gaps in assurance, as well as areas with duplication.</p> <p>This has previously been highlighted as an area of good practice and briefly discussed at the HCPC Audit Committee in March 2014. Mazars has offered to further discuss the concept and practical implementation of this with EMT.</p> <p><i>Risk:</i> Potential weaknesses in controls due to sources of assurance not being identified, assurance being of poor quality and/or duplication or gaps in the assurance framework. Usually three years.</p>	<p>control and risk management system into an overall assurance framework for the Council and the key risks within the Corporate Risk Register.</p> <p>This could be a separate exercise or an addition of the source of assurance within the existing mitigation columns on the risk register. In terms of frequency, this could be made part of risk owner presentations to the Audit Committee.</p>		<p>HCPC.</p> <p>HCPC take a top down and bottom up approach to locating risks, and applying appropriate mitigations. Risks are reviewed on a six monthly basis, with any new risks being added as they are determined, after consultation with the EMT.</p> <p>An assurance map would not aid this process. Assurance around controls can be gained from the rolling presentations by risk owners, to Audit Committee.</p>	<p>continue.</p> <p>The updated risk register and Head of Head of Business Process Improvement</p> <p>Assurance map are on the Audit Committee agenda for 09/10/2014.</p>
6.3	<i>Observation:</i> The HCPC has identified	HCPC should	3	A draft list of risks in	Head of Business

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ Responsibility
	<p>six strategic objectives within its strategic intent document for 2012 to 2015. The strategic objectives outlined in the document are to be embedded and 'operationalised' in the work plans produced by each department or directorate.</p> <p>The Corporate Risk Register groups risks under headings which align to the directorates or departments. However, there is no explicit link between the Register and the six strategic objectives.</p> <p><i>Risk:</i> Due to lack of an explicit link between the risk register and the six strategic objectives it is not clear whether all risks related to such objectives have been identified and controlled.</p>	<p>periodically formally consider the extent to which the strategic objectives link with existing risks on the Corporate Risk Register. This could be in the form of a brief cover paper each year with a brief narrative as to each strategic objective and related risks.</p> <p>Alternatively we have seen this expressed through explicit reference of each risk to the relevant objectives or grouping risks by strategic objectives as opposed to department/functions.</p>		<p>strategic objective order has been produced by the Business Process Improvement department.</p> <p>Risk owners will validate the draft mapping, during the next iteration of the Risk Register taking place over the summer, for publication in September 2014.</p>	<p>Process Improvement</p> <p>Update</p> <p>09/10/2014 - Complete</p> <p>mapping was carried out but the committee determined it added no value, so will not be repeated</p>

BSI Assessment Observations and Opportunities for Improvement

Date	Observation	Management Response
6 May 2014	<p>It was observed that 'Request for Change' submissions are required to be reviewed by the CAB (Change Approval Board).</p> <p>However, the CAB is currently the IT Manager. Management may consider the setting up of a full CAB to review, approve and schedule all changes to the IT Infrastructure. This would then provide a more independent and objective review of a RFC's.</p>	<p>This is not correct. The CAB is constituted by the Service Support Manager (who currently holds the Change Manager role), the Infrastructure Manager, the individual who is advocating the change and the Director of IT.</p> <p>One of the three primary roles (Change Manager, Infrastructure Manager and Director of IT) can be absent and the CAB is still quorate. Emergency changes can be authorised by any single member but a retrospective CAB has to be held to validate the change.</p>
6 May 2014	<p>It was observed that the request to create a new starter account within the Active Directory is requested by email.</p> <p>As an opportunity for improvement, all requests for new accounts and changes to existing accounts should always be documented within the 'Ticket Management System' (Absolute). This would then provide a full audit trail of the creation of the account, including any changes and additions, etc.</p>	<p>This is not correct. All requests for new accounts or changes to role and leavers are managed through the New Starters Form which has a complete audit trail.</p> <p>Minor changes to accounts are managed through the Absolute ticketing system.</p>