Audit Committee, 8 September 2015

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

28 August 2015

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	*Observation:* 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. 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 to Sage. It is noted that a review of the HR system is planned to be undertaken. *Risk:* Holding two databases with staff details	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.	Director of Finance/ HR Director. **Update** 08/09/2015 – 08/09/2015 – On track, no change from 17/6/15 update **Previous updates**: 17/06/2015 – The payroll service offered by the supplier of the new HR and Partners system is not appropriately certified for information security, so we are reviewing other options for the contracted out payroll service,

		Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
		and duplication of data entry are unlikely to be an efficient use of resources. Errors are more likely to arise where data is re-keyed.				expecting to conclude by the end of 2015-16. We still intend and expect the new HR system to better integrate with payroll, whichever option for payroll is chosen. 10/3/2015 – We have started discussions with the supplier of the HR and Partners system to identify whether their integrated payroll service would be suitable for our needs. 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. 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. 20/03/2014 - HR & Partners Systems Review phase is due to end on 31 March 2014. The project will then enter the build stage.

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	*Supplier Due Diligence:* High risk suppliers that would warrant enhanced due diligence have not yet been identified. 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.	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. 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.	3	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. A review of our suppliers' database will be one of the tasks assigned to our procurement manager when recruited.	Procurement Manager **Update** 08/09/2015 – Cleared. Procurement manual including due diligence procedures completed and issued September 2015. **Previous updates**: 17/06/2015 – see 10/3/2015 update. 10/3/2015 – Documentation of procurement procedures has started but is not yet complete. Revised date for completion by end quarter two of 2015-16.

				09/10/2014 – Procedures to be documented by the end of 2014-15.
				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.
				20/03/2014 - The review will be undertaken in the first quarter of 2014-15

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	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. 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. There would be benefits with using an alternative method for managing how the plan is accessed such as improved version control and distribution. 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. 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.	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..	3	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. 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.	Head of Business Process Improvement **Update** 08/09/2015 - Implementation work is under way with the supplier. Some editing of content layout is required to fully utilise the format options available, and this is in progress. **Previous updates**: 17/06/2015 - Licence PO is in progress for the software and service selected. Development of our service will commence shortly 19/03/2015 - A successful test with the preferred supplier has taken place and the procurement exercise is completing 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. 24/06/2014 – BPI plan to investigate if an in house system could be used instead of an external procurement. 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

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	*Observation:* The Expenses Policy for Partners states "Travel and accommodation should be booked 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. 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. In addition to the value for money implications, limited usage of the travel bureau means that management information on expenditure is restricted. HCPC is currently planning to market test its travel management arrangements and forms redesigned to obtain additional detail regarding the reasons for direct bookings. *Risk:* Failure to achieve value for money.	(i) HCPC should remind partners of its preference for them to book travel requirements through the appointed travel service in preference to the direct bookings which are currently made in the significant number of cases noted.	2	Agreed. Partners will be reminded of the current policy. Through the travel 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. 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). As part of the new travel management contract, the	December 2014 - Head of Financial Accounting. **Update** 08/09/2015 - All partners will be using Click Travel from 1 September 2015. Will become mandatory to use the new travel provider, once the automatic payment of partner fees is introduced. (Expected 1 October 2015). **Previous updates**: 17/06/2015 – The migration to the new travel management contract is on track, per the 10/3/2015 update. 10/3/2015 – The new travel management contract was signed in February 2015 and is due to go live in April. We plan a parallel run of 3 or 4 months with the previous travel supplier before use of the new supplier becomes

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ Responsibility
				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.	mandatory. 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. 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.

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	*Observation:* 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.	Consideration should be given to renewing DBS checks after an agreed time period	3	The policy will be reviewed over the next 12 months.	Director of Human Resources - February 2015 **Update** 08/09/2015 - Criminal record checks will continue for FTP

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ Responsibility
	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. HCPC currently employs 78 staff within 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 pre-dated 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. 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. *Risk:* 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.	such as three years.			employees and the policy has been updated to include repeat checks every three years. The updated policy will be considered by the EMT in September. **Previous updates** 17/06/2015 - Further advice is being sought as it has transpired that DBS checks may be unnecessary for FTP roles. This is being looked into further. 19/03/2015 - The HR Director is currently seeking legal advice. The review should be complete by June 2015 09/10/2014 – This review will initiate towards the end of 2014 when resources are available. 24/06/2014 - This review will initiate towards the end of 2014.

Core Financial Systems – Procurement, Treasury Management, and Budget Setting and Control (Report dated March 2015 – considered at Audit Committee 19 March 2015)

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
6.1	While reviewing the procurement policy we noted some inconsistencies between the policy and the Financial Regulations, namely that the Chief Executive authorisation values are inconsistent between the two policies, and the OJEC tendering threshold has not been updated in the Procurement Policy. *Risk:* Staff may use incorrect information for procurement activities which could result in non-compliance or inefficiency.	The Procurement Policy should be updated to be consistent with the Financial Regulations.	3	Agreed. The Procurement Policy will be updated during 2015-16.	Finance Director **Update** 08/09/2015 - Cleared. Revised procurement policy, which aligns authorisation values with the financial regulations, presented to Audit Committee and Council in September 2015. **Previous updates** 17/06/2015 - A redraft of the policy has been reviewed by HCPC's legal advisors. The redrafted policy plus procedures will be reviewed by EMT in July, then Audit Committee and Council in September 2015. 19/3/2015 - Draft for discussion at June 2015 Audit Committee and approval at June 2015 Council

Facilities Management (Report dated April 2015 – considered at Audit Committee 17 June 2015)

Assurance on effectiveness of internal controls: Substantial Assurance

Recommendations summary

Priority	Number of recommendations
Fundamental	None
Significant	2
Housekeeping	4

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ Responsibility
6.2	It was found that for a number of the planned on-going maintenance works, such as fire checks by Chubb or security checks by Secom, there were no formal contract agreements in place. In our experience, given the cyclical nature of such checks we would expect to see a formal agreement in place. *Risk:* HCPC are vulnerable to negligent supplier works without appropriate mechanisms in place to remedy these.	For the regular maintenance contractors such as fire checks and security, HCPC should put in place formal contractual arrangements over fixed term periods.	2	There are informal written agreements for all maintenance works. i.e. Fire Extinguishers, Fire Alarms, CCTV, Access Control, Intruder alarms, lifts, franking machine, vending machines. The informal written agreements for the Fire Extinguishers and Fire Alarm systems are based upon annual pre-payment for these services The lifts are covered by a 3 year contract which commenced commencing January 2014 and provide for 12 service visits per lift per annum, paid for quarterly in advance.	Facilities Manager By September 2015 To be updated to provide detailed contracts specifying costs, number of maintenance visits per annum and length of agreement **Update** 08/09/2015 - Vending Machines – These are in a 3 year contract which commenced April 2013 for 3 years. Agreement is for supplier to provide all parts and labour for call outs for failures. Daily hygiene visits to also encompass all routine servicing Access Control, CCTV, Intruder Alarms – twice yearly checks on Intruder Alarms and annual checks for all other systems. Does not include call outs to faults or parts and labour for call outs. Contract is for 1 year only. Currently negotiating to

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ Responsibility
					consolidate these into one agreement Fire Extinguishers and Fire Alarm systems – annual 1 year contract for each system with 2 visits per annum for fire alarms and annual visit for extinguishers. This is about to be re-tendered for a 4 year contract to supply these services Franking Machine – 1 year contract renewable at anniversary. This can be cancelled at any time giving at least 30 days' notice. Costs is for comprehensive cover, which is all that is offered by the supplier. This covers all parts and labour.
6.6	It was found that there is currently no formal KPI or other performance monitoring practice applied to the Facilities department. We identified that the Helpdesk repairs logging system is capable of having parameters set to generate reports on performance, including such measures as completion of works against deadline, number of jobs outstanding and works by type or department raised. We also found that although there is an overall staff survey undertaken every two years, on review there is no reference to staff satisfaction with facilities services or quality of facilities maintained. The Facilities department do not issue their	HCPC should consider applying a more formalised performance monitoring structure for facilities that ensures department performance information is reported to EMT on a periodic basis. KPIs, and other key information such as Helpdesk incidents by type and department, based on data from the Helpdesk system, should be harnessed. In addition, consideration is given to the overarching	3	As part of the Facilities Work plan for 2015-16, a report of Service desk repairs will be presented to EMT by July 2015. Any relevant feedback from the HCPC employee survey is fed back to the team informally.	Facilities Manager July 2015 **Update** 08/09/2015 - A report on the Facilities service desk has been tabled for the next monthly EMT, scheduled for 1 September.

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ Responsibility
	own feedback surveys. Risk: Facilities do not get adequate feedback on the work carried out and data is not used to help drive forward planning.	HCPC staff survey including reference to the Facilities department service. This data could also feed into the performance reporting framework for Facilities.			