

**Health Professions Council
Audit Committee 6 December 2006**

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 progress 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

29 November 2006.

Health Professions Council Internal Audit

Audit Committee Progress Report – 2006/07

6th December 2006



Accountants &
business advisers

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 and no items have been re-timetabled.

The IT health check has been replaced with a review of the IT service level agreement and the value for money implications of the agreement at the request of management.

Total Days for 2006/07 Audit 46 days

Days Completed To 27th November 18 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 27th November 2006: -

Review Outline	Progress/Conclusions	STATUS
<p>HR Follow Up : 3 days</p> <p>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.</p>	<p>Opinion – Satisfactory</p> <p>The previous review of Human Resources conducted by BDO Stoy Hayward concluded that the level of control over human resources was that controls appear deficient. There was a high number of recommendations were raised to improve overall control within this area.</p> <p>Our review established that all of the recommendations within this area had been addressed and we now note internal control in this area as satisfactory. HPC now has policies and procedures in place and these are being consistently applied throughout the organisation.</p> <p>A large amount of work has gone into implementing these systems and will ensure that the Human Resources department continues to help senior management actively manage the business.</p>	<p>FINAL</p>

Review Outline	Progress/Conclusions	STATUS
<p>Corporate Governance & Risk Management : 6 days</p> <p>Review of the corporate governance and risk management arrangements in place across the Health Professions Council.</p>	<p>Opinion – Satisfactory in Most Respects</p> <p>Based on the results of the audit work carried out we have concluded that:</p> <ul style="list-style-type: none"> - 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. <p>However, we have made a number of recommendations to improve the control environment governance arrangements. These are being considered by management.</p>	<p>DRAFT</p>

Review Outline	Progress/Conclusions	STATUS
<p>IT Service Level Agreement – VFM review: 5 days</p> <p>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.</p>	<p>Opinions</p> <p>IT Support – Satisfactory in Most Respects</p> <p>Contract Management – Satisfactory except for LISA</p> <p>Back Up and Disaster Recovery - Satisfactory</p> <p>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.</p> <p>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 commissioning consultants</p>	<p>DRAFT</p>

Review Outline	Progress/Conclusions	STATUS
	<p>to provide this.</p> <p>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.</p>	

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<p>Financial Systems: 13 days</p> <p>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.</p>	<p>Audit fieldwork scheduled to take place in January 2007. Audit commences on the 8th January 2007.</p>	<p>Quarter 4</p>
<p>Fitness to Practice: 6 days</p> <p>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.</p>	<p>Audit fieldwork scheduled to take place in January 2007. Audit commences on the 8th January 2007.</p>	<p>Quarter 4</p>

Review Outline	Progress/Conclusions	STATUS
<p>New Building Project: 7 days</p> <p>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.</p>	<p>Audit fieldwork scheduled to take place in January 2007.</p>	<p>Quarter 4</p>