

Audit Committee, 25 June 2013

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 June 2013

Recommendations from internal audit reports

Information Security/Data protection (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	9

Risk 1: Electronic data is removed inappropriately by an employee (Data Security – Risk No 17.1)

	Observation/Risk	Recommendation	Priority	Management response	Timescale/responsibility
1	<p><i>Observation:</i> Staff are asked to sign up to the Information Technology Policy under section 5h of the Employee Handbook. This policy details the responsibilities of the staff and the use of devices such as laptops and PDA's and use of email, telephone calls etc.</p> <p>Whilst it mentions that information held on USB drives is the property of HCPC, it does not mention HCPC's specific policy in respect of these tools. For example, the responsibilities of Staff using USB drives, that only encrypted</p>	As planned, HCPC should review and update the Information Technology Policy held within the Employee Handbook to ensure it provides more detail on the use of USB data drives.	Housekeeping	A review of the IT Policy is scheduled for 2012-13 financial year. These updates will reflect changes in technology that are rolled out to the organisation over the next few months	<p>2012-13 Financial year</p> <p>Director of HR /Director of IT</p> <p>Update: The USB controls are in operation in the Registration, FTP, Partners, Secretariat and Policy departments. The software is now being deployed as part of the Windows 7 PC upgrade to the whole of the</p>

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	<p>drives can be used, what USBs should be used for and the security of these.</p> <p>We were informed that the Policy is currently being reviewed and should be in place from September 2011.</p> <p><i>Risk:</i> Staff are not fully aware of their responsibilities in respect of the use of USB data drives.</p>				<p>organisation and is expected to conclude early in the new financial year.</p> <p>The IT Policy has been through a legal review and will be presented on March 26 to EMT; it will then be presented to the Finance and Resources committee at the next meeting in either April or June 2013.</p>
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Follow up of previous recommendations (report dated September 2011 – considered at Audit Committee 29 September 2011)

	Observation/ Risk	Original category	Original management response and update response as of September 2011	Implementatio n date and manager responsible	Status	Comments/ implication	New recommendation
1	Management should complete the steps necessary by September 2011 towards removing the option for individuals to	Medium	Agreed. The system changes are required for both PRS and Sage to ensure that the full benefits are realised and to ensure cross product	Sept 11 Director of Finance	The agreed date for implementation of the recommendation has not yet	The implementation date for this recommendation had not yet been reached at the time of carrying out this audit. However, the upgrades required	Management should complete the steps necessary towards removing the option for individuals to follow manual procedures when raising supplier purchase

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	follow manual procedures when raising supplier purchase orders.		compatibility. This should be implemented in the FY 2011/12, subject to budget approval.		been reached	have been delayed until next year. HCPC are currently undergoing several projects involving systems upgrades including major projects relating to Case Management and Fitness to Practice in anticipation of taking over responsibilities relating to GSCC and these have been prioritised.	orders. (Significant) Updated management comment: The procurement, requisitions and purchases procedures will be reconsidered to include a revised tendering policy and proposals for the supplier database A procurement and tendering update will be presented to the Finance and Resources Committee. Procurement Manager is now in place.
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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

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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 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>	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. Timescales pending outcome of Executive Team meeting November 2011</p> <p>Update: HR & Partners Systems & Process Review Phase 1 is due to take place between 01/04/13 - 31/12/13</p>

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Errors are more likely to arise where data is re-keyed.				
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ICT Security (report dated November 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: Electronic data is removed inappropriately by an employee (Data Security – Risk No 17.1)

Risk 2: Malicious damage from unauthorised access (Information Technology – Risk No 5.5)

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
1	<i>Observation:</i> An Information Technology Policy is documented as part of the staff handbook. The policy covers a number of standard including acceptable use, the ownership of systems, security over passwords and the monitoring mechanisms in place. Users are required to sign-up to this policy on joining the organisation as part of the awareness of the wider handbook. However there are some	As planned, HCPC should review and update the Information Technology Policy held within the Employee Handbook to ensure it provides more detail on the use of USB data	Housekeeping	The IT policy is being reviewed as part of the 2012-13 IT Work Plan.	Director of IT Update: The USB controls are in operation in the Registration, FTP, Partners, Secretariat and Policy departments. The software is now being deployed as part of

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	<p>matters which require review and the policy is currently in the process of being updated. The Director of ICT has liaised with a number of similar organisations in the sector to obtain their IT Security policies to benchmark against.</p> <p><i>Risk:</i> Policy in place does not reflect current practice, intention or controls.</p>	<p>drives and reflects current technologies and policy on the use of IT.</p>			<p>the Windows 7 PC upgrade to the whole of the organisation and is expected to conclude early in the new financial year.</p> <p>The IT Policy has been through a legal review and will be presented on March 26 to EMT; it will then be presented to the Finance and Resources committee at the next meeting in either April or June 2013.</p>
2	<p><i>Observation:</i> Penetration testing of both Infrastructure and Applications is carried out by a third party contractor, NCC Group, on a quarterly basis but from an external only perspective. The recent reports indicate overall good security practices are implemented across the majority of the external network infrastructure and the latest report dated July 2012 highlights no high or medium level vulnerabilities in either the application or supporting infrastructure. However, as yet no penetration testing</p>	<p>HCPC should consider undertaking penetration testing from an internal perspective to provide a full assessment of the environment and confirm all internal controls are operating as expected.</p>	Housekeeping	<p>Penetration testing from an internal perspective will be considered as part of the 2013-14 IT Work Plan.</p>	<p>Director of IT</p> <p>Penetration testing from an internal perspective is part of the 2013-14 IT workplan.</p>

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	<p>has been conducted from an internal perspective inside the business. Given the broadly clean bill of health from the externally facing infrastructure, testing of the internal infrastructure and risks internally would be the next logical step in ensuring the security of the network.</p> <p><i>Risk:</i> Internal penetration risks exist which put the control environment at risk.</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
1	<i>Observation:</i> Currently, all payments received by cheque, postal order and cash are initially processed on	Consideration should be given to reviewing the	Housekeeping	We agree that the way this process is currently handled is not the most	October 2012 Director of Finance/Head of

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	<p>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. 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 in Finance – Transactions and would also speed up the processing, such that transactions processed on NetRegulate</p>	<p>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>		<p>efficient and consideration will be given to ways of eliminating the duplication of tasks.</p>	<p>Registration</p> <p>Improvements to this system are now a part of the HCPC project prioritisation plan.</p> <p>Timescale: Net Regulate changes 2012-13 01/01/13 - 31/03/13</p>
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	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. <i>Risk:</i> Duplication of effort resulting in inefficient use of resources.				
	<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. <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	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.	Housekeeping	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.	Head of Financial Accounting These changes are now a part of the HCPC project prioritisation plan. Timescale: Net Regulate changes 2012-13 01/01/13 - 31/03/13
	<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	As planned, a solution involving updating the NetRegulate system to automatically take account of these		As part of the automated Readmission project, reversal readmission charges will no longer be posted. This change will remove this issue.	December 2012 Project team Update: The automated readmissions project is currently due for

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<p>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. 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. 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. 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>transactions should be implemented.</p>			<p>completion on 31/01/13</p>
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Education: Approvals & Monitoring (report dated December 2013 – considered at Audit Committee 13 March 2013)

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Recommendations summary

Priority	Number of recommendations
Fundamental	None
Significant	None
Housekeeping	1

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ Responsibility
6.1	<p>Observation: Throughout the approval and monitoring processes there are many forms sent electronically.</p> <p>However, it is not always clear whether a formal physical sign-off is required. In review of the Record of Decision of the Education and Training Panel (ETP), regarding Visitor recommendations from the approval and monitoring processes, we noted some examples of Record of Decision forms which had been signed by the Panel Chair and scanned into a pdf format, and further examples where the form had not been signed – although there was evidence that the approval</p>	<p>A standard approach regarding the acceptance of forms with or without signatures should be adopted. For example, whether the Record of Decision forms should be individually signed and a scanned copy retained, or whether a batch sign off may be more appropriate.</p>	3	<p>When reviewing a Record of Decision, it should be clear to an individual that a decision has been made by ETP. A review of the ETP procedures in relation to this observation will be undertaken by our Secretariat Department. A consistent approach will be adopted, which complies with our legal requirements, ensuring effective governance controls are maintained. In relation to forms used within the Education</p>	Complete

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	<p>was granted after consideration by the Panel.</p> <p>Risk: Lack of clarity over the formal sign off of decisions in approval processes. Inconsistency and those unfamiliar with the ETP being unaware that approval has been granted.</p>			<p>Department, a consistent approach to obtaining electronic signatures from stakeholders will be determined through the delivery of the major project.</p>	
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Corporate Governance and Risk Management (report dated February 2013 – considered at Audit Committee 13 March 2013)

Assurance on effectiveness of internal controls: Substantial Assurance

Recommendations summary

Priority	Number of recommendations
Fundamental	None
Significant	None
Housekeeping	2

Risk 1: Council inability to make decisions (Secretariat – Risk No 4.1)

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ Responsibility
6.1	In the context of the CHRE interim report, published in September 2011, <i>'Board size and effectiveness: advice to the Department of Health regarding</i>	As planned, the Secretariat should, in conjunction with the Chair and other	3	During 2013, the governance arrangements including the Code of Corporate Governance will	Secretary to the Council

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	<p><i>health professional regulators'</i>, the Council will be restructured with the number of members reducing from January 2014.</p> <p>This is also anticipated to result in a reduction in the number of Committees with more business being dealt with by the full Council .</p> <p>Therefore HCPC will need to establish a clear plan in order to achieve this, whilst ensuring that its governance arrangements continue to operate effectively.</p>	Members, determine a plan for the implementation of a new governance structure		be reviewed. Furthermore, detailed planning will be undertaken in relation to the appointments process for members of council and this will include reviewing the competencies required and ensuring the breadth of skill mix across the newly recruited council members.	
6.2	<p>As part of our review in 2011/12, we made a recommendation around market testing of the preferred supplier arrangements for providing train and air travel arrangements for Partners and Members with Co-Operative Travel. At the time of our Follow Up in September 2012 this was in the process of being undertaken.</p> <p>Review of a sample of Council and Committee Members' expense claims found that in several cases rail travel and flight bookings were made on the</p>	Members should be reminded of the need to make travel bookings sufficiently in advance to enable advance bookings savings to be made and at least two weeks in advance as per the Expenses Policy for Council and Committee members.	3	Once consideration has been given to this report by the Audit Committee, the Secretary to Council will write out to all members to remind them of the Expenses policy in place and the need to book travel as far in advance as possible.	Complete

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	<p>same day or only very slightly before the travel was to take place. This means that potential savings for advance bookings are not being achieved. In three cases the bookings were not at least two weeks in advance, as required by the Expenses Policy for Council and Committee members.</p> <p>Risk: Failure to ensure value for money on travel expenses.</p>				
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Registrations (report dated February 2013 – considered at Audit Committee 13 March 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
6.1	<i>Observation:</i> During review of the Risk Register we noted the mitigation ‘ <i>Supporting automation infrastructure eg</i>	The risks and mitigating controls relating to the department should be	3	The mitigations and controls listed are correct, accurate and up to date.	Complete

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	<p><i>call centre systems, LISA system enhancements, registration restructure</i>’. We understand LISA was the previous registrant system and has been replaced for some time by NetRegulate.</p> <p><i>Risk:</i> Mitigations and controls identified in the Risk Register are not those actually in place.</p>	<p>reviewed and updated as required. As a minimum the reference to LISA should be removed and replaced with NetRegulate.</p>		<p>There was an administrative oversight and the term “LISA” was not updated to reflect the name of the current system, NetRegulate.” This has been updated in the current version of the Risk Register.</p>
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Project Management (report dated February 2013 – considered at Audit Committee 13 March 2013)

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Recommendations summary

Priority	Number of recommendations
Fundamental	None
Significant	None
Housekeeping	3

	Observation/Risk	Recommendation	Priority	Management response	Timescale/Responsibility
6.1	Observation: In review of a sample of project business cases we noted that they often included estimated costs and / or that project costs were not fully completed. Quotations / costs from potential suppliers were not included.	The costs section of business cases should be completed in full and where possible be supported by actual quotations of costs from	3	The Project Portfolio Manager will communicate this requirement to EMT. Additionally, when the next project prioritisation process begins in approx.	Complete

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	Risk: Project budgeting and financial planning is hindered. Unforeseen costs arise after project approval. Poor decision making.	potential suppliers.		September 2013, the Project Portfolio Manager will remind EMT that Business Cases should contain quotes.	
6.2	<i>Observation:</i> Review of the staffing of project boards and project teams indicated that there are often the same key individuals involved in several projects. This reflects the importance of having staff experienced in project management being involved in projects. <i>Risk:</i> Over-reliance on a small number of key staff in several projects jeopardises the 'business-as-usual' operations.	Consideration should be given to exposing more staff within HCPC to involvement in projects. This could be through training provided by the project management team and / or those staff not usually involved in projects 'shadowing' members of the project management team.	3	The Project Portfolio Manager will highlight this risk to EMT for their consideration.	Complete
6.3	<i>Observation:</i> The project management team are not involved in Departmental projects and, while Departments are advised to follow the processes set out in the Project Management Guide, there is no requirement to use this formal methodology. <i>Risk:</i> Departmental projects do not achieve the desired objectives in a timely and cost effective manner.	Consideration should be given to devising an agreed 'light' version of the project methodology for use in Departmental projects. Alternatively, members of the project management team could be used in an advisory or consultancy-type role on Departmental projects.	3	One purpose of the existing Project Management Handbook is to provide guidance to project managers of departmental projects. This has been communicated to the whole organisation. Departmental projects are of a sufficiently low risk that they do not need to follow a formal HCPC	Complete

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				process. Members of the projects department should make themselves available to departmental project managers if any advice is required. This will be communicated to the organisation	
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