

Audit Committee – 26 September 2008

Internal audit report – Review of recommendations from previous reports

Executive summary and recommendations

Introduction

PKF has undertaken a review of recommendations from previous reports, in line with the internal audit plan. The report is attached as an appendix to this paper.

Decision

The Committee is asked to discuss the report.

Background information

At its meeting on 27 February 2008, the Committee approved the internal audit plan for 2008-9.

In accordance with the approved internal audit plan, no internal audits were scheduled for the second quarter of 2008-9. Following discussion with the Executive, PKF recommended that the follow-up on previous recommendations should be moved from the third quarter of the financial year to the second quarter. On 15 August 2008, an e-mail proposing this amendment was sent to members of the Committee. There was unanimous agreement to the proposed amendment.

Resource implications

None.

Financial implications

None.

Appendices

Internal audit report: Review of recommendations from previous internal audits.

Date of paper

11 September 2008.



Health Professions Council

Follow up Review

Final September 2008

Confidential

Assurance Level: Satisfactory

Employees Interviewed: Executive Team
members for relevant areas

Audit Team: Director, Jon Dee



Accountants &
business advisers

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Project timescales

Date project commenced	01/09/08
Date field work completed	09/09/08
Date draft report issued	11/09/08
Date management comments received	15/09/08
Date final report issued	15/09/08

1 Introduction

- 1.1 In accordance with our 2008/09 internal audit programme that was agreed with management and the Audit Committee in February 2008, we have undertaken a review of extent to which the Health Professions Council (“HPC”) has implemented our previously raised recommendations.
- 1.2 At the specific request of the Audit Committee we have also reviewed the extent to which management has implemented the recommendations raised by Baker Tilley following their audit of the 2007/08 financial statements.
- 1.3 The work was carried out primarily by holding discussions with relevant employees and management and undertaking compliance testing on a sample basis, where appropriate. The audit fieldwork was undertaken in August/ September 2008.
- 1.4 This report has been prepared as part of the internal audit of the Health Professions Council under the terms of our engagement letter for internal audit services. It has been prepared for the Health Professions Council and we neither accept nor assume any responsibility or duty of care to any third party in relation to it.
- 1.5 The conclusions and recommendations are based on the results of audit work carried out and are reported in good faith. However, our methodology is dependent upon explanations by managers and sample testing and management should satisfy itself of the validity of any recommendations before acting upon them.

2 Executive Summary

2.1 This report summarises the work undertaken by PKF within the agreed scope of our review of the extent to which the HPC has implemented our previous recommendations and those raised recently by Baker Tilley. The work was performed as part of our agreed internal audit plan for 2008/09.

Background

2.2 In accordance with best practice a mechanism for formally following up our audit recommendations has been built into our internal audit strategic plan that was agreed by the HPC Audit Committee. Over the course of the three year programme, this takes the form of two formal follow up reports, the first to be presented during 2008/09 and the second during 2009/10. This document is the first of the scheduled formal reports.

2.3 Following a detailed discussion of the 2007/08 final accounts audit points from Baker Tilley at the last meeting of the Audit Committee, we were asked to include a follow up of the implementation of the recommendations raised by Baker Tilley as part of our 2008/09 review. The key findings arising from our work are set out in the following paragraphs.

Our assessment

2.4 There were a total of thirteen recommendations raised by PKF during 2007/08. No recommendations have so far been raised as a result of the 2008/09 programme. The recommendations raised related to following areas:

- Business continuity planning;
- External communications;
- Fitness to practise;
- Financial systems;
- The Stannary Street refurbishment;
- Registrations; and
- Data security.

2.5 The improvements to the control framework that we suggested were largely aimed at sharpening the focus of well-established existing controls over the HPC's key systems, although the reviews of the Stannary Street refurbishment and data security and the related recommendations arising were driven by the need for the organisation to manage and accommodate change.

- 2.6 In the case of data security, for example, this area became a high priority area within Government as a result of several incidents that arose in other bodies that attracted a significant level of media attention.
- 2.7 We were pleased to note that all of our recommendations have been implemented. The detailed results of our follow up work are set out in Section 3 of this report.
- 2.8 Baker Tilley raised six recommendations following their audit of the HPC's financial statements. These related to the following areas:
- Budget setting;
 - Reconciliations between the LISA system and the main accounting system;
 - Password protection of the income analysis model spreadsheet;
 - Checking the formulae on the HPC's fixed asset register;
 - Monitoring grant related expenditure; and
 - Reconciling the value for investments included in the trial balance at year end to the Investment Manager's report.
- 2.9 At the time of our review in early September all but one of these recommendations had been implemented or were in hand and scheduled to be completed shortly. The reconciliation of the HPC's investments to the Investment Manager's report is a year end exercise that will be undertaken after 31st March 2009.
- 2.10 Two recommendations were being implemented later than originally scheduled. These related to the LISA reconciliation and password protection of the income analysis model spreadsheet. We understand that these were delayed due to pressures upon the HPC's Finance Team arising from the implementation of new systems. However, we understand that these matters will be addressed by 30th September 2008.
- 2.11 The detailed results of our work in relation to Baker Tilley's recommendations are set out in Section 4 of this report.
- 2.12 Finally, we wish to thank all HPC employees for their availability, co-operation and assistance during the course of our review.

PKF (UK) LLP
September 2008

3 Follow up of PKF Recommendations

System	Recommendation	Responsible Officer	Status
Business continuity planning	The Departmental Disaster Recovery testing plan should be performed and reported to the delegated committees as scheduled.	Head of Business Improvement	The scheduled disaster recovery testing of the HPC's various systems is being undertaken and reported through the Finance and Resources Committee.
External communications	Management should reassess what the HPC aims to achieve by exhibiting at the conferences specified in its programme for 2007/08 and review whether these events provide the best opportunities for promoting the organisation.	Events Manager	Considered as part of updated Communications Strategy 2007-2011 at February 2008 Communications Committee.
	Management should reassess what the HPC aims to achieve from its Listening event programme and review whether the remaining scheduled events for 2007/08 will deliver the outcomes that the organisation desires.	Events Manager	Considered as part of updated Communications Strategy 2007-2011 at February 2008 Communications Committee.
	The budget and resources deployed towards communications should be reviewed to ensure that these are sufficient to meet the potential additional work load associated with managing the impact of the White Paper.	Director of Communications	Considered as part of Communications work plan for 2008/09 at the February 2008 Communications Committee.

System	Recommendation	Responsible Officer	Status
Fitness to Practise	The findings of the ongoing quality assurance check of the APU database and casework files should be reported to the next meeting of the Conduct and Competence Committee. The HPC should undertake a similar annual review of the data in the future.	Director of Fitness to Practise	Implemented at April 2008 Committee meeting.
Financial systems	Assets and liabilities should be shown separately in future balance sheet reporting.	Director of Finance	Actioned. The Balance Sheet shows adjusted debtors' and creditors' balances.
	Purchase ledger staff should be reminded not to process invoices that have not been duly signed by the officers required by the HPC's scheme of delegation.	Director of Finance	Actioned. Authorisations are checked in payment runs to suppliers by the Director of Finance.
	Finance Department staff should be reminded to date stamp supplier invoices upon receipt.	Director of Finance	Actioned by the Director of Finance.
New building project	The revised programme submitted by the main contractor should continue to be scrutinised closely and any additional risks of slippage highlighted. These risks should inform the contingency plans that the HPC is putting into place to meet its space requirements.	Head of Facilities	Implemented in full. The Stannary Street Project is now completed.

System	Recommendation	Responsible Officer	Status
Registrations	Management should continue to conduct, review and improve the quality checks process of a sample of registrations for each Registration Advisor to confirm the accuracy of the data that they have recorded on the Register. The findings of these checks should be recorded and reviewed to identify trends.	Head of Registrations	Implemented and included in the team work plan. The checking arrangements will continue to be subject to regular review.
Data security	The contractual undertakings and assurances received regarding electronic and paper based data security arrangements from Star Internet and Recall should be double checked.	Director of Operations	Implemented at the time of the PKF audit.
	DSL should be asked to confirm the controls that they have in place to ensure the security of access to the link to the HPC's VPN.	Director of Operations	Implemented at the time of the PKF audit.
	Procedures covering the removal of fitness to practise case files (or related data) from Park House should be reviewed.	Director of Fitness to Practise	Implemented at the time of the PKF audit.

4 Follow up of Baker Tilley Recommendations

Recommendation	Responsible Officer	Status	Further Action Required
<p>1. The 2007/08 budget was based on the 2006/07 budget rather than 2006/07 actual figures. It would be appropriate to base the new budget on the prior year's actual figures. In addition, the budget should be reviewed on a regular basis and if necessary, flexed, maybe every 3 to 6 months.</p>	<p>Director of Finance</p>	<p>Actioned. Once approved, the Budget per se remains unchanged. However, Finance dept routinely generates a 6 and 9 month forecast of the year end out-turn (the Reforecast). This then goes to EMT and the Finance & Resources Committee for review. The latest YTD actuals for the current year are provided to budget holders for them to create a future year budget from. That said, they know some items are not recurring every year e.g. on-boarding costs for a specific profession, or may be project costs developed on a case by case basis. The Five Year Plan is also updated prior to the annual budget being prepared. The annual budget for the next financial year is then expected to resemble Year One of this Plan.</p>	<p>None.</p>

Recommendation	Responsible Officer	Status	Further Action Required
2. It is recommended that the Finance team should reconcile the figures to LISA on a monthly basis, with differences investigated as they arise. Deferred income should be fully reconciled prior to onsite external audit work commencing.	Financial Controller	Recommendation remains outstanding.	Will be up to date by the end of September. Delayed due to other work priorities.
3. It is recommended to password protect the whole income analysis model spreadsheet to ensure only suitable authorised personnel can access the key spreadsheet. Consideration should also be given as to protecting key calculation cells within the spreadsheet to protect against accidental overtyping of key cells.	Financial Controller	Recommendation remains outstanding.	Will be up to date by the end of September. Delayed due to other work priorities.

Recommendation	Responsible Officer	Status	Further Action Required
4. The year end figure per the trial balance should agree to the Investment Manager's annual report. Year end audit adjustment journals should be posted to the trial balance on a timely basis once the annual accounts have been approved.	Financial Controller	In hand	This is to be implemented as part of the year end final accounts procedures for 2008/09.
5. The Finance team must ensure that they check the formula on the fixed asset register prior to posting depreciation journals in the future on a monthly basis.	Financial Controller	In hand and being undertaken.	None.
6. Grant related expenditure should be monitored on a regular basis so that all expenses can be submitted to the Department of Health ("DoH") in timely manner.	Financial Controller	In hand and being undertaken.	Regarding any future claims from DoH for start up funding, HPC will clarify the terms of the grant in greater detail at the onset.