

**Health Professions
Council**
Follow Up of Internal Audit
Recommendations

August 2002

Incorporating HPC Response
October 2002



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1 ACTION PLAN

Ref.	Finding	Recommendation	Follow Up Finding (by discussion)
1.	<p>Banking Procedure</p> <p>Income is put into a Jiffy bag and should be kept in the safe in the Registrations Section until collected by Omega Securities who take the bag to the bank.</p> <p>During the audit, on the 26th February 2002 at approximately 1200hrs, it was found that the Jiffy bag had been taken from the safe and was on the counter at reception pending collection, usually at 1400hrs.</p> <p>Controls surrounding the procedure are weak and allow for possible misappropriation. The Jiffy bag could easily be opened, income taken and placed in a similar Jiffy bag. There is no signing procedure in place for Omega Securities. Only the torn off slip of the paying in book is sent with the income, therefore, the paying in book is never received and stamped by the bank.</p>	<p>The procedure for banking income should be reviewed and the following measures considered:</p> <ul style="list-style-type: none"> • Introducing banking bags that can be sealed with a numbered seal. • A procedure where the Omega Securities staff sign for the income to take to the bank. • Sending the whole paying in book to the bank in order for the bank to stamp and sign the stub. 	<p>NOW IMPLEMENTED.</p> <p>NEW SECURE UN-OPENABLE (BY US) BAGS NOW UTILISED, WHICH ARE ONLY BROUGHT TO RECEPTION WHEN OMEGA SECURITIES STAFF ARRIVE. OMEGA STAFF SIGN ON COLLECTION.</p> <p>PAYING IN BOOKS NOT SIGNED BY OMEGA (IMPRACTICAL). STRONGER PROCEDURES UNDER 3 BELOW COMPENSATES FOR THIS.</p>
2.	<p>Rejected/Returned Cheques</p> <p>Of the 6 returned cheques selected, testing showed that in 1 case the Care system had not been updated. An email had been sent to the Registrations Section on the 29th January 2002 but had not been actioned.</p> <p>A further 5 returned cheques were selected and the</p>	<p>Measures should be introduced to ensure that all returned cheques are input onto the Care system. This could be achieved by the Registration Officer being copied the information from the Accounts Section, or a list being sent to the Registrations Section on a regular basis.</p>	<p>Implemented.</p> <p>The Financial Accountant receives all rejected cheques from the bank. Details are recorded onto an Excel spreadsheet and sent to the Registration Department.</p>

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	<p>Care system checked. Testing showed that all these had been actioned.</p> <p>Although this appears to be an isolated incident, measures could still be introduced to enhance controls in this area.</p>		
3.	<p>Income</p> <p>The following findings were made:</p> <ul style="list-style-type: none"> • On 1 occasion a cheque for 195 Australian dollars was processed on the Care system as £195 and banked. After the bank had converted the amount and deducted commission, only £63.33 was credited to the bank account. • A Euro cheque for €46 was processed on the Care system. After conversion and commission only £42.98 was credited to the bank account. • A Swiss cheque made out for £44 and a German cheque for £194 were processed for these amounts on the Care system. However, both payments were subject to a commission charge of £5.50. Therefore only £38.50 and £183.50 were credited to the bank account. • There were 5 occasions in January and February 2002 where the paying in book totals did not 	<p>It should be reiterated to all staff that no foreign cheques are accepted and staff should increase vigilance to ensure no cheques are processed.</p> <p>Procedures for accepting cheques in sterling from an overseas should be reviewed. Consideration should be given to the following:</p> <ul style="list-style-type: none"> • Introducing measures to ensure that all registrants are made aware of any additional charges and that these should be collected. Any cheques from overseas accounts should be photocopied and batched separately in order for registrants to be traced. <li style="text-align: center;">Or • Negotiations should be held with NATWEST to aim to levy the charges that they make on sterling cheques from overseas accounts, taking into account the income deposited by the Organisation. 	<p>Implemented.</p> <p>Staff were reminded not to accept cheques in foreign currencies. The Financial Accountant confirmed that none had been received in the current financial year.</p> <p>Implemented.</p> <p>Any cheques in sterling from overseas bank accounts are now batched separately.</p> <p>Negotiations with NATWEST have resulted in on charges on any sterling cheques from overseas bank accounts being levied. Therefore, there is now no charge incurred.</p>

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	<p>2002 where the paying in book totals did not match the amount banked.</p> <p>For the foreign and overseas cheques banked it is not possible to identify the registrant from the information provided from the bank. No copy of the cheque was sent as it had already been returned to the original bank.</p>	<p>NATWEST should also be encouraged to ensure more details are given in these instances to enable payment traceability.</p> <p style="text-align: center;">Or</p> <ul style="list-style-type: none"> • The Organisation should be aware of these additional charges and make provisions for these in the accounting system. <p>Procedures for checking banking amounts to batch totals should be reviewed and the following considered:</p> <ul style="list-style-type: none"> • When cheques are totalled for a paying in book, a calculator with an add list should be used. This will act as a check for the number of cheques and the total. • A reconciliation sheet should be introduced to be completed by each Supervisor. This should show that: <p>The paying in slip totals have been checked to the accompanying cheques</p> <p>The paying in slip totals agree to individual batch totals</p> <p>All paying in slip totals match all batch totals.</p>	<p style="text-align: center;">NOW IMPLEMENTED.</p> <p>A 'Registration Daily Banking' form has been introduced which records:</p> <p>Paying in slip number and batches The number of cheques for each paying in slip The number of items (i.e. applications) Total of the paying in slip The total banked for the day.</p> <p>However, the form is not being signed and dated by the person completing it.</p> <p style="text-align: center;">REGISTRATION DAILY BANKING FORMS SENT TO FINANCE BY E-MAIL (CODING SYSTEM OF AUTHORISATION IMPLEMENTED).</p>

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4.	<p>Purchasing</p> <p>Of the 5 paid invoices selected testing showed that 4 had no purchase order and 1 did have a purchase order, however, this had been completed in retrospect on receipt of the invoice. As a result the Purchase Ledger was only updated with the invoice amounts on receipt of the invoices.</p> <p>Orders made without a purchase order being sent to the Accounts Section results in 'hidden creditors' and therefore an underestimation of debts of the Organisation and inaccurate accounting records.</p> <p>Also, this can cause delays in payments as the Accounts Section then have to trace the person responsible for the order and get the appropriate authorisation. Testing showed that all 5 invoices had been paid at least 30 days after the invoice date.</p> <p>The Purchase Ledger Control Account is not being reconciled.</p>	<p>This reconciliation sheet should be signed off and dated.</p> <p>For all purchases a purchase order should be completed, authorised appropriately and passed to the Accounts Section in order for the Purchase Ledger to be updated. This should also enhance the timeliness of payment of invoices when they are received, as the Accounts Section knows the source or the referenced order.</p> <p>The purchasing procedure should be reviewed and incorporated into Financial Regulations and Procedures. All areas of purchasing should be covered including:</p> <ul style="list-style-type: none"> • Authorisation levels and amounts • Processing of purchase orders • Processing and authorisation of invoices received • Purchase Ledger Control Account reconciliations • Aged Creditors reports • Payment timescales. 	<p>Implemented.</p> <p>From discussions with the Purchase Ledger Officer, for any order raised a Purchase Order is raised and authorised by the Line Manager / Budget Holder.</p> <p>NOW IMPLEMENTED.</p> <p>The purchasing process has now been written and included in Financial Procedures. Financial Regulations have been drafted by the Finance Director.</p> <p>NOW FINALISED AND OPERATIONAL.</p>

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5.	<p>Overtime</p> <p>Salaried staff who work over 35 hours a week are paid overtime at the rate of time and a half. Overtime rates are set up on the Sage system and therefore calculated depending on the hours input.</p> <p>Testing showed that for the 6 overtime claims selected the overtime rates on the Sage system did not reflect the correct rates. There was no consistency in the figures set up on the system.</p>	<p>Purchase Ledger Control Account reconciliations should be carried out on a monthly basis and signed as prepared and signed as reviewed.</p> <p>Management should introduce a standard calculation and this should be used to calculate overtime rates accordingly.</p> <p>The overtime parameters in the Sage system should be reviewed and amended accordingly.</p>	<p>Partially implemented.</p> <p>The Management Accountant carries out the Purchase Ledger Control Account Reconciliation and records this on an Excel spreadsheet. However, these are not yet being printed and signed off to evidence review. The full procedure has been documented in the Financial Procedures and will be implemented.</p>
6.	<p>Payroll</p> <p>There is currently no reconciliation carried out between payroll data and establishment lists.</p>	<p>Payroll data should be reconciled to establishment lists on a regular basis (at least quarterly). This should ensure that all staff are verified as bona fide employees.</p>	<p>Partially implemented.</p> <p>From discussions with the Human Resources Officer, a policy to standardise overtime rates is due to be produced and then reviewed. The aim is to implement this by October 2002.</p> <p>WILL BE BROUGHT TO FINANCE & RESOURCES COMMITTEE IN NOVEMBER FOR RATIFICATION</p>
			<p>IMPLEMENTED SEPTEMBER 2002</p> <p>From discussions with the Financial Accountant, details of employees per</p>

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7.	<p>Payroll Reports</p> <p>Currently, no amendment or exception reports are produced for the monthly payroll. Any changes are visually checked by the Accounts Assistant and Finance Director. Therefore, there is no documentation to evidence that any changes have been performed, or signed as checked and, signed reviewed.</p>	<p>The payroll system should be examined to check the capabilities of it producing amendment or exception reports. If the system does not meet these capabilities, details of the amendments made to the system should be printed before and after any amendments, providing evidence of the changes made. This should then be signed as checked and signed as reviewed.</p>	<p>department can be obtained from the SAGE Payroll. It is planned distribute lists to each Department Head every September and March for them to review and confirm their employee establishment.</p> <p>PAYROLL CHECKED TO INDEPENDENT STAFF LIST SEPTEMBER 2002.</p> <p>IMPLEMENTED</p> <p>Starters and Leavers gross pay is manually calculated by the Financial Accountant. With immediate effect, these calculations will now be double checked by either the Finance Director or Management Accountant and signed to evidence review.</p> <p>The 'Credit Transfer Analysis' report detailing all payments is now signed off by 2 of the signatories from the Authorised Signatory List after each payroll and before the BACS is processed.</p> <p>NOW DOUBLE-CHECKED AND EVIDENCED</p>
8.	<p>Bank Reconciliations</p>		

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	<p>Testing showed that the Reserve account and Money Market account could be reconciled to the Trial Balance. However, there are problems with the reconciliation of the current account. The Sage system shows a difference of approximately £8,900, this difference has been brought forward for the last 6 months. This appears to show that postings have been correct for this period of time. We were informed that this difference is due to outstanding cheques not being recorded at the previous year-end. This has been investigated manually and the difference reduced to approximately £1336.</p> <p>No actual monthly reconciliations have been carried out, signed as prepared and signed as reviewed.</p>	<p>The difference in the bank reconciliations should be investigated further to enable the current account to be reconciled.</p> <p>Bank reconciliations should be carried out on a monthly basis. These should then be signed off as prepared and signed off as reviewed.</p>	<p>Implemented.</p> <p>The difference was reduced to about £100. This amount was written off at the year-end. The current account now reconciles each month.</p> <p>NOW IMPLEMENTED</p> <p>Each bank account in the Cash Book is reconciled to the bank statements received by the Financial Accountant. The Management Accountant carries out a monthly bank reconciliation. The reconciliation is being printed off and signed to evidence the reconciliation. However, the Finance Director is not signing the reconciliation to evidence review.</p> <p>BANK RECONCILIATIONS NOW SIGNED OFF MONTHLY BY FINANCE DIRECTOR.</p>
9.	<p>Fixed Assets</p> <p>We were informed that a Fixed Asset register was kept until the end of the last financial year. However, the register has not been maintained. Additions for this financial year can be found on the Sage system and we were informed that measures are being taken to update the Fixed Asset register for this financial</p>	<p>The procedure for Fixed Assets should be reviewed and a Fixed Asset register maintained and kept up to date. Fixed assets should be identified with their own unique Asset number and the location should also be recorded.</p>	<p>Implemented.</p> <p>A Fixed Asset Register has now been set up on an Excel spreadsheet.</p>

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	<p>year.</p> <p>Of the 5 Fixed Asset purchases tested, only in 1 case had a Capital Request form been completed to confirm authorisation. For the 4 cases not having a Capital Request form authorising the purchase, the minutes of the Financial Committee were examined and these confirmed authorisation had been given.</p>	<p>Management should ensure that the correct depreciation rates are set up on the Sage system, and checks made to ensure that the correct depreciation amounts are calculated monthly.</p> <p>For all purchases of Fixed Assets, a Capital Request form should be completed to verify authorisation.</p> <p>Regular physical checks should be carried out on all Fixed Assets to verify their existence and location. Any changes in location should be amended on the Fixed Asset register.</p> <p>The Fixed Asset register should be reconciled on a regular basis (i.e. monthly) to the Nominal Ledger.</p>	<p>Implemented.</p> <p>The Excel spreadsheet calculates the depreciation rates and data automatically feeds through to update the Monthly Management Accounts.</p> <p>Implemented.</p> <p>From discussions with the Management Accountant, this procedure is now implemented.</p> <p>Will be IMPLEMENTED at March 2003.</p> <p>A full Fixed Asset Register check should be carried out at every 12 months, prior to the year-end. Documentary evidence will be kept to evidence this and signed off.</p> <p>Implemented.</p> <p>The Management Accountant reconciles the Fixed Asset Register to the Nominal Ledger on a monthly basis.</p>
10.	<p>Supplier Statements</p> <p>Testing showed that supplier statements are being received by the Accounts Section and, if the invoice</p>	<p>All supplier statements should be monitored. When</p>	<p>Implemented.</p>

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	<p>has been received, the payment due date noted. If any invoice is not received, the supplier is contacted and a copy invoice requested. Testing showed that supplier statements are not being reconciled.</p>	<p>invoices are paid this should be reflected on the relevant statement. When all invoices on the statement have been paid, the statements should be signed off and filed.</p>	<p>From discussions with the Purchase Ledger Officer this procedure is now in place. The procedure had been incorporated in to Financial Procedures.</p>
<p>11.</p>	<p>Financial Regulations and Procedures</p> <p>There are currently no Financial Regulations and Procedures in place.</p> <p>The Registrations Section does have a procedure manual. However, there are areas tested in this audit that require written procedures i.e. refunds, rejected/returned cheques etc.</p>	<p>Financial Regulations should be introduced as soon as possible and circulated accordingly.</p> <p>The Registration Department should review and update their procedure manual accordingly.</p>	<p>NOW IMPLEMENTED</p> <p>Financial Procedures have now been written.</p> <p>Financial Regulations are in draft form and require completion.</p> <p>NOW COMPLETED AND OPERATIONAL</p> <p>Partially implemented.</p> <p>This is an ongoing process at present.</p> <p>NEW SYSTEM BEING DESIGNED WHICH WILL BE FULLY SUPPORTED BY PROCEDURAL MANUALS.</p>
<p>12.</p>	<p>Authorised Signatory List</p> <p>Testing showed that there is no authorised signatory list available.</p>	<p>Authorised signatory lists should be introduced, documented and incorporated into Financial</p>	<p>NOW IMPLEMENTED.</p>



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		Regulations and procedures.	A Suggested Bank Mandate Arrangements (Revised) is now in place. However, a list of Line Managers / Budget Holders is not yet in place. NOW IN PLACE.