

Protect - Audit

Companies House
Internal Audit Annual Report

June 2011

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1 Background and scope

Background to this report

The Government Internal Audit Standards (“GIAS”) require that the Head of Internal Audit provide a written report to the Accounting Officer timed to inform the organisation’s annual Statement on Internal Control. As such, the purpose of this report is to present our annual opinion of the adequacy and effectiveness of the organisation’s system of internal control. This report is based upon the work agreed in the annual internal audit plan and conducted during the year.

Whilst our report is a key element of the assurance framework required to inform the Statement of Internal Control, there are also a number of other sources from which the Accounting Officer should gain assurance. The level of assurance required from Internal Audit was agreed with management and the Audit Committee at the beginning of the year and presented in our annual internal audit plan. As such, our opinion does not supplant the Accounting Officer’s responsibility for forming their own overall opinion on internal controls, governance arrangements, and risk management activities.

This report covers the period from 1 April 2010 to 31 March 2011.

The Companies House Internal Audit Service is delivered in partnership by BIS Internal Audit and (primarily) Companies House Assurance, Risk and Consultancy team. PriceWaterhouseCoopers are engaged via BIS to provide additional, specialist resources as required.

Recommendation

The Audit Committee is invited to:

- A) Note the progress since the last update report;
- B) Note the opinion on the overall control framework.

Jon Whitfield, BIS, Head of Internal Audit

Simon Morgan, Companies House, Manager ARC

2 Our annual opinion

Annual opinion on internal controls

GIAS requires me, as Head of Internal Audit, to provide an opinion to the Accounting Officer on the overall adequacy and effectiveness of the organisation's: risk management; control; and, governance processes. Collectively we refer to these activities as "the system of internal control".

My opinion has been informed primarily, by the scope of internal audit work undertaken and interpretation of the findings from individual assignments. I have also taken account of the outcome of the annual review of corporate governance, the application of the new Treasury 'Managing of Risk Financial Loss' toolkit, my knowledge of the business environment, known instances of fraud, and the work of others, such as the National Audit Office (NAO), and other external assessors.

We planned our work so that we had a reasonable expectation of detecting significant control weaknesses in each of the areas covered. However, internal audit procedures alone, although they are carried out with due professional care, do not guarantee that fraud will be detected. Accordingly, our examinations should not be the sole means relied upon to disclose fraud or other irregularities which may exist.

The main areas of risk focused on during the year were the new processes introduced by the Companies Act implementation, the security of sensitive data held, compliance with new ISO standards & exposure of our financial, payroll and procurement processes in the current financial climate.

AUDIT OPINION: The systems of internal control, governance and risk management that have operated within the organisation are judged to have been generally effective. Instances of control failure have been isolated and are not considered to have arisen from major systemic weakness. Management's actions should focus on those areas of relative weakness identified through a process of continuous improvement.

The individual reports delivered and the opinions given are listed below. The findings and recommendations are outlined in Section 3.

Other matters

Work to maintain the corporate Risk Register continues. During the year, the Corporate Risk Appetite and Risk Strategy have both been revised and approved by Executive Board. We have replaced our risk management software, bringing in a tool that delivers more effective reporting functionality and allows more risk owners to directly input into their registers.

The approach to the ongoing assurance activity on projects has also been revised. ARC now make a formal risk potential assessment with the Senior Responsible Officer at the start of each project which determines the level of governance and assurance around it, identifying risk areas to be managed. Gateway-style health checks are then performed on all significant projects. The team also randomly samples the reporting to and

performance of project boards for projects.

Follow-ups were completed during the year on previous recommendations either as part of another full audit or independently. Broadly, the team is content that management have delivered the actions they have committed to, or at least have improvements in plan where it has not been possible to deliver them promptly.

We also rolled-out of HMT's 'Managing Risk of Financial Loss' Toolkit. The facilitated self-assessments ARC delivered have had positive results, with the scores firmly in the top quartile in the overall Organisational Capacity Assessment.

During the course of the financial year we have not become aware of any other issues that we believe could, or have had, a significant impact upon the Agency's system of internal control.

Implications for next year's internal audit plan

Risks identified in 2010/11 plus the findings of this year's programme have been taken into account in updating our internal audit risk assessment. This assessment contributes to our 2011/12 internal audit plan. This will be reviewed regularly to reflect the changing risk environment.

3 Internal audit work conducted

Summary of Audits Delivered

Opinion – ‘Well Controlled’

- ISO27001 – Security Incidents Management

Opinion – ‘Satisfactory’

- New Refunds Process
- HMRC joint filing: audit of test approach
- Cost Centre Management
- Environmental Management 14001
- Health and Safety 18001
- Efficiencies Audit
- Corporate Policies
- Late Filing Penalties
- Bulk Products Security
- Finance Control Systems
- Business Continuity & Disaster Recovery
- Physical Security

Opinion – ‘Improvement Required’

- Expunging of Protected Directors' Data
- Ex-gratia Payments
- Handling of Fee-Bearing Documents
- Foreign Companies Processes – in draft
- Portfolio Management
- 2nd Line Telephone Support
- Rectification of the Register
- Effectiveness of Debt Collection Processes
- Limited Partnership Processes

Planned audit activity not delivered, but not impacting audit’s ability to form an opinion:

- Readiness 100% e, 24/7 Audit –to form part of Electronic Delivery Project Assurance
- Talent and Succession Management Audit - to be delivered via Project Initiation review
- European Business Registry Project - Initiation Gateway (following the Risk Potential Assessment)
- Sources & Usage of Customer Intelligence – subject to a separate corporate review
- Capacity/Capability to deliver VES scheme – overtaken by events
- Change Requests Management (covered as part of Portfolio Management review)

Other ARC Activity

Risk Potential Assessments on Projects

Where appropriate, these projects were then factored into the Audit Plan.

- Web Incorporations
- Website Re-Development
- Nantgarw Relocation
- Audited Accounts
- SIC Codes and AR Changes
- European Business Register
- HMRC Joint Filing
- Electronic Delivery
- E-Reminders
- New Fees Implementation
- E-Procurement
- Nantgarw Project
- Risgen Replacement

Project Initiation Gateways

- Web Incorporations
- Website Re-Development
- Nantgarw Relocation
- Audited Accounts
- SIC Codes and AR Changes
- April Change Window Implementation

Pro-active Consultancy – i.e. advice given by audit on the design, review or application of control processes

- Management Information
- Customer Complaint Handling
- Lessons Learned from Streamlining/EECP Project
- New Incorporations Fees Collection
- Directors Secure Register Security/ Relocation
- Delivery of 'Managing Risks of Financial Loss' Toolkit

Other Assurance Activity

During the year, independent 3rd party assessors have certified the following systems

- Environmental Management (ISO 14001)
- Health & Safety (OHSAS18001)
- Information Security (ISO27001)

Summaries of Individual Reports

Audit Title:	New Refunds Process		
Overall Category	Satisfactory		
No of Recommendations	High	Medium	Low
	0	1	
Audit Objective	To review robustness of new process to refund payment to filing customers.		
Key Findings	- A well-designed process had been implemented which required review before further roll-out.		
Key Recommendations & Management Responses	n/a		
Action(s) Progress as @ 03/02/11	Updates completed.		

Audit Title:	Expunging of Protected Directors' Data		
Overall Category	Improvement Required		
No of Recommendations	High	Medium	Low
	0	6	3
Audit Objective	To ensure that key controls over security and integrity of the processes around sensitive Usual Residential Addresses are sufficient, effective, efficient and consistently applied.		
Key Findings	<ul style="list-style-type: none"> - Logical and physical access rights out of date. - Inadequate quality controls over the main process. 		
Key Recommendations & Management Responses	Update to be completed for procedures document.		
Action(s) Progress as @ 03/02/11	Updates completed.		

Audit Title:	Rectification of the Register		
Overall Category	Improvement Required		
No of Recommendations	High	Medium	Low
	0	1	4
Audit Objective	<p>Rectification empowers the Registrar to fully or partially remove information or documents from the register on request.</p> <p>The objective of the review was to ensure that the system is operating effectively.</p>		
Key Findings	<ul style="list-style-type: none"> - Process as designed contains a number of control inefficiencies. - Whilst no record of customer complaint or errors found in sampling, there is no formal QA process. - Resource effort to deliver the service is greater than originally envisaged, therefore cost-recovery and staffing assumptions required revision. 		
Key Recommendations & Management Responses	Update to be completed for procedures document.		
Action(s) Progress as @ 03/02/11	Updates completed.		

Audit Title:	HMRC joint filing: audit of test approach		
Overall Category	Satisfactory		
No of Recommendations	High	Medium	Low
	0	0	0
Audit Objective	<p>To provide assurance whether:</p> <ul style="list-style-type: none"> • The approach is thorough and robust enough to address key risks; • It complements (rather than being at odds with) the test approaches in use by our development partners; • Constraints have been identified and risk-assessed; • Assumptions are valid and do not leave any potential 'gaps' in the testing approach. 		
Key Findings	<ul style="list-style-type: none"> • Key risks are being monitored and managed. • Gaps arising from the different methodologies are being adequately bridged. • Constraints have been recognised and accepted by all parties. • Assumptions are valid, documented, acknowledged and agreed by all parties. 		
Key Recommendations & Management Responses	Update to be completed for procedures document.		
Action(s) Progress as @ 03/02/11	Updates completed.		

Audit Title:	Ex-gratia payments		
Overall Category	Improvement Required		
No of Recommendations	High	Medium	Low
	1	7	0
Audit Objective	<p>To provide assurance whether:</p> <ul style="list-style-type: none"> the controls operating around the Ex Gratia Payment process are working effectively and efficiently; the processes in place deliver justified, appropriate and accurate payments; decisions are communicated to the customer only after appropriate authorisation; there is a sufficient and effective exchange of information and securing action to address the source of errors that caused necessity of the payment. 		
Key Findings	<ul style="list-style-type: none"> A statistical analysis revealed an increasing number of cases as well as an increase in the total amount spent of Ex Gratia payments over the last 3 years. There is no evidence of recording and follow up of actions to prevent errors from re-occurring. The controls around the payment authorisation process are ineffective, for example a commitment to pay is made before the casework is reviewed by an authorised manager. 		
Key Recommendations & Management Responses	<ul style="list-style-type: none"> The authorisation process and delegated spend levels should be revised. Routine analysis of root-causes carried out to inform the system improvement activities. 		
Action(s) Progress as @ 03/02/11	Updates completed.		

Audit Title:	Handling of Fee-Bearing Documents		
Overall Category	Improvement Required		
No of Recommendations	High	Medium	Low
	1	3	2
Audit Objective	To provide assurance that the controls operating around the document management process are working effectively and efficiently.		
Key Findings	<ul style="list-style-type: none"> • Overall documents are directed to the right place in a timely and efficient manner, although we found resources in the Post Room to be stretched which has an impact on quality of work carried out there. • Security awareness in areas handling sensitive data should be improved and desk instructions should be provided to all staff. • Areas for improvement were also identified within procedures involving documents with enclosed payments in particular, the control around returning rejected documents and associated fees. 		
Key Recommendations & Management Responses	<ul style="list-style-type: none"> • Resource profiling and desk instructions are being revised for Post Room, as per recommendation. • Refresher training in data security awareness recommended. Management responded with an immediate cascade to staff and revision of team leaders' quality checks. • Refund processes are revised to ensure correct cheques are sent and requirements for refunds are evidenced. Management checks have been revised accordingly. 		
Action(s) Progress as @ 03/02/11	Updates completed.		

Audit Title:	Cost Centre Management		
Overall Category	Satisfactory		
No of Recommendations	High	Medium	Low
	0	2	1
Audit Objective	This audit's objective was to provide assurance that the controls operating around cost centre management processes are working effectively and efficiently.		
Key Findings	<ul style="list-style-type: none"> • Currently there are additional controls in place in form of additional scrutiny of expenditure, that provide additional mitigation for the identified risks. • However, we have identified areas for improvement within the processes of budgeting and profiling, reporting and communicating financial information, and training cost centre managers within the business areas to a consistent standard. 		
Key Recommendations & Management Responses	<ul style="list-style-type: none"> • Training of cost centre managers should be more consistent. Management have responded by re-issuing guidelines, and are offering more support to cost centre managers through regular one-to-one sessions with managers, also covering the key information required to manage the spend. • Delegated authority levels were inconsistent and required updating. There is now a programme to review these on a quarterly basis with cost centres. 		
Action(s) Progress as @ 03/02/11	Updates completed.		

Audit Title:	Information Security Incident Management		
Overall Category	Well Controlled		
No of Recommendations	High	Medium	Low
	0	0	1
Audit Objective	The objective of the audit was to verify that the procedures laid out in the ISO27001 standard have been implemented effectively and are being followed.		
Key Findings	<ul style="list-style-type: none"> • The process for handling incidents is generally well defined and easily accessible to all staff. • Incidents are documented in a suitable manner with evidence collected and appropriately maintained. • A small update is required to the documentation of the process due to a change in the handling of some types of incidents. This update is already in the finalisation process and due to be delivered within the next few weeks 		
Key Recommendations & Management Responses	Update to be completed for procedures document.		
Action(s) Progress as @ 03/02/11	Updates completed.		

Audit Title:	Physical Security		
Overall Category	Satisfactory		
No of Recommendations	High	Medium	Low
	0	3	1
Audit Objective	<p>The objective of this audit work was to examine the efficiency and effectiveness of controls in place around physical security.</p> <p>The scope did not cover the physical security of Companies House offices in London, Edinburgh and Belfast. However, they were asked to perform a self assessment. This will form the basis for a review of these locations which is planned for 2011.</p>		
Key Findings	<ul style="list-style-type: none"> • We identified access control weaknesses around the management of staff passes, in particular their de-activation, and in updating the car park data base. • Issues were found in the access control to secure areas (DSR and Finance). • CH policy requires that visitors are escorted around the premises. This policy is not sufficiently enforced. • The vehicular access control at the front gate is not always effective. 		
Key Recommendations & Management Responses	<ul style="list-style-type: none"> • Better communication and ownership of the leavers process. • Tighter management of reviewing staff lists and access levels in general on a regular basis. • Staff and tenants should be reminded that, according to the CH policy, all visitors should be escorted at any time during their stay in the CH buildings. 		
Action(s) Progress as at 11/05/11	All actions accepted and completed.		

Audit Title:	Bulk Products Security		
Overall Category	Satisfactory		
No of Recommendations	High	Medium	Low
	N/A (Management Letter)	N/A (Management Letter)	N/A (Management Letter)
Audit Objective	<p>The objective of this audit work was to examine the effectiveness of controls in place and to give assurance that:</p> <ul style="list-style-type: none"> • Customers are applying the appropriate level of security on confidential information (URA's); • The delivery of bulk products to the customer (the right product to the right customer) is safe and secure; • The data handling within CH is safe and secure. 		
Key Findings	<p>In our opinion, these processes provide a sufficient level of security that only legitimate organisations qualify as customers for this kind of bulk product.</p> <p>The risk of a customer not applying the appropriate level of security to the supplied information is mitigated to a very low level.</p> <p>Bearing the used data encryption in mind, the distribution of bulk products is to be considered as safe and secure.</p> <p>Due to the use of encryption the risk of data theft or fraud in bulk is extremely low.</p>		
Key Recommendations & Management Responses	N/A (Management Letter)		
Action(s) Progress as at 09/02/11	N/A		

Audit Title:	Debt Collection Process		
Overall Category	Improvement Required		
No of Recommendations	High	Medium	Low
	1	2	0
Audit Objective	<p>The objective of this review was to confirm whether:</p> <ul style="list-style-type: none"> • All debts are collected in a timely way, • Debt recovery process is efficient and effective, • Credit facility assists with timely recovery of all debts, • Length of credit period assists with timely recovery of all debts, • External debt collection/recovery services are used efficiently and effectively. 		
Key Findings	<p>While the process is carried out by Finance in a satisfactory manner, some elements of the process design, which are outside of Finance's direct control, are not efficient and require improvement.</p> <p>There are currently large numbers of credit accounts set up to facilitate customers' needs. The effort to maintain them is considerable. However, 38% of all the credit accounts are used for less than the minimum recommended number of monthly transactions. Some casual users may prefer to access the information (and pay for it, if required) without the need for a credit account which attracts a monthly subscription fee.</p> <p>In addition, due to the number of payment methods accepted to settle the credit accounts, the administration of this process is not very efficient.</p> <p>Finally, there is a large aged debt has accumulated (around £30m as at September 2010) that relates to the Late Filing Penalties which Companies House is unable to recover.</p>		
Key Recommendations & Management Responses	<p>Reduction of number of credit accounts. This is most likely to be achieved when the Web Check and CHD merge, therefore Finance should be involved in this project.</p> <p>Ways of reducing effort relating to pursuing and collection of payments without adversely affecting the recovery rates should be explored. Finance should also re-visit mandating electronic invoicing as a primary option to all credit account holders.</p> <p>Finance are liaising with LFPs team to review their processes and explore ways of maximising the recovery of the outstanding fees. In addition, we recommend that effectiveness of the debt recovery service is reviewed. Finally, unrecoverable debts should be provided for in accounts.</p>		
Action(s) Progress as at 11/05/11	All recommendations have been accepted. Actions on track.		

Audit Title:	Efficiencies Audit		
Overall Category	Satisfactory		
No of Recommendations	High	Medium	Low
	1	2	0
Audit Objective	<p>The objective of this audit was to examine the effectiveness of the process to drive efficiency, and to give assurance that:</p> <ul style="list-style-type: none"> • Efficiencies are clearly defined and identified; • Targets set for efficiencies are realistic and achievable; • Where controls are being removed thought has been given to how risks will be managed; • Any changes being made are in line with Companies House long term strategic aims; • These efficiencies are being tracked and benefits realised. 		
Key Findings	<p>There is strong evidence of an efficiency priority at the strategic level, for example the adoption of the Target Operational Model, the project to mandate electronic delivery and the weighting given to efficiency proposals in the change management impact assessment process: 'Satisfactory'. The challenge is to realise these to strategic goals, and audit will offer assurance support to the delivery activities.</p> <p>This review was delivered in the period between the winding up of the original Efficiency Unit and the establishment of a new approach under the Finance Directorate. At this point, there were clear issues with the controls around the development and delivery of local-level initiatives and cross-cutting ideas generated through staff suggestions.</p>		
Key Recommendations & Management Responses	<p>Our key recommendations were as follows:</p> <ul style="list-style-type: none"> • A central point should be created to collate, co-ordinate and disseminate information on the Directorates' efficiencies work and providing occasional challenge to benefits, costs, risks and strategic direction of specific efficiencies, tracking progress to delivery. • Ownership of products and services is made clear. This should include a clear definition of outputs and their key performance indicators, to mitigate risk to compromise in their delivery. • A minimum standard for the management, recording and reporting of localised efficiency benefits, costs and risks should be established increasing the likelihood of successful delivery, including clear definition of responsible owners. This should include an appropriate mechanism for sharing best practice and understanding dependencies across the organisation. 		
Action(s) Progress as at 09/02/11	All actions accepted and on track.		

Audit Title:	Health and Safety Management System		
Overall Category	Satisfactory		
No of Recommendations	High	Medium	Low
	0	0	5
Audit Objective	<p>The objective of this audit work is to examine the following:</p> <ul style="list-style-type: none"> • Criteria identified within the H&S Audit 3 year plan; • Efficient and effective compliance with section 4 OHSAS 18001; • Actions arising from previous internal audits of the H&S Management System. 		
Key Findings	<p>Previous Internal Audit review recommended improvements to the First Aiders contact system. This has been resolved by training all Security Officers who now form a First Response Team should a First Aider be required.</p> <p>Compliance of Sections 4.2; 4.3; 4.3.3; 4.4.3; 4.4.5 & 4.4.7 of OHSAS 18001:2007 were reviewed and minor anomalies were identified and rectified immediately.</p> <p>We have made several a low key recommendations.</p>		
Key Recommendations & Management Responses	<ul style="list-style-type: none"> • Removal of kettles from kitchens negating the need for PAT testing and saving electricity (the same recommendation made in EMS audit. • H&S team draw up a "Staff Moves Checklist" for all Team Leaders which would act as a reminder that following a move their staff are required to complete H&S risk assessments i.e. DSE forms and familiarise themselves with evacuation exits and officers; and general housekeeping. 		
Action(s) Progress as @ 11/05/11	<p>All recommendations accepted and implemented with the exception of the removal of kettles. All kettles were checked for PAT testing records but the H&S Officer handed over the recommendation for removal to the Environment Officer.</p>		

Audit Title:	Environmental Management System – ISO 14001:2004		
Overall Category	Satisfactory		
No of Recommendations	High	Medium	Low
	0	0	4
Audit Objective	<p>The objective of this audit was to examine:</p> <ul style="list-style-type: none"> • Actions arising from previous internal audits of the EMS; • Actions arising from previous BSI assessment reports (if any); • Efficient and effective compliance with section 4 of ISO 14001 in particular: 4.2; 4.3; 4.3.3; 4.4.5 & 4.4.6; • Plans/actions in place to improve and report performance against the achievement of SOGE targets. 		
Key Findings	<ul style="list-style-type: none"> • Compliance with ISO 14001:2004 was found to be effective. • Plans/actions are in place to enable efficient monitoring of targets. • Our rolling programme of “Walk around observations” identified a couple of minor areas where improvements could be made. • There were no outstanding actions from previous reviews. 		
Key Recommendations & Management Responses	<ul style="list-style-type: none"> • The standard requires that the EMS policy be available to the public. Recommended that the policy is placed within the Publication scheme annually. • Issue a notice to remind staff of the importance of switching off monitors when not in use. Possibly identify “energy champions” within teams to encourage the switching off of electrical equipment including lights at the end of the day. • Replace current “energy saving tips” poster with a more dynamic one ensuring the message stands out. • Removal of kettles from the kitchens and a notice displayed encouraging staff to switch off the lights when leaving the kitchen. (The recommendation for the removal of kettles is also being made as part of the Health and Safety review) 		
Action(s) Progress as @ 11/05/11	All recommendations accepted, removal of kettles considered low priority and has not yet been actioned.		

Audit Title:	Business Continuity and Disaster Recovery		
Overall Category	Satisfactory		
No of Recommendations	High	Medium	Low
	0	0	1
Audit Objective	<p>This audit objective was to examine whether:</p> <ul style="list-style-type: none"> Planned changes to business continuity and disaster recovery arrangements in CH continue to be sufficient, robust and tested. They should also comply with government requirements to an appropriate level, commensurate with the organisation's business need and ensure that the organisation has plans in place for the interim period before implementation. The changes to the plans reflect the need at a corporate and business level to identify and prioritise areas/systems for reinstatement and that there is balance between the cost of business continuity planning and the organisation's level of risk appetite. 		
Key Findings	Significant progress had been made in re-designing and working towards implementation of the business continuity and disaster recovery plans, accommodating the move out of Nantgarw.		
Key Recommendations & Management Responses	It was recommended that CH enquire about the ownership of the building the IPO currently uses and their future residency plans.		
Action(s) Progress as @ 09/04/11	Recommendations completed.		

Audit Title:	Late Filing Penalties		
Overall Category	Satisfactory		
No of Recommendations	High	Medium	Low
	0	1	1
Audit Objective	<p>The objective of this audit work is to examine and provide assurance on the controls around:</p> <ul style="list-style-type: none"> • The process of writing off LFP; • The process of waiving LFP; • Collection of LFP from companies going through Admin Restoration. 		
Key Findings	<ul style="list-style-type: none"> • Quality processes are not all equally robust across the different LFP functions. • Calculation of the outstanding fees for Admin Restoration was done by a primarily manual process. This has inherent risks in that human error can be made. In this instance a fee could be calculated incorrectly. 		
Key Recommendations & Management Responses	<ul style="list-style-type: none"> • Quality checking around each of the processes should be reviewed, with the emphasis on improvement for write offs, and a set of agreed levels around frequency, volume, documenting and reporting established for these checks. • The LFP function of Admin Restoration is automated once resource is available to develop this. 		
Action(s) Progress as @ 09/04/11	Recommendations accepted, not yet due for completion.		

Audit Title:	Corporate Policies		
Overall Category	Satisfactory		
No of Recommendations	High	Medium	Low
	0	0	2
Audit Objective	<p>This audit was focussed upon corporate level policies rather than local Department's policies. It was intended to verify if:</p> <ul style="list-style-type: none"> • Policies are kept up to date, well maintained, easily accessible and communicated effectively. • Policy initiation only occurs when appropriate and after a suitable quality assurance process. • Owners with suitable responsibility are assigned to policies and that these are updated appropriately. • Methods of policy writing within Companies House are of a suitable standard to ensure usability and practicality. • Policies don't contradict each other and when appropriate they are linked. • Policy compliance is managed. 		
Key Findings	<ul style="list-style-type: none"> • Different methods were used to implement controls although this had created no obvious weaknesses. • No policy writing guidance was available. 		
Key Recommendations & Management Responses	<ul style="list-style-type: none"> • It was recommended that a simple manual be created to support the policy creation and maintenance process. . • Creation of an electronic Staff Handbook which would help to provide greater communication and compliance with policies by staff. 		
Action(s) Progress as @ 09/04/11	Recommendations accepted, actions on track		

Audit Title:	Finance Control Systems		
Overall Category	Satisfactory		
No of Recommendations	High	Medium	Low
	0	1	1
Audit Objective	<p>To provide assurance over key financial controls:</p> <ul style="list-style-type: none"> • Creditors • Debtors • Ledger Management • Banking and Cash • Fixed Assets Register • Refunds • Travel and Subsistence Claims • Government Procurement Card (GPC) use • PCI Compliance • Security 		
Key Findings	<p>We noted significant improvement in security due to the re-location of the Finance and Finance Support areas. A change in handling fee bearing documents process in operational areas reduced the number of refunds and the associated risks to a minimum.</p> <p>Issues were found in purchases without purchase orders.</p> <p>The cost of the Travel & Subsistence claims process for low value claims appears not to be in proportion to the amount paid out.</p>		
Key Recommendations & Management Responses	<p>The introduction of the new e-procurement system in April 2011 will assist in covering purchase orders. The intention is to return all invoices, other than contract related, which do not have a PO number to the supplier.</p> <p>It was agreed that a simplified process might be beneficial and Finance are prepared to trial this in 2011/12 once suitable arrangements can be made.</p>		
Action(s) Progress as at 09/05/11	All actions accepted.		

Audit Title:	Limited Partnership Processes		
Overall Category	Improvement Required		
No of Recommendations	High	Medium	Low
	6	4	4
Audit Objective	<p>The objective of this audit work was to examine the efficiency and effectiveness of controls in place around LP document processes, and to give assurance that:</p> <ul style="list-style-type: none"> • LP forms are processed correctly, accurately and in a timely manner. • The process of making accepted forms available to the public for viewing, is robust and reliable. • Processed and accepted forms are stored safely. <p>The scope did not include the handling of payments as this was covered in the recent review of “Handling Fee Bearing Documents”.</p>		
Key Findings	<p>We identified the following key issues:</p> <ul style="list-style-type: none"> • Untrained staff and single points of failure. • The policy and guidance tool for examiners, TROVE, is not up to date. • Flaws in the functionality of CHIPS. • Lack of the availability of LP document image files causing inefficiencies. • Lack of quality assurance. 		
Key Recommendations & Management Responses	<ul style="list-style-type: none"> • Address staff training issues. • Correct system issues within CHIPS. • Consider the implementation of a scanning process for all LP documents. 		
Action(s) Progress as at 09/05/11	All actions accepted and in progress.		

Audit Title:	Foreign Companies Processes		
Overall Category	Improvement Required		
No of Recommendations	High	Medium	Low
	1	3	3
Audit Objective	<p>To provide assurance that:</p> <ul style="list-style-type: none"> Forms processed by Foreign Companies section are processed correctly, accurately and in a timely manner. The process of making accepted forms available to the public for viewing, is robust and reliable. Processed and accepted forms are stored safely. Notifications to the Gazette are made correctly, accurately and in a timely manner. 		
Key Findings	<p>We identified the following key issues:</p> <ul style="list-style-type: none"> Untrained staff processing and single points of failure. Inconsistencies among the three sites in the way documents are processed and stored. Flaws in the functionality of the system to process Societas Europaea (SE) documents. Some FC documents are not available as image files leading to inefficiencies. Lack of quality assurance. 		
Key Recommendations & Management Responses	<ul style="list-style-type: none"> Centralisation of all FC document processes in one location. Creation of additional processing capacity in that single location which will be used on demand but on a regular basis (part time). Review processes and supporting IT systems and consider the integration of processes that CHIPS currently does not accommodate. Review, update and design guidance and supporting documentation where appropriate. Ensure availability of these materials where required. 		
Action(s) Progress as at 09/05/11	The report is not published yet.		

Audit Title:	2nd Line Telephone Support		
Overall Category	Improvement Required		
No of Recommendations	High	Medium	Low
	1	3	3
Audit Objective	<p>To provide assurance that:</p> <ul style="list-style-type: none"> • There is a distinct and clear line drawn to define what calls are in the responsibility of either first or second line support. • All calls are answered within a target time. • Calls are analysed and assessed to feed back into CH services and their continuous improvement. • Calls are directed to the right department straight away; only few calls have to be re-directed. • A solution for the customer's problem is found during the call to avoid the need for a second customer contact. 		
Key Findings	<p>We identified the following key issues:</p> <ul style="list-style-type: none"> • Lack of defined quality standards and guidance on call handling throughout all 2nd line telephone support areas; • Insufficient and incomprehensive training provided on call handling; • Limited availability of reliable management information, impacts on feedback provided to teams, not fostering improvement; • Limited call monitoring; • Opportunities for cross-training throughout 2nd line support areas. 		
Key Recommendations & Management Responses	<ul style="list-style-type: none"> • Criteria should be defined for best practice, the style, what information can be provided to customers and in particular what information or advice must not be given. • Training needs for all 2nd line support staff should be identified and identified training gaps addressed. • Once the quality standard is established, the adherence to it should be monitored. • A proactive communication between 2nd line support and CHCC can help to avoid calls being unnecessarily transferred. 		
Action(s) Progress as at 09/05/11	All recommendations accepted. Main actions due by end June.		

Audit Title:	Portfolio Management		
Overall Category	Improvement Required		
No of Recommendations	High	Medium	Low
	3	3	0
Audit Objective	<p>To provide assurance whether the approach to managing the Project/Change Portfolio is successful in delivering the following:</p> <ul style="list-style-type: none"> • selection and prioritisation of initiatives which best support the CH Strategy while ensuring that all key strategic goals are being addressed, • ensuring the continued relevance of the benefits to the Strategy is reviewed throughout the life of an initiative, • ensuring that dependencies between the projects are clearly understood and managed, • ensuring sufficient capacity and capability exists to deliver the portfolio while maintaining the desired level of BAU services. 		
Key Findings	<p>We identified the following key issues:</p> <ul style="list-style-type: none"> • Lack of sufficient granularity in the CH strategy and vision to enable the Portfolio to demonstrate full alignment leading to optimum outcome, • Gaps between the target and current state not identified therefore project and activities in the Portfolio are based on high level objectives and not on need analysis, • Unclear prioritisation process and roles & responsibilities in selecting and prioritising the Portfolio initiatives, • Process somewhat confused by multiple purpose of the Roadmap document, • Business case, on which the projects are decided are often of insufficient quality to enable timely decisions, • Meteors are considered on ad hoc basis and no structured approach is applied to the process. 		
Key Recommendations & Management Responses	<ul style="list-style-type: none"> • Strategic goals to be translated into SMART objectives and Roadmap, Steering Wheel, TOM and Business Plans aligned. • Gap analysis to be performed to identify the short-medium term needs and inform the prioritisation and project selection process. • There should be a common understanding of CH's short, medium and long term priorities and key strategic documents should be reflecting this. • Sufficient consideration to be give to prioritisation of resource given to Change Requests yielding high benefits. • Sufficient planning of skills and resources to be undertaken to enable delivery of strategy. • Roles and responsibilities of the Portfolio setting and management process should be clarified. • Business Cases should be more robust (ARC to recommend 		

	<p>more detailed guidelines on best practice).</p> <ul style="list-style-type: none"> • Risk Management approach should be used to assess Meteors at the Quarterly review meetings.
<p>Action(s) Progress as at 18/05/11</p>	<p>All recommendations accepted, though some partially accepted. Main actions due by end December.</p>

4 Appendix B - Audit Opinions

Audit Opinion

Well Controlled – There are areas where processes are well controlled that could be recognised and highlighted as best practice in managing risks and controls to meet area’s objectives.

Satisfactory – The systems of internal control, governance and risk management that have operated within the area under review have been generally effective. Instances of control failure have been isolated and are not judged to have arisen from significant systemic weakness. Management’s actions should focus on areas of relative weakness and continuous improvement

Improvement Required – The area’s systems of internal control, governance and risk management that have operated over the period of the review are judged to require improvement. Instances of control failure and/or the level of residual risk carried by the organisation indicate that certain aspects of the control environment require enhancement.

Unsatisfactory – The systems of internal control, governance and risk management that have operated within the area under review have suffered significant failure over the period of the review. Instances of control failure and/or the level of residual risk carried by the organisation indicate significant systemic weaknesses. Fundamental changes are required to establish an appropriate level of internal control.

Recommendation Priority Levels

High – “**Urgent action is required**” to address a serious weakness in control. ARC will seek an implementation report within 1 month, and follow up within 3-6 months of final report to confirm the effectiveness of management’s response.

Medium – “**Action is necessary**” within the agreed timeframe to address a significant weakness in control. ARC will follow up to confirm the effectiveness of management’s response within 6-12 months of final report.

Low – “**Action is advisable**” to make minor improvements that we believe would enhance procedures and make things simpler/better for staff/customers, and/or provide better value for money. ARC will not normally follow up low priority actions.