



**INTERNAL AUDIT STRATEGY & PLAN
2019-20**

HEALTH & CARE PROFESSIONS COUNCIL

**CONFIDENTIAL
STATUS - DRAFT V01 TO HCPC**

MAY 2019

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Document history		Distribution	
Draft v01 to HCPC	28/05/2019	Health & Care Professions Council	[current version]

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1. Development of the Internal Audit Strategy

Introduction

- 1.1 The Public Sector Internal Audit Standards (PSIAS) and International Internal Audit Standards require the Head of Internal Audit to provide an internal audit strategy and supporting annual internal audit plan. The main requirement in addition to the international standards is that with PSIAS, the Head of Internal Audit is also required to give an annual opinion on the organisation's governance, risk management and internal controls. We propose to follow PSIAS because of the wider public interest in HCPC and being consistent with many other healthcare profession regulators.
- 1.2 We are newly appointed as HCPC's internal auditors. The primary purpose of this document is to set out our internal audit plan for the whole of 2019/20 and an indication of topics for future years, which takes cognisance of meetings with management and the chair of the Audit & Risk Committee and acting Chair of Council. We had put forward and approved a Quarter 1 plan, which was approved earlier in the year and incorporated in this plan. This document is our full internal audit strategy and plan for 2019/20 to 2012/22 for Audit and Risk Committee approval.

Purpose of the internal audit strategy

- 1.3 Our audit strategy underpins our audit plan each year and provide the Chief Executive as Accounting Officer, the Audit & Risk Committee and Council with objective assurance of, and opinions on, the effectiveness of the HCPC's risk management, control and governance arrangements. Internal audit also supports the Executive by advising them on the risk management, control and governance arrangements for which they are responsible. Such advice to line managers adds further value and helps to achieve HCPC objectives.

- 1.4 Our strategy will provide for a systematic and prioritised review of the HCPC's policies, procedures and operations to inform the Head of Internal Audit's annual opinion and to add value for management. Individual annual audit plans for each year, over a three year period, deliver the strategy. By prioritising audit resource in this way, HCPC can be assured that the benefits from its investment in internal audit are maximised and that the focus is on higher risk areas, proportionate to HCPC's risk appetite.
- 1.5 The audit strategy will outline how the Head of Internal Audit will manage internal audit arrangements to enable:
- the provision of an overall annual opinion on risk, control and governance to the Chief Executive and the Audit & Risk Committee;
 - improvement of the HCPC's risk management, control and governance processes through internal audit work and advice to the Executive;
 - an opinion on 'support' or 'business functions' such as finance, human resources and IT;
 - identification of the required level of audit resource, number and skills, required to meet the internal auditing standards for the UK public sector and the International Professional Practice Framework for internal auditing;
 - effective co-operation with external auditors; and
 - the provision of other assurance and consultancy services by internal audit.

Methodology and risk factors in building the strategy

- 1.6 We will build the strategy, mindful of:
- the HCPC's governance, strategic objectives and business plan;
 - the risk register;
 - your risk appetite;

- our recently developed assurance map;
- our assessment of risks;
- our knowledge of the business;
- change projects; and
- discussion with senior members of the executive.

Key principles for the strategy & plan for 2019/20 to 2021/22

- 1.7 Our focus is on providing both breadth and depth of coverage. We will develop an audit universe and divide this into three broad categories - front line activities that are core to the business such as registration, fitness to practise, education and standards; management support processes such as business planning and project management; and 'back office' functions, such as finance, HR and IT. In the strategy, we will present our audits over the three years, to enable more in depth reviews of topics in a given year, yet provide assurance that the coverage is comprehensive.
- 1.8 Our approach to budgeting is 'value in - value out'. This means consideration of the value and impact of the resource engaged rather than the budget expressed in terms of the number of days employed. Thus, the more strategic and technical specialist work receives higher value and more specialist and senior auditor input compared to standard audits. Nonetheless, we will provide a comprehensive and balance programme of assurance work which is commensurate to the overall input in days, number of audits and budget. With this in mind, our first quarter is strategic and will employ our more senior staff.

Audit Plan 2019/20

- 1.9 To commence our service, as discussed with the SMT on 26 February 2019, we propose the following in the first quarter:
- assess the assurance framework;

- review the Quality Assurance Department's work;
- major procurement.

- 1.10 Following meetings with key staff and other work for the assurance map exercise, we have produced a full audit plan for 2019/20, which is highlighted in Appendix A. Topics include:
- end to end review of fitness to practice (we will conduct similar reviews for registration and continued practice in future years);
 - the project for the transfer of social workers to another body;
 - cyber security; and
 - business continuity.
- 1.11 In addition, we will develop an internal audit charter, which sets out the terms of reference for internal audit. A particular focus will be on the engagement with the Quality Assurance team.

Resource requirements

- 1.12 The strategy and annual plan has been drafted giving consideration to the HCPC's budget for internal audit. The audit days indicated in an internal plan should be those considered necessary to provide reasonable assurance to the CEO, the Audit & Risk Committee and Council on the effectiveness of the HCPC's governance, risk and control processes and provide sufficient work to form the annual internal audit opinion.
- 1.13 The cost for delivery for 2019/20 is £51,650 excl. VAT, which translates into 61 days.
- 1.14 BDO LLP UK has a core group of professionally qualified staff, including IIA qualified staff, and experienced auditors. Our team is fully attuned with modern internal audit practice and recognised risk and governance standards.

1.15 We also have access to other specialists such as tax, an in-house fraud investigation team, risk management specialists, training and systems implementation experts.

2. Management's responsibility

2.1 All relevant areas of activity will be included in the internal audit strategy and internal audit plan. However, it should be noted that:

- the CEO has responsibility for maintaining a sound system of internal control that supports the achievement of the organisation's policies, aims and objectives, within a robust financial management framework;
- it is management's responsibility to determine the extent of internal control in an organisation's systems. They should not depend on Internal Audit as a substitute for effective controls; and
- whilst audit work is planned so that there is a reasonable expectation of detecting significant weaknesses, internal audit procedures alone do not guarantee that fraud will be detected.

3. External audit

3.1 We have established practical processes to ensure effective co-operation with external auditors. We expect to meet with the external auditors at least annually at the planning stage of the external audit work. We will share our plans and reports with the external auditors to avoid duplication of effort and enhance knowledge of risk management and corporate governance within HCPC.

4. Reporting & approach

4.1 We will plan our work to ensure that the HCPC receives an effective internal audit service throughout the year. We report at each Audit & Risk Committee meeting, providing periodic reports to the Audit & Risk Committee on completed work.

4.2 Detailed reports will be provided to management on completion of each audit assignment. The first draft report will be discussed with the relevant line managers to agree the factual accuracy of the findings and the practicality of recommendations agreed.

4.3 The final report will be issued following receipt of management comments. Our aim is to produce reports agreed by management and directors prior to submission to and endorsement by the Audit & Risk Committee.

4.4 The Head of Internal Audit will issue regular update reports and an annual report to the Audit & Risk Committee on the coverage of Internal Audit work and give an audit opinion on the risk management, control and governance arrangements.

4.5 However, the type of output from our work will differ depending on the type of work we undertake:

- full audit reports for the more major and 'conventional' audit assignments;
- ad hoc assignments, feedback on project progress or issues as a project unfolds.

5. Quality Control

5.1 BDO UK Risk Advisory Services Department follows all recognised quality standards for internal auditing. Our audit procedures are designed to ensure the service we deliver is of the highest standard and complies with the IIA's International Standards for the Professional Practice of Internal Audit. Details of our quality control procedures are given in Appendix D.

A Audit Plan for 2019-20

Theme	Audit Plan Topic	Brief description	Work type	Timing	2019-20 Budget £	
Main Delivery						
Registration	1	Transfer of social workers to new body	Assurance and advice on the programme at specific points in time during the year. (also affects FtP) Relates to inherent risk.	Advisory	Q1-4	4,800
Fitness to practise	2	Fitness to practise - end to end process	Cyclical review of fitness to practise operations key controls	Audit	Q3	8,650
'Enabling' management systems						
Governance	3	Quality Assurance Function	The centralised QA function has been operating since May 2018. We will examine the way in which the function operates, particularly relating to the coverage it gives, sampling strategy, working methods, reporting, etc. Our focus is on the regulatory assurances.	Audit	Q1	4,600
	4	Assurance framework & mapping	We will review the current assurance framework and assess its adequacy, identifying any key gaps and mapping those in the assurance map. The work will also help to inform our internal audit strategy, which means that the internal audit strategy work can run concurrently.	Audit/ Advisory	Q1	5,600
Core functions						
Procurement	5	Procurement	HCPC is currently undergoing the beginning of a major procurement exercise for case preparation and presentation legal services. The annual value of this contact is currently around r £4m. We will review the early stages of procurement, giving advice on areas of best practice and improvement. This work will continue through the life of the procurement cycle for this large item of expenditure and will provide also a case study for future procurements.	Advisory	Q1 ¹ Q3/4	1,100 2,300
Business Continuity	6	Business continuity planning	Ensuring the business continuity planning, including testing is up to date and reflects business priorities. From assurance mapping.	Audit	Q2	4,100
IT	7	Cyber security	Healthcheck of HCPC's cyber security arrangements	Audit	Q3	6,500
Other						
		Induction	Induction of new internal audit provider	-	Q1	3,000
Follow up		Follow up previous audit recommendations		Audit	Q4	2,600

¹ The first tranche of work will be conducted in Q1. Subsequent assurance work will be conducted in later quarters.

Theme	Audit Plan Topic	Brief description	Work type	Timing	2019-20 Budget £
	Internal Audit Strategy & Plan	The development of the full internal audit plan for 2019/20 and the strategy for the following two years.	-	Q1	3,300
	Audit Charter	The terms of reference or charter is a requirement of both international and Public Sector Internal Audit Standards. A particular focus is on the relationship between IA and regulatory quality assurance functions and other auditing, such as for ISO accreditations.	-	Q1	600
	Audit & Risk Committees & Client Liaison	Preparing & attending Audit & Risk Committees & ad hoc advisory	-	All	3,300
	Annual report		-	Q4	1,200
Total excl. VAT					51,650

B Internal Audit Strategy for 2019/20 to 2021/22

Subject area	Risk	Audit Plan (as per Appx. A) 2019/20	Indicative plan 2020/21	Indicative plan 2022/23
Main Delivery				
Registration	Failure to protect public; Failure to be an effective, efficient and agile regulator	Transfer of social workers to new body	Registration end to end	
Fitness to Practise	As above	Fitness to practise - end to end process		
Education, Continual Professional Development (CPD)	As above			Education & continued professional development
Policy and Standards	As above			Policy formulation & use of insights
Intelligence & insights	As above		Use of intelligence	
'Enabling' management systems				
Governance & culture	Failure of governance, leadership or culture	Quality Assurance Function	Cultural and ethics	
		Assurance framework & mapping		
Risk Management				Risk management framework & specific risk areas
Strategy & Planning	Failure to be an effective, efficient and agile regulator	Budget setting & monitoring processes*		
Performance Management			PSA & internal reporting	
Media Handling & Communications			Media handling*	
Project Management			Project management processes*	

Subject area	Risk	Audit Plan (as per Appx. A) 2019/20	Indicative plan 2020/21	Indicative plan 2022/23
Core functions				
Key financial systems & tax	Poor VFM, fraud risk, unauthorised spend		Key financial controls	Key Financial Controls (selected items)
Procurement	Poor VFM, fraud risk, unauthorised spend	Procurement*		
Payroll			Remuneration-setting procedures for Council Members*	Pay
HR	Poor staff planning; Breaches of employment law and intended best practice;		Starters' & leavers' procedures*	
Safeguarding & diversity				Safeguarding controls
Health & Safety			H&S processes including lessons learned*	
Estates & physical security				
Business continuity & DR		Business continuity & DR*		
Fraud & corruption			Fraud risk assessment*	
IT strategy & operations	Information security	Cyber Security		IT Strategy
Data protection & FOI			Data compliance	

* Identified or confirmed as relevant subjects through assurance mapping work. Follow ups will be done every year.

C Previous years' topics for reference

2018/19	2017/18	2016/17	2015/16	2014/15
186 KPR building project	Continuing professional development	Payroll	Whistleblowing	Partner expenses
Fees review (commissioned outside audit plan)	Cyber security	Property management	5 year plan model	Project Management
Follow up of recommendation implementation	Follow up of recommendation implementation	Employee recruitment and retention	Public consultations	Corporate Governance and Risk Management
FTP improvement plan	Budgeting forecasting and key financial controls	follow up on 5 year plan model audit	Review of the registration project (design phase)	Stakeholder Communications
SW transfer project governance		Partner recruitment	Core financial controls	Business Continuity
Registration project phase 1		registration appeals		Bribery Act
Strategic and operational planning		Non-case preparation and presentation legal services cost management		Health and Safety
Core financial Controls		Core financial controls		Core financial controls

D Internal Audit Quality Assurance

Quality control and quality assurance is under review following the merger with BDO. Our quality assurances will be updated during the year.

Current quality assurance processes and procedures	
Procedures	Our audit procedures were designed to ensure the service we deliver is of the highest standard and complies with the Public Sector Internal Audit Standards (PSIAS). We utilise specially designed internal audit software Pentana to conduct our work and all reports are subject to review by a senior manager (stage 1) and director or partner (stage 2). All reports are also now checked for proofing errors at the draft and final report stage by another staff member.
Knowledge Library*	Our audit testing programmes and good practices we find are imported into our Knowledge Library. The Knowledge Library is part of our Pentana audit workflow system and enables auditors to see examples of best practice across our client base. This enhances the quality of our audit work - understanding the features of best practice in the areas under audit and also auditing techniques applied. It also includes some standardised reporting templates.
Professional training, CPD and development	Staff are suitably professionally qualified or working towards a qualification. There is a full programme of continuing professional development and training provided by BDO LLP and to specific members of the BDO LLP relating to internal audit, risk management and governance.
Quality assurance improvement programme (QAIP)	BDO LLP has an internal audit Quality Assurance Improvement Programme (QAIP). Such a programme is a requirement of PSIAS and international internal auditing standards. It ensures that any issues identified by the quality processes are assigned actions and resolution is monitored. Specific improvements required are directed to the relevant person - generic changes to processes are recorded and tracked using the firm's internal audit cluster group.
Customer satisfaction survey - individual assignments*	We will be introducing online satisfaction surveys once an audit is completed. These can be issued in batches so audit leads only receive one survey or per audit.
BDO client care programme	Firm-wide satisfaction survey which benchmarks our service against the firm and the industry, conducted by an independent external company on behalf of BDO. Introduced in 2017.
Hot review*	Peer review of a selection of audits to ensure each client receives the same high standards of audit work.
Cold review	The BDO LLP Governance, Risk and Assurance Group conducts an internal 'cold review' of its internal audit working practises, reports and files annually. The review is conducted annually and was last conducted in May 2014. The findings feed into the QAIP.
Self-assessment against PSIAS	Brings together the individual assessments against the Public Sector Internal Audit Standards (PSIAS) - last conducted in 2014. The next review was conducted in 2018.
External review	The BDO LLP internal audit work was subject to an external quality review in 2014/15.

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