

Audit Committee – 27th February 2008

PKF AUDIT PLAN 2008/09

Executive summary and recommendations

Introduction

The internal audit plan is provided to the Committee for its consideration.

Decision

The Committee is asked to approve the Internal Audit Plan for 2008/09 and provide guidance on the audit programme, as appropriate.

Background information

PKF's Internal Audit Plan for 2007/08 was approved at the meeting of the Audit Committee on 28th February 2007 – refer minutes, item 14.07/14.

PKF were appointed as HPC's internal auditors in 2006. Since then, they have worked systematically through a three year audit plan, including reviewing the controls in HPC departments and conducted yearly reviews of areas such as Finance and Governance/Risk Management.

Comparison of Audit Programme 2007/08 and 2008/09 Proposed as follows.

Internal Audit Plan	2007/08	2007/08	2008/09
	Days Proposed	Days Adjusted	Days Proposed
Corp Governance & Risk Mgt	5	5	8
Finance Systems	10	10	10
Approvals & Monitoring			6
CPD			6
Project Reporting		3	
Communications	6	6	
FTP	1	3	
Registrations	5	5	
Building Project	5	2	
IT Systems	1	2	6
Business Continuity & DR Planning	4	3	
General follow up (on previous recommendations)			3
Audit Planning	1	1	1
Audit Management	2	2	2
Audit Reporting	3	3	3

Date	Ver.	Dept/Cmte	Doc Type	Title	Status	Int. Aud.
2008-02-01	a	ADT	PPR	PKFAuditPlan	Draft	Public
					DD: None	RD: None

Contingency	4	2	2
Total	47	47	47
Total Fee	24,168		25,802

Resource implications

Nil

Financial implications

Internal Audit fee. For 47 audit days, the fee is approx 26k, VAT inclusive.

Appendices

Appendix One – PKF Audit Plan 2008/09

Date of paper

15th February 2008



INTERNAL AUDIT SERVICE

Draft

AUDIT PLAN 2008/2009



Accountants &
business advisers

INTRODUCTION

- 1.1 The purpose of this paper is to summarise the proposed areas for internal audit coverage for the 2008/09 financial year.

AUDIT STRATEGY

- 1.2 This audit plan has been based on our previously agreed Strategic Audit Plan for 2006/07 to 2008/09. We have reconsidered the overall risk position of Health Professions Council and are satisfied that the rationale underpinning the original strategy is unchanged and therefore no significant revision is required to the audits scheduled for the forthcoming year.

- 1.3 Our proposed 2008/09 Audit Plan continues to include the following core strands:

Review of governance – assessment of the governance arrangements including planning, decision making and reporting taking account of the risk management arrangements and best practices.

Assurance to support the Statement on Internal Control and the Chief Executive and Registrar – programmes of evaluation and testing of controls of existing systems and transactions in order to provide assurance that internal control is adequate in the current year and to enable the Chief Executive and Registrar to make a declaration on financial and operational control for the financial statements.

Review of the core processes – programmes of evaluation and testing of controls of existing systems and transactions in order to provide assurance that internal control is adequate in the current year across the core processes within the HPC.

Review of departments - programmes of evaluation and testing of controls of existing systems and transactions in order to provide assurance that internal control is adequate in the current year across the departments within the HPC.

Supporting the strategic plan – consideration of risks and other issues involved in the delivery of the strategic plans, the management of changes and the scope for making efficiency or quality improvements. These can only be set each year based on the priorities for that year and in subsequent years an allowance is made for such projects only.

- 1.4 In practice these objectives will not necessarily be met by discrete reviews, with some reviews potentially contributing to all three objectives.

- 1.5 In 2008/09 the aim will continue to be to provide assurance over the key systems and processes needed to support the statement of internal control. Total assurance effort will be maximised by co-ordinating fully with the in house Quality Auditor and the external ISO auditors where appropriate.
- 1.6 We will also liaise with the NAO and Baker Tilly to ensure that they can place reliance on our work.
- 1.7 A summary of our proposed 2008/09 audit plan is set out as Appendix A. This includes some suggested timings for the various audits throughout the year by quarter.
- 1.8 The extent to which the audit plan addresses the Health Professions Council's current risk profile is summarised in Appendix B and C.
- 1.9 **The Audit Committee is requested to consider and approve our proposed programme of work for the 2008/09 financial year.**

APPENDIX A PROPOSED AUDIT PROGRAMME 2008/2009

Corporate governance:

SYSTEM	REVIEW OUTLINE	DAYS	TIMING
Corporate Governance and Risk Management	<p>Annual assessment of the corporate governance arrangements for the Health Professions Council.</p> <p>This year's review will also focus upon the arrangements that are being put into place to manage the implementation of the new Health Care and Associated Professions Order.</p> <p>The review will specifically cover the controls in place to manage the high priority risk- 4.10 Member recruitment problem (with the requisite skills) linked to likely changes in the composition of Council.</p>	8	Q 4
Planned Input		8	

Core Processes and Functions:

SYSTEM	REVIEW OUTLINE	DAYS	TIMING
Financial Systems	<p>Review and testing of the controls over the main financial systems and follow up of agreed actions from the 2006/7 review.</p> <p>This will cover the core areas of:</p> <ul style="list-style-type: none"> • Payroll; • Budgetary control; • Ledger management; • Asset management; • Income, including forecasting, billing, recovery and recognition; • Purchasing and payments; • Travel and subsistence; and • Cash management including cash flow management, banking and reporting. 	10	Q 3
Planned Input		10	

Operational Functions:

SYSTEM	REVIEW OUTLINE	DAYS	TIMING
Approvals and monitoring	Assessment of the arrangements for managing and monitoring the performance of education providers including provider visits, data monitoring. The review will specifically cover the controls in place to manage the high priority risk- 7.3 Inability to manage education provider visits.	6	Q 1
CPD	Review of the planning and management controls to ensure that the new processes for registrants' CPD are in place and operational in accordance with the HPC's planned timetable	6	Q1
Planned Input		12	

Follow up:

SYSTEM	REVIEW OUTLINE	DAYS	TIMING
Follow up	Follow up of the extent that our previous recommendations have been implemented in full. Some examples of past reviews where recommendations have been raised include: communications, registration, fitness to practise, IT, governance and finance.	3	Q 3
Planned Input		3	

IT Systems:

SYSTEM	REVIEW OUTLINE	DAYS	TIMING
IT review – online applications and renewals projects	Assessment of arrangements for planning managing and delivering these projects within the agreed timescale and budget, whilst ensuring the IT risks in relation to data security and network integrity are effectively managed.	6	Q 3
Planned Input		6	

Contingency:

SYSTEM	REVIEW OUTLINE	DAYS
Contingency	Area to be reviewed at the direction of the Audit Committee.	2
Indicative Input		2

Planning/Management Reporting:

SYSTEM	REVIEW OUTLINE	DAYS
Planning	Development of the Annual Plan through a reconsideration of audit risks and developments and the associated discussions.	1
Management	Overseeing the delivery of audit work and conducting detailed reviews. Liaison with managers in order to keep up to date. Liaison with the External Auditor. Consideration of the results of other quality assurance work.	2
Reporting	Attendance at Audit Committee. Keeping senior management informed of audit progress and key issues. Production of the Annual Report.	3
Planned Input		6

Total Proposed Input for 2008/09 – 47 audit days

Total Proposed Fee for 2008/09 - £25,802

APPENDIX B AUDIT PROGRAMME – LINKS TO RISK REGISTER

Audit Coverage in 2008/09	Risk – referenced to the HPC risk register at Appendix C
Corporate Governance and Risk Management	Corporate Governance - 4.1, 4.2, 4.3, 4.4, 4.5, 4.6, 4.7, 4.8, 4.9, 4.10, 4.11 High priority risk coverage- 4.10 Member recruitment problem (with the requisite skills) linked to likely changes in the composition of Council
Financial Systems	Financial – 15.1, 15.2, 15.3, 15.4, 15.5, 15.6, 15.7, 15.8, 15.9, 15.10, 15.11, 15.12, 15.13, 15.14, 15.15, 15.16, 15.17, 15.18
Approvals and Monitoring and CPD	Approvals, monitoring – 7.1,7.2,7.3, 7.4 High priority risk coverage- 7.3 Inability to manage education provider visits CPD- 7.5, Project management risk 8.1
Projects On line applications and renewals projects	IT risks 5.1, 5.2, 5.3 Project management risk 8.8

HPC High priority risks 2008/09 not covered by our plan

12.1 Judicial review of Rules, Standards and Guidance

14.3 Changing/evolving legal advice rendering previous work inappropriate

13.1 Legal cost overruns, 13.3 Tribunal exceptional costs, FTP, Registrations and CPD Appeals

Assurance in respect of these areas is provided by management and the HPC’s legal advisors and insurers. We have also previously undertaken some work in prior years in relation to the systems and controls in operation within the FTP department.

APPENDIX C HPC Risk Register February 2008

Ref	Category	Description
1	Strategic	1.1 HPC fails to deliver Order In Council ("OIC") 1.2 Unexpected change in UK legislation 1.3 Incompatible OIC and EU legislation 1.4 CHRE conflict
2	Operations	2.1 Inability to occupy premises or use interior equipment 2.2 Rapid increase in registrant numbers 2.3 Unacceptable service standards 2.4 Postal or telephone disruption 2.5 Public transport disruption 2.7 Inability to accommodate HPC employees
3	Communications	3.1 Failure to inform public Article 3(13) 3.2 Loss of support from professional bodies 3.3 Inability to inform stakeholders following crisis
4	Corporate	4.1 Council inability to make decisions 4.2 Council members conflict of interest 4.3 Poor decision-making e.g. conflicting advice or conflicting advice & decisions 4.4 Failure to meet Council and Committee quorums 4.5 Members' poor performance 4.6 Poor performance by the President 4.7 Poor performance by Chief Executive 4.8 Improper financial incentives offered to Council members/employees 4.9 Health and Safety of Council Members 4.10 Member recruitment problem (with the requisite skills) 4.11 Expense claim abuse by members
5	IT	5.1 Software Virus damage 5.2 Technology obsolescence, hardware and software 5.3 IT fraud or error
6	Partners	6.1 Inability to recruit and/or retain suitable Partners 6.2 Incorrect interpretation of law and/or SIs resulting in CHRE reviews 6.3 Health & Safety of Partners



= priority risk areas identified by the HPC

Ref	Category	Description
7	Approvals & Monitoring & CPD	7.1 Non-detection of low education providers standards
		7.2 Education providers refusing visits or not submitting data
		7.3 Inability to manage Education Provider (EP) visits
		7.4 Loss of support from EP
		7.5 CPD processes not operational by July 2008
8	Project Management	8.1 CPD processes not operational by July 2008
		8.2 Fee change processes not operational by June 2009
		8.3 Professional Qualification Directives processes not operational by October 2007
		8.4 Failure to regulate a new profession or a post-registration qualification as stipulated by legislation
		8.5 Legal challenge to equality and diversity scheme
		8.6 HPC added to list of organisations required to publish a scheme but no scheme is published
		8.7 Stannary Street project phase 2
		8.8 Online applications and renewals projects
		8.9 Applied psychologists on-boarding
		8.10 Bichard project
9	Quality Management	9.1 Loss of ISO 9000 Certification
10	Registration	10.1 Customer service failures
		10.2 LISA Registration system failure
		10.3 Inability to detect fraudulent applications
		10.4 Backlogs of registration and GP applns
		10.5 Failure to meet the Registration Dept merger project timetable
11	HR	11.1 Loss of key HPC employees (person cover risk)
		11.2 High turnover of employees
		11.3 Inability to recruit suitable employees
		11.4 Lack of technical and managerial skills to delivery the strategy
		11.5 Health & Safety of employees
		11.6 High sick leave levels
		11.7 Employee and ex-employee litigation
		11.8 Employer/employee inappropriate behaviour
		11.9 Non Compliance with Employment legislation
12	Legal	12.1 Judicial review of Rules, Standards and Guidance

Ref	Category	Description
13	Fitness to Practise	13.1 Legal cost over-runs
		13.2 Legal challenge to HPC operations
		13.3 Tribunal exceptional costs, FTP, Registrations and CPD Appeals
		13.4 Rapid increase in the number of tribunals and resultant legal costs
		13.5 Witness non-attendance
		13.6 Employee/Partner physical assault by Hearing attendees
		13.7 Registration Appeals
14	Policy and Standards	14.1 Incorrect process followed to establish stds/guidance/policy eg no relevant Council decision
		14.2 Inappropriate stds/guidance published eg stds are set at inappropriate level, are too confusing or are conflicting
		14.3 Changing/evolving legal advice rendering previous work inappropriate
		14.4 Inadequate preparation for a change in legislation (Health Professions Order, or other legislation affecting HPC)
15	Finance	15.1 Insufficient Cash to meet commitments
		15.2 Unexpected rise in operating expenses
		15.3 Large Capital Project Cost Over-runs
		15.4 Loss in value of investment portfolio
		15.5 Inability to pay creditors
		15.6 Inability to collect from debtors
		15.7 Registrant Credit Card record fraud
		15.8 Total receipt of correct fee income
		15.9 Mismatch between Council goals & approved financial budgets
		15.10 Unauthorised payments to organisations
		15.11 Unauthorised payments to personnel
		15.12 Unauthorised removal of assets (custody issue)
		15.13 Mis-signing of cheques (forgery)
		15.14 Tax law non compliance
		15.15 Non compliance with Privy Council/FReM
		15.16 Qualified opinion received from the Auditors on the Annual Financial Statements
		15.17 Late submission of the Financial Statements/Annual Report, beyond sector standards
		15.18 Fund Manager or Money Market provider insolvency
16	Pensions	16.1 Under-funded pension liabilities (CPSM Retirement Benefits Scheme*)
		16.2 Section 75 (Pensions Act 1995) liability resulting if the number of active members of the Capita Flexiplan scheme drops to zero
		16.3 Capita Flexiplan liability resulting from new scheme specific funding standard ("SSFS") and insufficient Pensions Capital to meet fund obligations