
Haysmactyntyre – External Audit Planning Report 2019-20

Executive Summary

In this report haysmactyntyre LLP set out their proposed approach to the 2019-20 external audit. This includes the indicative timetable, fees and audit team.

The planned timetable and approach is similar to last year.

The external auditors are independent and it is their responsibility to determine their plans for the audit, so the Audit Committee does not approve or reject the audit plans, but haysmactyntyre will welcome the Committee's discussion and any feedback.

Previous consideration	None.
Decision	The Committee is invited to discuss the report.
Next steps	The timetable for the audit is included in the paper.
Strategic priority	Strategic priority 3: Ensure the organisation is fit for the future and able to anticipate and adapt to changes in the external environment
Risk	SR 5- Failure of leadership, governance or culture
Financial and resource implications	The cost of the external audit for 2019-20 is £22,900
Author	Haysmactyntyre LLP

haysmacintyre

Health & Care Professions Council

Draft Audit Planning Report

Partner: Kathryn Burton; kburton@haysmacintyre.com
Manager: Alex Gillespie; agillespie@haysmacintyre.com

Year Ending 31 March 2020



1 INTRODUCTION

The Council
Health & Care Professions Council
Park House
184 Kennington Park Road
London
SE11 4BU

Haysmacintyre LLP
10 Queen Street Place
London
EC4R 1AG

T: 020 7969 5500

24 October 2019

Dear Council Members

Planning letter relating to the audit of Health & Care Professions Council (the Council)

Year ending 31 March 2020

The purpose of this letter is to confirm the annual arrangements for our audit services for the year ending 31 March 2020 and to give you an overview of the nature and scope of our audit work.

Scope

We conduct our audit in accordance with International Standards on Auditing (UK) ("ISAs"). Our audit objective is to obtain sufficient relevant and reliable audit evidence to enable us to express an audit opinion on the financial statements of the Council for the year ending 31 March 2020.

Plan

Our audit plan, key dates, proposed fees and other matters are set out in the following pages.

We have prepared this plan based on initial discussions with management and will be happy to include any audit work if you have any specific areas of concern.

Yours faithfully

Haysmacintyre LLP

2 AUDIT STRATEGY OVERVIEW

Risk Assessment – Section 3

When planning our audit work, we must seek to minimise the risk of material misstatements occurring in the financial statements. To do this, we consider both the risk inherent in the financial statements themselves and the control environment in which the entity operates. We then use this assessment to develop an effective approach to the audit.

We consider the following to be areas of significant risk:

- Fraud in revenue recognition
- Management override of controls
- Going concern
- The transfer of the register of social workers

Based on materiality, we consider the following to be additional areas of audit focus:

- Completeness of creditors
- Completeness of staff costs
- Valuation of fixed assets

Audit team – Section 4

Partner: Kathryn Burton

Manager: Alex Gillespie

Audit staff:

- Liz On (Audit senior)
- Ben Breathwick (Audit assistant)

Reporting – Section 5

At the conclusion of the audit, we shall report to the Finance Committee as follows:

- Audit report for the Council
- Audit Findings Report ('AFR')
- A schedule of unadjusted misstatements

Fees – Section 6

Total fee: £22,900

- All fees are exclusive of VAT.
- The fee schedule is set out in Section 6. Payment of our fees must be made within 30 days of the fee note.

Draft materiality – Section 5

Draft materiality
£600,000
(2% of expected income)

Performance materiality
£450,000
(75% of materiality)

Trivial threshold
£30,000
(5% of materiality – errors above this level will be reported to the Audit Committee)

3 RISK ASSESSMENT

When planning our audit work, we must seek to minimise the risk of material misstatements occurring in the financial statements. To do this, we consider both the risk inherent in the financial statements themselves and the control environment in which the entity operates. We then use this assessment to develop an effective approach to the audit.

We will report back in the Audit Findings Report the work performed in relation to each risk and our findings.

We consider the following to be areas of significant risk:

Area	Risk	Planned audit work
Fraud in revenue recognition	The risk of incorrect treatment of income under IFRS	We will plan and perform specific tests to ensure income has been recorded in the correct period and will test on a sample of transactions around the year-end. We will perform tests of detail on a sample in individual members to confirm that income has been correctly recognised. In particular, we will consider the recognition deferred income. We will review and test the internal controls over the recording of member details on the CRM system and the periodic reconciliations with the finance system.
Management override of controls	The risk of misappropriation of assets and the risks of misrepresentation of financial information.	We will consider and review all areas requiring judgement or estimates in order to assess the appropriateness of the judgements and estimates made by management. We will review and test journal entries made in the year, and in particular those made as part of the year-end financial reporting process. Where necessary we will make further inquiries regarding any seemingly inappropriate or unusual journal or other adjustments.
Going concern	There is a risk that the going concern assumption may be inappropriate, following a challenging period for the Council.	We will review budgets and cash flow forecasts and consider the appropriateness of key assumptions and consider the key sensitivities. We will consider that the impact of the transfer of the register of social workers has been appropriately factored into budgets and forecasts. We will consider to what extent the organisation may be able to raise alternative debt finance to cover any short-term cash flow issues.

3 RISK ASSESSMENT (CONTINUED)

Area	Risk	Planned audit work
Transfer of register of social workers	The transfer of the register of social workers presents a number of challenges for the Council, operationally and financially. There is a risk that the transaction may be incomplete (i.e. all appropriate assets and liabilities have not been accounted for in the process).	We will obtain and review the transfer agreement. We will perform tests of detail on the amounts transferred on a sample basis. We will confirm the appropriateness of the procedures that the Council has undertaken to ensure that all financial and non-financial information and records have been captured and included in the transfer.

3 RISK ASSESSMENT (CONTINUED)

We do not consider there to be any further areas of significant risk. However, due to materiality, we consider the following to be areas of additional audit focus:-

Area	Risk	Planned audit work
Completeness of creditors	There is an inherent risk that the Council's liabilities may be incomplete.	<p>Substantive testing to be carried out along with a review of post year end payments and purchase invoices to consider the completeness of liabilities.</p> <p>We will obtain third party confirmation of outstanding liabilities relating to fitness ton practice cases and reconcile this information with accrued costs recognised in the financial statements.</p>
Completeness of staff cost	There is a risk that staff costs, including any related disclosures and provisions, may be incomplete.	<p>Testing will be performed to ensure that only bona fide employees of the organisation are paid. We will also consider the accuracy of the disclosure of staff costs in the financial statements.</p> <p>A Remuneration Report will be included within the Council's financial statements. We will liaise with the NAO to ensure that the report meets the necessary disclosure requirements.</p>
Valuation of fixed assets	There is a risk that fixed assets, including the capitalised CRM system, may be impaired.	Tests of detail to be performed to confirm that debtors are not overstated and that amounts are recoverable.

Related parties

ISAs also require us to consider the susceptibility of the financial statements to material misstatement due to fraud or error that could result from related party relationships and transactions. We are required to record all identified related parties and we would appreciate it if you could make available related party disclosure forms for all Council and senior management.

4 THE TEAM AND AUDIT TIMETABLE

Our team for the audit will be as follows:

Team member	Role	Contact details
Kathryn Burton	Audit partner	kburton@haysmacintyre.com
Alex Gillespie	Senior audit manager	agillespie@haysmacintyre.com
Liz On	Audit senior	lon@haysmacintyre.com
Ben Breathwick	Audit semi senior	bbreathwick@haysmacintyre.com

As agreed following discussions with management on 16 October, our work is being planned to meet the timetable as previously agreed and set out in Appendix 1.

The major phases of our audit and major elements of each phase can be summarised as follows:



- Initial information gathering
- Preparation of draft audit deliverables requirements list
- Agree detailed audit timetable
- Audit planning meeting with management
- Detailed information gathering
- Preliminary analytical review and risk assessment
- Development of audit strategy
- On site detailed audit testing lead by audit senior
- On site reviews by audit manager
- Ongoing progress meetings
- Finalisation and final analytical review of the financial statements
- Final reviews of audit file
- Finalisation meeting
- Filing & publication of financial statements
- Issue of final audit findings report

5 MATERIALITY, REPORTING, INTERNAL CONTROLS AND INDEPENDENCE

Materiality

We define materiality as the magnitude of misstatement that could reasonably be expected to influence the readers and the economic decisions of the users of the financial statements. We use materiality both in planning our audit and in evaluating the results of our work.

It is not possible for auditors to examine every transaction of the audited entity nor every balance in the financial statements. Therefore, in planning our audit work, we will give particular attention to those areas of the financial statements that we consider to be the most important in terms of materiality as defined above.

Draft materiality is as follows:

£600,000
£450,000
£30,000

Draft materiality has been based on 2% of prior income. This will be revised when final figures are received.

Performance materiality will be used to detect errors at a lower precision level, and has been based on 75% of draft materiality.

We will report all identified errors greater than £20,000 (being 5% of draft materiality) to the Audit Committee.

Reporting

At the conclusion of the audit, we shall report to the Finance Committee as follows:

- Audit report for the Council
- Audit Findings Report ('AFR'), including the management letter, to include discussion of control issues and recommendations, significant findings from the audit and emerging developments.
- A schedule of errors that we identified during our audit work, which have not been adjusted for in the financial statements. The summary will not include errors that are 'clearly trivial'. We will require you to confirm that you have duly considered these unadjusted errors and that you have decided not to adjust for them in the financial statements; this will be included in the letter of representation.

Internal controls

The nature and extent of our procedures will vary according to our assessment of the accounting system and, where we wish to place reliance on it, the internal control system. Our audit is not designed to identify all significant weaknesses in the systems but, if such weaknesses come to our notice during our audit which we think should be brought to your attention, we shall report them to you. Where you have informed us that you have dealt with a particular risk by the introduction of supervisory controls, if we consider it cost effective to seek to rely on these controls for audit purposes, we will test them and, if they are working effectively, we will reduce the time spent on other audit tests accordingly.

Independence

Under the Ethical Standard published by the Financial Reporting Council we are obliged to consider all significant facts and matters that could bear upon our objectivity and independence.

We perform VAT compliance work for the Council, and we have recently been engaged to undertake a review of the Council's employment tax, in particular the status of IR35 workers. We have introduced the following safeguard to ensure our continued independence and objectivity: the VAT and employment tax work will be completed and reviewed by teams entirely separate from the audit team.

We consider that the policies and procedures that we have adopted to comply with the Ethical Standard and guidelines including where required, rotation of the partner or manager and the use of our independent internal quality review, will ensure our continued objectivity and independence.

6 FEES AND DELIVERABLES

Our fees for the year ending 31 March 2020 are as follows:

	2019 £	2018 £
Audit fee	22,900	20,600

All fees are exclusive of VAT and out of pocket expenses. Payment of our fees must be made within 30 days of the fee note.

The proposed fee is on the basis that:

- An additional fee of £1,500 has been factored into the above relating to the additional audit work to be performed on the transfer of the register of social workers, an exceptional item in 2019/20.
- Final figures, agreed audit deliverables (to be confirmed during the interim audit) and relevant, accurate, supporting schedules for all figures, a trial balance together with reconciled control accounts and all accounting records are available as set out in Section 4 and the detailed timetable (Appendix one)
- The statutory financial statements are prepared by yourselves;
- There are no unforeseen accounting or auditing issues of a complex nature, which involve significant input of time from senior members of the team; and
- All deadlines with us are met.

We have assumed that you will prepare a year-end file and schedules that will be complete and available for the start of our audit fieldwork.

The above assumptions are designed to allow us to focus on the value-added areas of the audit, to undertake a cost-effective audit and to minimise the time the audit team is required to spend on administrative matters.

Billing schedule

We propose to bill the audit fee in the following amounts:

Stage	£
Interim audit	3,000
Audit fieldwork	16,900
Completion	3,000

It is our policy to bill for overruns or scope extensions e.g. where we have incurred delays, deliverables have been late and/or of poor quality, where key personnel are not available or where we have been asked to do extra work.

APPENDIX ONE: DETAILED TIMETABLE

Date	Event
16 October	Planning meeting with management.
5 November	Audit plan presented to Audit Committee.
18 November	Interim audit.
6 May	Audit deliverables, including draft financial statements, provided to haysmacintyre.
11 May	Audit fieldwork commences.
15 May	Manager on-site review.
w/c 18 May	NAO to review haysmacintyre audit file. NAO and haysmacintyre to provide combined feedback on financial statements.
w/c 25 May	Completion meeting with management.
June (TBC)	Audit Committee meeting to present audit findings.
July (TBC)	Council meeting to approve and sign accounts.

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A list of members' names is available for inspection at 10 Queen Street Place, London EC4R 1AG

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Haysmacintyre LLP

10 Queen Street Place
London

EC4R 1AG

T 020 7969 5500 F 020 7969
5600

www.haysmacintyre.com
[@haysmacintyre](https://twitter.com/haysmacintyre)