Health and Care Professions Council

Progress report

November 2024

CONTENTS & OVERVIEW

RESTRICTIONS OF USE

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OVERVIEW

This report presents the Audit and Risk Assurance Committee (ARAC) with an update on internal audit activities, specifically progress made in respect of delivery of the Internal Audit Annual Plan for 2024/25.

In the following section we have provided a status update against individual audits, including those that are underway and yet to be completed. We have also included our most recent charity sector update.

The ARAC is requested to note this report.

BDO UPDATE

ARAC – November 2024

Introduction

The main purpose of this report is to update the Audit, Risk and Assurance Committee (ARAC) on the high-level Internal Audit (IA) plan since the last ARAC in September 2024. This report has been prepared based on work performed up to 04 November 2024.

Progress of the 2024/25 IA Plan

We have made good progress in delivering the audits for the 2024/25 plan.

- The Education – new approach – final report (ARAC September 24)
- Key Performance Measures – final report (ARAC September 24)
- Stakeholder Engagement – final report (ARAC November 24)
- Environmental Sustainability – final report (ARAC November 24)
- Data Privacy - fieldwork
- Outreach – draft terms of reference

Changes to the Audit Plan

Since the last ARAC, September 2024, the Health and Safety review (ToR drafted) has been replaced by a review on Outreach. The H&S Quality and Compliance Manager left HCPC in September 2024 and would have been one of our key contacts. As a result, this review has been deferred until 2025/26 internal audit plan. Outreach was a reserve item in our audit plan.

The high-level scope of the Outreach review is to provide assurance over the design and operational effectiveness of the following areas:
- How HCPC evaluates the impact of the service.
- How the team is resourced and its work allocated .
- How effectively it assimilates and applies the intelligence it receives through the service.
- How it ensures the quality of its service, accuracy of what it communicates, and knowledge of its team is maximised. This includes how prepared it is to respond to a significant regulatory issue.

Internal audit plan 2025/26

In December 2024, we will start the planning process for the 2025/26 internal audit plan & 3-year strategy, to bring the plan to the March 2025 ARAC for approval.

Recommendation

ARAC are requested to note this report and the changes to the internal audit plan.

BDO Board Self-Assessment Tool

BDO have developed a free, comprehensive Board Self-Assessment Tool for our clients. It aligns with best practice governance codes and has been developed in collaboration with our Governance, Risk and Control subject matter expert colleagues. The tool covers:

- ▶ Structure - How does your Board (Council) structure itself to work as effectively as possible to achieve its goals?
- ▶ Culture - Does the culture and ideals of your Board support decision-making and flow into the wider organisation?
- ▶ Strategic governance - Does your Board have visibility of and input into strategic decision making in areas such as organisational risk appetite and strategic priorities?
- ▶ Oversight - Are the Board kept informed of key matters, raising issues with and receiving timely reports from management?

Board members answer questions across these areas to identify strengths and improvement opportunities. This results in the production of an interactive report which consolidates the responses and provides several visual outputs to aid Board discussion of the results.

For more information, a demo, or access to the tool, contact Dan Bonner.

INTERNAL AUDIT PROGRESS – 2024/25

| REPORT | STATUS | PLANNED DELIVERY DATE | Actual Delivery | OVERALL REPORT CONCLUSIONS (recommendations made) | | | | | |
| | | | | ASSURANCE LEVEL | | H | M | L | TOTAL |
				DESIGN	EFFECTIVENESS				
Education – new approach *Assurance*	Final report issued	Q1	May/June 2024	Moderate	Moderate	-	-	1	1
Key performance Indicators (KPIs) *Assurance*	Final report issued	Q1	June 2024	Substantial	Moderate	-	-	3	3
Stakeholder engagement *Assurance*	Final report issued	Q2	Aug 24	Moderate	Moderate	-	3	-	3
Environmental sustainability *Assurance*	Final report issued	Q2	Aug 24	Moderate	Moderate	-	2	-	2
Outreach* - Assurance - *Assurance* (Previously - Health & Safety)	Draft TOR issued	Q2/3	Nov 24	-	-	-	-	-	-
Data Privacy *Assurance*	Fieldwork	Q3	Oct 24	-	-	-	-	-	-
Follow up	Not due	Q4	Jan 25	-	-	N/A	N/A	N/A	N/A

DEFINITIONS

LEVEL OF ASSURANCE	DESIGN OF INTERNAL CONTROL FRAMEWORK		OPERATIONAL EFFECTIVENESS OF CONTROLS	
	FINDINGS FROM REVIEW	DESIGN OPINION	FINDINGS FROM REVIEW	EFFECTIVENESS OPINION
SUBSTANTIAL	Appropriate procedures and controls in place to mitigate the key risks.	There is a sound system of internal control designed to achieve system objectives.	No, or only minor, exceptions found in testing of the procedures and controls.	The controls that are in place are being consistently applied.
MODERATE	In the main there are appropriate procedures and controls in place to mitigate the key risks reviewed albeit with some that are not fully effective.	Generally a sound system of internal control designed to achieve system objectives with some exceptions.	A small number of exceptions found in testing of the procedures and controls.	Evidence of non compliance with some controls, that may put some of the system objectives at risk.
LIMITED	A number of significant gaps identified in the procedures and controls in key areas. Where practical, efforts should be made to address in-year.	System of internal controls is weakened with system objectives at risk of not being achieved.	A number of reoccurring exceptions found in testing of the procedures and controls. Where practical, efforts should be made to address in-year.	Non-compliance with key procedures and controls places the system objectives at risk.
NO	For all risk areas there are significant gaps in the procedures and controls. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Poor system of internal control.	Due to absence of effective controls and procedures, no reliance can be placed on their operation. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Non compliance and/or compliance with inadequate controls.

RECOMMENDATION SIGNIFICANCE	
HIGH	A weakness where there is substantial risk of loss, fraud, impropriety, poor value for money, or failure to achieve organisational objectives. Such risk could lead to an adverse impact on the business. Remedial action must be taken urgently.
MEDIUM	A weakness in control which, although not fundamental, relates to shortcomings which expose individual business systems to a less immediate level of threatening risk or poor value for money. Such a risk could impact on operational objectives and should be of concern to senior management and requires prompt specific action.
LOW	Areas that individually have no significant impact, but where management would benefit from improved controls and/or have the opportunity to achieve greater effectiveness and/or efficiency.
ADVISORY	A weakness that does not have a risk impact or consequence but has been raised to highlight areas of inefficiencies or potential best practice improvements.

Audit and Risk Assurance Committee 13 November 2024
Internal audit progress report

APPENDIX I: BDO NOT-FOR-PROFIT UPDATE

Our third not for profit digest contains sector updates, thought leadership and advice to support organisations through current and emerging risks and issues - Newsletter: BDO Charity and Not for Profit Digest

Failure as a building block to success

Georgina Bone, Senior Manager, Business Transformation, spoke at the June Charity Finance Group (CFG) conference 2024 discussing failure as a building block to success.

In this article, Georgina shares her key highlights of the event, with discussion points focussing on:

▶ managing failure during change initiatives

▶ the importance of viewing failure not as a setback, but as an opportunity for innovation and growth

▶ sharing of practical examples of projects that did not meet expectations, illustrating how these experiences provided valuable lessons that could drive future success

▶ the role of digital transformation in the charity sector

▶ how digital tools and platforms can boost operational efficiency, enhance donor engagement, and broaden outreach efforts.

▶ (7) Innovate, create and learn - Shaping Tomorrow at the Charity Finance Group Conference | LinkedIn

People & Payroll Propositions

BDO's National Payroll team provides precise and timely payroll services for nearly 1,000 clients across various sectors, maintaining a 99.75% accuracy rate through advanced tools and centralised management. With a strong emphasis on data security, they also conduct in-depth reviews of in-house payroll systems, particularly for charities and non-profits, identifying and mitigating risks that could lead to errors or data breaches. This latest article explores five trending risk areas in in-house payroll processing. LinkedIn

APPENDIX II: NEW INTERNAL AUDIT STANDARDS CONFORMANCE

The impact on internal audit arising from the new standards is largely unchanged in principle, but there are important parts which need to be brought more to the fore – from 1 April 2025 for public sector clients. Here is our assessment of the key changes and how they impact our internal audit service to HCPC.

Essential Condition	BDO response	Status
Internal audit mandate - requirement The HIA needs to provide the Council and management with the necessary information to establish an IA mandate, determining IA's authority, role, and responsibilities. It is the responsibility of the HIA to assess if changes require a discussion with the Council and management. The Council needs to discuss with HIA and management the appropriate authority, role, and responsibilities for the IA function. While management needs to participate in discussions with the Council and HIA on the IA mandate and support the mandate throughout the organisation, promoting IA's authority.	*Internal audit mandate – BDO response* *We consider this to be covered adequately through the regular re-issue of the internal audit charter, which is included in our annual internal audit plan.*	✓
Internal audit Charter - requirement The HIA needs to develop and maintain an IA charter, outlining the purpose of internal auditing, commitment to the GIAS, IA mandate, types of services provided, and the Council's responsibilities and expectations regarding management's support for IA. Again, the review and update of the charter must be periodically done in consultation with the Council and management. The Council needs to engage in discussions regarding the charter and consider other topics to be included to enable an effective IA function while also approving the charter. The management needs to communicate with the Council and HIA about management's expectations that should be included in the charter.	*Internal audit charter - BDO response* *A revised charter will accompany the 2024/25 internal audit plan. We suggest this is the point that we highlight any key points arising from the new standards, where senior management and the Audit and Risk Committee can discuss and consider them.*	✓
Council and senior management support - requirement Council and senior management support: The HIA needs to provide the Council and management with the information needed to support and promote recognition of the IA function throughout the organisation. While the Council needs to champion the IA function, ensure unrestricted access to information, support the HIA through regular, direct communications, demonstrate support by requiring HIA to be suitably positioned to fulfil the IA mandate, approving the plan, budget and resource plan, understand any restrictions placed on scope, and meet with HIA without management present. Moreover, management needs to support recognition of the IA function and allow unrestricted access to people and information.	*Council and senior management support- BDO response* *We consider this is best fulfilled through diarised catch-up meetings with the Executive Director of Quality and Standards, and our regular catch up with the Chair of the Audit and Risk Committee. However, we currently do not have any regular meetings with the Executive or CEO which would be typical for meeting this condition. We would suggest we meet with the Executive at least annually (we have done this in the past) and the CEO about twice a year.*	✓

Global IIA STANDARDS CONFORMANCE

The impact on internal audit arising from the new standards is largely unchanged in principle, but there are important parts which need to be brought more to the fore – from 1 April 2025 for public sector clients. Here is our assessment of the key changes and how they impact our internal audit service to HCPC.

Essential Condition	BDO response	Status
Independence - requirement HIA needs to confirm to the Council the independence of the IA function annually and any incidents where independence might have been breached. Also, HIA must discuss with the Council and management any potential impairment to independence. Council, on the other hand, needs to establish a direct reporting relationship with HIA, authorise their appointment/ removal, provide opportunities for HIA to discuss sensitive matters without management, and position HIA at a level they can operate without management interference. Furthermore, management needs to position IA at a level in the organisation that enables it to perform without interference and recognise HIA's direct reporting line to the Council.	*Independence – BDO response* *We will always highlight any time we feel that we are impeded, or our independence challenged, in our work. We are confident we have a direct line to ARAC and Council members when appropriate.*	✓
HIA qualifications – requirement The HIA must help the Council understand the qualifications and competencies necessary to manage IA. HIA must maintain and enhance qualifications and competencies necessary to fulfil responsibilities, while the Council must review the necessary requirements for HIA to manage IA. Moreover, they need to approve the HIA role and identify the necessary qualifications, experience, and competencies required to fulfil responsibilities. Also, engage with management to appoint HIA with required qualifications and competencies, and management needs to engage with the Council to determine the HIA's qualifications, experience, and competencies.	*HIA qualifications – BDO response* *Going forward, we will supply as part of our audit plan and strategy, the qualifications and experience of the core team. Suffice to say, all our managers and most staff are ACA, ACCA or IIA qualified, or for specialists, the relevant qualifications for their specialism. Part qualified staff are closely supervised and their work subject to rigorous review.*	✓
Council interaction - requirement HIA provides the Council with information needed to conduct oversight of the IA function. HIA escalates significant issues to the Council when disagreements with management arise. The Council communicates with the HIA to understand how IA's activities fulfil its mandate, communicate the Council's perspective on the organisation's strategies, objectives, and risks. Furthermore, the Council must establish clear processes for escalating issues and support the HIA to resolve disputes with management. On the other hand, management needs to share perspectives on strategies, objectives, and risks to assist with determining priorities and establish escalations processes with the Council.	*Council interaction – BDO response* *We consider this is largely in place but would be formalised as part of the IA charter going forward. The Standards' requirement needs to be in place by 1 April 2025 for the public sector, so we anticipate the review of the new internal audit charter, alongside the internal audit strategy and plan, be the most appropriate time to consider oversight of the IA function.*	✓

Global IIA STANDARDS CONFORMANCE

The impact on internal audit arising from the new standards is largely unchanged in principle, but there are important parts which need to be brought more to the fore – from 1 April 2025 for public sector clients. Here is our assessment of the key changes and how they impact our internal audit service to HCPC.

Essential Condition	BDO response	Status
Resources - requirement HIA needs to evaluate whether resources are sufficient to fulfil IA's mandate and achieve IA plan. The Council needs to collaborate with management to provide IA with sufficient resources, discuss resource with the HIA at least annually, consider the impact of insufficient resources, and address any insufficiencies. However, management needs to engage with the Council to provide sufficient resources to fulfil IA's mandate and address any identified resource insufficiencies.	*Resources – BDO response* *We consider the adequacy of resources assigned to us to do our work during our audit plan and the ARAC have asked us about this when they discuss our audit plan. However, internal audit resource has to be set in the context of the wider organisation 'three lines of defence', which the assurance mapping work is designed to understand and evaluate. Where assurance from first and second line is strong, the level of internal audit resource required will be lower than for organisations where those lines of defence are weaker.*	✓
Quality - requirement HIA must develop, implement, and maintain a quality assurance and improvement programme (QAIP), conducting internal and external assessments and reporting results annually to the Council and management. The Council then needs to discuss the QAIP with the HIA, approve the function's performance objectives, assess the function's effectiveness and efficiency of the IA function. Management, on the other hand, needs to provide input on IA's performance objectives and participate in the annual assessment.	*Quality – BDO response* *This is already in place, but we can make this more visible to HCPC in our annual report and audit plan. The main areas we are developing are through the adoption of a new internal audit software system, which will enable improvements in our efficiency, consistency in reporting formats and HCPC access to audit recommendations for tracking purposes.*	✓
External Quality Assessment (EQA) - requirement HIA must develop a plan for an EQA at least every five years, ensuring that at least one person of the assessment team is suitably qualified. The Council, in turn, needs to understand the EQA plan, including scope/ frequency of EQA, reviewing results from the assessor, and the action plans for addressing gaps. At the same time, management needs to collaborate with the Council and HIA on EQA and action plans.	*External Quality Assessment (EQA) – BDO response* *Our last EQA was conducted in 2021. The next is due 2025/26. We received the highest rating in 2021, with actions mainly around consistency of assurance ratings and report formats. As a result, HCPC saw a change in our report formats and assurance ratings in 2021, with the adoption of the four-tier assurance rating system (Substantial, Moderate, Limited, No Assurance). The Standards gear EQAs for in-house internal audit functions, so there is some degree of interpretation for outsourced functions.* *We have previous provided feedback on the outcome, scope & frequency of the EQA's but we propose ahead of our next EQA we will give advance notice and detail to the ARAC on the planned EQA process for their input. Going forward, we will give more detail on the scope of our external quality assessments, detail on our assessors (including their qualifications), and highlight any actions arising from our EQA.*	✓

FOR MORE INFORMATION:

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JOB NUMBER

BDO