Health Professions Council
Audit Committee Meeting – 28th February 2007

PKF AUDIT PLAN 2007/08 - PUBLIC PAPER

Executive Summary and Recommendations

1. Introduction
In advance of the forthcoming audit of the March 31st 2008 Year End Financial Statements and Annual Report, the Internal Audit Plan is provided to the Committee for its consideration.

2. Decision
The Committee is requested to approve the details of the PKF Audit Plan and provide guidance on the audit programme emphasis, as appropriate.

3. Background information
PKF were appointed as HPC's internal auditors in 2006. They conducted audits on Corporate Governance, HR, IT Systems, Finance, FTP and the Building Project. This plan covers their proposed audit programme for the subsequent year, as part of a three year programme to systematically audit in depth, the various areas of HPC.

Without wishing to challenge PKF's judgement or competence in the area of internal audit, the Executive would like make a few suggestions to the Committee on altering the allocation of PKF audit days for the forthcoming year as follows:

Re-allocate 2 audit days from "Communication" to "Fitness to Practise", on the grounds of FTP being a rapid growth, high risk, core area of HPC perhaps benefiting from further in depth audit review and recommendations on FTP forecasting, statistical reporting and a review of the new FTP database (APU)[1].

Re-allocate 0.5-1 audit days from "Business Continuity and Disaster Recovery Planning" to "IT" to cover further in depth audit review and recommendations on :
- Laptop encryption security testing,
- Laptop anti theft procedures,
- Software licensing (procedures to avoid breaching licensing copy limits).

Re-allocate 2-3 days from "New Building Project" to "Financial Systems" on the grounds that significant controls are in place for managing and reporting on that project, while additional audit work in Finance could usefully be done in the areas of reviewing :
- Cash Management and reporting,
- Income recognition, forecasting and billing processes,
- Transaction management practices,

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[1] Comparing the Audit Plan to the latest Risk Register, none of the "Top HPC Risks" appear with the Director of Communications as the Risk Owner, while three risks have the Director of FTP as the Risk Owner. Furthermore, only 3 risks of the 87 in the detailed document have the Director of Communications as the sole Risk Owner and 6 as a joint owner.

- Project evaluations, reporting and budgeting.

4. Resource implications
Nil

5. Financial implications
Total audit fee for 47 days is £24k VAT inclusive. If the 4 days "contingency" are not allocated to a specific area at the direction of the Audit Committee, this would likely save £2k.

6. Background papers
Nil

7. Appendices
PKF Audit Plan 2007/08

8. Date of paper
16th February 2007

health professions council

INTERNAL AUDIT SERVICE

DRAFT

AUDIT PLAN 2007/2008

For Audit Committee Consideration

PKF

Accountants &
business advisers

INTRODUCTION

1.1 The purpose of this paper is to summarise the planned areas for internal audit coverage for the 2007/08 financial year. The aim is to provide management and the Audit Committee with a high level view as to the likely coverage of our work and to provide an opportunity for comment on the proposals.

AUDIT STRATEGY

1.2 This Audit Programme has been based on our proposed Strategic Audit Plan for 2006/07 to 2008/09. We have considered 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 2007/08 Audit Plan comprises 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 Accounting Officer – 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 Accountable Officer 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 division - 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 divisions 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.

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1.5   In 2007/08 the aim will 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 the proposed 2007/08 Audit Programme is set out as Appendix A. This includes the provisional timings proposed for the year by quarter.

1.8   The extent to which the Audit Programme addresses the Health Professions Council risks is summarised in Appendix B and C.

APPENDIX A   AUDIT PROGRAMME 2007/2008

Corporate governance:

SYSTEM	REVIEW OUTLINE	DAYS	TIMING
Corporate Governance and Risk Management	Review of the corporate governance and risk management arrangements in place across the Health Professions Council. This will be based upon the Treasury Risk Assessment Framework, Audit Committee Handbook and the best practices contained in the Combined Code. The review will also include a follow up of issues identified in the year one review.	5	Q 4
Indicative Input		**5**	

Core Processes and Functions:

SYSTEM	REVIEW OUTLINE	DAYS	TIMING
Financial Systems	Review and testing of the controls over the main financial systems. This will cover payroll, budgetary control, ledger management, asset management, income and debtors, purchasing and payments, travel and subsistence, cash, bank and treasury management. The review will also include a follow up of the issues identified in the year one review.	10	Q 3
Communication	Review and testing of the controls within the Communications function. This will cover the risk management arrangements, performance management arrangements and operational controls relating to communications.	6	Q 2
Indicative Input		**16**	

Operational Functions:

SYSTEM	REVIEW OUTLINE	DAYS	TIMING
Fitness to Practice – Follow Up	Ongoing follow up of audit recommendations from 2006/07 detailed report and reporting findings to the Audit Committee.	1	Q 2
Registrations	Review and testing of the controls within the Registrations function. This will cover the risk management arrangements, performance management arrangements and operational controls relating to registrations.	5	Q4
Indicative Input		**6**	

Change Projects:

SYSTEM	REVIEW OUTLINE	DAYS	TIMING
New Building Project	The review will continue to examine the effectiveness of the project management of the new building project. This will also cover the risk management arrangements, the budgetary control of the project and reporting against the project plans.	5	Q 3
Indicative Input		**5**	

IT Systems:

SYSTEM	REVIEW OUTLINE	DAYS	TIMING
IT SLA review and Health Check – Follow Up	Ongoing follow up of audit recommendations from 2006/07 detailed report and reporting findings to the Audit Committee.	1	Q 3
Business Continuity Planning and Disaster Recovery Planning	Review of overall business continuity arrangements and disaster recovery arrangements that are in place across the organisation. The review will examine: • Risk assessment process for business-critical systems at a corporate level; • Adequacy of business continuity plans; • Quality assurance processes for monitoring business continuity arrangements; • Disaster Recovery arrangements that are in place; and • Periodic testing arrangements for plans.	4	Q1
Indicative Input		**5**	

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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
Indicative Input		**6**

Contingency:

SYSTEM	REVIEW OUTLINE	DAYS
Contingency	Area to be audited at the direction of the Audit Committee.	4
Indicative Input		**4**

Total Expected Input for 2007/08 - 47 days

Total Fee for 2007/08 - £24,168

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APPENDIX B   AUDIT PROGRAMME – LINKS TO STRATEGIC RISKS

Audit Coverage in 2007/08	Strategic Risk – referenced to 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
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
Communications	Communications – 3.1,3.2,3.3
Registration	Registrations 10.1,10.2,10.3,10,4,10,5
New Building Project	Operations - 2.1, 2.7
Business Continuity and Disaster Recovery Planning	IT - 5.1, 5.2

APPENDIX C   HPC Risk Register

Ref	Category	Description
1	**Strategic**	1.1 HPC fails to deliver 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

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 2007
		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
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 Practice**	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 tribunerals 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/Treasury Guidelines/UK GAAP/IFRS
		15.16	Qualified opinion received by 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	Flexiplan funding liability resulting from new Scheme Specific Funding Standard (SSFS) and insufficient Pensions Capital to meet fund obligations
		16.3	Significant costs incurred to adopt changes to existing HPC (Capita Flexiplan) pension scheme

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