



Health and Care Professions Council

Internal Audit Strategy and Plan - 2025/26

Draft for ARAC Approval

February 2025

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Background and Strategy

Background

Our internal auditing strengthens the organisation's ability to create, protect, and sustain value by providing Council and management with independent, risk-based, and objective assurance, advice, insight, and foresight.

Our approach is to help HCPC accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. Our approach complies with best professional practice, in particular, the principles set out in the Institute of Internal Auditor's (IIA's) International Professional Practices Framework (IPPF), the UK Code of Practice, which includes the new Global Internal Audit Standards (GIAS) that become effective from January 2025.

Purpose of this Paper

The purpose of this paper is to set out the Internal Audit Strategy and Annual Plan for 2025/26.

We seek Audit & Risk Assurance Committee approval for the Internal Audit Plan 2025/26 (page 5) and the updated Charter (page 14), informed by HCPC risks, and previous audit work (p.12).

Our Strategy

Our vision is to strengthen your ability to achieve your corporate objectives, through our assurance and advice.

Our strategy is to:

- ▶ **Fully align our strategy, annual plan and individual assignments** to your corporate objectives, key risks and your assurance framework.
- ▶ **Provide independent oversight and dependable, constructive challenge** and ad hoc advice on major new programmes and projects.
- ▶ **Regular, pertinent concise** and transparent communication with senior management and the Audit & Risk Assurance Committee.
- ▶ **Provide an appropriate blend of skills**, drawing experience, knowledge and expertise from across health, regulation, charity, public and private sectors.
- ▶ **Add value**, minimising costs and targeting our work to key risks and where assurance is most needed to make the most impact.
- ▶ **Give practical and pragmatic recommendations**, forward thinking and proportionate, aligned to your risk appetite.
- ▶ **Use technology** to enhance our assurance and drive efficiencies, where useful, practical and efficient to do so.
- ▶ **Protect the information** you share with us.
- ▶ **Assure on HCPC's alignment with compliance obligations.**

We will report on the critical success factors in meeting these aims in our annual report.

Summary

- ▶ The Internal Audit Plan for 2025/26 is set out on page 5 - 6 and comprises eight audits and a follow up review.
- ▶ The previous three-year Internal Audit Plan is set out in Appendix II on page 12 and will be subject to review each year.
- ▶ The total cost of the Annual Plan for 2025/26 will be £44,650 (excluding VAT). This is approximately 50.5 days of internal audit work.

Our approach to internal audit planning

Mapping our work to your corporate objectives, priorities, assurance framework and risks

Our approach & Request for Audit & Risk Assurance Committee approval

As internal auditors for HCPC, we aim to provide Council and management assurance on the adequacy of, and help improve, risk management, governance and internal control arrangements. Our aim is to thus reduce the effects of any significant risks facing the organisation and maximise the value add from our work. In establishing the internal audit plan for 2025/26 we have drawn from the following considerations and sources of information:

- ▶ **Strategic objectives** (see table right), **governance arrangements, & the controls culture** (Appendix I details our approach to planning).
- ▶ **The business assurance framework**, so that our work takes account of existing assurance activity and its strengths. This includes considering the work of other assurance providers.
- ▶ Second line assurance - Make use of and place some reliance on their work
- ▶ **Management's assurance priorities** and objectives for the coming year, through discussions with management.
- ▶ **The key risks & challenges facing HCPC**, by reviewing the strategic risk register (Q4 2024/25) and our assessment of the HCPC's risk maturity (risks are cross referenced to the plan).
- ▶ **The internal audit work carried out in prior years**, mindful of maintaining a cyclical coverage based on the audit universe. All corporate risks are covered by our three-year plan or reviews conducted in the last three years (Appendix II).
- ▶ **Ensuring sufficient coverage of activities** relating to the core purpose, enabling management systems and 'back office' systems.
- ▶ **Evaluation of internal change activity**, including major programmes and the new finance system.
- ▶ **External influences** - government, legal and the wider risk & compliance landscape.

We also include a Reserve List of audits for consideration (page 7). We will keep the plan under review during the year and alert management and Audit & Risk Assurance Committee if changes may be required.

Responsibilities of management

Responsibility for maintaining the governance, risk and internal control arrangements, including the prevention and detection of fraud, remains fully with management. Also, Internal Audit can only provide 'reasonable assurance' and cannot give any guarantee against material errors, loss or fraud.

HCPC Corporate Strategy 2021-2026

Our aim is to be a high performing regulator which delivers forward-looking regulation underpinned by strong data, collaboration and compassion

REGULATION - LEARNING - PREVENTIVE ACTION

-  Continuously improve and innovate
-  Promote high quality professional practice
-  Develop insight and exert influence
-  Be visible, engaged and informed
-  Build a resilient, healthy, capable and sustainable organisation
-  Promoting the value of regulation

Internal audit plan - 2025/26 - 1

Main Delivery & Enabling Management Systems

Assignment Title	Purpose & Scope (priority)	Main Strategic Risk	Obj.	Qtr.	£
Main Delivery					
Fitness to practise (Assurance)	<p>FtP is a primary regulatory activity of which performance has been steadily improving and changes to process having been made. We examine FtP end to end every three years. We last reviewed FtP in 2022/23. The focus will be on specific areas that do not get significant coverage from second line assurance and an overall assessment of the control and assurance environment. (High)</p> <p><i>The review will evaluate and test the robustness, timeliness and quality of the process and its reporting, from initial receipt of a concern, triage and through to the hearing stage. The review will exclude 'front loading' activities which are being brought in this year. Partners will be included.</i></p>	1. We are unable to deliver our regulatory requirements effectively in a changing landscape, effecting our ability to protect the public.	1	Q1	6,000
Research* (Assurance)	<p>A component of an upstream, evidenced-based regulator is to have a pipeline of relevant research undertaken to a high standard. HCPC conducts research. (Medium)</p> <p><i>Using our experience of research-based organisations, we will evaluate the commissioning, planning, policy, delivery, quality assurance, benefits realisation and oversight of research, and how it links with corporate objectives.</i></p>	<p>3.a Quality of our data leads to assumptions or gaps in understanding, and, therefore, inadequate or uninformed decision making.</p> <p>3.b We are unable to maximise our use of the data we hold to share insights to protect, promote and maintain the health, safety and well-being of the public</p>	3 & 4	Q4	6,000
Enabling management systems					
Media & communications (Assurance)	<p>Proactive and reactive media, social media and communications, are important tools in a regulator's work, particularly for education, public affairs and managing reputation risk. The audit aims to give assurance that HCPC follows good practice, with sufficient managerial oversight and maximising the opportunity of media & communications as a regulatory tool. HCPC intend to update their media handling arrangements in April 2025, particularly the balance of work performed by external providers and the inhouse team, and the roles of social and conventional media. (High)</p> <p><i>We will examine the methods for media handling risk and opportunity management, including controls over content dissemination, early warning of regulatory issues or issues affecting HCPC's standing.</i></p>	<p>4. We are unable to effectively build trust, engage with and influence our stakeholders reducing our ability to understand their perspectives and regulate effectively.</p> <p>6. We do not sufficiently or appropriately promote our work leading to opportunities to enhance our regulatory activity being missed and the benefits of regulatory reform remaining unrealised. (abbreviated)</p>	4 & 6	Q3 end	6,000

* Management consider Research could be swapped with Partners (reserve list page 7)

Internal audit plan - 2025/26 - 2

Core business processes & Follow-up

Assignment Title	Purpose & Scope	Main Strategic Risk	Obj	Qtr	£
Business Central - core financial controls (Assurance)	HCPC has introduced Business Central as its core finance system. (High) <i>We will conduct a key financial controls review to assess whether the system, as it operates now, has a robust control design and operates the same in practice.</i>	5.a The resources we require to achieve our strategy are not in place or are not sustainable. 5.b Our organisational values are not reflected at all levels of the organisation, leading to staff not feeling supported/trusted/listened too.	5	Q2	6,000
Cyber Security (Assurance)	With systems being updated and new systems in place, combined with an ever-changing security threat. (High) <i>We will evaluate and test HCPC's cyber security protection, detection and recovery procedures.</i>	1. We are unable to deliver our regulatory requirements effectively in a changing landscape, effecting our ability to protect the public.	All	Q1	7,500
Health & Safety (Assurance)	Staff and partners travel, work from home and in the office, which carries varying degrees of health and safety risk. Recent laws on sexual harassment have come into force. (High) <i>The audit will review the governance, oversight, and key elements of HCPC's health and safety regime for staff, visitors and partners. Postponed from 2024/25.</i>	5.b Our organisational values are not reflected at all levels of the organisation, leading to staff not feeling supported/trusted/listened too.	5	Q3	5,400
Follow Up	Annual review evaluating the implementation of our prior recommendations. We will include follow up of the People Strategy.			Q4	2,000
Annual Plan	In year resource to develop the following year's internal audit strategy and plan				875
Annual Report	A requirement of the UK public sector practice note under the Global Standards, we are required to give an annual report and opinion.				875
Audit Mgt & ARAC					4,000
Total					44,650

Reserve topics - 2025/26

Audit area	Reason for selection as a Reserve topic <i>High level scope</i>	Risk	Obj.
Partners*	<p>HCPC has been changing the arrangements for partners. Partners provide a range of practical input into regulatory activities including panel members and advisors. (Medium priority for 25/26)</p> <p><i>Our review will examine the implementation of the new ways of working for partners. We reviewed the payment and quality review of CPD assessment roles of partners in 2023/24.</i></p> <p><i>Q4 in 2025/26, if it proceeded.</i></p>	1. We are unable to deliver our regulatory requirements effectively in a changing landscape, effecting our ability to protect the public.	5
Risk Management	<p>Risk management at HCPC has gone through several improvements over the last few years. As management decision-making and its understanding of the health of the organisation, is underpinned by a good risk management process and a clear risk appetite framework, it is important the that the process functions well. Suggested for 2026/27. (Low priority for 25/26)</p> <p><i>A review of the risk management framework and how well it is applied, including embedded in decision making and the organisational culture. Includes the application of risk appetite.</i></p>	All	All
Artificial Intelligence (advisory or ARAC workshop for 2025/26)	<p>AI provides great opportunities and threats - organisations are beginning to learn the potential AI can have on their operations and risks. Risks include the leakage of personal and commercial data, and drawing incorrectly conclusions, providing the public with responses or making decisions based on AI outputs, without verification. HCPC has begun using AI in responding to email enquires. (Low priority for 25/26)</p> <p><i>This advisory review will look at the policy and governance of AI, controls around its use, policies on staff accessing consumer grade AI tools and the application of AI to its customer facing functions - risks and opportunities. The audit would focus on the internal use of AI by staff.</i></p>	<p>1. We are unable to deliver our regulatory requirements effectively in a changing landscape, effecting our ability to protect the public.</p> <p>3.a Quality of our data leads to assumptions or gaps in understanding, and therefore inadequate or uninformed decision making.</p>	1, 2,3

* Management consider Research (page 5) could be swapped with Partners.

Reliance on others & High-risk areas not in the 2025/26 IA plan

Other assurances

We consider the plans and work closely with the internal second line assurance function under the Head of Assurance and Compliance. This year, for our review of FtP end to end, we will place reliance on second line for elements of the process, so our focus is on areas that second line have not looked at recently.

High risk areas not in the plan

Areas of high risk not in this year's plan have been reviewed in detail in the previous year. We will follow up the implementation of recommendations from the previous years in our follow up audit in 2025/26.

Internal audit assignment methodology

Planning individual assignments

Our risk-based approach to planning and scoping internal audits use HCPC's corporate objectives, its assurance mapping, risk management processes and risk registers, as a starting point for planning individual assignments, informed by management's objectives and assurance requirements.

Where auditable areas correspond to strategic risks, we will consider the mitigation strategies in place when performing our reviews. This is to ensure that the mitigating controls, as well as the actions that have been identified by management, are in operation and are effective.

Delivering Individual Audits

In determining the timing of our individual audits, we will seek to agree a date most convenient to HCPC which ensures the availability of key stakeholders. Once this plan is agreed we will discuss priorities and workloads with management and re-issue the plan including the proposed phasing of our internal audit work.

For each audit we have set out whether they are an assurance or advisory engagement. The plan contains a mix of high-level reviews and deep dives.

For each assignment, we will identify the key objectives of the area subject to audit and the risks of those objectives not being met. We will assess the 'unmitigated' risk (i.e. before the operation of the controls in place) and, having identified and tested those controls, make an assessment of the 'mitigated' risk. This will enable us to confirm that the control infrastructure does reduce risk to a level HCPC is comfortable with. Each of our audit reports will include two opinions:

- ▶ Firstly, on the design of controls that are in place
- ▶ Secondly, on the operational effectiveness of those controls in practice.

Reporting to the Audit & Risk Assurance Committee

We will liaise with the Executive Director Corporate Affairs and other senior officers, as appropriate, to ensure that internal audit reports, summarising the results of our work, are presented to the appropriate Audit & Risk Assurance Committee meeting.

Internal Audit Charter

We have formally defined Internal Audit's purpose, authority and responsibility in an Internal Audit Charter, which can be found in Appendix IV. The Charter establishes Internal Audit's position within HCPC and defines the scope of its activities.

The Charter has been updated to reflect the introduction of the Global Internal Audit Standards.

The new standards come into force January 2025. For most internal audit functions and their charters, there are only minor changes arising from the switch from the UK Internal Audit Standards to the new Global Standards. There is greater emphasis on strategic planning, articulating the skills and resources required, scope of the work to consider organisational culture and the customer experience, emphasising independence and guidance on the use of technological audit tools and artificial intelligence in our work.

Definitions

We define in Appendix V our approach for grading individual audit findings and overall audit reports. These definitions have been designed to make the ratings clear to both the Internal Audit team and audit stakeholders.

Internal audit resources

Staffing

The core team that will be managing the programme is shown below:

Name	Grade	E-mail
Sarah Hillary (ACA)	Relationship Partner	Sarah.Hillary@bdo.co.uk
Bill Mitchell (CPFA, CMIRM)	Director, HIA	Bill.Mitchell@bdo.co.uk
Dan Bonner (MIIA)	Director & SME	Dan.Bonner@bdo.co.uk
Heather Buckingham (FCCA, CIA)	Manager	Heather.Buckingham@bdo.co.uk

This team will be supported by members of our Risk Advisory Services (RAS) team and wider firm when required.

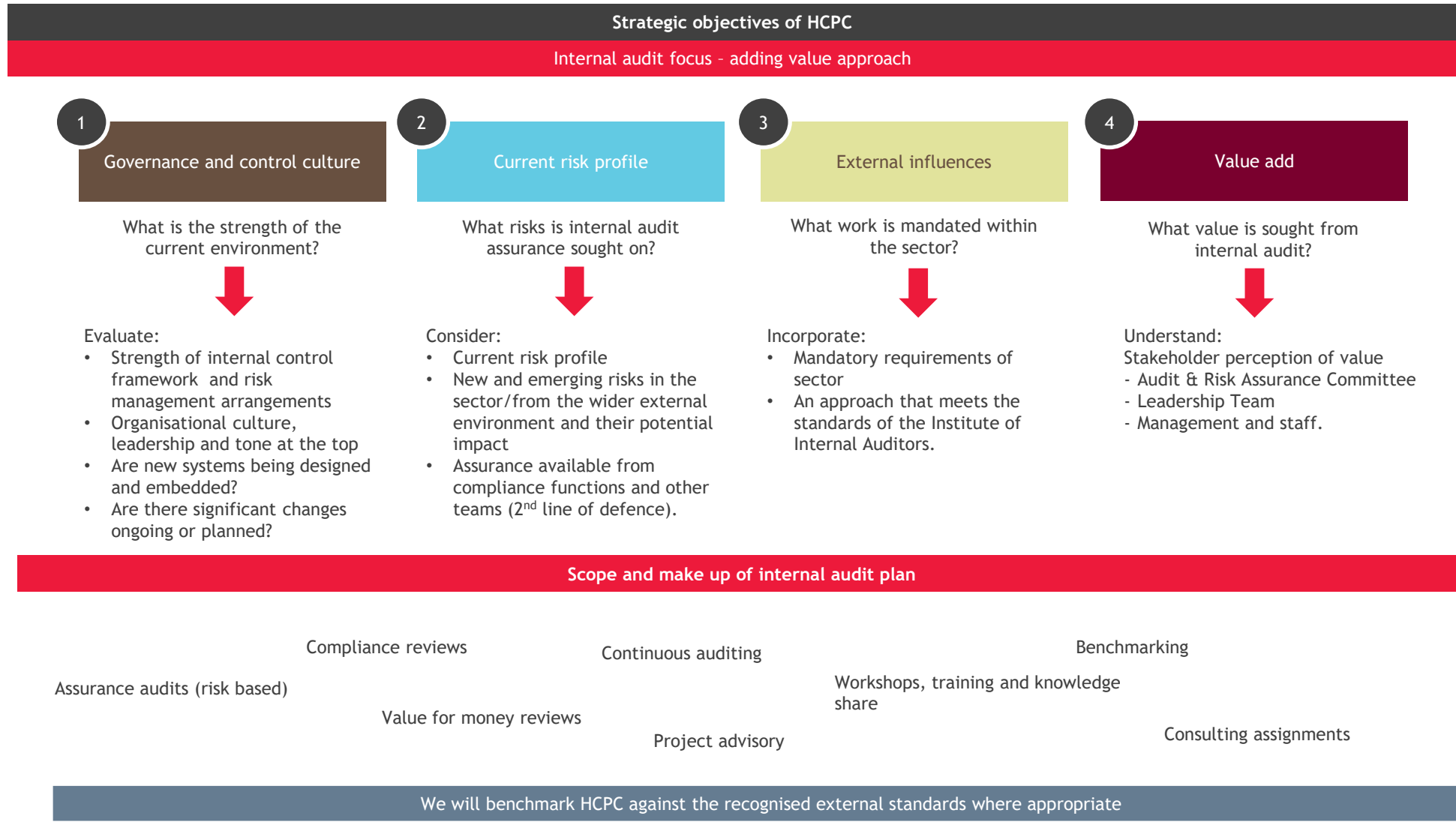
Resourcing & Skills

The plan has been drafted giving consideration to HCPC's budget and how coverage can be best obtained. Resource will be adequate to ensure the delivery of agreed reports to time, except where this is outside of our control. BDO has a core group of professionally qualified staff, including Chartered Accountants and Global Institute of Internal Audit qualified staff, as well as other specialists and experienced auditors. Our team is fully attuned with modern internal audit practice and recognised risk and governance standards.

Subject to approval of the budget, we can confirm that we have sufficient resource and appropriate specialists in the fields of human resource, procurement, financial controls, health and safety, environmental, governance and cyber security expertise to deliver the Internal Audit Plan. Bill Mitchell and Dan Bonner are also a very experienced advisor to the healthcare professions regulation sector.

Appendix I: Our approach to planning - 1

Strategic planning approach



Appendix I: Our approach to planning - 2

Strategic planning approach

1

Governance and control culture

The governance and control culture is a fundamental consideration when developing the internal audit approach. We believe that governance is not only affected by procedures, rules and regulations (hard controls); another equally important component is the established culture and the behaviour of employees within HCPC. The behaviour of employees determines the effectiveness of governance.

We have developed an understanding of these areas through a combination of our discussions with you about your business strategy and through review of documents such as your Annual Report and Accounts and previous internal audit reports, as well as the work we conducted prior to 2024/25.

Assessment of culture and behaviour will be a key theme throughout the delivery of our work, and we will look to provide insight into whether these cultural factors support ethical behaviour on an ongoing basis.

In deriving the plan for 2025/26 and onwards we will focus on any planned and ongoing changes to core systems and processes to respond to the changes in the wider environment.

3

External influences

Our programme of work is designed to comply with the Global Internal Audit Standards.

We will also consider in our work any externally imposed regulation relating to governance, risk and control. We are mindful of changing legislation and case law, revisions to procedures, government policies and the economic climate.

2

Current risk profile

On an ongoing basis, our audit plan will be based upon a detailed assessment of those risks that affect the achievement of HCPC's strategic objectives. Our audit programme will be designed to ensure that controls are in place such that key risks are appropriately managed and controlled. To understand HCPC's objectives and key risks, we considered the following:

- ▶ HCPC's risk register
- ▶ HCPC's strategy and objectives
- ▶ HCPC's financial forecasts and financial performance
- ▶ The content of your most recent internal audit reports.

The internal audit plan and corporate risk register will be periodically reviewed during 2025/26. Should the plan need to change we will seek approval from the Audit & Risk Assurance Committee.

4

Value add

We **understand** that 'value' is perceived differently by each client and therefore we do not seek to have a standard approach to this element of the audit programme.

Our methodology considers the additional value the Audit & Risk Assurance Committee and management are seeking from internal audit; beyond the assurance our work provides.

We therefore consider this alongside our understanding of the risks. Added value may take a range of forms, from benchmarking and other peer comparisons, to involvement with advising on new systems implementation, advisory assignments and providing training and seminars.

We will clearly set out in the plan where we will add value.

Appendix II: Internal audits 2022/23 - 2024/25

The table below outlines our three-year Internal Audit Strategy for 2022/23 - 2024/25 mapped to your high-level audit universe. Items not done are marked with a line through

	Audit area	Strategic Risk Register Link	2022/23	2023/24	2024/25
Main Delivery	Registration	1	-	International Registrants, Partners	-
	Fitness to Practise	1, 2	Fitness to Practise	-	Outreach
	Education	1, 2	-	-	Education
	Policy and Standards	3, 4, 6	-	Regulatory Policy Development	-
Enabling	Governance and Culture	5	-	People Strategy	-
	Risk Management	1-6	Business Assurance Framework	-	-
	Media Handling & Communications	3,4,6	-	-	Stakeholder Engagement
	Strategy & Planning	1-6	-	-	-
	Performance Management	2,3	-	-	Key Performance Indicators
	Project Management	1-6	-	Project Management	-
Core processes	Key Financial Controls (inc. Procurement)	5	Financial Controls, Registrant Forecasting	Procurement of Large Contracts	-
	Data Privacy	3	-	-	Data Privacy
	Payroll, IR 35	3	-	Payroll IR35	-
	Health and Safety	3	-	-	Health & Safety
	HR	5	-	-	-
	Safeguarding & Diversity	5	Diversity	-	-
	Environmental	5	-	-	Environmental
	IT, including Cyber, BCP, DR	5	Cyber Security	-	-

Appendix III: Strategic Risks & Audit Topics - 2025/26

	Strategic Risk	25/26	24/25	23/24	22/23
1	We are unable to deliver our regulatory requirements effectively in a changing landscape, effecting our ability to protect the public.	<i>FtP, Partners*</i>	<i>Education</i>	<i>Internat. Registn., Partners, Policy Development</i>	<i>FtP end to end, Registrant forecasting</i>
2	Our standards do not reflect current practice and/or they are not understood by registrants and our stakeholders	<i>FtP, Partners*</i>	<i>Education, Stakeholder Engagement, Outreach</i>	<i>Internat. Registn., Partners, Policy Development</i>	
3	a Quality of our data leads to assumptions or gaps in understanding, and therefore inadequate or uninformed decision making. b We are unable to maximise our use of the data we hold to share insights to protect, promote and maintain the health, safety and well-being of the public	<i>Research</i>	<i>KPIs, Data Privacy</i>		
4	We are unable to effectively build trust, engage with and influence our stakeholders reducing our ability to understand their perspectives and regulate effectively.	<i>Media & Comms, Research</i>	<i>Stakeholder Engagement, Outreach</i>		
5	a The resources we require to achieve our strategy are not in place or are not sustainable. b Our organisational values are not reflected at all levels of the organisation, leading to staff not feeling supported/trusted/listened too.	<i>Business Central, H&S, Cyber Security, Partners*</i>	<i>Outreach</i>	<i>Procurement, Payroll, Project Mgt.</i>	<i>Business assurance framework Financial controls Cyber security</i>
6	We do not sufficiently or appropriately promote our work leading to opportunities to enhance our regulatory activity being missed and the benefits of regulatory reform remaining unrealised. This can manifest in two primary ways: a) the role of regulation in the delivery of high-quality care is underestimated by the public, registrants, students and employers. b) our ability to protect the public is under-recognised by policy makers and influential stakeholders.	<i>Media & Comms</i>	<i>Stakeholder Engagement, Outreach</i>		

* Management consider Research could be swapped with Partners (reserve list page 7)

Appendix IV: Internal audit charter

Internal Audit's Purpose and Mandate - For ARAC Approval

Purpose

The purpose of the internal audit function is to strengthen HCPC's ability to create, protect, and sustain value by providing Council and management with independent, risk-based, and objective assurance, advice, insight, and foresight.

The internal audit function enhances HCPC's:

- ▶ Successful achievement of its objectives
- ▶ Governance, risk management, and control processes
- ▶ Decision-making and oversight
- ▶ Reputation and credibility with its stakeholders
- ▶ Ability to serve the public interest.

HCPC's internal audit function is most effective when:

- ▶ Internal auditing is performed by competent professionals in conformance with the Institute of Internal Audit's Global Internal Audit Standards™, which are set in the public interest
- ▶ The internal audit function is independently positioned with direct accountability to Council
- ▶ Internal auditors are free from undue influence and committed to making objective assessments.

Mandate

Authority

Council (Audit & Risk Assurance Committee for HCPC) grants the internal audit function the mandate to provide Council and senior management with objective assurance, advice, insight, and foresight.

The internal audit function's authority is created by its direct reporting relationship to Council. Such authority allows for unrestricted access to Council.

Council authorises the internal audit function to:

- ▶ Have full and unrestricted access to all functions, data, records, information, physical property, and personnel pertinent to carrying out internal audit responsibilities. Internal auditors are accountable for confidentiality and safeguarding records and information.
- ▶ Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques, and issue communications to accomplish the function's objectives.
- ▶ Obtain assistance from the necessary organisation's personnel in relevant engagements, as well as other specialised services from within or outside the organisation to complete internal audit services.

Independence, position, and reporting relationships

The HIA will be positioned at a level in the organisation that enables internal audit services and responsibilities to be performed without interference from management, thereby establishing the independence of the internal audit function.

The HIA will report functionally to Council and administratively to the Executive Director Collections & Governance.

This positioning provides the organisational authority and status to bring matters directly to senior management and escalate matters to Council, when necessary, without interference and supports the internal auditors' ability to maintain objectivity.

The HIA will confirm to Council, at least annually, the organisational independence of the internal audit function.

The HIA will disclose to Council any interference internal auditors encounter related to the scope, performance, or communication of internal audit work and results. The disclosure will include communicating the implications of such interference on the internal audit function's effectiveness and ability to fulfil its mandate.

Internal audit charter - 2

Board Oversight

To establish, maintain, and ensure that HCPC's internal audit function has sufficient authority to fulfil its duties, Council will:

- ▶ Discuss with the HIA and senior management the appropriate authority, role, responsibilities, scope, and services (assurance and/or advisory) of the internal audit function.
- ▶ Ensure the HIA has unrestricted access to and communicates and interacts directly with Council, including in private meetings without senior management present.
- ▶ Discuss with the HIA and senior management other topics that should be included in the internal audit charter.
- ▶ Participate in discussions with the HIA and senior management about the "essential conditions," described in the Global Internal Audit Standards, which establish the foundation that enables an effective internal audit function.
- ▶ Review and approve the internal audit function's charter annually, which includes the internal audit mandate and the scope and types of internal audit services.
- ▶ Approve the risk-based internal audit plan.
- ▶ Approve the internal audit function's human resources administration and budgets.

- ▶ Collaborate with senior management to determine the qualifications and competencies the organisation expects in a HIA.
- ▶ Authorise the appointment and removal of the HIA and out-sourced internal audit provider.
- ▶ Approve the fees paid to the out-sourced internal audit provider.
- ▶ Review the HIA's and internal audit function's performance.
- ▶ Receive communications from the HIA about the internal audit function including its performance relative to its plan.
- ▶ Ensure a quality assurance and improvement programme has been established and review the results annually.
- ▶ Make appropriate inquiries of senior management and the HIA to determine whether scope or resource limitations are inappropriate.

Changes to the Mandate and Charter

Circumstances may justify a follow-up discussion between the HIA, board, and senior management on the internal audit mandate or other aspects of the internal audit charter. Such circumstances may include but are not limited to:

- ▶ A significant change in the Global Internal Audit Standards.
- ▶ A significant acquisition or reorganisation within the organisation.
- ▶ Significant changes in the HIA, board, and/or senior management.
- ▶ Significant changes to the organisation's strategies, objectives, risk profile, or the environment in which the organisation operates.
- ▶ New laws or regulations that may affect the nature and/or scope of internal audit services.



Internal audit charter - 3

HIA Roles and Responsibilities



Ethics and Professionalism

The HIA will ensure that internal auditors:

- ▶ Conform with the Global Internal Audit Standards, including the principles of Ethics and Professionalism: integrity, objectivity, competency, due professional care, and confidentiality.
- ▶ Understand, respect, meet, and contribute to the legitimate and ethical expectations of the organisation and be able to recognise conduct that is contrary to those expectations.
- ▶ Encourage and promote an ethics-based culture in the organisation.
- ▶ Report organisational behaviour that is inconsistent with the organisation's ethical expectations, as described in applicable policies and procedures.

Objectivity

The HIA will ensure that the internal audit function remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of engagement selection, scope, procedures, frequency, timing, and communication. If the HIA determines that objectivity may be impaired in fact or appearance, the details of the impairment will be disclosed to appropriate parties.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively such that they believe in their work product, do not compromise quality, and do not subordinate their judgment on audit matters to others.

Internal auditors will have no direct operational responsibility or authority over any activities they review. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, or engage in other activities that may impair their judgment

Internal auditors will:

- ▶ Disclose impairments of independence or objectivity, in fact or appearance, to appropriate parties and at least annually, such as the HIA, board, management, or others.
- ▶ Exhibit professional objectivity in gathering, evaluating, and communicating information.
- ▶ Make balanced assessments of all available and relevant facts and circumstances.
- ▶ Take necessary precautions to avoid conflicts of interest, bias, and undue influence.

Internal audit charter - 4

HIA Roles and Responsibilities



Managing the Internal Audit Function

The HIA has the responsibility to:

- ▶ At least annually, develop a risk-based internal audit plan that considers the input of Council and senior management. Discuss the plan with Council and senior management and submit the plan to Council for review and approval.
 - ▶ Communicate the impact of resource limitations on the internal audit plan to Council and senior management.
 - ▶ Review and adjust the internal audit plan, as necessary, in response to changes in the organisation's business, risks, operations, programs, systems, and controls.
 - ▶ Communicate with Council and senior management if there are significant interim changes to the internal audit plan.
 - ▶ Ensure internal audit engagements are performed, documented, and communicated in accordance with the Global Internal Audit Standards.
 - ▶ Follow up on engagement findings and confirm the implementation of recommendations or action plans and communicate the results of internal audit services to Council and senior management periodically and for each engagement as appropriate.
 - ▶ Ensure the internal audit function collectively possesses or obtains the knowledge, skills, and other competencies and qualifications needed to meet the requirements of the Global Internal Audit Standards and fulfil the internal audit mandate
 - ▶ Identify and consider trends and emerging issues that could affect HCPC and communicate to Council and senior management as appropriate
- ▶ Consider emerging trends and successful practices in internal auditing
 - ▶ Establish and ensure adherence to methodologies designed to guide the internal audit function
 - ▶ Ensure adherence to relevant policies and procedures unless such policies and procedures conflict with the internal audit charter or the Global Internal Audit Standards. Any such conflicts will be resolved or documented and communicated to Council and senior management
 - ▶ Coordinate activities and consider relying upon the work of other internal and external providers of assurance and advisory services. If the HIA cannot achieve an appropriate level of coordination, the issue must be communicated to senior management and if necessary escalated to Council.

Internal audit charter - 5

HIA Roles and Responsibilities

Communication with Council and Senior Management

The HIA will report quarterly to Council and senior management regarding:

- ▶ The internal audit function's mandate
- ▶ The internal audit plan and performance relative to its plan
- ▶ Internal audit budget
- ▶ Significant revisions to the internal audit plan and budget
- ▶ Potential impairments to independence, including relevant disclosures as applicable
- ▶ Results from the quality assurance and improvement programme, which include the internal audit function's conformance with the IIA's Global Internal Audit Standards and action plans to address the internal audit function's deficiencies and opportunities for improvement
- ▶ Significant risk exposures and control issues, including fraud risks, governance issues, and other areas of focus for Council
- ▶ Results of assurance and advisory services
- ▶ Resource requirements
- ▶ Management's responses to risk that the internal audit function determines may be unacceptable or acceptance of a risk that is beyond the organisation's risk appetite.



Quality Assurance Improvement Programme (QAIP)

The HIA will develop, implement, and maintain a quality assurance and improvement programme that covers all aspects of the internal audit function.

The programme will include external and internal assessments of the internal audit function's conformance with the Global Internal Audit Standards, as well as performance measurement to assess the internal audit function's progress toward the achievement of its objectives and promotion of continuous improvement.

The plan will assess the efficiency and effectiveness of internal audit and identify opportunities for improvement.

Annually, the HIA will communicate with Council and senior management about the internal audit function's quality assurance and improvement programme, including the results of internal assessments (ongoing monitoring and periodic self-assessments) and external assessments.

External assessments will be conducted at least once every five years by a qualified, independent assessor or assessment team from outside BDO; qualifications must include at least one assessor holding an active Certified Internal Auditor credential.

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Scope and Types of Internal Audit Services

Scope and Types of Internal Audit Services

- ▶ The scope of internal audit services covers the entire breadth of the organisation, including, and governance standards. all HCPC's activities, assets, and personnel.
- ▶ The scope of internal audit activities also encompasses but is not limited to objective examinations of evidence to provide independent assurance and advisory services to Council and management on the adequacy and effectiveness of governance, risk management, and control processes for the organisation.
- ▶ The nature and scope of advisory services may be agreed with the party requesting the service, provided the internal audit function does not assume management responsibility. Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during advisory engagements. These opportunities will be communicated to the appropriate level of management.

Internal audit engagements may include evaluating whether:

- ▶ Risks relating to the achievement of the organisation's strategic objectives are appropriately identified and managed.
- ▶ The actions of HCPC's officers, executive directors, management, employees, and contractors or other relevant parties comply with organisational policies, procedures, and applicable laws, regulations
- ▶ The results of operations and programs are consistent with established goals and objectives.
- ▶ Operations and programs are being carried out effectively and efficiently.
- ▶ Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact the organisation.
- ▶ The integrity of information and the means used to identify, measure, analyse, classify, and report such information is reliable.
- ▶ Resources and assets are acquired economically, used efficiently and sustainably, and protected adequately.



Appendix V: Definitions

Level of Assurance	DESIGN of internal control framework		OPERATIONAL EFFECTIVENESS of internal 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.
Unsatisfactory (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.			

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