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## Internal Audit Charter

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### Executive Summary

As part of the 2019-20 Internal Audit Plan as approved by the Committee, BDO LLP have Developed an Internal Audit Charter which defines the purpose, authority and responsibility of Internal Audit at HCPC.

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Previous consideration	None.
Decision	The Committee is asked to approve the document.
Next steps	Once approved the Charter will remain in place for the contractual period of BDO engagement as the HCPC's Internal Auditors
Strategic priority	None.
Risk	SR 5 - Failure of leadership, governance or culture
Financial and resource implications	Included in the Internal Audit annual fee.
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# Internal Audit Charter for The Health and Care Professions Council

Confidential  
Status - Draft v01

February 2020

## 1 Introduction

- 1.1 This Internal Audit charter defines the purpose, authority and responsibility of Internal Audit at The Health and Care Professions Council (HCPC).
- 1.2 HCPC outsources its Internal Audit function. This charter sets out the respective responsibilities of HCPC and the supplier - BDO LLP - in relation to Internal Audit activity at HCPC.
- 1.3 Internal Auditing is an independent and objective assurance and consulting activity designed to add value to improve the operations of HCPC. It assists HCPC in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of HCPC's governance, risk management, and internal control.

## 2 Definitions

- 2.1 HCPC's Council takes a strategic role and delegated authority for operation is invested in the Chief Executive. The Council retains the authority over the appointment of the Internal Auditors, but has delegated the review and oversight of Internal Audit services to the Audit Committee. References in this Charter to the Audit Committee refer to the Committee acting for the Council under its delegated authority.
- 2.2 'Senior management' refers to the senior management team (SMT) led by the Chief Executive Officer. The Chief Executive is the ultimate customer of Internal Audit's "service to management" and assurance is provided to the Chief Executive and Audit Committee through the Internal Audit work.
- 2.3 'Internal Audit' is defined in this Charter as the outsourced provision of Internal Audit services, currently provided by BDO LLP.

## 3 Role & Mission of Internal Audit

- 3.1 Internal Audit is appointed by the Council and the Audit Committee defines the responsibilities of Internal Audit as part of its objective oversight role delegated by the Council. This is in conjunction with the Chief Executive and SMT who suggest the areas to be covered by Internal Audit and the scope of those reviews, with the Audit Committee approving the overall Internal Audit Plan.
- 3.2 The mission of Internal Audit, as defined by international Internal Auditing standards, is to enhance and protect organisational value by providing risk-based and objective assurance, advice, and insight.

## 4 Professionalism

- 4.1 Internal Audit will govern itself by adherence to the Institute of Internal Auditors' mandatory guidance including the Definition of Internal Auditing, the Code of Ethics, and the *International Standards for the Professional Practice of Internal Auditing (Standards)*. This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of Internal Auditing and for evaluating the effectiveness of Internal Audit's performance.
- 4.2 Although HCPC receives its funding through registrant fees, HCPC is deemed as a public sector organisation. Internal Audit thus aligns with the UK Public Sector Internal Audit Standards (PSIAS), as revised in January 2017. These Standards are based upon the Institute of Internal Auditors' mandatory standards (including the Definition of Internal Auditing, the Code of Ethics,

and the *International Standards for the Professional Practice of Internal Auditing*) but incorporate additional guidance to reflect specific needs of the bodies. The UK PSIAS are administered by the groups responsible for administering the previous Internal Audit standards that applied across the public sector, including HM Treasury who set the Government Internal Audit Standards that previously applied. Internal Audit must be governed by the UK PSIAS and adhere to these standards.

- 4.3 The Institute of Internal Auditors' Practice Advisories, Practice Guides, and Position Papers will also be adhered to as applicable to guide operations. In addition, Internal Audit will adhere to its own relevant policies and procedures including its standard operating procedures manual.

## 5 Authority

- 5.1 Internal audit is authorised full, free, and unrestricted access to any and all of the following as are relevant to carrying out any engagement for HCPC:

- records;
- physical properties;
- HCPC personnel, including senior management; and
- records and physical properties of key suppliers (where provision for such as has been made available through the contracts with those suppliers).

- 5.2 All employees are requested to assist Internal Audit in fulfilling its roles and responsibilities. Internal Audit will also have free and unrestricted access to the Audit Committee.

- 5.3 Access also includes, reasonable access to the records, properties and personnel of HCPC's third party service providers, where a third party is delivering a service to HCPC. It should be noted that HCPC is expected to ensure such third party access is made available through express terms of contracts with the third parties.

- 5.4 On its side, Internal Audit must retain strict accountability for confidentiality and safeguarding of records and information it accesses in the course of its duties as the outsourced Internal Audit provider to HCPC.

## 6 Organisation

- 6.1 The Head of Internal Audit will provide assurance to the Chief Executive and to Audit and Risk Committee and will report to the Chief Executive Officer, through the CEO's delegated representative in terms of contract management. The Chief Executive's representative in this case is the Head of Governance. The Head of Internal Audit has direct access to the Audit Committee.

- 6.2 The Audit Committee will:

- approve the Internal Audit charter;
- approve the risk based Internal Audit strategy and plan, having consideration of the budget for Internal Audit;
- receive communications from the Head of Internal Audit on Internal Audit's performance relative to its plan and other matters;
- make recommendation to the Council on decisions regarding the appointment and removal of the Internal Audit provider;
- receive summaries of the Internal Audit reports and associated recommendations to management as part of the reports provided for the Audit Committee meetings and can receive the full audit reports; and

- make appropriate inquiries of management and the Head of Internal Audit to determine whether there is inappropriate scope or resource limitations.
- 6.3 The Chief Executive will:
- propose the Internal Audit budget and resource plan; and
  - receive Internal Audit reports and associated recommendations.
- 6.4 The Head of Internal Audit will communicate and interact directly with the Audit Committee, including in between Audit Committee meetings as appropriate, as a source of independent assurance. The Head of Internal Audit will also communicate on an ongoing basis with the Head of Governance about the emerging matters arising through Internal Audit's work, progress against the audit plan and contractual compliance.

## 7 Independence and objectivity

- 7.1 Internal Audit will remain free from interference by any element in the organisation, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective mental attitude. Interference is defined as having an adverse impact on, or reduce the effectiveness or efficacy of, Internal Audit to carry out its assigned functions and deliver its annual Internal Audit opinion.
- 7.2 Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair Internal Auditor's judgment.
- 7.3 More specifically, Internal Audit as an outsourced provider has a number of measures in place to avoid potential or actual conflicts of interest in the event that Internal Audit undertakes non-audit activities. These include:
- procedures to identify and avoid conflicts of interest at the time of appointment, so that there are no such conflicts within BDO LLP, such that the firm provides both an Internal Audit service and other conflicting services. The underlying principle is to avoid conflicts rather than to manage these using 'paper walls';
  - Internal Auditors are not allocated to any work at HCPC or specific audits at HCPC if a conflict is identified during annual planning or resource planning for individual audits and non-audit assignments. Examples of the kinds of conflict are:
    - avoiding the situation where an Internal Auditor completes an audit assignment for a HCPC activity that the auditor has previously completed a non-audit assignment;
    - an auditor has some personal association with the activity which is the subject of the audit or advice, or a key supplier of HCPC involved in the delivery of the activity subject to Internal Audit review;
    - or the advice implies or might be regarded as giving instruction or making a decision on behalf of HCPC.
- 7.4 In these cases, our mitigation would include consideration of allocating an Internal Auditor from the team who had previously not audited the subject matter. Where advice is given, for example for a project, it is provided in the position of a project assurance role, rather than part of or fulfilling the role of the project team or project board or taking on some other kind of a management role.
- 7.5 When asked to undertake any additional roles or responsibilities outside of Internal Auditing, the Head of Internal Audit will highlight to the Audit Committee any potential or perceived

impairment to independence and objectivity having regard to the principles contained within the IIA Code of Ethics as well as any relevant requirements set out by PSIAS and other professional bodies to which the Head of Internal Audit may belong. If independence or objectivity is impaired in fact or appearance, the details of the impairment will be disclosed to appropriate parties. The nature of the disclosure will depend upon the impairment. Approval must be sought from the Audit Committee for any significant additional consulting services not already included in the audit plan, prior to accepting the engagement.

- 7.6 The Audit Committee must approve and periodically review any safeguards put in place to limit impairments to independence and objectivity.
- 7.7 Internal Auditors will exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal Auditors will make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.
- 7.8 The Head of Internal Audit will confirm to the Audit Committee, at least annually, the organisational independence of Internal Audit.

## 8 Responsibility

- 8.1 The scope of Internal Auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the organisation's governance, risk management, and internal controls as well as the quality of performance in carrying out assigned responsibilities to achieve the organisation's stated goals and objectives. This includes:
- evaluating risk exposure relating to achievement of the organisation's strategic objectives;
  - evaluating the reliability and integrity of information and the means used to identify, measure, classify, and report such information;
  - evaluating the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations which could have a significant impact on the organisation;
  - evaluating the means of safeguarding assets and, as appropriate, verifying the existence of such assets;
  - evaluating the effectiveness and efficiency with which resources are employed;
  - evaluating operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned;
  - monitoring and evaluating governance processes;
  - monitoring and evaluating the effectiveness of the organisation's risk management processes;
  - performing consulting and advisory services related to governance, risk management and control as appropriate for the organisation;
  - reporting periodically on Internal Audit's purpose, authority, responsibility, and performance relative to its plan;
  - reporting significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by the management and/or Audit Committee; and
  - evaluating specific operations at the request of the Audit Committee or management, as appropriate.

8.2 Internal Audit primarily provides an assurance role but also a consultancy role, and these are defined as follows:

- assurance services are when Internal Audit provide an independent assessment on governance, risk and internal control processes for HCPC. The results of assurance assignments will inform the annual Internal Audit opinion provided to the Chief Executive and the Audit Committee, with the opinion being used by the organisation to inform its governance statement;
- consultancy services are when Internal Audit provide an advisory role as agreed with management of HCPC. These assignments are intended to add value and to improve HCPC's governance, risk management and internal control processes. Such assignments will not involve Internal Audit assuming any form of management role. Approval will be required from the Audit Committee before any consultancy services can be provided that were not included in the approved annual plan.

8.3 Internal Audit is not responsible for the prevention or detection of fraud, these responsibilities rest with HCPC's management. However, Internal Audit will:

- in assessing HCPC risk management framework, consider the potential for fraud and how HCPC manages this risk;
- in planning individual assignments, consider the probability of fraud in developing assignment objectives; and
- be informed of any suspected or actual fraud and support senior management in investigating the fraud as agreed in each instance, and will also consider the need to assess the adequacy of internal controls in the relevant HCPC activity. BDO has the requisite skills for the proper investigation of fraud or crime.

## 9 Internal Audit strategy and plan

9.1 At least annually, the Head of Internal Audit will submit to the Audit Committee an Internal Audit risk-based plan for review and approval. The Internal Audit plan will consist of a work schedule as well as budget and resource requirements for the next year and be based on a broader strategy, which also includes how the Internal Audit service will be delivered aligned to HCPC's strategies, activities, functions and objectives.

9.2 The strategy will be delivered with the appropriately skilled resources to plan and conduct the work. This will include a core of professionally qualified staff, but subject matter experts and staff that have knowledge and experience of specialist areas where required.

9.3 The Head of Internal Audit will communicate the impact of resource limitations and significant interim changes to senior management and the Audit Committee. In developing the plan, consideration will be given to the nature of the risks, the existence and effectiveness of controls from Internal Audit experience and assessment of the risk management framework, and the budget assessed as being reasonable for Internal Audit.

9.4 The Internal Audit plan will be developed using a risk-based methodology, including input of senior management and the Audit Committee. The Head of Internal Audit will review and adjust the plan, as necessary, in response to changes in the organisation's business, risks, operations, programs, systems, and controls. Any significant deviation from the approved Internal Audit plan will be communicated to senior management and the Audit Committee through periodic activity reports.

## 10 Reporting and monitoring

- 10.1 A written report will be prepared and issued by the Head of Internal Audit or designee following the conclusion of each Internal Audit engagement and will be distributed as appropriate. Internal Audit results will also be communicated to the Audit Committee.
- 10.2 The Internal Audit report may include management's response and corrective action taken or to be taken in regard to the specific findings and recommendations. Management's response, by management of the audited area should include a timetable for anticipated completion of action to be taken and an explanation for any corrective action that will not be implemented.
- 10.3 HCPC management will be responsible for appropriate follow-up on engagement findings and recommendations and report this progress. All significant findings will remain open until cleared. Internal Audit will review the implementation of its recommendations, providing assurance that management's assertions about the implementation of audit recommendations are correct.
- 10.4 The Head of Internal Audit will periodically report to senior management and the Audit Committee on Internal Audit's purpose, authority, and responsibility, as well as performance relative to its plan. Reporting will also include significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by senior management and the Audit Committee.
- 10.5 More specifically, Internal Audit must deliver an annual audit opinion and report that can be relied upon by the Chief Executive Officer and Audit Committee to inform HCPC's Annual Governance Statement.
- 10.6 The annual audit opinion must give its conclusion on the overall adequacy and effectiveness of HCPC's framework of governance, risk management and control. It must incorporate:
- the opinion;
  - a summary of work that supports the opinion;
  - a statement on conformance with the governing Internal Audit standards and the results of the outsourced provider's quality assurance and improvement programme; and
  - confirmation of the organisational independence of Internal Audit.

## 11 Working with other assurance providers

- 11.1 HCPC has developed an in-house Quality Assurance function. This is designed primarily to act as a second line of defence - separate from line management - of the regulatory functions of HCPC. The particular focus of the Quality Assurance function is to review:
- a series of cases to assess the quality of regulatory decision making; and
  - the suitability and completeness of the regulatory governance framework for achieving HCPC's regulatory objectives, including the elements of internal policy, strategy, processes and procedures that help HCPC reach regulatory decisions.
- 11.2 The HCPC Head of Internal Audit works alongside the HCPC Quality Assurance Lead to ensure mutual audit strategies, audit plans and individual assignments are coordinated and complementary. This ensures that the scope of assignments and their timing are properly synchronised. Internal Audit and Quality Assurance meet periodically to ensure coordination of strategies, audit plans, individual assignments and share emerging issues. There may be occasions where both Internal Audit and Quality Assurance might examine an area of activity. This might occur whether the review needs an evaluation of an area's effectiveness from an operational (regulatory) and business operations (non-regulatory) perspective.



- 11.3 In order for the HCPC Head of Internal Audit to provide the annual opinion, the annual Internal Audit report will make reference to the work of the Quality Assurance function - its coverage, its findings and the method by which it operated during the year. Internal Audit may review the work of the Quality Assurance function, as part of its Internal Audit strategy and planning cycle.

## 12 Internal Audit quality assurance and improvement programme

- 12.1 Internal Audit will maintain a quality assurance and improvement programme that covers all aspects of Internal Audit. The programme will include an evaluation of Internal Audit's conformance with the UK Public Sector Internal Audit Standards (which will also provide assurance of conformance with the Definition of Internal Auditing and the *Standards* and an evaluation of whether Internal Auditors apply the Code of Ethics). The programme also assesses the efficiency and effectiveness of Internal Audit and identifies opportunities for improvement.
- 12.2 The Head of Internal Audit will communicate to senior management and the Audit Committee on Internal Audit's quality assurance and improvement programme, including results of on-going internal assessments of its conformance to the standards and external assessments conducted, including an External Quality Review every five years.