



INTERNAL AUDIT PROGRESS REPORT
FOR THE 2020/21 AUDIT PLAN
HEALTH AND CARE PROFESSIONS COUNCIL

CONFIDENTIAL
STATUS - FINAL

JUNE 2020

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1. Internal Audit Progress Report

Introduction

1.1 This report summarises the progress so far regarding the delivery of the internal audit plan for 2020/21. The internal audit plan for 2019/20 has been completed and the Annual Report for that period is presented alongside this Progress Report.

Recommendation

1.2 The Audit Committee is requested to note this report.

Delivery of the plan

1.3 To date fieldwork is ongoing for the Reshaping the Organisation audit, with the PSA & Internal Reporting audit due to commence at the end of June. With the remaining audits we continue to work closely with Management on scheduling, paying particular sensitivity to current remote working arrangements. A summary of the plan to-date is set out in the table below:

Assignment title	Output type	Period	2020/21 Budget	Actual to date	Status	Proposed Audit Committee Date
Reshaping the Organisation	Advisory/Assurance	Q1	£4,500	£900	Fieldwork Commenced	September 2020
PSA & Internal Reporting	Assurance	Q1	£6,500	£700	Planning ongoing	September 2020
Financial Modelling	Assurance	Q1	£6,300		Planning ongoing	September 2020
Intelligence Gathering	Advisory	Q2	£5,450		To be scheduled	TBC
Registration end to end	Assurance	Q3	£8,700		To be scheduled	TBC
Culture and Ethics	Advisory	Q3	£6,000		To be scheduled	TBC
Fitness to Practise - follow-up	Assurance	Q4	£4,650		To be scheduled	TBC
IT General Controls	Assurance	Q4	£4,500		To be scheduled	TBC
Follow up	Assurance	Q4	£2,600		To be scheduled	TBC
Internal Audit Plan	-	-	£4,300			
Audit Committee and Client Liaison	-	-	£4,000			
Annual Report	-	-	£1,200			
Total			£58,700	£1,600		

Business Response to Covid-19

- 1.4 BDO has been speaking to business leaders to assess overall organisational responses to the pandemic and has produced a '4 Rs' model which aims to illustrate how business may wish to think about their response to the Pandemic, from Reacting, through Resilience and into Realising a Return to a 'new normal', all the while taking the opportunity to rethink how organisations may wish to operate.
- 1.5 This document contains our depiction of the model, along with the areas of focus that should be considered when thinking about Covid-19 impacts. Management and committee members may wish to consider whether the areas of focus have been adequately captured within their risk mitigations, and what thought has been given to evaluating the way in which it operates in a 'new normal'.
- 1.6 BDO has also been speaking to its clients about the pandemic to identify the risks being faced across industry, regulators and the public sector and has developed a list of key areas of focus where organisations consider that they are exposed to issues related to Covid-19. These emerging areas are categorised below:

Regulated community

- Regulators finding the build-up of a backlog of enforcement and investigations work because being limited by social distancing and travel restrictions, coupled with an increase in complaints and incidents that will need investigation and follow up
- Regulated professions having to respond directly to the crisis - limiting their ability to keep up with normal 'paperwork' - continued practice, CPD, etc
- Health professions that are largely self-employed having no income and prospects of insolvency of practices - leading to longer term viability or cash flow issues for professionals
- NHS and related healthcare workers deciding to change career or withdraw or retire from their profession early
- Operation of fitness to practise hearings and social distancing impact on throughput, and related health and safety risks

Internal Controls and Security

- IT security, IT system reliability, cyber-attacks and cyber fraud
- Fraud scams in financial services advice generally
- Internal financial controls during lockdown and reduced staff numbers has also been observed

Internal Audit Progress Report - for the 2020/21 audit plan

Economic

- General impact of a long term risk to government expenditure and the impact of recession on businesses

Risk appetite

- Fast decision-making and the risk of decision being made without the usual diligence or approval processes
- A stretch to organisation's risk appetite which relates to decision making but also includes simply taking more risk with limited funds. Such risks include allowing a heightened risk to the propriety of expenditure and fraud, softer enforcement of debt collection and the delivery of goods and services from suppliers, or greater tolerance when considering increases of programme spend relative to the original budgets

Staff

- Impacts of working from home and reduced social contact for staff health, safety and well-being, driven also by job uncertainty
- Restrictions on recruitment but increase in staff absences

Financial & general performance

- Uncertainty on income streams
- Slowing down of projects
- Dislocation of the ability to achieve performance targets - whether for individual staff, the organisation and by regulators or funders

2. The Four 'R's

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COVID-19 AGENDA CARD

'Risk' is often linked to the pace of change - the greater the change, the more risk exposure to a company.

COVID-19 has brought about unprecedented change. The impact of the pandemic on the UK and global economies has been severe and has led to significant changes in both supply and demand across a numbers of sectors.

Studies from the last recession suggest that companies that are proactive can gain a lasting competitive advantage. By managing risk successfully, businesses not only survive, they are able to enhance their resilience and better take advantage of new opportunities, using risk as a driver rather than a deterrent.

We welcome this opportunity to share our thoughts and experiences, and to better understand the effects of COVID-19 on you and your business.

Further COVID-19 updates from BDO can be found on: <https://www.bdo.co.uk/en-gb/covid-19>

RETHINK

REACT
SAFEGUARDING YOUR BUSINESS

RESILIENCE
EMBEDDING RESILIENCE AND KEEPING YOUR BUSINESS RUNNING

REALISE
RETURNING TO WORK AND SUCCEEDING IN THE 'NEW NORMAL'

AREAS OF FOCUS

Re-profiling for emerging risks	Managing supplier & customer contracts	Business & process resilience	Responding to increases in cyber attacks	Managing cash flow & working capital	Protecting against fraud & financial crime
Maintaining data privacy	Ensuring staff health & wellbeing	Supply chain risk & supplier viability	Remote working practices	Managing change effectively	Responding to changes in regulations & legislation

COVID-19 AGENDA CARD



THE ORGANISATION	GOVERNANCE	MANAGING RISK	CONTROLS AND ASSURANCE
<ul style="list-style-type: none"> • How is the organisation performing? • Crisis management? • Continuing operations? • Working from home? • Furloughing of staff? • Emerging Risks? 	<ul style="list-style-type: none"> • Decision Making • Long term planning and home working • Flexibility • Stakeholder Management • Recovery Plans • Timeliness of Management Information • Communication and escalation of Decisions • Change Management • Confidentiality of Information • Information sharing & GDPR 	<ul style="list-style-type: none"> • Assessing the Short, Medium & Long term Risks - Emerging Risks & Potential Business Impact • Staff working from home - H&S, Mental Health, Process resilience, home working policy, Cyber/IT security, GDPR • Contracts - reviewing contract frameworks, terms and conditions, clauses and contract compliance • Supply chain - assessing supplier risk and financial viability etc. • Cash flow - reviewing management's financial analysis, stress testing, sensitivity analysis etc. • Cyber Security - Responding to the increase in cyber attacks • Changes in Regulation & Legislation 	<ul style="list-style-type: none"> • Fraud & Human Error • Business Continuity Plans • IT Disaster Recovery Plans • Crisis management • Debt & Liquidity Management • Cost & Asset Management • Site Management • Consumer demand • Supply chain • Infrastructure • Health & Safety • Remote working • New Management Reporting • Consideration of compensating controls

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