

Audit Committee – 24 June 2010

National Audit Office (NAO) Audit Completion report (including Management Letter) on the 2009/10 financial statement audit

Executive summary and recommendations

Introduction

The NAO audit document is provided to the Committee for its consideration.

Decision

The Committee is asked to review and approve the National Audit Office (NAO) report of audit findings for 2009/10 and management letter.

Background information

Following the onsite NAO audit of the year end financial statements and draft 2010 Annual Report, their Audit Completion Report and the management letter are attached – refer Appendix One.

Two observations and recommendations were identified during the audit. These were: – 1) Quality of draft accounts presented for audit and 2) Authorisation levels. The details of these and the draft management responses can be found on page 13 of the attached document.

At the time of the audit visit a small number of identified items of significant value were not reflected in the accounts due to pending account treatment advice. These items related to the impairment of the building and the adjustments for the writing-off of 22/26 Stannary Street Ltd. Details can be found on page 6 item 15 and page 14 item 3.3.

Resource implications

Nil

Financial implications

NAO Audit fee for HPC.

Appendices

Appendix – NAO Audit Completion Report and management letter

Date of paper

23 June 2010

Date	Ver.	Dept/Cmte	Doc Type	Title	Status	Int. Aud.
2008-06-11	a	ADT	PPR	BakerTillyAuditFindings	Draft	Public
					DD: None	RD: None



National Audit Office

**REPORT TO THOSE
CHARGED WITH GOVERNANCE**
24 June 2010

Health Professions Council

**Audit Completion Report (including
management letter) on the 2009/10 financial
statement audit**

Our vision is to help the nation spend wisely.

We apply our unique perspective of public audit to help Parliament and government drive lasting improvement in public services.

The National Audit Office scrutinises public spending on behalf of Parliament. The Comptroller and Auditor General, Amyas Morse, is an Officer of the House of Commons. He is the head of the National Audit Office which employs some 900 staff. He and the National Audit Office are totally independent of Government. He certifies the accounts of all Government departments and a wide range of other public sector bodies; and he has statutory authority to report to Parliament on the economy, efficiency and effectiveness with which departments and other bodies have used their resources. Our work leads to savings and other efficiency gains worth many millions of pounds: £890 million in 2009-10.

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Executive Summary

Introduction

1 This report summarises the key matters arising from our audit of the 2009-10 financial statements for the benefit of those charged with governance¹. We would like to thank Gary Butler and his staff for their co-operation during the audit process.

2 The examination of the 2009-10 financial statements was undertaken in accordance with auditing standards issued by the Auditing Practice Board, taking into account the UK Auditing Practices Board's Practice Note 10: *Audit of Financial Statements of Public Sector Bodies in the United Kingdom*. Our approach to the audit was planned and executed in accordance with the Audit Strategy presented to the Audit Committee in February 2010.

3 This report has been prepared for the sole use of the Health Professions Council (HPC), although it may also be shared with the Privy Council. It must not be disclosed to any other third party, or quoted or referred to, without the written consent of the National Audit Office (NAO) and no responsibility is assumed by the NAO to any other person.

Overall conclusion and opinion

4 The Comptroller and Auditor General (C&AG) will report his opinion to Parliament in the format set out in Annex B – Proposed Audit Certificate. The C&AG's certificate includes an opinion as to the truth and fairness of the financial statements, and that the expenditure and income have been applied to the purposes intended by Parliament and that the transactions conform to the authorities which govern them ('regularity').

5 The C&AG anticipates certifying the 2009-10 financial statements with an unqualified audit opinion without modification.

¹ In accordance with ISA 260, those charged with governance are those individuals accountable for ensuring that the entity achieves its objectives, with regard to reliability of financial reporting, effectiveness and efficiency of operations, compliance with applicable laws, and reporting to interested parties.

Status of audit

- 6 As at the date of this report, the following matters are still outstanding:
- A final review of the post-audit draft Annual Report and accounts
 - Evidence to support some of the deferred income balance within the financial statements
 - Finalisation of our audit documentation and manager and director review of the audit
 - A final review of any events after the reporting period including consideration of any announcements made in the Budget

Significant risks

7 Significant risks identified at the planning stage of the audit were communicated to you in the Audit Strategy in February 2010. Our audit response to these risks and the findings are discussed in detail in the Significant Risks section.

8 With regard to our initial audit risks, the following summarises the key issues identified:

- The application to strike off 22-16 Stannary Street Ltd was withdrawn pending the finalisation of the company's tax affairs. The assets of the company were transferred to HPC during 2009-10, but HPC retained an investment in the company, and a debtor due from it, in the first draft of the accounts. The implications of this for our audit are described in more detail in the 'Significant Risks' section below.
- Our work on the deferred income balance is incomplete as we have been unable to get a breakdown of the £2.7 million of deferred income which relates to retention fees paid in advance via cheque or credit card. See the 'Significant Risks' section below for further details.

Audit findings

9 We discuss the quality, effectiveness and transparency of HPC's financial reporting and its accounting policy selection, and our audit findings with regards to regularity and the internal control environment in the Audit Findings section.

6 Executive Summary

Financial reporting and accounting

10 The draft accounts presented for audit required significant adjustments and amendments. Some of the changes required are still outstanding as at the time of writing this report. A recommendation with respect to the accounts preparation process has been included in the Audit Findings section of this report.

Regularity, propriety and losses

11 With regard to regularity, propriety and losses no issues were found.

Internal Control

12 No significant internal control weaknesses were identified within our audit work.

13 Following the issue of *The Statement on Internal Control; A Guide for Audit Committees*, we will continue to work with HPC to enhance the content of the SIC in future years.

14 Other matters of governance interest are set out in the Other Matters of Governance Interest section.

Identified misstatements

15 In the course of the audit we were made aware of a small number of items of significant value that were not reflected in the accounts pending accounting treatment advice. These have subsequently been adjusted in the financial statements, as detailed in the Identified Misstatements section. The net effect of these adjustments on the I&E and SoFP was £210,000. The impact of errors will be updated following the completion of our outstanding audit work.

16 No uncorrected misstatements that were not considered trivial were identified in our audit work. We will update this disclosure upon the completion of our audit testing.

Actions for those charged with governance

17 Those charged with governance are invited to review the findings set out in this report, including the draft letter of representation and audit certificate included at Annex A and Annex B, respectively.

18 Those charged with governance should consider whether the unadjusted misstatements set out in the Identified Misstatements section, should be corrected. Where non-adjustment is confirmed, the Audit Committee minutes should provide written endorsement of management's reasons for not correcting the misstatements.

Significant Risks

1.1 We identified issues that could impact on the financial statements in our Audit Strategy presented to those charged with governance in February 2010. The table below describes how we addressed these matters through our audit process.

Significant risks of material misstatement

Significant risk	Audit response	Finding
<p>Risk 1: Reduction in Income due to falling registrations</p> <p>HPC is a self-funding organisation with approximately 98% of its income from registrants' fees. For some professions the number of registrations being applied for has been falling, particularly with respect to international applications. This is having an impact on HPCs income in 2009-10 with the registration income for the year currently being forecast as £14.9m which is £637k less than the £15.6m originally budgeted for.</p> <p>This has contributed to the budgeted operating surplus of £13k being revised to a forecast operating deficit of £197k. HPC may need to take action to reduce the level of this deficit which could impact on the financial statements.</p>	<p>We considered the potential implications of the falling levels of registration income for the financial statements and our audit this year.</p>	<p>Fee income actually increased this year although it was below the level initially budgeted. We have not identified any issues that impact on the financial statements as a result of the lower than budgeted income receipts. The shortfall this year has been at a manageable level and HPC did not have to take significant measures to address this in 2009-10.</p> <p>We are aware that HPC may need to consider reducing its discretionary activities in future years if fee income receipts continue to be lower than previously expected, and as such we will review this risk as part of our 2010-11 audit.</p>
<p>Risk 2: Disclosure of Income and Deferred Income in the Financial Statements</p> <p>Due to the two-year renewal cycle for professions fees, HPC has to calculate the value of fees received that can be recognised as income and the element which must be recognised in a future accounting period. There is a risk that income may not be</p>	<p>During our audit work we substantively tested a sample of income and deferred income balances to ensure that they are accounted for in the correct accounting period.</p>	<p>The process for determining income and deferred income appears to be sound. However, we did identify an issue with respect to supporting some of the deferred income balance which, as at the date of this letter, is still to be resolved.</p> <p>For most of the £8.8m deferred income balance we have been able to trace receipts back</p>

accounted for in the correct year and that the deferred income balance may be misstated.

through the NetRegulate system to test a sample in order to gain assurance that the amount has been recorded correctly and is accounted for in the correct financial period. However, for £2.7m of the balance, which relates to payments made by cheque or credit card, HPC has not been able to provide a breakdown of the population from which we could select a sample of receipts for testing.

Because the limitations of the functionality of the NetRegulate system make it difficult to obtain a report for a period after that period has ended, we have agreed with HPC that it will run a report as at 30 June 2010 from which we will select a sample for testing in order to obtain audit assurance over the £2.7m deferred income balance which we have so far been unable to test.

Risk 3: On-line payment of registration fees

HPC is introducing an on-line registration system in February 2010 which will include a facility to enable the on-line payment of fees. As this is a new process there is a risk that there may not be sufficient controls in place to ensure that the financial statements accurately reflect the payments made through this system.

We determined how much income was received through this new system in the year. Given the small value of the total income processed through the new system this year, we have not needed to perform specific audit testing on this income stream this year.

The income received via the on-line registration system was under £20k and so this is not considered a risk for this financial year, but will be reconsidered as part of the 2010-12 audit.

Risk 4: 22-26 Stannary Street Ltd

HPC is in the process of winding up 22-26 Stannary Street Ltd with the relevant papers having been filed at Companies House in January 2010.

We established when the dissolution of Stannary Street Ltd becomes effective and considered the impact of this on HPC's financial statements for 2009-10.

The application to strike off 22-26 Stannary Street Ltd was submitted in January 2010 but subsequently withdrawn whilst the company's tax affairs were finalised. We understand that a second notice to strike off the company will be submitted in 2010-11.

We confirmed that no audit of the 22-26 Stannary Street financial statements is required.

10 Significant Risks

In the initial draft of the accounts the Council SoFP included a £750,000 investment in the company, and a £1.8m debtor due from the company. We requested that HPC reviewed the value of these assets and agree that both should be written down to a nil valuation.

Risk 5: Close Down of Pension Schemes

HPC's two defined benefit pension schemes are in the process of being closed down. This process is not expected to be finally completed for some time but, with one of the schemes in deficit, there is a risk that HPC will need to make a further contribution to the scheme which may need to be provided for in this financial year.

We obtained the latest information on the status of closure of the pension schemes and considered the legal advice that HPC has received.

The status of the pension schemes has not changed during 2009/10 and so this issue will be considered again in 2010/11. We agree with HPC's conclusion that there is not sufficient certainty at present to recognise any potential assets or liabilities that may be due to or from HPC.

Risk 6: Adoption of International Financial Reporting Standards (IFRS)

The adoption of IFRS in 2009-10 requires HPC to make a number of changes to the Financial Statements.

Additionally, all existing accounting policies must be reviewed to ensure compliance with the new standards. Where appropriate, accounting policies will need to be revised and/or added.

Assurance was taken from the conclusions derived from the Trigger Point 2 and Trigger Point 4 audit work undertaken by Baker Tilly.

First-time adoption of IFRS had taken place and the disclosures within the financial statements reflected this. However, there are some disclosure issues that still need to be resolved at the time of writing, such as the need to include a Council Statement of Cash Flows in addition to the Group one already included.

Audit Findings

Financial Reporting and Accounting Policies

2.1 The Annual Report and Accounts are required to comply with the Government Financial Reporting Manual (FRM) when compiling financial statements.

2.2 In this section we draw to your attention our review of qualitative aspects of the accounting practices and financial reporting. This includes any significant changes or issues in respect of the accounting policies; estimates; judgements and the adequacy of disclosures affected by unusual or non-recurring transactions recognised during the period. We also review the overall balance and clarity of information contained in the Annual Report.

2.3 The only major findings with regard to quality, effectiveness and transparency of financial reporting and accounting was the quality of the draft account submitted for audit, details of which are reported in 'Observations & Recommendations' below.

Review of information in the Annual Report

2.4 We review information in the Annual Report only to the extent that we confirm it is consistent with the financial statements and our understanding of the business. Except as noted in the audit opinion, the Annual Report is not subject to our audit opinion.

2.5 The Annual Report was considered to be consistent with our understanding of the business, and was in line with the other information provided in the financial statements.

2.6 The balance of information contained in the Annual Report was appropriate, and the clarity of the information was sufficient.

Regularity, Propriety & Losses

2.7 When testing expenditure a number of transactions were authorised by staff who did not have sufficient delegated authority. See 'Observations & Recommendations' below for more details.

Internal Control

2.8 The internal control environment was found to be sound and we were able to rely on it to provide high level controls assurance for our audit work. No material weaknesses in the design and implementation of internal control have come to our attention during the course of our audit.

Statement on Internal Control

2.9 In our opinion, the SIC fairly reflects our understanding of the state of the internal control systems within the entity during the year. Following our review of the first draft of the SIC we recommended that information about the change in HPC's governance arrangements brought about by the *'Health Care and Associated Professions (Miscellaneous Amendments and Practitioner Psychologists) Order 2009'* was included. Following the issue of *The Statement on Internal Control; A Guide for Audit Committees*, we will continue to work with HPC to enhance the content of the SIC in future years.

Observations & Recommendations

2.10 This section outlines the findings arising from our audit. Management's responses to these recommendations have been sought and will be reported subsequently.

2.11 We have included the significant and other, less significant findings arising from our audit which are defined as:

- **Significant** - major issues for the attention of those charged with governance and senior management which may have the potential to result in a material weakness in internal control; and
- **Other** - weaknesses identified in our audit where action will offer the potential for improvements to the efficiency and effectiveness of internal controls.

2.12 As outlined in our Audit Strategy our procedures included a review of the internal controls and accounting systems and procedures only to the extent considered necessary for the effective performance of the audit. Audit findings and observations therefore should not be regarded as representing a comprehensive statement of all the weaknesses which exist, or all improvements which could be made to the systems and procedures operated.

1. Quality of Draft Accounts presented for audit

Observation	The draft accounts presented for audit contained significant financial and disclosure errors and omissions. It also contained a large number of internal inconsistencies. This required there to be a large number of changes to the original draft and significant further changes were also required to subsequent drafts. It was not obvious that the accounts had been subject to a robust management review before being presented to us for audit
Risk	A risk exists that we are not able to adhere to the original audit timetable where a large number of changes are required to successive drafts which we are then required to audit. This may then jeopardise pre-recess certification.
Recommendation	We recommend that adequate time for a robust management review is factored into the accounts preparation timetable in future to ensure that a full management review has been completed prior to the draft accounts being provided to NAO for audit.
Management response	<p>There are a number of points that need to be considered in the response to this observation:</p> <p>1) The one off nature of first time adoption of IFRS. The layout and reporting requirements have been more onerous than in previous years.</p> <p>2) First time use of NAO as the external auditors for HPC. There were significant different working requirements compared to the approach taken by Baker Tilly in previous years.</p> <p>3) The late decision to postpone the striking off of 22/26 Stannary St. Ltd. and the subsequent requirement to provide Consolidated as well as Council accounts.</p> <p>As a way forward to ensure that the process for NAO and HPC financial staff is improved for future years, there will be a review of the audit process between NAO and HPC financial staff within the next couple of months. This will focus on areas of the audit that can be improved as well as those which went well.</p>

2. Authorisation levels

Observation	During our interim audit work on expenditure, we identified two invoices that had been authorised for payment by staff outside their delegated authorisation limits. We are content that, in both cases, it was appropriate to make the payment but are concerned that the payments were processed without the appropriate authorisation being obtained.
Risk	Although in these cases the expenditure involved was not significant, there is a risk that inappropriate payments could be made if the correct level of authorisation is not obtained prior to payment.
Recommendation	We recommend that payments are not processed until appropriate authorisation, in accordance with HPC's delegated authorisation levels, has been provided.
Management response	Noted.

2.13 We reviewed management's implementation of recommendations made in our prior year Management Letter. Our findings are set out in Annex C – Implementation of Prior Year Recommendations.

Identified Misstatements

3.1 This section contains details of adjustments made to the financial statements during the course of the audit, as well as unadjusted errors which are not considered material in the context of the financial statements as a whole.

3.2 We do not consider that the adjusted or unadjusted errors indicate a significant weakness in accounting or control which needs to be reflected in the Statement on Internal Control.

Significant adjustments made to the financial statements

3.3 As a result of our audit, adjustments were made to the draft financial statements presented for audit. The adjustments are shown below. The presentation of this information enables those charged with governance to assess the extent to which the draft financial statements presented for audit have been subject to change as a result of the audit process.

	I&E		SoFP	
	Debit £'000	Credit £'000	Debit £'000	Credit £'000
Consolidated accounts – adjustment to take relevant amount of the building impairment to the revaluation reserve				
Revaluation reserve			210	
Impairment of freehold land and buildings		210		
Council accounts – adjustment to write off the value of HPC's investment in 22-26 Stannary Street Ltd				
Investment in subsidiary - SOFP			750	
Expenditure				750
Council accounts – adjustment to write off a debt owing to HPC from 22-26 Stannary Street Ltd				
Trade and other receivables - SOFP				1,802
Expenditure			1,802	

3.4 We have also made a number of other suggestions to improve narrative disclosures and to ensure completeness of the disclosures required under the FReM. These included:

- Inclusion of comparative tables for non-current assets for both the consolidated accounts and the council accounts
- Further narrative disclosure concerning the status of 22-26 Stannary Street Ltd at the year end
- Ensuring the details in specific notes were consistent with the details in the primary statements
- Ensuring the comparative figures within specific notes were correct
- Include a HPC Statement of Cash Flows in addition to the Group Statement of Cash Flows already included

Unadjusted errors or uncertainties arising from the audit

3.5 We are obliged to bring to your attention the errors found during the course of the audit that have not been corrected, unless they are 'clearly trivial', which we have identified as below £1000.

3.6 As a result of this year audit work, no unadjusted errors were identified. This will be updated following completion of our audit testing.

Other Matters of Governance Interest

4.1 International Standard on Auditing 260 requires us to communicate with those charged with governance any other audit matters of governance interest. These include matters which have come to our attention which may present future risks, enhance overall governance or where those charged with governance might wish to seek assurance on controls and processes.

Fraud

4.2 We are required by Auditing Standards to report to you if we identify a fraud or obtain information that indicates that a fraud may exist. We found no such instances.

4.3 In addition, we are not aware of material weaknesses in the design or implementation of internal control to prevent and detect fraud.

Going concern

4.4 In the course of our audit, we have not identified any material uncertainties relating to events and conditions that may cast doubt on the entity's ability to continue as a going concern.

Management of information and personal data

4.5 HM Treasury and Cabinet Office issued guidance in 2008 regarding the management of information and personal data, and government entities were required to review their compliance arrangements and to disclose any specific data incidents. Those charged with governance should ensure they have made sufficient enquiries of management to form a view on HPC's progress in implementing Cabinet Office recommendations, and that the disclosures in the Statement on Internal Control reflect this. Additionally those charged with governance should seek assurance on any data related incidents which may require disclosure. We are unaware of any data handling incidents during the year. Confirmation of this is sought within our letter of representation (Annex A).

Statement on personal data

4.6 During the course of our audit we have access to personal data to support our audit testing. We have established processes to hold this data securely within encrypted files and to destroy it where relevant at the conclusion of our audit. We can confirm that we have discharged those responsibilities communicated to you in the NAO's Statement on Management of Personal Data at the NAO (http://www.nao.org.uk/Publication_Scheme/data_protection_review.pdf).

Compliance with laws and regulations

4.7 In the course of our audit, we have not identified any suspected or non-compliance with laws and regulations.

Disagreements with management

4.8 There are no audit disagreements with management about matters that could be significant to the financial statements to report.

Co-operation with other auditors

Internal Audit

4.9 Although we have reviewed internal audit's report in order to provide additional assurance, we have not placed specific reliance on Internal Audit's work.

Independence, integrity & objectivity of auditors

4.10 The NAO's policy to ensure independence, integrity and objectivity of our auditors was set out in our Audit Strategy. Overall, the threat to the audit arising from issues affecting our independence, integrity and objectivity is low, and the safeguards in place ensure that the likelihood of any impact is low.

4.11 We have complied with APB Ethical Standards and, in our professional judgment, we are independent and our objectivity is not compromised. There are no relationships between the NAO and HPC that we consider to bear on our objectivity and independence.

Annex A – Draft Letter of Representation

[CLIENT LETTERHEAD]

The Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
LONDON
SW1W 9SP

LETTER OF REPRESENTATION: HEALTH PROFESSIONS COUNCIL 2009-10

I acknowledge as Accounting Officer of the Health Professions Council my responsibility for preparing accounts that give a true and fair view of the state of affairs, deficit, changes in reserves and cash flows of the Health Professions Council for the year ended 31 March 2010.

In preparing the accounts, I was required to:

- observe the accounts direction issued by the Privy Council, including the relevant accounting and disclosure requirements and apply appropriate accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards have been followed and disclosed and explain any material departures in the accounts; and
- prepare accounts on a going concern basis on the presumption that the Health Professions Council will continue in operation.

I confirm that for the financial year ended 31 March 2010:

- neither I nor my staff authorised a course of action, the financial impact of which is that transactions infringe the requirements of regularity as set out in Managing Public Money;
- having considered and enquired as to the Health Professions Council's compliance with law and regulations, I am not aware of any actual or potential non-compliance that could have a material effect on the ability of the Health Professions Council to conduct its business or on the results and financial position disclosed in the accounts;

- all accounting records have been provided to you for the purpose of your audit and all transactions undertaken by the Health Professions Council have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all management meetings which you have requested have been supplied to you; and
- the information provided regarding the identification of related parties is complete; and the related party disclosures in the financial statements are adequate.

All material accounting policies as adopted are detailed in note 1 to the accounts.

INTERNAL CONTROL

I acknowledge as Accounting Officer my responsibility for the design and implementation of internal controls to prevent and detect error and I have disclosed to you the results of my assessment of the risk that the financial statements could be materially misstated.

I confirm that I have reviewed the effectiveness of the system of internal control and that the disclosures I have made are in accordance with HM Treasury guidance on the Statement on Internal Control.

FRAUD

I acknowledge as Accounting Officer my responsibility for the design and implementation of internal controls to prevent and detect fraud and I have disclosed to you the results of my assessment of the risk that the financial statements could be materially misstated as a result of fraud.

I am not aware of any fraud or suspected fraud affecting the Health Professions Council and no allegations of fraud or suspected fraud affecting the financial statements has been communicated to me by employees, former employees, analysts, regulators or others.

ASSETS

General

All assets included in the Statement of Financial Position were in existence at 31 March 2010 and owned by the Health Professions Council, and free from any lien, encumbrance or charge, except as disclosed in the accounts. The Statement of Financial Position includes all non-current assets owned by the Health Professions Council.

Non-Current Assets

All assets over £1,000 are capitalised. Land and Buildings are revalued by external professionally qualified Chartered Surveyors at least every five years. Other non-current assets are revalued annually using appropriate indices where the impact of doing so is material. Depreciation is calculated to reduce the net book amount of

each asset to its estimated residual value by the end of its estimated useful life in the Health Professions Council's operations.

Other Current Assets

On realisation in the ordinary course of the Health Professions Council's operations the other current assets in the Statement of Financial Position are expected to produce at least the amounts at which they are stated. Adequate provision has been made against all amounts owing to the Health Professions Council which are known, or may be expected, to be irrecoverable.

Financial Assets

Financial assets are valued at fair value using the quoted closing bid price at 31 March 2010.

LIABILITIES

General

All liabilities have been recorded in the Statement of Financial Position. There were no significant losses in the year and no provisions for losses were required at the year-end.

Provisions

No expenditure has been provided for in the financial statements and I am not aware of any potential liabilities for which provision should be made.

Contingent Liabilities

There are a number of legal claims or potential claims against the Health Professions Council, the outcome of which cannot at present be estimated with certainty. Full provision is made in the financial statements for all liabilities which are expected to materialise.

I am not aware of any pending litigation which may result in significant loss to the Health Professions Council, and I am not aware of any action which is or may be brought against the Health Professions Council under the Insolvency Act 1986.

Deferred Income

The deferred income recorded in the financial statements represents the balance of fees received during 2009-10, or an earlier financial year, but which have been paid in advance and which relate to periods occurring after 31 March 2010.

OTHER DISCLOSURES

Unadjusted Errors

I do not know of any financial misstatements which remain unadjusted in the financial statements.

Stannary Street Write-Offs

The write-offs in respect of the Council's £750,000 investment of 22-26 Stannary Street Ltd and the Council's £1.8 million debtor with 22-26 Stannary Street Ltd, which have been expensed by the Council in 2009-10, are authorised by the Council's decision to apply for 22-26 Stannary Street to be struck off and to incur the relevant costs which result from the striking off process.

Events after the Statement of Financial Position date

Except as disclosed in the accounts, there have been no material changes since 31 March 2010 affecting liabilities and commitments, and no events or transactions have occurred which, though properly excluded from the accounts, are of such importance that they should have been brought to notice.

Related Party Transactions

As far as I am aware, other than those disclosed in the accounts, there are no relationships between senior management and others, and consequent related party transactions.

Management of Personal Data

Except as disclosed in the Annual Report, there have been no personal data related incidents in 2009-10 which are required to be reported.

Marc Seale
Chief Executive
[Date]

Annex B – Proposed Audit Certificate

The certificate and report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements of the Health Professions Council for the year ended 31 March 2010 under Article 46(5) of the Health Professions Order 2001. These comprise the Consolidated Income and Expenditure Account, the Consolidated Statement of Financial Position, the Council Statement of Financial Position, the Consolidated Cash Flow Statement, the Council Cash Flow Statement, the Statement of Changes in Reserves and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration report that is described in that report as having been audited.

Respective responsibilities of the Council and its Chief Executive and auditor

As explained more fully in the Statement of responsibilities of the Council and its Chief Executive the Chief Executive as Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit the financial statements in accordance with law and International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Health Professions Council's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates

made by the Health Professions Council and the overall presentation of the financial statements.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income reported in the financial statements have been applied to the purposes intended by parliament and the financial transactions conform to the authorities which govern them.

Opinion on regularity

In my opinion, in all material respects the expenditure and income have been applied to the purposes intended by parliament and the financial transactions conform to the authorities which govern them.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Health Professions Council's affairs as at 31 March 2010 and of its deficit, changes in reserves and cash flows for the year then ended; and
- the financial statements have been properly prepared in accordance with the Health Professions Order 2001 and the Privy Council directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the Privy Council directions issued under by Health Professions Order 2001 and
- the information given in the 'Composition of the Council'; 'Corporate, social and environmental responsibility'; and 'Management Commentary' sections of the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Amyas C E Morse

Comptroller and Auditor General
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Date

Annex C - Implementation of Prior Year Recommendations

3.7 We reviewed management's implementation of recommendations made in the prior year Management Letter issued by Baker Tilly. We have summarised the response and provided our evaluation, based on the audit work we have undertaken in respect of internal controls.

No.	Recommendation	Management's Implementation
1	Review the fixed asset register on a regular basis to ensure all assets which are no longer physically held are removed from the register.	<p>We have found that there are still a significant number of items on the fixed asset register with nil net book values. We would, therefore, reiterate the recommendation that was made in 2008-09.</p> <p>We recommended that assets held on the fixed asset register are reviewed and re-lived if necessary. HPC should also review its accounting policy to ensure that the useful economic life used for each category of asset is valid.</p>