Audit Committee Meeting

17 September 2020

hcpc health & care professions council

Haysmacintyre (HM) Audit Findings Report on the 2019-20 financial statements

Executive Summary

HM's draft audit completion report is attached for the Committee's consideration.

Management has considered the recommendation and provided response in the report.

Appendix 2 (page 20) is the draft "letter of representation" that HM ask the Chair of Council to sign on behalf of the Council. This is a standard audit procedure which provides the auditors with explicit confirmation of various points which are implicit in the draft accounts.

The Committee is asked to review and discuss HM's audit findings report for 2019-20.

Previous consideration	Management has reviewed the document and provided responses to recommendations in the report.
Decision	The Committee is asked to review and discuss HM's audit findings report for 2019-20.
Next steps	Council to review the final report on 24 September 2020.
Strategic priority	Strategic priority 3: Ensure the organisation is fit for the future and able to anticipate and adapt to changes in the external environment
Risk	Strategic Risk 5- Failure of leadership, governance or culture
Financial and resource implications	The cost of the external audit for 2019-20 is £27,480 (inclusive of VAT)
Author	Haysmacintyre LLP

haysmacintyre

Health and Care Professionals Council

Draft Audit Findings Report

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Year Ended 31 March 2020

Table of Contents

1. Introduction and Executive Summary 1
2. Audit risks and key judgement areas identified during planning 2
3. Accounting and Audit Matters 5
4. Detailed control points 9
5. Emerging issues 13

1. Introduction and Executive Summary

This report summarises our key findings in connection with the audit of the financial statements of Health and Care Professionals Council for the year ended 31 March 2020.

Our audit approach

Our work was planned and performed in order to issue an audit opinion on the financial statements in accordance with International Standards on Auditing (UK) ("ISAs") and the terms of our letter of engagement.

Limitations

Our audit procedures, which have been designed to enable us to express an opinion on the financial statements, have included an examination of the transactions and the controls thereon.

Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of internal control or to identify any significant deficiencies in their design or operation.

We have included in this report only those matters that have come to our attention as a result of our normal audit procedures and, consequently, our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

Overall conclusion and opinion

At the time of issuing this report, the following matters are outstanding:

- Completion of outstanding audit review queries and the NAO review of our audit file
- Receipt of signed letter of representation (at the time the accounts are signed)

Our audit opinion includes an emphasis of matter relating to the valuation of investment property (see Section 3.1 below).

2. Audit risks and key judgement areas identified during planning

We set out below the areas of significant risk and focus for our audit identified at the planning stage and the conclusions of our audit work:

Significant risk/area of focus	How we addressed this	Commentary
Presumed risk in revenue recognition (significant risk) We are required to consider and respond to the risks of improper revenue recognition.	We have undertaken the following procedures to verify the appropriateness of revenue recognition: • Tests of detail were performed on a sample of registrants. We confirmed that income had been correctly recognised in the finance system, based on the confirmed registrant date posted to NetRegulate • We assessed the appropriateness of the recognition of deferred income • We reviewed and tested the internal controls over recording of member details on the CRM system and periodic reconciliations • We performed tests of detail on other income	Our audit work on revenue did not identify any material issues.
Presumed risk of management override (significant risk) We are required to consider and respond to the risks arising from management override of controls on misappropriation of assets and risk of misrepresentation of financial information	We reviewed and tested the appropriateness of specific journal entries identified requiring judgement or estimate that were posted throughout the year and at the year-end for the preparation of the financial statements. Accounting estimates were reviewed for potential bias. The business rationale for unusual or significant transactions outside the normal course of business for the Council were evaluated.	The results of our planned audit work are considered to be satisfactory in this area.

Going concern (significant risk) There is a risk that the going concern assumption may be inappropriate, following a challenging period for the Council.	We have reviewed budgets and cash flow forecasts and considered the appropriateness of key assumptions and consider the key sensitivities. We have considered and challenged that the impact of the transfer of the register of social workers to ensure it has been appropriately factored into budgets and forecasts. We have considered the extent the organisation may be able to raise alternative debt finance to cover any short-term cash flow issues.	Our audit work in this area did not identify any significant issues.
Transfer of register of social workers (significant risk) The transfer of the register of social workers presents a number of challenges for the Council, operationally and financially. There is a risk that the transaction may be incomplete (i.e. all appropriate assets and liabilities have not been accounted for in the process).	We have reviewed the transfer agreement. We have performed tests of reconciliation, test of detail on the amounts transferred on a sample basis and cut off to ensure social workers have been appropriately transferred. We have confirmed the appropriateness of the procedures that the Council has undertaken to ensure that all financial and non-financial information and records have been captured and included in the transfer.	Our audit work in this area did not identify any significant issues.
Completeness of liabilities (area of focus) Completeness of creditors – risk of creditors (including fitness to practice liabilities) being materially understated.	Post year end invoices and payments were reviewed for evidence of understated liabilities. We requested and obtained third party confirmation form the Council's lawyers in relation to outstanding fitness to practice cases.	The results of our planned audit work are considered to be satisfactory in this area.

Completeness of staff costs (area of focus) Risk of material misstatement of staff costs due to payments to non-contracted employees being disclosed as staff costs in the accounts and misstatement for redundancy and other related costs	We tested staff costs substantively (including redundancy costs and related liabilities), tracing a sample of payments to contract to ensure that only genuine employees have been paid. We reviewed the staff costs disclosures in the financial statements and agreed they were appropriate. We have liaised with the NAO to ensure that the remuneration report meets the necessary disclosure requirements.	Our audit work in this area did not identify any significant issues.
Valuation of fixed assets (area of focus) Risk that fixed assets may be misstated due to the incorrect treatment of additions in the year, including the final settlement of refurbishment costs and the initial expenditure on the new CRM system.	Test of detail were performed on fixed asset additions. Consideration was given as to the nature of expenditure capitalised in the period and we confirmed that expenditure had been capitalised in line with the requirements of IFRS. We have reviewed the appropriateness of change in estimation of useful economic life of assets under construction and impairments to ensure these have been appropriately valued.	The results of our planned audit work are considered to be satisfactory in this area.

3. Accounting and Audit Matters

3.1 Qualitative aspects of accounting practices and financial reporting

i. Valuation of investment property

HCPC accounts for investment property at fair value, meaning it is revalued at each balance sheet date. In order to obtain a suitable and reliable estimation of fair value, management engage a surveyor, SHW, to provide a current RICS red book valuation. We obtained and reviewed the letter of engagement between HCPC and SHW, and considered the independence and objectivity of SHW, and, as in prior years, we considered it appropriate for management and auditors to rely on their expertise for the purposes of the property valuation for inclusion in the 2020 financial statements.

SHW estimated an existing use value of £5.82m for inclusion in the 2020 financial statements. However, their report was caveated as they were unable to take into account the impact of the Covid-19 pandemic on the impact of uncertainties in the property market on the valuation. Management contacted SHW again in August 2020 to re-confirm this position and, unfortunately, there were unable to update their report with any certainty.

Accordingly, and in line with auditing standards, our audit opinion includes an emphasis of matter paragraph relating to the uncertainty of the property valuation obtained. This is a technical qualification, very much consistent with other entities holding properties at valuation during this period.

ii. Reserves, going concern and the impact of the Covid-19 pandemic

The ongoing situation in respect of the Covid-19 pandemic is likely to have a significant impact across most sectors in the coming months and consideration will need to be given to the specific impact on the Council's financial position. In particular, the Council will need to consider the ongoing financial resilience of the Council's funds and cash flow.

Considering the level of cash and deposits held at year-end, the Council confirm in their going concern assessment that the pandemic is unlikely to impact the going concern status. We concur with this view, subject to final discussions to be held with the Audit Committee, and subject to an updated forecast to take into account any changes to circumstances up to the date the accounts are signed. However, we highlight the following specific matters:

- A cash outflow of c.£4.9 is expected in the y/e 31 March 2021. Management should confirm the key remaining sensitivity to confirm to what extent income were to fall further, or expenditure to rise, for HCPC to enter into a cash critical situation.
- As in prior years, HCPC continues to be in a significant net current liability position (c.£4m), as the business model has relied on the organisation spending subscription income before it is "earnt".
- The organisation is in the process of applying for an emergency Covid-19 grant, which could lead to a cash upside against forecast.

To complete the piece on going concern, we have requested that management consider a final key sensitivity as part of their cash flow modelling for the next 12 months and beyond, so that they can confirm to what extent registration income and numbers would need to fall for HCPC to be in a cash critical position. This would require an assessment of the circumstances surrounding each category of registration income, and each category of cost.

The financial statements include several different areas of disclosure relating to the pandemic, in particular:

- Disclosure of principal risks in the Council Report
- Review of the financial position and future plans in the Council Report
- Amendment of the going concern note in the accounting policies, if required in light of on-going changes in circumstances

These disclosures will be updated nearer to the date the accounts are signed, when a more complete and accurate picture of the lasting impact of the pandemic will be known.

iii. Transfer of the register of social workers

In January 2020 the transfer of the register of social workers completed. During our interim audit in January we performed test checks of the figure relating to the transfer, including completeness (reviewing whether there were there any social worker registrants on HCPC's register post transfer) and accuracy (confirming the details of a sample of registrants transferred out). No issues arose from our detailed checks. We confirmed the transfer out of the final agreed figure to the third party relating to the register.

iv. Capitalisation of intangible assets

The financial statements include capital additions of £1.3m relating to the development of internal systems as an intangible asset. We draw this to your attention as a significant transaction and to note that there are certain capitalised costs (outside of the core direct infrastructure costs), where there is an element of judgement as to whether the individual costs are capital or revenue in nature. We sample checked additions across all categories and noted £93k of project management salary costs and operational project costs of £233k that were capitalised. We reviewed the agreed allocation of salary costs and confirmed that the amounts capitalised appeared reasonable in line with the level of work performed and the agreed salary levels of the individuals employed. We sample checked the operational project costs and confirmed that the amounts we reviewed appeared to be capital in nature.

As is the case with any significant capital projects, consideration should be given at the conclusion of the project as to, following the accumulation of all of the capitalised costs over the development of the asset, whether there is any impairment when comparing the amount capitalised with the expected economic benefits that the asset brings to the organisation on an ongoing basis. In addition, the total capitalised costs should be reviewed for any individual elements of the project representing a change in scope of the original design, or an area or aspect of the project that was subsequently abandoned as the project developed. These should be written off to income and expenditure.

We have requested that management re-confirm this position as the accounts are finalised, and have requested that the Council confirms that it is satisfied that there is no impairment of the intangible asset, as its development nears completion.

v. Accounting policies

IFRS 16 – Leases

HCPC currently charges expenditure on operating leases to the Income and Expenditure Statement on a straight-line basis over the term of the lease, taking account of any lease incentives in accordance with IAS17. However as of 1 January 2019, IAS17 was with IFRS 16. IFRS 16 estimates the classification of leases as either operating leases or finance leases for the lessee. Under the new standard all leases are treated in a similar way to finance leases. The Council took advantage of the FREM exemption relating to the adoption of this standard in 2019/20, and has therefore deferred adoption of the standard until 2021/22.

The new standard will require the Council to recognise the fixed assets to which the leases relate either as lease assets (right-of-use assets) or together with Property, plant and equipment and a lease liability, initially measured at the present value of the lease payments payable over the lease term, within their Statement of Financial Position. Management have prepared an estimate of the impact of this change, which is disclosed in the 2019/20 financial statements.

3.2 Accounting and audit matters

i. Remote auditing

In light of the Covid-19 pandemic and subsequent lockdown measures, the audit was carried out remotely. This inevitably caused some challenges relating to the flow and verification of documentation. We would like the thank management for their support and work during this challenging time.

Last year, we highlighted challenges relating to the integration and automation of HCPC's systems, in particular NetRegulate and the finance system. Management are undertaking a programme of systems improvement and upgrade, and we recommend that the key challenges from the current period of remote working are factored into any changes, so that the organisation benefits fully from the various experiences gained.

ii. Changes to auditing standards

Two new auditing standards have been issued by the Financial Reporting Council and will take effect for the audit of the financial statements for the year ending 31 March 2021: ISA540 *Auditing Accounting Estimates* and ISA570 *Going Concern*. Both standards include increased requirements, compared with the existing standards, for auditors to challenge the assessments and judgments made by management and Council in relation to HCPC's ability to continue as a going concern and in making accounting estimates. This in turn means that we will be requesting additional documentation from management to demonstrate that a formal going concern assessment has been made and explaining the basis on which the Council have determined that HCPC is able to continue as a going concern, as well as setting out the rationale for material accounting estimates such as the valuation of investment property, the useful economic life of tangible and intangible assets, the valuation of debtors and accrued income, including any provision, and the valuation of provisions.

iii. Misstatements

There are no unadjusted misstatements to bring to your attention, aside from those that are clearly trivial.

iv. Letter of representation

International Standards on Auditing require us to obtain written representations from Council Members when you approve the accounts. The letter contains only standard matters with no additional items specific to HCPC.

4. Detailed control points

During the course of our audit we identified the following detailed control points that we feel need to be brought to the attention of the Council Members and certain recommendations for improvements and/or corrective action. Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of internal control or to identify any significant deficiencies in their design or operation. The matters and detailed control points that we have identified are graded within the following framework to assist the Council Members in assessing their impact.

Grade	Grade type	Grade characteristics
Significant	These findings are considered to be significant to the management of risk in the business, representing a serious weakness in systems and controls currently in place or a potentially fundamental control that has been omitted from the risk management systems as currently in operation.	• Key control omitted • Key control not designed or operating effectively, for example as indicated by numerous exceptions found during our review work • Evidence of override of controls in place with significant or potentially fraudulent outcomes • Non-compliance with laws and regulations
Important	Important findings that should be reviewed by management, pending corrective action and or updates to systems and controls.	• Errors and exceptions noted during our testing that had corrected retrospectively during the year by management. • Potential improvement to existing control noted • Possibility for override of controls exists • Our review noted numerous exceptions but not in key controls
Limited	Findings that identify non-compliance with established systems and controls.	• Minor control weakness, for example limited exceptions noted during our review work
Advisory	Items requiring no immediate action but which may be of interest to management or best practice advice	• Information for department management • Control operating but scope for efficiency and/or effectiveness improvements exist • Control operating but not necessarily in accordance with best practice • Recent or anticipated developments may necessitate new controls.

We wish to bring the following matters to your attention which arise from the current year audit as well as the latest status of outstanding issues arising from previous year audits:

Current year

Issue: Authorisation of payroll	**Control point grade:**	**Important**
Risk	**Our comments & proposals**	**Management response**
HCPC's payroll is authorised electronically. Payment cannot be made unless the appropriate level of authorisation has been obtained, which is set within the system. For 2 months of the year, we were unable to verify who specifically authorised the payroll (even though it must have taken place in order for payment to be made). The retention of these records could help protect both HCPC and the individual authorisers, should any queries be made on the pay run in the future.	We recommend that a record be maintained of the individuals that confirmed authorisation for all payments.	Both HR and Finance directors have to sign off the payment each month on the payment system (PT-X), our payroll provider keeps an up to date list of all authorised persons and their approval rights. Apart from the two directors, each team also has one or two backup users should either director could not approve for any reason. Due to the 1 year expiry date of records on the payment system, we were not able to provide screenshots to show the approval persons for April and May 2019 payments. We agree to keep a record of the individuals that confirmed the payments each month.

Issue: Reconciliation of NetRegulate	**Control point grade:**	**Important**
Risk	**Our comments & proposals**	**Management response**
The review and reconciliation of the monthly journal between NetRegulate is a key control for HCPC, to confirm the completeness and accuracy of income, including deferred income, that is recognised in the period. During the year, there was a delay/backlog of 3 months when the reconciliation was not performed. A catch up exercise was performed at the year-end, where a satisfactory reconciliation was completed between the 2 systems for a period.	We recommend that the reconciliations between the 2 systems are carried out on a monthly basis, to reduce the risk of inappropriate financial decisions to be made due to the inaccurate recognition of income.	Reconciliations for January to March had been done each month but some reconciling items were not investigated in time. An exercise was done at the year end to investigate and reclassify some postings, to ensure the year end balance was correct. We accept the recommendation and have been completing the reconciliations each month in the current financial year.

Issue:	**Signed employment records**	**Control point grade:**	**Advisory**
Risk	**Our comments & proposals**	**Management response**	
We noted an instance where a contract of employment was not able to be provided. We understand that this is due to the item being unavailable due to the Covid-19 pandemic. The absence of a contract of employment could leave HCPC exposed in case of any disputes with the individuals in question. Similarly, we also noted that one termination agreement was unsigned.	We recommend that the access to files and records is reviewed and, the contracts and personnel files be reviewed for completeness in due course for completeness.	The signed contracts in question are kept in the office. Unfortunately due to lockdown, we weren't able to go back to the office and scan those for review. We are hoping to scan the documents and send them to the auditors before the Audit Committee meeting.	

Issue:	**Retention of membership records**	**Control point grade:**	**Advisory**
Risk	**Our comments & proposals**	**Management response**	
We observed several instances where supporting documentation for the application for individual members could not be located, as it had been archived. However, records of other correspondence between HCPC and the individuals was maintained. It is good practice for this correspondence to be retained on the individual member file on NetRegulate.	We recommend that the member records are reviewed accordingly.	We agree with the recommendation.	

Prior year

Issue: Fixed asset register	**Control point grade:** Important	
Risk	**Our comments & proposals**	**Current year update**
Last year, we reviewed the fixed asset register and noted that the register was somewhat challenging to use, as journal and other adjusting entries had been included within additions for the year. A cleaner register will assist management in their review of costs incurred to date on capital items which, operationally, could assist them in their decision making and review of capital costs against those contracted and budgeted. In prior years we also noted that there were some older, fully written down items, within the register that had not been removed.	We recommended that the fixed asset register is consolidated, so that the register includes only the pertinent information of capital costs.	We observed that the fixed assets register was tidier in the current year, but still contained some of the older written down items. STATUS: PARTIALLY RESOLVED *Management response:* As part of the Sage/WAP upgrade for 2020, we are in the process of transferring the fixed asset registers onto Sage, this will allow better control and enable reports to be run for analysis purpose. We have performed fixed asset review at the year end, value of items that are fully written down and no longer in use are deemed immaterial, therefore write offs will be performed in FY20-21 in the Sage system.

Issue: Review of journal entries	**Control point grade:** Important	
Risk	**Our comments & proposals**	**Current year update**
Last year, we noted issues in relation to the spot checks performed during the review of journal entries, that were not performed on a timely basis.	We recommended that journals were reviewed on a timely basis, to reduce the risk of any unusual journals going undetected. We also recommended that the starting point for the checks should be the finance system, rather than an external print out of journals, to reduce the risk of any unusual journals being outside the scope of review.	We understand that this point is still to be actioned, but is being considered as part of the on-going improvements and upgrades to HCPC's systems. STATUS: OUTSTANDING *Management response:* Journals continue to be reviewed and approved by manager before they get posted onto Sage.

5. Emerging issues

The following are certain key sector issues, which we bring to the attention of the Audit Committee.

A. Tax matters

Employment Tax

Holiday Pay – Changes from 6 April 2020

From 6 April 2020, changes will be made to the calculation of Holiday Pay.

Holiday Pay Reference Period

Under the Working Time Regulations 1998, employers must give their employees 5.6 weeks of holiday leave every year (calculated pro-rata for part-time employees). When managing leave for employees with variable work hours, employers currently use a reference period of 12 weeks to work out the appropriate amount of holiday pay.

The Harpur case identified problems concerning the calculation method, often putting variable hours workers at a disadvantage.

What Has Changed?

From 6 April 2020 the reference period for calculating holiday pay for variable hours workers will increase from 12 to 52 weeks.

The 52-week reference period will function in the same way as the previous 12-week period:

- Employers must count back across the last 52 weeks that the employee has worked, and received pay.
- Weeks in which no pay was received will not be counted towards the 52-week average.
- In situations where employees have worked for less than 52 weeks, employers should use as many full weeks of work as possible to calculate holiday pay.
- Contractually obliged overtime worked during the reference period must also be included in holiday pay.

Employers will need to consider changes to their existing arrangements, policies and procedures to ensure they will be able to calculate holiday pay entitlements from 6 April 2020.

National minimum wage

In July 2018 the Court of Appeal ruled that carers working 'sleep-in' shifts are to be characterised as available to work, rather than actively working, and are not entitled to the National Minimum Wage.

The judgment refers to the lead case involving the Royal Mencap Society and concerned workers who sleep overnight on premises to care for elderly, disabled or otherwise vulnerable people in their own homes. The judgement considered the correct approach to be applied to sleep-in cases more generally. The conclusion on the general issue is that, rather than actively working, staff on sleep-in shifts were regarded as being 'available to work'. The National Minimum Wage legislation applies only to time when the employee is required to be awake for the purposes of working. The decision helps to provide clarity for many employers who were potentially due to pay a considerable amount of arrears if the decision had ruled against Mencap.

The case was heard before the Supreme Court in February 2020. Any decision is unlikely to be forthcoming until mid-late 2020.

Generally, the number of National Minimum Wage reviews are on the increase with employers being required to undertake a considerable amount of the work needed to be able to conclude the enquiry. HM Revenue & Customs are taking the approach that the employer needs to justify how they are applying the legislation, which can prove to be very challenging.

Failure to comply with the legislation can result in penalties of up to 200% of the underpaid wages which is in addition to repaying any short-fall of wages to the employees. Penalties can be reduced where any arrears of wages are repaid within 14 days of the liabilities being determined. Furthermore, corrective measures will need to be put in place within 14 days.

Employment regulations update

There are a number of changes being introduced during 2020 that affect the rights of employees. Some of the key changes are set out below:

1) Right to a written contract of employment on day one. Current law requires employers to provide such a written document within two months of commencing employment. From April 2020, employers must provide this on day one.
2) Right to a more predictable and stable contract. After 26 weeks service, workers (Which includes zero hours or casuals) have a right to request predictable and stable contracts – they could request certainty on the number of days or hours they are likely to work. Employers will need to consider how they respond to such requests so as to act fairly.
3) Holiday pay reference period – When determining holiday pay for staff who have irregular working hours, the current regulations require you to calculate and employees average salary of a 12 week period. From April 2020 this has been increased to 52 weeks.
4) Parental bereavement leave - The Parental Bereavement Leave Regulations and The Statutory Parental Bereavement Pay (General) Regulations have now been published. They came into effect on 6 April 2020. The Regulations will give employees the right to a minimum of two weeks' leave following the death of a child under the age of 18, or a stillbirth after 24 weeks of pregnancy. This leave can be taken as either a single block of two weeks or one individual week each, during the 56 weeks after the child's death. Employees with 26 weeks' continuous service will be entitled to be paid for this leave at the statutory rate.

IR35 – engaging individuals through personal service companies

The government introduced the IR35 rules in 2000, with the aim of ensuring that individuals who are engaged to carry out work through a personal service company who would have been classified as employees if they had been engaged directly pay broadly the same income tax and national insurance contributions as they would have done if they had been employed. It is the responsibility of the individual, rather than the engager, to determine whether the IR35 rules apply to each engagement.

In April 2017, the government reformed the IR35 rules for engagements by public sector bodies, which shifted the obligation for determining the application of the rules from the individual to the engager. In April 2018, the government issued a consultation on extending the IR35 rules to private sector bodies, which would include charities. The consultation closed in August 2018 and a response document was issued in October 2018 (https://www.gov.uk/government/consultations/off-payroll-working-in-the-private-sector), which noted that for medium and large sized charities the reforms will take effect from 6 April 2020. Small sized companies such are currently exempt from the changes.

A further consultation on the detailed operation of the new rules was published on 5 March 2019, and closed on 5 May 2019 (https://www.gov.uk/government/consultations/off-payroll-working-rules-from-april-2020).

1. Identify all personal service company engagements
2. Assess whether the IR35 rules apply to each engagement
3. Carry out periodic reviews of each engagement to ensure that the original decision remains relevant
4. Ensure that all costs covered by the IR35 rules are being paid through the payroll

The assessment as to whether the IR35 rules apply to an individual engagement is similar to the consideration of whether an individual should be considered to be an employee or self-employed and it includes the following factors:

1. Control: is the individual subject to supervision, direction or control as to what work they do, where they work and how the work is carried out? Control would point towards employment, and therefore application of IR35 to the engagement.
2. Integration: is the individual involved with the core business of the engager? Are they seen as part of the engager organisation? Or are they peripheral to the organisation or its work? Integration also points towards employment.
3. Mutuality of obligation: is the individual obliged to offer their services to the engager and is the engager obliged to provide work for the individual? If so, this would also point towards employment.
4. Financial risk: does the individual carry financial risk relating to the engagement? E.g. providing their own equipment, engaging sub-contractors to assist them, covering any losses which arise on the engagement. If so, this points towards self-employment.
5. Right of substitution: does the individual have the right to provide a substitute to carry out the work in their place? Do they have responsibility for paying such a substitute? If so, this also points towards self-employment.

The extension of the IR35 rules will increase the administrative burden on charities. We will monitor the situation closely and provide updated guidance when the outcome of the consultation is published.

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Date: (Same date accounts are signed)

Dear Sirs

During the course of your audit of our financial statements for the year ended 31 March 2020 the following representations were made to you by management and Council Members.

1 We acknowledge as Council members our responsibilities for preparing financial statements that give a true and fair view and for making accurate representations to you as auditors.

2 We confirm that all accounting records have been made available to you for the purpose of your audit, in accordance with your terms of engagement, and that all the transactions undertaken by the Council have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all management and shareholders' meetings, have been made available to you. We have given you unrestricted access to persons within the Council in order to obtain audit evidence and have provided any additional information that you have requested for the purposes of your audit.

3 We confirm that significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

4 We confirm that all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the applicable financial reporting framework (IFRS).

5 We confirm that there have been no events since the balance sheet date which require disclosure within the financial statements or which would materially affect the amounts in the financial statements, other than those already disclosed or included in the financial statements.

6 We confirm that the related party relationships and transactions set out below are a complete list of such relationships and transactions and that we are not aware of any further related parties or transactions.

7 We confirm that all related party relationships and transactions have been accounted for and disclosed in accordance with the applicable financial reporting framework (IFRS).

8 We confirm that the Council has had, at no time during the year, any arrangement, transaction or agreement to provide credit facilities (including advances and credits granted by the Council) for Council Members, nor to provide guarantees of any kind on behalf of the Council Members, except as disclosed in the financial statements.

9 We confirm that the Council has not contracted for any capital expenditure other than as disclosed in the financial statements.

10 We confirm that we are not aware of any possible or actual instance of non-compliance with those laws and regulations which provide a legal framework within which the Council conducts its business.

11 We acknowledge our responsibility for the design and implementation of controls to prevent and detect fraud. We confirm that we have disclosed to you the results of our risk assessment of the risk of fraud in the business.

12 We confirm that there have been no actual or suspected instances of fraud involving management or employees who have a significant role in internal control or that could have a material effect on the financial statements. We also confirm that we are not aware of any allegations of fraud by former employees, regulators or others.

13 We confirm that, in our opinion, the Council is a going concern.

14 The effects of unadjusted misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole.

15 We confirm there were no specific representations made to you during the course of the audit.

16 We confirm that there are no companies associated with this Council for tax purposes

We understand that companies are associated for tax purposes if they are under the control of the same person or persons. We also understand that for this purpose a person might be treated as one and the same person as: a close relative; a business partner; a trustee of a settlement of which the person or a relative was the settlor; and any Council in which any of these is also a shareholder.

17 We acknowledge our legal responsibilities regarding disclosure of information to you as auditors and confirm that:

- so far as each Council Member is aware, there is no relevant audit information of which you as auditors are unaware; and
- each Council Member has taken all the steps that they ought to have taken as a designated member to make themselves aware of any relevant audit information and to establish that you are aware of that information.

We confirm that the above representations are made on the basis of enquiries of management and staff with relevant knowledge and expertise (and, where appropriate, of supporting documentation) sufficient to satisfy ourselves that we can properly make these representations to you and that to the best of our knowledge and belief they accurately reflect the representations made to you by the Council Members during the course of your audit.

Yours faithfully,

Signed on behalf of the Council by:

Member of Council ....