

Health and Care Professions Council

# **Audit planning report on the 2025-26 financial statements audit**

Report to those charged with governance  
March 2026

## This report presents details of our proposed approach for the audit of the 2025-26 financial statements

We plan our audit of the financial statements to respond to the risks of material misstatement and material irregularity. This report sets out how we have built our assessment of risk, what we base materiality on, those risks we expect to be significant and how we will respond to those risks. We also set out details of the team carrying out the audit, the expected timing of the audit and our fees.

### Actions for the Audit & Risk Assurance Committee

We would like to invite Committee members to discuss:

- Whether our assessment of the risks of material misstatement to the financial statements is complete (including any matters those charged with governance consider warrant particular attention during the audit, and any areas where they request additional procedures to be undertaken);
- Whether management's response to these risks are adequate;
- Our proposed audit plan to address these risks;
- Whether the financial statements could be materially misstated due to fraud, and communicate any areas of concern to management and the audit team;

We would also like to invite the committee to consider our fraud risk assessment on **page 9**.

We would also like to take this opportunity to enquire of those charged with governance about the following areas:

- Other matters those charged with governance consider may influence the audit of the financial statements.
- The entity's objectives and strategies, and the related business risks that may result in material misstatements.
- Possibility, knowledge of and process for identifying and responding to the risks of fraud.
- Oversight of the effectiveness of internal control.
- Whether any non-compliance with any laws or regulations (including regularity) have been reported to those charged with governance (e.g. from staff, service organisations or other sources).
- Policies, procedures and systems for recording non-compliance with laws, regulations and internal policies.
- Whether members have knowledge of any actual, suspected or alleged fraud affecting the entity.

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## Audit Risks (pages 6 to 8)

We plan our audit of the financial statements to respond to the risks of material misstatement, or irregularity, within transactions and balances.

We have identified the following risks which have the most significant impact on our audit:



## Materiality (page 10)

- When setting materiality, we consider both qualitative and quantitative aspects that would reasonably influence the decisions of users of the financial statements.
- We will set our quantitative materiality threshold as approximately 3% of prior year income giving a planning materiality of £1,300,000 (2024-25: £800,000 based on 2% of income).
- The materiality factor applied has increased to 3% from 2% in 2024-25. This reflects a change in NAO methodology regarding materiality for smaller entities, rather than a change in our assessment of risk for the audit.
- We will report to the Audit & Risk Assurance Committee all audit differences in excess of 2% of materiality, as well as differences below that threshold that, in our view, warrant reporting on qualitative grounds.



## Audit team, fee and timetable

- Darren Stewart will be responsible for the overall audit. The full engagement team is presented on **page 19**.
- Our audit fee for this year is £76,600. This includes an inflationary increase from 2024-25 (£75,500 + £10k additional fee\*).
- As discussed, and agreed with management, we are planning to complete to a post-recess timetable.

\*An additional fee of £10k was agreed with management in December 2025 in respect of the 2024-25 audit. This was a non-recurring cost for additional work carried out in respect of the deferred income error identified during that audit.

We are well placed to develop an understanding of the risks to Health & Care Professions Council drawing on your own assessment, the historic assessment of risk and the broader context



## The Health and Care Professions Council's assessment of risk

The Health and Care Professions Council's strategic risk register sets out a number of risks. We have engaged with management to understand the background to these risks, movement in impact and likelihood and have considered how these inform our assessment of audit risks.

1. The HCPC is unable to deliver its regulatory requirements effectively in a changing landscape, affecting its ability to protect the public

2. The HCPC's standards do not reflect current practice and/or they are not understood by registrants and stakeholders.

3. (a) The Quality of data leads to assumptions or gaps in understanding, and therefore inadequate or uninformed decision-making.

3. (b) The HCPC is unable to maximise the use of the data it holds to share insights to protect, promote and maintain the health, safety and wellbeing of the public.

4. The HCPC is unable to effectively build trust, engage with and influence its stakeholders reducing the ability to understand their perspectives and regulate effectively.

5. (a) The resources required to achieve the strategy are not in place or are not sustainable.

5. (b) Organisational values are not reflected at all levels of the organisation, leading to staff not feeling supported/trusted/listened too.

6. The HCPC does not effectively promote its role, leading to missed regulatory opportunities and unrealised reform benefits. This occurs in two key ways:

6 (a) The public, registrants, students, and employers underestimate regulation's role in high-quality care  
6 (b) Policy makers and key stakeholders under-recognise the HCPC's public protection efforts.

## Our audit Risk Assessment



The 2024-25 audit highlighted a number of areas of audit risk. We have built on this historical assessment to consider whether these remain risks for the year. We have made inquiries of management (and other appropriate individuals within the entity), performed analytical procedures, and carried out observations and inspections to inform our assessment of risk.

Presumed risk of management override of controls

Risk of fraud in revenue recognition

Valuation of land & buildings

## Wider Factors



We have drawn upon our wider assurance work and our understanding of the broader environment in which the Health and Care Professions Council operates to inform our risk assessment.

Regulatory reform

### Presumed risk of management override of controls

#### Why we have identified this as a risk

Management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by using its position to override controls that otherwise appear to be operating effectively.

This is a presumed risk for all audited bodies under International Standards on Auditing (ISA 240) (UK).

#### Work we plan to undertake in response

##### Controls:

Review of controls relevant to the audit including those over:

- Manual accounting journals;
- Segregation of duties;
- Year-end controls such as preparation of financial statements which includes review by senior management and the Audit & Risk Assurance Committee.
- Monthly management accounts;
- Changes in accounting policies, in particular those around significant estimates.

##### Substantive:

- Make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments.
- Using data analytic tools, we will risk appraise the impact of manual journals on the financial statements to identify higher risk journal transactions for detailed audit examination.
- We will examine significant or unusual transactions and review errors collectively for patterns in adjustments.
- Apply professional scepticism to the audit of key estimates and judgements and perform a retrospective review of significant estimates used in the prior year.
- Consider the need to test other adjustments throughout the period.

\*Significant Risks are an identified risk of material misstatement for which the assessment of inherent risk is close to the upper end of the spectrum due to the degree to which inherent risk factors affect the combination of the likelihood of a misstatement occurring and the magnitude of the potential misstatement should that misstatement occur; or that is to be treated as a significant risk in accordance with the requirements of other ISAs (UK). Significant risks can relate to classes of transactions, account balances or disclosures, or be pervasive across the financial statements.

## Presumed risk of fraud in revenue recognition

### Why we have identified this as a risk

Under International Standard on Auditing (UK) 240, there is a presumed significant risk that management may commit fraud to achieve a particular result within income. We have rebutted this risk in relation to rental income and grant income on the basis that the amounts are non-complex, require limited judgement and are not expected to be material.

We have assessed the following income streams to fall within the scope of the risk: membership fee income and scrutiny fee income. Given the highly material values, historical levels of misstatements and the judgement and relative complexity in calculating the deferred income balance, we consider they give rise to a risk of material misstatement.

### Work we plan to undertake in response

#### Controls

- Assess the design and implementation of the controls operating in respect of the Health and Care Professions Council's fee income streams

#### Substantive – membership fee income

- Perform a substantive analytical procedure to gain assurance over the revenue recognised during the reporting period; and
- Perform tests of detail to gain assurance over the deferred income balance.

#### Substantive – scrutiny fee income

- Perform tests of detail over income recognised during the year, to confirm whether the recognition criteria has been met (occurrence), and that the correct amount has been recognised (accuracy); and
- Perform additional testing around the year end, including post year-end receipts testing, to confirm whether revenue has been recognised in the correct financial year (cut-off) and whether the underlying activity had occurred in the year (completeness).

## Valuation of land and buildings

### Why we have identified this as a risk

Valuation of land and buildings is subject to judgement and estimation uncertainty, and the Health and Care Professions Council is planning to use indexation to update the valuation at year-end. This is in line with the changes to the FReM regarding valuation of non-investment assets (see **Appendix 3**). The FReM now requires full revaluations no more frequently than quinquennially, with supplemental annual indexation in intervening years.

Given the judgement and relative complexity involved, we consider this represents a risk of material misstatement to the accounts.

### Work we plan to undertake in response

#### Controls

- Assess the design and implementation of the controls operating in respect of the Health and Care Professions Council's valuation of land and buildings.

#### Substantive

- Review and reperform the indexation calculation performed by management;
- Consult with our internal property specialists, as required, on relevant matters such as benchmarking of the valuation; and
- Review supporting disclosures made within the financial statements.

We shall communicate, unless prohibited by law or regulation, with those charged with governance any other matters related to fraud that are, in our auditor's judgment, relevant to their responsibilities. Under ISA (UK) 240, it is our responsibility as auditors to report to those charged with governance:

- Any risks of material misstatement identified due to fraud
- Any matters we think are relevant to those charged with governance regarding management's process for identifying and responding to the risks of fraud at Health and Care Professions Council.

Below, we have summarised our initial assessment of the risk of fraud relevant to Health and Care Professions Council and how this may impact on the financial statements.

### **Risk of material misstatement due to fraud**

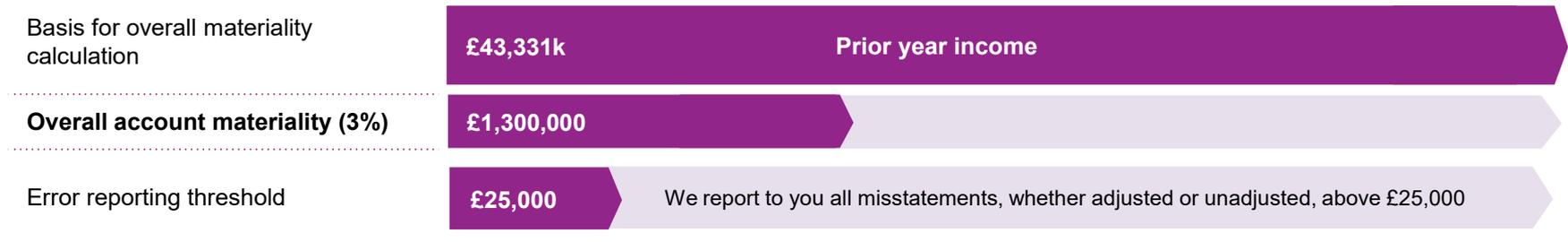
ISA 240 (UK) states there is a presumed significant risk of material misstatement owing to fraud arising from the unpredictable way in which management can override controls, applicable for all audited bodies, that cannot be rebutted and has been present in previous audit years.

Management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by using its position to override controls that otherwise appear to be operating effectively.

Based on our initial assessment, we have not identified any additional risks of fraud other than the presumed risk of management override of controls and the risk of fraud in revenue recognition. We have not identified particular characteristics of management or controls at the HCPC that indicate that this risk is elevated.

### **Matters regarding management processes for identifying and responding to the risks of fraud**

The risk management process sets out management's process for identifying and managing risks. We have not identified any specific concerns during our planning procedures to date. Should any further concerns arise as the audit progresses, we will communicate these to you at the earliest opportunity.



In line with generally accepted practice, we have set our quantitative materiality threshold for as approximately 3% of income, which equates to £1,300,000.

Overall materiality has increased for the current year, as a result of updated NAO methodology, which allows us to streamline certain low-risk procedures while concentrating our efforts on areas that present higher risk of material misstatement. This adjustment enables a more targeted and efficient audit approach.

Our overall account materiality is based on total income in the prior year, given that this is the main driver of the accounts, arising from the registration fees charged to health and care professionals and is therefore of most interest to the users of the accounts. We will update our materiality at the fieldwork stage to reflect actual 2025-26 outturn upon receipt of the first set of draft accounts.

A matter is material if its omission or misstatement would reasonably influence the decisions of users of the financial statements. The assessment of what is material is a matter of the auditor's professional judgement and includes consideration of both the amount and the nature of the misstatement.

The concept of materiality recognises that absolute accuracy in financial statements is rarely possible. An audit is therefore designed to provide reasonable, rather than absolute, assurance that the financial statements are free from material misstatement or irregularity. We apply this concept in planning and performing our audit, and in evaluating the effect of identified misstatements on our audit and of uncorrected misstatements, if any, on the financial

statements and in forming the audit opinion. This includes the statistical evaluation of errors found in samples which are individually below the materiality threshold but, when extrapolated, suggest material error in an overall population. As the audit progresses our assessment of both quantitative and qualitative materiality may change.

We also consider materiality qualitatively. In areas where users are particularly sensitive to inaccuracy or omission, we may treat misstatements as material even below the principal threshold(s).

# Indicative timing of the audit

The timetable comprises an interim audit commencing January 2026 for 3 weeks and a final audit commencing 27 July 2026, with certification planned for September/October 2026. The exact date of certification is to be confirmed with management and depends on Council approval as well as Parliamentary recess dates.



### Planning

In consultation with Management, Audit and Risk Assurance Committee, Internal Audit and other Key stakeholders, review the Health and Care Professions Council's operations, assess risk for our audit and evaluate the control framework.

Determine audit strategy

### Interim fieldwork

Test expenditure, income and payroll.

### Final fieldwork

Test expenditure and income and significant balances and disclosures

### Completion

ACR: present our findings and recommendations.

Seek management balances and representations.

C&AG issues opinion.

Management Letter: provide final recommendations on control matters identified.

### Debrief

Meeting to discuss lessons learned and improvements for the following year.

**Audit quality is core to the NAO's purpose.** It supports effective accountability, better financial reporting and stronger financial management. We want our audit insights to be valued, and to be a leading voice in public sector financial reporting and financial management.

For our work to have the impact and influence required, and for Parliament and the wider public to have confidence in the quality of our work, we must uphold high standards of ethics and integrity and work within a framework of values that preserve audit independence.

The quality of our financial audit work is fundamental to delivering on our purpose and is the top priority of the NAO Board and Executive Team.

On our audit of financial statements, **we measure the quality of our financial audits through an annual programme of internal and external inspections.** These inspections review a sample of our audits. Our target is that all our financial audits meet our quality standards.

**These standards are that, should an audit be inspected by an independent reviewer, the reviewer finds that the audit requires no more than limited improvement is required.** Each audit is graded from 1 to 4 where 1 is good or best practice and 2 is limited improvements required – ratings meeting our quality standard; with a grade of 3 where improvements are required and 4 where significant improvements are required – ratings below our quality standard.

Our external inspectors, the FRC, now engage with the Audit and Risk Committee Chair as part of each inspection, and share the final report. For our 2023-24, all (100%) of the audits subject to external inspection, and 71% of the audits subject to internal inspection met our quality standard.

These results demonstrate the quality of our work and the progress we have delivered through the Audit Transformation Programme which has been running since 2021, and the Quality First Plan we launched in 2024.

For 2025, our Quality First Plan focuses on actions that will further embed quality as well as improve productivity, efficiency and workload. It builds on the momentum of our first plan and supports our goals to deliver high-quality audits every time.

The National Audit Office's Financial Audit Quality First Plan 2024-25	
Resources	Improving capacity, capability and resilience – more resources, improved planning and management, better recruitment processes, a new contracting out model
Learning & culture	Nurturing a quality-first culture and improving capability – more and better learning and development; refreshed approach to engagement and communications, a greater understanding of our culture and a focus on behaviours
Methodology & support	Supporting staff with best practice methodology policies and practice – a new support model with quality directors and business partners; clearer audit responses and requirements; improved sampling approach; more investment in centres of expertise; and an enhanced quality support framework for high-risk audits
Technology	Taking all opportunities to use technology to improve audit – delivering enhancements to Apex; a new engagement portal; adopting new artificial intelligence technologies; and improved sampling, journals and other applications
Assurance	Robust monitoring and assurance – an accelerated cold review model; audit quality indicators and dashboards; improved root cause analysis; and better disseminations of lessons learned
Our context	Influencing our external auditing environment and stakeholders – including the Financial Reporting Council and government on the role of public audit

Our annual [Transparency Report](#) for 2024-25 sets out our performance and approach in more detail.

Your Engagement Director would be delighted to discuss our quality arrangements with you further.

# Working together to achieve a high-quality, timely and efficient audit – how the Audit Committee can support

We consider that management and Audit Committees are a critical element in supporting us to deliver consistent, high-quality audit work. This is supported by the Financial Reporting Council, which has identified the way in which management approaches the preparation of financial statements and provision of audit evidence as a key attribute for a good audit<sup>1</sup>. The Audit Committee Chairs' Independent Forum has similarly highlighted the importance of effective working between the auditor, management and Audit Committees to support good quality audit work<sup>2</sup>.

Our guide, [Working together to achieve high-quality, timely and efficient audits](#), provides an overview of the significant changes over the last ten years to accounting and auditing standards, and regulatory expectations around audit quality. We set out how the NAO is responding to these changes and how both management and Audit Committees can support in achieving high-quality, timely and efficient audit work.

Your NAO audit team looks forward to closely engaging with you on how we can work together to achieve high quality work.



<sup>1</sup>FRC Guide '[What Makes a Good Audit](#)'

<sup>2</sup>Audit Committee Chairs' Independent Forum: '[A Combined Perspective on Enhancing Audit Quality](#)'

The NAO audit fee quote is based on the anticipated cost of delivering our audit work. The level of audit work is dependent upon a number of factors, including the nature and extent of significant risks of material misstatement within the financial statements and ensuring quality audit procedures are undertaken to meet the requirements of International Standards on Auditing (ISAs) (UK).

## Fees

The fee for the audit is £76,600 (£73,000 for the first-tier audit and £3,600 for the second-tier audit).

The principle agreed with Parliament is that our fee is set to recover the full costs of the audit, rather than make a profit from or subsidise an audit. The NAO determines its fees with reference to standard hourly rates for our staff, which are reviewed annually, and updated when costs change. On the following slide, we have included a table to show how the HCPC audit fee benchmarks against comparable organisations.

Completion of our audit in line with the timetable and fee is dependent upon Health Care Professions Council:

- Delivering a complete Annual Report and Accounts of sufficient quality, subject to appropriate internal review, on the date agreed;
- Supplying supporting schedules for accounts figures, including trial balance and workings for all areas;
- Meeting deadlines agreed with the audit team;
- Lacking control weaknesses or errors which would require us to extend our work or perform unplanned substantive procedures;
- Delivering good quality supporting evidence and explanations within the agreed timetable; and
- Making management and staff available during the audit.

If significant issues arise and we are required to perform additional work this may result in a change in our fee. We will discuss this with you before carrying out additional work.

The NAO is committed to delivering high-quality audit work and to meeting the expectations of our audited bodies, Parliament, the public, and other stakeholders. As a result of this commitment and the drivers outlined above, we have set our audit fee quote accordingly.

## Our audit fee (continued)

We have summarised audit fees across organisations of a similar size and complexity to HCPC for comparison purposes for management and the Committee. The figures below do not include VAT.

Body name	2024-25 audit fee	2025-26 proposed audit fee	Operating inc/(exp)	FTE staff	Areas of complexity/risk
<b>Health and Care Professions Council</b>	£75,500*	£76,600	£43m	318	One property that requires revaluation at least every 5 years (£5.3m) Judgemental provision of relatively low value (£391k)
<b>Nursing and Midwifery Council</b>	£85,000	£123,500	£105m	1,251	Judgemental provision of £3.9m Defined benefit pension scheme balances and disclosures Fixed asset investments of £42m
<b>General Dental Council**</b>	£80,000	£105,500	£42m	405	Right of use assets of £2.4m Judgemental provision of £1.3m Defined benefit pension scheme balances and disclosures Fixed asset investments of £21m
<b>Social Work England</b>	£80,000	£88,000	(£23m)	263	Judgement around contingent liability vs provision Highly material intangible assets £8.8m
<b>Health Research Authority</b>	£72,000	£85,100	(£20m)	246	Judgement around capitalisation of material staff costs Material intangible assets of £5.5m
<b>Health Services Safety Investigations Body</b>	£60,000	£60,000	(£6m)	48	None significant

\*Excludes additional £10k fee that was agreed following completion of the audit relating to additional costs incurred for work on deferred income prior period misstatements.

\*\*Body has a 31 December year-end, so the fee in the 2024-25 column is for the year ended 31 December 2024

## Other Matters

### Audit scope and strategy

This audit plan covers the work we plan to perform to express an opinion on whether the financial statements are free from material misstatement and are prepared, in all material respects, in accordance with the applicable financial reporting framework.

The plan is also designed to ensure the audit is performed in an effective and efficient manner. Where relevant queries arise, we have the option of using the support of NAO centres of expertise such as for the land and buildings valuation significant risk.

Our audit approach is a risk based approach, ensuring that audit work is focused on significant risks of material misstatement and irregularity.

In areas where users are particularly sensitive to inaccuracy or omission, a lower level of materiality is applied, e.g. for the audit of senior management remuneration disclosures and related party transactions.

When undertaking our risk assessment we take into account several factors including:

- Inquiries of management
- Analytical procedures
- Observation and inspection of control systems and operations
- Examining business plans and strategies

Our risk assessment will be continually updated throughout the audit.

### Independence

We are independent of Health Care Professions Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard. We have fulfilled our ethical responsibilities in accordance with these requirements and have developed important safeguards and procedures in order to ensure our independence and objectivity.

Information on NAO quality standards and independence can be found on the NAO website: <https://www.nao.org.uk/about-us/our-work/governance-of-the-nao/transparency/>.

We will reconfirm our independence and objectivity to the Audit & Risk Assurance Committee following the completion of the audit.

### Other Matters

#### Management of personal data

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 confirm that we have discharged those responsibilities communicated to you in the [NAO's Statement on Management of Personal Data at the NAO](#).

#### Using the work of internal audit

We liaise closely with internal audit through the audit process and seek to take assurance from their work where their objectives cover areas of joint interest. We do not intend to rely on the work of the internal auditors in forming our audit opinion.

#### Communication with the NAO

Organisations we audit tell us they find it helpful to know about our new publications, cross-government insight and good practice.

Our [website](#) holds a wealth of information from latest publications which can be searched, to pages sharing our insights on important [cross-cutting issues](#). We also publish blogs and send email notifications to subscribers about our work on particular sectors or topics. If you would like to receive these alerts, please sign up at: <http://bit.ly/NAOoptin>. You will always have the option to amend your preferences or unsubscribe from these emails at any time.

#### NAO's Transparency Report

The NAO's annually published [Transparency Report](#) documents how we support Parliament in holding government to account through our statutory public audits.

The report includes details of our quality plan and the whole system approach we are taking to ensure consistently high-quality audit work including our adoption of the *International Standard on Quality Management (UK) 1 – Quality Management for firms that perform audits or reviews of financial statements, or other assurance or related services engagements*.

**As part of our commitment to delivering a high-quality and efficient audit we develop, test and use data analytics and AI to support our audit work.**

This includes developing machine learning techniques for risk assessment, AI productivity tools and tools for identifying themes in unstructured data.

We carefully govern the use of these tools to ensure compliance with applicable auditing standards. The use of AI does not replace professional auditor judgement; all outputs are subject to oversight, review and interpretation by the audit team.

We have developed a set of guiding principles so the implications of AI use are fully and appropriately considered and have established a governance model including an AI Governance Board and project boards for individual AI projects. We use a clear and consistent framework to assess potential use cases and train teams about how they should and should not use AI tools. We do not allow the use of publicly available AI tools (such as ChatGPT) with NAO or client data.

Examples of tools in use include:

- **Journals:** Our NAO Journals Analytic tool uses machine learning, as one part of a multi-factor risk assessment, to support the selection of high risk journals for testing and enable more thorough and consistent analysis of fraud risk for each journal line in the general ledger.
- **Data Snipper:** This tool is an Excel add-in which helps automate audit processes such as internal controls testing, document matching, and data extraction.
- **Copilot:** We are piloting the use of Microsoft Copilot to enhance productivity in routine audit tasks, building on our existing Microsoft 365 security and compliance controls to ensure our data remains within a secure environment. Copilot's access is restricted by user access rights, and no data is used to train the underlying models.

We may also use data and information obtained in the course of our audit work to support the development and testing of tools and technologies which would enable us to progress our commitment to delivering a high-quality and efficient audit. The tools developed are solely for NAO use.

**To reflect our use of technology, the following has been added to our Letters of Engagement/Understanding:**

### Use of AI-based tools and development of technology

As part of our commitment to delivering a high-quality and efficient audit, we may use artificial intelligence (AI), including generative AI and machine learning tools, to support aspects of our audit work. Examples include for risk assessment, identifying themes in unstructured data and general productivity assistance such as information retrieval. We carefully govern the use of these tools to ensure compliance with applicable auditing standards. The use of AI does not replace professional auditor judgement; all outputs are subject to oversight, review and interpretation by the audit team.

We may also use data and information obtained in the course of our audit work to support the development and testing of tools and technologies which would enable us to progress our commitment to delivering a high-quality and efficient audit.

We apply appropriate controls and safeguards to ensure that any data used in the development of tools and technology and/or processed using AI tools, including personal data, is handled securely and in accordance with the Statement on the Management of Personal Data at the NAO. Our safeguards will include measures to ensure accuracy, minimise the risk of unfairness, bias or discrimination, and protect the rights of individuals.

Abdool Kara  
**Executive Director**

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Darren Stewart  
**Engagement Director**

**T: 0191 269 8883**

**E: darren.stewart@nao.org.uk**

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Daniel Reay  
**Engagement Manager**

**T: 0191 269 0386**

**E: daniel.reay@nao.org.uk**

Haider Ali  
**Engagement Lead**

**T: 020 7798 7958**

**E: haider.ali@nao.org.uk**

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In line with ISAs (UK) we are required to agree the respective responsibilities of the C&AG/NAO and the Accounting Officer/audited entity, making clear that the audit of the financial statements does not relieve management or those charged with governance of their responsibilities. These responsibilities are set out in the Letter of Engagement/Understanding and are summarised here.

Area	Accounting Officer/management responsibilities	Our responsibilities as auditor
<b>Scope of the audit</b>	<ul style="list-style-type: none"> <li>• Prepare financial statements in accordance with Health Professions Order 2001 and directions made thereunder by the Privy Council and that give a true and fair view.</li> <li>• Process all relevant general ledger transactions and make these, and the trial balance, available for audit.</li> <li>• Support any amendments made to the trial balance after the close of books (discussing with us).</li> <li>• Agree adjustments required as a result of our audit.</li> <li>• Provide access to documentation supporting the figures and disclosures within the financial statements.</li> <li>• Subject the draft account to appropriate management review prior to presentation for audit</li> </ul>	<ul style="list-style-type: none"> <li>• Conduct our audit in accordance with International Standards on Auditing (ISAs) (UK).</li> <li>• Report if the financial statements do not, in any material respect, give a true and fair view.</li> <li>• Review the information published with the financial statements (e.g. annual report) to confirm it is consistent with the accounts and information obtained during the course of our audit.</li> </ul>
<b>Fraud</b>	<ul style="list-style-type: none"> <li>• Primary responsibility for the prevention and detection of fraud.</li> <li>• Establish a sound system of internal control designed to manage the risks facing the organisation; including the risk of fraud.</li> </ul>	<ul style="list-style-type: none"> <li>• Obtain reasonable assurance that the financial statements (as a whole) are free from material misstatement, whether caused by fraud or error.</li> <li>• Make inquiries of those charged with governance in respect of your oversight responsibility.</li> <li>• Discuss fraud risks associated with the entity with those charged with governance.</li> </ul>

Area	Accounting Officer/management responsibilities	Our responsibilities as auditor
<b>Regularity</b>	<ul style="list-style-type: none"> <li>• Ensure the regularity of financial transactions.</li> <li>• Obtain assurance that transactions are in accordance with appropriate authorities, including the organisation's statutory framework and other requirements of Parliament and HM Treasury.</li> </ul>	<ul style="list-style-type: none"> <li>• Conduct our audit of regularity in accordance with Practice Note 10, 'Audit of financial statements and regularity of public sector bodies in the United Kingdom (revised 2022)', issued by the Financial Reporting Council.</li> <li>• Confirm the assurances obtained by the Health Care Professions Council that transactions are in accordance with authorities.</li> <li>• Have regard to the concept of propriety, i.e. Parliament's intentions as to how public business should be conducted.</li> </ul>
<b>Propriety</b>	<ul style="list-style-type: none"> <li>• Ensure the propriety of financial transactions</li> <li>• Ensure that patterns of resource consumption should meet high expectations of public conduct, and robust governance and respect Parliament's intentions, conventions and control procedures, including any laid down by the Public Accounts Committee.</li> </ul>	<ul style="list-style-type: none"> <li>• Propriety is not readily susceptible to objective verification and, as such, is not expressly covered in the opinion on financial statements. When issues of propriety come to light in the course of the audit of financial statements, the auditor considers whether and, if so, how they may be reported.</li> </ul>
<b>Governance statement</b>	<ul style="list-style-type: none"> <li>• Review the approach to the organisation's governance reporting.</li> <li>• Assemble the governance statement from assurances about the organisation's performance and risk profile, its responses to risks and its success in tackling them.</li> <li>• Board members, with the support of the [Audit Committee], evaluate the quality of internal control and governance, and advise on any significant omissions from the statement.</li> </ul>	<ul style="list-style-type: none"> <li>• Confirm whether the governance statement is consistent with our knowledge of the organisation, including its internal control.</li> <li>• Consider whether the statement has been prepared in accordance with HM Treasury guidance, including Managing Public Money.</li> </ul>
<b>Accounting estimates and related parties</b>	<ul style="list-style-type: none"> <li>• Identify when an accounting estimate, e.g. provisions, should be made.</li> <li>• Appropriately value and account for estimates using the best available information and without bias.</li> <li>• Identify related parties.</li> <li>• Appropriately account for and disclose related party transactions.</li> </ul>	<ul style="list-style-type: none"> <li>• Consider the risk of material misstatement in respect of accounting estimates made by management.</li> <li>• Perform audit procedures to identify, assess and respond to the material risks of not accounting for or disclosing related party relationships appropriately.</li> </ul>

## Appendix 3: Changes to the valuation for FReM non-investment assets

HM Treasury have changed the valuation basis for non-investment (i.e. operational) assets in 2025-26.

Asset Category under the FReM	Current Measurement	Proposed measurements
Networked assets	Depreciated replacement cost	<p>These three asset categories are merged into a new category 'operational assets', measured at Existing Use Value – which will often be calculated as Depreciated Replacement Cost.</p> <p>Full revaluations are not required more frequently than quinquennially, and there are 3 options:</p> <ul style="list-style-type: none"> <li>• A quinquennial revaluation supplemented by annual indexation in intervening years.</li> <li>• A rolling programme of revaluations over a 5-year cycle, with indexation applied to assets not revalued in a given financial year.</li> <li>• For non-property assets, revaluation by indexation only.</li> </ul>
Specialised assets	Depreciated replacement cost	
Non-specialised assets	Market value in existing use	
Heritage assets	No change	
Surplus assets	No change	
Intangible assets	Market value in existing use or historical cost for low value assets or assets with short useful lives	Historical (deemed) cost

Entities should:

- Review asset balances for changes to valuation basis
- Choose appropriate revaluation frequency (quinquennial or rolling)
- Choose appropriate indices – HMT application guidance suggests possible indices but judgement is required to choose the most appropriate
- Engage early with valuers, particularly where assets are valued using modern equivalent asset and / alternative location basis, to understand the impact of the changes
- Revalue assets to new basis – but note the FReM allows staged implementation in line with the revaluation cycle – it does not require revaluation of all assets in the year of implementation.

# Appendix 4: Task Force on Climate-related Financial Disclosure

The Task Force on Climate-related Financial Disclosure (TCFD) recommendations provide a disclosure framework intended to provide users of annual reports with useful information about an organisation’s governance, strategy, risk management and performance on climate-related issues. The [TCFD recommended disclosures](#) as set out by the Financial Stability Board have been compulsory for certain companies and LLPs in the UK private sector since 2022-23.

HM Treasury have developed [application guidance](#) for central government which mandates phased implementation of the disclosure recommendations as set out in the table below. These disclosure requirements are being implemented into central government on a comply or explain basis.

	Phase 1 - Governance Focus	Phase 2 – Risk Management and Metrics and Targets	Phase 3 – Strategy
<b>Target Period</b>	2023-24	2024-25	2025-26
<b>Focus</b>	High-level overview.	Qualitative disclosures and quantitative disclosure with less technical requirements.	Quantitative disclosures with more technical requirements for bodies with material climate-related risk. TCFD-aligned disclosure is fully implemented.
<b>Requirements</b>	Reporting entities shall provide a TCFD Compliance Statement and the recommended disclosures for: <ul style="list-style-type: none"> <li>• Governance</li> <li>• Metrics and Targets (b), only where available from existing reporting processes</li> </ul>	Reporting entities shall provide a TCFD Compliance Statement and the recommended disclosures for: <ul style="list-style-type: none"> <li>• Governance</li> <li>• Risk Management</li> <li>• Metrics and Targets (b)</li> </ul> For reporting entities who have judged that climate change is a principal risk, or otherwise material to them: <ul style="list-style-type: none"> <li>• Metrics and Targets (a) and (c)</li> </ul>	Reporting entities shall provide a TCFD Compliance Statement and the recommended disclosures for: <ul style="list-style-type: none"> <li>• Governance</li> <li>• Risk Management</li> <li>• Metrics and Targets (b)</li> </ul> For reporting entities who have judged that climate change is a principal risk, or otherwise material to them: <ul style="list-style-type: none"> <li>• Metrics and Targets (a) and (c)</li> <li>• Strategy</li> </ul>

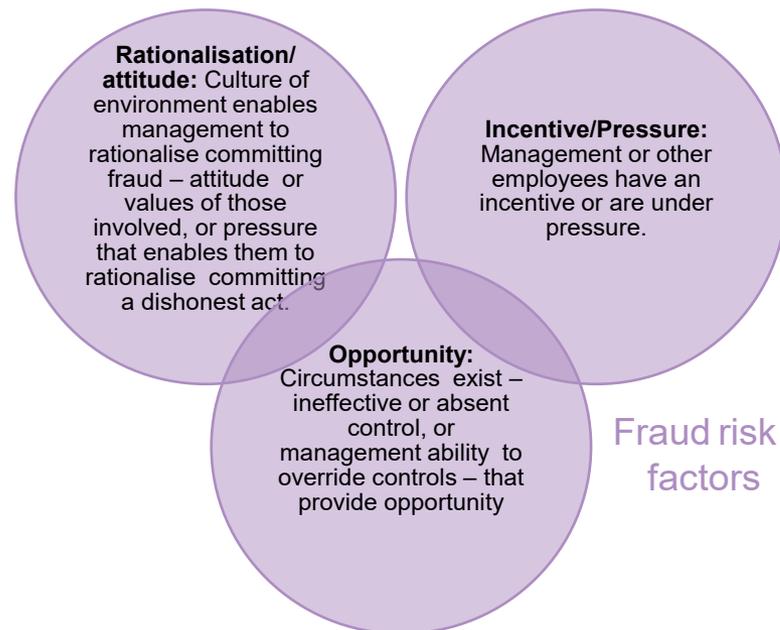
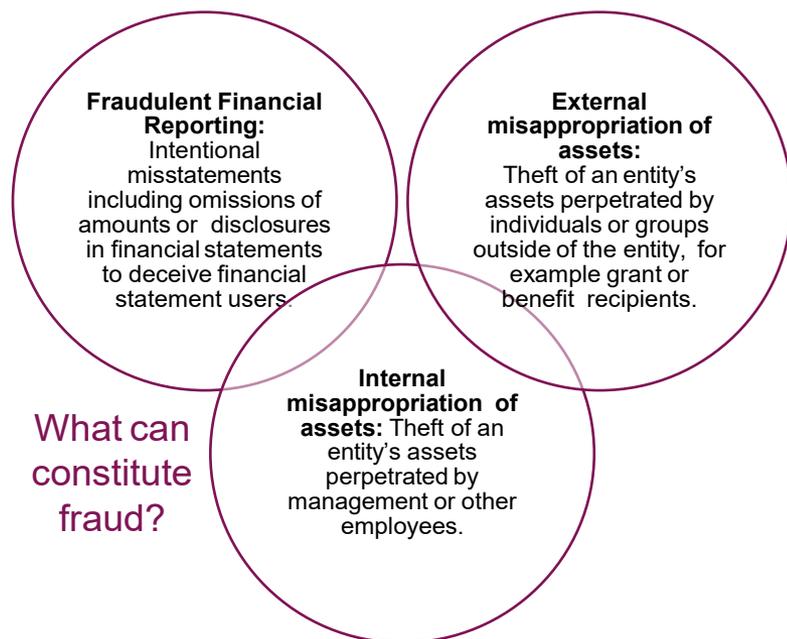
## Changes to Sustainability Reporting Guidance and Greening Government Commitments in 2025-26

The Greening Government Commitments (GGC) guidance and metrics and targets for the period 2025 – 2030 are expected to be published in October 2025.

However, the HMT Sustainability Reporting Guidance has been updated for 2025-26. The most substantive changes are:

- Increased focus on data quality, proportionality and integrated reporting.
- Streamlining of metrics; not all GGC requirements are mandatory in the annual report from 2025-26.
- The comply or explain basis for disclosure has been introduced for all sustainability reporting.
- A materiality-based approach has been introduced for all scope 3 emissions reporting.

ISA (UK) 240 'The auditor's responsibility to consider fraud in an audit of financial statements' requires us, as your auditors, to make inquiries and obtain an understanding of the oversight exercised by those charged with governance.



### ISA inquiries

Our inquiries relate to your oversight responsibility for

- Management's assessment of the risk that the financial statements may be materially misstated owing to fraud, including the nature, extent and frequency of such assessments;
- Management's process for identifying and responding to the risks of fraud, including any specific risks of fraud that management has identified or that has been brought to its attention;
- Management's communication to the [Audit Committee] (and others charged with governance) on its processes for identifying and responding to the risks of fraud; and
- Management's communication, if any, to its employees on its views about business practices and ethical behavior.

**We are also required to ask whether you have any knowledge of any actual, suspected or alleged fraud and discuss with you the risks of fraud in the entity.**

### Audit approach

We have planned our audit of the financial statements so that we have a reasonable expectation of identifying material misstatements and irregularity (including those resulting from fraud). Our audit, however, should not be relied upon to identify all misstatements or irregularities. The primary responsibility for preventing and detecting fraud rests with management.

We will incorporate an element of unpredictability as part of our approach to address fraud risk. This could include, for example, completing procedures at locations which have not previously been subject to audit or adjusting the timing of some procedures.

We will report to the [Audit Committee] where we have identified fraud, obtained any information that indicates a fraud may exist or where we consider there to be any other matters related to fraud that should be discussed with those charged with governance.

## Support to Audit Committees

We have developed a range of guidance and tools to help public sector [Audit Committee]s achieve good corporate governance. This includes a good practice guide on managing risk across government.

[Good practice guide - Overcoming challenges to managing risks in government](#)

## Climate Risk: A good practice guide for Audit and Risk Assurance Committees

[Audit Committee]s play a key role in scrutinising and advising the Board and Accounting Officer on risks arising from climate change. This guide will help ARACs recognise how climate change risks could manifest themselves and support them in challenging senior management on their approach to managing climate change risks

[Climate change risk: A good practice guide for Audit and Risk Assurance Committees - National Audit Office \(NAO\) Report](#)

## Corporate Governance Code for central government departments

The document was released in April 2017 and lays out the model for departmental boards, chaired by Secretaries of State and involving ministers, civil servants and non-executive board members. The principles outlined in the code will also prove useful for other parts of central government and they are encouraged to apply arrangements suitably adapted for their organisation.

<https://www.gov.uk/government/publications/corporate-governance-code-for-central-government-departments-2017>

## Guidance for governance

## Sustainability reporting

This guidance is to assist with the completion of sustainability reports in the public sector. It sets out the minimum requirements, some best practice guidance and the underlying principles to be adopted in preparing the information.

[2023-24 Sustainability Reporting Guidance.docx \(publishing.service.gov.uk\)](#)

## Disclosure Guides

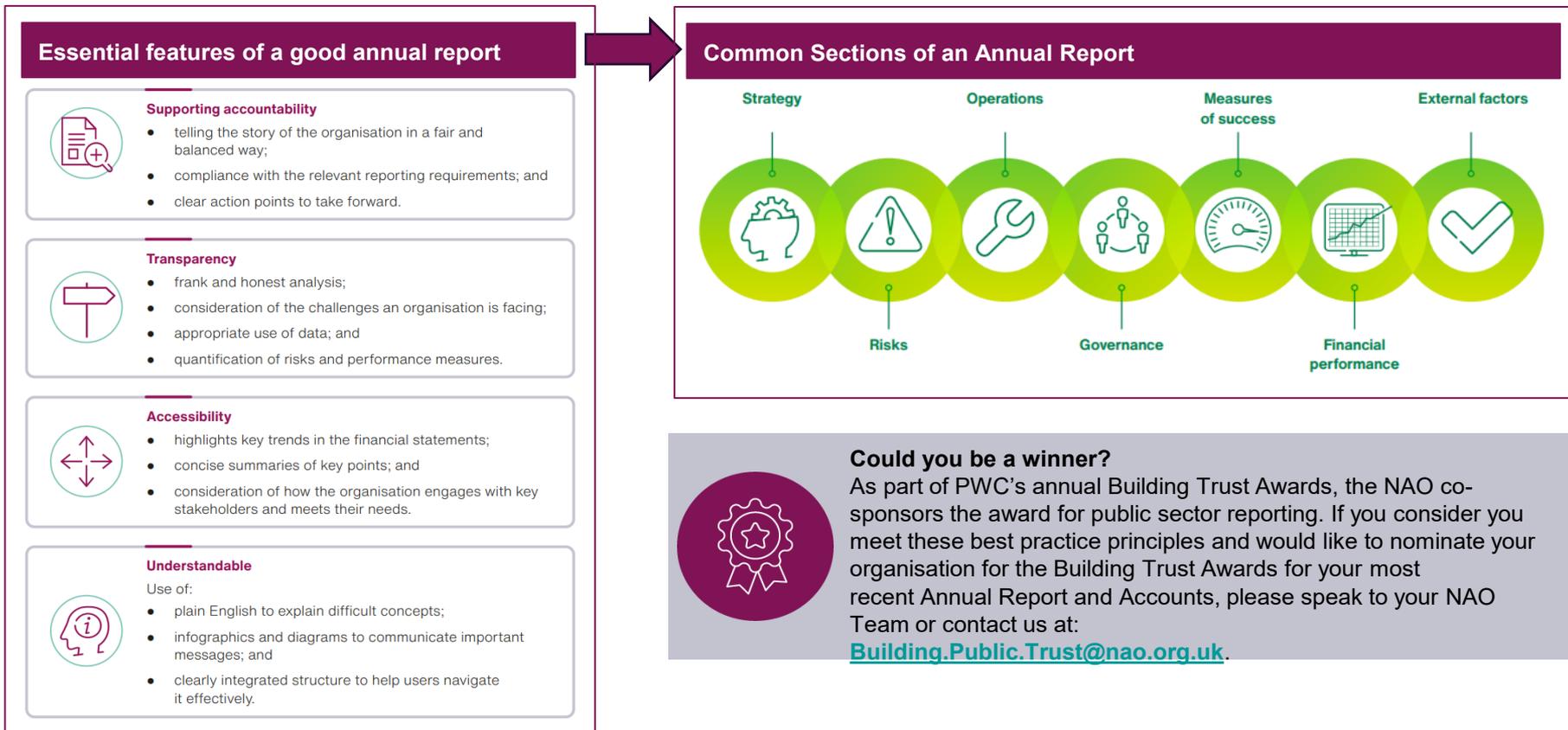
Our disclosure guides for audited entities help audited bodies prepare an account in the appropriate form and that has complied with all relevant disclosure requirements.

[Disclosure guide for entities who prepare financial statements in accordance with the Government Financial Reporting Manual \(FReM\) - National Audit Office \(NAO\) insight](#)

The [Audit Committee] plays a key role in scrutinising the Annual Report and Accounts on behalf of their Board and Accounting Officer, ensuring the **quality of disclosures**, its understandability for users, and that the body’s performance is presented in a **fair and balanced way**.

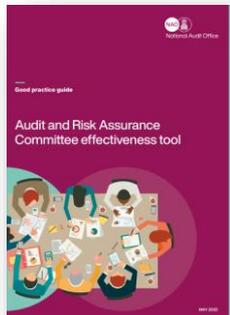
To support the [Audit Committee] in this role, we have published our [Good Practice in Annual Reporting](#) guide.

The Guide, which we update annually, provides specific examples of best practice we identified during our review of a sample of annual reports each year. Our **good practice principles** are grouped under: supporting accountability, transparency, accessibility and understandability. These principles should be evident across the **common sections of your annual report**.



Our **effectiveness tool** is a comprehensive way for ARACs in central government to assess their effectiveness on a regular basis.

The tool should be used in a way that is proportionate to the risks and complexity of each organisation.



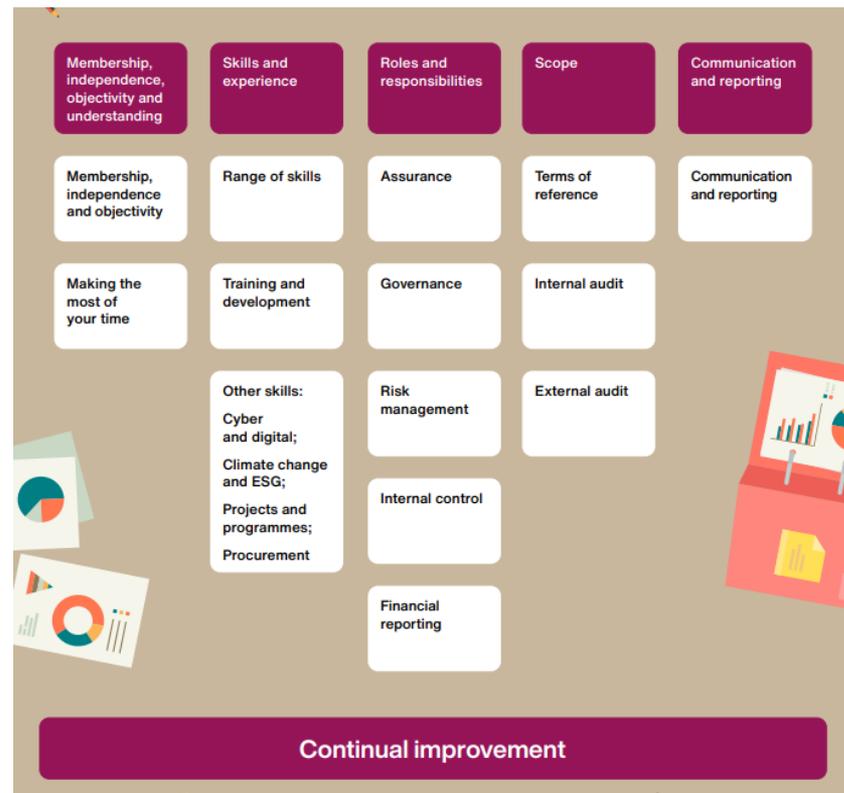
Our effectiveness tool outlines six areas for self-assessment:

- **membership, independence, objectivity and understanding**
- **skills and experience**
- **roles and responsibilities**
- **scope**
- **communication and reporting**
- **continual improvement**

There are two types of questions:

**Essentials** – these reflect the core expectations of ARACs in line with HM Treasury's *ARAC Handbook (2016)*. All organisations should answer these questions.

**Good practice** – these are drawn from wider guidance and allow ARACs to go beyond basic requirements and demonstrate best practice. If you have fewer resources and your organisation has a lower risk profile you may decide to address these areas on a cyclical basis.



## Outcome Analyser



To gain an overall view of ARAC effectiveness, it is important that the individual views of all members are considered as a whole. Therefore we have created an accompanying [outcome analyser](#) which allows you to:

- generate an overall view of ARAC effectiveness; and
- drill down and analyse specific areas of strength or improvement on a section, sub-section and individual question level.