
External Audit 2019-20

Executive Summary

In December 2017, the Council appointed Haysmacintyre (HM) to audit the accounts and report to the Council, alongside the NAO. The NAO will rely on the work of HM where appropriate and support the Comptroller and Auditor General's certification to Parliament.

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

HM's final audit findings report on the 2019-20 financial statements is attached. Management has considered the recommendations and provided responses in the report.

Appendix 2 (page 21) 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.

National Audit Office (NAO) Audit Completion Report on the 2019-20 Financial Statement audit

The NAO's audit completion report for 2019-20 is attached. This report is still being reviewed by NAO's technical team for final approval, but no change is expected.

The audit completion report also includes as an appendix the draft "letter of representation" that the NAO asks the Accounting Officer to sign. This is a standard audit procedure which provides the auditors with explicit confirmation of various points which are implicit in the draft accounts.

Previous consideration	The report was considered by Audit Committee at its meeting on 17 September 2020.
Decision	Council is asked to note the reports and the signing of the letter of representation, subject to the Council's approval of the Annual Report and Accounts, earlier on the meeting's agenda.
Next steps	Parliamentary laying of the Annual Report and Accounts is anticipated on the 6 October 2020.

Strategic priority
The strategic priorities set in 2018 are no longer current. We are developing a new strategy that we aim to confirm at the end of 2020.

Risk
Strategic Risk 5- Failure of leadership, governance or culture

The Council takes a minimal approach to compliance and regulatory risk.

Financial and
resource
implications The cost of the HM external audit for 2019-20 is £27,480

The cost of the NAO external audit for 2019-20 is £6,100.

Author
Tian Tian, Director of Finance
tian.tian@hcpc-uk.org

haysmacintyre

Health and Care Professionals Council

Audit Findings Report

Partner: Kathryn Burton; kburton@haysmacintyre.com
Manager: Alex Gillespie; agillespie@haysmacintyre.com

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 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
<p>Presumed risk in revenue recognition (significant risk)</p> <p>We are required to consider and respond to the risks of improper revenue recognition.</p>	<p>We have undertaken the following procedures to verify the appropriateness of revenue recognition:</p> <ul style="list-style-type: none"> • 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 	<p>Our audit work on revenue did not identify any material issues.</p>
<p>Presumed risk of management override (significant risk)</p> <p>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</p>	<p>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.</p> <p>Accounting estimates were reviewed for potential bias.</p> <p>The business rationale for unusual or significant transactions outside the normal course of business for the Council were evaluated.</p>	<p>The results of our planned audit work are considered to be satisfactory in this area.</p>

<p>Going concern (significant risk)</p> <p>There is a risk that the going concern assumption may be inappropriate, following a challenging period for the Council.</p>	<p>We have reviewed budgets and cash flow forecasts and considered the appropriateness of key assumptions and consider the key sensitivities.</p> <p>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.</p> <p>We have considered the extent the organisation may be able to raise alternative debt finance to cover any short-term cash flow issues.</p>	<p>Our audit work in this area did not identify any significant issues.</p>
<p>Transfer of register of social workers (significant risk)</p> <p>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).</p>	<p>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.</p>	<p>Our audit work in this area did not identify any significant issues.</p>
<p>Completeness of liabilities (area of focus)</p> <p>Completeness of creditors – risk of creditors (including fitness to practice liabilities) being materially understated.</p>	<p>Post year end invoices and payments were reviewed for evidence of understated liabilities. We requested and obtained third party confirmation from the Council’s lawyers in relation to outstanding fitness to practice cases.</p>	<p>The results of our planned audit work are considered to be satisfactory in this area.</p>

<p>Completeness of staff costs (area of focus)</p> <p>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</p>	<p>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.</p> <p>We reviewed the staff costs disclosures in the financial statements and agreed they were appropriate.</p> <p>We have liaised with the NAO to ensure that the remuneration report meets the necessary disclosure requirements.</p>	<p>Our audit work in this area did not identify any significant issues.</p>
<p>Valuation of fixed assets (area of focus)</p> <p>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.</p>	<p>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.</p> <p>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.</p>	<p>The results of our planned audit work are considered to be satisfactory in this area.</p>

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. 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 "earned".
- The organisation is in the process of applying for an emergency Covid-19 grant, which could lead to a cash upside against forecast.

In addition, management have prepared a sensitivity analysis outlining the potential loss of income from each category of registration income to support their forecasts.

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.

Management have confirmed that they do not consider there to be any impairment of the asset.

v. Accounting policiesIFRS 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 to 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.	<ul style="list-style-type: none"> • 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.	<ul style="list-style-type: none"> • 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.	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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	
<p>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.</p> <p>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.</p>	<p>We recommend that a record be maintained of the individuals that confirmed authorisation for all payments.</p>	<p>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.</p>	

Issue:	Reconciliation of NetRegulate	Control point grade:	Important
Risk	Our comments & proposals	Management response	
<p>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.</p>	<p>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.</p>	<p>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.</p>	

Issue:	Retention of membership records		Control point grade:	Advisory
Risk	Our comments & proposals	Management response		
<p>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.</p>	<p>We recommend that the member records are reviewed accordingly.</p>	<p>We agree with the recommendation.</p>		

Prior year

Issue:	Fixed asset register		Control point grade:	Important
Risk	Our comments & proposals		Current year update	
<p>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.</p> <p>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.</p> <p>In prior years we also noted that there were some older, fully written down items, within the register that had not been removed.</p>	<p>We recommended that the fixed asset register is consolidated, so that the register includes only the pertinent information of capital costs.</p>		<p>We observed that the fixed assets register was tidier in the current year, but still contained some of the older written down items.</p> <p>STATUS: PARTIALLY RESOLVED</p> <p><i>Management response:</i></p> <p>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.</p> <p>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.</p>	

Issue:	Review of journal entries		Control point grade:	Important
Risk	Our comments & proposals		Current year update	
<p>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.</p>	<p>We recommended that journals were reviewed on a timely basis, to reduce the risk of any unusual journals going undetected.</p> <p>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.</p>		<p>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.</p> <p>STATUS: OUTSTANDING</p> <p><i>Management response:</i></p> <p>Journals continue to be reviewed and approved by manager before they get posted onto Sage.</p>	

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.

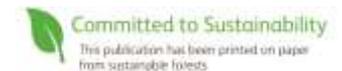
A further consultation on the detailed operation of the new rules was published on 5 March 2019, and closed on 5 May 2019 (<https://www.gov.uk/government/consultations/off-payroll-working-rules-from-april-2020>).

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.



© Copyright 2020 Haysmacintyre LLP. All rights reserved.

haysmacintyre is the trading name of Haysmacintyre LLP, a limited liability partnership

Registered number: OC423459 Registered in England and Wales

Registered to carry on audit work in the UK & Ireland and regulated for a range of investment business activities by the Institute of Chartered Accountants in England and Wales

A list of members' names is available for inspection at 10 Queen Street Place, London EC4R 1AG

A member of the ICAEW Practice Assurance Scheme

Disclaimer: This publication has been produced by the partners of Haysmacintyre LLP and is for private circulation only. Whilst every care has been taken in preparation of this document, it may contain errors for which we cannot be held responsible. In the case of a specific problem, it is recommended that professional advice be sought. The material contained in this publication may not be reproduced in whole or in part by any means, without prior permission from Haysmacintyre LLP.



Finalist: Tax Team of the Year



2019 Winner: Audit Team of the Year



Top 15 auditor to quoted companies in Advisor Ranking Listing



An eprivateclient top accountancy firm



Best Hedge Fund Manager Audit and Accountancy Firm 2018 & Most Trusted Tax Advisory Specialists - UK



Ranked top five for both 'charity expertise' and 'overall service' in the 2017 Charity Finance Audit Survey



Top adviser to the top 5,000 charities Charity Financials' league table



Winner of the Bronze Award for 'Best Professional Services Firm in Sport' 2017 and 2018



Letter of representation from council to auditors

(HCPC letterhead)

Haysmacintyre LLP
10 Queen Street Place
London
EC4R 1AG

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.

Letter of representation from council to auditors

(HCPC letterhead)

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



National Audit Office

Health and Care Professions Council
**Audit completion report (including
management letter) on the 2019/20
financial statement audit**

September 2020

Contents

This report sets out the results of our financial statement audit for the 2019-20 Health and Care Professions Council (HCPC) financial statements, for the September Audit Committee.

1. Overview	3
2. Key audit findings	4
Status of our audit	4
Findings from our work on significant risks	5
Findings from our work on areas of audit focus	8
3. Other audit findings	9
Appendices	
Appendix 1 : Draft letter of representation	11
Appendix 2 : Audit scope	13
Appendix 3 : Other matters for consideration	14
Appendix 4 : Future Standards	16
Appendix 5: Our wider health & social care work	18

Actions for the Audit Committee

The Audit Committee is invited to review the findings set out in this report, including the draft letter of representation at Appendix 1.

We have no additional management letter points beyond those reported by haysmacintyre in their completion report. We concur with their view that these do not impact on the audit opinion that they and we can give.

We would like to thank the Director of Finance and her staff for their assistance during the audit process.

Amy Manning (Engagement Director)

We have prepared this report for HCPC's sole use although you may also share it with the Privy Council and the Department of Health and Social Care. You must not disclose it to any other third party, quote or refer to it, without our written consent and we assume no responsibility to any other person.

Status and Conclusion

There is certain work to be performed by haysmacintyre and ourselves before the audit is fully complete. This is set out on **page 4 Status of our audit**.

We anticipate recommending to the Comptroller and Auditor General (C&AG) that he should certify the 2019-20 financial statements with an unqualified audit opinion, however we are currently discussing with our technical team whether the C&AG will include an emphasis of matter paragraph with regard to a material uncertainty over HCPC's property valuation.

Status and Conclusion

We plan our audit of the financial statements to respond to the risks of material misstatement and irregularity.

Our audit plan set out the following significant risks:

- **SR1 - Presumed risk of management override of controls;**
- **SR2 - Presumed risk of fraud in revenue recognition;**
- **SR3 – Transfer to Social Work England**
- **SR4 – Going Concern**
- **SR5 – Changes at senior staff level**

We have relied upon haysmacintyre's audit work. See pages 6-9 for further details.

Audit Approach

Reliance on haysmacintyre:

We rely on the work of haysmacintyre under the provisions of International Standard on Auditing (ISA) UK 600, to support the C&AG's 'true and fair' opinion. We have performed procedures to earn the right to rely on their work, and we have been involved in their work throughout the audit process. We have:

- Performed our audit using the same materiality and clearly trivial threshold as haysmacintyre;
- Identified the same audit risks as haysmacintyre, except for our additional significant risk relating to changes at senior staff level.
- We have been able to rely on the work of haysmacintyre and supplemented this with our own audit work for the additional significant risks identified.

Regularity-specific audit work:

The C&AG is required to provide an opinion on regularity, and we perform some additional work to support this opinion.

We perform a review of the draft Annual Report and Accounts, to confirm they comply with HCPC's financial reporting framework, and that the annual report and Governance Statement are consistent with the financial statements and with our understanding and have undertaken detailed audit testing of the HCPC Remuneration Report.

Audit findings

Materiality:

£600,000
Based on 2% of total income.

Identified misstatements:

No adjusted or unadjusted misstatements have been identified in the course of the audit above our clearly trivial threshold of £30,000.

Appendices

We have set out some additional information of relevance to our audit, including;

- the impact of upcoming changes in financial reporting standards; and
- a summary of our wider work completed in the health and social care area.

Key audit findings

Status of our audit

Financial Audit Completion

At the date of this report our audit of the financial statements is subject to completion of the areas detailed below. These must be resolved prior to completion of the audit:

Name	Actions to resolve	Owner of action
Review of haysmacintyre audit work	Completion of our review of audit work undertaken by haysmacintyre (including the completion of the outstanding work as noted in the haysmacintyre audit findings report) Our work in this area is now complete, no issues were noted and we have been able to take sufficient assurance	haysmacintyre /NAO
SMT departures	receipt of supporting evidence in relation to the departure of 2 SMT members to confirm the accuracy and regularity of payments and the appropriateness of disclosures in the annual report and accounts	HCPC/NAO
Emphasis of matter for property valuation	Advice from our technical team on the requirement for an emphasis of matter paragraph, following review of the haysmacintyre assessment, updated information from RICs and our own audit work.	HCPC/NAO
Internal quality assurance	completion of our internal quality assurance processes, including finalisation of engagement manager and engagement director review of audit work	NAO
Covid-19 disclosures	On-going consideration of the Covid-19 pandemic on going concern and the associated disclosures in the financial statements	HCPC/ haysmacintyre /NAO
Annual Report and Accounts changes	We will need to review the final draft of the annual report and accounts to ensure that all NAO and haysmacintyre disclosure comments have been reflected.	HCPC/ haysmacintyre /NAO
Final pre-certification checks	Consideration of events after the reporting period and other pre-certification checks. This work is performed on receipt of the signed HCPC Annual Report and Accounts and Haysmacintyre signed audit report.	HCPC/ haysmacintyre /NAO

Following resolution of the issues listed above, the Accounting Officer will sign the annual report and accounts together with a letter of representation, the proposed wording of which is included in Appendix 1.

Key audit findings

Findings from our work on significant risks

SR1. Presumed risk of management override of controls required by ISA (UK) 240

Details and audit response

Under International Standard on Auditing (UK) 240, there is a presumed significant risk that management may override the system of internal controls. Management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records and accounting estimates and prepare fraudulent financial statements by overriding internal controls that otherwise appear to be operating effectively.

Audit findings and conclusion

We relied on haysmacintyre's audit work on this risk and have reviewed their audit file and assessed the adequacy of their work and the sufficiency of the evidence obtained. We particularly referred to their consideration of:

- the appropriateness of general journal entries posted throughout the year and at the year-end for the preparation of the financial statements.
- accounting estimates, for indications of potential bias, and
- the business rationale for unusual or significant transactions outside the normal course of business.

The financial statements are free from material misstatement or error arising from management override of controls.

SR2. Presumed risk of fraud in revenue recognition

Details and audit response

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. Income is a significant figure in HCPC's accounts, and HCPC is faced with other significant issues in relation to financial performance, around the transfer to Social Work England, and also residual Going Concern issues linked to a stalled increase in the statutory registration fee.

Audit findings and conclusion

We relied on haysmacintyre's audit work on this risk, and have reviewed their audit file and assessed the adequacy of their work and the sufficiency of the evidence obtained.

No errors have been identified as a result of audit work.

We note that in conducting their work, haysmacintyre have issued a recommendation to management around the operation of controls in relation to HCPCs processing of income and ensuring this is operated on a timely basis. We do not consider that this impacts on the audit conclusion on the identified risk of fraud in revenue recognition.

The financial statements are free from material misstatement or error arising from fraud in revenue recognition.

Key audit findings

Findings from our work on significant risks

Financial Audit Completion

SR3. Transfer to Social Work England

Details and audit response

On 2 December 2019 Social Work England (SWE) took over from HCPC as the new regulator for social workers. This resulted in not only a transfer of registered workers from HCPC to SWE, but also an accounting transfer covering a cash transfer of fees paid, including prepayments and outstanding debts.

As social workers made up a significant proportion of HCPC's registrants the value of balances to transfer were highly material in terms of the HCPC accounts. Given historic limitations in the availability and quality of management information beneath the high level figures reported, there is a significant risk that the assets and liabilities transferred to SWE are materially incomplete, or inappropriately valued.

Audit findings and conclusion

We relied on haysmacintyre's audit work on this risk, and have reviewed their audit file and assessed the adequacy of their work and the sufficiency of the evidence obtained. We particularly referred to their review of the transfer agreement and test of detail undertaken around the amounts transferred.

Subject to an haysmacintyre resolving an outstanding query, the financial statements are free from material misstatement or error arising from the transfer of Social Workers to SWE.

SR4. Going Concern

Details and audit response

HCPC had planned to increase its statutory fee for registration in 2019 to cover its recognised increase in annual running costs. However as this increase was not passed in legislation it has not been possible to pass costs onto registrants, reducing HCPC's forecast income levels. This, combined with the transfer of a large proportion of registrants to Social Work England, put a strain on HCPC's operating costs, despite some additional funding being provided to ease the transition by the Department for Education. As a result of these increased budgetary pressures, concerns have been raised over HCPC's ability to be able to perform its statutory duties, and as such operate as a Going Concern.

Audit findings and conclusion

We relied on haysmacintyre's audit work on this risk, and have reviewed their audit file and assessed the adequacy of their work and the sufficiency of the evidence obtained alongside our own understanding and knowledge of HCPC and its business.

We are content that HCPC is able to perform its statutory duties, and as such operates as a going concern.

Key audit findings

Findings from our work on significant risks

SR5. Changes at senior staff level

Details and audit response

Over the course of the 2019-20 there have been a number of significant changes at a senior level within HCPC. This has not only included changes to the Finance and Human Resources Directors, but also a change in Chief Executive Officer and Chief Registrar. As the CEO was appointed as Accounting Officer for HCPC, this change has necessitated the Privy Council to appoint an interim Accounting Officer for 2019-20, or until such time as a permanent appointment can be made.

There is a risk that such turnover at a senior level within the business could impact upon the operation of HCPC's key financial and operational controls, and the overarching governance of HCPC. As a consequence of the change in CEO, Chief Registrar and Accounting Officer enhanced disclosures will also be required in the Remuneration Report and Governance Statements.

Additionally, following the number of changes to the HCPC SMT in year, including change of CEO and Chief Registrar, there is a risk that the Remuneration Report disclosures, which are considered material by nature, could be incomplete or inaccurate.

Audit findings and conclusion

We have undertaken detailed testing of the structure and content of the remuneration report with regard to the HCPC SMT. **We currently have an outstanding request for supporting evidence in relation to the departure of two SMT members to confirm the accuracy and regularity of the payments and the appropriateness of disclosures in the annual report and accounts.**

We have attended all Audit Committee meetings throughout the year and have not noted any indication that the changes in management structure in year have resulted in a reduction in the control environment at HCPC.

We have noted that no formal assurance over the operation of the control environment at HCPC was provided by the outgoing Accounting Officer, however whilst this is best practice, we do not consider its omission represents an increased risk of error. As part of our review of the annual report and account, we raised comment however to ensure that this transition is fully disclosed, including the need for a brief explanation as to how the incoming AO has obtained his assurances so that he can sign off the Governance Statement and Statement of Accounting Officers Responsibility for the full year.

Key audit findings

Findings from our work on areas of audit focus

Financial Audit Completion

Areas of Audit Focus The following are matters which we considered had a direct impact on the financial statements but did not represent significant risks of material misstatement as defined by ISA (UK) 315;

- AF1 - Non-current asset valuation;
- AF2 - Completeness of payroll
- AF3 - Completeness of payables; and
- AF4 – Implementation of IFRS 16

As noted in our Audit Planning Report, this assessment is in line with the assessment of audit risk made by haysmacintyre. We have reviewed their work undertaken in response to each and concur with their conclusions.

AF1 – we note, as haysmacintyre have, that the HCPC accounts for investment property at fair value, and this is revalued annually at 31 March, for inclusion in the statement of financial position. For this HCPC engage a surveyor, SHW. SHW estimated an existing use value of £5.82m as at 31 March 2020, however, their report was caveated due to the impact of the Covid-19 pandemic, resulting in a material uncertainty over the property market on the valuation.

As a result we are currently discussing with our technical team whether the C&AG will include an emphasis of matter paragraph relating to the uncertainty of the property valuation in his audit certificate for HCPC. Our audit work will include review of haysmacintyre's assessment and consideration of updated information from RICs that has been made available.

AF3 and AF3 – no issues were identified

With regard to AF4 – the implementation of IFRS 16 was deferred until 2021-21 by treasury in response to increased pressures on finance teams caused by the Covid-19 pandemic. As such this area of audit focus has been closed for 2019-20. We will review managements progress against this once again as part of our 2020-21 audit.

Financial statement disclosures

We have challenged management over the adequacy of disclosures in the annual report and financial statements and have made a number of suggestions to improve narrative disclosures and to ensure completeness of the disclosures required under the FReM and other relevant guidance.

We are content with the overall neutrality, consistency and clarity of the disclosures in the financial statements as well as judgments made in formulating particularly sensitive financial statement disclosures.

Accounting policies and financial reporting

We have reviewed and considered the appropriateness of the judgements made by the entity on accounting policies.

We are content that the accounting policies are complete, accurate and compliant with the relevant standards and have been appropriately applied.

Regularity, propriety and losses

Subject to the completion of our testing on 2 SMT payments we have found no issues of irregularity or impropriety during our audit.

Losses are adequately disclosed in the accounts.

Appendices

Appendix 1: Draft letter of representation

Financial Audit Completion

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

LETTER OF REPRESENTATION: HEALTH AND CARE PROFESSIONS COUNCIL 2019-20

I acknowledge as Accounting Officer of the Health and Care Professions Council (HCPC) my responsibility for preparing accounts that give a true and fair view of the state of affairs, net expenditure, changes in tax payers equity and cash flows of the HCPC for the year ended 31 March 2020.

In preparing the accounts, I was required to:

- observe the accounts direction issued by the Privy Council, including the relevant accounting and disclosure requirements and apply appropriate accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards have been followed and disclosed and explain any material departures in the accounts; and
- make an assessment that HCPC is a going concern and will continue to be in operation throughout the next year; and ensure that this has been appropriately disclosed in the financial statements.

I confirm that for the financial year ended 31 March 2020:

neither I nor my staff authorised a course of action, the financial impact of which is that transactions infringe the requirements of regularity as set out in Managing Public Money;

having considered and enquired as to HCPC's compliance with law and regulations, I am not aware of any actual or potential non-compliance that could

have a material effect on the ability of HCPC to conduct its business or on the results and financial position disclosed in the accounts;

all accounting records have been provided to you for the purpose of your audit and all transactions undertaken by HCPC have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all management meetings which you have requested have been supplied to you; and

the information provided regarding the identification of related parties is complete; and the related party disclosures in the financial statements are adequate.

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

INTERNAL CONTROL

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

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

FRAUD

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

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

ASSETS

General

All assets included in the statement of financial position were in existence at the reporting date and owned by HCPC, and free from any lien, encumbrance or charge, except as disclosed in the accounts. The statement of financial position includes all tangible assets owned by the HCPC.

Non-Current Assets

All assets over £5,000 are capitalised. Land and buildings were revalued as at 31 March 2020 with a full valuation carried out by professionally qualified Chartered Surveyors. Plant, equipment and intangibles are relatively low value items with relatively short useful lives, and are stated at historic cost of acquisition less accumulated depreciation and impairment losses as a proxy for fair value. Depreciation is calculated to reduce the net book amount of each asset to its estimated residual value by the end of its estimated useful life in HCPC's operations.

Other Current Assets

On realisation in the ordinary course of HCPC's operations the other current assets in the statement of financial position are expected to produce at least the amounts at which they are stated. Adequate provision has been made against all amounts owing to the HCPC which are known, or may be expected, to be irrecoverable.

LIABILITIES

General

All liabilities have been recorded in the statement of financial position. There were no significant losses in the year and no provisions for losses were required at the year-end.

Provisions

Provision is made in the financial statements for:

- Dilapidation costs in respect of leased office space at 405 Kennington Park Road;

Contingent Liabilities

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

OTHER DISCLOSURES

Results

Except as disclosed in the accounts, the results for the year were not materially affected by transactions of a sort not usually undertaken by], or circumstances of an exceptional or non-recurring nature.

Going concern

I am satisfied that the HCPC is a going concern. I have reached this conclusion based on the budget for 2020-21 and our realisable net asset base which includes the significant cash balances held by HCPC, taking into account planned fee changes and material uncertainty over the valuation of HCPC's land and building property as at 31 March 2020.

Unadjusted Errors

No adjusted or unadjusted errors have been brought to my attention as a result of the NAO's audit work.

Events after the Reporting Period

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

Management of Personal Data

Except as disclosed in the relevant sections of the Annual Report, there have been no personal data related incidents in the accounting period subject to audit which are required to be reported.

John Barwick

Accounting Officer and Chief Executive

[Date] (This **must** be the same date as the ARA is signed).

We have completed our audit of the 2019-20 financial statements in accordance with International Standards on Auditing (UK) issued by the Financial Reporting Council and with the audit planning report presented to the Audit Committee in November 2019.

We have also read the content of the draft annual report and the governance statement to confirm that:

- the parts of the Annual Report to be audited have been properly prepared in accordance with the Health and Social Work Professions Order 2001 and the determination of the Privy Council issued thereunder
- in the light of the knowledge and understanding of the Health and Care Professions Council and its environment obtained in the course of the audit, we have not identified any material misstatements in the Performance Report or the Accountability Report;
- the information given in the Performance and Accountability Reports for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- that the governance statement has been prepared in accordance with HM Treasury guidance.

As part of our audit, we assessed:

- whether the accounting policies are appropriate to the HCPC's circumstances and have been adequately disclosed;
- the reasonableness of significant accounting estimates made by the Accounting Officer; and
- the overall presentation of the financial statements.

We are also required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Independence

We are independent of the Health and 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 as applied to listed entities/public interest entities. 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/>.

International standards on Auditing (UK)

We consider that there are no additional matters in respect of items requiring communication to you, per International Standards on Auditing (UK), that have not been raised elsewhere in this report or our audit planning report. Items requiring communication cover:

- Fraud Going concern
- HCPC's compliance with laws and regulations
- Significant difficulties completing the audit
- Disagreements or other significant matters discussed with management

Cooperation with other auditors

The 'first tier' auditors

As set out more fully on page 3, we have performed procedures to confirm we are able to rely on the audit work of haysmacintyre, in line with our planned approach.

Internal Audit

We have not relied upon the work of internal audit, although we have considered their reports and their annual assurance opinion in forming our assessment of risk in the financial statements, and in our assessment of the Governance Statement.

Practice Note 10

Practice Note 10 (PN 10) sets out how auditors of public sector bodies in England, Scotland, Northern Ireland and Wales apply auditing standards to their work on financial statements. The aim of the Practice Note is to support consistency in the application of auditing standards while also recognising the specific legislative and regulatory frameworks that apply to the audits of public sector bodies. PN 10 also provides guidance on the approach to the audit of regularity.

Public Audit Forum (PAF) is consulting on the exposure draft for the 2020 revision of Practice Note 10. Comments from all interested parties are welcomed. Information can be found on the Public Audit Forum's website:

<https://www.public-audit-forum.org.uk/wp-content/uploads/2020/04/PN10-2020-consultation.pdf>

Management of personal data

During the course of our audit we have had access to personal data to support our audit testing.

The General Data Protection Regulations (GDPR) came into force in May 2018. These regulations make no difference to the C&G's access rights.

The Data Protection Act provides the C&AG with an exemption from the individual rights provisions where to apply the provisions would be likely to prejudice the proper discharge of the C&AG functions. For example this would mean that we would not need to inform an individual about processing nor could an individual object to processing of their information for audit purposes where that would disrupt an efficient audit.

We take our obligations under GDPR seriously. We have appointed a Data Protection Officer and all our staff are required to comply with formal data protection policies, guidelines and procedures designed to keep third party data secure and support privacy by design. We will destroy, return, or store personal data as necessary on completion of our work.

We confirm that we have discharged those responsibilities communicated to you in the NAO's Statement on Management of Personal Data.

The statement on the Management of Personal Data is available on the NAO website:

<http://www.nao.org.uk/freedom-of-information/publication-scheme/how-we-make-decisions/our-policies-and-procedures/policies-and-procedures-for-conducting-our-business>

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.

We share this through our [e:newsletter](#), [Round-up for Audit Committees](#) and email notifications about to our work on particular sectors or topics. If you would like to receive any of these, 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.

Audit fee

The total audit fee charged for the year is in line with that set out in our Audit Planning Report, £6,100. There are no contingent fees in respect of the Health and Care Professions Council.

Accounting standard	Detail	Future direction for HCPC
<p>IFRS 17: Insurance Contracts</p> <p>Effective from periods starting on or after 1 January 2023</p> <p>IFRS 17 implementation has been deferred from its original implementation date of 1 January 2022 by the IASB.</p>	<p>The new standard replaces IFRS 4, detailing the required policy for the recognition and measurement of insurance and reinsurance contracts. The standard does not change the scope of IFRS but adds details on the required approach to valuing insurance contracts.</p>	<p>Bodies should consider if in their normal course of business they provide any insurance contracts and consider what systems and reporting may be required to manage the change in accounting policy.</p>

Accounting standard	Detail	Future direction for HCPC
<p>IFRS 16: Leases</p> <p>Effective from April 1st 2021</p> <p>For all bodies applying the FReM, where they haven't early adopted IFRS 16 in 2019-20, HMT have decided to defer the implementation of IFRS 16 to 2021-22 to reduce pressure on finance teams in the Covid 19 pandemic</p>	<p>IFRS 16 eliminates the operating/finance lease distinction for leases and imposes a single model geared towards the recognition of all but low-value or short term (<12m) leases. The proposals arise partly from the IASB's view that:</p> <ul style="list-style-type: none"> disclosures around operating lease commitments have lacked prominence and tended towards understatement; and even in leases where the underlying asset is not acquired for its whole useful life, the lessee nevertheless acquires an economic right to its use, along with obligations to make good on minimum lease payments. <p>These will now be recognised on the Balance Sheet as a 'right of use' asset and lease liability reflecting the obligation to make lease payments. The lease liability will be measured at initial recognition as the value of future lease payments, with the asset additionally including any initial direct costs incurred by the lessee, plus an estimate of any dismantling/restoration costs. Subsequent measurement of both asset and liability will need to respond to any changes in lease terms.</p> <p>Successful transition will depend on organisations pro-actively capturing additional information about leases – new and existing – which they expect to remain in place at the date of adoption of IFRS 16, especially regarding future minimum lease payments. Organisations should also ensure systems for capturing cost information are fit for purpose, can respond to changes in lease terms and the presence of any variable (e.g. RPI-based) lease terms where forecasts will need to be updated annually based on prevailing indices.</p> <p>There are no changes to the accounting requirements where you are acting as a lessor but disclosure requirements around risk exposure are required</p> <p>The new standard replaces IFRS 4, detailing the required policy for the recognition and measurement of insurance and reinsurance contracts. The standard does not change the scope of IFRS but adds details on the required approach to valuing insurance contracts.</p>	<p>HCPC has considered the impact of IFRS 16. We will again revisit HCPC's processes for complying with IFRS 16 in our audit of the 2020/21 financial statements.</p>

Appendix 5: Our wider health & social care work

RECENTLY PUBLISHED	<p>NAO Annual Report and Accounts 2019-20</p> <p>23 June 2020</p>	<p>The NAO Annual Report and Accounts 2019-20 provides details about our work and performance.</p> <p>The report also reflects the NAO welcoming Gareth Davies as Comptroller and Auditor General in June 2019, our new five-year strategy that will help us to make a bigger difference and our response to the unprecedented challenge of COVID-19.</p> <p>https://www.nao.org.uk/report/nao-annual-report-and-accounts-2019-20/</p>
	<p>Readying the NHS and adult social care in England for COVID-19</p> <p>12 June 2020</p>	<p>This report is the second in a programme of work by the National Audit Office to support Parliament's scrutiny of the UK government's response to COVID-19. It sets out the facts about government's progress in preparing the NHS and social care for the COVID-19 outbreak.</p> <p>https://www.nao.org.uk/report/readying-the-nhs-and-adult-social-care-in-england-for-covid-19/</p>
	<p>Managing PFI assets and services as contracts end</p> <p>5 June 2020</p>	<p>Private finance initiative (PFI) contracts are a form of public private partnerships used in the UK since the 1990s. PFI is a way to finance and provide public sector infrastructure and capital equipment projects, such as roads, hospitals and schools.</p> <p>This report provides information on managing PFI contracts as they come to an end and considers whether government is making appropriate preparations to manage the expiry of PFI contracts.</p> <p>https://www.nao.org.uk/report/managing-pfi-assets-and-services-as-contracts-end/</p>
	<p>Overview of the UK government's response to the COVID-19 pandemic</p> <p>21 May 2020</p>	<p>Significant outbreaks of disease are among the greatest risks faced by any society, threatening lives and causing significant disruption to public services and the economy. The scale and nature of the current COVID-19 pandemic and government's response is unprecedented in recent history.</p> <p>This report is the first of a programme of work to be undertaken by the National Audit Office to support Parliament in its scrutiny of the UK government's response to COVID-19.</p> <p>https://www.nao.org.uk/report/summary-of-uk-governments-response-to-the-covid-19-pandemic/</p>
	<p>Digital transformation in the NHS</p> <p>15 May 2020</p>	<p>The NHS's health and care services are dependent on people, processes and IT systems, and some of these IT systems are outdated and inefficient.</p> <p>The Department and its arm's-length bodies have ambitious plans for digital transformation, intended to enable many of the wider service changes set out in the NHS Long-Term Plan. However, the track record for digital transformation in the NHS has been poor, with the previous major national programme being closed early without achieving its objectives.</p> <p>https://www.nao.org.uk/report/the-use-of-digital-technology-in-the-nhs/</p>

Appendix 5: Our wider health & social care work

RECENTLY PUBLISHED	Dentistry in England 25 March 2020	<p>This memorandum has been prepared in response to a request for support from the Chair of the Health and Social Care Committee of the 2017-2019 Parliament to the Comptroller and Auditor General. This was to support the Committee's Dentistry Services inquiry.</p> <p>Content and scope of the memorandum</p> <ul style="list-style-type: none">• commissioning of NHS dentistry services;• financial flows relating to NHS dentistry;• dentistry workforce; and• access to NHS dentists. <p>https://www.nao.org.uk/report/dentistry-in-england/</p>
	The NHS nursing workforce 5 March 2020	<p>Nurses are critical to the delivery of health and social care services, working across hospitals, community services, care homes and primary care. In 2019, around 519,000 people in England were registered to practise as a nurse, while the NHS employed 320,000 nurses in hospital and community services, making up about a quarter of all NHS staff.</p> <p>In January 2019, the NHS Long Term Plan acknowledged the need to increase staff numbers, noting that the biggest shortfalls were in nursing. The NHS set up the People Plan programme to decide how it would secure the workforce it needed to meet its future service commitments. In this report, we define workforce planning as the analysis and plans required to ensure that the NHS has the number and type of staff it needs, now and in the future.</p> <p>The NHS People Plan has, for a variety of reasons, been delayed. Rather than delay for an uncertain time our own reporting, this report sets out the facts on:</p> <ul style="list-style-type: none">• the scale of the NHS nursing workforce challenge;• the challenges to the main entry routes to NHS nursing and more general workforce-related challenges that any future plans will need to address; and• the progress made on the People Plan. <p>https://www.nao.org.uk/report/nhs-nursing-workforce/</p>

Appendix 5: Our wider health & social care work

WORK IN PROGRESS		<p>Coronavirus: latest statement Read our latest statement on COVID-19's impact on our financial audit work and value for money programme.</p> <p>https://www.nao.org.uk/about-us/covid-19-coronavirus/</p>
	<p>Increasing the number of ventilators available to the NHS in response to COVID-19</p> <p>Autumn 2020</p>	<p>In our previous report Overview of the UK government's response to the COVID-19 pandemic we signalled our intention to report on how government has managed risks created by its response to the crisis, including with respect to procurement and supply chains for items such as ventilators. This new investigation will set out the facts about the government's efforts to rapidly increase the number of ventilators available to the NHS, in response to COVID-19.</p> <p>It will cover both the 'Ventilator Challenge' to encourage UK manufacturers to design and build ventilators, and the purchase of ventilators.</p> <p>https://www.nao.org.uk/work-in-progress/increasing-ventilator-capacity-in-response-to-covid-19/</p>
	<p>Supplying the NHS and adult social care sector with personal protective equipment (PPE)</p> <p>Autumn 2020</p>	<p>Personal protective equipment (PPE) is vital for preventing and controlling the spread of infection in health and care settings. It needs to be readily available, effective and supported by clear guidance covering the circumstances of its use. In our report Overview of the UK government's response to the COVID-19 pandemic we signal an intention to report on how government has managed risks created by its response to the crisis, including with respect to procurement and supply chains for items such as PPE.</p> <p>This report will examine the preparedness and response in the supply of PPE in England, including the scale of and reasons for shortfalls in supply.</p> <p>https://www.nao.org.uk/work-in-progress/supplying-the-nhs-and-adult-social-care-sector-with-personal-protective-equipment-ppe/</p>
<p>Government procurement during the COVID-19 pandemic</p> <p>Late 2020</p>	<p>In responding to the COVID-19 pandemic, public sector bodies have had to procure goods, services and works with extreme urgency. The Cabinet Office, which oversees government's buying policies, has changed some of the procurement rules for contracts relating to the government's response to COVID-19. Concerns have been raised about some of these procurements, including around a lack of transparency.</p> <p>In our previous report Overview of the UK government's response to the COVID-19 pandemic, we signalled our intention to report on how government has managed risks created by its response to the crisis. This report will set out the scale of COVID-19-related procurement, how procurement rules have changed and how the government is managing the risks associated with these changes. For a sample of contracts, it will consider who has bought what, from whom, and at what cost, during the pandemic.</p> <p>https://www.nao.org.uk/work-in-progress/government-procurement-during-the-covid-19-pandemic/</p>	

More information about work in progress can be found at [nao.org.uk/work-in-progress/](https://www.nao.org.uk/work-in-progress/)