

Council, 6 July 2017

National Audit Office (NAO) Audit Completion Report on the 2016-17 financial statements

Executive summary and recommendations

Introduction

The NAO's audit completion report is attached for Council's consideration.

Decision

Council is asked to review and discuss the NAO's audit completion report for 2016-17.

Council is asked to agree that the uncorrected errors noted in section 3d of the NAO's report should **not** be corrected.

Background information

A draft of this report was presented to the Audit Committee on 14 June. Since then, the NAO have identified two further unadjusted errors, described on the last page of section 3d. The first of those concerns two errors in salary payments to leavers. The actual errors (as opposed to the values the NAO have extrapolated) were an overpayment of gross pay of £628 to one leaver and an underpayment of gross pay of £115 to another leaver. We have written to the leaver who was overpaid asking for repayment of the net overpayment, and we are paying the leaver who was underpaid the amount owed to him.

The audit completion report also includes as an appendix the draft "letter of representation" that the NAO ask 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.

Resource implications

None

Financial implications

NAO audit fee £39,000

Appendices

NAO's Audit Completion Report – final version

NAO's Audit Completion Report – marked up version from draft reviewed by Audit Committee on 14 June

Date of paper

28 June 2017

Health and Care Professions Council

Audit completion report including management letter on the 2016/17 financial statement audit

REPORT TO THOSE CHARGED WITH GOVERNANCE
June 2017 – Final version

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National Audit Office

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We have prepared this report for the Council's sole use, although you may also share it with the Privy Council and the Department of Health. 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.

Introduction

This report summarises the key matters from our audit of the 2016/17 Health and Care Professions Council (the Council) financial statements which we must report to the Audit Committee, as those charged with governance, before we finalise our audit work and certify the accounts. We would like to thank the Director of Finance and his staff for their assistance during the audit process.

Proposed audit opinion

We anticipate recommending to the Comptroller and Auditor General (C&AG) that he should certify the 2016/17 financial statements with an unqualified audit opinion, without modification. The draft audit certificate is presented in **Appendix 2 – Audit Certificate**. As discussed and agreed at the June committee meeting, as under the Statutory Order 2009/1182 the accounts are laid by the Privy Council before the Houses of Parliament and the Scottish Parliament, we have revised the title of the Certificate to make it clearer that our opinion is therefore also addressed to the Scottish Parliament, (see **Appendix 2**).

Audit adjustments

One financial adjustment has been made to the numbers in the financial statements as a result of our audit work (see **List of identified adjusted misstatements on page 10**). The non-adjusted error is set out in the “**List of identified unadjusted misstatements**” on page 11”. Two further unadjusted errors have been identified and included since the June meeting.

Key audit risks

We review risks to the financial statements on an ongoing basis. Our detailed findings are included on **pages 6 – 7** of this report.

Other Key Matters

General other key matters are set out on **page 13** and our findings on the matters of audit emphasis per the Audit Planning Report are included on **pages 8 to 9**.

Internal Control

Our key internal control observations and recommendations are detailed on **page 16** of this report.

The response to our prior year recommendation around management accounts was discussed and marked as closed in our Audit Planning Report in November 2016, and is therefore not replicated here.

Accounts production and audit process

The Council has generally robust processes in place for the production of the accounts. However, we note there is little validation of accrual balances (see our **key internal control observations and recommendations on page 16**). The Council continues to produce good quality supporting working papers. Officers dealt efficiently with audit queries, effectively prioritising them, and the audit process has been completed within the planned timescales.

Completion

Our audit of the financial statements is now complete, subject to completion of final internal review.

Actions for the Audit Committee

The Audit and Risk Committee is invited to note the update made to this report since the version presented at the meeting on 8 June 2017 (see blue font). In particular:

- All outstanding matters have been resolved;
- Two further misstatements have been identified and they have been recorded on **page 12 in the unadjusted misstatements section**, the Council have decided not to adjust for these errors and we agreed with this judgement; and
- As the audit committee agreed at the June meeting, we have revised the title in the audit certificate to the Houses of Parliament and Scottish Parliament (**see updated Audit Certificate on page 21**).

Status of our audit

The audit is complete, subject to completion of final internal review.

This is the final Audit Completion Report (to be circulated electronically) as agreed in the previous version submitted to the June Audit Committee meeting. The following matters have been resolved since the meeting:

- We have received satisfactory responses to our queries on:
 - the bank reconciliation
 - payables and accruals completeness samples
 - Cash receipt screenshots at the end of short term deposit terms for investment disposal testing
- We have completed our journals testing and reconciliations
- We have completed our audit of the final consolidation return to the Department of Health (**see Other matters for consideration on page 17**)
- We have received satisfactory responses to annual report and accounts feedback, and noted meaningful changes in updated versions
- We have completed our review of the final version of the annual report and accounts and audited the changes
- We have received the outstanding two bank confirmation letters
- As agreed with the Audit Committee we have revised the title of our Audit Certificate (**see Executive Summary on page 3 and Appendix 2 Draft Audit Certificate**)

Audit Fee and Certification

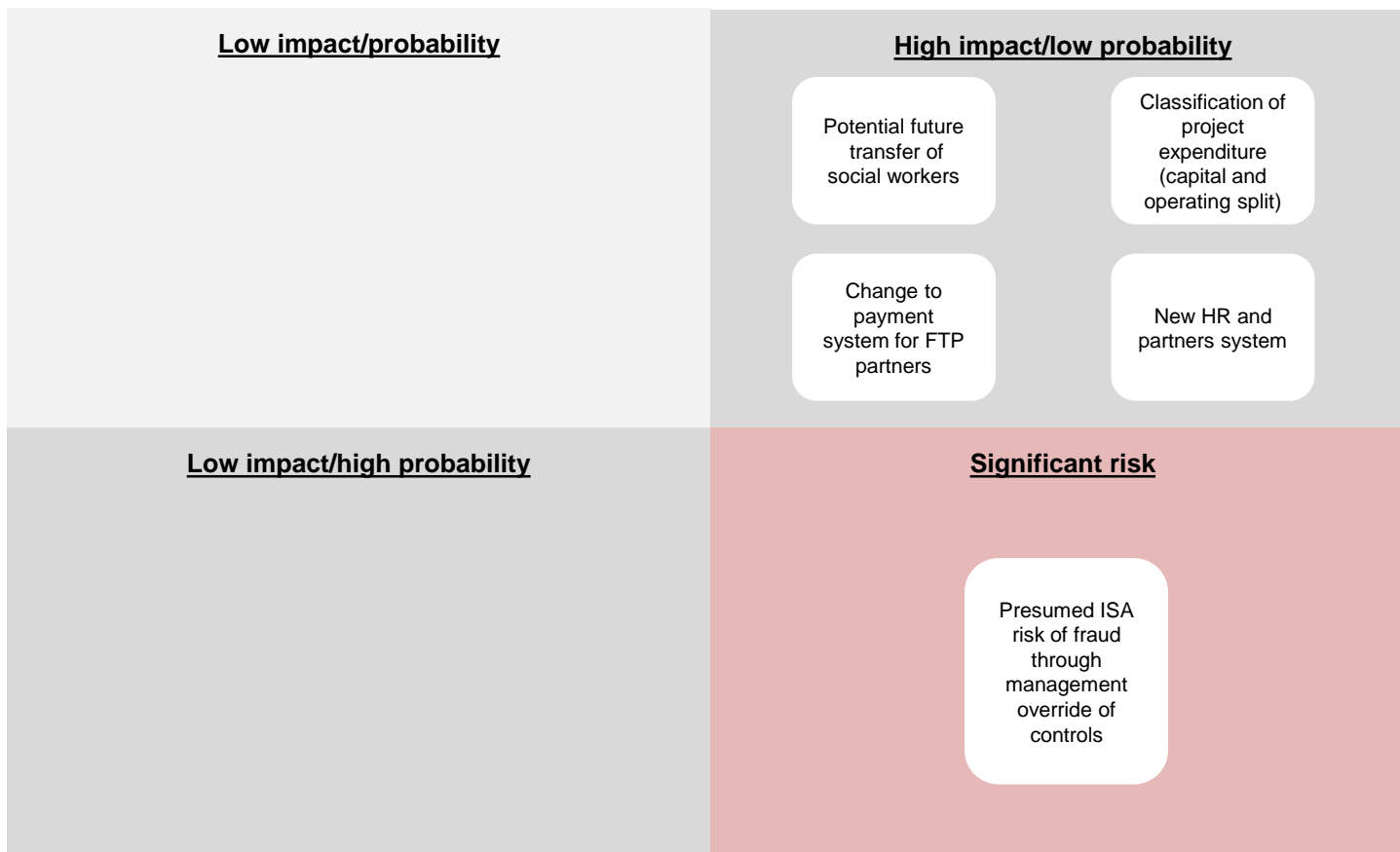
The total audit fee charged for the year is in line with that set out in our Audit Planning Report, £39,000.

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**.

We identified the risks below in our Audit Planning Report presented to the Audit Committee in November 2016. No additional risk have been determined in the course of our audit. Responses and findings against those risks we identified as significant risks of material misstatement to the financial statements can be seen in the next section of this report.

Impact on financial statements →

Probability



ISA 240
presumed risk
of fraud
through
management
override of
controls

Description of risk and our response

The Auditing Standard ISA 240 states that there is a risk in all entities that management override controls to perpetuate fraud. The standard requires that auditors perform audit procedures to address this risk in the following areas for all clients:

- Journal entries
- Bias in accounting estimates
- Significant unusual transactions

Findings

Journal entries

- We performed detailed testing on potentially high risk journals and did not find any issues

Bias in accounting estimates

- The Council's accounts contain relatively few judgements and estimates.
- We reviewed the following estimates and judgements and found no issues: revaluation of land and buildings, impairment review, depreciation and amortisation policies.

Significant unusual transactions

- We reviewed the trial balance, general ledger, Council minutes and wider audit testing and did not find any significant unusual transactions.

No issues have been identified

We have outlined below an update on each of the matters of emphasis identified within our Audit Planning Report. We have confirmed that none of these have crystallised into significant risks:

Title	Work performed	Findings
Classification of project spend (capital and operating split)	<p>The Council is undertaking a number of projects, including refurbishment of 186 Kennington Park Road and registration transformation, which include both capital and operating costs. There was a risk that the split of this expenditure within the accounts would not be in line with accounting standards, for example, costs which meet the definition of capital expenditure recognised as operating expenditure and vice versa. We considered the classification of expenditure as part of our standard testing of both operational expenditure and in year asset additions.</p>	<p>Our testing did not identify any issues with the classification of current year project spend.</p> <p>As reported at the March Audit Committee meeting, in response to our interim audit finding and recommendation the Council have expensed £269,000 of previously capitalised “phase 1” costs as they did not meet the IAS 38 definition of capitalisable costs.</p> <p>Given this finding and the value of future planned capitalisation work we expect to continue to include this as a matter of audit emphasis for next year’s audit. However, we have seen the papers submitted to the Committee on future capitalisation and given that Council Management are giving capitalisation specific consideration we have not included this as a formal recommendation in Control issues arising from our audit and our recommendations on page 16.</p>
New HR and partners system – payroll and FTP changes	<p>Under the auditing standards we perform design testing to ensure that we understand key systems and controls and a walk through check that they have been implemented as designed. Since we did not seek to rely on the controls we did not test their operation.</p> <p>We performed this design and implementation testing on both the old and new payroll processes and controls, as they changed in year, and the change in the FTP invoicing arrangements. We also considered the implications for our audit.</p> <p>See also “Change to payment system for FTP partners” section on the next page.</p>	<p>We highlighted one issue with segregation of duties. One member of HR staff has 'superuser' access. This means the individual is able to create a new employee, approve their pay and send them to payroll. The Council have demonstrated that there are other controls in place to mitigate the resultant risk: both HR and finance check for new employees; the payroll provider send check reports that highlight new employees; and the system automatically emails finance whenever a new employee is added to the HR system. (See Control issues arising from our audit and our recommendations on page 16).</p> <p>We note that this “superuser” set up is a temporary measure to enable to smooth transition to the new system, and that both HR and Finance staff confirmed that the system had been set up in this way.</p> <p>We have liaised with Internal Audit, who as requested by the Audit Committee have performed their own review.</p>

We have outlined below an update on each of the matters of emphasis identified within our Audit Planning Report. We have confirmed that none of these have crystallised into significant risks:

Title	Work performed	Findings
<p>Change to payment system for FTP partners</p>	<p>The changes in the payment system may give rise to incorrect payments to partners. Although we have not identified problems with partner payments in the past (including when the new process was rolled out to other areas of the business in 2015-16), there is an increased risk as staff use a new process. We will gain assurance over this expenditure stream through our normal expenditure testing.</p>	<p>Our expenditure testing did not identify any FTP errors. We found that while there is a process to validate FTP payments before they are made, for accrued March payments, this happens at a later timescale than accounts production, and there had been no pre or post validation of the FTP accruals. Thus while errors were identified and corrected before payments were made, the values in the accounts for the accruals had not been corrected. We found that overall the FTP accruals balance has been overstated by £50,000. (see Control issues arising from our audit and our recommendations on page 16).</p>
<p>Potential future transfer of social workers to a different regulatory body</p>	<p>In January 2016, the government announced its intention to establish a new regulatory body for social work which would over time take on the Council's role in this sector. Social work regulation is a significant component of the Council's business and therefore the loss of this function could have impacted on the entity's going concern assessment.</p> <p>The transfer of the regulatory function required a change to legislation, which was included within the Children and Social work Bill which became law during the year. The legislation effecting the change has not yet been commenced.</p> <p>During the year we monitored the progress of the Bill and associated announcements in relation to the potential transfer and considered the impact of these on our audit.</p> <p>Our liaison with Council management regarding their 2016-17 going concern assessment specifically considered the implications of these changes, as did our Annual Report and disclosures review work.</p>	<p>While the Bill is now law, the legislation that would transfer the regulatory function away from the Council has not yet been commenced. As the legislation remains pending the immediate risk has, as expected, not materialised during the current year.</p> <p>The disclosures in the annual report are transparent and it is clear to the reader that the risk remains an on-going threat to the current business model. At our suggestion the Council have expanded the going concern wording in the accounting policies note to reflect the impact of the new legislation, in line with the going concern disclosures in the Annual Report.</p> <p>While due to the expected timing this is not a going concern issue yet, the issue remains relevant subject to the decisions of the new Parliament. We have sought an additional Representation from management to confirm they are not aware of any other developments or discussions beyond those already discussed with us and presented in the annual report and accounts. (See current Letter of Representation wording on pages 18 – 20).</p>

Identified misstatements One adjustment that we have identified, and which is above our clearly trivial threshold of £6,200, has been made. This financial impact is to increase expenditure and increase net assets by £63k. This adjustment was audited as part of our review of the revised version of the Annual Report and Accounts. **(See Executive Summary on page 3.)**

See next slide for immaterial value of uncorrected misstatements.

Adjusted Misstatements

Area	Issue	SoCNE	SoCNE	SoFP	SoFP
		Dr £000	Cr £000	Dr £000	Cr £000
Provisions and Accruals	<p>The accounts presented for audit include an accrual for dilapidations costs to remove the leasehold improvements at the end of the 405 Kennington Park Road lease. Under the auditing standards such costs better meet the definition of a provision. We recommended that Council Management also assess whether they needed to provide for any other (wear and tear) costs to bring the building back to its original condition as required by the lease.</p> <p>The net effect of this change was to reduce accruals by £99k, increase provisions by £163k, increase non-current assets by £127k (to reflect the capitalised cost of the provision less one year's depreciation), and reduce expenditure by a net £63k (one year's depreciation of £127k less the £99k reversal of the accrual).</p>	36	99	262	199

Uncorrected misstatements Uncorrected misstatements decrease expenditure and increase net assets by a further £182,000.

Unadjusted misstatements

The table below and on the next page lists unadjusted misstatements which exceed our clearly trivial threshold of £6,200. We distinguish between known errors and extrapolated errors. While adjusting known errors would remove the error from the accounts, as those errors are not material to the accounts they do not need to be adjusted. For extrapolated errors, correcting the underlying actual errors identified would have only a trivial impact on the numbers in the accounts.

Area	Issue	SoCNE	SoCNE	SoFP	SoFP
		Dr £000	Cr £000	Dr £000	Cr £000
Payables Known Error	A small number of invoices were received and marked as goods received (GR) after year end, as the ledger was left open until the 03/04/17 (1 working day after year end) to capture any late invoices dated 31/03/17 to ensure completeness. This only caused a problem where an item was marked as GR on the 3/4/17, against an invoice that had already been received. This error results in an overstatement of expenditure and an overstatement of payables at 31/03/17. This is an adjustable immaterial error.		30		
				30	
Accruals Extrapolated Error	We found a number of errors within the accruals population and had to perform additional testing to arrive at a more precise estimate of the error within the population as a whole. The £151,000 total estimate includes £50,000 total FTP accruals overstatement, where the number of days had been over accrued. Together with the non-FTP sample errors extrapolated over the remaining accruals population after we have removed dilapidations, FTP accruals and the holiday accrual, which we tested separately. Overall out testing indicates that expenditure and accruals could be overstated by around £151,000.		151		
				151	

Area	Issue	SoCNE	SoCNE	SoFP	SoFP
		Dr £000	Cr £000	Dr £000	Cr £000
Payroll Extrapolated Estimate of Maximum Uncertainty	During our testing of the data for starters and leavers we identified two errors. One member of staff who left on the 15th of the month was paid for the entire month in error and one member of staff was underpaid against their contract by 0.38%. We have extrapolated the errors described above. The numbers reported are not our calculation of an error, but are an estimated maximum uncertainty if the errors identified were pervasive throughout the entire untested population. This estimate shows that the issue could not be material. It should be noted that the leave date and the salary for the respective errors were recorded correctly in the new Core system.	32		33	
			33		32
Credit Card Suspense/ Deferred income Known Error	We reported in last year's Audit Completion Report that an incorrect mapping of the credit card suspense account led to an understatement of receivables and an equivalent understatement of deferred income. The balance in this credit card suspense account relates to registrant fees paid by card close to year end. This mapping issue was identified again this year.			20	
					20
	TOTAL	32	214	234	52
	NET IMPACT		<u>182</u>	<u>182</u>	

Financial statement disclosures

We have also made a number of suggestions to improve narrative disclosures and to ensure completeness of the disclosures required under the FReM and other relevant guidance. The most significant of which are:

- Including narrative disclosures for the short term deposits, which are classified as investments; and
- Enhancing the remuneration report and staff costs details

Accounting policies and financial reporting

As part of our audit, we consider the quality and acceptability of the Council's accounting policies and financial reporting.

We identified as part of our audit that a provision was required rather than an accrual for a present obligation for future dilapidation costs. Council Management have changed this in the revised version of the Annual Report and Accounts.

At interim audit we identified a number of capitalised costs that were revenue in nature. As previously agreed management made these changes when producing the accounts presented for audit. No prior period adjustment is required as the error was not material.

The Council has included in its Annual Report all of the sections set out in the FReM, and within these all of the required content. The sections of the Council's accountability report are set out in a different order to that recommended by the FReM. We do not consider this to be a significant issue given that the Council is required to 'take into consideration' rather than comply with the requirements of the FReM. We have suggested a number of minor changes to the Annual Report to ensure its consistency with the financial statements.

Regularity, propriety and losses

We found no issues of irregularity or impropriety during our audit.

Materiality

A matter is material if its omission or misstatement would, in the judgement of the auditor, reasonably influence the decisions of users of the financial statements.

Based on our professional judgement, we determined overall materiality for the Council's financial statements at £627,000, which is approximately 2% of gross expenditure. We chose this benchmark because expenditure is the key driver of the amount of fee income the Council will receive subject to the Privy Council's agreement.

We have determined that for Board and Executive Management Team remuneration disclosures in the Remuneration and staff report and for the audit fee, misstatements of a lesser amount than overall materiality could influence the decisions of users of the accounts and have therefore determined that materiality for these amounts will be nil.

Performance materiality

This is the amount or amounts set by the auditor at a level not higher than 75% of materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

Reporting threshold

All uncorrected misstatements identified through our audit in excess of £6,200, as well as differences below this threshold that in our view warranted reporting on qualitative grounds, are included in this report.

Audit Scope

We have performed our audit of the 2016/17 financial statements in accordance with International Auditing Standards (UK and Ireland) issued by the Financial Reporting Council and with the audit planning report presented to the Audit Committee in November 2016.

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

- their consistency with the financial statements and our understanding of the business;
- that the audited part of the remuneration report has been properly prepared; 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 Council's circumstances and have been consistently applied and 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.

Internal control

During the course of our audit we identified two control observations of which are detailed below, including recommendations and management's responses.

Title & Area	Control issue identified	Level of risk	Recommendation	Management Response
Payroll: 'Superuser' access	<p>Our work identified that for part of 2016/17, one member of HR staff has 'superuser' access. This person is able to create a new employee, approve their pay and send them to payroll. However, the Council have demonstrated that there are other controls in place to mitigate the resultant risk.</p> <p>We note that while this access was subsequently removed this was done by the superuser who confirmed that she could give this access back to herself at any time.</p>		We recommend that Council management find a way to permanently remove the 'superuser' access as soon as is reasonably practical.	We will discuss this issue with the software developers to see if there is a practicable and cost effective solution.
Accruals: Validation of Accruals	<p>Accruals are calculated at year end using data from sources across the business. Our testing found a greater number of errors than usual and testing had to be extended to ensure that this did not have a material impact on the accounts. We found that the process to validate FTP payments had not been expanded to cover accruals and that there were other (minor) accruals that had been set up in prior years but not removed once no longer needed.</p>		We recommend that Council Management review the reasons behind the identified errors and assess whether their current validation processes are operating as intended. We used FTP payment information post accounts production to estimate the level of error within the FTP accruals and suggest that if HCPC management chose to do this pre audit they could use that information as evidence to support their judgment over the reasonableness of the estimate within the accounts.	We accept that errors were higher than normal, although we note that including extrapolation, the overall estimated error within accruals was only £151k. We do validate accruals at the year end and periodically during the year as part of normal housekeeping and to ensure that the accounts are materially correct. We will continue to do that, including reference to after date payments, and we are content that those processes will continue to produce materially correct draft accounts for audit.

-  **High risk** – major issues for the attention of senior management which may have the potential to result in a material weakness in internal control
-  **Medium risk** - important issues to be addressed by management in their areas of responsibility.
-  **Low risk** – problems of a more minor nature which provide scope for improvement

Independence

We consider that we comply with Auditing Practices Board (APB) ethical standards and that, in our professional judgment, we are independent and our objectivity is not compromised. There are no relationships between us and the Council that we consider to bear on our objectivity and independence.

International standards on Auditing (UK and Ireland)

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

- Fraud;
- Going concern – other than reported elsewhere in this report;
- the Council's compliance with laws and regulations;
- Significant difficulties completing the audit; and
- Disagreements or other significant matters discussed with management

Cooperation with other auditors

We met with Grant Thornton (the appointed internal auditors) during our audit and reviewed their internal audit reports to inform our ongoing risk assessment.

Consolidation into the Department of Health group accounts

Under the Government Resources and Accounts Act 2000 (Estimates and Accounts) Order 2016, the Council has been classified as a designated body of the Department of Health. As a result, the Council is being consolidated into the Department's group financial statements for the first time in 2016-17.

We are required to provide some assurance to the group auditors in relation to HCPC's return to the Department. This work does not impact the Council's audit fee as the cost of the work are charged to the Department. We have completed this work and provided the required assurance to the group auditors.

LETTER OF REPRESENTATION: HEALTH AND CARE PROFESSIONS COUNCIL 2016-17

I acknowledge as Accounting Officer of the Health and Care Professions Council my responsibility for preparing accounts that give a true and fair view of the state of affairs, surplus or deficit, changes in reserves and cash flows of the Health and Care Professions Council for the year ended 31 March 2017.

In preparing the accounts, I was required to:

- observe the accounts direction issued by the Privy Council Office, 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 the Health and Care Professions Council 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 2017:

- neither I nor my staff authorised a course of action, the financial impact of which is contrary to Parliament's intentions or our registrants' expectations;
- having considered and enquired as to the Health and Care Professions Council's compliance with law and regulations, I am not

aware of any actual or potential non-compliance that could have a material effect on the ability of the Health and Care Professions Council to conduct its business or on the results and financial position disclosed in the accounts;

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

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

INTERNAL CONTROL

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

I confirm that I have reviewed the effectiveness of the system of internal control and that the disclosures I have made are in accordance with HM Treasury guidance on the 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 Health and Care Professions Council and no allegations of fraud or suspected fraud affecting the financial statements has been communicated to me by employees, former employees, analysts, regulators or others.

ASSETS**General**

All assets included in the statement of financial position were in existence at the reporting date and owned by the Health and Care Professions Council, 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 Health and Care Professions Council.

Non-Current Assets

All assets over £5,000 are capitalised. Land and buildings were revalued in 2016-17 with a full valuation carried out by professionally qualified Chartered Surveyors. Plant and equipment 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 the Health and Care Professions Council's operations.

Other Current Assets

On realisation in the ordinary course of the Health and Care Professions Council's operations the other current assets in the statement of financial position are expected to produce at least the amounts at which they are stated. Adequate provision has been made against all amounts owing to the Health and Care Professions Council 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

There are no matters that should be provided for other than those included as provisions in the financial statements. The value of the provision for dilapidations is based on our best estimate of future costs arising from the legal conditions within our property leases

Contingent Liabilities

I am not aware of any pending litigation which may result in significant loss to the Health and Care Professions Council, and I am not aware of any action which is or may be brought against the Health and Care Professions Council 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 the Health and Care Professions Council, 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 2017-18, the five year plan, the fact that the government's planned date for the transfer of the regulation of social workers to Social Work England is more than 12 months from the date of approval of the annual report and accounts, and the significant cash balances held by the HCPC.

Unadjusted Errors

Annex 1 includes a list of unadjusted errors that have been brought to my attention. ***{this will be as identified unadjusted errors section on page 11 and 12}***

I consider the effect of these unadjusted errors to be immaterial, both individually and in aggregate, to the financial statements taken as a whole.

Events after the Reporting Period

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

Management of Personal Data

Except as disclosed in the Management Commentary, there have been no personal data related incidents in 2016-17 which are required to be reported.

Marc Seale

Accounting Officer and Chief Executive

[same date as the date the financial statements are signed]

The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament and the Scottish Parliament

I certify that I have audited the financial statements of the Health and Care Professions Council for the year ended 31 March 2017 under Article 46(5) of the Health and Social Work Professions Order 2001. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Reserves and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration and staff report that is described in that report as having been audited.

Respective responsibilities of the Council, Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Council and the Accounting Officer are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Article 46(5) of the Health and Social Work Professions Order 2001. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material

misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Health and Care Professions Council's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Health and Care Professions Council; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am 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.

Opinion on regularity

In my opinion, in all material respects 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.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Health and Care Professions Council's affairs as at 31 March 2017 and of the surplus for the year then ended; and
- the financial statements have been properly prepared in accordance with the Health and Social Work Professions Order 2001 and the Privy Council directions issued thereunder.

Opinion on other matters

In my opinion:

- the parts of the Remuneration and staff report to be audited have been properly prepared in accordance with the Privy Council directions made under the Health and Social Work Professions Order 2001; and
- the information given in the Performance report and Accountability report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the part of the Remuneration and staff report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse
Comptroller and Auditor General
Date

National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Uncompromising on professionalism

- Applying professional auditing standards
- Committed to recruitment and development of professionally qualified and experienced auditors
- Two stage review of all audit work
- Internal post-audit quality assurance reviews

Risk-based and proportionate

- Range of internal review and consultation processes available for higher risk issues
- Training and knowledge-sharing initiatives to promote consistency of approach across audits

Audit quality at the NAO

Responsive

- Committed to positive client relationships
- Client feedback survey on all financial audits
- Moderated feedback on a selection of clients annually

Independent

- Applying the highest ethical standards and approach in our work
- External review of compliance with professional standards by the Audit Quality Review team of the FRC
- Annual survey of MPs as our key stakeholders and users of financial statements

Health and Care Professions Council

Audit completion report including management letter on the 2016/17 financial statement audit

REPORT TO THOSE CHARGED WITH GOVERNANCE
June 2017 – [Final version](#)

www.nao.org.uk



National Audit Office

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OFFICIAL

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We have prepared this report for the Council's sole use, although you may also share it with the Privy Council and the Department of Health. 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.

Introduction

This report summarises the key matters from our audit of the 2016/17 Health and Care Professions Council (the Council) financial statements which we must report to the Audit Committee, as those charged with governance, before we finalise our audit work and certify the accounts. We would like to thank the Director of Finance and his staff for their assistance during the audit process.

Proposed audit opinion

We anticipate recommending to the Comptroller and Auditor General (C&AG) that he should certify the 2016/17 financial statements with an unqualified audit opinion, without modification. The draft audit certificate is presented in **Appendix 2 – Audit Certificate**. [As discussed and agreed at the June committee meeting](#), as under the Statutory Order 2009/1182 the accounts are laid by the Privy Council before the Houses of Parliament and the Scottish Parliament, we [have revised](#) the title of the Certificate to make it clearer that our opinion is therefore also addressed to the Scottish Parliament, ([see Appendix 2](#)).

Audit adjustments

One financial adjustment has been made to the numbers in the financial statements as a result of our audit work ([see List of identified adjusted misstatements on page 10](#)). The non-adjusted error is set out in the “[List of identified unadjusted misstatements](#)” on page 11”. [Two further unadjusted errors have been identified and included since the June meeting](#).

Key audit risks

We review risks to the financial statements on an ongoing basis. Our detailed findings are included on **pages 6 – 7** of this report.

Other Key Matters

General other key matters are set out on **page 13** and our findings on the matters of audit emphasis per the Audit Planning Report are included on **pages 8 to 9**.

Internal Control

Our key internal control observations and recommendations are detailed on **page 16** of this report.

The response to our prior year recommendation around management accounts was discussed and marked as closed in our Audit Planning Report in November 2016, and is therefore not replicated here.

Accounts production and audit process

The Council has generally robust processes in place for the production of the accounts. However, we note there is little validation of accrual balances ([see our key internal control observations and recommendations on page 16](#)). The Council continues to produce good quality supporting working papers. Officers dealt efficiently with audit queries, effectively prioritising them, and the audit process has been completed within the planned timescales.

Completion

Our audit of the financial statements is **now** complete, **subject to completion of final internal review**.

Actions for the Audit Committee

The Audit and Risk Committee is invited to note the update made to this report since the version presented at the meeting on 8 June 2017 (**see blue font**). In particular:

- All outstanding matters have been resolved;
- Two further misstatements have been identified and they have been recorded on **page 12 in the unadjusted misstatements section**, the Council have decided not to adjust for these errors and we agreed with this judgement; and
- As the audit committee agreed at the June meeting, we have revised the title in the audit certificate to the Houses of Parliament and Scottish Parliament (**see updated Audit Certificate on page 21**).

Status of our audit

The audit is complete, subject to completion of final internal review.

This is the final Audit Completion Report (to be circulated electronically) as agreed in the previous version submitted to the June Audit Committee meeting. The following matters have been resolved since the meeting:

- We have received satisfactory responses to our queries on:
 - the bank reconciliation
 - payables and accruals completeness samples
 - Cash receipt screenshots at the end of short term deposit terms for investment disposal testing
- We have completed our journals testing and reconciliations
- We have completed our audit of the final consolidation return to the Department of Health (see **Other matters for consideration on page 17**)
- We have received satisfactory responses to annual report and accounts feedback, and noted meaningful changes in updated versions
- We have completed our review of the final version of the annual report and accounts and audited the changes
- We have received the outstanding two bank confirmation letters
- As agreed with the Audit Committee we have revised the title of our Audit Certificate (see **Executive Summary on page 3 and Appendix 2 Draft Audit Certificate**)

Audit Fee and Certification

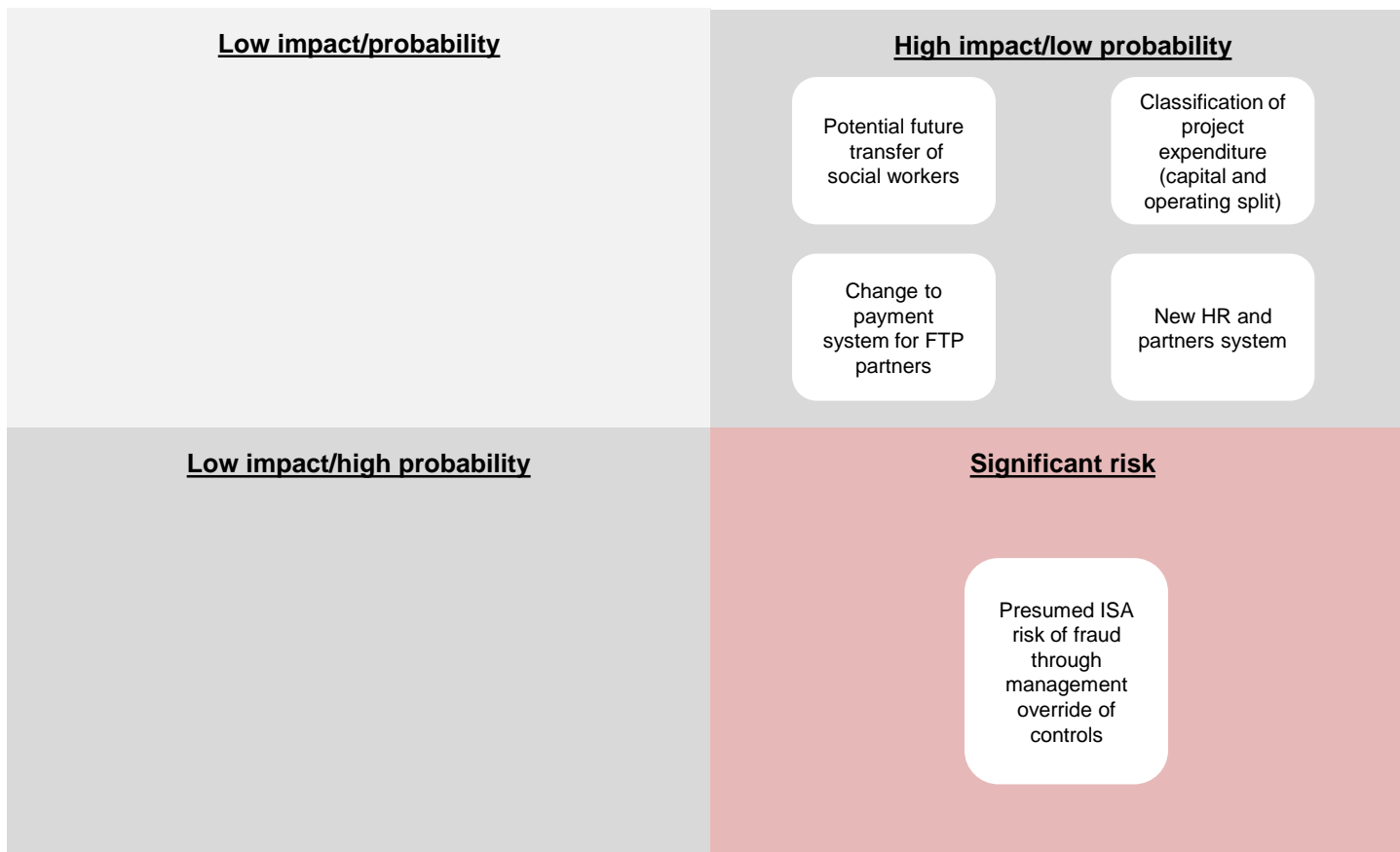
The total audit fee charged for the year is in line with that set out in our Audit Planning Report, £39,000.

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**.

We identified the risks below in our Audit Planning Report presented to the Audit Committee in November 2016. No additional risk have been determined in the course of our audit. Responses and findings against those risks we identified as significant risks of material misstatement to the financial statements can be seen in the next section of this report.

Impact on financial statements →

Probability



ISA 240
presumed risk
of fraud
through
management
override of
controls

Description of risk and our response

The Auditing Standard ISA 240 states that there is a risk in all entities that management override controls to perpetuate fraud. The standard requires that auditors perform audit procedures to address this risk in the following areas for all clients:

- Journal entries
- Bias in accounting estimates
- Significant unusual transactions

Findings

Journal entries

- We performed detailed testing on potentially high risk journals and did not find any issues

Bias in accounting estimates

- The Council's accounts contain relatively few judgements and estimates.
- We reviewed the following estimates and judgements and found no issues: revaluation of land and buildings, impairment review, depreciation and amortisation policies.

Significant unusual transactions

- We reviewed the trial balance, general ledger, Council minutes and wider audit testing and did not find any significant unusual transactions.

No issues have been identified

We have outlined below an update on each of the matters of emphasis identified within our Audit Planning Report. We have confirmed that none of these have crystallised into significant risks:

Title	Work performed	Findings
Classification of project spend (capital and operating split)	<p>The Council is undertaking a number of projects, including refurbishment of 186 Kennington Park Road and registration transformation, which include both capital and operating costs. There was a risk that the split of this expenditure within the accounts would not be in line with accounting standards, for example, costs which meet the definition of capital expenditure recognised as operating expenditure and vice versa. We considered the classification of expenditure as part of our standard testing of both operational expenditure and in year asset additions.</p>	<p>Our testing did not identify any issues with the classification of current year project spend.</p> <p>As reported at the March Audit Committee meeting, in response to our interim audit finding and recommendation the Council have expensed £269,000 of previously capitalised “phase 1” costs as they did not meet the IAS 38 definition of capitalisable costs.</p> <p>Given this finding and the value of future planned capitalisation work we expect to continue to include this as a matter of audit emphasis for next year’s audit. However, we have seen the papers submitted to the Committee on future capitalisation and given that Council Management are giving capitalisation specific consideration we have not included this as a formal recommendation in Control issues arising from our audit and our recommendations on page 16.</p>
New HR and partners system – payroll and FTP changes	<p>Under the auditing standards we perform design testing to ensure that we understand key systems and controls and a walk through check that they have been implemented as designed. Since we did not seek to rely on the controls we did not test their operation.</p> <p>We performed this design and implementation testing on both the old and new payroll processes and controls, as they changed in year, and the change in the FTP invoicing arrangements. We also considered the implications for our audit.</p> <p>See also “Change to payment system for FTP partners” section on the next page.</p>	<p>We highlighted one issue with segregation of duties. One member of HR staff has 'superuser' access. This means the individual is able to create a new employee, approve their pay and send them to payroll. The Council have demonstrated that there are other controls in place to mitigate the resultant risk: both HR and finance check for new employees; the payroll provider send check reports that highlight new employees; and the system automatically emails finance whenever a new employee is added to the HR system. (See Control issues arising from our audit and our recommendations on page 16).</p> <p>We note that this “superuser” set up is a temporary measure to enable to smooth transition to the new system, and that both HR and Finance staff confirmed that the system had been set up in this way.</p> <p>We have liaised with Internal Audit, who as requested by the Audit Committee have performed their own review.</p>

We have outlined below an update on each of the matters of emphasis identified within our Audit Planning Report. We have confirmed that none of these have crystallised into significant risks:

Title	Work performed	Findings
<p>Change to payment system for FTP partners</p>	<p>The changes in the payment system may give rise to incorrect payments to partners. Although we have not identified problems with partner payments in the past (including when the new process was rolled out to other areas of the business in 2015-16), there is an increased risk as staff use a new process. We will gain assurance over this expenditure stream through our normal expenditure testing.</p>	<p>Our expenditure testing did not identify any FTP errors. We found that while there is a process to validate FTP payments before they are made, for accrued March payments, this happens at a later timescale than accounts production, and there had been no pre or post validation of the FTP accruals. Thus while errors were identified and corrected before payments were made, the values in the accounts for the accruals had not been corrected. We found that overall the FTP accruals balance has been overstated by £50,000. (see Control issues arising from our audit and our recommendations on page 16).</p>
<p>Potential future transfer of social workers to a different regulatory body</p>	<p>In January 2016, the government announced its intention to establish a new regulatory body for social work which would over time take on the Council's role in this sector. Social work regulation is a significant component of the Council's business and therefore the loss of this function could have impacted on the entity's going concern assessment.</p> <p>The transfer of the regulatory function required a change to legislation, which was included within the Children and Social work Bill which became law during the year. The legislation effecting the change has not yet been commenced.</p> <p>During the year we monitored the progress of the Bill and associated announcements in relation to the potential transfer and considered the impact of these on our audit.</p> <p>Our liaison with Council management regarding their 2016-17 going concern assessment specifically considered the implications of these changes, as did our Annual Report and disclosures review work.</p>	<p>While the Bill is now law, the legislation that would transfer the regulatory function away from the Council has not yet been commenced. As the legislation remains pending the immediate risk has, as expected, not materialised during the current year.</p> <p>The disclosures in the annual report are transparent and it is clear to the reader that the risk remains an on-going threat to the current business model. At our suggestion the Council have expanded the going concern wording in the accounting policies note to reflect the impact of the new legislation, in line with the going concern disclosures in the Annual Report.</p> <p>While due to the expected timing this is not a going concern issue yet, the issue remains relevant subject to the decisions of the new Parliament. We have sought an additional Representation from management to confirm they are not aware of any other developments or discussions beyond those already discussed with us and presented in the annual report and accounts. (See current Letter of Representation wording on pages 18 – 20).</p>

Identified misstatements One adjustment that we have identified, and which is above our clearly trivial threshold of £6,200, has been made. This financial impact is to increase expenditure and increase net assets by £63k. [This adjustment was audited](#) as part of our review of the revised version of the Annual Report and Accounts. **(See Executive Summary on page 3.)**

See next slide for immaterial value of uncorrected misstatements.

Adjusted Misstatements

Area	Issue	SoCNE	SoCNE	SoFP	SoFP
		Dr £000	Cr £000	Dr £000	Cr £000
Provisions and Accruals	<p>The accounts presented for audit include an accrual for dilapidations costs to remove the leasehold improvements at the end of the 405 Kennington Park Road lease. Under the auditing standards such costs better meet the definition of a provision. We recommended that Council Management also assess whether they needed to provide for any other (wear and tear) costs to bring the building back to its original condition as required by the lease.</p> <p>The net effect of this change was to reduce accruals by £99k, increase provisions by £163k, increase non-current assets by £127k (to reflect the capitalised cost of the provision less one year's depreciation), and reduce expenditure by a net £63k (one year's depreciation of £127k less the £99k reversal of the accrual).</p>	36	99	262	199

Uncorrected misstatements Uncorrected misstatements decrease expenditure and increase net assets by a **further £182,000**.

Unadjusted misstatements

The table below [and on the next page](#) lists unadjusted misstatements which exceed our clearly trivial threshold of £6,200. We distinguish between known errors and extrapolated errors. While adjusting known errors would remove the error from the accounts, as those errors are not material to the accounts they do not need to be adjusted. For extrapolated errors, correcting the underlying actual errors identified would have only a trivial impact on the numbers in the accounts.

Area	Issue	SoCNE	SoCNE	SoFP	SoFP
		Dr £000	Cr £000	Dr £000	Cr £000
Payables Known Error	A small number of invoices were received and marked as goods received (GR) after year end, as the ledger was left open until the 03/04/17 (1 working day after year end) to capture any late invoices dated 31/03/17 to ensure completeness. This only caused a problem where an item was marked as GR on the 3/4/17, against an invoice that had already been received. This error results in an overstatement of expenditure and an overstatement of payables at 31/03/17. This is an adjustable immaterial error.		30		
				30	
Accruals Extrapolated Error	We found a number of errors within the accruals population and had to perform additional testing to arrive at a more precise estimate of the error within the population as a whole. The £151,000 total estimate includes £50,000 total FTP accruals overstatement, where the number of days had been over accrued. Together with the non-FTP sample errors extrapolated over the remaining accruals population after we have removed dilapidations, FTP accruals and the holiday accrual, which we tested separately. Overall out testing indicates that expenditure and accruals could be overstated by around £151,000.		151		
				151	

Area	Issue	SoCNE	SoCNE	SoFP	SoFP
		Dr £000	Cr £000	Dr £000	Cr £000
Payroll Extrapolated Estimate of Maximum Uncertainty	During our testing of the data for starters and leavers we identified two errors. One member of staff who left on the 15th of the month was paid for the entire month in error and one member of staff was underpaid against their contract by 0.38%. We have extrapolated the errors described above. The numbers reported are not our calculation of an error, but are an estimated maximum uncertainty if the errors identified were pervasive throughout the entire untested population. This estimate shows that the issue could not be material. It should be noted that the leave date and the salary for the respective errors were recorded correctly in the new Core system.	32		33	
			33		32
Credit Card Suspense/ Deferred income Known Error	We reported in last year's Audit Completion Report that an incorrect mapping of the credit card suspense account led to an understatement of receivables and an equivalent understatement of deferred income. The balance in this credit card suspense account relates to registrant fees paid by card close to year end. This mapping issue was identified again this year.			20	
					20
TOTAL		32	214	234	52
NET IMPACT			<u>182</u>	<u>182</u>	

Financial statement disclosures

We have also made a number of suggestions to improve narrative disclosures and to ensure completeness of the disclosures required under the FReM and other relevant guidance. The most significant of which are:

- Including narrative disclosures for the short term deposits, which are classified as investments; and
- Enhancing the remuneration report and staff costs details

Accounting policies and financial reporting

As part of our audit, we consider the quality and acceptability of the Council's accounting policies and financial reporting.

We identified as part of our audit that a provision was required rather than an accrual for a present obligation for future dilapidation costs. Council Management have changed this in the revised version of the Annual Report and Accounts.

At interim audit we identified a number of capitalised costs that were revenue in nature. As previously agreed management made these changes when producing the accounts presented for audit. No prior period adjustment is required as the error was not material.

The Council has included in its Annual Report all of the sections set out in the FReM, and within these all of the required content. The sections of the Council's accountability report are set out in a different order to that recommended by the FReM. We do not consider this to be a significant issue given that the Council is required to 'take into consideration' rather than comply with the requirements of the FReM. We have suggested a number of minor changes to the Annual Report to ensure its consistency with the financial statements.

Regularity, propriety and losses

We found no issues of irregularity or impropriety during our audit.

Materiality

A matter is material if its omission or misstatement would, in the judgement of the auditor, reasonably influence the decisions of users of the financial statements.

Based on our professional judgement, we determined overall materiality for the Council's financial statements at £627,000, which is approximately 2% of gross expenditure. We chose this benchmark because expenditure is the key driver of the amount of fee income the Council will receive subject to the Privy Council's agreement.

We have determined that for Board and Executive Management Team remuneration disclosures in the Remuneration and staff report and for the audit fee, misstatements of a lesser amount than overall materiality could influence the decisions of users of the accounts and have therefore determined that materiality for these amounts will be nil.

Performance materiality

This is the amount or amounts set by the auditor at a level not higher than 75% of materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

Reporting threshold

All uncorrected misstatements identified through our audit in excess of £6,200, as well as differences below this threshold that in our view warranted reporting on qualitative grounds, are included in this report.

Audit Scope

We have performed our audit of the 2016/17 financial statements in accordance with International Auditing Standards (UK and Ireland) issued by the Financial Reporting Council and with the audit planning report presented to the Audit Committee in November 2016.

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

- their consistency with the financial statements and our understanding of the business;
- that the audited part of the remuneration report has been properly prepared; 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 Council's circumstances and have been consistently applied and 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.

Internal control

During the course of our audit we identified two control observations of which are detailed below, including recommendations and management's responses.

Title & Area	Control issue identified	Level of risk	Recommendation	Management Response
Payroll: 'Superuser' access	<p>Our work identified that for part of 2016/17, one member of HR staff has 'superuser' access. This person is able to create a new employee, approve their pay and send them to payroll. However, the Council have demonstrated that there are other controls in place to mitigate the resultant risk.</p> <p>We note that while this access was subsequently removed this was done by the superuser who confirmed that she could give this access back to herself at any time.</p>		We recommend that Council management find a way to permanently remove the 'superuser' access as soon as is reasonably practical.	We will discuss this issue with the software developers to see if there is a practicable and cost effective solution.
Accruals: Validation of Accruals	<p>Accruals are calculated at year end using data from sources across the business. Our testing found a greater number of errors than usual and testing had to be extended to ensure that this did not have a material impact on the accounts. We found that the process to validate FTP payments had not been expanded to cover accruals and that there were other (minor) accruals that had been set up in prior years but not removed once no longer needed.</p>		We recommend that Council Management review the reasons behind the identified errors and assess whether their current validation processes are operating as intended. We used FTP payment information post accounts production to estimate the level of error within the FTP accruals and suggest that if HCPC management chose to do this pre audit they could use that information as evidence to support their judgment over the reasonableness of the estimate within the accounts.	We accept that errors were higher than normal, although we note that including extrapolation, the overall estimated error within accruals was only £151k. We do validate accruals at the year end and periodically during the year as part of normal housekeeping and to ensure that the accounts are materially correct. We will continue to do that, including reference to after date payments, and we are content that those processes will continue to produce materially correct draft accounts for audit.

-  **High risk** – major issues for the attention of senior management which may have the potential to result in a material weakness in internal control
-  **Medium risk** - important issues to be addressed by management in their areas of responsibility.
-  **Low risk** – problems of a more minor nature which provide scope for improvement

Independence

We consider that we comply with Auditing Practices Board (APB) ethical standards and that, in our professional judgment, we are independent and our objectivity is not compromised. There are no relationships between us and the Council that we consider to bear on our objectivity and independence.

International standards on Auditing (UK and Ireland)

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

- Fraud;
- Going concern – other than reported elsewhere in this report;
- the Council's compliance with laws and regulations;
- Significant difficulties completing the audit; and
- Disagreements or other significant matters discussed with management

Cooperation with other auditors

We met with Grant Thornton (the appointed internal auditors) during our audit and reviewed their internal audit reports to inform our ongoing risk assessment.

Consolidation into the Department of Health group accounts

Under the Government Resources and Accounts Act 2000 (Estimates and Accounts) Order 2016, the Council has been classified as a designated body of the Department of Health. As a result, the Council is being consolidated into the Department's group financial statements for the first time in 2016-17.

We are required to provide some assurance to the group auditors in relation to HCPC's return to the Department. This work does not impact the Council's audit fee as the cost of the work are charged to the Department. [We have completed this work and provided the required assurance to the group auditors.](#)

LETTER OF REPRESENTATION: HEALTH AND CARE PROFESSIONS COUNCIL 2016-17

I acknowledge as Accounting Officer of the Health and Care Professions Council my responsibility for preparing accounts that give a true and fair view of the state of affairs, surplus or deficit, changes in reserves and cash flows of the Health and Care Professions Council for the year ended 31 March 2017.

In preparing the accounts, I was required to:

- observe the accounts direction issued by the Privy Council Office, 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 the Health and Care Professions Council 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 2017:

- neither I nor my staff authorised a course of action, the financial impact of which is contrary to Parliament's intentions or our registrants' expectations;
- having considered and enquired as to the Health and Care Professions Council's compliance with law and regulations, I am not

aware of any actual or potential non-compliance that could have a material effect on the ability of the Health and Care Professions Council to conduct its business or on the results and financial position disclosed in the accounts;

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

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

INTERNAL CONTROL

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

I confirm that I have reviewed the effectiveness of the system of internal control and that the disclosures I have made are in accordance with HM Treasury guidance on the 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 Health and Care Professions Council and no allegations of fraud or suspected fraud affecting the financial statements has been communicated to me by employees, former employees, analysts, regulators or others.

ASSETS**General**

All assets included in the statement of financial position were in existence at the reporting date and owned by the Health and Care Professions Council, 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 Health and Care Professions Council.

Non-Current Assets

All assets over £5,000 are capitalised. Land and buildings were revalued in 2016-17 with a full valuation carried out by professionally qualified Chartered Surveyors. Plant and equipment 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 the Health and Care Professions Council's operations.

Other Current Assets

On realisation in the ordinary course of the Health and Care Professions Council's operations the other current assets in the statement of financial position are expected to produce at least the amounts at which they are stated. Adequate provision has been made against all amounts owing to the Health and Care Professions Council 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

There are no matters that should be provided for other than those included as provisions in the financial statements. The value of the provision for dilapidations is based on our best estimate of future costs arising from the legal conditions within our property leases

Contingent Liabilities

I am not aware of any pending litigation which may result in significant loss to the Health and Care Professions Council, and I am not aware of any action which is or may be brought against the Health and Care Professions Council 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 the Health and Care Professions Council, 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 2017-18, the five year plan, the fact that the government's planned date for the transfer of the regulation of social workers to Social Work England is more than 12 months from the date of approval of the annual report and accounts, and the significant cash balances held by the HCPC.

Unadjusted Errors

Annex 1 includes a list of unadjusted errors that have been brought to my attention. ***{this will be as identified unadjusted errors section on page 11 and 12}***

I consider the effect of these unadjusted errors to be immaterial, both individually and in aggregate, to the financial statements taken as a whole.

Events after the Reporting Period

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

Management of Personal Data

Except as disclosed in the Management Commentary, there have been no personal data related incidents in 2016-17 which are required to be reported.

Marc Seale

Accounting Officer and Chief Executive

[same date as the date the financial statements are signed]

The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament and the Scottish Parliament

I certify that I have audited the financial statements of the Health and Care Professions Council for the year ended 31 March 2017 under Article 46(5) of the Health and Social Work Professions Order 2001. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Reserves and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration and staff report that is described in that report as having been audited.

Respective responsibilities of the Council, Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Council and the Accounting Officer are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Article 46(5) of the Health and Social Work Professions Order 2001. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material

misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Health and Care Professions Council's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Health and Care Professions Council; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am 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.

Opinion on regularity

In my opinion, in all material respects 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.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Health and Care Professions Council's affairs as at 31 March 2017 and of the surplus for the year then ended; and
- the financial statements have been properly prepared in accordance with the Health and Social Work Professions Order 2001 and the Privy Council directions issued thereunder.

Opinion on other matters

In my opinion:

- the parts of the Remuneration and staff report to be audited have been properly prepared in accordance with the Privy Council directions made under the Health and Social Work Professions Order 2001; and
- the information given in the Performance report and Accountability report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the part of the Remuneration and staff report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse
Comptroller and Auditor General
Date

National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Uncompromising on professionalism

- Applying professional auditing standards
- Committed to recruitment and development of professionally qualified and experienced auditors
- Two stage review of all audit work
- Internal post-audit quality assurance reviews

Risk-based and proportionate

- Range of internal review and consultation processes available for higher risk issues
- Training and knowledge-sharing initiatives to promote consistency of approach across audits

Audit quality at the NAO

Responsive

- Committed to positive client relationships
- Client feedback survey on all financial audits
- Moderated feedback on a selection of clients annually

Independent

- Applying the highest ethical standards and approach in our work
- External review of compliance with professional standards by the Audit Quality Review team of the FRC
- Annual survey of MPs as our key stakeholders and users of financial statements