

Audit Committee, 6 March 2018

External audit planning reports for the 2017-18 external audit

Executive summary and recommendations

### **Introduction**

The external audit planning reports from Hays MacIntyre and the National Audit Office (NAO) are provided to the Committee for its consideration.

### **Decision**

The Committee is asked to discuss the reports, which are attached at appendices 1 and 2.

### **Background information**

Auditing standards require external auditors to explain their planned audit approach to “those charged with governance”, ie the Audit Committee, on behalf of the Council. The planning report sets out the scope and timing of the audit, and the approach including the auditors’ assessment of the significant risks.

The timetable is similar to previous years, but the approach differs because of the appointment of Hays MacIntyre as the Council’s external auditor, alongside the NAO who are appointed by our legislation to report to Parliament.

The Executive is confident of being able to work with both auditors and that the auditors will work with each other to deliver an unqualified audit to the planned timetable.

The external auditors are independent and it is their responsibility to determine their plans for the audit, so the Audit Committee does not approve or reject the audit plans, but Hays MacIntyre and the NAO will welcome the Committee’s discussion and any feedback.

The contracts with the two auditors (engagement letter / letter of understanding) are also attached at appendices 3 and 4.

### **Resource implications**

None

### **Financial implications**

Total audit fees of £29,000 (Hays MacIntyre £24,000 incl VAT; NAO £5,000).

## **Appendices**

Appendix 1: Hays MacIntyre planning letter

Appendix 2: National Audit Office Audit Planning Report

Appendix 3: Hays MacIntyre engagement letter

Appendix 4: National Audit Office letter of understanding

## **Date of paper**

27 February 2018

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20 February 2018

KEB/AG/H00187/TAJ

Dear Council Members

## **Planning letter relating to the audit of Health Care Professional Council (HCPC) (“the Council year ending 31 March 2018**

The purpose of this letter is to confirm the annual arrangements for our audit services for the year ending 31 March 2018 and to give you an overview of the nature and scope of our audit work. We would appreciate it if you would circulate this letter to the audit committee.

### **1. Scope**

Our work will be carried out in accordance with the terms of our letter of engagement dated 14 February 2018 and standard terms of business. We conduct our audit in accordance with International Standards on Auditing (UK) (“ISAs”). Our audit objective is to obtain sufficient relevant and reliable audit evidence to enable us to express an audit opinion on the financial statements of the Council for the year ending 31 March 2018.

#### ***New audit report and scope***

Following the introduction of ISAs (UK), all audit reports will need to comply with revised requirements in ISA (UK) 700 “*Forming an Opinion and Reporting on Financial Statements*” which affect the structure of the audit report and some of the detailed content of the audit report”. Consequently our audit report will be longer than before and will be redesigned to meet these requirements.

Changes to ISA (UK) 570 “*Going Concern*” impact how the audit report discloses conclusions on going concern. Where we conclude that management’s use of the going concern basis of accounting is appropriate and no material uncertainty has been identified, we will report by exception in a separate section in our audit report with the heading “Conclusions relating to going concern” describing the auditor’s responsibilities and incorporating a suitable conclusion.

If a material uncertainty exists, and is adequately disclosed, we will draw attention to the disclosure in a separate section of our audit report under the heading “Material uncertainty related to going concern”.

Revisions to ISA (UK) 720 “*The Auditor’s Responsibilities Relating to Other Information*” introduce changes for all audit reports in respect of other information included in an entity’s annual report and change our responsibilities further from those previously introduced last year.

The new audit report will now include the following:

- A statement that management is responsible for the other information, and identification of that other information;
- A statement that no audit or other assurance opinion is expressed on the other information, except to the extent otherwise explicitly stated in the auditor’s report, and;
- A description of the auditor’s responsibilities.

## 2. Team

Our audit team will be:

Kathryn Burton	(Partner)
Alex Gillespie	(Manager)
Katie Swinburne	(Senior)
Thomas Andrews	(Junior)

## 3. Timetable

Our work is being planned to meet the following timetable:-

<i>Date</i>	<i>Event</i>
4 December 2017	Interim audit
6 February 2018	Planning meeting with management
6 March 2018	Audit Committee meeting
8 -18 May 2018	Final audit
21 May 2018	Completion meeting with management
23/24 May 2018	NAO visit to review haysmacintyre files
12 June 2018	Audit Committee meeting
4 July 2018	Financial statements to be signed

#### 4. Fees

Our proposed fees as agreed in our tender document is £19,995 + VAT.:

<b>Billing Dates</b>	<b>Amount £</b>
May	18,000
July	1,995
	<hr/>
	19,995
	<hr/> <hr/>

Payment of our fees must be made within 30 days of the date of the fee note.

The proposed fee is on the basis that:

- Draft financial statements, supporting schedules for all figures, a trial balance together with reconciled control accounts and all books and records are available a week before the start of the audit, i.e. by 1 May 2018;
- The tax analysis schedules are completed by yourselves;
- The financial statements are prepared by yourselves;
- There are no unforeseen accounting or auditing issues of a complex nature, which involve significant input of time from senior members of the team;
- All deadlines with us are met.

We have provided you with a list of schedules that we will require to assist you in preparing the file.

As agreed, you are preparing the financial statements. Usually we expect to review three draft versions of the financial statements; if we have to consider more draft versions we will need to reconsider our costs and if necessary issue additional fees to cover our costs.

The above assumptions are designed to allow us to focus on the value added areas of the audit, to undertake a cost effective audit and to minimise the time the audit team is required to spend on administrative matters such as chasing for information or proof reading multiple drafts of the financial statements.

It is our policy to bill for overruns or scope extensions e.g. where we have incurred delays, deliverables have been late and/or of poor quality, where key personnel are not available or where we have been asked to do extra work.

## 5. Risk Assessment

When planning our audit work, we must seek to minimise the risk of material misstatements occurring in the financial statements. To do this, we consider both the risk inherent in the financial statements themselves and the control environment in which the entity operates. We then use this assessment to develop an effective approach to the audit.

ISAs include the following presumed significant risks:

Area	Risks	Planned audit work
Fraud in revenue recognition	The risk of incorrect treatment of income under / IFRS	<p>We will plan and perform specific tests to ensure income has been recorded in the correct period and will test on a sample of transactions around the year-end.</p> <p>Our review will also include an assessment of the appropriateness of the recognition of fee income, accrued income and deferred income (as applicable)</p>
Management override of controls	The risk of misappropriation of assets and the risks of misrepresentation of financial information.	<p>We will consider and review all areas requiring judgement or estimates in order to assess the appropriateness of the judgements and estimates made by management.</p> <p>We will review and test journal entries made in the year, and in particular those made as part of the year-end financial reporting process. Where necessary we will make further inquiries regarding any seemingly inappropriate or unusual journal or other adjustments.</p> <p>We will incorporate unpredictability in our testing procedures.</p>

Based on our knowledge we have concluded that there are the following additional significant risk areas:-

Area	Risks	Planned audit work
Opening balances	Opening balances are mis-stated.	As this is our first year as auditors, additional work will be undertaken on the opening balances to ensure that they have been

Area	Risks	Planned audit work
		appropriately brought forward, do not contain errors or mis-statements which materially affect current year and that comparatives agree with amounts and other disclosures in prior year financial statements.
Fixed assets	The assets are not complete and have been inappropriately valued.	Substantive testing to be carried out to ensure material additions have been capitalised in line with the Council's policies; review of valuation reports and capital project completion statements.
Liabilities	Completeness of creditors	Substantive testing to be carried out together with post year end reviews to ensure liabilities are not materially understated.
Staff costs	Completeness and valuation	Testing staff costs substantively so that only valid employees are paid and such costs are appropriately disclosed in the financial statements.

In addition, there has been a change in process for the 2018 audit whereby the HCPC will have a dual audit, with haysmacintyre conducting the statutory audit and the NAO completing the regularity audit. We have agreed protocols with the NAO to ensure we work together on areas such as FREM reporting and changes in IFRS and have set a timetable for the NAO to visit us to review our files.

As part of our audit and in conjunction with the NAO, we understand the sensitivity of some disclosures within the Annual Report around remuneration and council member's expenses. We will work with the NAO to ensure disclosures are FREM compliant and also that the information has been correctly extracted from the Council's accounting and payroll records.

ISAs also require us to consider the susceptibility of the financial statements to material misstatement due to fraud or error that could result from related party relationships and transactions. We are required to record all identified related parties and we would be grateful if you could provide us with a list of related parties and access to your council members' and staff declaration of interest forms.

## 6. Materiality

We define materiality as the magnitude of misstatement that could reasonably be expected to influence the readers and the economic decisions of the users of the financial statements. We use materiality both in planning our audit and in evaluating the results of our work. It is not possible for auditors to examine every transaction of the audited entity nor every balance in the financial statements. Therefore, in planning our audit work, we will give particular attention

to those areas of the financial statements that we consider to be the most important in terms of materiality as defined above.

Our draft planning materiality is £600,000, which is based on 2% of income. Overall performance materiality (i.e. our tolerance for misstatement in an individual account or balance) will be set at 75% of materiality, namely £450,000.

We will report to the Audit Committee all audit differences in excess of £30,000, as well as differences below that threshold that, in our view, warrant reporting on qualitative grounds. We will also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

## **7. Internal Controls**

The nature and extent of our procedures will vary according to our assessment of the accounting system and, where we wish to place reliance on it, the internal control system. Our audit is not designed to identify all significant weaknesses in the systems but, if such weaknesses come to our notice during the course of our audit which we think should be brought to your attention, we shall report them to you. Where you have informed us that you have dealt with a particular risk by the introduction of supervisory controls, if we consider it cost effective to seek to rely on these controls for audit purposes, we will test them and, if they are working effectively, we will reduce the time spent on other audit tests accordingly.

## **8. Reporting**

At the conclusion of the audit, we shall report to the Audit Committee as follows:

- Audit report for the Council
- Audit Findings Report (management letter) to include discussion of control issues and recommendations, significant findings from the audit and emerging developments.
- A schedule of errors that we identified during our audit work, which have not been adjusted for in the financial statements. The summary will not include errors that are 'clearly trivial'. We will require you to confirm that you have duly considered these unadjusted errors and that you have decided not to adjust for them in the financial statements; this will be included in the letter of representation.

## **9. Independence**

Under the Ethical Standard published by the Financial Reporting Council we are obliged to consider all significant facts and matters that could bear upon our objectivity and independence.

The Council Members  
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We have identified no threats to our objectivity and independence and, as such we consider that no specific safeguards over and above our general policies and procedures need to be adopted.

We will be pleased to discuss these and other matters ahead of the audit and would welcome your comments and instructions as to particular areas we should focus our time on. If you require any further information or assistance, we shall be very pleased to help you.

Yours faithfully

*haysmacintyre*

**haysmacintyre**

Health and Care Professions Council  
**Audit planning report on the 2017-18  
financial statement audit**

Report to those charged with governance  
March 2018

This report sets out details of our proposed financial statement audit approach for the 2017-18 Health and Care Professions Council (HCPC) financial statements, for the 6th March 2018 Audit Committee.

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## NAO engagement team

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We have prepared this report for the HCPC's sole use although you may also share it with the Privy Council. 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 Audit Planning Report sets out the work we plan to perform to fulfil our obligations in regard to auditing the financial statements of the Health and Care Professions Council (HCPC) for 2017-18.

## Actions for the Audit Committee

The Audit Committee is invited to consider and discuss:

- The completeness and coverage of our assessment of potential risks of material misstatement to the financial statements;
- The risk that the financial statements could be materially misstated due to fraud and communicate any areas of concern to management and the audit team (see appendix 2);
- The adequacy of management responses to these risks; and
- Our proposed audit plan to address these risks.

The Audit Committee, in order to comply with best practice, should review the accounting policies adopted by the HCPC and consider whether they remain appropriate to the HCPC's circumstances, and take into consideration the accounting principles of HM Treasury's *Financial Reporting Manual (FReM)*.

We also request the Audit Committee note the additional reporting requirements under ISA250A – Consideration of laws and regulations in an audit of financial statements, new for this year, set out in appendix 1

## Our reliance on the work of haysmacintyre

Under legislation, the HCPC is required to appoint its own auditors, who are qualified under the Companies Act 2006. haysmacintyre has been appointed for 2017-18. The C&AG is then required to examine, certify and report to Parliament on the financial statements.

haysmacintyre has agreed that the NAO can review the results of their audit work on the 2017-18 accounts. We aim to take assurance from their work to the maximum extent possible, where we feel this meets our requirements in forming an opinion on the accounts. This approach will reduce the audit burden and cost of our audit.

Our review will follow the guidance in International Standards on Auditing (UK). We will apply the principles of International Standard on Auditing (UK) 600 *Special considerations – audits of group financial statements (including the work of component auditors)* as it relates to component auditors when evaluating the sufficiency and appropriateness of the audit evidence obtained by haysmacintyre. Under ISA600, if we are not able to obtain sufficient documentation to retain on our files, we are required to perform this work ourselves. Should this occur, we will need to revisit our audit fee as this will impact the timing and cost of our work. If this is the case, we will discuss this with you in advance.

## Risk based approach

We plan our audit of the financial statements to respond to the risks of material misstatement to transactions and balance; and irregular transactions.

As outlined in their audit planning letter haysmacintyre have identified the following significant risks:

- Presumed risk of fraud arising from management override of controls;
- Presumed risk of fraud in revenue recognition;
- Opening balances;
- Completeness and valuation of fixed assets;
- Completeness of creditors; and
- Completeness and valuation of staff costs

Our own risk assessment as second tier auditors differs slightly from that of haysmacintyre. As predecessor auditors, we do not consider the opening balances to be a significant risk. Further, under the auditing standards, the auditor's previous experience with the entity and audit procedures performed in previous audits can be used as part of the preliminary risk assessment, so long as the auditor determines whether changes have occurred since the previous audit that may affect its relevance to the current audit. This may legitimately lead to a difference in the initial risk assessment from that carried out by the 1st tier auditor, who has not had the benefit of this experience and does not represent a disagreement of professional opinion. Having considered the risks identified alongside our knowledge from previous audits, we consider completeness of creditors and completeness and valuation of staff costs to be areas of audit focus rather than significant risks. We will keep this assessment in view during the audit through discussion with and review of the work undertaken by haysmacintyre.

We can confirm that we have not identified any additional risks to those listed above and will seek to rely on the work of work of haysmacintyre to address and obtain assurance over the identified significant risks and other audit areas.

We will also continue to monitor the developments in relation to the establishment of Social Work England to ensure that any potential impact on the financial statements is adequately considered and disclosed, particularly in relation to management's going concern assessment.

## Addressing the key issues

We will discuss with haysmacintyre the significant risks of material misstatement in the financial statements, and their proposed audit approach to them. We will also review their completed work and conclusions, to inform our opinion.

We will supplement our reliance on the work of haysmacintyre by performing additional audit procedures to obtain assurance to support our regularity opinion on the financial statements. See [Appendix 1](#) for further details of our responsibilities in relation to the audit of regularity.

We also perform a review of the annual report and financial statements, evaluate the appropriateness of accounting policies selected by management, and consider HCPC's compliance with the Accounts Determination issued by the Privy Council, which directs HCPC to 'take into consideration' the accounting principles and disclosure requirements of the FReM.

## Materiality

The concept of materiality recognises that financial statements are rarely absolutely correct, and that an audit is designed to provide reasonable, rather than absolute, assurance that the financial statements are free from material misstatement or irregularity.

A matter is material if its omission or misstatement would reasonably influence the decisions of users of the financial statements. The assessment of what is material is a matter of the auditor's professional judgement and includes consideration of both the amount and the nature of the misstatement. In determining materiality, we consider a range of measures relevant to the account.

Date	Activity
<b>December &amp; January 2018</b>	<b>Planning and interim audit visits:</b> <ul style="list-style-type: none"> <li>haysmacintyre complete planning and interim audit visits; and prepare the Planning Letter for the Audit Committee.</li> </ul>
<b>February 2018</b>	<b>Planning meeting:</b> <ul style="list-style-type: none"> <li>HCPC, haysmacintyre and NAO discuss HCPC operations - including organisational changes and assess risks for the audit.</li> </ul>
<b>February 2018</b>	<b>NAO planning:</b> <ul style="list-style-type: none"> <li>NAO audit team receive haysmacintyre's Planning Letter and based on discussions and the contents of the Planning Letter complete the NAO Audit Planning Report.</li> </ul>
<b>March 2018</b>	<b>Audit Committee:</b> <ul style="list-style-type: none"> <li>Presentation of NAO's Audit Planning Report and haysmacintyre's Planning Letter to the 6 March Committee meeting.</li> </ul>
<b>May 2018</b>	<b>2017-18 Annual Report and Accounts</b> <ul style="list-style-type: none"> <li>Draft Annual Report and Accounts to haysmacintyre and NAO.</li> <li>haysmacintyre commence final audit field visit.</li> </ul>
<b>May 2018</b>	<b>Final audit work:</b> <ul style="list-style-type: none"> <li>haysmacintyre complete final audit work and internal review processes.</li> <li>Completed audit work and files made available to NAO on 23 May.</li> <li>Completion meeting with HCPC, haysmacintyre and NAO on 21 May.</li> </ul>

Date	Activity
<b>June 2018</b>	<b>Audit Committee:</b> <ul style="list-style-type: none"> <li>Presentation of NAO and haysmacintyre Audit Completion Reports (including management letter) to the June Committee.</li> <li>Committee considers the final Annual Report and Accounts and makes recommendations to the Council.</li> </ul>
<b>July 2018</b>	<b>Final accounts approval and certification:</b> <ul style="list-style-type: none"> <li>Council approves the final accounts – 4/5 July</li> <li>Audit teams seek representations and C&amp;AG issues opinion – by 10 July.</li> </ul>

## Fees

The fee estimate for the audit is £5,000. Completion of our audit in line with the timetable and fee is dependent on HCPC providing haysmacintyre and the NAO with the draft versions of the accounts and relevant supporting documentation at the agreed dates and haysmacintyre in turn making their audit files and completed work available to us on the dates agreed.

If significant issues arise that require us to perform additional work which would result in a change in our fee, we will discuss this with you as soon as possible.

## Other Matters

### Independence

We are independent of HCPC in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council'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/>.

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

### Management of personal data

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

We have established processes to hold this data securely within encrypted files and to destroy it where relevant at the conclusion of our audit. We confirm that we have discharged those responsibilities communicated to you in the NAO's Statement on Management of Personal Data at the NAO.

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/>

### Using the work of internal audit

We liaise closely with internal audit through the audit process and seek to take assurance from their work where their objectives cover areas of joint interest and where it is efficient for us to do so.

### Reliance on experts

We understand that the HCPC intends to commission an expert valuation of 186 KPR and that it is anticipated this will result in an impairment of the asset value recognised in the Statement of Financial Position. Depending on the magnitude of the proposed change in value we will consider engaging our own expert to assist with the audit of this balance.

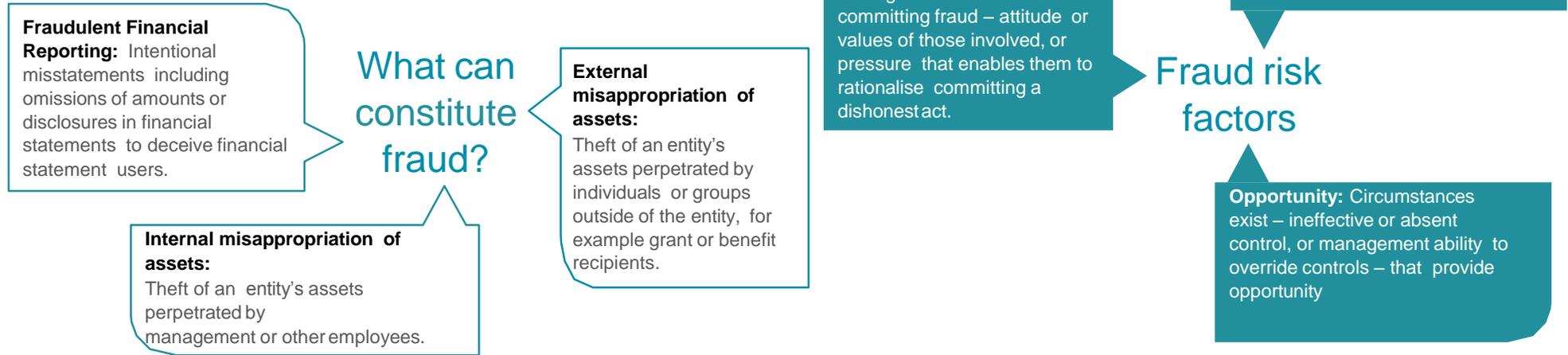
In line with International Standards on Auditing (UK) (ISAs), we are required to agree the respective responsibilities of the C&AG / NAO and the Accounting Officer, making clear that the audit of the financial statements does not relieve management or those charged with governance of their responsibilities. These responsibilities are also set out in our revised letter of understanding which we have shared with management.

The revised ISAs, which are applicable for our audit of the 2017 financial statements, include additional responsibility for us around reporting on matters in the public interest which we have noted below.

Area	Accounting Officer/management responsibilities	Our responsibilities as auditor
<b>Scope of the audit</b>	<ul style="list-style-type: none"> <li>• Prepare financial statements in accordance with Health and Social Work Professions Order 2001 and directions made thereunder by the Privy Council, and that give a true and fair view.</li> <li>• Process all relevant general ledger transactions and make these, and the trial balance, available for audit.</li> <li>• Support any amendments made to the trial balance after the close of books (discussing with us).</li> <li>• Agree adjustments required as a result of our audit.</li> <li>• Provide access to documentation supporting the figures and disclosures within the financial statements.</li> <li>• Subject the draft account to appropriate management review prior to presentation for audit</li> </ul>	<ul style="list-style-type: none"> <li>• Conduct our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)).</li> <li>• Report if the financial statements do not, in any material respect, give a true and fair view.</li> <li>• Review the information published with the financial statements (e.g. annual report) to confirm it is consistent with the accounts and information obtained during the course of our audit.</li> <li>• <b>New in 2017:</b> During the course of the audit of the financial statements, matters may be identified where the C&amp;AG deems that it is in the public interest to report to the relevant authority in accordance with ISA (UK) 250A – Consideration of laws and regulations in an audit of financial statements. Any such reports which are made in good faith without malice shall not constitute a breach of any contractual or legal restriction on disclosure of information in accordance with Article 7 of Regulation (EU) No 537/2014.</li> </ul>
<b>Fraud</b>	<ul style="list-style-type: none"> <li>• Primary responsibility for the prevention and detection of fraud, error and non-compliance with law or regulations.</li> <li>• Establish a sound system of internal control designed to support achievement of organisational policies, and manage the risks facing the organisation; including the risk of fraud.</li> </ul>	<ul style="list-style-type: none"> <li>• Obtain reasonable assurance that the financial statements (as a whole) are free from material misstatement, whether caused by fraud or error.</li> <li>• Make inquiries of those charged with governance in respect of risks, knowledge and suspicion of fraud.</li> </ul>

Area	Accounting Officer/management responsibilities	Our responsibilities as auditor
<b>Regularity</b>	<ul style="list-style-type: none"> <li>Ensure the regularity of financial transactions.</li> <li>Obtain assurance that expenditure and income presented in the financial statements have been applied to the purposes intended by Parliament and that the financial transactions conform to the authorities which govern them.</li> </ul>	<ul style="list-style-type: none"> <li>Conduct our audit of regularity in accordance with Practice Note 10 (revised) - <i>Audit of financial statements of public sector bodies in the United Kingdom</i>, issued by the Financial Reporting Council).</li> <li>Confirm assurances obtained from the HCPC that transactions are in accordance with relevant authorities.</li> <li>We will complete work to support the C&amp;AG's regularity opinion including: discussions with management; review of Council/committee papers and minutes; consideration of the results of Internal Audit's work; consideration of the results of third party work and external events e.g. PSA review; examination of unusual or potentially sensitive transactions during the year; and review of associated financial statement and Governance Statement disclosures.</li> </ul>
<b>Governance statement</b>	<ul style="list-style-type: none"> <li>Review the approach to the organisation's governance reporting.</li> <li>Assemble the governance statement from assurances about the organisation's performance and risk profile, its responses to risks and its success in tackling them.</li> <li>Council members, with the support of the Audit Committee, evaluate the quality of internal control and governance, and advise on any significant omissions from the statement.</li> </ul>	<ul style="list-style-type: none"> <li>Confirm whether the governance statement is consistent with our knowledge of the organisation, including its internal control.</li> <li>Consider whether the statement has been prepared with regard to the principles of HM Treasury guidance, including <i>Managing Public Money</i>.</li> </ul>
<b>Accounting estimates and related parties</b>	<ul style="list-style-type: none"> <li>Identify when an accounting estimate, e.g. provisions, should be made.</li> <li>Appropriately value and account for estimates using the best available information and without bias.</li> <li>Identify related parties.</li> <li>Appropriately account for and disclose related party transactions.</li> </ul>	<ul style="list-style-type: none"> <li>Consider the risk of material misstatement in respect of accounting estimates made by management.</li> <li>Perform audit procedures to identify, assess and respond to the material risks of not accounting for or disclosing related party relationships appropriately.</li> <li>We have not identified any significant risks at this stage.</li> </ul>

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



## ISA inquiries

Our inquiries relate to your oversight responsibility for:

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

**We are also required to ask whether you have any knowledge of any actual, suspected or alleged fraud.**

## Audit approach

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

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

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

Report	Summary
<p><b>Short guide to the Department of Health and NHS England</b> (September 2017)</p> <p><a href="https://www.nao.org.uk/report/short-guide-for-health/">https://www.nao.org.uk/report/short-guide-for-health/</a></p>	<p>Our short guides provide a quick accessible overview of key topics.</p> <p>Our guide to DH and NHSE and focuses on what they do and how they interlink with other health bodies; how much they cost and key developments in their areas of work. The guide groups the DH bodies into 3 categories: a) commissioning of healthcare services; b) central support functions and c) sector improvement and regulators) The guide also covers measures of performance across aspects of healthcare; spending pressures; major programmes and developments.</p>
<p><b>Short guide to Health arm's-length bodies</b> (xxx 2017)</p>	<p>Our guide to health ALBs summarises the work of selected health arm's-length bodies. What they do, how much they spend, and looks at their performance.</p>
<p><b>A Short guide to Regulation</b> (September 2017)</p> <p><a href="https://www.nao.org.uk/report/a-short-guide-to-regulation-2/">https://www.nao.org.uk/report/a-short-guide-to-regulation-2/</a></p>	<p>The short guide to regulation is designed to provide a quick and accessible overview of the issues surrounding regulation and focuses on what regulation is for, how much it costs, recent and planned changes and what to look out for across its main business areas and services.</p>
<p><b>Adult social care workforce</b> (February 2018)</p> <p><a href="https://www.nao.org.uk/report/the-adult-social-care-workforce-in-england/">https://www.nao.org.uk/report/the-adult-social-care-workforce-in-england/</a></p>	<p>This report concluded that the Department of Health and Social Care is not doing enough to support a sustainable social care workforce. The number of people working in care is not meeting the country's growing care demands and unmet care needs are increasing</p>

Report	Summary
<p><b>Investigation into the cyber-attack on the NHS</b> (October 2017)</p> <p><a href="https://www.nao.org.uk/report/investigation-wannacry-cyber-attack-and-the-nhs/">https://www.nao.org.uk/report/investigation-wannacry-cyber-attack-and-the-nhs/</a></p>	<p>On Friday 12 May 2017, there was a ransomware attack on organisations across the world. The NHS was particularly affected and some hospitals and GP surgeries were unable to access patient data, leading to appointments and operations being cancelled.</p> <p>The NAO report sets out the facts about the attack's impact on the NHS; the roles and responsibilities of key stakeholders and their response to the attack. NHS England and NHS Improvement have written to every major health body asking boards to ensure that they have implemented all alerts issued by NHS Digital between March and May 2017 and taken essential action taken to secure local firewalls.</p>
<p><b>Cyber security and information risk guidance for Audit Committees</b> (September 2017)</p> <p><a href="https://www.nao.org.uk/report/cyber-security-and-information-risk-guidance/">https://www.nao.org.uk/report/cyber-security-and-information-risk-guidance/</a></p>	<p>The NAO published a good practice guide on cyber and information security. The guidance outlines the NAO's findings across organisations where control weaknesses are frequently identified in system change controls, business continuity and third party oversight. The guidance also discusses the government's change in policy in this area and the requirement for audit committees to scrutinise cyber risks.</p>

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20 February 2018

KEB/VP/H00187/TAJ

Dear Sirs

We are pleased to accept the appointment as your auditors and are writing to confirm this.

The purpose of this letter and the attached Standard Terms of Business is to set out the basis on which we are to act as auditors and to clarify our respective responsibilities in respect of the audit. A separate letter will be issued to cover all other work undertaken.

Auditing Standards require us to appoint an engagement partner who shall take overall responsibility for the planning and conduct of the audit, and for the report that is issued on behalf of the firm. We have assessed the professional requirements of this assignment and have nominated Kathryn Burton as the Senior Statutory Auditor.

We are bound by the ethical guidelines of The Institute of Chartered Accountants in England and Wales, and accept instructions to act for you on the basis that we will act in accordance with those ethical guidelines.

1. Your responsibilities as council members
  - 1.1. Our audit will be conducted on the basis that you acknowledge and understand that you have responsibility:
    - (a) to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the organisation and of the surplus or deficit of the organisation for that period. As council members you must not approve the financial statements unless you are satisfied that they give a true and fair view of the assets, liabilities, financial position and profit or loss of the organisation;
    - (b) in preparing those financial statements to:
      - (i) select suitable accounting policies and then apply them consistently;
      - (ii) make judgments and accounting estimates that are reasonable and prudent;and

- (iii) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the organisation will continue in business;
- (c) for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the organisation and to enable you to ensure that the financial statements comply with the Health and Social Work Professions Order 2001 and applicable accounting standards. You are also responsible for such internal control as you determine is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error; and
- (d) for safeguarding the assets of the organisation and hence for taking reasonable steps to ensure the organisation's activities are conducted honestly and for the prevention and detection of fraud and other irregularities.

1.2. You have agreed to provide us with:

- (a) access to all information of which you are aware that is relevant to the preparation of the financial statements such as the organisation's books of account and all other relevant records and documentation, including minutes of all management and council meetings and other matters;
- (b) additional information that we may request from you for the purpose of the audit; and
- (c) unrestricted access to persons within the organisation from whom we determine it necessary to obtain audit evidence.

1.3. You are required to confirm in the Council's Report that so far as you are aware, there is no relevant audit information of which we, the organisation's auditors, are unaware and that you have taken all the steps that you ought to take as council members in order to make yourselves aware of any relevant audit information and to establish that we are aware of that information.

1.4. Where audited information is published on the organisation's website or by other electronic means, it is your responsibility to advise us of any intended electronic publication before it occurs and to ensure that any such publication properly presents the financial information and auditor's report. We reserve the right to withhold consent to the electronic publication of our report if it or the financial statements are to be published in an inappropriate manner.

1.5. It is your responsibility to ensure there are controls in place to prevent or detect quickly any changes to that information. We are not required to review such controls or to carry out ongoing reviews of the information after it is first published. The maintenance and integrity of the organisation's website is your responsibility and we accept no responsibility for changes made to audited information after it is first posted.

## 2. Our responsibilities as auditors

2.1. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (ISAs) (UK) as to whether:

- the financial statements give a true and fair view of the state of the organisation's affairs as at the year end, and of its profit or loss for the year then ended;
- the financial statements have been properly prepared in accordance with International Financial Reporting Standards, as adopted by the EU;
- the financial statements have been prepared in accordance with the Health and Social Work Professions Order 2001;
- the financial statements have been appropriately prepared on the going concern basis;
- the financial statements have disclosed any identified material uncertainties that may cast significant doubt on the organisation's ability to continue to adopt the going concern basis for at least the next twelve months from the date they are approved;
- the council's report, and any other information included in the annual report:
  - i. have been prepared in accordance with applicable legal requirements;
  - ii. include information that is consistent with the financial statements; and
- in the light of the knowledge and understanding of the organisation and its environment obtained in the course of the audit, we have identified any material misstatements in the council's report and, if relevant, the strategic report or any other information included in the annual report, give an indication of the nature of such misstatements.

In respect of the following matters we will also report to you on whether or not in our opinion:

- adequate accounting records have been kept by the company and returns adequate for our audit have been received from branches not visited by us;
- the financial statements are in agreement with the accounting records and returns; and
- we have received all the information and explanations we require for our audit.

In arriving at that opinion those standards require us to comply with the Financial Reporting Council's (FRC) Ethical Standard for Auditors.

2.2. Our report will be made solely to the council members, as a body, in accordance with Health and Social Work Professions Order 2001. Our audit work will be undertaken so that we might state to the council's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we will not accept or assume responsibility to anyone other than the organisation and the council's members as a body, for our audit work, for the audit report, or for the opinions we form.

- 2.3. In addition, we have a professional duty to report if the financial statements do not comply in any material respect with applicable accounting standards, unless in our opinion non-compliance is justified in the circumstances. In determining whether or not any departure is justified we will consider:
- (a) whether the departure is required in order for the financial statements to give a true and fair view; and
  - (b) whether adequate disclosure has been made concerning the departure.
- 2.4. Our professional duties also include:
- (a) incorporating in our report a description of the council's responsibilities for the financial statements, where the financial statements or accompanying information do not include such description; and
  - (b) considering whether other information in documentation containing the financial statements is consistent with the audited financial statements.

***Scope of the audit***

- 2.5. Our audit will be conducted in accordance with the ISAs (UK) issued by the Financial Reporting Council (FRC). 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 organisation's circumstances and have been consistently applied and adequately disclosed;
  - the reasonableness of significant accounting estimates made by management or council members; and
  - the overall presentation of the financial statements.
- 2.6. In addition, we read all the financial and non-financial information in the council's report, and state whether in our opinion the information given in the council's report is consistent with the financial statements; whether the report(s) have been prepared in accordance with applicable legal requirements and whether, in the light of our knowledge and understanding of the organisation and its environment obtained in the course of the audit, we have identified any material misstatements in the report(s). If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.
- 2.7. Because of the test nature and other inherent limitations of an audit, together with the inherent limitations of any accounting and internal control system, there is an unavoidable risk that even some material misstatements may remain undiscovered even though the audit is properly planned and performed in accordance with ISAs (UK).
- 2.8. We will obtain an understanding of the accounting and internal control systems in order to assess their adequacy as a basis for the preparation of the financial statements and to establish whether the organisation has maintained adequate accounting records. We will need

to obtain relevant and reliable evidence sufficient to enable us to draw reasonable conclusions therefrom.

- 2.9. The nature and extent of our tests will vary according to our assessment of the organisation's accounting and internal control systems, and may cover any aspects of the business's operations. We shall report to the management any significant deficiencies in, or observations on, the organisation's systems that come to our attention of which we believe the council should be made aware. Any such report may not be provided to any third party without our prior written consent. Such consent will only be granted on the basis that such reports are not prepared with the interests of any party other than the members in mind and that we therefore neither have nor accept any duty or responsibility to any other party as concerns the reports.
- 2.10. As noted in section 1, the responsibility for safeguarding the assets of the organisation and for the prevention and detection of fraud, error and non-compliance with law or regulations rests with the management. However, we will plan our audit so that we have a reasonable expectation of detecting material misstatements in the financial statements resulting from irregularities, fraud or non-compliance with law or regulations, but our examination should not be relied upon to disclose all such material misstatements or frauds, errors or instances of non-compliance that might exist.
- 2.11. As part of our normal audit procedures, we will request you to provide formal representations concerning certain information and explanations we receive from you during the course of our audit. In particular, where we bring misstatements in the financial statements to your attention which are not adjusted, we shall require written representation of your reasons.
- 2.12. To enable us to conduct a review of your financial statements, which constitutes part of our audit, we will request sight of any documents or statements which will be issued with the financial statements.
- 2.13. Once we have issued our report we will have no further direct responsibility in relation to the financial statements for that financial year. However, as noted in section 1, we expect that you will inform us of any material event occurring between the date of our report and that of the annual general meeting which may affect the financial statements.
- 2.14. A fuller description of the scope of an audit of financial statements arising from the requirements of ISAs (UK), together with other legal and regulatory requirements, is provided on the Financial Reporting Council's website at <https://www.frc.org.uk/auditors/audit-assurance/auditor-s-responsibilities-for-the-audit-of-the-fi/description-of-the-auditor%E2%80%99s-responsibilities-for>

### ***Communication***

- 2.15. In order to ensure that there is effective two-way communication between us we set out below the expected form and timing of such communications.
  - We shall contact you by telephone prior to each year-end for preliminary discussions concerning the audit. We will confirm in writing the matters discussed and any agreed action.

- We will arrange a meeting to discuss the forthcoming audit prior to the expected start date. Again we will confirm in writing the matters discussed and any agreed action.
- We will arrange a meeting to discuss any matters arising from the audit after completion of the detailed work. Again we will confirm in writing the matters discussed and any agreed action.

2.16. The formal communications set out above are the minimum required to comply with auditing standards. We shall of course contact you on a more frequent and regular basis regarding both audit and other matters.

### **3. Agreement of terms**

- 3.1. This engagement will start on 20 February 2018 with your financial statements period ending on 31 March 2018.
- 3.2. The terms set out in this letter and our attached Standard Terms of Business shall take effect immediately upon your countersigning this letter and returning it to us or upon the commencement of the financial statements for the financial reporting period ending 31 March 2018. You or we may agree to vary or terminate our authority to act on your behalf at any time without penalty. Notice of variation or termination must be given in writing.
- 3.3. Once it has been agreed, this letter and the attached Standard Terms of Business will remain effective until they are replaced. We shall be grateful if you could confirm your agreement to these terms by signing the enclosed copy of this letter and returning it to us immediately. If this letter and the attached terms of business are not in accordance with your understanding of our terms of appointment, please let us know.

Yours faithfully



**haysmacintyre**

I/We confirm that I/we have read and understood the contents of this letter and the attached Standard Terms of Business and agree that they accurately reflect the services that I/we have instructed you to provide.

Signed ..... Dated .....

**For and on behalf of Health & Care Professions Council (HCPC)**



National Audit Office

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Reference PR-003834  
Date 23 February 2018

Dear Mr Seale,

## AUDIT OF THE HEALTH AND CARE PROFESSIONS COUNCIL: LETTER OF UNDERSTANDING

### 1. INTRODUCTION

1.1 The purpose of this letter is to set out the basis on which the Comptroller and Auditor General (C&AG) audits the financial statements of the Health and Care Professions Council (HCPC); and the respective responsibilities of the Chief Executive, as Accounting Officer, and the NAO, acting on behalf of the C&AG. This engagement will be conducted with the sole objective of our expressing an opinion on the financial statements of the HCPC.

### 2. SCOPE OF THE AUDIT

2.1 The financial audit will be conducted in accordance with the International Standards on Auditing (UK) and will cover the financial statements for the financial year 2017-18. These statements comprise the, Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, Statement of Changes in Taxpayers' Equity, the related notes and the part of the Remuneration Report to be audited. We will also audit the consolidation schedules for the consolidated financial statements of Department of Health (see para 6.1).

2.2 Once the audit certificate is signed we have no further direct responsibility in relation to the financial statements for that financial year. However, we expect that you will inform us of any material event occurring between the date the C&AG signs the audit certificate and that of the laying of the accounts before the Houses of Parliament.

### 3. RESPONSIBILITIES OF AUDITORS

3.1 The C&AG is required to audit the financial statements under the Health and Social Work Professions order 2001. This provides that the HCPC appoints persons to audit its accounts and that these persons must be eligible for appointment under the Companies Act. The C&AG is then required to examine, certify and report to Parliament. The C&AG is responsible for reporting whether in his opinion the financial statements give a true and fair view and whether they and the part of the Remuneration and Staff Report to



be audited have been properly prepared in accordance with the Health and Social Work Professions order 2001 and directions made thereunder by the Privy Council. He is required to report whether, in his opinion, the information which comprises the Performance Report and Accountability Report included in the Annual Report is consistent with the financial statements and the knowledge acquired by him during the course of the audit. He will also report on whether, in his opinion, in all material respects, the expenditure and income presented in the financial statements have been applied to the purposes intended by Parliament and whether the financial transactions conform to the authorities which govern them.

**3.2** In arriving at this opinion, we are required to consider the following matters, which the C&AG will report on if he is not satisfied:

- whether proper accounting records have been kept by HCPC, and proper returns adequate for the audit have been received from any third parties;
- whether we have obtained all the information and explanations which we consider necessary for the purposes of our audit;
- whether the information given in the Annual Report is consistent with the financial statements and with information obtained during the course of the audit; and
- Whether the Governance Statement reflects HCPC's consideration of HM Treasury's guidance. We are not required to consider whether this statement covers all risks and controls, or form an opinion on the effectiveness of HCPC's corporate governance procedures or its risk and control procedures.

**3.3** There are certain other matters that, according to circumstances, the C&AG has a responsibility to report on. For example, where the financial statements do not adequately disclose details specifically required by HM Treasury, such as remuneration. We may include these details as an additional paragraph in the C&AG's audit certificate or in a separate report.

## **4. THE FINANCIAL AUDIT PROCESS**

**4.1** The audit will be conducted in accordance with the International Standards on Auditing (UK) and the United Kingdom Financial Reporting Council's Statement of Recommended Practice: Practice Note 10: Audit of the financial statements of public sector bodies in the United Kingdom. These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance over whether the financial statements are free from material misstatement. We are also required to certify that the transactions of the entity are, in all material respects, in accordance with parliamentary intention and the authorities which govern them.

**4.2** We shall obtain an understanding of the accounting and internal control systems to assess their adequacy as a basis for the preparation of the financial statements; ensuring income and expenditure is incurred in accordance with parliamentary intention (regularity) and to establish whether proper accounting records have been maintained by the HCPC. We shall expect to obtain such appropriate evidence as we consider sufficient to enable us to draw reasonable conclusions therefrom.

**4.3** The nature and extent of our procedures will vary according to our assessment of the HCPC's accounting and internal control systems and, where we wish to place reliance on it, the internal control system, and may cover any aspect of the operations that we consider appropriate.

**4.4** To assist us with the examination of your financial statements, we shall request timely sight of all documents or statements which are due to be issued with the financial statements. We shall review accompanying information for consistency with the financial statements and with our knowledge of your business. We will bring such inconsistencies to your attention so that they may be resolved prior to certification.

### **Limitations of a financial audit**

**4.5** We will plan our audit so that we have a reasonable expectation of detecting material misstatements in the financial statements or accounting records (including those resulting from fraud, error or non-compliance with laws or regulations and detecting material amounts which are not in compliance with parliamentary intention), but our examination should not be relied upon to disclose all such material misstatements as may exist. Due to the test nature and other inherent limitations of a financial audit there is an unavoidable risk that some material misstatement may remain undiscovered.

**4.6** Our work on internal control will not be sufficient to enable us to express any assurance on whether or not the HCPC's internal controls are effective. Our financial statement audit cannot be relied upon to draw to your attention all matters that may be relevant to your consideration as to whether or not the system of internal control is effective.

## **Management representations**

**4.7** As part of our audit process we will request from management written representations on matters material to the financial statements or to the regularity of transactions where other sufficient appropriate evidence cannot reasonably be expected to exist, and where management may have made certain oral representations (Letter of Representation).

## **Reliance on third parties**

### ***Another auditor***

**4.8** We will place reliance on the work of the appointed auditors in accordance with International Standard on Auditing (UK) 600: Special considerations – audits of group financial statements (including the work of component auditors). Therefore we will consider how the work of this auditor will affect the audit. We shall consider the professional competence of the appointed auditor in the context of this engagement and perform procedures to obtain sufficient evidence that their work is adequate for our purposes.

### ***Internal Audit***

**4.9** We shall obtain an understanding of internal audit to identify and assess the risks of material misstatement of the financial statements. We will assess the internal audit function when this is relevant to the risk assessment and, where we intend to use specific audit work, we will evaluate and perform audit procedures on that work to confirm its adequacy for our purposes. Reliance on the work of internal audit may not always be appropriate for the purposes of the audit of the financial statements.

### ***Use of management's experts***

**4.10** Where HCPC has used an expert to prepare information for inclusion within the financial statements, we may judge that it is appropriate to use the work of that expert as audit evidence. In doing so we will:

- Evaluate the competence, capabilities and objectivity of that expert;
- Obtain an understanding of the work of that expert; and
- Evaluate the appropriateness of that expert's work as audit evidence for the relevant assertion

Depending on the significance and complexity of the expert's work, we may judge it appropriate to use our own auditor's expert.

## **Communications**

**4.11** At the start of our audit each year, we will issue an audit planning report, which should be presented to the Audit Committee, containing details of identified risks and planned financial audit work on the HCPC for the coming year. This will detail where the audit team intends to make use of the work of internal audit, other auditors or experts.

**4.12** At the end of each audit we will report formally to you on:

- any significant weaknesses in, or observations on, the accounting and internal control system for presentation to the Audit Committee;
- errors and irregularities identified in the course of the audit (unless deemed clearly trivial);
- uncorrected misstatements;
- expected modifications to the audit certificate;
- matters specifically required to be reported under other International Standards on Auditing (other than that which governs the “Communications of Audit Matters With Those Charged With Governance”); and
- any other matters of interest to those charged with governance.

## **5. CLIENT RESPONSIBILITIES**

**5.1** As Accounting Officer of HCPC, you are responsible for:

- maintaining proper accounting records;
- ensuring such internal controls are in place as deemed necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
- preparing financial statements, which give a true and fair view, in accordance with the Health and Social Work Professions Order 2001 and with directions made by the Privy Council; and
- preparing the Annual Report, which includes the Remuneration Report, in accordance with the Health and Social Work Professions Order 2001 and with directions made by the Privy Council.

**5.2** As the Accounting Officer for HCPC your responsibilities extend to ensuring, in accordance with your appointment as Accounting Officer and Managing Public Money, that an appropriate system of internal control is in place to ensure that the expenditure and income presented in the financial statements have been applied to the purposes intended by Parliament and that the financial transactions conform to the authorities which govern them.

**5.3** The responsibility for safeguarding the assets of HCPC and for the prevention and detection of fraud, error and non-compliance with law or regulations rests with you and HCPC. You must draw to our attention instances of actual or suspected fraud, error and irregularities when you become aware of them.

**5.4** You are responsible for making available to us, as and when required, all HCPC accounting records and all other relevant records and related information, including minutes of all management meetings and access to any documents held by third parties. We are entitled to require from your staff such other information and explanations as we consider necessary for the performance of our duties as auditors.

**5.5** As Accounting Officer of HCPC you are responsible for ensuring compliance with HM Treasury’s Managing Public Money requirements regarding the operation of internal controls. The Financial Reporting Manual requires you to produce a Governance Statement.

## **6. AUDIT ARRANGEMENTS**

### **Department of Health and Social Care**

**6.1** HCPC has been designated for inclusion in the consolidated financial statements of Department of Health and Social Care (DHSC) in Schedule 1 of the Government Resource and Accounts Act 2000 (Estimates and Accounts) Order 2017. As such, HCPC is required to prepare information for inclusion in the consolidated financial statements in the form and to the timetable directed by DHSC .

**6.2** As part of our audit of the DHSC we will perform any necessary audit procedures on the consolidation schedules submitted by HCPC to the DHSC. The extent of our work on these schedules will be determined by the NAO engagement team responsible for the group audit of the DHSC. HCPC will not be charged for any costs we incur performing this work which are additional to the costs of performing the audit of HCPC.

### **Handling data including personal data**

**6.3** The C&AG, as Accounting Officer, has overall responsibility for Security and Information Risk at the NAO. The C&AG also retains responsibility for our client data which is handled by our contractors on our behalf. The C&AG is the Data Controller for the NAO. The Executive Leader, Strategy and Operations, is the Senior Information Risk Owner (SIRO) and Data Protection Officer. The NAO has a network of Information Asset Owners (IAOs), which includes all the NAO's Directors, who are personally responsible for ensuring that personal data (and other sensitive data) used in connection with a particular project is requested, transferred, controlled, processed and destroyed in accordance with the Data Protection Act 1998 and the NAO's Data Protection Framework. As required by the Cabinet Office's Security Policy Framework (SPF), the NAO has a Departmental Security Officer (DSO), and an Information Security Technology Officer (ITSO)

**6.4** As part of our audit work we will require access to a range of data which you hold. This may include access to personal data. We will handle personal data in accordance with our Statement on the Management of Personal Data at the NAO (Annex 1). We will agree with you the personal data which we require access to, and how we will request it from you, and we will include these arrangements within our formal audit strategy document.

### **Health and Safety**

**6.5** Members of the audit team will be in touch with relevant HCPC officers to discuss practical arrangements and the timing of audit visits. However, we would appreciate your co-operation in relation to the provision of support for our employees covering health, safety and emergency arrangements applicable to your premises. In particular, as our staff need to use a computer for a significant part of their time on your premises, we seek your assistance to provide a compliant workstation in accordance with the Display Screen Equipment Regulations. It is the responsibility of HCPC to ensure that NAO staff on site are advised of all relevant security protocols.

### **Electronic Publication of Accounts**

**6.6** The HCPC may wish to publish the financial statements, including our audit certificate, on its website. It is the responsibility of HCPC to ensure that any such publication properly presents the financial information and audit certificate.

**6.7** HCPC must advise us of any intended publication and should seek our consent for the electronic presentation of our audit opinion. We reserve the right to withhold consent to the electronic publication of our certificate if the audited financial statements or audit certificate are to be published in an inappropriate manner.

**6.8** HCPC is also responsible for the controls over, and the security of their website. The examination of the controls over the maintenance and integrity of HCPC's website is beyond the scope of our audit of the financial statements.

### **Freedom of Information Act 2000**

**6.9** The Freedom of Information Act 2000 introduced a statutory right of access to all types of "recorded" information held by most public bodies (known as "public authorities" in the Act). All individuals and organisations, regardless of citizenship or residence, have had this right of access from 1 January 2005. The

Act requires public authorities to reply in writing to any request for access, stating whether they hold the information requested, and providing a copy of the information if required, subject to certain exemptions. The Act is retrospective giving access to existing information whenever it was created. As a result, any NAO information held either by the NAO or by an audited body, including unpublished outputs such as reports to those charged with governance (as required by ISA (UK) 260), management letters, audit completion memoranda and other audit reports, are potentially disclosable, either by the NAO, or the audited body. Any requests for disclosure should be discussed with us as and when they are received. Similarly, you will be consulted about any Freedom of Information Act request received by the NAO for information that has been generated by HCPC.

## **Proceeds of Crime reporting**

**6.10** The C&AG is a relevant person within the meaning of the Money Laundering Regulations 2007. As such all NAO staff are required to report all knowledge or suspicion, or reasonable grounds to know or suspect, that a criminal offence giving rise to any direct or indirect benefit from criminal conduct has been committed, regardless of whether that offence has been committed by their client or by a third party.

**6.11** If as part of our work we have knowledge or suspicion, or have reasonable grounds to know or suspect, that such offences have been committed we are required to make a report to the National Crime Agency. In such circumstances it is not our practice to discuss such reports with you because of the restrictions imposed by the “tipping off” provisions of the anti-money laundering legislation.

**6.12** Central Government bodies are required to report frauds to HM Treasury, in line with HM Treasury’s Managing Public Money. Informing the NAO, or being aware of the NAO’s knowledge or suspicion of a fraud, does not absolve HCPC of this responsibility.

## **7. THE BRIBERY ACT**

**7.1** The National Audit Office has implemented procedures to ensure compliance by all staff with obligations under the Bribery Act 2010. These procedures require all staff to report any breaches of this Act which would give rise to the creation of criminal proceeds, or the suspicion of criminal proceeds being created in accordance with the Proceeds of Crime Reporting requirements at paragraph 6.6.1.

## **8. REPORTING TO THIRD PARTIES**

### **Reporting on Matters in the Public Interest**

**8.1** During the course of the audit of the financial statements, matters may be identified where the C&AG deems that it is in the public interest to report to the relevant authority in accordance with ISA (UK) 250A – Consideration of laws and regulations in an audit of financial statements. Any such reports which are made in good faith without malice shall not constitute a breach of any contractual or legal restriction on disclosure of information in accordance with Article 7 of Regulation (EU) No 537/2014.

## **9. OTHER MATTERS**

### **Use of Report & Confidentiality**

**9.1** Any formal report or other unpublished reports from us may not be provided to third parties or published without our prior written consent. Such consent will be granted only on the basis that such reports are not prepared with the interests of anyone other than HCPC in mind and that we accept no duty or responsibility to any other party as concerns the reports.

## **Electronic communication**

**9.2** During the audit we may from time to time communicate electronically with each other. However, the electronic transmission of information cannot be guaranteed to be secure or virus or error free and such information could be intercepted, corrupted, lost, destroyed, arrive late or incomplete or otherwise be adversely affected or unsafe to use. We recognise that systems and procedures cannot be a guarantee that transmissions will be unaffected by such hazard.

**9.3** We confirm that we each accept the risks of any authorised electronic communications between us. We each agree to use commercially reasonable procedures to check for the then most commonly known viruses before sending information electronically. We shall each be responsible for protecting our own systems and interests in relation to electronic communications and (in each case including our respective employees, agents or servants) we shall have no liability to each other on any basis, whether in contract, tort (including negligence) or otherwise, in respect of any error, damage, loss or omission arising from or in connection with the electronic communication of information between us and our reliance on such information

**9.4** The exclusion of liability in the previous clause shall not apply to the extent that any liability arises out of acts, omissions or misrepresentations which are in any case criminal, dishonest or fraudulent on the part of our respective employees, agents or servants.

## **Quality of service**

**9.5** It is our desire to provide you at all times with a high quality service to meet your needs. If at any time you would like to discuss with us how our service to you could be improved or if you are dissatisfied with any aspect of our services, please raise the matter immediately with me. If, for any reason, you would prefer to discuss these matters with someone other than me, please contact the Director, Financial Audit Practice and Quality at the NAO. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you.

## **10. FEES**

**10.1** Fees are calculated on the basis of the time we spend on HCPC affairs, and on the levels of skill and responsibility involved. At the beginning of each year's audit we shall estimate the cost of the work to be undertaken and record this in writing for HCPC.

**10.2** We may present invoices for work done at appropriate intervals during the course of the year or following the completion of the annual audit. Audit fees are intended to meet the full costs of the audit. These invoices will be payable upon presentation. The amount of work undertaken will not be increased beyond that covered by the estimated fee without our giving prior warning to the HCPC, together with the reasons for the increase.

## **11. OTHER SERVICES**

**11.1** Under the National Audit Act 1983, the C&AG may carry out Value for Money examinations into the economy, efficiency and effectiveness with which HCPC has applied its resources in discharging its functions and report the results of such examinations to the House of Commons.

**11.2** Additionally the C&AG may undertake further work outside the scope of a financial audit engagement as determined by the audit team to be of interest to those charged with governance or Parliament more generally. Such work may include, for example, investigations designed to examine key issues of propriety, governance or financial management. For the duration of this letter of understanding, each such assignment will be subject to separate terms of reference issued in advance of work commencing.

## 12. ACCEPTANCE

**12.1** Once agreed, this arrangement will remain effective for future years unless it is terminated, amended or superseded. Should you wish to discuss any aspects of this before signing at the foot of this letter and returning a copy, please do not hesitate to contact me.

**12.2** I should be grateful if you would bring this letter to the attention of the HCPC's Audit Committee.

Mike Newbury  
Engagement Director  
For and on behalf of the Comptroller and Auditor General

[Date]

Marc Seale  
Chief Executive  
Health and Care Professions Council

[Date]

## ANNEX 1: Statement on the Management of Personal Data at the NAO

1. The C&AG and the National Audit Office have privileged and wide-ranging access to data and information to support the discharge of the audit function and ensure that the C&AG's reports to Parliament are factual, accurate and complete. This data relates both to public servants and individual citizens. We have a duty to respect this privileged access and to ensure that the personal information entrusted to us is safeguarded properly.

2. We take our obligations under the Data Protection Act 1998 seriously. We have a body of data policies and IT standards, guidelines and procedures designed to ensure compliance with the Act. We keep our requests for personal data to the minimum necessary to complete our work and retain any personal information we obtain only for as long as we need it. We take appropriate measures to safeguard the integrity and confidentiality of data we hold from unauthorised access. All of our staff and contractors have an obligation to comply with our data protection policies.

3. In addition to those items specifically identified in the Act, our definition of sensitive personal data includes data which, when held alone or in combination, could cause embarrassment, harm or financial loss to the data subject if disclosed to or tampered with by an unauthorised third party. We have separate arrangements in place for classified data.

4. To help you understand our commitment, we have developed a series of Personal Data Statements, which all our staff subscribe to:

- **We will only request personal data for use in discharging our statutory and other audit functions and for lawful purposes.** These requests are kept to the minimum necessary to carry out our work.
- **Our requests for personal data will be authorised by a senior employee,** usually the Project Director. We have policies and procedures for requesting and managing personal data. For most audits, the Project Director is the Information Asset Owner and is personally responsible for authorising requests for personal data, and for ensuring that personal data is transferred, processed, stored and destroyed in accordance with our policies and procedures. For some audits an Engagement Director takes on these responsibilities and they provide assurances to the relevant Information Asset Owner that they have complied with our policies and procedures.
- **We will agree with you in advance how we will use, secure, destroy and account for the personal data you provide to us.** We have a series of protocols which specify the measures for protecting personal data during transfer from the information provider, whilst we retain the information for audit purposes, for secure destruction of the data and for long term storage where this is required by law and professional standards.
- **We will notify you when we destroy personal data you have provided to us.**
- **We ensure our contractors operate suitable procedures for personal data protection before we pass such data to them.** From time to time we contract with third parties who support us in discharging our statutory and other audit responsibilities. Access to personal information will only be given to organisations which can demonstrate that they are capable of maintaining the standards defined in these statements.
- **We audit our compliance with our data protection policies,** this includes checks on compliance carried out independently of the NAO Directors responsible for the security of data on their audits.
- **Where information identifying individuals must be given up by law, it will be released only to those legally entitled to receive it following the approval of the data controller.**