

**Health Professions Council  
IFRS Conversion  
IFRS and FRS Trigger Point 2 Audit Plan**

**Restated Balance Sheet as at 1 April 2008 (31 March 2008)**

**Presented to the Audit Committee  
by Baker Tilly UK Audit LLP  
10 December 2008**

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# 1 Introduction and engagement objectives

## *Introduction*

The purpose of this document is to explain the scope of the audit, our proposed audit approach, and to highlight the key risks that we will be focusing our audit work upon. This forms part of the ongoing communications we are required to make under International Standard on Auditing (UK and Ireland) 260. For the avoidance of doubt, the auditor is not required to design audit procedures for the specific purpose of identifying matters of governance interest.

Throughout this document the terms partner and principal are interchangeable.

## *Engagement objectives*

Our responsibility under this assignment is to conduct an audit to obtain reasonable assurance that the information presented for audit is consistent with a 'true and fair' view. This work only extends to the information required under Trigger Point 1, which comprises: a restated Balance Sheet; reconciliation of the 31 March 2008 FRS position to the 1 April 2008 IFRS position; and specific supporting notes. Before reaching our conclusion, we plan to consider whether, if this particular information had been accompanied by other IFRS compliant disclosures in a full set of accounts, those accounts would have been capable of presenting a 'true and fair' view. However, we will neither consider nor review any of these additional disclosures.

We will not carry out any additional post balance sheet review, since we completed the audit of the statutory 2007-08 UK based FReM accounts, which were certified on 4 July 2008.

We will not be providing an opinion on the impact of the adoption of the Financial Instrument FRSs.

The format of our opinion is expected to be given in the following format

*"In our opinion:*

*the IFRS restated Balance Sheet is consistent with financial statements which give a true and fair view of the state of Health Professions Council's affairs as at 1 April 2008; and*

*the 1 April 2008 IFRS restated Balance Sheet has been properly prepared in accordance with the IFRS insofar as this is applicable to the trigger point 1 exercise."*

We will plan our work with a view to ensuring:

- minimum disruption to your staff and operations
- that reports submitted to you are constructive and clear, focusing on the issues that matter
- that surprises are avoided and that good communications are maintained with you throughout the assignment

Our engagement letter covering the above responsibilities is set out in **Appendix A**.

## 2 Audit approach, scope and timetable

We plan to carry out the audit of the IFRS restated Balance Sheet as at 1 April 2008 in accordance with International Standards on Auditing (UK & Ireland) issued by the Auditing Practices Board. Appendix B explains the Trigger Point process and outlines the scope of the audit in respect of the IFRS restated Balance Sheet and the adoption of the Financial Instrument Financial Reporting Standards (FRS).

The audit will consist of an examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of balances included in the IFRS restated Balance Sheet. It will include an assessment of the significant estimates and judgements made in the preparation of the Balance Sheet and supporting notes, and of whether the accounting policies are appropriate and consistently applied. It will also evaluate the overall adequacy of the presentation of information in the IFRS restated Balance Sheet and supporting notes.

The procedures which we plan to adopt are designed primarily for the purpose of providing an opinion on the restated Balance Sheet as a whole. They will include a review of the accounting systems and procedures only to the extent considered necessary for the effective performance of the audit. The Audit findings and observations presented therefore should not be regarded as representing a comprehensive statement of all the weaknesses which exist, or all improvements which could be made to the systems and procedures operated by the organisation. Neither should it be considered as an assurance that Health Professions Council will be able to comply with the requirements of Trigger Point 3.

### *Trigger Point 1 and 2*

The transition from FRS based accounts to fully IFRS compliant accounts in 2009-10 is being facilitated through a “Trigger Point” process.

At Trigger Point 1, the IFRS restated Balance Sheet as at 1 April 2008, should be accompanied by:

- relevant revised accounting policies;
- supporting reconciliations and schedules that explain the transitional movements; and
- specific supporting notes outlining the restated figures that will appear in the 2009-10 accounts.

The supporting notes should in most cases be limited to: the 1 April 2008 reserve figures related to the Statement of Changes in Taxpayers’ Equity; the 1 April fixed asset notes, tangible and intangible (to comply with the requirement to produce full prior year comparative notes for fixed assets under IAS 16 and IAS 38); and, where relevant, the 1 April 2008 figures in the investments in other public sector bodies note.

In addition, the Financial Instrument standards (FRS 25, 26 and 29) are to be implemented in the 2008-09 accounts in full. This is complemented by a parallel trigger point process, as follows:

Trigger Point 1 - 30 September 2008 - Reporting entities should have identified, for 2008-09, reliable estimates of the balance sheet and operating cost statement impact of FRS 26 Financial Instruments: Recognition and Measurement; and

Trigger Point 2 – 31 December 2008 - Completion of the NAO's review of the FRS 26 impact work.

*Qualitative aspects of accounting practices and financial reporting*

We will discuss with you any areas where our experience as auditors leads us to believe that accounting practices and financial reporting could be improved.

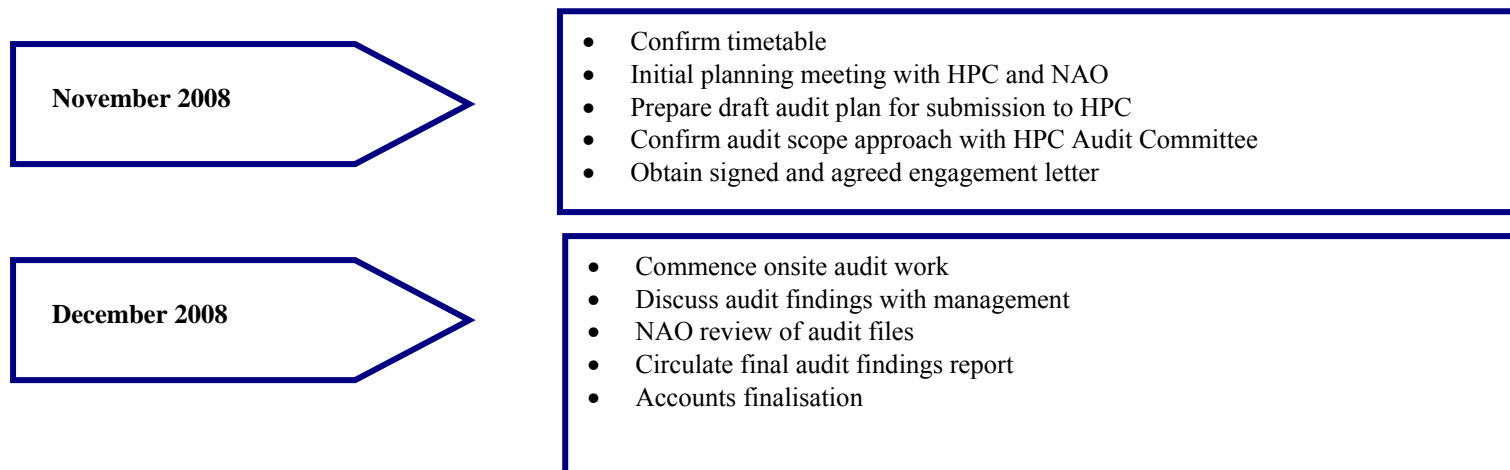
## Audit timetable and deliverables

### *Objective*

The objective of all our communications is to provide you with regular, open and relevant feedback. All issues follow strict protocols for clearance ensuring that the issue resolution is consistent, timely and respects your lines of management reporting.

### *Timetable and communication plan*

We have set out below the key actions to be taken by Baker Tilly UK Audit LLP and Health Professions Council each month to ensure that the reporting timetable is met:



### 3 Key risks affecting our audit plan

From our preliminary planning work and ongoing considerations we have not identified any additional areas requiring additional audit effort as a result of producing the IFRS restated balance sheet or adoption of the Financial Instrument standards.

### 4 Governance and control

#### *Effectiveness of Communications*

ISA (UK&I) 260 requires us to review the effectiveness of communications between the auditors and those charged with governance.

Throughout our audit, we have ensured that communications have been effective. Our standard annual publications have been issued, including the Audit Plan for the 31 March 2008 financial statement audit dated 27 February 2008 and the Audit Findings Report dated 26 June 2008, and we have reported interim findings to the audit committee and management where appropriate. In addition, the audit team has had regular meetings with finance staff and other key personnel throughout the audit.

#### *Personal independence*

All Baker Tilly personnel must adhere to strict regulatory, professional and internal independence requirements related to investments or business relationships with clients. All principals and staff must annually certify their compliance with these personal independence rules.

Baker Tilly UK Audit LLP is authorised by the Institute of Chartered Accountants of Scotland (“ICAS”) to carry out statutory audits. Members of this Institute and other Accounting Bodies are bound by their relevant Ethical Code which covers, inter alia, objectivity, independence, confidentiality and integrity.

David Blacher is a member of the Institute of Chartered Accountants in England and Wales (“ICAEW”) and is required to maintain relevant Continuing Professional Development via training courses and seminars and, as an audit principal, must be a Responsible Individual as defined by Audit Regulations.

In addition, Baker Tilly UK Audit LLP has internal requirements that must be met by all principals undertaking audit work. These include internal authorisation to undertake audit work and hot and cold reviews of working files for listed and other selected clients. These are in addition to external reviews carried out by the ICAS Quality Assurance Department and, where appropriate, the Audit Inspection Unit of the Financial Reporting Council.



Principals and staff (including family members) of Baker Tilly are forbidden to invest in any client that is an audit client of Baker Tilly UK Audit LLP and a restricted client list, which is regularly updated, is maintained. This is reinforced in both the Baker Tilly UK Audit LLP Members' Agreement and staff terms and conditions of employment.

### *Auditor independence*

In accordance with International Standard on Auditing (UK and Ireland) 260 "Communication of audit matters with those charged with governance", the following are details of all the relationships between Baker Tilly UK Audit LLP and its related entities and the Health Professions Council and its related entities that may reasonably be thought to bear on Baker Tilly UK Audit LLP's independence and the objectivity of the audit engagement principal, Mr David Blacher and the audit staff and the related safeguards that are in place:

1. Non-audit services provided by related entities to the Health Professions Council and its related entities:

Baker Tilly Tax and Accounting Limited provide tax planning and compliance services.

Prior to these services being provided Baker Tilly UK Audit LLP procedures require a conflict threat assessment to be undertaken. Only if appropriate safeguards can be and are implemented is the non audit service provided. Such safeguards include the provision of non audit services by individuals not involved in the audit of the Health Professions Council.

"Related entities" of Baker Tilly UK Audit LLP for the above purpose (and for the fees section set out below) include;

- All firms that are members of the Baker Tilly International independent network of member firms,
- Companies in which Baker Tilly UK Audit LLP members are directors, details of which are available from your audit principal,
- All entities within the Baker Tilly UK Holdings Limited group.

In our professional judgement, Baker Tilly UK Audit LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the principal, Mr David Blacher and the audit staff, is not impaired.

This confirmation has been prepared for the sole use of the Health Professions Council. It must not be disclosed to a third party, or quoted or referred to, without Baker Tilly UK Audit LLP's written consent. No responsibility is assumed by Baker Tilly UK Audit LLP to any other person.

## 5 Fees

Our audit of the IFRS restated Balance Sheet does not form part of our statutory audit and therefore a separate fee is payable for this audit. Our estimated fee in this respect for this assignment is £5,000 excluding VAT. This assumes that:

- a) There are no significant audit adjustments required to the draft statements
- b) Any additional audit information requested is provided in a timely manner.
- c) There are no unexpected problems during the course of our work that lead to delays in completion

Please note that our work in respect of the review of Financial Instruments will be incorporated in our fee for the audit of the 2008-09 financial statements although this would the fee for the audit of Trigger points 3 & 4 will be presented separately..

Baker Tilly audit fees will be billed in accordance with our standard terms and conditions dated October 2008

## Appendix A - Engagement letter

ENGAGEMENT LETTER  
Between  
BAKER TILLY TAX AND ACCOUNTING LIMITED  
And  
HEALTH PROFESSIONS COUNCIL

To the Council Members of Health Professions Council (HPC).....

### INTRODUCTION

The purpose of this letter is to set out the basis on which we will perform certain agreed-upon procedures (the “Service” or “Services”) solely for the purpose of providing an audit report (“Report”) in respect of the restatement of the opening balances restatement as at 1 April 2008 under IFRS and the review of the FRS 26 impact work (“the Restatement”) and our respective areas of responsibility.

Our Services are provided in accordance with the attached Terms and Conditions of Business dated October 2008.

### SERVICES TO BE PROVIDED

The specific agreed-upon procedures that we would expect to perform are described in the attached draft of the appropriate Report and such procedures reflect those procedures which we understand the Council expects us to perform at the Council’s request unless the Council informs us otherwise. The text of the final Report itself will depend, of course, upon the results of the procedures, which we would not expect to complete until shortly before the Report is given.

### REPORTING

Upon completion of the agreed-upon procedures we will provide you with a Report of our factual findings, an outline of which is attached at Appendix 1. Our Report will be prepared solely for your exclusive use and solely for the purpose of providing a report of factual findings from our work and to report to the Council the result of those procedures

Our Report is not to be used for any other purpose, recited or referred to in any document, copied or made available (in whole or in part) to any other person without our prior written express consent. We accept no duty, responsibility or liability to any other party in connection with the Report or this engagement.

### TIMETABLE

Our work may depend upon receiving without undue delay your full co-operation and the disclosure to us of all the accounting and other records and related information (including certain representations) as we may need for the purposes of the Services. We will discuss with you as soon as practicable any undue delay or lack of full co-operation or other difficulties we encounter with completing this work as and when any such problems arise. If information not provided within the timescale stated by us when we request it, we will accept no responsibility for any penalties or interest that may arise as a result.

**CONTACT POINTS AND AUTHORISATION**

The core Baker Tilly UK Audit LLP team will be as follows:

*David Blacher*  
*Mark Harris*

*Partner*  
*Manager*

The above team will handle all key aspects of the engagement. However, we will utilise other professionals from a Baker Tilly Entity, if additional resources are required. Our understanding is that we shall report to the Council and our principal contact, for the time being, will be Simon Leicester. Notwithstanding the above, the Council authorises us to rely on any instructions, notices or requests (whether in writing or not and however communicated to us) from any other person authorised, or reasonably believed by us to be authorised, by you to give such instructions, notices or requests.

It is expressly agreed between us that in all dealings with third parties we will be acting as agent on your behalf and not as principal, and that we shall be entitled to make this clear in all communications with such third parties.

**FEES**

We estimate our fees, which are subject to disbursements and VAT, will be in the region of £5,000: Our estimate assumes the following:

- a) There are no significant audit adjustments required to the draft statements
- b) Any additional audit information requested is provided in a timely manner.
- c) There are no unexpected problems during the course of our work that lead to delays in completion

In the event that the above assumptions prove invalid, we, together with you, shall review the estimated fee in light of the circumstances and determine whether an increase in the estimated fee is appropriate. Any additional work on which you might instruct us will be charged at our standard hourly rates.

**TERMS AND CONDITIONS OF BUSINESS AND ADDITIONAL TERMS**

Our Terms and Conditions of Business form part of this Engagement Letter. They include certain of the definitions used in this letter. Please read carefully these Terms and Conditions of Business, which apply to all our work, as they include various exclusions and limitations on our liability, save where excluded below.

It is agreed for the purposes of Clause 5.5 of the Terms of Business (Limitation of liability); the maximum liability shall be limited to £1,000,000.

**AGREEMENT OF TERMS**

We shall be grateful if you will confirm in writing your agreement to these terms by signing and returning the enclosed copy of this letter, in the prepaid envelope provided, or let us know if the services covered are not in accordance with your understanding of the assignment to be carried out under the terms of this engagement.

For the avoidance of doubt, the terms covered by the Engagement Letter shall take effect upon receipt by us of your written agreement to them, or upon commencement of the work to which they relate, whichever is the sooner.

Yours faithfully

**BAKER TILLY UK AUDIT LLP**    Date .....

Encs.    Terms and Conditions of Business dated October 2008

Agreed for and on behalf of Health Professions Council

Signed .....  
Council

Date .....

Member

## Appendix 1

This draft is furnished solely for the purpose of indicating the form of letter that we would expect to be able to furnish to the Accounting Officer in response to their request, the matters expected to be covered in the letter, and the nature of the procedures we would expect to carry out with respect to such matters. Based on our discussions with the Council it is our understanding that the procedures outlined in this draft letter are those they wish us to follow. Unless the Council inform us otherwise, we assume that there are no additional procedures they wish us to follow. The text of this letter will depend, of course, on the results of the procedures, which we would not expect to complete until shortly before this letter is given and in no event before the cut off date indicated therein.

To The Accounting Officer and Audit Committee of Heath Professions Council

In accordance with our engagement letter dated [●], we have performed the procedures agreed with you, as set out below, on the restatement of the opening balances restatement as at 1 April 2008 under IFRS.

### **Purpose of this report and restrictions on its use**

This report was prepared on the specific instructions of the Accounting Officer for the purpose of the IFRS and FRS Trigger Point 2 Audit Report and should not be relied upon for any other purpose. Our report may not have considered issues relevant to any third parties, any use such third parties may choose to make of our report is entirely at their own risk and we shall have no responsibility whatsoever in relation to such use.

Baker Tilly UK Audit LLP neither owes nor accepts any responsibility whatsoever in respect of or arising out of or in connection with the contents of this report to any parties other than National Audit Office who may have sight of this report and shall not be liable for any loss, damage or expense of whatever nature which is caused by their reliance on this report.

### **Specific procedures performed**

#### **Scope of the audit**

Our audit was carried out in accordance with auditing standards issued by the Auditing Practices Board.

The audit includes an examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of balances included in the IFRS restated Balance Sheet. It includes an assessment of the significant estimates and judgements made in the preparation of the Balance Sheet and supporting notes, and of whether the accounting policies are appropriate and consistently applied. It also evaluates the overall adequacy of the presentation of information in the IFRS restated Balance Sheet and supporting notes.

The procedures we adopted were designed primarily for the purpose of providing an opinion on the restated Balance Sheet as a whole. They included a review of the accounting systems and procedures only to the extent considered necessary for the effective performance of the audit. Audit findings and observations therefore should not be regarded as representing a comprehensive statement of all the weaknesses which exist, or all improvements which could be made to the systems and procedures operated by the organisation. Neither should it be considered as an assurance that Health Professions Council will be able to comply with the requirements of Trigger Point 3.

#### **Results of specific procedures undertaken**

Readiness for Trigger Point 1 – Health Professions Council provided: a restated Balance Sheet; reconciliation of the 31 March 2008 FRS position to the 1 April 2008 IFRS position; and specific supporting notes on the 2 December 2008, which was after the in 30 September deadline

[insert other findings]

[insert other findings]

**Financial Instruments adoption review**

[insert findings]

[insert findings]

**Audit adjustments**

A schedule of significant adjustments arising from the audit is attached in the Appendix. In our opinion these adjustments do not indicate significant weaknesses in internal control [if appropriate].

There were no unadjusted misstatements arising from the audit. OR Inevitably any audit will identify other adjustments, which due to their value and significance, may remain unadjusted without detracting from the presentation of the statements. The unadjusted misstatements identified during the audit are set out in Appendix.

**Recommendations**

We have discussed the following recommendations arising from our Trigger Point 2 work on the IFRS restated Balance Sheet with Health Professions Council.

Recommendation 1 and response

Recommendation 2 and response

**Overall Opinion**

Our review of the Health Professions Council IFRS restated Balance Sheet as at 1 April 2008 is now complete.

We conducted our audit to obtain reasonable assurance that the information presented for audit is consistent with a 'true and fair' view. This work only extended to the information required under Trigger Point 1, which comprises: a restated Balance Sheet; reconciliation of the 31 March 2008 FRS position to the 1 April 2008 IFRS position; and specific supporting notes. In reaching our conclusion, we considered whether, if this particular information had been accompanied by other IFRS compliant disclosures in a full set of accounts, those accounts would have been capable of presenting a 'true and fair' view. However, we have neither considered nor reviewed any of these additional disclosures.

We have not carried out any additional post balance sheet review, since we completed the audit of the statutory 2007-08 UK based FReM accounts, which were certified on 4 July 2008.

We are not providing an opinion on the impact of the adoption of the Financial Instrument FRSs.

**In our opinion:**

- the IFRS restated Balance Sheet is consistent with financial statements which give a true and fair view of the state of Health Professions Council's affairs as at 1 April 2008; and
- the 1 April 2008 IFRS restated Balance Sheet has been properly prepared in accordance with the IFRM insofar as this is applicable to the trigger point 1 exercise.

This report is provided solely for the benefit of the addressees of this report in connection with the restatement of the opening balances restatement as at 1 April 2008 under IFRS.

Therefore, except as expressly provided in the Engagement Letter you should not make it available (in whole or in part) or communicate it to any other party, save that it shall not prohibit the disclosure where it is reasonably necessary for the purposes of:

- a) the addressees' advisers solely in connection with the Restatement but then only on the basis that Baker Tilly UK Audit LLP will have no duty or liability to them; or
- b) notifying insurers concerning any actual or potential dispute relating to the Services; or
- c) resolving any actual or potential dispute relating to the Services; or
- d) or in connection with any defence advanced in any proceedings advanced in any jurisdiction; or
- e) disclosures required by law or by the rules of any governmental or regulatory body

We accept no liability to any other party who is shown or gains access to this letter (or any part thereof).

We have no responsibility to update this report for events and circumstances occurring after the date of this letter. However, if we are made aware of any matters that affect the validity of this report, we shall bring these to the attention of the Health Professions Council as soon as is practicable.

Signed

**BAKER TILLY UK AUDIT LLP**

Date of report



## Appendix B – Trigger point process and scope of the audit

### *Trigger Point process*

The 2007 Budget announced that, from 2008-09, the accounts of central government departments and entities in the wider public sector will be produced using international financial reporting standards (IFRS), as interpreted for the public sector in the IFRS-based Financial Reporting Manual (IFReM). Ministers have since delayed the implementation of IFRS to 2009-10. However, a “Trigger Point” process has been introduced to manage the transition to IFRS. (To date the public sector had been applying UK accounting standards interpreted for the public sector by HM Treasury in the UK based Financial Reporting Manual (FReM)).

In summary the Trigger Point process is as follows:

- Trigger Point 1 - 30 September 2008 - Reporting entities should have completed a restatement of the 31 March 2008 balance sheet onto an IFRS basis and submitted the restatement to their NAO team;
- Trigger Point 2 – 31 December 2008 - The NAO team’s dry-run audit of the IFRS restated balance sheet should be completed and the results reported to the audited bodies;
- Trigger Point 3 – 30 September 2009 - Reporting entities must have completed their 2008-09 ‘shadow accounts’ and submitted them to their NAO audit teams; and
- Trigger Point 4 – 31 December 2009 - the NAO should have completed its dry-run audit of the 2008-09 ‘shadow accounts’, and reported the initial results to the audited bodies.

### *Definitions*

FRS - Financial Reporting Standards (UK based), applicable to financial statements until 2008-09.

FReM - HM Treasury’s Financial Reporting Manual, which includes public sector interpretation of FRSs.

IFRS - International Financial Reporting Standards, to be implemented in central government in full in 2009-10.

IFReM - HM Treasury’s Financial Reporting Manual, which includes public sector interpretation of IFRSs.

FRS 25, 26 & 29 – Financial Reporting Standards (UK based) relating to Financial Instruments adopted in central government from 1 April 2008. (In detail the Financial Instruments standards are: FRS 25 – Presentation; FRS 26 – Measurement

## Appendix C – Audit engagement team

Staff contact	Role	Telephone number	E-mail address
David Blacher	Audit Partner	020 7413 5107	david.blacher@bakertilly.co.uk
Mark Harris	Audit Manager	020 7413 5187	mark.harris@bakertilly.co.uk
Sukhy Samra	Audit Senior	020 7413 5100	sukhy.samra@bakertilly.co.uk