

**Health Professions Council  
Council Meeting –5<sup>th</sup> July 2007**

**BAKER TILLY AUDIT FINDINGS AND LETTER OF REPRESENTATION -  
PUBLIC PAPER**

**Executive Summary and Recommendations**

**1. Introduction**

**2. Decision**

The Council is requested to review and approve the document.

**3. Background information**

Following the onsite Baker Tilly audit of the year end financial statements and Annual Report in May and June, their Audit Findings and Letter of Representation documents are attached. These papers went to the June Audit Committee for review and approval.

**4. Resource implications**

Various

**5. Financial implications**

Baker Tilly Audit fees.

**6. Background papers**

Baker Tilly Audit Findings Report and Letter of Representation.

**7. Appendices**

Nil

**8. Date of paper**

25th June 2007

**Health Professions Council  
Final Audit Findings**

**Year ended 31 March 2007**

**Presented to the Audit Committee**

**By Baker Tilly UK Audit LLP**

**26 June 2007**

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This report has been prepared for the sole use of the Health Professions Council and must not be disclosed to any third party, or quoted or referred to, without our written consent. No responsibility is assumed to any other person in respect of this report.

## 1 Introduction and coverage

This report summarises our key findings in connection with the audit of the financial statements of the Health Professions Council in respect of the year ended 31 March 2007.

The scope of our work has already been communicated to you via our Audit Plan document dated 28 February 2007.

A summary of adjusted and unadjusted misstatements identified during the audits has been prepared and is included in Section 6.

We consider that the audit approach adopted will provide the Audit Committee with the required confidence that a thorough and robust audit has been carried out and can confirm that, at the date of this report, we anticipate no modifications from our pro-forma audit report provided in the Audit Plan previously communicated to you.

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## 2 Qualitative aspects of earnings

*The purpose of this section is to bring to the attention of the Audit Committee not only those matters that properly fall to be treated as exceptional items, but also those matters of significance that are non-recurring in their nature*

The table below sets out the significant one-off items that have affected reported results for the year:

	£'000
Surplus before tax	274
Adjustments:	
Fee Rise Project (MP7)	84
Reduction in Hardware Depreciation	(271)
Ex-employee Settlement and related costs	120
Council Elections	138
BDO Settlement	(117)
Underlying surplus before tax	<u>228</u>

Please see notes on the above adjustments overleaf.

### Fee Rise Project (MP7)

During the period, the Council commissioned spending on a Fee Rise Project. This spending included commissioning an independent report from a firm of management consultants to examine which service costs are direct and indirect, how they should be allocated to chargeable services (under the fees order). Following publication of the report, the Executive modelled a series of scenarios using different fee rise structures and projected these into the Five Year Plan. One of the recommendations of the Five Year Plan was for a fee rise from June 2007. The Fee Rise Project meant the incursion of significant costs unique to this period in comparison to the last few years. Costs were split as follows: £28k to PKF for preparing the Costing report itself, £4k for associated legal advice (Fee Change legislation) and £52k for printing and distribution to 170,000 Registrants and further stakeholder groups (Fee Consultation document).

### Reduction in Hardware Depreciation

Computer equipment and registration system software are depreciated on a 25% per annum (over 4 years) and 33 1/3% per annum (over 3 years) straight line basis respectively. Due to the incidence of fully depreciated assets at the beginning of the year, this led to a substantial reduction in the depreciation charge in comparison to the year ended March 2006. This movement in comparison to 2006 depreciation is ultimately due to significant fixed asset expenditure made when HPC was established which was substantially larger than the capital expenditure in subsequent years. Hardware additions between 2002 and 2007 were £580k, £1,104k, £443k, £56k and £276k respectively.

### Ex-employee Settlement

£30k settlement costs relating to the termination of employment, with the balancing cost of £90k relating to attributed legal fees during the year.

### Council Elections

Council election costs are dependent upon the size of the membership base of the specific health profession carrying out elections; one therefore expects annual fluctuations to occur. This year also saw a recast of the votes for the Physiotherapists, the largest profession regulated by the Council. This recount was required following the issue of some duplicate ballot papers to Electors, which subsequently led to the Electoral Reform Service not guaranteeing the results.

### BDO Settlement

Confidential settlement for £117k (£17k of which is relating to, and netted off, against legal fees) from the Council's previous external and internal auditors in relation to the fraud uncovered in 2005. One-off income stream representing compensation for losses suffered in relation to the fraud.

### 3 Audit and accounting issues identified at planning stage

Key area of audit focus	Our approach	Resolution
<p><b>Income recognition</b> A key risk to the audit was to ensure registrant income is correctly recognised over the appropriate period.</p>	<p>We planned an analytical review of the registrant income by ensuring income was consistent with number of members and membership rates.</p> <p>For the other elements of income, we planned to compare the income to budgets, our expectations obtained through our planning meeting, management accounts and our knowledge gained from prior years' audits. We planned to obtain explanations and corroboratory evidence for any significant variance identified.</p> <p>We planned to review the internal audit report on the registrant system, LISA, to ensure that the controls in place could be relied upon. We assumed that if there were no control issues which had been identified by PKF, we would perform a walk through test to confirm our understanding of the system was correct. Income in the accounting system was to be proved in total back to the data held on the LISA registration system.</p>	<p>Analytical review was carried out on the registrant figures on an overall and profession-by-profession basis and turnover was proved in total through reference to current Registrant numbers and rates.</p> <p>Other income consisted of two main elements, the release of the Department of Health grant to help fund the initial set up of the LISA system and the settlement income received from BDO. The grant was reviewed in relation to source documentation and was later adjusted and a prior adjustment made due to changes in the relevant FReM – see Section 4 <i>Audit and accounting issues identified during the audit</i>. The settlement monies were agreed to supporting documentation.</p> <p>The PKF internal audit report on controls was reviewed and no significant weaknesses which would have an impact on our audit were noted.</p> <p>Income was proved in total with reference to the LISA registration system.</p> <p>We gained further assurance from the results of our calculations and our testing of deferred income (as described overleaf), that income recognised in the year to 31 March 2007 was free from material misstatement.</p>

Key area of audit focus	Our approach	Resolution
<p><b>Deferred income</b></p> <p>As the registrant fee is for two years and there are a variety of ways in which a registrant can pay (full two years up front, quarterly direct debits etc.) there was a significant deferred income balance at the year end which we had to ensure was correctly stated.</p>	<p>We planned to analytically review year end deferred income to ensure that it was in line with expectations of registrant numbers, the period of the renewal dates and payment plans.</p> <p>We also planned to substantively test a sample of deferred income back to source documentation to ensure that the appropriate amount of income was being deferred correctly.</p>	<p>Deferred income was analytically reviewed in relation to expectations derived from cash collected, the number of registrants and the relevant cycle of renewal periods for each profession. Our results were in line with expectations, and therefore confirmed accounting cut-off treatment at the year end.</p> <p>Deferred income was tested substantively in relation to bank receipts and LISA registration system movements; no significant errors were discovered.</p>
<p><b>PAYE/NIC deductions</b></p> <p>A number of PAYE/NI questions were raised during the 2004/05 audit which lead to a significant provision at 31 March 2005 and 2006 in relation to PAYE/NI on Council Members* fees and expenses.</p> <p>We understand that a new system for deducting PAYE/NI where appropriate, was introduced in July 2006.</p> <p>* Council members with HPC “office holder” tax status doing Council or Partner work (Category One) not being self employed or employed elsewhere.</p>	<p>We planned to review the process for how the Council Members* fees and expenses are now paid to ensure that PAYE/NI is deducted as appropriate, and in line with formal procedures introduced at the beginning of the financial year.</p> <p>The provision for additional PAYE/NI as at 31 March 2006, was expected to still be outstanding at 31 March 2007.</p>	<p>The new procedures for accounting for PAYE/NI on fees and expenses came into affect on 1 July 2006.</p> <p>The documented procedures were reviewed and compared to actual procedures used to process payroll and PAYE/NI deductions. We found no evidence to suggest procedures were not being appropriately applied.</p> <p>The provision for prior years PAYE/NI brought forward from 31 March 2006 was unchanged at 31 March 2007.</p> <p>The new payment system was implemented in July and the HPC are planning to pay the PAYE/NI to June 2006 when requested by HM Revenue and Customs. Additional accruals for PAYE and NI to 30 June had therefore been made in line with expectations.</p>

Key area of audit focus	Our approach	Resolution
<p><b>Authorisation of expenses and cut off</b>            There is a risk that some items of expenditure have not been correctly authorised and appropriate procedures applied.</p> <p>There is also a risk that expenditure may not be recorded in the correct accounting period.</p> <p>Where provisions have been made in relation to expenses in the accounts consideration will be given as to whether these are general or specific in accordance with FRS12.</p>	<p>We planned to analytically review expenditure to ensure it was in line with our expectations based on the year's HPC budgets and forecasts, information obtained during our planning process and our knowledge gained from prior years.</p> <p>We planned to review the PKF internal audit report on controls over expenditure. Assuming there were no control issues which were identified by PKF, we planned to perform a walk through test to ensure our understanding of the system was correct.</p> <p>We planned to review purchase cut off to ensure costs were treated in the correct accounting period.</p> <p>We also considered all material provisions, checking that they were specific and not general.</p>	<p>Expenditure was reviewed analytically and found to be in line with expectations formed on budgets, forecasts, the planning process and prior year corroborated explanations.</p> <p>The PKF internal audit report on controls of expenditure was reviewed and no significant weaknesses noted which would impact on our audit work. We reviewed Council and Finance Resources Committee meeting minutes, employee comments and intranet policy notes, which all confirmed acceptance and adoptions of recommendations made by PKF in their internal audit report on expenditure.</p> <p>Invoices and postings around the year end date were reviewed for accuracy and all material accruals considered for compliance with FRS12. No errors were found in our test sample.</p>
<p><b>Appropriate expenditure</b>            We are required to provide a regularity opinion with regard to HPC's income and expenditure, which require us to consider whether transactions have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.</p>	<p>We planned to conduct compliance testing of the internal controls relating to expenditure to ensure that all items in our sample had been correctly approved in line with HPC's guidelines.</p> <p>We also planned to test a sample of expenditure items to check that amounts were spent in line with HPC's purpose.</p>	<p>Key nominal ledger accounts, for example Council fees and legal expenses, were sampled and items agreed back to original documentation to ensure correct accounting in accordance with HPC's governing documents. These items were also reviewed for compliance with HPC's practices and procedures. Based on our sample selected for testing, no errors were found.</p>

Key area of audit focus	Our approach	Resolution
<p><b>BDO Settlement</b></p> <p>During the year, we understand that a settlement has been agreed with the former auditors, BDO Stoy Hayward LLP with regard to the theft relating to the former finance director, Paul Baker.</p>	<p>We planned to review the settlement agreement to ensure that the disclosure of the transaction in the accounts does not breach the terms of the agreement. If a potential conflict arises between disclosure requirements in the financial statements and the settlement agreement we will draw this to the attention of management as soon as practicable.</p> <p>We also expected minimal disclosure of this transaction with the settlement amount recorded as other income.</p>	<p>The settlement agreement was reviewed and disclosure in the statutory accounts assessed for compliance with the terms of agreement. Disclosure in the statutory accounts was considered appropriate.</p> <p>This transaction has been disclosed in the final accounts with £100k included within "Other Income" and £17k netted off against legal expenses to which they relate.</p>
<p><b>22/26 Stannary Street Limited</b></p> <p>Following the purchase of 22/26 Stannary Street via the acquisition of the corporate entity in 2005/06, we understand that preliminary work has been carried out in the year in advance of the full development of the building.</p>	<p>We planned to review a sample of the costs incurred in the year which relate to 22/26 Stannary street to ensure they have been accounted for correctly as either capital or expenditure. We expected the majority of these costs to be of capital nature and recorded as assets under construction.</p> <p>We planned to ensure that costs tested have been correctly recorded within 22/26 Stannary Street Limited as appropriate. We will also ensure that for our sample, VAT has been accounted for correctly in both entities.</p> <p>We also plan to review the year end carrying value of 22/26 Stannary Street Limited to ensure that there is no indication that an impairment in value is required.</p>	<p>A sample of costs relating to Stannary Street was reviewed in conjunction with source documentation for appropriate accounting treatment in accordance with FRS 15 <i>Tangible Fixed Assets</i>.</p> <p>The treatment of the VAT on this element of expenditure was also examined and no problems were noted.</p> <p>There were no significant events in the period which have indicated that an impairment review should be conducted. Once the refurbishment work is completed, an external valuation is expected to be commissioned to ensure that the updated property is carried forward at an appropriate market value.</p>

Key area of audit focus	Our approach	Resolution
<p><b>IT Systems Expenditure</b> HPC have spent significant amounts during the year in the continuing development their computer systems and databases. This raised the issues as to whether such costs had been correctly treated as either capital or expenditure items? If treated as capital, considered should be given to whether appropriate depreciation policies and rates have been applied.</p>	<p>We planned to review a sample of costs incurred on development of the IT systems and ensure they had been correctly treated as capital or expenditure items.</p> <p>We also planned to consider the depreciation policies for each capitalised project and to verify that adequate disclosure has been made in accordance with UK GAAP</p>	<p>The expenditure on IT systems in the year was reviewed on a project by project basis to ensure that the accounting treatment was appropriate.</p> <p>Of the IT system costs capitalised in the year, the basis of capitalisation was considered in accordance with UK Generally Accepted Accounting Principles.</p> <p>The depreciation rate of IT systems was also deemed to be in line with the expected useful life of the systems.</p>
<p><b>Pension Scheme</b> The Trustees of the Federated Flexiplan No 1 Pension Scheme (the Scheme), to which HPC are a sponsoring employer, issued an update following a recent actuarial valuation of the scheme. They have confirmed through legal advice that the scheme is a defined benefit scheme and therefore subject to FRS17 “Retirement Benefits” accounting standards, which would require HPC to recognise the full extent of any pension deficit on its balance sheet.</p> <p>HPC have previously accounted for the scheme as a money purchase scheme which offers targeted final salary benefit.</p>	<p>We understood from discussions with HPC and review of associated documents (including a report from the scheme trustees) that the pension scheme is a multi employer scheme with many organisations participating in the fund. On the basis that individual employers share of the scheme cannot be separately identified the current accounting treatment adopted will be appropriate. We have requested HPC confirm this in writing from the actuary.</p> <p>The scheme is currently in deficit which will now need to be disclosed in the accounts along with the implications of the deficit on HPC.</p>	<p>Correspondence with the pension scheme actuary, Capita, was reviewed and it was confirmed that the scheme was indeed a multi employer scheme.</p> <p>The financial statements were reviewed for appropriate disclosure which appeared to be correct.</p>

#### 4 Audit and accounting issues identified during the audit

Issue	Resolution
<p>At the year end, provision was made for a 5% discount which was expected to materialise on legal expenses for £74k. This manifested post year end as a discount of £4k, which is considerably different to the original value expected by management. An asset dependant on future events should not be recognised unless it is virtually certain what the expected value of the asset will be.</p>	<p>An adjustment has been made as per Section 6.</p>
<p>As a result of the new Government Financial Reporting Manual (FReM) for 2006/07 the treatment of Government Grants has been updated. Under the new FReM, Grant-in-aid (i.e. grants for the purchase of fixed assets in general) should be credited direct to the income and expenditure reserve, and there is no longer the requirement to release amounts of income and expenditure account offsetting the depreciation charge. This results in a change of accounting policy and a prior year adjustment. The Government Grant has been credited to the income and expenditure reserve rather than been shown separately. No income is therefore reflected on the face of the income and expenditure statement.</p>	<p>The FReM was revised to ensure the new policy being adopted by HPC was in line with the manual. The disclosure of the prior year adjustment was also reviewed to ensure it was in line with the relevant Generally Accepted Accounting Policy in the UK.</p>

## 5 Internal control issues

We have set out below those areas of internal control weakness that we consider should be brought to the attention of the Audit Committee which arose as a result of our audit work. This does not constitute a comprehensive statement of all weaknesses that may exist in internal controls or of all improvements which may be made and has addressed only those matters which have come to our attention as a result of the audit procedures performed. An audit is not designed to identify all matters that may be relevant to the Audit Committee. Accordingly the audit does not ordinarily identify all such matters.

Fact and potential consequence	Possible action	Management response	Timing of implementation and responsibility
<p>A legal charge is still being held by Natwest over the Freehold Property of 184 Kennington Park Road and 20 Stannery Street after the loan taken out in 2005/06 was repaid in full.</p> <p>By having a charge outstanding over the property it will make taking out any new loan or any potential sale of the property difficult. Disclosure of the charge is also required within the statutory accounts of HPC.</p>	<p>The charge should be cancelled with Natwest.</p>	<p>Natwest advise that they are happy to release the charge when instructed by HPC, but that by leaving the legal charge over the property, it would save administration costs on retaking it at some future stage (if a further loan is required from Natwest). Management propose to leave it in place in the interim. The Statutory Accounts have been updated to disclose the charge.</p>	

Fact and potential consequence	Possible action	Management response	Timing of implementation and responsibility
<p>Included in other creditors is £16,227 relating to refunds due to former registrants. In all cases, attempts had been made by HPC to refund the balances.</p> <p>The supporting schedule on this balance showed that some of the constituent balances dated back as far as 2001.</p> <p>The Financial Resources Committee examined this system in their September 2006 meeting and it was resolved that creditors would attempt to be contacted at least once should they fail to cash their refund cheque.</p> <p>According to the Management Accountant, since January 2007 the individuals are sent a letter informing them that the refund is due to them once the cheque becomes older than 6 months. If no response has been received within 10 days of the letter being sent then the creditor is written back.</p>	<p>HPC have a responsibility to ensure that these refunds are being made. Only waiting 10 days for a response to a letter before writing back the creditor appears to be short. It is suggested that this period is extended to at least one month</p> <p>A written record should be kept to evidence that HPC have followed up with the registrants that are still owed refunds. These records should be reviewed on a 6 monthly basis.</p>	<p>The Registrations Creditors Policy, approved by the Finance &amp; Resources Committee in September 2006, s3, states “finally, if no contact has been made to the Finance Dept within one month of sending the second reminder, the relevant monies will be posted back as miscellaneous HPC income.”</p> <p>To date, HPC has been slow to write back most long outstanding refunds and will ensure full compliance with the policy (one month’s grace) in future.</p> <p>An ongoing written record is kept on which registrants are still owed refunds.</p>	

Fact and potential consequence	Possible action	Management response	Timing of implementation and responsibility
<p>During our onsite work it was apparent that many of the finance department were unable to carry out the responsibilities of other members.</p> <p>For example whilst on site during the audit, the Financial Accountant came in specifically to run the payroll, despite officially being on annual leave, because no one else in the department could cover for her.</p> <p>If there is not appropriate cover for staff then some functions may not be completed when required.</p>	<p>Appropriate training required for staff members to assume others roles if and when necessary.</p>	<p>The Financial Officer (Nil [to add surname or to delete]), the other person trained to do Payroll processing was also off sick on the 15<sup>th</sup> of May (for 2 weeks). The Finance Director discussed the issue of Payroll processing with the Financial Accountant before she went on annual leave. The Finance Director and Financial Accountant agreed she would take the 11<sup>th</sup> of May off instead of the 15<sup>th</sup>, in order to process payroll on the due date.</p> <p>A member of the IT Dept can access the SAGE Payroll system and the FD also has copies of the system passwords. The Financial Procedures Manual, Payroll section is documented to a level whereby a suitable trained and supervised temporary person can do the Payroll processing if required.</p> <p>Regarding person risk in the department more generally, a further junior Finance person is scheduled to be hired in the next few months to support the Transaction Manager and Purchase Ledger Officer.</p>	

Fact and potential consequence	Possible action	Management response	Timing of implementation and responsibility
<p>There is a combined corporation tax and VAT control account. This therefore complicates the splitting of these two balances and may lead to error or difficulties in reconciling and monitoring outstanding balances to the relevant returns.</p>	<p>Separate control accounts for corporation tax and VAT should be set up and used.</p>	<p>Separate nominal codes were set up from 1 April 2007 for these accounts.</p>	

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## 6 Unadjusted/adjusted misstatements

A summary of the unadjusted/adjusted errors identified during the course of our work is set out below, analysed between errors of fact and differences in judgement.

	Adjusted misstatements		Unadjusted Misstatements Factual		Unadjusted Misstatements Judgemental	
	Profit & Loss effect Dr/(Cr) £	Balance Sheet effect Dr/(Cr) £	Profit & Loss effect Dr/(Cr) £	Balance Sheet effect Dr/(Cr) £	Profit & Loss effect Dr/(Cr) £	Balance Sheet effect Dr/(Cr) £
Depreciation Building refurbishment			875 (875)			
<i>Being a mistake in the posting of March 2007 depreciation for Stannary Street. Not adjusted as an administration expense reclassification and insignificant by value.</i>						
Other taxation and social security creditor		(18,906)				
Other debtors		18,906				
<i>Being a presentational adjustment for the grossing up of a VAT debtor included with the OTSS creditor</i>						
Other creditors		56,311				
Other taxes and social security		(56,311)				
<i>Being the reclassification of PAYE expense from Other Creditors to OTSS in line with the prior years presentation.</i>						
Accruals Legal expenses	70,133	(70,133)				
<i>Being the adjustment of a refund debtor offset against legal expense accruals which did not materialise.</i>						
Accruals C&C admin expenses	(25,334)	25,334				
<i>Being an adjustment of the Council and Committee PAYE/NI provision in line with current estimates</i>						

	Adjusted misstatements		Unadjusted Misstatements Factual		Unadjusted Misstatements Judgemental	
	Profit & Loss effect Dr/(Cr) £	Balance Sheet effect Dr/(Cr) £	Profit & Loss effect Dr/(Cr) £	Balance Sheet effect Dr/(Cr) £	Profit & Loss effect Dr/(Cr) £	Balance Sheet effect Dr/(Cr) £
	Other debtors		5,067			
Other creditors		(5,067)				
<i>Being postings to the rejected payment control which should be reclassified to the refund control account for consistency with 2006</i>						
Investments – additions		(90,473)				
Investment – proceeds		90,473				
<i>Being the netting of Vodafone shares received as part of a bonus issue to bring accounts in line with investment report</i>						
Investments – additions		28,572				
Investments – unrealised gain		(28,572)				
Unrealised gain (p&l)	28,572					
Cash at bank and in hand		(28,572)				
<i>Being the purchase of 30,000 shares in Psigma Unit Trust at 95.24p included on the investment manager's report but not included in the accounts</i>						
Cash at bank and in hand		(7,714)				
Other creditors		7,714				
<i>Being the write-back of cheques to the bank greater than 6 months old.</i>						
Grant income	104,633					
General reserve – Prior year adj't		(104,633)				
<i>Being a prior year adjustment for the implementation of the updated FReM</i>						
Stannary St Revaluation Reserve		8,333				
Stannary St Profit and Loss Reserve		(8,333)				
<i>Being a reserves transfer in line with depreciation on revalued property in 2006.</i>						

<b>Totals</b>	<b>149,432</b>	<b>(149,432)</b>	-	-	-	-
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## 7 Fees

We confirm that the fees charged during the year in respect of services performed for Health Professions Council and 22/26 Stannary Street Limited are consistent with those contained within our Audit Plan submitted to you and dated 28 February 2007:

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Appendix A – Draft letter of representation

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## Draft letter of representation

246523/107/DB/MH/JB

July 2007

Baker Tilly UK Audit LLP  
2 Bloomsbury Street  
London WC1B 3ST

Dear Sirs

### **AUDIT OF FINANCIAL STATEMENTS – 31 MARCH 2007**

We confirm, to the best of our knowledge and belief, and having made appropriate enquiries of other Council Members and officials of the Council, the following representations given to you in connection with your audit of the Council's financial statements for the year ended 31 March 2007.

- 1 We acknowledge as Council Members our responsibility for the fair presentation of the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice. All the accounting records have been made available to you for the purpose of your audit and all transactions undertaken by the Council have been properly reflected and recorded in the accounting records. All other records and related information and explanations, including minutes of all meetings of Council Members, committees of Council Members, management and shareholders held between the beginning of the accounting period and the date of this letter, have been made available to you.
- 2 We confirm that we have taken all the steps that we ought to have taken as Council Members in order to make ourselves aware of any relevant audit information and to establish that it has been communicated to the auditors. We confirm that, as far as we are aware, there is no relevant audit information of which the auditors are unaware.
- 3 We confirm that:
  - a. We acknowledge responsibility for the design and implementation of internal control to prevent and detect fraud;

- b. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud;
  - c. We have disclosed to you our knowledge of fraud and suspected fraud affecting the Council involving:
    - i. Management;
    - ii. Employees who have significant roles in internal control; and
    - iii. Others where the fraud could have a material effect on the financial statements; and
  - d. We have disclosed to you our knowledge of any allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, analysts, regulators or others.
- 4 We confirm that full disclosure is made in the financial statements of:
- a. any arrangement, transaction or agreement to provide credit facilities (including loans, quasi-loans, or credit transactions) for Council Members or any guarantee or provision of security for Council Members;
  - b. the identity of the party which controls the Council, if any;
  - c. transactions and balances with related parties including:
    - i. the names of the transacting parties;
    - ii. a description of the relationship between the parties;
    - iii. a description of the transactions;
    - iv. the amounts involved (even if nil);
    - v. any other elements of the transactions necessary for an understanding of the financial statements;
    - vi. the amounts due to or from related parties at the balance sheet date and provisions for doubtful debts due from such parties at that date; and
    - vii. amounts written off in the period in respect of debts due to or from related parties;
  - d. outstanding capital commitments contracted for at the balance sheet date;
  - e. all contingent liabilities including details of pending litigation and material claims against the Council;

- f. all guarantees or warranties or other financial commitments including those given to or on behalf of other group companies.
- 5 We have disclosed all events of which we are aware which involve possible non-compliance with those laws and regulations which provide a legal framework within which the Council conducts its business and which are central to its ability to conduct that business. We have also notified you of the actual or contingent consequences which may arise from such non-compliance.
- 6 We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- 7 There have been no events since the balance sheet date which necessitate revision of the figures in the financial statements or inclusion of a note thereto. Should such further material events occur prior to your signature of the audit report we will advise you accordingly.

We confirm that the above representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, of inspection of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

The contents of this letter were considered and approved by the board at its meeting on July 2007

Yours faithfully

Signed on behalf of the Health Professions Council

Council member

Date July 007