Council Meeting – 3 July 2008

# Baker Tilly (UK) LLP Audit Findings and Letter of Representation 2008

## Executive summary and recommendations

### Introduction
The Baker Tilly (UK) LLP audit findings and the Letter of Representation is provided to the Council for its consideration.

### Decision
The Council is asked to review and approve the Baker Tilly (UK) LLP Audit Findings Report 2007/08 and the attached Letter of Representation to Baker Tilly (UK) LLP.

### Background information
Following the onsite Baker Tilly (UK) LLP audit of the year end financial statements and draft 2008 Annual Report, their Audit Findings report and the Letter of Representation to Baker Tilly (UK) LLP are attached – refer Appendix One. The paper was presented to the Audit Committee at their meeting on 26 June.

### Resource implications
Nil

### Financial implications
Baker Tilly (UK) LLP Audit fee for HPC and 22-26 Stannary St Ltd
Baker Tilly Tax Advisory Service LLP fee.

### Appendices
Appendix One – Baker Tilly (UK) LLP Audit Findings Report and Letter of Representation

### Date of paper
24 June 2008

# Health Professions Council
# Audit Findings Report

## Year ended 31 March 2008

## Presented to the Audit Committee
## by Baker Tilly UK Audit LLP
## on 28 June 2008

# Index

# 1 Introduction and coverage

This report summarises our key findings in connection with the audit of the financial statements of Health Professions Council in respect of the year ended 31 March 2008.

The scope of our work has already been communicated to you via our Audit Plan document dated 27 February 2008.

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.

# 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 nature*

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

| | £ |
|---|---|
| Retained Deficit for the year | (968,209) |
| Add back of significant one-off items: | |
| Impairment of freehold land and buildings | 1,039,519 |
| Underlying retained surplus for the year | 71,311 |

<u>Impairment of freehold land and buildings</u>

The valuations of freehold land and buildings were made on 18 March 2008 by Stiles Harold Williams, Chartered Surveyors, on an Open Market Value basis. As a result an impairment loss of £1,039,519 has been recognised in the year. The main reason for the impairment has been due to the expenditure incurred on the refurbishment of 22/26 Stannary Street has not added sufficient value to the property to match the current market value.

# 3 Audit and accounting issues identified at planning stage

| Key area of audit focus | Our approach | Resolution |
|---|---|---|
| **Income recognition**<br>A key risk to the audit will be to ensure registrant income is correctly recognised over the appropriate period. | We planned to analytically review of the registrant income by ensuring income is consistent with number of members and membership rates.<br><br>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 of any significant variance with our expectations. | Analytical review procedures were 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.<br><br>Income was proved in total with reference to the LISA registration system.<br><br>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 2008 was free from material misstatement.<br><br>Other income was minimal this year as expected, and required no further work. |

| Key area of audit focus | Our approach | Resolution |
|---|---|---|
| **Deferred income**<br>As the registrant fee is for two years and that there are a variety of ways which a registrant can pay (full two years up front, quarterly direct debits etc.) there is a significant deferred income balance at the year end which we will have to ensure is correctly stated. | We planned to analytically review the year end deferred income to ensure that it is in line with expectations of registrant numbers, the period of the renewal dates and payment plans.<br><br>We also planned to substantively test a sample of deferred income back to source documentation to ensure that the appropriate amount of income is being deferred correctly. | 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. It was noted that due to the fee increase in the year and the number of professions which started a new renewal cycle in the year the level of deferred income has significantly increased from 31 March 2007.<br><br>Deferred income was tested substantively in relation to bank receipts and LISA registration system movements.<br><br>An adjusted error of approximately £59,000 was identified by management during the reconciliation process which is highlighted in section 6. This appears to be a one off error typographical error in a formula cell within the the Excel spreadsheet that calculates the monthly release of the income to the registrant income. |

| Key area of audit focus | Our approach | Resolution |
|---|---|---|
| **Purchase expenditure cut off and provisions**<br>There is a risk that expenditure may not be recorded in the correct accounting period.<br><br>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. | We planned to analytically review expenditure to ensure it is 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.<br><br>We planned to review purchase cut off to ensure costs are treated in the correct accounting period, and we will consider all material provision to ensure they comply with FRS 12. | Expenditure was reviewed analytically and found to be in line with expectations formed on budgets, forecasts, the planning process and prior year corroborated explanations.<br><br>Invoices and postings around the year end date were reviewed for accuracy and all material accruals considered for compliance with FRS12.<br><br>No errors were found during our work. |
| **Appropriate expenditure**<br>We are required to provide a regularity opinion in 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. | We planned to conduct compliance testing of the internal controls relating to expenditure to ensure that all items in our sample have been correctly approved in line with HPC's guidelines.<br><br>We planned also test a sample of expenditure items to check that amounts were spent in line with HPC's purpose. | 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. |

| Key area of audit focus | Our approach | Resolution |
|---|---|---|
| **PAYE/NIC Provision for Council members/Partners fees**<br>Following a review of PAYE/NI procedure on Council member/partner fees in 2005, a significant provision was made in relation PAYE/NI on Council Members/Partners fees and expenses to at 31 March 2005. Further provisions have been made to date where appropriate.<br><br>The payment procedures for fees and expenses were amended during 2006 which brought the payment procedure in line with the tax payments requirements although the procedures were not back dated for previous payments.<br><br>We understand that no enquiry has been opened into the previous payments of the Council member/partner fees in the year and therefore no payments have been made to reduce the provisions. The provision as at 31 March 2007 stood at £490,000 and is expected to increase by around £25,000 during the year to 31 March 2008. | We planned to review the process for how the Council members'/Partners' fees and expenses are now paid to ensure that PAYE/NI is being paid as appropriate, and in line with formal procedure.<br><br>A review was conducted to asses the provisions in relation to the Council member/partner's fees PAYE/NI as at 31 March 2008, is appropriate given the level of the accrual in prior years and fees made in the year. | 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.<br><br>The provision for prior years PAYE/NI brought forward from 31 March 2007 was unchanged at 31 March 2008. An appropriate provision has been included within accruals for the current year to 31 March 2008.<br><br>HPC are planning to pay the PAYE/NI when requested by HM Revenue and Customs. As at the date of this report no correspondence has yet been received and therefore the level of the accrual at the year end appears reasonable. |

| Key area of audit focus | Our approach | Resolution |
|---|---|---|
| **22/26 Stannary Street Limited**<br>During the year 22/26 Stannary Street has been refurbished into usable space for HPC and linked to the main building. The costs of the refurbishment are expected to be capitalised in the year.<br><br>Once the refurbishment has been completed, it is planned that a external valuation of the all the properties held by HPC will be conducted and the revaluation will be reflected in the financial statements | We planned to review a sample of the costs of development to ensure that they relate to items of capital nature or are expensed.<br><br>We planned to review the external valuation report along with the valuer's terms of engagement with HPC to ensure that the revaluation has been performed in accordance with FRS15, Tangible fixed assets and that the revaluation has been appropriately reflected within the financial statements. | A sample of costs relating to Stannary Street was reviewed in conjunction with source documentation for appropriate accounting treatment in accordance with FRS 15 Tangible Fixed Assets.<br><br>The contractor for Stannary Street refurbishment has not completed the work within the contracted time. As a result a time extension has been granted. The contract was a fixed sum contract and therefore HPC have incurred no significant additional costs.<br><br>The external valuation report was reviewed to confirm the year end valuation. An impairment of the property was required, the treatment of which has been reviewed to ensure that the accounting treatment has been appropriately reflected within the financial statements (see section 4). |
| **VAT deregistration**<br>Once the refurbishment is finished 22/26 Stannary Street will need to deregister for VAT and then the VAT reclaimed on the refurbishment to date will be repayable. As the building is expected to be completed before the year end, year end provision will need to be made for the VAT repayable. On current expenditure to date a provision of around £100,000 is expected. | We understand that HPC are currently reviewing the position with regard to VAT deregistration.<br><br>We planned to review the correspondence from the HMRC and advice given to ensure that at the year end the accounts include VAT provisions as appropriate. | VAT provision of £197,137 has been made. The basis of the provision has been reviewed and appears reasonable. |

# 4 Audit and accounting issues identified during the audit

| Issue | Resolution |
|---|---|
| **Revaluation of properties**<br>Number 184 Kennington Park Road, 20 & 22-26 Stannary Street were revalued at the end of the year. This identified an impairment of the three properties. This impairment had initially all been charged to the Income and Expenditure Account. However the correct treatment in line with the accounting standard is to firstly reduce the associated revaluation reserve from previous revaluations before charging the Income and Expenditure Account. | The external valuation report was reviewed to confirm the year end valuation.<br><br>The revaluation reserves have been reduced up to the amount that related to the property (but not including the Stannary St revaluation reserve pre-acquisition) and then the remainder of the impairment has been charged to the Income and Expenditure Account. |

| **Fixed Assets** | **Park House** | **22/26 Stannary Street** | **Consolidation adjustment** | **Group's Total** |
|---|---|---|---|---|
| Freehold property NBV - brought forward at 1 April 2007 | 2,218,500 | 964,156 | - | 3,182,656 |
| Additions in the year | - | 1,219,307 | - | 1,219,307 |
| Deprecation charge for the year | (31,500) | (10,500) | - | (42,000) |
| Revaluation movement posted to Revaluation Reserve | (217,000) | (615,969) | (602,526) [1] | (230,443) |
| Revaluation movement posted to Income and Expenditure Account | - | (436,994) | (602,526) | (1,039,520) |
| Freehold property NBV - carried forward at 31 March 2008 | 1,970,000 | 1,120,000 | - | 3,090,000 |

| **Consolidated Revaluation Reserve** | | | | |
|---|---|---|---|---|
| brought forward at 1 April 2007 | 638,746 | 615,969 | (602,526) [1] | 652,189 |
| Revaluation movement posted to Revaluation Reserve | (217,000) | (615,969) | (602,526) | (230,443) |
| carried forward at 31 March 2008 | 421,746 | - | - | 421,746 |

| **Income and Expenditure Account** | | | | |
|---|---|---|---|---|
| Impairment of freehold land and buildings | - | 436,994 | 602,526 | 1,039,520 |

[1] Revaluation reserve in 22/26 Stannary Street Limited at date of acquisition by HPC

# 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 Directors 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 you and accordingly the audit does not ordinarily identify all such matters.

| Fact and potential consequence | Possible action | Management response | Timing of implementation and responsibility |
|---|---|---|---|
| **Budgeting process**<br>During the year we noted a significant variance between budgeted income and actual income. The budgeted income for 2007/08 was £12.55m compared to an actual of £11.62m<br><br>Similarly the budgeted operating expenses for 2007/08 were £12.49m against an actual of £11.58m.<br><br>Without accurate budgets, management of resources (e.g. controlling of cashflows and working capital) and monitoring of performance may not be as effective as planned. | The 2007/08 budget was based on the 2006/07 budget rather than 2006/07 actual figures.<br><br>It would be appropriate to base the new budget on the prior year's actual figures.<br><br>In addition, the budget should be reviewed on a regular basis and if necessary, flexed, maybe every 3 to 6 months. | Income budgeting is done on a "bottom up" approach based on forecasts of Registrant volumes by profession and taking into account fee rises implemented. It also considers the renewal cycle pattern which is different each year.<br><br>The Finance dept provides a 6 and 9mth reforecast of the year end Income and Expenditure position which effectively flexes the budget for volume and project changes.<br><br>At the time the 2007/08 Budget was approved by the Council, the full year actual for 2006/07 were not yet completed since the financial year hadn't ended. However we did use the 9mths reforecast as a reference in the process. | Finance Director to continue to review the variances of actual against budget on a monthly basis to ensure variances are adequately explained and to enquire as to whether the initial budget was the main cause of the variance.<br><br>On a six monthly basis the Finance Director to take an overview of the budgeting procedure and explanations for the variances and suggests improvements to the budgeting procedure if applicable. |

| Fact and potential consequence | Possible action | Management response | Timing of implementation and responsibility |
|---|---|---|---|
| **Deferred income**<br>There are currently no internal financial procedures relating to the ongoing reconciliation of deferred income to LISA. As a consequence, when on site audit work commenced there was a difference of approximately £250,000 between LISA and the trial balance (as detailed in section 3).<br><br>This may lead to potential errors being left unidentified until the year end when reconciliations are prepared for audit purposes. The absence of reconciliations also resulted in additional unplanned on site audit work. | It is recommended that the finance team should reconcile the figures to LISA on a monthly basis, with differences investigated as they arise. .<br><br>Deferred income should be fully reconciled prior to onsite external audit work commencing. | Agreed. | Financial Controller to action from the June month end close off. |
| **Income Analysis Model**<br>The spreadsheet does not have any password protections or locks on any key cells within. This means that it is possible for anyone within the finance team to access the spreadsheet and change the figures of formulas. | It is recommended to password protect the whole spreadsheet to ensure only suitable authorised personnel can access the key spreadsheet. Consideration should also be given as to protecting key calculation cells within the spreadsheet to protect against accidental overtyping of key cells. | Agreed. | Financial Controller to action from the June month end close off. |

| Fact and potential consequence | Possible action | Management response | Timing of implementation and responsibility |
|---|---|---|---|
| **Investments**<br>It was noted that the investment total figure per the trial balance and accounts did not agree reconcile to the Investment Managers annual report by £1,003 (see unadjusted errors identified in section 6).<br><br>It was also noted that the schedule of sales and purchases in the year also did not agree to the investment report. The sales were out by £34,485 and purchases by £13,462 (the difference between two figures being due to an audit adjustment identified during 2006/07 not being included on the schedule). | The year end figure per the trial balance should agree to the Investment Managers annual report.<br><br>Year end audit adjustment journals should be posted to the trial balance on a timely basis once the annual accounts have been approved. | Agreed. | Financial Controller to action from the June month end close off. |
| **Fixed Asset Register**<br>An error on the register was identified in relation to depreciation with computer equipment being depreciated over 4 years rather than HPC stated rate for computer equipment of 3 years. As a result the charge for the year was lower than expected by £22,999. The error has been adjusted for and is included in section 6. | The finance team must ensure that they check the formula on register prior to posting depreciation journals in the future on a monthly basis. | Agreed. | Financial Controller to action from the June month end close off. |

| Fact and potential consequence | Possible action | Management response | Timing of implementation and responsibility |
|---|---|---|---|
| **Grant Income**<br>HPC was granted up to £150,000 grant income from the Department of Health (DoH) for the 07/08 year. However only £48,648 had been claimed by the year end and received. This is due to two reasons:<br><br>1) HPC did not incur the full £150,000. The total costs for the year were around £125,000.<br><br>2) A subsequent claim has been submitted to DoH of around £75,000. As this claim was submitted after the year end it is currently unclear whether HPC will receive this amount and until the grant has been received no amounts can be recognised in the accounts. | Grant related expenditure should be monitored on a regular basis so that all expenses can be submitted to the DoH in timely manner. This would ensure that HPC receive all grant income that they are entitled to. | Agreed. The sole documentation relating to the grant was set out in a letter to the HPC from the DoH, dated 24 January 2008 authorising £150,000 to cover the period up to 1 April 2008 for the statutory regulation of practitioner psychologists. The letter simply states "monies will be paid on receipt of invoices which should be sent to … as soon as possible."<br><br>The subsequent claim was sent in two parts. The first application comprised £69,113 sent with supporting detail to DoH on 25 March 2008. The second application of £5,188 was sent with supporting detail to DoH on 11 April 2008. To date, no further response has been received from DoH indicating whether either of these applications for funding would be actioned. | The Finance Director to follow up claim with the DoH if no response has been received by the end of June 2008 |

# 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.

| Entity | 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) |
| **HPC (Group)** | | | | | | |
| Revaluation reserve<br>Impairment of Freehold land and buildings<br><br>Being the write down of the Revaluation Reserve due to the impairment of buildings. | <br>(230,443) | 230,443 | | | | |
| Hardware depreciation<br>Registration accumulated depreciation<br><br>Being correction of depreciation rate for registration system assets (25% applied not 33%). | 22,999 | <br>(22,999) | | | | |
| Disposals<br>Additions<br><br>Being misclassification of disposal – asset should not be included in additions or disposals as only an invoice error. | | 3,289<br>(3,289) | | | | |

| Entity | 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) |
| Profit/loss on investments P&L<br>Investments additions<br><br>Being reconciliation of accounts to Investments Annual report. | | | 1,317 | <br>(1,317) | | |
| Investments – Unrealised loss<br>Unrealised gains/loss in P&L<br>Cash – portfolio<br><br>Being reconciliation of accounts to Investments Annual report. | | | <br>(1,317) | 2,320<br><br>(1,003) | | |
| Other tax & social security<br>Other creditors<br><br>Being reallocation of pension creditor to the same classification as 2007 for comparability (presentation only). | | 19,267<br>(19,267) | | | | |
| Auditors fees<br>Accruals<br><br>Being under accrual of audit fees for this year. | 12,250 | <br>(12,250) | | | | |
| Other professional fees<br>Accruals<br><br>Being under accrual of other professional fees (per audit plan). | 4,850 | <br>(4,850) | | | | |

| Entity | 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) |
| VAT provision<br>Other office services (Facilities Mgmt)<br><br>Being adjustment to the VAT being provided for. | <br>(7,502) | 7,502 | | | | |
| Fee Income<br>Deferred Income<br><br>Being incorrect release of Paramedics income in the year. | 59,331 | <br>(59,331) | | | | |
| Accruals<br>Legal expenses<br><br>Being reimbursement of legal expenses as the case was won. | <br>(20,082) | 20,082 | | | | |
| Tax Charge for the year<br>Corporation Tax creditor<br><br>To reflect the revised tax charge after the preparation of the detailed tax computations | 8,064 | <br>(8,064) | | | | |
| **<u>HPC (Entity)</u>** | | | | | | |
| Revaluation reserve<br>Amounts due from subsidiary undertaking<br><br>Being incorrect treatment of accumulated depreciation on impairment of building. | | 21,000<br>(21,000) | | | | |

| Entity | 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) |
| Revaluation reserve<br>Impairment of Freehold land and buildings<br><br>Being the write down of the Revaluation Reserve due to the impairment of the building. | <br>(217,000) | 217,000 | | | | |
| Tax Charge for the year<br>Corporation Tax creditor<br><br>To reflect the revised tax charge after the preparation of the detailed tax computations | 8,064 | <br>(8,064) | | | | |
| **<u>22/26 Stannary Street Ltd</u>** | | | | | | |
| Amounts owed to parent<br>Impairment of Freehold land and buildings<br><br>Being incorrect treatment of accumulated depreciation on impairment of building. | <br>(21,000) | 21,000 | | | | |
| Revaluation reserve<br>Impairment of Freehold land and buildings<br><br>Being the write down of the Revaluation Reserve due to the impairment of the building. | <br>(615,969) | 615,969 | | | | |

# 7 Fees

We confirm that the fees charged during the year in respect of services performed for Health Professions Council are consistent with those contained within our Audit Plan submitted to you and dated 28 February 2008.

# 8 Independence

In accordance with International Standard on Auditing (UK and Ireland) 260 “Communication of audit matters with those charged with governance”, there are no changes to the details of relationships between Baker Tilly UK Audit LLP and its related entities and 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 principal, Mr David Blacher and the audit staff and the related safeguards from those disclosed in the Audit Plan dated 28 February 2008.

# Appendix A – Draft letter of representation

## Draft letter of representation

# TO BE TYPED ON CLIENT'S LETTERHEAD

246523/107/DB/MH/SKS July 2008

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

Dear Sirs

**AUDIT OF FINANCIAL STATEMENTS – 31 MARCH 2008**

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 2008.

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 and management 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 company 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 have not adjusted the attached misstatements, which were drawn to our attention by the auditors, because they are not material to the financial statements.

5 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.

6 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.

7 We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

8 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 2008.

Yours faithfully

Signed on behalf of the Health Professions Council

Council Member

Date July 2008