

Audit Committee, 12 June 2018

haysmacintyre (HM) Audit Findings Report on the 2017-18 financial statements

Executive summary and recommendations

Introduction

HM's audit completion report is attached for the Committee's consideration.

Decision

The Committee is asked to review and discuss HM's audit findings report for 2017-18.

The Committee is asked to agree that the uncorrected errors noted on page 6 of HM's report should **not** be corrected.

Background information

The Council appointed HM in December 2017 to audit the annual accounts, and reporting to the Council, alongside the National Audit Office, who will continue to audit the accounts, relying where appropriate on the work of HM.

HM has raised two important and one advisory recommendation on internal control on page 8 and 9. Management has considered the recommendation and provided response in the report.

Appendix 2 is the draft "letter of representation" that HM ask the Accounting Officer to sign. This is a standard audit procedure which provides the auditors with explicit confirmation of various points which are implicit in the draft accounts.

Resource implications

None

Financial implications

HM audit fee £24,000 including VAT

Appendices

Appendix 1: HM's Audit Findings Report

Appendix 2: HM's draft letter of representation

Date of paper

4 June 2018

haysmacintyre
chartered accountants & tax advisers

Health and Care Professionals Council

Audit findings report

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Year Ended 31 March 2018

Table of Contents

1. Introduction and Executive Summary.....	1
2. Audit risks and key judgement areas identified during planning	2
3. Accounting and Audit Matters.....	5
4. Detailed control points	7
5. Emerging issues	10

1. Introduction and Executive Summary

This report summarises our key findings in connection with the audit of the financial statements of the Health and Care Professionals Council for the year ended 31 March 2018.

Our audit approach

Our work was planned and performed in order to issue an audit opinion on the financial statements in accordance with International Standards on Auditing (UK) ("ISAs") and the terms of our letter of engagement.

Limitations

Our audit procedures, which have been designed to enable us to express an opinion on the financial statements, have included an examination of the transactions and the controls thereon.

Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of internal control or to identify any significant deficiencies in their design or operation.

We have included in this report only those matters that have come to our attention as a result of our normal audit procedures and, consequently, our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

Overall conclusion and opinion

At the time of issuing this report we anticipate issuing an unqualified opinion, without modification on the financial statements, subject to the satisfactory clearance of the final outstanding points:

- Receipt of the outstanding third party bank confirmations
- Confirmation of the completeness of the accrual relating to fitness to practice cases directly from the solicitors
- Completion of work on related party transactions
- Receipt of the signed letter of representation
- Review of post balance sheet events up to the date that the financial statements are signed

2. Audit risks and key judgement areas identified during planning

We set out below the key areas of focus for our audit identified at the planning stage and the conclusions of our audit work:

Audit risk/key judgement area	How we addressed this	Commentary
<p>Presumed risk in revenue recognition</p> <p>We are required to consider and respond to the risks of improper revenue recognition.</p>	<p>We have undertaken the following procedures to verify the appropriateness of revenue recognition:</p> <ul style="list-style-type: none"> • Cut-off testing to ensure that income has been recognised in the correct periods. • Substantive procedures to ensure that revenue has not been understated in the period. • Detailed testing on registration income, including the reconciliation between NetRegulate (the membership database) and the finance system. 	<p>Our audit work on revenue did not identify any material issues in relation to revenue recognition. We identified one internal control matter relating to the processing of income. Please refer to Section 4 below.</p>
<p>Presumed risk of management override</p> <p>We are required to consider and respond to the risks arising from management override of controls.</p>	<p>We reviewed the appropriateness of general journal entries posted throughout the year and at the year-end for the preparation of the financial statements.</p> <p>Accounting estimates were reviewed for potential bias. The business rationale for unusual or significant transactions outside the normal course of business for the company were evaluated.</p> <p>We considered the need to perform additional audit procedures where appropriate.</p>	<p>Planned audit work considered to be satisfactory in this area.</p>

Audit risk/key judgement area	How we addressed this	Commentary
<p>Opening balances</p> <p>There is a risk that opening balances are misstated</p>	<p>This is our first year as auditor of HCPC. Additional work was undertaken on the opening balances to ensure that they have been appropriately brought forward, do not contain errors or mis-statements which materially affect current year and that comparatives agree with amounts and other disclosures in the prior year financial statements.</p>	<p>Our audit work on opening balances did not identify any material issues.</p>
<p>Fixed assets</p> <p>There is a risk that assets are not complete and have not been appropriately valued.</p>	<p>Substantive testing was carried out on significant additions to ensure that they were capitalised in line with HCPC’s accounting policies. We also reviewed the third party valuation report and capital completion statements.</p> <p>It was confirmed that the third party valuation undertaken by SHW was performed by qualified surveyors in line with RICS Red Book standards using assumptions that were considered appropriate for the valuation of commercial property in the area, an appropriate valuation methodology under IFRS.</p> <p>The net impact of the revaluation resulted in an impairment charge of £829k. This arose because the fair value of the property on a combined basis, using a rental yield of c.8% was lower than the historic cost of the building.</p>	<p>Planned audit work considered to be satisfactory in this area.</p>

Audit risk/key judgement area	How we addressed this	Commentary
<p>Liabilities</p> <p>There is a risk in relation to the completeness of creditors.</p>	<p>Substantive testing was carried out on key suppliers along with a review of post year-end invoices and payments to consider the completeness of the liabilities recognised in the financial statements.</p>	<p>Planned audit work considered to be satisfactory in this area.</p>
<p>Staff</p> <p>As a significant cost, there are risks of completeness and valuation of staff costs.</p>	<p>Staff costs were tested substantively to ensure that only valid employees were paid.</p> <p>The disclosures of staff costs were reviewed to ensure appropriate and in line with accounting standards.</p>	<p>Planned audit work considered to be satisfactory in this area.</p>

3. Accounting and Audit Matters

3.1 Qualitative aspects of accounting practices and financial reporting

i. Reserves and going concern

Changes to auditing standards, specifically ISA (UK) 570 “Going Concern” require us to report on going concern by exception within our audit report. This includes our conclusion as to whether management’s use of the going concern basis of accounting is appropriate and whether a material uncertainty has been identified.

HCPC currently has no free reserves. Whilst it is cash and asset rich, the financial statements present a net current liability position due to the level of registration income that is received in advance and held within deferred income. We discussed the net current asset position and the reserves policy with management and we understand that HCPC has historically factored in income received in advance into its working capital model.

HCPC’s working capital model relies on it being able to spend some of the income it receives in advance of delivering the full benefits of the service to the registrant. Whilst there is currently no indication that this will lead to financial or operating difficulties, at some point in the longer-term future a line may need to be drawn in certain aspects of the business, which would mean that either the cost base of that particular segment would need to be reduced so that this position is reversed, or non-current assets would need to be sold or refinanced to generate liquid funds.

Management consider HCPC to be a going concern as it has sufficient positive future cash flows to allow it to continue in operation for the foreseeable future despite any unexpected:

- Fall in income
- Rise in operating expenditure
- Unbudgeted significant items of expenditure following the SMT restructure

The operating model will need revisiting following the impending transfer out of the Social Workers register. However, as this will not take place until 2019, whilst it will need to be considered closely it will not impact HCPC as a going concern.

3.2 Other audit matters

i. Unadjusted misstatements

One misstatement remained unadjusted, being the recognition of a liability and prepaid costs of £463k relating to rates. Whilst a significant figure, the amounts were under dispute and therefore there is some uncertainty as to whether the liability existed at the year-end. The net impact of this error on closing reserves is nil. Considering the level of uncertainty regarding the liability and the fact that there was nil impact on reserves, no adjustment was made.

ii. Letter of representation

International Standards on Auditing require us to obtain written representations from the directors when you approve the accounts. The letters contains only standard matters with no additional items specific to HCPC.

4. Detailed control points

During the course of our audit we identified the following detailed control points that we feel need to be brought to the attention of the Trustees and certain recommendations for improvements and/or corrective action. Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of internal control or to identify any significant deficiencies in their design or operation. The matters and detailed control points that we have identified are graded within the follow framework to assist the Trustees in assessing their impact.

Grade	Grade type	Grade characteristics
Significant	These findings are considered to be significant to the management of risk in the business, representing a serious weakness in systems and controls currently in place or a potentially fundamental control that has been omitted from the risk management systems as currently in operation.	<ul style="list-style-type: none"> • Key control omitted • Key control not designed or operating effectively, for example as indicated by numerous exceptions found during our review work • Evidence of override of controls in place with significant or potentially fraudulent outcomes • Non-compliance with laws and regulations
Important	Important findings that should be reviewed by management, pending corrective action and or updates to systems and controls.	<ul style="list-style-type: none"> • Errors and exceptions noted during our testing that had corrected retrospectively during the year by management. • Potential improvement to existing control noted • Possibility for override of controls exists • Our review noted numerous exceptions but not in key controls
Limited	Findings that identify non-compliance with established systems and controls.	<ul style="list-style-type: none"> • Minor control weakness, for example limited exceptions noted during our review work
Advisory	Items requiring no immediate action but which may be of interest to management or best practice advice	<ul style="list-style-type: none"> • Information for department management • Control operating but scope for efficiency and/or effectiveness improvements exist • Control operating but not necessarily in accordance with best practice • Recent or anticipated developments may necessitate new controls.

A significant re-structure of the organisation is currently taking place. With any significant re-structure there are risks associated with the continued operation of internal controls and monitoring, financial procedures and delegation of authority. Whilst the restructure was announced and planned prior to 31 March 2018, it was not implemented until after the year-end and a number of senior staff left the organisation in May 2018. The full impact of these changes has yet to be fully established and the transition will need to be managed carefully in the upcoming months.

Our comments on internal control matters below are relevant for the year ended 31 March 2018, before the restructure took place. As there will be considerable changes in the forthcoming months, we will need to re-visit the internal control environment along with the key processes and controls in next year’s audit. We recommend that we do this as early as practicable at an interim audit, so that we can provide timely feedback as they are introduced. In 2018/19, we will be happy to provide an interim report to the Audit Committee detailing any recommendations on internal controls. We will discuss an appropriate timetable for this work with management and the Audit Committee when we meet.

Issue:	Review of the reconciliation of NetRegulate and the finance system		Control point grade:	Important
Risk	Our comments & proposals	Management response		
<p>We identified two internal control issues relating to NetRegulate, HCPC’s system for recording and managing income from registrants.</p> <p>A key control relating to the processing of income from registrants is the reconciliation of the monthly income journal (where registrant income is posted to the finance system) and NetRegulate. Whilst no issues or discrepancies were noted in our detailed testing of income, we noted that whilst the journal is reviewed, the review of the full reconciliation behind the journal is not evidenced as reviewed.</p> <p>Considering the number of individuals involved in preparing and posting the journal (one individual is responsible for this process), the absence of a periodic review increases the risk of differences arising and building if the individual responsible for this process is absent for a period.</p> <p>Secondly, there is no overall reconciliation between NetRegulate and the finance system on a quarterly or annual basis. A reconciliation and review of the two systems on a periodic basis would help identify any processing or other discrepancies on a global level.</p>	<p>We recommend that the monthly income journal is reviewed, including the supporting evidence the detailed breakdown of income included in the journals agreed to the figures extracted from NetRegulate.</p> <p>We appreciate that the information extracted from NetRegulate does not facilitate a global annual reconciliation and that management consider the reviews performed on the monthly journals and the bank reconciliation to be sufficient to address the risk.</p> <p>However, we are aware that you are looking to evolve your systems in the future, and we recommend that as systems are developed, a facility for greater communication between systems running concurrently should be introduced so that such reconciliations can be performed.</p>	<p>Going forward, we will document our review of the reconciliation itself (electronically via email or note on the reconciliation itself).</p>		

Issue:	Payment of fees for panel members		Control point grade:	Important
Risk	Our comments & proposals	Management response		
<p>We observed one instance where fees were approved and paid prior to receipt of confirmation of the number of days attended by the member. This resulted in an overpayment that was subsequently repaid.</p> <p>Whilst the amount in question was not significant, and the amount was successfully clawed back panel member, making payments prior to receipt of supporting documentation and evidence is a weakness in internal control that could result in an inappropriate use of funds.</p>	<p>We recommend that supporting documentation, receipts and evidence is received and reviewed prior to approving an expense for payment.</p>	<p>We will hold review meetings with the adjudication team to communicate findings and assist them with implementing more controls. In finance we will perform more checks to ensure the payment listing is reasonable.</p>		

Issue:	Nil value items on the fixed asset register		Control point grade:	Advisory
Risk	Our comments & proposals	Management response		
<p>The fixed asset register contains c.£350k of items that have been written down and carry no value in the financial statements. We understand that a full review of the asset register has recently taken place and that the register now only includes items that have been confirmed as being still in use.</p>	<p>We recommend that this is kept under close review in future years, especially as equipment and systems are refreshed. Carrying a large number of older items on the register can create challenges when it comes to monitoring the on-going true asset position.</p>	<p>We currently perform an annual asset impairment review to ensure obsolete items are written off the register. We will continue to do this.</p>		

5. Emerging issues

Financial reporting

International Financial Reporting Standards

Entities reporting under International Financial Reporting Standards (IFRS) have faced less fundamental change than those following UK GAAP recently with only relatively minor changes in recent years flowing from the annual improvements process. For periods commencing after 1 January 2018 (and their comparative periods) there are more fundamental changes on the way which will affect different areas of accounting, such as recognition, measurement, presentation and disclosure.

There are three significant new standards that will be introduced in the near future:

IFRS 15 Revenue from Contracts with Customers - Effective for annual periods beginning on or after 1 January 2018.

IFRS 15 replaces all existing revenue requirements in IFRS, which are currently covered by IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers, and; SIC 31 Revenue – Barter Transactions Involving Advertising Services.

The new standard applies to all revenue arising from contracts with customers, unless the contracts are in the scope of other standards, such as IAS 17. Its requirements also provide a model for the recognition and measurement of gains and losses on disposal of certain non-financial assets, including property, plant and equipment and intangible assets. The standard outlines the principles an entity must apply to measure and recognise revenue. The core principle is that an entity will recognise revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer.

The principles in IFRS 15 will be applied using a five-step model:

1. Identify the contracts with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when (or as) the entity satisfies a performance obligation

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. Helpful application guidance is provided in IFRS 15 to assist entities in applying its requirements to certain common arrangements, including licenses of intellectual property, warranties, rights of return, principal-versus-agent considerations, options for additional goods or services and breakage.

IFRS 16 Leases - Effective for annual periods beginning on or after 1 January 2019

The scope of IFRS 16 includes leases of all assets, with limited exceptions. The key impact is that IFRS 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under IAS 17, i.e. the operating or finance lease distinction has been removed and with two exceptions, all leased assets and their associated liabilities are included in the balance sheet.

There are two limited exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less).

For all leases not covered by these exemptions, at inception date the lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the asset.

For lessors, lease accounting is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

The changes required by this standard will be significant. For instance:

- Management will need to identify all existing leases in place to assess the impact at the date of transition to the new standard and ensure that reporting processes are implemented to recognise and report on these and any new arrangements.
- Covenants with existing and potential lenders should be reviewed to consider the impact of the expected changes in earnings and net debt. This review should consider earnings, net liabilities, gearing ratios and cash cover covenants.
- Consideration should be given to cash flow covenants as while the change has no impact on net cash flows, the presentation of cash flow statements will change with higher interest charges.

IFRS 9 Financial Instruments - Effective for annual periods beginning on or after 1 January 2018

This standard covers the classification and measurement of financial assets and has been developed in response to perceived weaknesses in IAS39 which arguably became apparent following the financial crisis of 2008.

IFRS 9 applies one classification approach for all types of financial assets, including those that contain embedded derivative features. Financial assets are therefore classified in their entirety rather than being subject to complex requirements. Two criteria are used to determine how financial assets should be classified and measured:

- (a) the entity's business model for managing the financial assets; and
- (b) the contractual cash flow characteristics of the financial asset.

With the exception of certain trade receivables, entities will be required to initially measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs. Debt instruments will be subsequently measured at FVTPL, amortised cost, or fair value through other comprehensive income (FVOCI), on the basis of their contractual cash flows and the business model under which the debt instruments are held.

During the development of IFRS 9 the IASB received feedback that the accounting requirements for financial liabilities in IAS 39 had worked well. Most respondents did not think that a fundamental change was needed to the accounting for financial liabilities. Hence, IAS 39's treatment of financial liabilities is carried forward to IFRS 9 essentially unchanged. This means that most financial liabilities will continue to be measured at amortised cost.

The impairment requirements of IFRS 9 are based on an expected credit loss (ECL) model that replaces the IAS 39 incurred loss model. The ECL model applies to debt instruments accounted for at amortised cost or at FVOCI.

The application of IFRS 9 may change the measurement and presentation of many financial instruments, depending on their contractual cash flows and the business model under which they are held. The impairment requirements will generally result in earlier recognition of credit losses. The new hedging model may lead to more economic hedging strategies meeting the requirements for hedge accounting.

Reporting payment practices and performance

New regulations made under the Small Businesses, Enterprise and Employment Act 2015 and the Limited Liability Partnerships Act 2000 will require large companies and LLPs to report publicly their supplier payment policies, practices and performance on a six monthly basis for accounting years beginning on or after 6 April 2017.

The reporting requirements apply to the first financial year after the company qualifies as large within the meaning of the Companies Act 2006 by breaching two of the three thresholds below for two consecutive years:

- Turnover > £36m
- Gross assets > £18m
- Average staff numbers > 250

Turnover is defined as income derived from the provision of goods and services, net of trade discounts and VAT (and similar taxes), so voluntary income, income from investments and any gains on disposal of fixed assets should be disregarded in assessing whether a charitable company breaches the turnover threshold above. Income from performance-related grants will need to be considered carefully and on a case-by-case basis to determine whether it falls within the definition of turnover.

Parent companies will only be within the scope of the reporting requirement if both the parent company on its own and the group as a whole qualify as large.

The regulations require companies to report the following information relating to “qualifying contracts” for each reporting period within the financial year:

- Narrative descriptions of:
 - The company’s standard payment terms, including how suppliers are notified of changes to these terms
 - The company’s process for resolving payment disputes
- Statistics on:
 - Average number of days taken to make payments, measured from the date of receipt of an invoice or other notification to the date that payment is received by the supplier
 - The percentage of payments (by number of payments, not value of payments) made which were within 30 days of receipt, between 31 and 60 days of receipt and 61 days or longer
 - The percentage of payments due within the reporting period which were not paid within agreed terms
- Statements about:
 - Whether suppliers are offered e-invoicing
 - Whether supply chain finance is available to suppliers
 - Whether the company’s policies include deducting amounts from payments as a charge to remain on a supplier’s list of customers
 - Whether the company is a member of a payment code and, if so, the name of the code

Reporting periods are six-monthly so the first information required under the regulations will need to be submitted from October 2017 onwards. The submission will be via the gov.uk website, although the relevant page/portal has not yet been set up.

Detailed guidance on the reporting requirements can be found on the gov.uk website as follows: <https://www.gov.uk/government/publications/business-payment-practices-and-performance-reporting-requirements>

Corporate Offence of Failure to Prevent Tax Evasion

The Criminal Finances Act 2017 introduced two new strict liability corporate criminal offences, aimed at preventing businesses “turning a blind eye” to the tax evasion actions of their staff and other associates. The offences came into effect from 30 September 2017, tying in with the first disclosures under the Common Reporting Standard, and will apply to both corporates (including charities) and partnerships.

The Offences

- The first offence will apply to all businesses, wherever located, in respect of UK tax evasion; and
- A second will apply to all businesses with a UK connection, in respect of the facilitation of non-UK tax evasion.

For the offences to apply:

- Criminal tax evasion must have taken place; and
- A person or entity associated with the business must have criminally facilitated the tax evasion, whilst performing services for that business.

“Associated persons” are employees, agents, contactors and other persons who perform services for on behalf of the business and can include subsidiaries and joint ventures.

Criminal Tax Evasion

The common law offence of cheating the public revenue and statutory offences of fraudulently evading taxes, constitute tax evasion. Evasion occurs where there is a dishonest intention not to declare/pay a tax liability, not through carelessness or a mistake.

Penalties

A business found guilty of one or both of the offences face:

- Unlimited fines;
- Ancillary confiscation orders;
- Serious crime prevention orders; and
- Damage to reputation and commercial position.

Reasonable Prevention Procedures

A business will have a defence if it can prove that it has reasonable prevention procedures in place. HMRC's draft guidance provides six guiding principles which should be taken into account when establishing those procedures:

- Risk assessment;
- Proportionality;
- Top level commitment within the business;
- Due diligence;
- Communication and training; and
- Monitoring and review.

Action Plan

All businesses, not just financial institutions and professional advisers, must act now, to carry out their risk reviews of the facilitation of tax evasion and then implement any required compliance procedures and policies. As a first stage, corporates should carry out risk reviews by considering their processes, work flows and transactions (for example supplier contract negotiation procedures) to identify any areas where the corporate's employees/management might (whether intentionally or inadvertently), facilitate tax evasion by any person (including clients, customers and suppliers). All such risk reviews and their conclusions should be documented. Where risks having been identified reasonable prevention procedures will need to be implemented, committed to and actively monitored by the corporate.

Further Information

For further information HMRC have provided useful guidance notes on the Criminal Finances Act 2017 which can be located here: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/642714/Tackling-tax-evasion-corporate-offences.pdf

Making Tax Digital (MTD)

HMRC's plan to digitalise the UK tax system is well underway. Businesses will be required to use commercial software to maintain their records and to update HMRC quarterly, starting in April 2019 with VAT.

From April 2019 all VAT registered businesses with turnover above the VAT threshold will be required to maintain digital records and will need to send their VAT information to HMRC using third party commercial software. HMRC's online portal will remain available to all other businesses that complete a VAT return but have turnover below the VAT threshold.

Digital Records:

HMRC has confirmed that the requirement to keep digital records does not mean that businesses will have to make and store invoices and receipts digitally. Businesses can continue to keep documents in paper form if they prefer, although transactions will need to be stored digitally. However HMRC has stated that the following records will need to be kept digitally:

Designatory data:

- Your business name
- The address of your principle place of business
- Your VAT registration number
- A record of any VAT accounting schemes that you use.

For each supply you make you must record:

- The time of supply
- The value of the supply
- The rate of VAT charged.

If you make multiple supplies at the same time these do not have to be recorded separately. You can record the total value of supplies on each invoice or receipt that have the same time of supply and rate of VAT charged. You must also have a record of outputs value for the period split between standard rate, reduced rate, zero rate, exempt and outside the scope outputs.

For each supply you receive you must record:

- The time of supply
- The value of the supply including any VAT that is not claimable by you
- The amount of input tax that you will claim.

If more than one supply is on an invoice you can record the totals from the invoice.

VAT account

The VAT account is the link between business records and VAT return. Under MTD, the information required to be held in the VAT account must be kept digitally (the regulations refer to this as the “electronic account”), and the information in that electronic account will be used by functional compatible software to calculate and fill in your VAT return.

To show the link between the output tax in your records and the output tax on the return, you must have a record of:

- the output tax you owe on sales
- the output tax you owe on acquisitions from other EU member states
- the tax you are required to pay on behalf of your supplier under a reverse charge procedure
- the tax that needs to be paid following a correction or error adjustment
- any other adjustment required by VAT rules

To show the link between the input tax in your records and the input tax on your return you must have a record of:

- the input tax you are entitled to claim from business purchases
- the input tax allowable on acquisitions from other EU member states
- the tax that you are entitled to reclaim following a correction or error adjustment
- any other necessary adjustment

Records must be kept for six years. Digital records will need to be maintained for six years following deregistration.



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A list of partners' names is available for inspection at 10 Queen Street Place, London, EC4R 1AG



Top 50 Audit Team
 of the Year

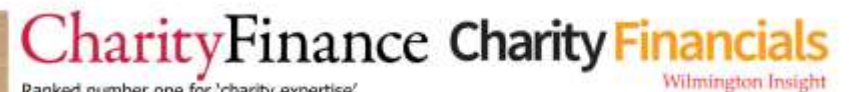
AUD 22/18



Accountancy Age,
 Best Employer



Mid-tier firm of the Year



Ranked number one for 'charity expertise'
 and top two for 'overall service' in 2016
 audit survey

Top three adviser to the top 5,000 charities
 Charity Financials' League league table

TO BE TYPED ON CLIENT LETTERHEAD

haysmacintyre
10 Queen St Place
London
EC4R 1AG

Date:

Dear Sirs

The financial statements of the Health and Care Professionals Council for the year ended 31 March 2018 have been considered and approved at a duly convened meeting of the Council. The undersigned was authorised to sign the balance sheet on behalf of the Council to give you the following assurances in connection with your audit.

We confirm that the following representations are made to the best our knowledge and belief, having made appropriate enquiries of Council members and officials of the Council with relevant knowledge and expertise, and, where appropriate, inspection of supporting documentation sufficient to satisfy ourselves that we can properly make each of the following representations to you:

- 1 We acknowledge as Council members our responsibilities for preparing financial statements that give a true and fair view and for making accurate representations to you as auditors.
- 2 We confirm that all accounting records have been made available to you for the purpose of your audit, in accordance with your terms of engagement, and that all the transactions undertaken by the Council have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all management and Council members' meetings, have been made available to you. We have given you unrestricted access to persons within the Council in order to obtain audit evidence and have provided any additional information that you have requested for the purposes of your audit.
- 3 We confirm that significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- 4 We confirm that all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to the auditor and accounted for and disclosed in accordance with International Financial Reporting Standards (IFRS).
- 5 We confirm that there have been no events since the balance sheet date which require disclosing or which would materially affect the amounts in the accounts, other than those already disclosed or included in the accounts.
- 6 We confirm that we are aware that a related party of the Council is a person or organisation which either (directly or indirectly) controls, has joint control, or significantly influences the Council and as a result will include: Council members, directors, other key management, close family and business interests of the previous. We confirm that the related party forms have been completed by all Council members and members of the Executive Management Team and made available to you as part of the audit. We confirm that the related party relationships and transactions set out in the declarations provided to you are a complete list of such relationships and transactions and that we are not aware of any further related parties or transactions.

- 7 We confirm that all related party relationships and transactions have been accounted for and disclosed in accordance with IFRS.
- 8 We confirm that the Council has had, at no time during the year, any arrangement, transaction or agreement to provide credit facilities (including advances and credits granted by the Council) for Council members, nor to provide guarantees of any kind on behalf of the Council members, except as disclosed in the financial statements.
- 9 We confirm that the Council has not contracted for any capital expenditure other than as disclosed in the financial statements.
- 10 We confirm that we are not aware of any possible or actual instance of non-compliance with those laws and regulations which provide a legal framework within which the Council conducts its business and which are central to the Council's ability to conduct its business.
- 11 We acknowledge our responsibility for the design and implementation of controls to prevent and detect fraud. We confirm that we have disclosed to you the results of our risk assessment of the risk of fraud in the business.
- 12 We confirm that there have been no actual or suspected instances of fraud involving management or employees who have a significant role in internal control or that could have a material effect on the financial statements. We also confirm that we are not aware of any allegations of fraud by former employees, regulators or others.
- 13 We confirm that, in our opinion, the Council is a going concern.
- 14 The effects of unadjusted misstatements detailed in the Audit Findings Report are immaterial, both individually and in aggregate, to the financial statements as a whole.
- 15 We acknowledge our legal responsibilities regarding disclosure of information to you as auditors and confirm that:
- so far as each Council member is aware, there is no relevant audit information of which you as auditors are unaware; and
 - each Council member has taken all the steps that they ought to have taken as a Council member to make themselves aware of any relevant audit information and to establish that you are aware of that information.

Yours faithfully,

Signed on behalf of the Council by:

Member of Council