

Audit Committee 29 September 2009

Role of the Comptroller and Auditor General and the National Audit Office

Executive summary and recommendations

Introduction

The attached paper, prepared by Steve Ecroyd of the National Audit Office, sets out the background to the HPC's current external audit arrangements.

Under the Health Professions Order 2001, HPC is required to appoint an independent auditor and in addition the Comptroller and Auditor General is required to examine and certify the HPC's accounts and report on them to Parliament.

Decision

The Committee is asked to note the paper. No decision is required.

Background information

Representatives of the external auditors (Baker Tilly and the National Audit Office) and the internal auditors (PKF) attend each Audit Committee meeting during the year and report on their findings to the Committee.

Resource implications

None.

Financial implications

None.

Appendices

The role of the Comptroller and Auditor General and the National Audit Office.

Date of paper

1 September 2009.



National Audit Office

Audit Committee Paper

HELPING THE NATION SPEND WISELY

The National Audit Office scrutinises public spending on behalf of Parliament.

The Comptroller and Auditor General, Amyas Morse, is an Officer of the House of Commons. He is the head of the National Audit Office, which employs some 900 staff. He, and the National Audit Office, are totally independent of Government. He certifies the accounts of all Government departments and a wide range of other public sector bodies; and he has statutory authority to report to Parliament on the economy, efficiency and effectiveness with which departments and other bodies have used their resources.

Our work saves the taxpayer millions of pounds every year, at least £9 for every £1 spent running the Office.

For further information please contact:

Dean Parker
Director
National Audit Office
157-197 Buckingham Palace Road,
Victoria, London, SW1W 9SP

020 7798 7074
Email: dean.parker@nao.gsi.gov.uk

The role of the Comptroller and Auditor General and the National Audit Office

CONTENTS	PAGE
Introduction	2
Relations with Parliament and the duties of the C&AG	2
Financial Audit	2
Our approach to audit	2
Laying and Publishing the Financial Statements	3
Annex A: Our other work streams	4

Introduction

1. The Health Professions Council (HPC) prepares an Annual Report and Accounts under the Health Professions Order 2001 (the Order). The Order is unusual in that it creates a 'two tier' audit arrangement. The Council must appoint an independent auditor eligible for appointment as an auditor under the Companies Acts and the Comptroller and Auditor General (C&AG) must also examine and certify the accounts and report on them to Parliament. The C&AG has appointed the staff of the National Audit Office (NAO) to carry out the statutory duties on his behalf.
2. We are conscious of the audit burden resulting from the two tier audit arrangements and have contracted with Baker Tilly UK Audit LLP, the Council's appointed auditor, to undertake the audit on behalf of the NAO. Under these arrangements Baker Tilly charge the NAO only for any additional work performed beyond that necessary to provide their independent auditor's report to the Council. These arrangements prevent duplication of audit work and reduce the overall audit fees charged to the Council whilst allowing the NAO access to Baker Tilly's audit documentation, sufficient to gain evidence to support the C&AG's opinion.
3. Our audit fee represents the cost of the resources spent on the Council's affairs in connection with our financial audit responsibilities. The fee does not include an element of profit.

Relations with Parliament and the duties of the C&AG

4. The C&AG is an officer of the House of Commons appointed by the Queen to report to Parliament on the spending of central government money. The C&AG is therefore independent of Government. The C&AG is granted comprehensive audit and inspection rights.
5. As well as undertaking financial audits, the NAO conducts Value for Money (VFM) and good governance audits (see Annex A). In 2008, the NAO undertook an organisational health check for the HPC as part of its good governance programme.
6. All our main work is presented to Parliament by Order of the House of Commons. Each year around 50 of our reports – value for

money reports and reports on accounts of public bodies – are investigated further by the Committee of Public Accounts (PAC).

7. The Committee of Public Accounts can take evidence on these reports from the most senior official in that public body, and can then make recommendations to which the Government must respond.

Financial Audit

8. The NAO is responsible for auditing the accounts of all Government departments and agencies, and over half of the 'arms-length' public bodies, known as Non-Departmental Public Bodies, including independent regulators like the HPC.
9. In total, we audit over 500 accounts per year which have expenditure and revenue of over £800 billion.
10. The C&AG is required to form an opinion on the truth and fairness of accounts, whether they are free from material misstatements and are properly presented. The C&AG is also required to confirm that the transactions in the accounts have appropriate Parliamentary authority. If the NAO identify material misstatements or irregularities, the C&AG will issue a qualified opinion. Where there are no material errors or irregularities in the accounts, the C&AG may nonetheless prepare a report to Parliament of other significant matters. Such reports may be considered by the Committee of Public Accounts.

Our approach to audit

11. Our examination, certification and report on the HPC financial statements will be carried out in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board.
12. NAO staff will attend the Council's Audit Committee meetings. The Audit Committee will be presented with plans for the audit of the Council's accounts and the findings at the completion of the audit. In addition we will bring to the committee's attention any relevant financial or governance matters which we become aware of from our wider public sector experience.
13. Where appropriate, we will provide the HPC with a Management Letter containing

observations and recommendations on significant matters which have arisen in the course of the audit, based on our review of Baker Tilly's audit work. We will also prepare a pre-certification report for the Audit Committee under International Standards on Auditing (UK and Ireland) 260. This report will contain:

- Any expected modifications to the C&AG's certificate and report;
- All unadjusted misstatements, other than those deemed to be trifling;
- All adjusted misstatements;
- Material weaknesses in the accounting and internal control systems identified during the audit;
- Our views about the qualitative aspects of the Agency's accounting practices and financial reporting; and
- Any other relevant matters relating to the audit.

Laying and Publishing the Financial Statements

14. The 2001 Order states in relation to HPC's accounts:

"The Privy Council shall lay before each House of Parliament a copy of the annual accounts certified by the Comptroller and Auditor General, any report of the auditors and the report of the Comptroller and Auditor General."

15. No part of the annual report or financial statements which are statutorily required to be laid before Parliament should be published before laying has taken place. This includes publishing in electronic form, on a website or otherwise.

ANNEX A: OUR OTHER WORK STREAMS

Value for Money Audit

The C&AG presents around 60 reports to Parliament on the value for money with which Government departments and other public bodies have spent their resources. Under the 1983 National Audit Act, the National Audit Office can examine and report on the economy, efficiency and effectiveness of public spending.

We have no current plans to examine the HPC.

Good Governance Audit

The NAO also performs good governance studies as a form of additional audit work funded by Parliament. Good governance outputs can vary widely from a published long form report to a seminar or booklet for the audited body.

The NAO's objective in undertaking Good Governance work is to provide insight, based on our unique position and knowledge, which helps organisations delivering public services to achieve excellence in corporate governance, financial management, operational efficiency and quality of service.

Good Governance work benefits the bodies we audit by:

- Promoting improved management of the risks to the effective delivery of public services and stewardship of resources;
- Focusing on the issues the audited body thinks are timely, relevant and important;
- Contributing to the delivery of efficiency savings;
- Bringing a wider perspective by drawing on our knowledge of financial management and service delivery issues across government; and
- Adding value beyond the scope of our core audit products by accessing the combined intellectual capital and skills of financial and value for money auditors.