

NATIONAL HEALTH SERVICE REFORM AND HEALTH CARE PROFESSIONS ACT 2002

Accounts, prepared pursuant to Schedule 7, Section 15(5) of the National Health Service Reform and Health Care Professions Act 2002, of the Council for the Regulation of Health Care Professionals for the year ended 31 March 2003, together with the Report of the Comptroller and Auditor General thereon.

Presented pursuant to Schedule 7 Section 15(5) of the National Health Service Reform and Health Care Professions Act 2002

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# Council for the Regulation of Health Care Professionals Account 2002-2003

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# Foreword

## Introduction

This is a foreword to the Council for the Regulation of Health Care Professional's (CRHP's) first set of accounts for the four month period 1 December 2002 to 31 March 2003. Most of the work in 2002-2003 was focused on setting up CRHP. The Council's chair was appointed on 23 January 2003 and members were appointed in early 2003. An initial Council seminar took place in March 2003 to help members network into their new role.

Accounts have been prepared in a form directed by the Secretary of State for Health with the consent of Treasury. The Comptroller and Auditor General is the auditor of the Council under the National Health Service Reform and Health Care Professions Act 2002.

## History and principal activities

CRHP was established in December 2002 by the National Health Service Reform and Health Care Professions Act 2002 (the Act) and has a statutory remit to

- Promote the interests of the public and patients in relation to regulation of the healthcare professions;
- Promote best practice in the regulation of the healthcare professions;
- Develop principles for good professionally-led regulation of healthcare professions; and
- Promote co-operation between regulatory bodies and other organisations.

The statutory powers of the Council are

- Performance reviews and recommendations (section 26 of the Act);
- Co-operation: Each regulator must in the exercise of its functions co-operate with the Council;
- Changes in regulators' rules (section 27): If the Council considers that it would be desirable to do so for the protection of members of the public, it may give directions requiring a regulatory body to make rules to achieve an effect which must be specified in the directions; and
- Reference of regulators' decisions to court for undue leniency (section 29).

The Secretaries of State of the four UK nations may ask the CRHP for advice on any matter connected with a profession appearing to him or them to be a health care profession.

## The Council and its members

CRHP is funded through the Department of Health but accountable to the UK Parliament. CRHP's remit encompasses the nine regulatory bodies responsible for healthcare professionals, and the Council consists of the Presidents of these organisations together with 10 lay members.

The nine regulatory bodies responsible for healthcare professionals are the General Chiropractic Council, the General Dental Council, the General Medical Council, the General Optical Council, the General Osteopathic Council, the Health Professions Council, the Nursing and Midwifery Council, the Royal Pharmaceutical Society of Great Britain, the Pharmaceutical Society of Northern Ireland.

The following council members were appointed during the four month period to March 2003.

Mrs Jane Wesson (chairman)  
Mr Jonathan Asbridge  
Professor Norma Brook  
Sir Graeme Catto  
Mr Nigel Clarke  
Dr Michael Copland-Griffiths  
Mr Marshall Davies  
Dr Frances Dow  
Mrs Sheelagh Hillan  
Mrs Sue Leggate  
Mr Peter North  
Mr Hugh Ross  
Mr David Smith  
Mrs Rosemary Varley  
Dr Kieran Walshe  
Ms Sally Williams  
Ms Lois Willis  
Professor Nairn Wilson

### Financial results for the four month period to 31 March 2003

The financial accounts cover the period 1 December 2002 to 31 March 2003. During this initial four month period total expenditure amounted to £64,694 and related to costs incurred in setting up the Council. Payments were made directly by the Department of Health on behalf of the Council.

No fixed assets were purchased in the financial period.

### Post balance sheet events

The Council is classified as an arm's length body. In October 2003, the Secretary of State for Health announced his intention to review the Department of Health's Arm's Length Bodies. In May 2004, the Secretary of State for Health outlined the first stage of this review.

There are 42 separate arm's length bodies which employ 22,000 staff with a combined budget of £2.5 billion. The Secretary of State announced that by 2007-2008 there will be a 50 per cent reduction in the number of arm's length bodies reducing total expenditure by £0.5 billion and staff posts by 25 per cent.

The final outcome of the review should be announced before the Parliamentary summer recess. As at the date of signing these financial statements, the implications of the review for the Council have not yet been announced.

### Going concern

The balance sheet at 31 March 2003 shows net liabilities of £16,550. This reflects the inclusion of liabilities falling due in future years which, to the extent that they are not to be met from the Council's other sources of income, may only be met by future grants-in-aid from the Council's sponsoring department, the Department of Health. This is because, under the normal conventions applying to parliamentary control over income and expenditure, such grants may not be issued in advance of need.

Grant-in-aid for 2003-2004, taking into account the amounts required to meet the Council's liabilities falling due in that year, has already been included in the department's Estimates for that year, which have been approved by Parliament, and there is no reason to believe that the department's future sponsorship and future parliamentary approval will not be forthcoming. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

## Statement of the Council's and the Accounting Officer's responsibilities

### The Council's responsibilities

Under the Cabinet Office's Guidance on *Codes of Best Practice for Board Members of Public Bodies*, the Council is responsible for ensuring propriety in its use of public funds and for the proper accounting of their use. Under Schedule 7 paragraph 15 of the National Health Service Reform and Healthcare Professions Act 2002, the Council is required to prepare a statement of accounts in respect of each financial year in the form and on the basis directed by the Secretary of State for the Department of Health, with the consent of the Treasury. The accounts are to be prepared on an accruals basis and must give a true and fair view of the Council's state of affairs at the year end and of its income and expenditure, total recognised gains and losses and cash flows for the financial year.

In preparing the accounts the Council is required to

- observe the accounts direction issued by the Secretary of State, with the consent of the Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgments and estimates on a reasonable basis;
- state whether applicable accounting standards have been followed, and disclose and explain any material departures in the financial statements; and
- prepare the statements on the going concern basis unless it is inappropriate to presume that the Council for the Regulation of Healthcare Professionals will continue in operation.

### The Accounting Officer's responsibilities

The Accounting Officer for the Department of Health has appointed the Director of the Council for the Regulation of Healthcare Professionals as the Council's Accounting Officer. His relevant responsibilities as the Accounting Officer, including his responsibility for the propriety and regularity of the public finances for which he is answerable and for the keeping of proper records, are set out in the *Non-Departmental Public Bodies' Accounting Officers' Memorandum* issued by the Treasury and published in *Government Accounting*.

## Statement on Internal Control

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Council's objectives and goals and safeguards the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Government Accounting.

The Council was established in December 2002 and developed its system of internal control to manage, rather than eliminate, the risks it faces: it will therefore only provide reasonable and not absolute assurance of effectiveness. During the period up to May 2004, the Department of Health established the Council's systems on an interim project basis.

The system of internal control developed is based on an ongoing process that seeks to identify the principal risks to the achievement of the Council's objectives and goals, to evaluate the nature and extent of those risks and to manage them effectively, efficiently and economically. This process, which accords with Treasury Guidance, started to be developed in the period from December to 31 March 2003 and has continued to be developed up to the date of approval of the Annual Report and Accounts. It is expected to be fully in place for the year 2004-2005.

As Accounting Officer, I also have responsibility for reviewing the effectiveness of the system of internal control. The Council has begun to establish processes based on a framework of regular management information, administrative procedures including the segregation of duties, and a system of delegation and accountability. These are being developed in line with the Council's business needs. In particular, they include

- identifying the Council's key risks. Monitoring, and reviewing these on a regular basis and incorporating risk management in planning and decision making;
- setting goals against which performance can be measured;
- formal project management disciplines;
- establishing an Audit Committee;
- establishing an Internal Audit function; and
- meetings of the Council in which the Council's strategic direction and plans are considered, and performance against goals is reported.

In the period from 1 January to 31 March 2003, the Council has worked closely with its sponsor department, the Department of Health, to develop and to begin to implement its strategy. In this period the Department has provided considerable assistance by appointing interim staff, and with procurement and financial management and this, together with the Council's identification of risk and the work of staff within the Council who have had responsibility for the development and maintenance of the internal control framework, has informed my review of the effectiveness of the system of internal control.

Signed on behalf of the Council for the Regulation of Healthcare Professionals

*Alexander Forrest*  
Accounting Officer

20 July 2004

# The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament, the Scottish Parliament and the Members of the National Assembly for Wales

I certify that I have audited the financial statements on pages 8 to 16 under the National Health Service Reform and Health Care Professions Act 2002. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on page 11.

## Respective responsibilities of the Council, the Director and Auditor

As described on page 4 the Council and Director are responsible for the preparation of the financial statements in accordance with the National Health Service Reform and Health Care Professions Act 2002 and directions made thereunder by the Secretary of State with the consent of Treasury and for ensuring the regularity of financial transactions. The Council and Director are also responsible for the preparation of the Foreword. My responsibilities, as independent auditor, are established by statute and I have regard to the standards and guidance issued by the Auditing Practices Board and the ethical guidance applicable to the auditing profession.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the National Health Service Reform and Health Care Professions Act 2002 and directions made thereunder by the Secretary of State with the consent of Treasury, and whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report if, in my opinion, the Foreword is not consistent with the financial statements, if the Council has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I review whether the statement on page 5 reflects the Council's compliance with Treasury's guidance on the Statement on Internal Control. I report if it does not meet the requirements specified by Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered whether the Accounting Officer's Statement on Internal Control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Council's corporate governance procedures or its risks and control procedures.

## Basis of audit opinion

I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Council and Director in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Council's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by error, or by fraud or other irregularity and that, in all material respects, the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I have also evaluated the overall adequacy of the presentation of information in the financial statements.

## Opinion

In my opinion

- the financial statements give a true and fair view of the state of affairs of the Council for the Regulation of Health Care Professionals at 31 March 2003 and of the deficit, total recognised gains and losses and cash flows for the period then ended and have been properly prepared in accordance with the National Health Service Reform and Health Care Professions Act 2002 and directions made thereunder by the Secretary of State with the consent of Treasury; and
- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.

*John Bourn*  
Comptroller and Auditor General

21 July 2004

National Audit Office  
157 -197 Buckingham Palace Road  
Victoria  
London SW1W 9SP

## Income and Expenditure Account for the four months ended 31 March 2003

	Note	£	Four months to 31 March 2003 £
<b>Income</b>	2		48,310
<b>Expenditure</b>			
Staff costs	3a	911	
Members' remuneration	3c	5,645	
Other operating costs	4	58,304	
Notional cost of capital	5	(166)	
			<u>64,694</u>
Operating deficit	8		(16,384)
Notional cost of capital reversal	5		(166)
Retained deficit for the year	7		<u>(16,550)</u>

All operations are continuing.

*The notes on pages 11 to 15 form part of these accounts.*

## Statement of Total Recognised Gains and Losses for the four months ended 31 March 2003

	Four months to 31 March 2003 £
Retained deficit for the year	(16,550)
Total recognised losses for the year	<u>(16,550)</u>

*The notes on pages 11 to 15 form part of these accounts.*

## Balance Sheet as at 31 March 2003

	Note	£	31 March 2003 £
<b>Fixed assets</b>			
Tangible fixed assets			0
<b>Current assets</b>			
Debtors		0	
Cash at bank and in hand		<u>0</u>	
		0	
<b>Creditors: amounts falling due within one year</b>	6	<u>(16,550)</u>	
<b>Net current liabilities</b>			(16,550)
<b>Creditors: amounts falling due after more than one year</b>			<u>0</u>
<b>Net liabilities</b>			<u>(16,550)</u>
<b>Reserves</b>			
Income and expenditure account	7		<u>(16,550)</u>
			<u>(16,550)</u>

*The notes on pages 11 to 15 form part of these accounts.*

Alexander Forrest  
Accounting Officer

20 July 2004

## Cash Flow Statement for the four months ended 31 March 2003

	<b>Four months to 31 March 2003</b>
<b>Note</b>	<b>£</b>
<b>Net cash inflow from operating activities</b>	8            0
<b>Capital expenditure</b>	
Payments to acquire tangible fixed assets	0
<b>Net cash inflow before financing</b>	<u>0</u>
<b>Financing</b>	
Grant in aid for capital expenditure	<u>0</u>
<b>Increase in cash</b>	<u>0</u>

*The notes on pages 11 to 15 form part of these accounts.*

# Notes to the Accounts

## 1 Accounting policies

### a Basis of preparation

These financial statements have been prepared in accordance with the Accounts Direction given by the Secretary of State for Health with the consent of Treasury and HM Treasury's guidance *Executive Non-Departmental Public Bodies Annual Reports and Accounts Guidance*. The particular accounting policies adopted by the Council for the Regulation of Healthcare Professionals are described below. They have been applied consistently in dealing with items considered material in relation to these financial statements.

### b Accounting convention

The financial statements have been prepared under the historical cost convention as modified to account for the revaluation of tangible fixed assets at their value to the business by reference to their current cost.

Without limiting the information given, the financial statements meet the accounting and disclosure requirements of the Companies Acts and accounting standards issued by the Accounting Standards Board so far as those requirements are appropriate.

### c Grant in aid

The Council is financed by grant in aid from the Department of Health. For the four month period ending 31 March 2003, expenditure incurred by the Council was paid for directly by the Department of Health.

### d Tangible fixed assets

Fixed assets are valued in the balance sheet at their modified historic cost less depreciation. Assets are revalued at current replacement cost by using price index numbers for current cost accounting published by the Office of National Statistics.

Fixed assets other than computer software are capitalised as tangible fixed assets as follows

- Equipment with an individual value of £1,000, or more;
- Grouped assets of a similar nature with a combined value of £1,000, or more; and
- Refurbishment costs valued at £1,000 or more.

There were no tangible fixed assets acquired during the four month period to 31 March 2003.

### e Notional charges

In accordance with the *Executive Non-Departmental Public Bodies Annual Reports and Accounts Guidance* published by HM Treasury, a notional charge for the cost of capital employed during the year is included in the income and expenditure account along with an equivalent notional income to finance the charge. The cost of capital charge until 31 March 2003 was set at 6 per cent, which was reduced to 3.5 per cent from the 1 April 2003, and was applied to the mean value of capital employed during the year.

### f Value added tax

Value added tax (VAT) on purchases is not recoverable, hence is charged to the income and expenditure account and included under the heading relevant to the type of expenditure.

### g Operating leases

Rentals payable under operating leases are charged to the income and expenditure account on an accruals basis.

## 2 Income

### *Grant in Aid received*

	<b>Four months to 31 March 2003 £</b>
Running costs	0
Capital expenditure	0
	<u>0</u>

### *Expenditure incurred by Department of Health*

	<b>Four months to 31 March 2003 £</b>
Running costs	48,310
Capital expenditure	0
	<u>48,310</u>

During the initial period of the Council's existence, expenditure incurred in setting up the Council was paid for directly by the Department of Health.

## 3 Staff costs

### *a Staff costs include*

	<b>Four months to 31 March 2003 £</b>
Salaries	0
Seconded staff costs	0
Social security costs	0
Superannuation costs	0
Agency/temporary costs	911
Total	<u>911</u>

The average number of whole time equivalents, including secondees and agency staff for the period ended 31 March 2003, by category of employment was as shown below

	<b>Four months to 31 March 2003 WTE</b>
Management and support staff	0
	<u>0</u>

### *b Director's remuneration*

No Director was in post until 22 April 2003.

*c Chairman's remuneration*

The Chairman, Jane Wesson, who was appointed from the 23 January 2003 for an initial period of three years received a salary for the four month period of £5,645. The Chairman's salary is not subject to superannuation.

*d Council Members' remuneration*

Council members were appointed under the terms and conditions set out in The Council for the Regulation of Health Care Professionals (Appointment etc.) Regulations 2002 (S.I 2002 No. 2376). Council members were appointed from 1 March 2003.

No remuneration was paid to Council members for the period to 31 March 2003.

Council members' expenses are included in other operating costs.

*e Other senior managers' remuneration*

Treasury Guidance (DAO3/00) requires the Council to provide information on the salary of named individuals who are "the most senior managers" of the Council.

There were no senior managers in post during the period to 31 March 2003.

**4 Other operating costs**

Other operating costs include

	<b>Four months to 31 March 2003 £</b>
Professional fees	18,932
Computer consumables and web site development costs	4,001
Training and recruitment	32,059
Council members expenses	1,151
External audit fee*	2,000
Other costs	161
Total other operating costs	<u>58,304</u>

\* The audit fee represents the cost for the audit of the financial statements carried out by the Comptroller and Auditor General. This amount does not include fees in respect of non-audit work. No such work was undertaken.

**5 Notional cost of capital**

In accordance with the *Executive Non-Departmental Public Bodies Annual Reports and Accounts Guidance* published by HM Treasury, a notional charge for the cost of capital employed during the year is included in the income and expenditure account along with an equivalent notional income to finance the charge. The cost of capital charge until 31 March 2003 was set at 6 per cent, which was reduced to 3.5 per cent from the 1 April 2003, and was applied to the mean value of capital employed during the year.

	<b>£</b>
Capital employed as at 1 December 2002	0
Capital employed as at 31 March 2003	(16,550)
Mean capital employed	<u>(8,275)</u>
Notional credit for cost of capital at 6 per cent for four months	<u>(166)</u>

**6 Creditors: amounts falling due within one year**

	<b>31 March 2003 £</b>
Trade creditors	14,550
Accruals	<u>2,000</u>
	<u>16,550</u>

**7 Reserves**

	<b>£</b>
Balance on Income and expenditure Account at 1 December 2002	0
Deficit for the year	<u>(16,550)</u>
Balance on Income and expenditure Account as at 31 March 2003	<u>(16,550)</u>

**8 Reconciliation of operating deficit to net cash inflow from operating activities**

	<b>Four months to 31 March 2003 £</b>
Operating deficit	(16,384)
Cost of capital	(166)
Adjustment for movements in working capital other than cash	
Increase in creditors	16,550
Decrease/(increase) in debtors	<u>0</u>
Net cash inflow from operating activities	<u>0</u>

**9 Contingent liabilities**

There were no contingent liabilities as at 31 March 2003.

**10 Commitments under operating leases**

There were no commitments under operating leases as at the 31 March 2003.

**11 Capital commitments**

The Council had no capital commitments as at the balance sheet date.

**12 Related party transactions**

The Council is a non-Departmental Public Body sponsored by the Department of Health.

The Department of Health is regarded as a related party. During the period to 31 March 2004 the Department of Health provided funding of £48,310. Apart from this there were no related party transactions entered into.

The Council maintains a register of interests for Chairman and Council members. On a periodic basis the register is updated by the Council Secretary to reflect any change in Council members' interests. During the period ending 31 March 2003 no Council member undertook any transactions with the Council.

### **13 Losses and special payments**

There were no losses or special payments made during the period to 31 March 2003.

### **14 Post balance sheet events**

The Department of Health is currently undertaking a review of its Arm's Length Bodies. Further information on this review is given in the Foreword.

### **15 Financial instruments**

The Council has no borrowings and relies primarily on funding from the Department of Health for its cash requirements, and therefore it is not exposed to any risk of liquidity. It also has no material deposits, and all material assets and liabilities are denominated in sterling, so it is not exposed to interest rate or currency risk.