

**Office of the Health Professions Adjudicator**

**Report and Accounts for 1 April to 30 June 2012**

# **Office of the Health Professions Adjudicator (OHPA)**

## **Report and Accounts for 1 April to 30 June 2012**

Report presented to Parliament pursuant to paragraph 20(3)(a) of Schedule 6 to the Health and Social Care Act 2008

Accounts presented to Parliament pursuant to paragraph 19(5) of Schedule 6 to the Health and Social Care Act 2008

Report presented to the Northern Ireland Assembly pursuant to paragraph 20(3)(b) of Schedule 6 to the Health and Social Care Act 2008

Accounts presented to the Northern Ireland Assembly pursuant to paragraph 19(4) of Schedule 6 to the Health and Social Care Act 2008

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Introduction by the Chair of OHPA	5
Management Commentary	6
Accounts for 1 April to 30 June 2012	8

## **Introduction by the Chair of OHPA**

Following passage of the Health and Social Care Act 2012 OHPA is to be abolished at midnight on 30 June 2012. This Report and Accounts therefore covers only the first three months of 2012-13, during which we have closed down all activities, finalised the remaining financial transactions, and completed the accounts.

It only remains for me to thank my colleagues on the OHPA board and those who have worked for us since 2009 for the splendid way in which they have contributed to OHPA's work and the cause of more effective Fitness to Practise procedures. OHPA leaves a very substantial legacy that will influence health and social care regulation for years to come.

**Walter Merricks CBE**

**June 2012**

## **Management Commentary**

### **Introduction**

The Office of the Health Professions Adjudicator was established by the Health and Social Care Act 2008. OHPA was originally set up to take over Fitness to Practice hearings from the General Medical Council from 1 April 2011 and those from the General Optical Council at a later date. However it was closed before it became operational. The secondary legislation required that OHPA was managed by a board consisting of a chair, an executive member, and a maximum of three non-executive board members. The chair, Walter Merricks, the executive member, Stephen Shaw, and the three non-executives, Pamela Charlwood, Andrew Colquhoun, and Dame Janet Finch, were in place throughout the first quarter of 2012-2013. Upon advice from the Department of Health, the Privy Council terminated the appointments of all board members with effect from 1 July 2012.

To minimise expenditure following the passage of the Health and Social Care Act 2012 that abolished OHPA, the board did not meet formally during April-June 2012. However, there were three minuted teleconferences at which board business was discussed.

The closure of OHPA was organised on programme management lines. Two Accountability Meetings were held with the Department of Health during April-June at which the closedown plan was assessed. Fortnightly telephone meetings also took place. As in the past, OHPA's management accounts have been routinely shared with the Department.

As stated in OHPA's 2011-2012 annual report, following Royal Assent to the Health and Social Care Act on 27 March 2012, OHPA could no longer be considered as a going concern. For this reason, the board has adopted a basis other than going concern in preparing this final report and financial statements.

H.M. Treasury agreed that it was appropriate for the Department of Health's Principal Accounting Officer to assume the role of OHPA's accounting officer.

### **Financial Review**

OHPA was financed by grant in aid from the Department of Health throughout quarter 1 of 2012-2013. During this time OHPA was directly accountable for its own expenditure. In line with HM Treasury guidance, grant in aid is shown as a movement in its reserves.

Full accounts, prepared in accordance with the Health and Social Care Act 2008 and the accounts direction made by the Secretary of State, are published as part of this report.

### **Staff**

OHPA had no sick absence during the three months to 30 June 2012.

## **Data Security**

There have been no reported data security incidents.

## **Prompt Payment Policy**

In light of the Government announcement that OHPA was to close, OHPA did not develop its own prompt payment policy. OHPA met the terms of the Department of Health's own prompt payment policy during the period in question.

## **Auditor**

OHPA's financial statements have been audited externally by the Comptroller and Auditor General (C&AG) in accordance with paragraphs 19(3) and (5) of Schedule 6 to the Health and Social Care Act 2008. For the three months to 30 June 2012 the C&AG has estimated that the cost of work performed will be £5,000 and this amount has been provided for in the financial statements. The audit services provided by the C&AG's staff related only to statutory audit work.

So far as the Accounting Officer is aware, there is no relevant information of which OHPA's auditors are unaware. The Accounting Officer has taken all the steps that he ought to have to make himself aware of any relevant information and to establish that the auditors are aware of that information.

Una O'Brien  
Principal Accounting Officer  
Department of Health  
Date 24 May 2013

## **Accounts for 1 April to 30 June 2012**

### Contents

Remuneration report	9
Statement of the Office of the Health Professions Adjudicator and Accounting Officer's Responsibilities	12
Governance Statement	13
The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament	15
Statement of Comprehensive Net Expenditure	18
Statement of Financial Position	19
Statement of Cash Flows	20
Statement of Changes in Taxpayers' Equity	21
Notes to the Accounts	22
Annex: Accounts Direction	32



## **Remuneration Report**

### **Remuneration Policy**

The remuneration of the chief executive and chair and the allowances of the non-executive board members, and their terms and conditions of employment, were determined in accordance with paragraph 10 of Schedule 6 of the Health and Social Act 2008 by the Secretary of State for Health, as agreed by the Appointments Commission on behalf of the Privy Council.

### **Appointments**

The Privy Council through the Appointments Commission appointed the chief executive on a permanent basis while the appointments of the chair and the non-executive members of the board were for fixed terms intended to be of three or four years.

### **Service of contracts**

The chief executive was employed as a permanent member of staff. Notice of redundancy was issued on 25 May 2012 but he was required to work that part of his notice that continued until 30 June. No further appointments of staff were carried out during the period.

### **Termination**

No compensation was payable for loss of office to the non-executive board members. The Secretary of State determined that no compensation should be paid to the chair of OHPA. The chief executive was entitled to a notice period of six months or payment in lieu.

### **Chair and Board Members' remuneration**

The remuneration of the chair and the allowances of the board members are shown in the table below and have been subject to audit. There were no benefits in kind.

OHPA reimbursed travel and subsistence expenses necessarily incurred by OHPA members attending meetings or undertaking other tasks arising from their membership, in accordance with the conditions and at the rates set by the Appointments Commission.

Following passage of the Health and Social Care Act 2012, the appointments of all board members were terminated with effect from 1 July 2012

	<b>Date Appointed</b>	<b>Date Appointment Ends</b>	<b>Salary / Allowance 1 April to 30 June 2012 (£)</b>	<b>Salary / Allowance 2011/12 (£)</b>
<b>Walter Merricks</b> Chair	25/01/2010	30/06/2012	25,000	100,000
<b>Pamela Charlwood</b> Member *	25/01/2010	30/06/2012	1,941	7,765
<b>Andrew Colquhoun</b> Member **	25/01/2010	30/06/2012	1,941	7,765
<b>Dame Janet Finch</b> Member	25/01/2010	30/06/2012	1,941	7,765
			<b>30,823</b>	<b>123,295</b>

\* Member of the Audit and Risk Committee

\*\* Chair of the Audit and Risk Committee

### **Chief Executive's remuneration**

The chief executive's salary for the three months to 30 June 2012 were £37,500 (2011-12 was £149,999).

The organisation closed on 30 June and the following additional payments were made to the Chief Executive.

- Statutory Redundancy payment £1,290
- Payment in lieu of notice - £59,807
- Payment for untaken leave - £20,481.

Of these £78,982 were either accrued or provided for in 2011-12.

At closure OHPA had only one employee. As a consequence, the requirement under the Government Financial Reporting Manual on all public sector entities to disclose the ratio of highest paid director to median staff remuneration does not apply.

### **Pensions**

The Secretary of State determined that remuneration payable to the chief executive was pensionable. The remuneration payable to the chair and non-executive members was not pensionable.

The pension of the chief executive was provided through the NHS pension scheme. For the three months to 30 June 2012 and for the payment for untaken leave, employer's contributions of £8,117 (2011-12 was £21,000)

were payable to the NHS pension scheme at the rate of 14 per cent of pensionable pay. Details of the benefits payable under these provisions can be found on the NHS Pensions website at [www.nhsbsa.nhs.uk/pensions](http://www.nhsbsa.nhs.uk/pensions) and in note 1.8.

### **Cash Equivalent Transfer Values**

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capital value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves the scheme and chooses to transfer the benefit accrued in their former scheme. The CETV figure and other pension details include the value of any pension benefits in another scheme or arrangement which the individual has transferred to the NHS pension scheme. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own costs. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

As CETV figures are provided by the NHS Pension scheme on an annual basis, the CETV for the chief executive's pension as at 30 June 2012 was not available (the CETV was £138,677 as at 31 March 2012).

### **Real Increase in CETV**

This reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another scheme or arrangement), and uses common market valuation factors for the start and end of the period. This information is not available for the reason set out above.

The salaries, allowances and pension information have been subject to audit.

Una O'Brien  
Principal Accounting Officer, Department of Health  
Date: 24 May 2013

## Statement of the Office of the Health Professions Adjudicator and Accounting Officer's Responsibilities

1. Under the Health and Social Care Act 2008 ("the 2008 Act"), the Secretary of State has determined that the Office of the Health Professions Adjudicator ("OHPA") prepare for each financial year a statement of accounts in the form and basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of OHPA and of its income and expenditure, changes in taxpayers' equity and cash flows for the financial year.
2. In preparing its accounts OHPA must take into consideration the accounting principles and disclosure requirements of the Government Financial Reporting Manual and in particular must:
  - observe the Accounts Determination issued by the Secretary of State;
  - apply suitable accounting policies on a consistent basis;
  - make judgements and estimates on a reasonable basis;
  - follow applicable accounting standards, subject to any material departures disclosed and explained in the accounts; and
  - prepare the accounts on the going concern basis.
3. The Privy Council has designated the chief executive as Accounting Officer of OHPA. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding OHPA's assets, are set out in the Accounting Officer's memorandum published in *Managing Public Money* published by HM Treasury. After the closure of OHPA, the Principal Accounting Officer of the DH assumed the responsibility of the Accounting Office for the OHPA .

## **Governance Statement**

### **Personal responsibility**

Stephen Shaw (OHPA's Chief Executive) as Accounting Officer until 30 June 2012 had responsibility for maintaining a sound system of internal control that supports the achievement of the Office of the Health Professions Adjudicator's (OHPA) policies, aims and objectives, whilst safeguarding public funds and the organisation's assets for which he was personally responsible, in accordance with the responsibilities assigned to him in Managing Public Money. Following the closure of OHPA on 30 June 2012, as Principle Accounting Officer for the Department of Health, I have assumed the role of OHPA's Accounting Office and I have relied on the information and assurances provided by Stephen Shaw to compile this statement.

I am accountable for the discharge of my functions to the Secretary of State at the Department of Health. Given that OHPA never became operational, and that the budget was very small by comparison with other public bodies, a key objective since 2010 has been to ensure that all controls were strictly proportionate to any likely risk. This principle applied all the more during the final three months of closedown. Nevertheless, the Chief Executive has continued to attach great significance to the maintenance of sound systems of internal control to ensure the safeguarding of the public funds and assets for which I have been responsible.

### **Governance framework**

Accountability and reporting within OHPA has been exercised through a governing body, the board, as set out on OHPA's operational framework. The board was led by the chair and also included Stephen Shaw as chief executive and the three non-executive members. The board played a critical role in developing OHPA's strategy and intended programme of work, and in overseeing our activities.

In consideration of OHPA's forthcoming abolition, and the need to avoid unnecessary expenditure, the board did not meet in person during the three months to 30 June 2012. However, they held three minuted teleconferences at which board business was discussed, and there were regular exchanges by phone or email. The board believes that its procedures and general approach have been entirely appropriate given OHPA's reduced budget and functions while properly complying to the extent that it is meaningful and relevant with the Corporate Governance Code (*Corporate governance in central government departments: Code of good practice 2011*).

The board's audit and risk committee met twice by teleconference during three months to 30 June 2012 (all members taking part).

OHPA continued to follow its approved standing financial instructions throughout the period.

In addition to those internal arrangements, two Accountability Meetings were held with OHPA's sponsors in the Department of Health. Management accounts were shared with the Department on a monthly basis.

OHPa's management believe these arrangements have provided a high degree of assurance.

### **Other controls**

The chief executive of OHPA also acted as the SIRO (Senior Information Risk Owner) and was responsible for Information Security throughout the period. All of OHPA's electronic data and access to this data were managed securely through the Department of Health Information Services. The Department of Health provided all aspects of security audit, desktop, infrastructure and applications.

OHPA had its own email exchange that was maintained by Rackspace Ltd. Whilst Rackspace Ltd provided a 'safe harbour' agreement facility (<http://www.export.gov/safeharbor/>), all documents, specifically but not exclusively those containing personal data, transmitted via email were archived to a dedicated Department of Health controlled drive that contained OHPA's file structure. The contract with Rackspace Ltd expired on 30 June 2012.

There have been no reported data security incidents at OHPA.

### **Risk assessment**

The systems of internal control were designed to be proportionate to OHPA's much reduced level of activity and were subject to ongoing review. The Chief Executive, personally oversaw every aspect of OHPA's activities to ensure proper internal control measures were adhered to. His aim was to manage risk to a reasonable level rather than to provide absolute assurance that all risk of failure had been eliminated. The key risk managed during this period was the orderly closedown of the organisation.

### **Review of effectiveness**

At the end of 30 June 2012, The Chief Executive has reviewed the effectiveness of OHPA's systems of governance and internal control. This review was informed by advice from the finance manager who had operational responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors and members of the OHPA board.

I am content that OHPA's systems and structure were both effective and entirely appropriate.

Una O'Brien  
Principal Accounting Officer,  
Department of Health  
Date: 24 May 2013

## **The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament**

I certify that I have audited the financial statements of the Office of the Health Professions Adjudicator for the period ended 30 June 2012 under the Health and Social Care Act 2008. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

### **Respective responsibilities of the Office of the Health Professions Adjudicator, Accounting Officer and auditor**

As explained more fully in the Statement of the Office of the Health Professions Adjudicator and Accounting Officer's Responsibilities, the Office of the Health Professions Adjudicator and the Accounting Officer are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Health and Social Care Act 2008. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Office of the Health Professions Adjudicator's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by Office of the Health Professions Adjudicator; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Introduction by the Chair of OHPA and the Management Commentary to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate and report.

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

### **Opinion on regularity**

In my opinion, in all material respects the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

### **Opinion on financial statements**

In my opinion:

- the financial statements give a true and fair view of the state of Office of the Health Professions Adjudicator's affairs as at 30 June 2012 and of the net expenditure for the period then ended; and
- the financial statements have been properly prepared in accordance with the Health and Social Care Act 2008 and Secretary of State directions issued thereunder.

### **Emphasis of Matter – Going concern**

Without qualifying my opinion, I draw attention to Note 1.2 and Note 14 of the financial statements. Following Royal Assent to the Health and Social Care Act 2012 on 27 March 2012, the Office of the Health Professions Adjudicator formally ceased all activities and closed on 30 June 2012. As a consequence the accounts have been prepared on a basis other than going concern.

### **Opinion on other matters**

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Secretary of State directions made under the Health and Social Care Act 2008; and
- the information given in the Introduction by the Chair of OHPA and the Management Commentary for the period for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which I report by exception**

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by staff;
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.



**Report**

I have no observations to make on these financial statements.

Amyas C E Morse  
Comptroller and Auditor General

Date 3 June 2013

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

## Statement of Comprehensive Net Expenditure

For the period 1 April to 30 June 2012

	Note	1 April to 30 June 2012 £	2011/12 £
<b>Expenditure</b>			
Staff Costs	3	116,328	500,461
Accommodation & managed services cost	4	4,583	15,442
Other expenditure	5	22,746	25,057
		<hr/>	<hr/>
		(143,657)	(540,960)
<b>Net expenditure</b>		<hr/> <b>(143,657)</b> <hr/>	<hr/> <b>(540,960)</b> <hr/>

OHPA closed on 30 June 2012 and all assets and liabilities were transferred to the Department of Health on 1 July 2012

The notes on pages 22 to 31 are part of the financial statements.

## Statement of Financial Position

As at 30 June 2012

	Note	30 June 2012 £	2011/12 £
<b>Non-current assets:</b>			
Property, plant and equipment		-	-
<b>Current assets:</b>			
		-	-
Cash and cash equivalents	6	30,143	48,872
<b>Total assets</b>		<u>30,143</u>	<u>48,872</u>
<b>Current liabilities:</b>			
Trade and other payables	7	(3,508)	(30,049)
Payables to Department of Health	7	-	-
Provisions	8	-	(61,097)
<b>Total current liabilities</b>		<u>(3,508)</u>	<u>(91,146)</u>
<b>Non-current assets plus net current assets</b>		<u>26,635</u>	<u>(42,274)</u>
<b>Assets less liabilities</b>		<u>26,635</u>	<u>(42,274)</u>
<b>Reserves:</b>			
General Reserve	9	<u>26,635</u>	<u>(42,274)</u>
		<u><b>26,635</b></u>	<u><b>(42,274)</b></u>

All assets and liabilities were transferred to the Department of Health on 1 July 2012

Una O'Brien  
Principal Accounting Officer Department of Health  
Date: 24 May 2013

The notes on pages 22 to 31 are part of the financial statements.

## Statement of Cash Flows

For the period 1 April to 30 June 2012

	Note	1 April to 30 June 2012 £	2011/12 £
<b>Cash flows from operating activities</b>			
Net expenditure		(143,657)	(540,960)
Increase / (decrease) in trade payables		(26,541)	(30,071)
Increase / (decrease) in payables to Department of Health		-	(17,471)
Increase / (decrease) in provision (Increase) / decrease in trade receivable & prepayments		(61,097)	61,097
		-	2,434
Net cash outflow from operating activities		<u>(231,295)</u>	<u>(524,971)</u>
<b>Cash flows from investing activities</b>		-	-
<b>Cash flows from financing activities</b>			
Grant in aid from Department of Health	2	<u>212,566</u>	<u>498,686</u>
<b>Net (decrease) / increase in cash and cash equivalent in the period</b>		(18,729)	(26,285)
<b>Cash and cash equivalents at the beginning of the period</b>		48,872	75,157
<b>Cash and cash equivalent at the end of the period</b>		<u><u>30,143</u></u>	<u><u>48,872</u></u>

The notes on pages 22 to 31 are part of the financial statements.

## Statement of Changes in Taxpayers' Equity

For the period 1 April to 30 June 2012

	Note	General Reserve £
<b>Balance as at 1 April 2011</b>		<u>-</u>
<b>Changes in Taxpayers' Equity for 2011-12</b>		
Grant from Department of Health		498,686
Recognised in Statement of Comprehensive Net Expenditure		(540,960)
Balance as at 31 March 2012		<u>(42,274)</u>
<b>Changes in Taxpayers' Equity for the period 1 April to 30 June 2012</b>		
Grant from Department of Health	2	212,566
Recognised in statement of Comprehensive Net Expenditure		(143,657)
<b>Balance as at 30 June 2012</b>		<u><u>26,635</u></u>

The notes on pages 22 to 31 are part of the financial statements.

## Notes to the Accounts

### 1 Statement of accounting policies

These financial statements have been prepared in accordance with the Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Office of the Health Professions Adjudicator (OHPA) for the purpose of giving a true and fair view has been selected. The particular policies adopted by OHPA for its reportable activities are as described below. They have been applied consistently in dealing with items that are considered material to the accounts.

#### 1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment, intangible assets and inventories.

#### 1.2 Going concern

The Health and Social Care Act received Royal Assent on 27 March 2012. The Secretary of State for Health made a commencement order for the closure of OHPA on 17 May 2012. All OHPA activities are now closed and it ceased to exist with effect from midnight on 30 June 2012. Therefore it is appropriate for these accounts for the short period to 30 June 2012 to be prepared on a basis other than going concern. The effect of preparing the accounts on this basis is shown in note 14.

#### 1.3 Grant in aid

The net cash needs of OHPA were financed by grant in aid from the Department of Health, which is credited to the general reserve and is not shown as income. This is recognised in the financial period in which the amounts are received.

#### 1.4 Tangible non-current assets

Expenditure on non-current assets is capitalised. Non-current assets comprise software licenses, information technology equipment, office fixtures and fittings, and office leasehold improvements. The capitalisation threshold limits and depreciation policy are as explained below:

Expenditure on major information technology projects is capitalised. This includes expenditure directly incurred on hardware, software and appropriate consultants' installation costs.

Non-current assets are capitalised where the cost is £3,000 or over. However, for grouped purchases of IT equipment, IT software or fixtures and furniture, individual items with a cost of £500 or greater are capitalised where the total grouped purchase is £1,500 or more. OHPA had no tangible non-current assets during this period.

Assets in the course of construction are capitalised at purchase cost and then depreciated from the date that they become operational.

For the purpose of calculating the current value, revaluation is applied using indices prepared by the Office of National Statistics to the closing carrying value of material assets only (e.g. leasehold improvement) at the year ending 31 March. Revaluation losses at balance sheet date are written off against the proportion of the credit balance on the revaluation reserve. Any remaining losses are charged to the net expenditure account.

### **1.5 Depreciation**

Depreciation is charged on all non-current assets at rates calculated to write down the valuation of each asset to its estimated residual value evenly over its expected useful life. The asset lives currently estimated for each class of assets are:

Fixtures and fittings	Five years
Leasehold improvement	Ten years
Office and IT equipment	Three years

### **1.6 Intangible assets**

Initial costs of software and licenses are capitalised and amortised over the useful life of the software, while annual licenses to use software or ensure continuous updates are charged to the net expenditure account as they are incurred. The minimum level for capitalisation of intangible fixed assets is £3,000. On initial recognition, assets are measured at cost, including any costs such as installation that are directly attributable to bringing the asset into working condition for its intended use.

The asset lives currently estimated for each class of assets are:

Software development and licenses	Three years
-----------------------------------	-------------

OHPA had no intangible assets during this period.

### **1.7 Taxation**

Expenditure in the net expenditure account is shown inclusive of Value Added Tax (VAT), which was irrecoverable for OHPA.

### **1.8 Employee benefits**

#### **a. Pensions**

OHPA was a member of the NHS Pension Scheme. The pension of the chief executive was provided through this scheme.

#### **Pension Costs**

The chief executive was the only employee, past or present, to have been covered by the provisions of the NHS Pension Scheme.

Details of the benefits payable under these provisions can be found on the NHS Pensions website at [www.nhsbsa.nhs.uk/pensions](http://www.nhsbsa.nhs.uk/pensions). The scheme is an

unfunded, defined benefit scheme that covers NHS employers, GP practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. The scheme is not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS Body of participating in the scheme is taken as equal to the contributions payable to the scheme for the accounting period.

In order that the defined benefit obligations recognised in the financial statements do not differ materially from those that would be determined at the reporting date by a formal actuarial valuation, the FReM requires that “the period between formal valuations shall be four years, with approximate assessments in intervening years”. An outline of these follows:

**a) Accounting valuation**

A valuation of the scheme liability is carried out annually by the scheme actuary as at the end of the reporting period. Actuarial assessments are undertaken in intervening years between formal valuations using updated membership data and are accepted as providing suitably robust figures for financial reporting purposes. The valuation of the scheme liability as at 31 March 2013, is based on the valuation data as 31 March 2012, updated to 31 March 2013 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

The latest assessment of the liabilities of the scheme is contained in the scheme actuary report, which forms part of the annual NHS Pension Scheme (England and Wales) Pension Accounts, published annually. These accounts can be viewed on the NHS Pensions website. Copies can also be obtained from The Stationery Office.

**b) Full actuarial (funding) valuation**

The purpose of this valuation is to assess the level of liability in respect of the benefits due under the scheme (taking into account its recent demographic experience), and to recommend the contribution rates.

The last published actuarial valuation undertaken for the NHS Pension Scheme was completed for the year ending 31 March 2004. Consequently, a formal actuarial valuation would have been due for the year ending 31 March 2008. However, formal actuarial valuations for unfunded public service schemes were suspended by HM Treasury on value for money grounds while consideration is given to recent changes to public service pensions, and while future scheme terms are developed as part of the reforms to public service pension provision due in 2015.

The Scheme Regulations were changed to allow contribution rates to be set by the Secretary of State for Health, with the consent of HM Treasury, and consideration of the advice of the Scheme Actuary and appropriate employee and employer representatives as deemed appropriate.



The next formal valuation to be used for funding purposes will be carried out at as at March 2012 and will be used to inform the contribution rates to be used from 1 April 2015.

### **c) Scheme provisions**

The NHS Pension Scheme provided defined benefits, which are summarised below. This list is an illustrative guide only, and is not intended to detail all the benefits provided by the Scheme or the specific conditions that must be met before these benefits can be obtained:

The Scheme is a “final salary” scheme. Annual pensions are normally based on 1/80th for the 1995 section and of the best of the last three years pensionable pay for each year of service, and 1/60th for the 2008 section of reckonable pay per year of membership. Members who are practitioners as defined by the Scheme Regulations have their annual pensions based upon total pensionable earnings over the relevant pensionable service.

With effect from 1 April 2008 members can choose to give up some of their annual pension for an additional tax free lump sum, up to a maximum amount permitted under HMRC rules. This new provision is known as “pension commutation”.

Annual increases are applied to pension payments at rates defined by the Pensions (Increase) Act 1971, and are based on changes in retail prices in the twelve months ending 30 September in the previous calendar year. From 2011-12 the Consumer Price Index (CPI) will be used to replace the Retail Prices Index (RPI).

Early payment of a pension, with enhancement, is available to members of the scheme who are permanently incapable of fulfilling their duties effectively through illness or infirmity. A death gratuity of twice final year’s pensionable pay for death in service, and five times their annual pension for death after retirement is payable

For early retirements other than those due to ill health the additional pension liabilities are not funded by the scheme. The full amount of the liability for the additional costs is charged to the employer.

Members can purchase additional service in the NHS Scheme and contribute to money purchase AVC’s run by the Scheme’s approved providers or by other Free Standing Additional Voluntary Contributions (FSAVC) providers.

## **1.9 Expenditure**

OHPA analysed its expenditure between staff costs, accommodation and managed service costs and other expenditure. OHPA recognised expenditure when, and to the extent that, the goods or services for which they were incurred had been provided.

## **1.10 Financial instruments**

Financial instruments are recognised in the balance sheet when OHPA became a party to the contractual provisions of the instruments. Financial instruments are classified as liabilities or equity in accordance with the

substance of the contractual arrangement. Interest, gains and losses relating to a financial instrument classified as a liability are reported as expense or income. Financial instruments are offset when OHPA had a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

### **Financial Liabilities**

OHPA recognised a financial liability when it became a party to the contractual provisions of the financial instrument. The exception was any liability related to the purchase of goods or services in the normal course of OHPA's business. In these cases the financial liability was recognised when, and to the extent that, the goods or services were provided.

OHPA removed a financial liability from its balance sheet when it was extinguished, i.e. when the obligation in the contract was paid, was cancelled, or expired.

## 2 Grant in aid

	1 April to 30 June 2012 £	2011/12 £
Grant in aid drawn down	212,566	498,686
Transferred to Department of Health on 1 July 2012	(26,635)	-
Spend by OHPA	<u>185,931</u>	<u>498,686</u>

## 3 Staff numbers and related costs

### (a) Staff costs comprise:

	Permanently employed staff £	Board Members £	Others £	Total £
<b>For the period 1 April to 30 June 2012</b>				
Wages and salaries	40,096	30,823	28,770	99,689
Social security cost	5,285	3,237	-	8,522
Pension cost	8,117	-	-	8,117
<b>Total net costs</b>	<u>53,498</u>	<u>34,060</u>	<u>28,770</u>	<u>116,328</u>

### For the year 2011/12

Wages and salaries	176,851	123,295	80,406	380,552
Social security cost	21,702	13,046	-	34,748
Pension cost	24,064	-	-	24,064
Termination costs	61,097	-	-	61,097
<b>Total net costs</b>	<u>283,714</u>	<u>136,341</u>	<u>80,406</u>	<u>500,461</u>

The cost to OHPA of making staff redundant was accounted for in the year the Health and Social Act received Royal Assent. Provision for termination costs was therefore made in 2011-12 based on the best estimate. In addition to this payment for untaken leave of £20481 was paid to the Chief Executive. Of this £17,885 was provided for in prior years and £2,596 incurred this year.

## (b) Average number of persons employed

The average number of whole-time equivalent persons employed during the period was as follows:

### For the period 1 April to 30 June 2012

	Staff	Others	Total
Directly employed	1		1
Employed through others	-	1	1
Total	<u>1</u>	<u>1</u>	<u>2</u>

### For the year 2011/12

Directly employed	1.2*		1.2
Employed through others	-	1	1
Total	<u>1.2</u>	<u>1</u>	<u>2.2</u>

\*Another member of staff was employed for the first two months of the year making the average number of whole-time equivalent persons employed during the year to be 1.2.

## 4 Accommodation and managed services cost

	1 April to 30 June 2012 £	2011/12 £
Accommodation and managed services cost	4,583*	15,442*

\* The Department of Health provided this service to OHPA. It excludes Finance and HR.

## 5 Other expenditure

	1 April to 30 June 2012 £	2011/12 £
Website design and hosting	1,079	3,643
Consultancy fees	8,100	4,050
Statutory accounts audit	5,000	5,000
Administration expenses	8,567	12,364
Total	<u>22,746</u>	<u>25,057</u>

**6 Cash and cash equivalent**

	30 June 2012 £	2011/12 £
Balance as at 1 April	48,872	75,157
Net change in cash and cash equivalent balances	<u>(18,729)</u>	<u>(26,285)</u>
<b>Balance as at 30 June 2012</b>	<b><u>30,143</u></b>	<b><u>48,872</u></b>

The following balances were held at:

Commercial banks	<u>30,143</u>	<u>48,872</u>
<b>Balance as at 30 June 2012</b>	<b><u>30,143</u></b>	<b><u>48,872</u></b>

**7 Trade Payables and other current liabilities**

Amounts falling due within one year

	1 April to 30 June 2012 £	2011/12 £
Trade Payables	-	2,306
Accruals	3,508	27,743
	<u>3508</u>	<u>-</u>
	<b><u>3508</u></b>	<b><u>30,049</u></b>

**8 Provision**

	1 April to 30 June 2012 £	2011/12 £
<b>Amount provided in year</b>		
Provision for termination costs	-	61,097
	<u>-</u>	<u>61,097</u>
	<b><u>-</u></b>	<b><u>61,097</u></b>

The provision relates only to payment in lieu of notice and statutory redundancy payable to the chief executive as a result of OHPA's closure.

<b>9 Income and Expenditure reserve</b>	<b>1 April to 30 June 2012 £</b>	<b>2011/12 £</b>
Balance as at 1 April	(42,274)	-
Net Expenditure	(143,657)	(540,960)
	<u>(185,931)</u>	<u>(540,960)</u>
Grant in Aid	212566	498,686
Balance as at 30 June	<u><b>26635</b></u>	<u><b>(42,274)</b></u>

#### **10 Events after the reporting period**

In accordance with the requirements of IAS10, events after the reporting period are considered up to the date on which the accounts are authorised for issue. This is interpreted as the date of the Certificate and Report of the Comptroller and Auditor General.

OHPA closed on 30 June 2012 and on 1 July all assets and liabilities transferred to the Department of Health.

#### **11 Related party transactions**

OHPA was funded by the Department of Health through grant in aid. The Department of Health was regarded as a related party. During the period OHPA had various material transactions with the Department of Health, all of which were conducted at arm's length prices.

None of OHPA's board members undertook any material transactions with OHPA during the period, except for remuneration paid for their services.

#### **12 Financial instruments**

As the cash requirements of OHPA for the period to 30 June were met through grant in aid provided by the Department of Health, OHPA was not exposed to credit, liquidity or market risk.

**Liquidity Risk:** No significant exposure given that OHPA's net resource requirement for the period was financed through grant in aid.

**Interest rate risk:** OHPA had no exposure to interest rate risk as it did not have any financial liabilities and financial assets that were held in a variable rate bank deposit account.

**Foreign currency risk:** OHPA had no dealings in foreign currency and was not subject to currency fluctuation risk.

**Receivables:** For the period, OHPA was fully funded by grant in aid. OHPA was not exposed to any credit risk.

**Payables:** Liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. If trade terms are not specified, payment is made no later than 30 days from receipt of invoice. OHPA was not exposed to concentrations of credit risk to a single payable or group of payables.

### **13 Early adoption of IFRSs, amendments and interpretations**

OHPA has not adopted any IFRSs, amendments or interpretations early.

### **14 Going concern**

The effect of preparing an account on a basis other than going concern is to base the value of assets on net realisable value. OHPA did not have any assets other than cash. The provision for termination costs had been realised in the period ending 30 June. There has been no effect on the preparation of the accounts other than disclosure.

## **Annex: Accounts Direction**

1. Under paragraphs 19(1), (2) and (3) of Schedule 6 to the Health and Social Care Act 2008 (“the 2008 Act”), the Secretary of State has the power to determine the form of accounts that the Office of the Health Professions Adjudicator (“OHPA”) must keep, the form of the annual accounts in respect of each financial year that the OHPA must prepare, and the time period after the end of the financial year to which the accounts relate within which the OHPA must send copies of the annual accounts to the Secretary of State and the Comptroller and Auditor General.
2. This letter constitutes the Secretary of State’s determination of these matters, and has effect from the date of this letter.
3. In preparing its accounts the OHPA must take into consideration the accounting principles and disclosure requirements of the Financial Reporting Manual.
4. The OHPA’s annual accounts must:
  - give a true and fair view of the state of affairs as at year end and of the income and expenditure, total recognised gains and losses, and cash flows of the OHPA for the financial year then ended; and
  - provide disclosure of any material expenditure or income that has not been applied to the purposes intended by Parliament or material transactions that have not conformed to the authorities that govern them.
5. The time period after the end of the financial year to which the OHPA’s annual accounts relate within which OHPA must send copies to the Secretary of State and Comptroller and Auditor General is seven months for the first year end and two months thereafter.
6. This note is to be reproduced as an appendix to the published accounts.

28 July 2010





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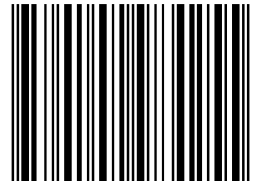
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