

The Hearing Aid Council

Annual Report and accounts 2008-9

Annual Report presented to Parliament by the Secretary of State for Business, Innovation and Skills in pursuance of the Hearing Aid Council Act 1968 (as amended).

Ordered by the House of Commons to be printed on 20 July 2009.

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Chairman's statement

For most of our registrants and hearing aid consumers progress at the Hearing Aid Council (HAC) over the last year will have been a far lesser concern than events in the economy. The unfolding recession is having a major impact on everyone involved in the independent hearing aid dispensing sector and will necessarily affect how we regulate in the coming year. However, while our stakeholders' attention may understandably have been drawn elsewhere, we accomplished a great deal this year. Most notably, we have taken important steps to prepare for transfer to the Health Professions Council in March 2010 and successfully defended a judicial review to protect the public and their faith in our regulatory framework.

I am conscious that our registrants are particularly sensitive to the economic downturn. We all know how hard it can be for someone to seek help with hearing loss at the best of times but money worries can make it even harder. Moreover, in recent years, competition from within the sector and from the NHS has increased considerably. Together, these two forces are making life in the marketplace difficult. Employees at some of the largest companies have faced redundancy and many small businesses are under strain.

As a regulator we have to be aware of market conditions. On one hand, when times are tough, we must try harder to ease the burden of regulation on registrants where possible. On the other, we must maintain public protection, since there is a risk that misconduct could become more prevalent when registrants are struggling to meet targets or stay in business.

Transferring our register to the Health Professions Council achieves both objectives by reducing regulatory burden and improving standards. The cost of regulation to the industry will drop by over £1 million but the protection afforded consumers will increase. We will do all we can to support the Government to complete the transfer by March 2010. In the meantime, we have set a budget for 2009-10 that makes sure consumers are protected until the very point at which the Health Professions Council takes over. We have approached the Department of Business, Enterprise and Regulatory Reform to see what help is available to dispensing companies throughout this difficult period and will inform all registrants about progress in this area.

We have done a great deal to prepare for the transfer to the Health Professions Council and remain ready to hand over as soon as the Government asks us to. Two pieces of legislation are needed to complete the transfer. Parliament passed the first in summer 2008; the Department of Health consults on the second from April 2009 so it can receive Royal Assent in time for a 31 March 2010 transfer.

Together with consumer groups, professional bodies and the Health Professions Council, we drew up the Standards of Proficiency dispensers will have to meet following the transfer. We consulted on these and they are now agreed. We changed our Continuing Professional Development (CPD) Standards so they now match those of the Health Professions Council. Following a value for money review of our legal services provision, we will be using the same legal contractors as the Health Professions Council from 1 April 2009. These achievements are the fruits of our very close working relationship with the Health Professions Council and give me great confidence that the transfer will be a real success.

Unforeseeable events will always arise but I feel as an organisation we are well prepared to deal with them. This year a registered employer initiated a judicial review of an HAC guidance note. You can read more about the case in this report. It took up a great deal of our resources but was eventually dismissed by the High Court. I was delighted that we won the case and were able to protect the public and uphold their confidence in us as a regulator. That we did win the case is evidence of all the work done by the HAC staff in recent years to improve how the HAC runs. On behalf of the Council, I would like to thank our staff for all their hard work, achievements and unfailing good spirits.

I am not alone in recognising the talent of the HAC staff, however. Our Chief Executive, Sandra Verkuyten, was presented with an OBE this year for services to healthcare and the communities of London and Essex, an award which is richly deserved.

Reflecting on the excellent team we have at the Council brings me to the great loss we all felt at the passing on New Year's Eve of our Council member, Professor Norma Brook CBE. Her commitment, intelligence and warmth were unsurpassed, her no-nonsense courage as she battled illness an inspiration. Norma will be greatly missed by all who were fortunate enough to work with her and call her a friend.

A handwritten signature in black ink, appearing to read 'Chris Hughes', written in a cursive style.

Chris Hughes OBE
Chairman

Chief Executive's statement

I am particularly proud of our accomplishments this year. We made tremendous progress towards our transfer to the Health Professions Council and we continued to improve how we regulate now so that consumers can invest in their hearing with confidence. Maintaining momentum on both fronts is a challenge but this year's achievements prove it is one our team has met with aplomb.

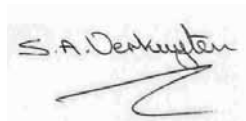
The transfer to the Health Professions Council is making great progress and is intended to take place at the end of March 2010. It will benefit both consumers and dispensers by improving public protection and reducing the cost and complexity of regulation. In getting to this point, we have worked closely with consumer groups, the industry and the profession. These fruitful working relationships will be of even greater importance as the transfer nears.

The transfer will not be a success if consumers' confidence in how the profession is regulated dips in the interim, so it is vital the HAC keeps protecting the public by improving how we regulate. Another successful audit demonstrates our tight control over finances and back office procedures. We take our responsibility to spend registrants' fees wisely and accountably extremely seriously. To echo our Chairman, these strong internal procedures were the foundations upon which we built our defence of a judicial review which threatened consumer protection and the standing of the statutory regulation system. For most dispensers, whose main interaction with us is limited to the annual retention process, our progress will be apparent in a smoother, quicker return. However, I am also pleased to have resolved a number of serious complaints in what has been a busy year for our Disciplinary Committee, following an unusually high number of allegations against registrants in 2007-8. All stakeholders will be relieved to see that this year the number of complaints has dropped back to the level we would historically have expected.

While we can take pride in our accomplishments over the last 12 months, it is clear the next year will be our most challenging yet. I have had more experience of closing down public bodies than I might care to mention. In each case, the final year brought a lot of hard work, which we expected, but also some unwelcome surprises. I do not doubt that the HAC's final year will bring the same but, equally, I am certain that we are extremely well prepared to ensure the transfer is a success for consumers and dispensers.

It is a great regret that Norma Brook will not be by our side as we complete our journey. Norma's commitment to putting consumers first in everything the HAC did was absolute and her wisdom was invaluable. More, though, her kindness and unfailing good humour cheered all of us lucky enough to work with her.

On a lighter note, I would like to congratulate our Chairman, Chris Hughes, who was justly recognised with an OBE in the New Year's Honours list for his lifelong devotion to public service.

A handwritten signature in black ink, appearing to read 'S.A. Verkuyten', with a stylized flourish below the name.

Sandra Verkuyten OBE
Chief Executive and Registrar

The Council

Our Council has 13 members. You can read a biography of each member in this report. A register of members' interests is available on our website or from our office.

How are members appointed to the Council?

The Secretary of State for Business, Enterprise and Regulatory Reform appoints Council members. There are 12 members plus an independent Chairman. Four members must represent each of the following groups:

- hearing impaired people;
- registered dispensers; and
- medical and technical experts.

Who has been appointed to the Council?

Those who served on our Council this year are shown below. Professor Norma Brook CBE passed away on 31 December 2008. David Pyle will be appointed as a new consumer representative in April 2009. All our members have been appointed until abolition.

Independent Chairman

Chris Hughes OBE

Representing hearing impaired people

Michael Bishop

Norma Brook CBE (deceased)

Huw Vaughan Thomas

Denise Yates

Representing registered dispensers

Gerald Armstrong-Bednall

Mark Georgevic

Peter Ince

Peter Ormerod

Representing medical and technical experts

Tony Corcoran

John Oates

Deepak Prasher

Christopher Raine

What legislation gives the Council its powers?

The Council was created through the Hearing Aid Council Act (1968). This Act, together with subsequent amendments, sets out our objectives and powers. The Council exists to secure adequate standards of competence and professional conduct among people and companies dispensing hearing aids. To achieve this objective, the Council must:

- maintain a register of those who employ registered dispensers;
- maintain a register of suitably qualified dispensers of hearing aids;
- determine the eligibility for inclusion on the registers;
- publish a code of trade practice for registrants and ensure that they comply with the code;
- ensure that registrants meet a standard of competence as set by the Council; and
- deal with any relevant complaint received about registrants.

The Council is a body corporate and an executive non-departmental public body. Our sponsoring team within the Government is the Competition and Consumer Policy Directorate of the Department for Business, Enterprise and Regulatory Reform.

Council committees

We have five standing committees. The minutes of each meeting are published on our website. Our corporate governance framework sets out how we establish committees, their terms of reference and how we choose their membership. The framework also governs how we manage committee business and how the Council delegates power to the committees. You can read the framework on our website or by asking our office for a copy.

We have a Strategy Executive Committee to advise the Council on strategic direction and regulatory policy, alongside an Audit Committee which monitors risk, assesses our financial standing and oversees our compliance with the corporate governance framework. To handle allegations against registrants we have an Investigating Committee which considers whether to refer registrants who may have breached the code of trade practice to the Disciplinary Committee. The Disciplinary Committee decides whether a registrant has breached the Council's code of trade practice and if any disciplinary action should be taken.

Our fifth committee (the Education and Training Committee and Examining Body) deals with the education of dispensers. The Examining Body sets and manages the exams which some registrants must pass as they work to become eligible to join our register. The Committee is also responsible for our Continuing Professional Development Standards which all registrants must meet to stay on our register. It assesses whether applicants can be accepted as aptitude candidates and oversees our approved degree programme.

The Council co-opts external stakeholders to act as members of some of its committees. These co-opted members are bound by the codes of conduct and interests set out in our corporate governance framework and cannot vote on any matter under discussion. They are appointed to provide additional expertise and advice to committee members. In 2008-9 our only co-opted members sat on the Audit Committee.

The following diagram shows who sits on each committee as of 31 March 2009.

**DISCIPLINARY
COMMITTEE**

**INVESTIGATING
COMMITTEE**

**EDUCATION &
TRAINING COMMITTEE
& EXAMINING BODY**

**STRATEGY EXECUTIVE
COMMITTEE**

AUDIT COMMITTEE

Membership

Chris Hughes – Chair

Michael Bishop

Tony Corcoran

Mark Georgevic

Peter Ormerod

Christopher Raine

Huw Vaughan Thomas

John Oates

Peter Ince

Director – Janet Hawthorne

Clerk – Amicie Knowles

Membership

Denise Yates – Chair

Prof Gerald Armstrong-Bednall

Prof Deepak Prasher

Director – Janet Hawthorne

Clerk – Amicie Knowles

Membership

Peter Ormerod – Chair

Prof Gerald Armstrong-Bednall

John Oates

Christopher Raine

Prof Deepak Prasher

Tony Corcoran

Director – Stuart Holland

Clerk – Amicie Knowles

Membership

Huw Vaughan Thomas – Chair

Mark Georgevic

Michael Bishop

Peter Ormerod

Chris Hughes

Director – Chris O’Leary

Clerk – Sarah Cottis

Membership

Michael Bishop – Chair

Christopher Raine

Prof Gerald Armstrong-Bednall

Peter Ince

Co-opted Member - Ivan

Doncaster

Director – Justin Parfitt

Clerk – Amicie Knowles

During the past year the following people have served terms on each committee:

Audit Committee

Michael Bishop (Chair)	Apr 2008 – Mar 2009
Prof Gerald Armstrong-Bednall	Apr 2008 – Mar 2009
Peter Ince	Jan 2009 – Mar 2009
Christopher Raine	Apr 2008 – Mar 2009

Disciplinary Committee

Chris Hughes OBE (Chair)	Apr 2008 – Mar 2009
Michael Bishop	Apr 2008 – Mar 2009
Prof Norma Brook CBE (deceased)	Apr 2008 – Dec 2008
Tony Corcoran	Apr 2008 – Mar 2009
Mark Georgevic	Apr 2008 – Mar 2009
Peter Ince	Apr 2008 – Mar 2009
John Oates	Apr 2008 – Mar 2009
Peter Ormerod	Apr 2008 – Mar 2009
Christopher Raine	Apr 2008 – Mar 2009
Huw Vaughan Thomas	Apr 2008 – Mar 2009

Education and Training and Examining Body Committee

Peter Ormerod (Chair)	Apr 2008 – Mar 2009
Prof Gerald Armstrong-Bednall	Apr 2008 – Mar 2009
Prof Norma Brook CBE (deceased)	Apr 2008 – Dec 2008
Tony Corcoran	Apr 2008 – Mar 2009
John Oates	Jan 2009 – Mar 2009
Prof Deepak Prasher	Apr 2008 – Mar 2009
Christopher Raine	Apr 2008 – Mar 2009

Investigating Committee

Denise Yates (Chair)	Apr 2008 – Mar 2009
Prof Gerald Armstrong-Bednall	Apr 2008 – Mar 2009
Prof Deepak Prasher	Apr 2008 – Mar 2009

Strategy Executive Committee

Huw Vaughan Thomas (Chair)	Apr 2008 – Mar 2009
Prof Norma Brook CBE (deceased)	Apr 2008 – Dec 2008
Michael Bishop	Apr 2008 – Mar 2009
Mark Georgevic	Jan 2009 – Mar 2009
Chris Hughes OBE	Jan 2009 – Mar 2009
Peter Ormerod	Apr 2008 – Mar 2009
Christopher Raine	Apr 2008 – Mar 2009

Co-opted members

Ivan Doncaster sat as a co-opted member of our Audit Committee throughout the year. The Council is grateful for his significant contribution.

Biographies of Council Members serving at the year's end

Independent Chair

Chris Hughes OBE

Chris is a solicitor, a member of the Institute of Biology and a Fellow of the Royal Society of Arts. He is a member of the board of the Legal Complaints Service (an independent public interest part of the Law Society) and a member of an ethics committee advising the Department for Work and Pensions (DWP) on the use and combination of data sources. He is Chair of the UK Chemicals Stakeholder Forum, which advises the Department for Food, Environment and Rural Affairs (DEFRA) on risks of chemicals to the environment and to human health through the environment, and he chairs the Nitrate Vulnerable Zones Tribunal, considering the restriction of the use of nitrates in farming. He is a Tribunal Judge, chairing Mental Health Review Tribunals, and also chairs case tribunals considering alleged misconduct of members of local authorities for the Adjudication Panel for England. He will shortly become Independent Assessor for Appeals and Complaints for the Student Loan Company. He was formerly a member of a number of health and local authorities and Solicitor to the British Medical Association (BMA). In his consultancy he has advised public bodies and third sector organisations on strategy and governance issues. Chris was awarded an OBE in the 2009 New Year's Honours list for public service.

Representing hearing impaired people

Michael Bishop

Michael has a partial hearing impairment and in this capacity served for nine years on the board of the RNID, leaving as Deputy Chair. He is still engaged with the Royal National Institute for Deaf People (RNID), leading an advisory group which is developing a service for hearing impaired people with mental health problems. Michael's professional background is in social services where he spent 13 years as a Director of Social Services in Cleveland and Manchester. After taking early retirement, he has held a variety of officer and consultant positions in the public and independent sectors. For six years he was a member of an NHS community services trust and resigned as a non-executive director of Derbyshire County Primary Care Trust in December 2008. In the independent sector he is a former Chair of Heritage Care, a national provider of care services for elderly and disabled people, and is a former Chair of the Derbyshire Association for the Blind. Within the criminal justice system he is a magistrate on the High Peak Bench and a member of the Derbyshire Probation Board. He joined the Hearing Aid Council in 2004 and was Chair of the Strategy Executive Committee, transferring to Chair of the Audit Committee.

Huw Vaughan Thomas

Since June 2001 Huw has been Director of Taro Consultancy Ltd, a North-Wales-based company specialising in organisational, governance and economic policy work in the public sector. He is currently a board member and Wales Chair of the Big Lottery Fund and an independent member of the Parole Board. He recently served as a member of the Commission on the Powers and Electoral Arrangements of the National Assembly for Wales. His earlier career was spent in the civil service and local government. He was formerly Chief Executive of Denbighshire County

Council, Chief Executive of Gwynedd County Council and Director for Wales for the Manpower Services Commission and Department of Employment. Huw was awarded Companionship of the Chartered Management Institute for his services to public sector management in Wales. In his previous voluntary and public appointments he has been, amongst other things, a member of the Higher Education Funding Council for Wales, a council member of the Prince's Trust Cymru, member of the National Trust's Committee for Wales, National Trustee for Wales of the RNID and a lay member of the Law Society's Governing Council. Huw has a profound hearing loss and has been a consumer member of the Hearing Aid Council since 2000.

Denise Yates

Denise has 25 years' experience in marketing, including running her own strategic marketing consultancy for 12 years. She is currently Chief Executive of the National Association for Gifted Children. Denise is a Chartered Marketer, Fellow of the RSA, Cambridge MA and member of the Chartered Institute of Marketing and Institute of Fundraising. Amongst her many interests, she is a member of Young, Gifted and Talented's Stakeholders Group, a member of the Joint Educational Trust's Screening Committee and special needs adviser for Girl Guiding Bedfordshire. Denise is married and has two children, one of whom is hearing impaired.

Representing registered dispensers

Gerald Armstrong-Bednall

Gerald has been Professor of Audiology at De Montfort University, Leicester, since 2005, with responsibilities for the development of its foundation degree, BSc and MSc in Audiology. He has a substantial NHS background in audiology at the Nottingham University Hospitals. He was Chair of the Hearing Aid Council's Futures Education sub-committee, which was responsible for reviewing and making recommendations to the education routes for private dispensers. His main interest is in education and training, being a member of the Council's Education and Training Committee and educational lead for the British Academy of Audiology until 2008. He has been awarded honorary life membership of the Academy for his contribution to the education and training of audiologists. He is a registered Clinical Physiologist, a Fellow of the British Society of Hearing Aid Audiologists and a Panel Member of the Health Professions Council. He is also Director of a small, independent, private hearing aid dispensing practice.

Mark Georgevic

Mark qualified as a registered hearing aid dispenser in April 1996 and sits on the Council for the British Society of Hearing Aid Audiologists, where he was President until November 2008. Mark also sits on The Hearing Aid Council's Strategy Executive Committee. He qualified as a solicitor in February 1989 and is a Director of The Hearing Company and Scrivens Opticians.

Peter Ince

Peter has had a long and varied career in the hearing aid industry and has been directly involved in the dispensing of hearing aids throughout the UK and lately in Europe. His experience as a trainee hearing aid dispenser with a national company in a practice-based role and then progressing through the company in various management positions was invaluable when developing his own group of hearing centres with like-minded colleagues, always with a focus on transparency and high street service provision.

Peter's philosophy of a transparent retail business model for hearing services was understood by Specsavers with whom he has now worked for the last six years and during which time a national operation has been established. He is now primarily engaged in the professional services area of the business and has particular interest in developing both NHS and private hearing aid provision through the independent sector.

Peter Ormerod

Peter qualified as a registered hearing aid dispenser (RHAD) in 1985 and has practised for some 20 years, giving him a broad insight into all aspects of private hearing aid dispensing in high street centres, hospital environments and on a domiciliary basis, initially in a small family business and now as Chief Executive of David Ormerod Hearing Centres. In addition, since 2003 Peter has been involved in the establishment and execution of innovative public private partnership solutions to provide extra capacity to the NHS through the use of the independent sector.

Representing medical and technical experts

Tony Corcoran

Tony heads the East Dorset NHS Audiology Service. His previous posts include Project Audiologist for the Commonwealth Society for the Deaf in Botswana and prior to that Staff Audiologist at Southampton University and at the Royal National Throat Nose and Ear Hospital, London.

John Oates

John is an ear, nose and throat (ENT) consultant with a specialist interest in otology. Over the last two decades he has built a tertiary referral practice for reconstructive middle ear surgery for otosclerosis and other forms of conductive hearing loss. Having been in the vanguard of the use of the laser in middle ear surgery, he works closely with colleagues in the UK, Europe, India and the Americas to improve hearing results. He teaches techniques involved and lessons learned on innovative surgical courses and via live surgical transmissions. He is an elected representative on the Council of ENT-UK, the Specialist Advisory Board at the Royal College of Surgeons of Edinburgh and is ENT-UK's Voting Member on the Executive Committee of the European Federation for Oto-Rhino-Laryngological Societies (EUFOS). As co-founder of the Live International Otolaryngology Network (LION), he is also a member of the European Working Group of LION, under the auspices of the European Academy of Otology and Neuro-tology (EAONO).

Deepak Prasher

Deepak is a professor of audiology at University College London. He is Editor of the international journal, *Noise and health*. He has co-edited six books and has over a hundred scientific publications. He has been the Scientist-in-Charge of three major European Commission projects on noise and health.

Chris Raine

Chris was appointed as Consultant Otorhinolaryngologist at Bradford Royal Infirmary in 1986. He is clinical director of the Yorkshire Cochlear Implant Service and as such has been involved in hearing screening of newborns and the treatment of all aspects of hearing loss. He is

executive officer and trustee of ENT-UK (formerly known as the British Association of Otorhinolaryngologists – Head and Neck Surgeons (BAO-HNS)) and Council member of the Section of Otology for the Royal Society of Medicine. He is also a member of the Royal Court of Examiners for the Royal College of Surgeons of England and an honorary senior lecturer at Leeds University and the Hull York Medical School.

Our principles

We follow the five principles of good regulation and the seven standards of public life. We expect all Council members and staff to work within these principles at all times.

The Better Regulation Task Force (BRTF) is an independent body that advises Government on action to ensure that regulation and its enforcement agree with the five principles of good regulation. Its publication, *Principles of good regulation*, was last revised in February 2003 and is available on its website at www.brta.gov.uk. Government departments and independent regulators should use these principles when considering new proposals and evaluating existing regulations.

The Better Regulation Task Force's five principles of good regulation are:

- proportionality - regulators should only intervene when necessary. Remedies should be appropriate to the risks posed and costs identified and minimised;
- accountability – regulators must be able to justify decisions and be subject to public scrutiny;
- consistency – Government rules and standards must be joined up and implemented fairly;
- transparency – regulators should be open and keep regulations simple and user friendly; and
- targeting – regulation should be focused on the problem to minimise side effects.

The Committee on Standards in Public Life exists to promote the highest standards of propriety in public life. Its principles should apply to all in public office.

The Committee on Standards in Public Life's seven standards of public life are:

- selflessness - holders of public office should act solely in terms of the public interest. They should not do so in order to gain financial or other benefits for themselves, their family or their friends;
- integrity – holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might seek to influence them in the performance of their official duties;

- objectivity – in carrying out public business, including making public appointments, awarding contracts or recommending individuals for rewards and benefits, holders of public office should make choices on merit;
- accountability – holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office;
- openness – holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands it;
- honesty – holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest; and
- leadership – holders of public office should promote and support these principles by leadership and example.

Professor Norma Brook CBE

Professor Norma Brook CBE sadly passed away on 31 December 2008. Norma was appointed a Member of the Hearing Aid Council by the Secretary of State on 1 January 2005.

Norma was a much liked and admired Council Member, renowned for her intelligence and expertise. Her influential contribution to the introduction of a foundation degree for dispensers has helped to transform the way dispensers are trained. While such projects illustrate her dedication to public protection, Norma will be best remembered for her unfailing good humour, her kindness and her inspirational courage.

Norma was President of the Health Professions Council from May 2001 until her retirement in July 2006 and a member of the Council for Healthcare Regulatory Excellence (CHRE). She was previously Chair of the Physiotherapists Board, Chair of the Department of Health Working Group 'Extending Professional Regulation' and a member of the Council for Professions Supplementary to Medicine (CPSM). Norma was appointed a Commander of the Most Excellent Order of the British Empire by Her Majesty the Queen in 2006.

Trained as a physiotherapist, Norma was frequently honoured for her outstanding contribution to the development of physiotherapy education and her expertise in connective tissue manipulation. Such recognition included a Fellowship of the Chartered Society of Physiotherapy and honorary doctorates from Robert Gordon University, the University of East Anglia, Sheffield Hallam University, the University of Brighton, the University of Central England and Coventry University. In addition, Norma was a Visiting Professor of Physiotherapy Education for the Royal College of Surgeons in Ireland and an external examiner of University of Malta.

Asked to comment on her memories of Norma, the HAC's Chief Executive, Sandra Verkuyten noted:

"Norma's tremendous achievements in public service stand testament to her vision, devotion, sagacity and leadership. They are a lasting legacy for which we should all be grateful. However, such was Norma's warmth, I will not be alone amongst those fortunate enough to have worked with her in feeling that I have lost much more than just a colleague but a friend. Her loss is deeply saddening and our thoughts remain with those to whom she was closest".

Review of register at the end of 2008-9

This section summarises the status of the register at the end of 2008-9 and traces trends over recent years. The Council maintains two registers: one of registered dispensers and one of their employers.

Registered hearing aid dispensers

At 1 April 2008, the Hearing Aid Council had 1,501 registered hearing aid dispensers (RHADs) and 1,546 by 31 March 2009. This three per cent growth is roughly in line with the growth calculated in the last three annual reports. The growth in dispenser numbers is summarised in the graph below:

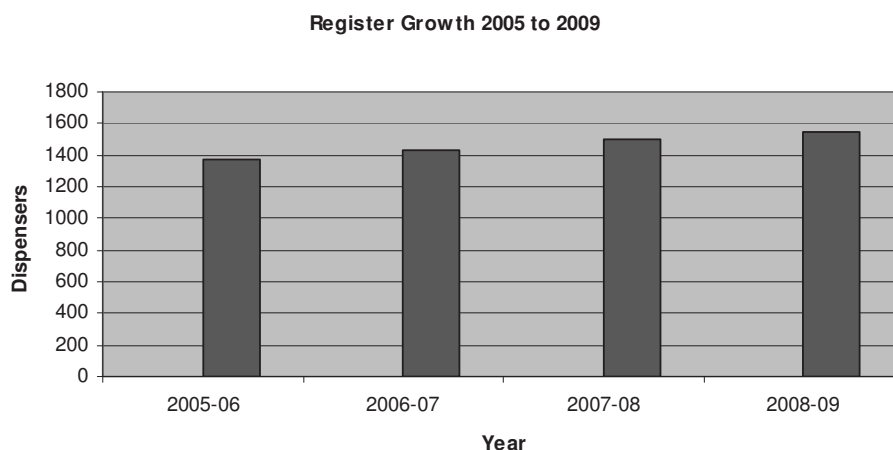


Figure 1: Growth in the number of registered dispensers at year end from 2005-6 to 2008-9.

In terms of gender, the register is still dominated by men, with 74 per cent (1,138 registrants) of RHADs being male and 26 per cent (408 registrants) female.

The average age of the register remains around 45 years old, roughly in line with the previous two reports. Figure 2 presents a breakdown of RHAD age by cohort:

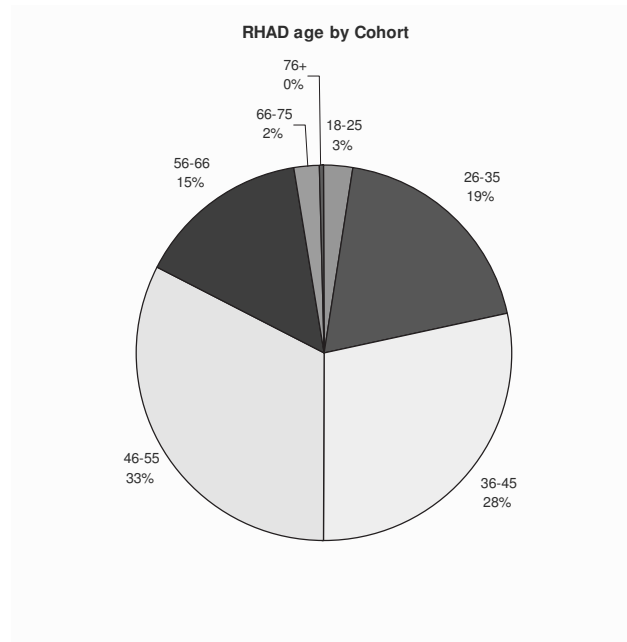


Figure 2: The number and percentage of RHADs on the register at year end by age cohort.

156 RHADs joined the register for the first time during the year, with 13 RHADs re-registering, having previously voluntarily removed themselves. Five RHADs were restored to the register through a Disciplinary Committee, having previously been removed for failing to pay registration fees on time.

72 RHADs voluntarily removed themselves from the register during the period. 50 RHADs were removed for failing to pay registration fees on time, four were erased from the register by the Disciplinary Committee and three RHADs were suspended. Sadly, one dispenser passed away during the year.

Registered employers

At 1 April 2008 there were 314 registered employers and by 31 March 2009 there were 317. This one per cent growth is down from the level of growth between 2006 and 2007. Figure 3 summarises this information.

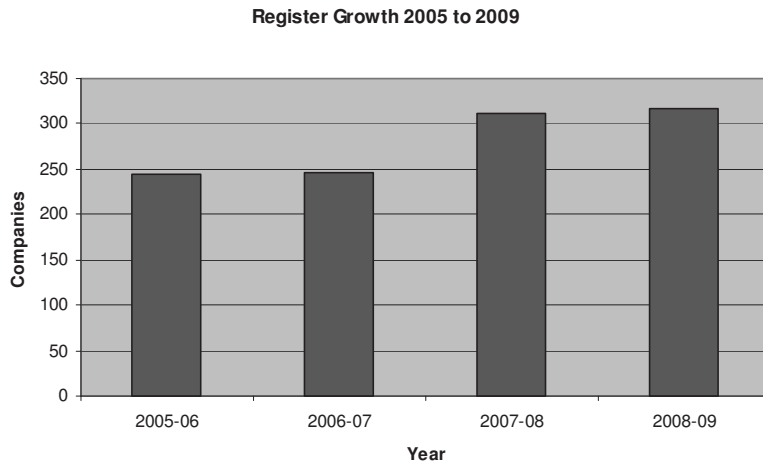


Figure 3: **Growth in**
the number of registered employers at year end from 2005-6 to 2008-9.

During the period, 29 employers registered for the first time and three employers were restored to the register, having previously been removed for failing to pay registration fees on time. Twenty-five employers removed themselves voluntarily, with a further four being removed for non-payment.

Directors' report and management commentary

Our Executive Team has four Directors. They are:

Sandra Verkuyten	Chief Executive and Accounting Officer
Janet Hawthorne	Director of Legal Services (to 31 March 2009)
Chris O'Leary	Registrar and Director of Policy
Justin Parfitt	Managing Director and Director of Resources

Summary

The strong foundations laid in previous years set up an excellent year for the Council. Our financial position remained healthy up to the year's end, our complaint handling was efficient and we continued to improve how we regulate, while at the same time progressing the transfer to the Health Professions Council. That this was achieved despite a judicial review stretching our resources is testament to the hard work of our team and the strength of the financial and management controls.

Finance

The HAC closed the year with a surplus of £205k despite a shifting timetable for abolition and the significant resources expended in defending an unforeseeable court case.

Costs and fines awarded to the Council by the disciplinary committee totalled £272k which, after provisions for doubtful debts of £63k and £10k of bad debt, offset some of the significant costs of the Disciplinary Committee and the related legal costs.

When setting its budget the Council could not have foreseen that it would be forced to defend only the second judicial review in its 40-year history. The case had a significant, negative impact on HAC finances. A summary of the case can be found below. The Council spent £127k defending the judicial review, of which £85k, was recovered from Hidden Hearing Ltd, the registered employer which brought the case against us.

The increase in the retention fee for 2008-9 to £695 (2007-8: £425) resulted in significantly more income for 2008-9 relative to 2007-8, although retention and registration fee income fell below expectations, mainly due to a significant number of individual and corporate registrants voluntarily removing themselves from the register.

When setting the 2008-9 budget, it was also anticipated that the cost of running the HAC exams would be less than the income gained from exam fees. This assumption was based on a consultation with the industry where major employers projected more candidates for the exams than were subsequently put forward. Despite efforts during the year to raise income and reduce costs, the exams made a loss of £47k.

Prompt payment policy

Our creditor payment policy during the year from April to December 2008 was that all creditors were to be paid within 30 days of receipt of an invoice, except in the instance where there may be a query or dispute regarding an invoice. From 1 January 2009 the Council has sought to settle supplier invoices within 10 days of the receipt of an invoice in line with Government guidelines.

The 30-day statistics for 2008-9 are as follows:

2008-9	Number	£
Total invoices paid	384	640,840
Total invoices paid within 30-day target	368	625,389
Percentage of invoices paid within 30-day target	95.83%	97.59%

Judicial review

As with all public bodies, the HAC's decision-making may be challenged in the courts by way of judicial review. In February 2008, we published a guidance note explaining how changes made previously to our code of practice would affect registrants and trainees. Hidden Hearing Ltd, a registered employer, initiated a judicial review of the guidance note in May 2008, in particular challenging a list of tasks that could be seen as dispensing and thus would require whoever carried them out in the independent sector to register with us. The task list included potentially harmful clinical procedures, such as fitting and rehabilitation, which require an appropriate degree of training and understanding. We were concerned that, if we did not defend the legal challenge, those tasks could be carried out by people with insufficient expertise, placing the public and their confidence in the dispensing profession at risk.

Defending judicial review proceedings is a costly process and we did seek an out of court settlement, which would have maintained an appropriate level of public protection, but one could not be reached. Hidden Hearing Ltd pursued the case but the High Court dismissed it and awarded costs in our favour, which Hidden Hearing Ltd agreed to pay up to £85,000. The case consumed a considerable amount of resources and staff time. These costs were met out of the 2008-9 budget and further details are in the accounts below.

Complaints and disciplinary action

The Council will publish a full review of complaints handling and disciplinary action in July 2009. This section provides a brief overview.

There were 37 cases open on 1 April 2009. The Council received 71 new complaints during the year, three of which were withdrawn before reaching the Investigating Committee. The Investigating Committee closed 38 cases and referred 27 to the Disciplinary Committee. Thirty-seven cases remained open at the end of the year. On average, it took 28 weeks from a complaint being received to the Investigating Committee making a decision to close or refer it. It then took an average of 26 weeks for the Disciplinary Committee to consider the case, meaning

the average time for a complaint to be received then closed at Disciplinary Committee is 54 weeks. The majority of complaints, however, are closed without recourse to disciplinary action.

The Disciplinary Committee met 11 times during 2008-9. Thirty-five dispensers had cases against them, of which 33 were upheld. Twenty-one dispensers received a financial penalty, six were admonished, four erased from the register and two suspended. Of the 21 dispensers fined, six were also instructed to carry out further training.

Two companies had cases brought against them, with one of the companies brought before the Committee four times. In three cases the company received a financial penalty and in two the company was admonished.

The age of the complainant was recorded by registrants in only 13 out of the total 40 cases. This suggests record keeping remains a problem for some registrants. The average age of complainants in Disciplinary Committee cases was 79 years old. The gender of the complainant was recorded in only 15 out of the 40 cases and nine of those were female.

Policy

The primary focus of policy work this year has been our imminent transfer to the Health Professions Council.

We supported a late amendment to the Health and Social Care Bill 2008, which enabled the Government to use a Section 60 Order under the Health Act 1999 to transfer our register to the Health Professions Council. Together with the Health Professions Council, we helped the Government make the case to Parliament for the transfer. We were also invited, with the Royal National Institute for Deaf People, to address the All Party Group on Deafness in Parliament. The Bill was successfully passed and we are now working closely with the Government and Health Professions Council to draft the Section 60 Order, the second piece of legislation needed for the transfer.

Together with the Health Professions Council, we finalised the Standards of Proficiency dispensers will have to meet once transferred. The Standards were drafted by a group of representatives from regulators, consumer groups and professional bodies and were then consulted on. To smooth the transfer to the Health Professions Council, we also consulted on adopting the Health Professions Council's Standards for Continuing Professional Development and will adopt them from 1 April 2009.

Keeping registrants, consumers and all those affected by the transfer informed has been another objective we have invested considerable time in over the last year. As well as meeting with registrants and consumer groups representing hard of hearing people, we have also met with the Scottish Government and Welsh Assembly, advice groups, charities for older people and many more. We will do more in the year ahead to make sure all those affected by the transfer understand its implications.

We have also supported the British Society of Hearing Aid Audiologists in developing a voluntary consumer code approved by the Office of Fair Trading. The Council has long advocated the merits of such a code for the industry and we will continue to support it through to our abolition.

Operations

Data handling protocol became a high profile issue for all public bodies last year. Following Cabinet Office guidance, HAC staff undertook a review of how it handles all its data. The Audit Committee asked the Department for Business, Enterprise and Regulatory Reform to undertake an independent audit of the HAC's data security. The audit findings were very positive and found no areas of concern. In June 2009 we will undertake a further review, focusing primarily on ensuring data remains secure throughout the transfer. There were no data handling incidents at HAC in the year. We have already begun to archive our data and this will continue in consultation with the National Archives, the Department for Business, Enterprise and Regulatory Reform and the Health Professions Council.

To make sure our staff are able to see the transfer through and then find new jobs, we are investing in their training. All operations staff completed an NVQ Level II qualification in business improvement techniques, delivered at no cost to the Council, and two members have moved on to an NVQ Level III qualification course in management. Each staff member will have an individually tailored training plan in the coming year, geared towards helping them into employment once the Council is dissolved.

The biggest challenge facing the team each year is the retention process. In 2008-9 retention was completed very effectively within planned timeframes. The team received a large amount of positive feedback on how quickly returns were processed. During the retention, the team identified a number of discrepancies with registrants' records. Many dispensers had failed to notify us when they changed address or employer. It is vital that we have an accurate record of registrants' details. Records were updated and a list of those who had failed to inform us of their change of details passed to the Investigating Committee to consider as a class action. Once the retention process had closed, a random 2.5 per cent of records were tested for accuracy. The results were positive and we concluded a larger audit was unnecessary.

Staff feedback indicates that staff are satisfied working for the Council. The rate of absenteeism was three per cent, though this is skewed by a single, long-term absence. Correcting for this, the rate was one per cent.

Audit Committee

The Audit Committee exists to support the Council in maintaining good governance and meeting its responsibilities to control risks and resources. As well as Council members, it is attended by the National Audit Office (NAO), the Department for Business, Enterprise and Regulatory Reform, co-opted members and the Council Executive. In the last year the Committee effected oversight over internal and external audit, the production of the annual report and value for money testing of major contracts and initiated reviews of data handling controls.

The Audit Committee agreed the audit strategy and monitored its implementation. An interim audit was conducted for the first time of full financial statements for the HAC from 1 April 2008 to 31 December 2008. The NAO raised no matters that required consideration by the Audit Committee after this audit. Internal audit gave a "satisfactory" opinion in relation to the Council's internal controls, which is the highest opinion level possible. The NAO was to conclude its 2008-9 audit at its final audit visit during May, after which this annual report, which contains the final

accounts, was published. The audit committee reviews key sections of the annual report before it is signed off by Council and laid before Parliament.

In light of data handling concerns at other public bodies, and a significant volume of Cabinet Office guidance in this area, the Audit Committee recommended the Department for Business, Enterprise and Regulatory Reform complete an independent review of how well the HAC controls its data. The Department for Business, Enterprise and Regulatory Reform concluded that the HAC had strong controls over data in place.

The Committee also reviewed the HAC's anti-fraud and whistle-blowing policies, under which no referrals had been made during the year.

With the revision to the Council's abolition date, the Committee recommended that the Council endorse Executive proposals to review the services offered by two of its largest contracts: legal services and financial management. Providers were invited to tender for the contracts, were shortlisted and then interviewed. Two firms were shortlisted for financial management and three for legal services. Each firm was evaluated using criteria that balanced cost against quality. As a result of the review, from 1 April 2009, Jonathan Bracken of Bircham Dyson Bell LLP will serve as our new legal advisor and Kingsley Napley will act as solicitors to the Disciplinary Committee and complaints case handlers. Both Jonathan Bracken and Kingsley Napley fulfil similar roles at the Health Professions Council, so the new arrangement should ease the transfer process. Parfitt and Co. will continue to deliver our financial management services in 2009-10.

Education and Training Committee and Examining Body

The Education and Training Committee and Examining Body establishes and maintains standards for entry on the register of hearing aid dispensers.

This year the Committee recommended the Council replace the HAC's Standards for Continuing Professional Development with new standards identical to those employed by the Health Professions Council. The Health Professions Council's standards are simpler, more flexible and encourage reflective practice. The Committee also felt that the early introduction of Health Professions Council CPD standards would make the transfer process easier for dispensers. The Council consulted on the recommendation and feedback was positive. The new standards came into force from April 2009 and there will be a supportive audit to help registrants understand the new standards in December.

The Committee faced difficult decisions over the Council's examinations. 2008-9 was the last year that the Council would run examinations as a route on to the register. In future, all applicants will have to complete an approved exam. The Council agreed to hold exams in 2008-9, following a consultation with the industry that forecast large numbers of students. Student numbers were lower than expected. This had financial implications, as the Council incurs a large fixed cost from running exams, regardless of student numbers. Since numbers were low, there was insufficient revenue from exam fees to cover costs. In response, the Committee raised the exam fee and took all steps to reduce costs that would not affect the integrity of the exam process.

The approved degree programme has been a success. In 2008-9, the first students will graduate from approved foundation degrees and be eligible to join the register. There are now three approved foundation degrees, six approved BSc courses and two approved MSc course. This year four more universities applied to have foundation degrees approved and the Committee continues to work with these institutions to help them reach approval status.

Strategy Executive Committee

The Strategy Executive Committee has overall responsibility for implementing the Council's vision and strategic objectives.

The Strategy Executive Committee took a lead role in directing the Council's response to the judicial review, supporting the Executive, monitoring progress and assessing the strategic implications of the unfolding case.

The Committee also led on refining draft budgets for 2009-10. Budgeting for the Council's year is a complex task, given the number of uncertainties it holds. However, the Committee and Council are confident that a prudent budget has been set that will facilitate a smooth transfer for registrants without compromising public protection.

As a standing item on the Committees agenda, the transfer process was a major strategic concern which will increase in salience in the coming year. The Committee focuses on high-level transfer issues, relations with stakeholders and ensuring the Executive has the support it needs.

The Committee supported the Executive's proposals for review of legal and financial services contracts with a view to securing appropriate services to the transfer date, as endorsed by the Audit Committee. The Committee also supported the Education and Training Committee and Examining Body's recommendation to adopt the Health Professions Council's CPD standards from April 2009.

The year ahead: objectives and risks

Objectives

Our corporate plan outlines our vision for the regulated sector and our objectives for the year ahead. It also explains what work we will do to realise these objectives and when. Our five main objectives are to ensure:

- there are clear standards of professional practice (including performance, conduct, ethics, education and training and continuing professional development) which are continually developed, implemented, maintained and improved;
- hearing impaired people are enabled and informed about the nature of hearing loss and their hearing assistance options;
- there is transparency for hearing aid users, providers and others around the operation of the hearing aid market;

- there is equality, timely access and a choice of hearing aid audiology services within a unified market; and
- a smooth transfer to the Health Professions Council.

Risks – impact of recession and resources

It is possible that the recession could put additional pressure on registrants in the year ahead leading to an increase in misconduct. It is important that we are aware of this risk and do what we can to mitigate it. On one hand this means doing what we can to ease any unnecessary burdens of regulation, while on the other it means ensuring consumers are aware of the protection we offer and that we are well placed to provide it.

We are doing all we can to support the transfer to the Health Professions Council which will decrease the cost of regulation to the industry by around £1 million a year but at the same time increase protection for consumers. In the meantime, we will continue to do all we can to inform consumers about our role, feedback any evidence of misconduct to the profession and ensure we are able to resolve complaints quickly and fairly.

Resources are a particular concern in our final year, as we must do all we can to leave a balanced budget. Also, staff retention is likely to become harder as we approach the date of transfer and we could suffer from a skills shortage in the organisation which is a significant risk.

To mitigate these risks, we have sought to reduce costs where possible without affecting the level of consumer protection and have worked with the industry to reduce complaints and with Government to support a timely transfer. We are investing resources in training and development for our staff.

Lastly, the Council continues to take its responsibilities in the storage, handling and use of data in electronic and paper form extremely seriously. The Council adheres to Cabinet Office guidance on data protection issues. Data protection is discussed regularly at Council, Audit Committee and Management levels. Although we are confident about all our risk mitigation strategies, we will monitor them closely throughout the year.

Environmental, social and community issues

The Hearing Aid Council does not have defined environmental, social and community policies, however, in the last year we have taken positive steps towards reducing our environmental impact. We have:

- consolidated meetings so that attendees reduce their travel;
- increased the number of virtual meetings and conference calls;
- encouraged use of public transport wherever possible;
- encouraged paperless communications where possible;
- recycled paper and other consumables; and
- recycled IT hardware where possible.

Our primary objective is to protect and serve the public. We work closely with consumer and advocate groups, particularly those working with hard of hearing and elderly people.

We will continue to review our environmental and social impact in the coming year.

Employment policy

We are committed to ensuring the promotion and development of equal opportunities and valuing diversity. All employees and job applicants will receive fair treatment regardless of any other factor.

Our equal opportunities policy was reviewed most recently in November 2006. Our policy states that as an organisation we:

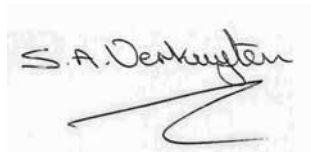
- must conform to the legal requirements of appropriate Acts of Parliament; and
- seek to dismantle the barriers that prevent equality of access to services, employment, promotion and development for all.

We review the diversity of our staff and job applicants on an ongoing basis and are confident our equal opportunities policy is working well. Given our low staff numbers we prefer not to report diversity levels to protect staff confidentiality. However, if you would like further information on how our policy works in practice then please contact our office.

Auditors

Under the Government Resource and Accounts Act 2000 (Audit of Public Bodies) Order 2004, the Comptroller and Auditor General is the statutory auditor of these accounts.

As far as I am aware, there is no relevant audit information of which our auditors are unaware. I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that our auditors are aware of that information.

A handwritten signature in black ink that reads "S.A. Verkuyten". The signature is written in a cursive style with a large, sweeping flourish at the end.

Sandra Verkuyten 8/7/09
Chief Executive & Accounting Officer

Remuneration report

Remuneration and Terms of Service Committee

The Comptroller and Auditor General's opinion relates only to the Senior Management remuneration table and Council members' attendance allowance table. Other sections of this remuneration report were not audited.

The Council's Remuneration Committee comprises the independent non-executive Chair, Chris Hughes, and Strategy Executive Committee Chair, Huw Vaughan Thomas, Chair of Audit, Michael Bishop, plus Mark Georgevic and Chris Raine.

The Committee is responsible for the implementation of remuneration policy and determining specific remuneration packages for the Directors.

The Committee reviews salaries from year to year for the remuneration of its executive directors, taking market forces into account. The Committee has access to advice provided by the Department for Business, Enterprise and Regulatory Reform and other third parties as considered necessary.

With effect from 1 April 2008 the Chief Executive Officer relinquished the role of Registrar and retained the role as Accounting Officer of the Council. Effective from the same date the Director of Policy took on the additional role of Registrar and the Director of Resources took on additional duties as the HAC Managing Director.

The Directors were not involved in the determination of, nor voted on, any matter relating to their own remuneration.

The Chief Executive Officer reviewed the performance of the other Directors on an ongoing basis during the year.

Base salary

A base salary is established for each executive director determined by market salary levels for similar positions in comparable organisations derived from independent sources. Base salaries are reviewed annually.

Pension

No pension provision was made for HAC officers during the year.

Senior managers

The remuneration of senior managers was as follows:

	Chief Executive and Accounting Officer	Director of Legal Services	Managing Director and Director of Resources	Registrar and Director of Policy
	Sandra Verkuyten OBE	Janet Hawthorne	Justin Parfitt	Chris O'Leary
	£	£	£	£
2008-9	33,379 =====	13,500 =====	24,700 =====	36,400 =====
2007-8	42,024 =====	3,375 ¹ =====	12,360 =====	12,360 =====
		See note 16a		

Contracts, notice periods and termination payments

Contracts are offered to employees on a permanent basis, subject to certain requirements being met and successful completion of a probationary period.

Termination payments are considered on a case-by-case basis in consultation with relevant legal advisers.

The contract for the Chief Executive Officer and Accounting Officer was effective from 15 March 2006 with a notice period of three months.

The contracts for the Director of Legal Services were effective from 1 January 2008 with a notice period of three months. The Director of Legal Services resigned from these appointments on 31 March 2009.

The contract for the Managing Director and Director of Resources was effective from 1 April 2006 with a notice period of three months.

The contract for the Director of Policy and Communications was effective from 15 March 2006 with a notice period of three months.

No bonuses, expense allowances, termination payments or non-cash benefits were made during the year.

No compensation was paid to former senior managers or third parties for the services of a senior manager.

¹ For the period 1 January to 31 March 2008.

Council members

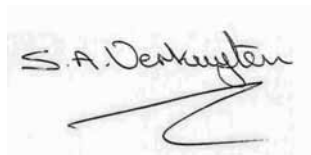
The Chair and Council members are paid a daily attendance allowance for Council duties and are reimbursed for their actual expenses for travelling and subsistence. This is as approved by the Department for Business, Enterprise and Regulatory Reform, with attendance allowances in excess of 25 days approved by the Chairman.

The Council used mainly non-Council members as examiners in both examinations. All examiners were contracted to the Council for the year and were paid for marking question papers and attending the practical examinations.

Included in the charge shown in the accounts is an amount of £20,926 (2007-8: £24,402) in respect of employer's national insurance and PAYE settlement tax for members.

For the year under review, the following attendance allowances were paid to Council members:

	2008-9 £'000	2008-9 Days	2007-8 £'000	2007-8 Days
Hughes, Christopher	20-25	80.5	15-20	69
Yates, Denise	0-5	6.5	0-5	15
Bishop, Michael	0-5	22	0-5	19.5
Georgevic, Mark	0-5	9	0-5	11
Prasher, Deepak	0-5	18	0-5	11
Thomas, Huw	0-5	17.5	0-5	14
Ormerod, Peter	0-5	16.5	0-5	13.5
Corcoran, Anthony	0-5	15.5	0-5	8
Armstrong-Bednall, Gerald	0-5	19.5	0-5	14
Brook, Norma (deceased)	0-5	11.5	0-5	22
Raine, Christopher	0-5	8	0-5	11
Oates, John	0-5	6.5	0-5	4
Ince, Peter	0-5	14.5	0-5	1



Sandra Verkuyten 8/7/09
Chief Executive & Accounting Officer

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

The Hearing Aid Council is required to prepare a statement of accounts for each financial year in the form and on the basis directed by the Secretary of State with the approval of the Treasury. The accounts are 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 and cash flows during the financial period.

In preparing the accounts, the Council is required to:

- observe the accounts direction issued by the Secretary of State, 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 financial statements on a going concern basis, unless it is inappropriate to presume that the Council will continue in operation.

The Accounting Officer for the Department for Business, Enterprise and Regulatory Reform has designated the Chief Executive Officer as the Accounting Officer for the Council. The relevant responsibilities as Accounting Officer, including responsibility for the propriety and regularity of the public finances and for the keeping of proper records, are set out in the *Non-departmental public bodies' accounting officer memorandum* issued by the Treasury and published in *Managing public money*.

Statement on internal control

Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Hearing Aid Council's policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in *Managing public money*.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of departmental policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the Hearing Aid Council for the year ended 31 March 2009 and up to the date of approval of the annual report and accounts and accords with Treasury guidance.

Capacity to handle risk

The Council has displayed strong leadership in building risk handling capacity. It has agreed a mission statement with stakeholders and agreed a corporate plan against which progress is monitored annually. To prioritise high-risk areas in its regulatory activity, the Council has agreed a Statement of Regulatory Intent with stakeholders. Annual budgets and workplans build upon this strategic risk appraisal.

This strong leadership is supported by training for Council members and staff to enable them to understand and deliver work which manages risks. Staff are involved in budget setting, risk appraisal and developing the Statement of Regulatory Intent. Communication within the organisation is the primary focus of the Accounting Officer's role, particularly in light of the impending abolition of the HAC.

The risk and control framework

Our systems to control risk and resources allow me to keep the Minister well informed via our sponsor department and monitor risk at all levels of my organisation.

The Audit Committee meets quarterly to provide assurance on the effectiveness of control and includes an external, co-opted member. The Audit Committee agrees the risk register which is in turn signed off by Council along with the Audit Committee minutes. The format of the register was reviewed and improved during the year to identify separately key risks and their effect on the Council before and after mitigating controls were implemented. The Committee endorsed these changes.

I have frequent informal contact with the sponsoring department. Formally, my Council and I meet with the sponsoring department at least quarterly and more frequently if necessary in times

of heightened risk. The Department for Business, Enterprise and Regulatory Reform is our appointed internal auditor and sits on our Audit Committee which strengthens information flows and strengthens awareness of our controls and risk.

The HAC is a small organisation. Staff at all levels are aware of departmental and organisational risks. I meet with members of my management team and Operations Manager monthly. Risk and financial controls are a standing item at each meeting. In times of heightened risk, meetings are more frequent if necessary and clear mitigation plans are agreed and monitored. The Operations Manager runs a team of three staff who meet at least weekly. At these meetings risk is discussed, mitigation plans monitored and clear responsibility delegated.

We work closely with industry and consumer stakeholders in our policy and communications work. This process enables us to inform them of risk and formulate effective mitigation plans. We seek advice externally where suitable and aim to build on best practice elsewhere.

The Council takes its data handling responsibilities seriously and a range of policies and procedures were implemented in the year in order to comply with Cabinet Office requirements. Assessment of the effectiveness of the implementation of these policies and procedures was carried out by BERR during the year, in accordance with Cabinet Office guidance, with favourable outcomes. Further audits are planned for 2009-10.

Data handling is a standing item on Audit Committee agendas.

There were no data risk incidents to report in 2008-09.

Review of effectiveness

As Accounting Officer I have responsibility for reviewing the effectiveness of the system of internal control. This review is informed by the work of the internal auditors and the executive managers within the department who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board and the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The Council initiated a top-down review at staff, Board then Council level to review risk appetite, satisfaction with the level of information about risk, perceived levels of risk and how processes can best adapt to impending abolition. Performance was judged to be highly satisfactory but Council has made clear that its risk appetite will diminish as the abolition date approaches.

As Accounting Officer I have primary accountability for reviewing the effectiveness of risk management and internal control within the organisation and the completion of the overall HAC Statement on Internal Control on behalf of my organisation.

In relation to the wider governance system, style and behaviours operating within the organisation, I have documented my current state assessment in a Corporate Governance Submission to BERR.

I have also satisfied myself that the following factors, which underpin the effectiveness of risk management and internal control, have been adhered to in HAC, throughout the year. There are no areas where positive assertions cannot be made in this regard.

Risk management

1. **“My staff and I are sufficiently aware of the risks to achieving our objectives”**
 - a. Risk identification and prioritisation is conducted regularly and consistently, including the assessment of risks against defined criteria (reputation and credibility, operational delivery, financial performance, compliance).
 - b. HAC regularly reviews objective risk register(s) relevant to the organisation.
 - c. HAC has debated and reported any significant changes to the organisation’s risk profile or risk appetite on a timely basis.
2. **“My staff and I are capable of applying basic skills, tools and techniques to identify, assess and prioritise risks inherent to delivery, and evaluate actions in place or required to manage them”**
 - a. When a risk has been identified, ownership has been assigned to appropriate individuals to develop risk management actions to address the risk. These action plans have been developed and implemented in a timely manner.
 - b. My staff have received appropriate guidance/training to ensure they are sufficiently risk aware and are equipped to manage risk in a way that is appropriate to their authorities and duties.
 - c. Where management of any individual risk is not within my or my team’s control, it has been documented and elevated to the appropriate level of management within HAC and, where appropriate, contingency plans have been put in place.
3. **“My staff and I ensure decisions to pursue new policies and approaches are made with due consideration of the ‘appetite²’ there is for taking risks in pursuit of objectives or targets”**
 - a. HAC has debated the organisation’s risk appetite and the conclusions have been communicated to staff.
 - b. Risks have been considered at key decision points within HAC during the year (e.g. within policy submissions, project gates and purchasing approval).

² The amount of risk we are prepared to be exposed to at that point in time.

Financial control

4. “As Accounting Officer I have overall responsibility for financial control in my organisation. I ensure that”:

- a. All staff, including non-finance staff, are aware of their financial responsibilities and have the knowledge and skills required to discharge responsibilities delegated to them.
- b. Budgets are properly managed (i.e. budgets are not overspent or significantly underspent) and resources are allocated appropriately between competing priorities.
- c. The internal financial control components covering the reliability of financial management information, particularly relating to forecasts, budgets and actuals, are used to support accurate financial reporting and inform resourcing decisions throughout the year.

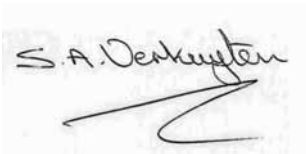
I am satisfied that HAC complies with relevant rules and procedures as set out in *Managing public money*.

Significant internal control

5. Where a significant internal control issue has been identified, the steps below have been followed:

- a. A corrective action plan has been developed to mitigate or anticipate the exposure at Unit level, where practical and possible;
- b. Where not practical or possible, the issue has been escalated to the Department for Business, Enterprise and Regulatory Reform for consideration/action
- c. Internal Audit have been notified; and
- d. The issue and response have been adequately communicated within HAC to emphasise lessons learned and enable process improvements where required.

There were no significant internal control issues that occurred during the year.

A handwritten signature in black ink, appearing to read "S.A. Verkuyten". The signature is written in a cursive style with a large, sweeping flourish at the end.

Sandra Verkuyten 8/7/09
Chief Executive & Accounting Officer

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 Hearing Aid Council for the year ended 31 March 2009 under the Hearing Aid Council Act 1968. These comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement 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 Council, Chief Executive and auditor
The Council and Chief Executive as Accounting Officer are responsible for preparing the Annual Report, which includes the Remuneration Report, and the financial statements in accordance with the Hearing Aid Council Act 1968 and directions made thereunder by the Secretary of State with the approval from Treasury and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of the Council's and Accounting Officer's Responsibilities.

My responsibility is to audit the financial statements and the part of the remuneration report to be audited in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Hearing Aid Council Act 1968 and directions made thereunder by the Secretary of State with the approval of Treasury. I report to you whether, in my opinion, the information, which comprises the Council and the Directors' report and management commentary included in the Annual Report is consistent with the financial statements. I also report 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.

In addition, I report to you if the Hearing Aid Council has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects the Hearing Aid Council's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or form an opinion on the effectiveness of the Hearing Aid Council's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises the Chairman's statement, the Chief Executive's statement, Review of the register and the unaudited part of the Remuneration Report. I consider the implications for my report if I become aware of any apparent

misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinions

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Council and Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Hearing Aid 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 and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error, 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 also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinions

In my opinion:

- the financial statements give a true and fair view, in accordance with the Hearing Aid Council Act 1968 and directions made thereunder by the Secretary of State with approval from Treasury, of the state of the Hearing Aid Council's affairs as at 31 March 2009 and of its surplus and cash flows for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Hearing Aid Council Act 1968 and the Secretary of State directions made thereunder with approval from Treasury; and
- information, which comprises the Council and the Directors' report and management commentary, included within the Annual Report, is consistent with the financial statements.

Opinion on regularity

In my opinion, 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.

Report

I have no observations to make on these financial statements.

Amyas C E Morse

Comptroller and Auditor General

National Audit Office

151 Buckingham Palace Road

Victoria

London SW1W 9SS

16/7/09

Financial statements

Income and Expenditure Account for the year ended 31 March 2009

	Note	2008-9	2007-8
		£	£
Income			
Registration and retention fees		1,157,935	763,878
Examination fees		78,520	245,950
CPD course accreditation fees		5,670	5,130
Other		1,082	2,744
Costs and fines awarded		271,549	90,670
		-----	-----
		1,514,756	1,108,372
		-----	-----
Expenditure			
Operating costs	3	812,299	642,331
Examination costs		125,892	227,877
Disciplinary and legal costs	6	398,784	354,649
Cost of capital charge/(credit)	1(g)	3,059	(864)
		-----	-----
		1,340,034	1,223,993
		-----	-----
Operating surplus/(deficit)		174,722	(115,621)
Cost of capital reversal	1(g)	3,059	(864)
Interest receivable		27,036	19,966
		-----	-----
Net surplus/(deficit) for the period		204,817	(96,519)
		=====	=====

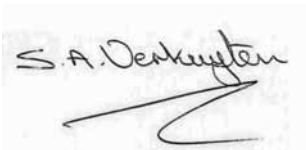
There were no recognised gains or losses other than the surplus (2007-8: (deficit)) for the financial period.

There was no grant funding from the Department for Business, Enterprise and Regulatory Reform in the year (2007-8: £116,245) see note 1b.

The notes on pages 43 to 52 form an integral part of these financial statements.

Balance sheet as at 31 March 2009

	Note	2009		2008	
		£	£	£	£
Fixed assets					
Tangible assets	7		9,333		14,908
Intangible assets	8		9		250
			-----		-----
			9,342		15,158
Current assets					
Debtors	9	59,666		43,250	
Cash at bank and in hand	10	905,453		568,976	
		-----		-----	
		965,119		612,226	
Creditors					
Amounts falling due within one year	11	784,476		642,216	
		-----		-----	
Net current assets/(liabilities)			180,643		(29,990)
			-----		-----
Total assets less current liabilities			<u>189,985</u>		<u>(14,832)</u>
Net assets/(liabilities)			<u>189,985</u>		<u>(14,832)</u>
Capital and reserves:					
Income and expenditure reserve	12		<u>189,985</u>		<u>(14,832)</u>



Sandra Verkuyten 8/7/09
Chief Executive and Accounting Officer

The notes on pages 43 to 52 form an integral part of these financial statements.

Cash flow statement for the year ended 31 March 2009

	Note	2008-9	2007-8
		£	£
Net cash inflow from operating activities		311,688	134,703
Returns on investments and servicing of finance:			
interest received		27,036	19,966
Capital expenditure and financial investment:			
Payments to acquire fixed assets	7	(2,247)	(16,162)
Proceeds on disposal of fixed assets		-	11,374
		-----	-----
Net cash inflow before financing		336,477	149,881
Financing:			
Grant from the Department for Business, Enterprise and Regulatory Reform	16b	-	116,245
		-----	-----
Increase in cash at bank and in hand		336,477	266,126
		=====	=====
Reconciliation of operating surplus/(deficit) to net cash inflow from operating activities			
		2008-9	2007-8
		£	£
Operating surplus/(deficit)		174,722	(115,621)
Cost of capital charge/(credit)	1(g)	3,059	(864)
Depreciation and amortisation	7,8	8,063	11,244
Profit on disposal of fixed assets	7	-	(9,061)
(Increase)/decrease in debtors	9	(16,416)	44,202
Increase in creditors	11	142,260	204,803
		-----	-----
Net cash inflow from operating activities		311,688	134,703
		=====	=====

The notes on pages 43 to 52 form an integral part of these financial statements.

Notes to the financial statements

1. ACCOUNTING POLICIES

1(a) Basis of preparation

The financial statements have been prepared in accordance with the accounts direction issued by the Secretary of State with the approval of the Treasury. The particular accounting policies adopted by the HAC are described below. They have been consistently applied in dealing with items considered material in relation to the accounts.

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

Without limiting the information given, the financial statements meet the accounting and disclosure requirements of the Companies Act and accounting standards issued by the Accounting Standards Board so far as those requirements are appropriate. The accounts also comply with HM Treasury's *Financial reporting manual (FReM)*.

1(b) Government grants

Grant income received from the Department for Business, Enterprise and Regulatory Reform is treated as contributions from a controlling party giving rise to a financial interest in the residual interest in HAC and is therefore accounted for as financing by crediting it directly to the Income & Expenditure Reserve on a cash receivable basis in compliance with the *FReM*.

1(c) Other income

Retention, registration and exam fees are credited to the income and expenditure account in the period to which they relate. Any income received in respect of future periods is included within fees in advance or deferred income.

Disciplinary fines and costs are recognised in the period in which they are awarded.

1(d) Tangible assets

Assets are capitalised as tangible fixed assets if they cost, on an individual or grouped basis, £1,000 or more. They are stated at cost less depreciation. Depreciation is provided to write off the cost of these assets over their estimated useful economic lives on a straight line basis over the following periods:

Office equipment	5 years
Computer hardware	3 years

A full month's depreciation is charged in the month of acquisition.

1(e) Intangible assets

Intangible assets are stated at cost less amortisation. Amortisation is provided on a monthly basis to write off the cost of these assets over their estimated useful economic lives on a straight line basis over the following periods:

Computer software licences 3 years

A full month's amortisation is charged in the month of acquisition.

1(f) Modified historic cost accounting

The principles of modified historic cost accounting have been applied in these accounts. No adjustment to the accounts are necessary in 2008-9, as in previous years, as any adjustments would not be material.

1(g) Cost of capital

A notional cost of capital charge of £3,059 (2007-8: £(864)) has been calculated in accordance with the *Financial reporting manual*. It has been calculated at a rate of 3.5% on the average net assets of the Council (2008 - 3.5%)

1(h) Derivatives and other financial instruments

The Council's financial instruments consist of cash balances held in an interest-bearing account and short-term trade debtors and trade creditors.

1(i) Taxation

The council is not registered for VAT and its statutory status exempts it from Corporation Tax.

1(j) Leases

Rentals under operating leases are charged on a monthly basis over the lease term.

3. EXPENDITURE	Note	2008-9 £	2007-8 £
Operating costs			
Chief executive and accounting officer fees		50,206	46,735
Staff salaries	4(a)	132,748	131,227
Director fees *		82,200	30,354
Agency staff		-	2,445
Recruitment costs		588	(1,763)
Courses		-	4,467
Meetings and Council members' fees		184,112	171,089
CPD contractor		46,413	44,898
Computer and website		19,466	19,020
Printing and stationery		14,882	19,241
Rent, office and storage costs		65,957	58,847
Postage		6,906	10,539
Telephone		1,362	3,571
Audit fees	4(b)	17,053	27,141
Legal & professional – general		49,522	50,733
Legal and professional – judicial review		126,908	-
Consultancy fees	5	-	13,825
Bank charges		840	1,337
Insurance		5,073	6,442
Depreciation and amortisation	7,8	8,063	11,244
(Profit)/loss on disposal of fixed assets	7	-	(9,061)
		-----	-----
Income and expenditure account		812,299	642,331
		=====	=====

4 STAFF SALARIES AND ADMINISTRATIVE FEES

4(a) Staff salaries

The average number of full-time and part-time staff employed during the year, including temporary staff, is as follows:

	2008-9 WTE (whole time equivalent)	2007-8 WTE (whole time equivalent)
Management and administrative (Temporary staff nil (2007-8 - 0.25 WTE))	5.66 =====	5.63 =====

A total of 38.5 days were lost to sickness absence in the year. This equate to an average of 7 days per person.

4(b) Audit fee

The audit fee comprises the estimated fee for 2008-9 totalling £18,000, including £2,000 for audit work in respect of the Treasury IFRS reporting trigger points (2007-8: £15,000); and internal audit work for the year £(947), after the release of an over-provision for prior year fees (2006-7: £7,141).

The Comptroller and Auditor General fees do not include fees in respect of non-audit work.

5 CONSULTANCY FEES

There were no consultancy costs in 2009 (2007-8: £13,825).

6. DISCIPLINARY AND LEGAL COSTS

	2008-9 £	2007-8 £
Total costs, including lawyers, barristers and QCs' fees	325,951	294,049
Provision for doubtful debts in respect of costs and fines awarded	62,808	60,600
Bad debts written off	10,025	-
	-----	-----
	398,784	354,649
	=====	=====

Costs and fines are enforced in all cases by HAC using the full extent of the law.

7. TANGIBLE FIXED ASSETS

	Office equipment £	Computer hardware £	Total £
Cost			
At 1 April 2008	4,380	30,516	34,896
Additions	-	2,247	2,247
	-----	-----	-----
At 31 March 2009	4,380	32,763	37,143
	-----	-----	-----
Depreciation			
At 1 April 2008	2,726	17,262	19,988
Provided in the period	876	6,946	7,822
	-----	-----	-----
At 31 March 2009	3,602	24,208	27,810
	-----	-----	-----
Net book value at 31 March 2009	778	8,555	9,333
	=====	=====	=====
Net book value at 31 March 2008	1,654	13,254	14,908
	=====	=====	=====

8. INTANGIBLE FIXED ASSETS

Computer software	£
Cost	
At 1 April 2008 and at 31 March 2009	43,283

Amortisation	
At 1 April 2008	43,033
Provided in the period	241

At 31 March 2009	43,274

Net book value at 31 March 2009	9
	=====
Net book value at 31 March 2008	250
	=====

9. DEBTORS

	2009	2008
	£	£
Trade debtors	1,200	330
Prepayments	14,276	13,243
Other debtors	44,190	29,677
	-----	-----
	59,666	43,250
	=====	=====

Amounts due from other public bodies

There were no amounts due to the Council from other central government bodies, local authorities, NHS trusts or public corporations and trading funds. There were no amounts due after more than one year.

10. CASH AT BANK AND IN HAND

	2009 £	2008 £
Cash at bank	905,453 =====	568,976 =====

11. CREDITORS' AMOUNTS FALLING DUE WITHIN ONE YEAR

	2009 £	2008 £
Trade creditors	156,782	104,991
Tax and social security	14,152	22,868
Registration and retention fees in advance	446,885	397,675
Deferred retention fee income	129,377	-
Exam fees received in advance	-	42,900
Accruals	37,280	73,782
	-----	-----
	784,476 =====	642,216 =====

Amounts due to other public bodies

There were no amounts due from the Council to other central government bodies, local authorities, NHS trusts or public corporations and trading funds.

12. CAPITAL AND RESERVES

	Income and expenditure account reserve £
Brought forward at 1 April 2008	(14,832)
Surplus for the year ended 31 March 2009	204,817

Reserves as at 31 March 2009	189,985

13. CAPITAL COMMITMENTS

The council had no capital commitments at either 31 March 2009 or 31 March 2008.

14. CONTINGENT LIABILITIES

There were no contingent liabilities at the year end.

15. DERIVATIVES AND FINANCIAL INSTRUMENTS

Financial risk management

Financial reporting standard 29 requires disclosure of the role that financial instruments have had during the period in creating or changing the risks a body faces in undertaking its activities. Due to the nature of funding of the HAC by registered hearing aid dispensers, and the continuing relationship that the HAC has with the Department for Business, Enterprise and Regulatory Reform, the HAC is not exposed to the degree of financial risk faced by business entities. Also, financial instruments play a much more limited role in creating or changing risk than would be typical of listed companies, to which these standards mainly apply. HAC has limited powers to borrow or invest surplus funds and financial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risks facing the Council for Healthcare Regulatory Excellence (CHRE) in undertaking its activities.

Debtors and creditors due to mature or become payable within 12 months from the balance sheet date have been omitted from all disclosures.

Currency risk

HAC is a domestic organisation with the great majority of transactions, assets and liabilities being in the UK and Sterling-based. The HAC has no overseas operations and therefore has low exposure to currency rate fluctuations.

Interest rate risk

The Council has no borrowing and relies primarily on retention fee income from registered hearing aid dispensers. It is exposed to changes in interest rates in relation to interest earned on surplus funds held and alternative investment of surplus funds is actively under consideration to mitigate against the effect of low bank interest rates.

Credit risk

Because the majority of HAC income comes from registered hearing aid dispensers and a robust process for removal of non-paying registered hearing aid dispensers from the HAC register the HAC has low exposure to credit risk.

Liquidity risk

The Council relies primarily on retention fee income as referred to above and therefore has low exposure to liquidity risk.

16. RELATED PARTY TRANSACTIONS

(a) Chief Executive of the Council

Amicie Knowles was employed as a permanent member of staff by the Council during the year and was a related party by virtue of her relationship as the daughter of the Chief Executive. During the year she received remuneration of £23,152 (2007-8 - £21,579).

The following disclosure relates to the HAC directors who are in a position of influence by virtue of their directorship of the Council and the following transactions with the Council in 2008-9.

Janet Hawthorne – Director of Legal Services and Director of Iodem Limited.
HAC incurred charges from Iodem Limited in the year of £313,598 (2007-8 - £273,142)

Justin Parfitt – Managing Director and Director of Resources and partner in Parfitt & Co Chartered Accountants.

Parfitt & Co Chartered Accountants invoiced the Council for £38,506 (2007-8 - £46,509) in relation to financial management services, included within legal and professional – general (see note 3).

The Council register of interests is maintained on the Council website.

(b) Department for Business, Enterprise and Regulatory Reform (BERR)

During the year BERR did not provide grant in aid to the Council (2007-8: £116,245). Please see notes 1b in relation to the treatment of grant in aid by the Council.

17. POST BALANCE SHEET EVENTS

On 5 June 2009, the Government announced the creation of a new Department for Business, Innovation and Skills (BIS) whose key role will be to build the UK's capabilities to compete in the global economy. The Department was created by merging the Department for Business Enterprise and Regulatory Reform (BERR) and the Department for Innovation, Universities and Skills (DIUS). The sponsorship responsibility for the Council passed to BIS on that date.

There is no reason to believe that the expected government funding underlying the Council's going concern assertion will be affected by this change.

The annual report and accounts have been authorised to be issued on 16/7/09.

18. LOSSES AND SPECIAL PAYMENTS

There were no material losses or special payments made during the financial year.

19. COMMITMENTS UNDER OPERATING LEASES

Rent costs included in other operating costs, in the sum of £54,600, represent operating lease rentals for use of accommodation at 70 St Mary Axe, London.

The HAC has the following obligations under non-cancellable operating leases:

Land and buildings	Note	2009 £	2008 £
Expiring within one year		-	-
Expiring between one and five years		50,774	54,990
Expiring after more than five years		-	-
		-----	-----
		50,774	54,990
		=====	=====

HAC had no other operating leases as at 31 March 2009.



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