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HEARING AID COUNCIL ANNUAL REPORT AND ACCOUNTS 2007-8

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ANNUAL
REPORT 2008

Annual Report presented to Parliament by the Secretary of State for Business, Enterprise and Regulatory Reform in pursuance of the Hearing Aid Council Act (1968, as amended) and Accounts presented to Parliament by the Secretary of State for Business, Enterprise and Regulatory Reform on behalf of the Comptroller and Auditor General in pursuance of the Hearing Aid Council Act (1968, as amended). Ordered by the House of Commons to be printed on 21st July 2008.

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OFFICER AND REGISTRAR**

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1 Victoria Street
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National Audit Office
151 Buckingham Palace Road
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We now expect our register to be transferred to the Health Professions Council (HPC) at the end of March 2009. Uncertainty about how and when the transfer will happen has been one of two pivotal issues facing us this year. The other has been an alarming rise in the number of complaints consumers are making about our registrants.

Despite these twin pressures, I believe the Hearing Aid Council (HAC) has remained resolute in its desire to give consumers and the industry the regulation they deserve. Robust complaint handling, better targeting of regulation and improved education standards all contribute to our objective of ensuring consumers are able to access a range of safe audiology services across the UK. However, consumers will really benefit when a single body regulates all audiologists across the public and private sectors and all audiologists meet the same clear minimum standards of proficiency, ethics and education, regardless of which sector they practise in.

The Health Professions Council remains the body best placed to fill this role and we strongly support the Government's commitment to transfer our register to them. This change will benefit consumers, citizens and the regulated profession. We are ready to transfer to the Health Professions Council as soon as the Government asks and we will continue to push for this change in the coming year. The longer the uncertainty lasts over how and when the changeover will happen, the greater the cost to the Council and registrants, as reflected in the retention fee for 2008-9.

This year a surge in complaints about Registered Hearing Aid Dispensers and their employers highlights the need for an enhanced regulatory framework and is of great concern to the Council. Not only did the Council receive twice as many complaints this year as last but those complaints contained a more serious case-mix than in previous years.

It is too early to say conclusively whether the rise is a result of falling standards within the industry or an indication of increased consumer confidence in our complaints handling process. Irrespective of the source, this increase serves as an alarm bell for the sector that it needs to work effectively with the regulator and consumer groups to protect citizens and its own reputation.

Neither the Council, nor any of its stakeholders, could have foreseen complaints rising by 75 per cent this year and it left the Council with a significant deficit. The Council committed extra resources to handle complaints. We consider every complaint and investigate, if necessary, to the appropriate level so consumers are not left exposed. The Council is increasing the retention fee for 2008-9 to recoup the cost of this rise in complaints and to put in place enough resources should the higher level of cases be sustained through the coming year. It is important to note, though, that the Council's budget does not leave room for complaints to rise again. We look to the industry to take a strong lead in reducing the number of complaints we receive in the coming months.

I am very pleased that legislation is now making its way through Parliament to abolish the Council and transfer the responsibility for registering dispensers to the Health Professions Council. In supporting this legislation, we have undertaken a considerable amount of work in partnership with the Health Professions Council, the Department for Business, Enterprise and Regulatory Reform (BERR), professional bodies and consumer groups. If the present momentum is maintained then we hope the Government will be able to announce a final date for the transfer by November 2008.

I would like to thank all Council members and staff for their hard work over the year. I would also commend the Government and our stakeholders for their support. We will be investing more resources than ever this year to keep our partners informed and to allow them to contribute to our work. The Council is still operating in a difficult environment, however, I strongly believe that our successes over the previous three years give us the strong foundation we need to protect consumers until our register is passed to the Health Professions Council and there is a final Chairman's statement in 2009.



Chris Hughes
Chairman

The typical consumer who complains to us about a registrant is female and in her early eighties. In many cases, complainants are visited by dispensers in their homes. With such potentially vulnerable consumers and 75 per cent more complaints received this year than last, the value of effective regulation has become increasingly clear. In contrast, the decisions the Council must make to achieve it are growing more complex. A deficit, precipitated by the volume and complexity of those complaints, has made our work still more challenging. However, by launching a new era in education for the sector, handling all complaints properly, publishing our first Statement of Regulatory Intent and building strong relationships with partner bodies, we have accomplished a great deal this year.

To maintain momentum in the year ahead we will challenge the industry to promote the value of effective regulation and encourage strong self-regulation where appropriate. An industry that takes a leading role in protecting consumers would be a legacy of which we could all be proud as we approach the transfer to the HPC.

The Council's long-standing commitment to improve the education of dispensers should raise the profile of the profession and the quality of dispensing in the long term. This year the Council approved its first foundation degree, with more set to follow, and announced that the HAC exams will end after 2008. The decision to end the exams was a difficult one and the Council consulted widely on it before reaching a fair compromise. Making an approved foundation degree the minimum level of education one needs to start dispensing supports the move to the HPC and will break down some barriers between the public and

private sectors. In addition, we now have several approved BSc and MSc degree courses from around the country whose graduates are automatically eligible to join our register.

In summer 2007 we published our first annual complaints review detailing who complains, what they complain about and why. The review is an invaluable resource, in particular for employers and professional bodies looking to focus their efforts to reduce complaints. We will publish our second review in summer 2008.

Our first Statement of Regulatory Intent was released in November 2007. It sets out what we are trying to achieve by regulating, which high risk areas we will focus our work on and what we will do to tackle each one. We will implement it in the coming year and I believe it will be a real step forward in helping registrants understand what we are doing, and why, to make sure consumers are safe.

We have been able to make good progress at strategic level because the operational changes we made over the last three years are bearing fruit. Our record keeping, internal systems and HR resources are vastly improved and a real credit to our office team. Our imminent abolition increases the stress on these strong foundations, especially on our staff, and we are already putting policies in place to ensure we have the capacity we need to see through the transfer and close down as smoothly as possible.

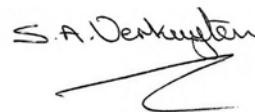
In making these difficult decisions the Council has demonstrated that it will not weaken consumer protection to ease the immediate burden on some registrants. As complaints increased by three quarters, our legal spending increased by half and brought about a deficit in our budget. Members were presented with a range of options to respond to the deficit that either increased income or reduced costs. The Council made a firm statement that it would only pursue those cost-cutting measures that did not dilute consumer protection and that the remaining costs should be borne by those causing the complaints. This decision has implications for registrants and consumers as it means we need to increase the retention fee for 2008-9, which could in turn increase slightly the prices paid by consumers. The Council, following consultation with consumer groups and registrants, firmly believes that the benefits to consumers and the long-term reputation of the industry far outweigh the costs in this instance.

The Council was keen to make its funding model fairer, particularly in light of the need to raise fees. Currently, we charge each registrant a flat fee regardless of how many complaints they generate. The Council hoped to move away from this approach towards a 'polluter pays' funding structure which would charge more money to registrants who cause us more work. Unfortunately, having sought legal advice,

the Council decided it did not have the power to make these kinds of improvements.

There is concern that complaints could continue to rise in the coming year. This would put further strain on the Council's next budget and our ability to meet our objectives on behalf of consumers and the Government. However, I am confident that the work we are doing to raise standards will help prevent the trend continuing. Ultimately, though, the responsibility lies with employers, the professional bodies and individual dispensers and I will focus much of my work in the coming year on working with those who take this responsibility seriously.

I am delighted by the steps the Government is taking to transfer our register. My role at the Council is changing so that I can devote more of my time to building the relationships that will make our transfer a success. We will also be doing our best to communicate more with our registrants and with consumer groups so that they understand how the changes will affect them and what their responsibilities will be in the new framework. Working together, there is tremendous potential to raise the level of protection for consumers while freeing up professionals to use their expertise in deciding how they deliver it. As ever, my team and I will be working with you to achieve these goals and enhance the quality of the citizens' experience.



Sandra Verkuyten
Chief Executive and Registrar

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.

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

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:

Who has been appointed to the Council?

Those who served on our Council this year and their current terms are shown below. Maryanne Maltby left the Council at the end of December and was replaced by Peter Ince.

Independent Chairman

Current term

Chris Hughes 1 September 2003 - 31 August 2009 (second term)

Representing hearing impaired people

Current term

Michael Bishop 1 January 2008 - abolition (second term)
 Norma Brook CBE 1 January 2008 - abolition (second term)
 Huw Vaughan Thomas 1 January 2007 - abolition (third term)
 Denise Yates 31 December 2005 - abolition (third term)

Representing registered dispensers

Current term

Gerald Armstrong-Bednall 1 January 2008 - abolition (second term)
 Mark Georgevic 31 December 2005 - abolition (third term)
 Peter Ince 1 February 2008 - abolition (first term)
 Maryanne Maltby 1 April 2004 - 31 December 2007 (first term)
 Peter Ormerod 1 January 2007 - abolition (third term)

Representing medical and technical experts

Current term

Tony Corcoran 31 December 2005 - abolition (third term)
 John Oates 25 January 2008 - abolition (first term)
 Deepak Prasher 1 January 2008 - abolition (third term)
 Christopher Raine 5 July 2006 - abolition (first term)

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 a 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 (BERR).

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 complaints we have an Investigating Committee which looks at whether registrants have breached the code of trade practice and whether they should be referred to the Disciplinary Committee. The Disciplinary Committee decides whether the registrant has indeed breached the Council's code of trade practice and whether any disciplinary action should be taken.

Our fifth committee deals with the education of dispensers. Until January 2008 we had an Education and Training Committee to advise the Council on the educational and training standards dispensers must meet to join and stay on our register. This committee had three sub-committees: an Examining Body which set and managed the exams which some registrants must pass as they work to become eligible to join our register; a Continuing Professional Development (CPD) sub-committee which set and managed the CPD requirements all registrants must meet to stay on our register; and a Future Education sub-committee developing future education and training requirements.

A new streamlined, single Education and Training Committee and Examining Body was formed which took over all education business. The new arrangement brings together the different strands of education debate in a single committee and also allows us to complete our business more efficiently. In January 2008 the Council decided that the Future Education sub-committee had completed its business and it was disbanded.

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. Following the restructuring of our education committees, the only remaining co-opted members sit on our Audit Committee.

The following diagram shows who sits on each committee as of 31 March 2008.

DISCIPLINARY COMMITTEE	INVESTIGATING COMMITTEE	EDUCATION & TRAINING & EXAMINING COMMITTEE	STRATEGY EXECUTIVE COMMITTEE	AUDIT COMMITTEE
MEMBERSHIP	MEMBERSHIP	MEMBERSHIP	MEMBERSHIP	MEMBERSHIP
Chris Hughes - Chair	Denise Yates - Chair	Peter Ormerod - Chair	Huw Vaughan-Thomas - Chair	Michael Bishop - Chair
Michael Bishop	Professor Gerald Armstrong-Bednall	Professor Gerald Armstrong-Bednall	Prof Norma Brook CBE	Christopher Raine
Prof Norma Brook CBE	Prof Deepak Prasher	Prof Norma Brook CBE	Michael Bishop	<i>Co-opted Members</i>
Tony Corcoran	Director - Janet Hawthorne	Christopher Raine	Peter Ormerod	Ivan Doncaster
Mark Georgevic	Clerk - Amicie Knowles	Prof Deepak Prasher	Chris Hughes	Alan Rudge
Peter Ormerod		Tony Corcoran	Director - Chris O'Leary	Director - Justin Parfitt
Christopher Raine		Director - Stuart Holland	Clerk - Sarah Cottis	Clerk - Amicie Knowles
Huw Vaughan Thomas		Clerk - Amicie Knowles		
John Oates				
Peter Ince				
Director - Janet Hawthorne				
Clerk - Amicie Knowles				

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

AUDIT COMMITTEE

Michael Bishop (Chair)	Apr 2007 – Mar 2008
Christopher Raine	Apr 2007 – Mar 2008
Prof Gerald Armstrong-Bednall	Jan 2008 – Mar 2008

DISCIPLINARY COMMITTEE

Chris Hughes (Chair)	Apr 2007 – Mar 2008
Michael Bishop	Apr 2007 – Mar 2008
Prof Norma Brook CBE	Apr 2007 – Mar 2008
Tony Corcoran	Apr 2007 – Mar 2008
Mark Georgevic	Apr 2007 – Mar 2008
Peter Ince	Apr 2007 – Mar 2008
Dr Maryanne Maltby	Apr 2007 – Dec 2007
John Oates	Jan 2008 – Mar 2008
Peter Ormerod	Apr 2007 – Mar 2008
Christopher Raine	Apr 2007 – Mar 2008
Huw Vaughan Thomas	Apr 2007 – Mar 2008

EDUCATION AND TRAINING COMMITTEE AND EXAMINING BODY (FORMED IN JANUARY 2008)

Peter Ormerod (Chair)	Jan 2008 – Mar 2008
Prof Gerald Armstrong-Bednall	Jan 2008 – Mar 2008
Prof Norma Brook CBE	Jan 2008 – Mar 2008
Tony Corcoran	Jan 2008 – Mar 2008
Prof Deepak Prasher	Jan 2008 – Mar 2008
Christopher Raine	Jan 2008 – Mar 2008

CPD SUB-COMMITTEE (SUBSUMED WITHIN NEW EDUCATION AND TRAINING COMMITTEE AND EXAMINING BODY FROM JANUARY 2008)

Tony Corcoran (Chair)	Apr 2007 – Jan 2008
Prof Norma Brook CBE	Apr 2007 – Jan 2008
Peter Ormerod	Apr 2007 – Jan 2008

EDUCATION AND TRAINING COMMITTEE (SUBSUMED WITHIN NEW EDUCATION AND TRAINING COMMITTEE AND EXAMINING BODY FROM JANUARY 2008)

Peter Ormerod (Chair)	Apr 2007 – Jan 2008
Prof Gerald Armstrong-Bednall	Apr 2007 – Jan 2008
Dr Maryanne Maltby	Apr 2007 – Dec 2007
Prof Deepak Prasher	Apr 2007 – Jan 2008

EXAMINING BODY (SUBSUMED WITHIN NEW EDUCATION AND TRAINING COMMITTEE AND EXAMINING BODY FROM JANUARY 2008)

Prof Deepak Prasher (Chair)	Apr 2007 – Jan 2008
Prof Gerald Armstrong-Bednall	Apr 2007 – Jan 2008
Dr Maryanne Maltby	Apr 2007 – Dec 2007
Peter Ormerod	Apr 2007 – Jan 2008

INVESTIGATING COMMITTEE

Denise Yates (Chair)	Apr 2007 – Mar 2008
Prof Gerald Armstrong-Bednall	Apr 2007 – Mar 2008
Prof Deepak Prasher	Apr 2007 – Mar 2008

STRATEGY EXECUTIVE COMMITTEE

Huw Vaughan Thomas (Chair)	Apr 2007 – Mar 2008
Prof Norma Brook CBE	Apr 2007 – Mar 2008
Michael Bishop	Apr 2007 – Mar 2008
Chris Hughes	Jan 2008 – Mar 2008
Peter Ormerod	Apr 2007 – Mar 2008
Christopher Raine	Apr 2007 – Jan 2008

CO-OPTED MEMBERS

THE FOLLOWING PEOPLE SERVED ON OUR COMMITTEES AS CO-OPTED MEMBERS:

Audit Committee

Ivan Doncaster	Apr 2007 – Mar 2008
Alan Rudge	Apr 2007 – Mar 2008

Futures Committee

Barry Downes	Mar 2007 – Jan 2008
Karen Finch	Mar 2007 – Nov 2008
Pippa Hodgson	Mar 2007 – Jun 2007
Mark Lutman	Mar 2007 – Jan 2008

Independent Chair

Chris Hughes

Chris is a solicitor and a member of the Institute of Biology. 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 Environment, Food and Rural Affairs (DEFRA) on risks of chemicals to the environment and to human health through the environment. He is appointed to chair mental health review tribunals and case tribunals considering alleged misconduct of members of local authorities (the Adjudication Panel for England). He was formerly a member of various 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.

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 Royal National Institute for Deaf People (RNID), leaving as Deputy Chair. He is still engaged with the 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 is presently a non-executive director of Derbyshire County Primary Care Trust. 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, recently transferring to Chair of the Audit Committee.

Norma Brook CBE

Norma is past President of the Health Professions Council (HPC) and member of the Council for Healthcare Regulatory Excellence (CHRE). She was previously Chair of the Physiotherapists' Board in the Council for Professions Supplementary to Medicine (CPSM). Her most recent appointment is Chair of the Department of Health Extending Professional Regulation Working Group.

She is currently a self-employed consultant in physiotherapy and other professions allied to medicine and multi-professional education. She was previously Head of Division of Professions Allied to Medicine in the School of Health and Social Care at Sheffield Hallam University. Her experience in physiotherapy education has been utilised in her role as a Quality Assurance Agency (QAA) assessor and she has taken a consultative role in benchmarking for physiotherapy and multi-professional education. She has been physiotherapy education advisor to the Royal College of Surgeons in Ireland and has recently been external examiner in physiotherapy at the University of Coventry. Norma was appointed a Commander of the Most Excellent Order of the British Empire by Her Majesty the Queen in 2006 and is a hearing aid user.

Norma was awarded a Fellowship of the Chartered Society of Physiotherapy in 1995 for her contribution to the development of physiotherapy education and her expertise in connective tissue manipulation. Recently she has been awarded honorary doctorates by Robert Gordon University, the University of East Anglia, Sheffield Hallam University, the University of Brighton, the University of Central England and Coventry University.

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, a 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 23 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 Vice Chair of school governors and a county 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 Queen's Medical Centre, Nottingham. He is currently Chair of the Hearing Aid Council's Futures Education sub-committee, which is reviewing 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. He has been awarded honorary life membership of the Academy for his contribution to the education and training of audiologists. He is also director of a small, independent, private hearing aid dispensing practice.

Mark Georgevic

Mark qualified as a hearing aid dispenser in April 1996 and is currently President of the British Society of Hearing Aid Audiologists. He qualified as a solicitor in February 1989 and is a Director of The Hearing Company and Scrivens.

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 five 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.

Maryanne Maltby

(left the Council on 31 December 2007)

Maryanne is currently a self-employed hearing aid dispenser and trainer. She is Principal Lecturer on Occupational Audiometry short courses for Amplivox Ltd (Kidlington, Oxford) and an examiner for the Hearing Aid Council. She has written a number of books including *Principles of hearing aid audiology* and *Occupational audiometry: monitoring and protecting hearing at work*. Her former posts include being a lecturer at Oxford Brookes University, course leader at the University of Manchester and Head of Training for Amplivox-Ultratone. Her awards include the Rex Ide Shield and the Robin Williams Memorial Prize.

Peter Ormerod

Peter qualified as a registered hearing aid dispenser in 1985 and has worked as a practising RHAD 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

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 Otolology and Neuro-otology (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, Bradford, in 1986. He is clinical director of the Yorkshire Cochlear Implant Service and as such has been involved in hearing screening of new-borns and the treatment of all aspects of hearing loss. He is executive officer and trustee of the British Association of Otorhinolaryngologists - Head and Neck Surgeons (BAOL-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.

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.brtf.gov.uk. Government departments and independent regulators should use those 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:

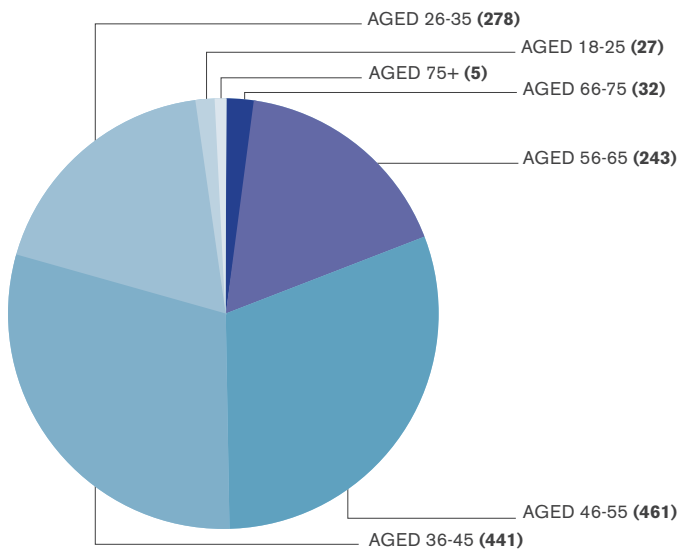
- **selflessness** - holders of public office should act solely in terms of the public interest. They should not do so in order to gain financial or other benefits for themselves, their family or their friends;
- **integrity** - holders of public office should not place themselves under any financial 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.

At the end of the year there were 1,501 registered dispensers, up 4.5 per cent from the beginning of the year, in line with growth in 2006-7. In contrast, the register for employers expanded by almost a quarter, from 252 in April 2007 to 314 in March 2008, compared to a rise of just one per cent the preceding year.

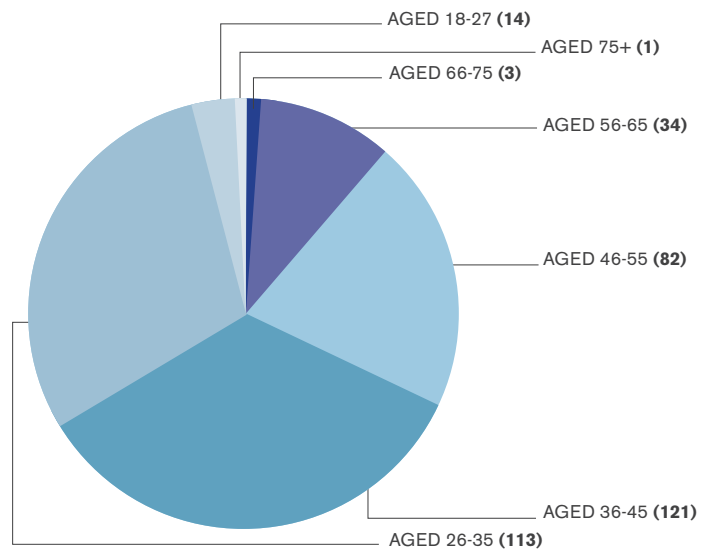
Profile of registered dispensers

A quarter of those on the register at year end were female, up slightly from 23 per cent last year. The age profile of our register remains largely unchanged from last year, with around 60 per cent of registrants aged between 36 and 55 years old. The two charts below only include those whose age is known.

Number of registered dispensers by age



Number of female registered dispensers by age



Our Executive Team has four Directors. They are:

Sandra Verkuyten

Chief Executive, Registrar and Accounting Officer

Janet Hawthorne

Director of Legal Services

Chris O’Leary

Director of Policy

Justin Parfitt

Director of Resources

Complaints

We witnessed a significant increase in the number of complaints during 2007-8. 133 new complaints were received compared to 76 new complaints the previous year. One individual was the subject of 18 separate complaints to the HAC and was struck off the register.

Despite this unprecedented rise in complaints, the Investigating Committee streamlined its operations so that it was able to meet just four times (compared to seven in 2006-7) and reduce the length of time it took to resolve complaints for the second year running to 20 weeks.

We will publish our second annual complaints review in summer 2008. This report will analyse these complaints in detail to illustrate who is complaining, what they are complaining about and who they are complaining about. We hope this report will help consumers to protect themselves and registrants to raise their standards.

The Investigating Committee undertook two key pieces of work with a view to improving standards practised in the market as a whole:

- A review of regulatory issues arising from an audit of trainees’ log books performed by the Registrar in order to ensure that standards of training were being maintained.
- A review of the advertising and marketing material published by the hearing aid industry. Issues arising from this review were referred to the Information Commissioner and Advertising Standards Authority in conjunction with the Royal National Institute for Deaf People (RNID).

Disciplinary proceedings

The Disciplinary Committee sat on seven occasions in 2007-8. It dealt with 36 individual complaints and disciplined 18 individual dispensers (one individual was disciplined twice). In 2006-7, just three individual dispensers were disciplined. During the course of 2007-8 the key objectives set out in the Statement of Regulatory Intent were reflected in the disciplinary action taken.

The rise in complaints was exceptional and unforeseeable. As such it had a significant impact on our budget and ability to deliver some work outlined in our corporate plan. The financial statements describe the budget implications in detail. We undertook mitigating work with our legal contractor to limit spending and undertook a number of internal cost cutting measures, particularly with committee costs, and delayed some work for the new financial year. Council considered a wide range of cost-cutting measures but rejected those which would weaken consumer protection. A comparison of our legal costs with those of other regulators indicated that our costs were in line and it was the increased volume of complaints that was straining our resources.

Policy

We made some important changes to our education policy. We invited every university in the UK teaching a BSc or MSc in Audiology to seek approved status. Graduates from approved courses are automatically eligible to join our register and there are now nine approved degrees across the country. We have also been working with several universities to set up foundation degrees. Aston University was the first university to have its foundation degree approved and we expect others to follow soon. Developed in partnership with the Department of Health and professional bodies, the foundation degree will help raise standards of education in the sector, support the transfer to the HPC and remove unhelpful barriers between the private and public sectors.

Following consultations, we changed our standards of competence and announced the end of the HAC exams so that a foundation degree will become the new minimum qualification to join our register. The final HAC exams will take place at the end of 2008. We also consulted on changes to our standards of competence to keep up-to-date with new European legislation.

We published our first Statement of Regulatory Intent in November. The aim of the statement is to explain in simple terms where we will focus our regulatory activity and why. It was written using evidence from our complaints analysis, following a well-attended workshop with representatives from consumer groups representing hard of hearing and elderly people, from employers and from professional bodies. Together we highlighted the high risk areas in dispensing today and drew up possible responses. The Council has published the Statement and will let it direct much of our enforcement work from now until we are abolished.

Transfer of responsibility for registering hearing aid dispensers to the HPC

The Government announced its intention to abolish the Hearing Aid Council and transfer our register to the Health Professions Council (HPC) three years ago.

We have always supported the move to the HPC and have been working with Government, the HPC, consumer groups and the industry since then to make sure the transfer is a success. However, this depends on Parliament passing the relevant legislation and the continuing uncertainty over the date has caused us and our registrants some problems. Without a definite date for the change, it makes it harder for us to set accurate budgets and hinders employers' long-term planning.

We are very pleased to see that an amendment to the Health and Social Care Bill has been laid before Parliament which could pave the way for transfer by March 2009. We are working closely with politicians in both Houses of Parliament and with the devolved Governments in Northern Ireland, Scotland and Wales to build support for the transfer. The situation will remain uncertain for some time to come but we hope to be able to announce a transfer date in November 2008.

In the meantime, we have prepared a detailed project plan for our transfer and close-down, informed by our work with the HPC, BERR and the National Audit Office (NAO). Our key objectives are to make sure consumers understand how they are protected and where to go for help, dispensers are transferred to the HPC register as smoothly as possible and we close the Council down efficiently and transparently.

Stakeholders

We could not meet our objectives without good working relationships with our stakeholders. We held a trial debriefing for industry representatives and consumers' groups after a particularly important Council meeting in July 2007. The aim of the meeting was to explain the Council's decisions in a more informal setting and gather some feedback from registrants. We also invited experts from the Office of Fair Trading and from BERR to provide further information on relevant issues. The feedback from registrants was that the debriefing was helpful and we would consider holding another in the future. We also held a workshop in October 2007 to draft our Statement of Regulatory Intent which you can read about above.

Aside from regular meetings with BERR and the HPC, we also met with:

- Age Concern England;
- Anglia Ruskin University;
- Association of Independent Hearing Healthcare Professionals (AIHHP);
- Aston University;
- Audiology Advisory Board;
- Better Regulation Executive;
- British Association of Audiologists (BAA);
- British Society of Audiologists;
- British Society of Hearing Aid Audiologists (BSHAA);
- Deafness Research UK;
- De Montfort University;
- Department of Health;
- Extending Professional Regulation working group;
- Gambling Commission;
- General Optical Council;
- Hearing Concern;
- Manchester University;
- National Weights and Measures Laboratory;
- Office of Fair Trading;
- Queen Margaret University;
- Skills for Health;
- Royal Association for Deaf People;
- Royal National Institute for Deaf People (RNID);
- Swansea University;
- Veterinary Medicines Directorate;
- Welsh Assembly; and
- Westminster University.

We presented at conferences organised by AIHHP, BAA, BSHAA and HearBuy and were invited to attend conferences organised by RNID Wales and the BERR Family.

Operations

Operationally, this has been a successful year. We have invested significant resources and time over the previous two years in order to resolve numerous problems we inherited from the previous administration and improve the running of the Council. We have benefited from this work tremendously this year in all areas of the Council's work.

For consumers this has meant that their complaints are resolved more quickly, the quality of the register has been assured and there is more information available to them. For registrants, we have been able to respond to their queries more quickly, re-register them more easily and get registration cards to them more quickly. When problems have arisen we have been well prepared and able to minimise the impact. For instance, when two computer servers failed in the summer, staff followed a disaster recovery plan, no data was lost and service was resumed with very little disruption. As part of the plan, staff investigated the crash and were able to recover all costs through our insurance cover.

We have been able to reach this position through investment in staff. As in 2006-7, we have a part-time Operations Manager and three full-time Executive Assistants. To develop staff, find further efficiencies and reduce the risk of losing staff as we approach transfer to the HPC, we have enrolled the team on a business process improvement National Vocational Qualification (NVQ) from which they will graduate in summer 2008. This qualification is funded by the Learning Skills Council at no cost to the Hearing Aid Council.

Finance

There was a net deficit for the year of £96,519 which arose principally from the increase in complaints and related increase in disciplinary and legal costs of £70,428 as shown on page 34.

Retention fee income increased as a result of a rise in the retention fee to £450 in 2007-8 from £425 in 2006-7 and net increases in registrants during 2007-8. The 2008-9 retention fee was set at £695 in January 2008 and retention fees received in advance as at 31 March 2008 were £397,675.

Examination fees exceeded examination costs by £18,073 due to the increased number of candidates in 2007-8 and tight control of costs. The 2008-9 exam fees and costs are difficult to estimate given the closure of the HAC exams as referred to above, although the HAC will seek to recover the costs of running two sets of exams, and re-sits, next year. Exam fees were unchanged for 2008-9 and fees received in advance as at 31 March 2008 were £42,900.

Costs and fines of £90,670 were awarded to HAC by the Disciplinary Committee in the year of which £39,000 was provided for as doubtful debts. A further £21,600 doubtful debt provision was made for debtors brought forward as at 1 April 2008. The HAC will continue to seek to recover all debts using the full extent of the law.

BERR provided non recurrent grant in aid of £116,245 to HAC in 2007-8 which has been taken directly to the Income and Expenditure Reserve as referred to in accounting policy 1b on page 37.

The budget for 2008-9 was compiled with a view to the Council achieving a small balance in reserves notwithstanding the net liability as at 31 March 2008 of £14,832 as shown on page 35. The Council therefore consider the going concern basis is still appropriate for the preparation of these accounts.

Finance

We comply with the Confederation of British Industry's Prompt Payment Code. Our creditor payment policy is that all creditors are paid within 30 days of receipt of an invoice, except in the instance where there may be a query or dispute regarding an invoice. The statistics for 2007-8 are as follows:

2007-08	NUMBER	£
Total invoice paid	337	458,086
Total invoice paid <i>within 30 day target</i>	332	454,387
Percentage of invoice paid <i>within 30 day target</i>	98.52%	99.19%

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 HPC.

Risks – resources and data handling

The most significant risk is that we will not have the resources to meet the above objectives. If complaints continue to rise then the Council's legal costs could be greater than was budgeted for. The cost of our exams is fixed to a large extent and so if fewer candidates come forward for the exams than expected then we may not collect sufficient fees to meet those costs. If the transfer to the HPC is delayed then the Council may have to operate longer than anticipated in the budget.

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. Lastly, the Council continues to take its responsibilities in the storage, handling and use of data in electronic and paper form extremely seriously.

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. The Council adheres to Cabinet Office guidance on data protection issues and has requested a specific audit of its data protection control systems from BERR. Data protection is discussed regularly at Council, Audit Committee and Management levels. Although we are confident of our risk mitigation strategies these risks remain serious and 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.

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 Strategic Executive Committee Chair, Huw Vaughan Thomas.

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 BERR and other third parties as considered necessary.

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 & Registrar Sandra Verkuyten	Legal Services Director Janet Hawthorne	Director of Resources Justin Parfitt	Director of Policy and Communications Chris O'Leary
2007 / 08	42,024	3,375¹	12,360	12,360
2007 / 08	40,800	0	12,000	12,000

¹Salary for the period 1 January to 31 March 2008

*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 notice period in executive directors' service contracts is as follows:

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

The contract for the provision of the services of the Legal Services Director by Iodem was for the period from 1 April 2006 to 31 December 2008 with a notice period of six months. Two new replacement employment contracts were signed for the provision of these services as Solicitor to the Council and Legal Director effective from 1 January 2008 with a notice period of three months. Janet Hawthorne was paid as a staff member from January 2008.

The contract for the 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.

Council members

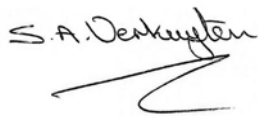
The Chair and Council members are paid a daily attendance allowance for Council duties and are reimbursed for their actual expenses for travelling and subsistence. This is as approved by the Department for Business, Enterprise and Regulatory Reform, with attendance allowances in excess of 25 days approved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

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

Included in the charge shown in the accounts is an amount of £24,402 (2006-7: £24,564) 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

	2007 / 08 £'000	2007 / 08 Days	2006 / 07 £'000	2006 / 07 Days
Hughes, Christopher	15-20	69	5-10	43
Maltby, Maryanne	0-5	9.5	5-10	27.5
Yates, Denise	0-5	15	5-10	19
Bishop Michael	0-5	19.5	0-5	18.5
Georgevic, Mark	0-5	11	0-5	9
Prasher, Deepak	0-5	11	5-10	32
Thomas, Huw	0-5	14	0-5	16
Ormerod, Peter	0-5	13.5	0-5	19
Corcoran, Anthony	0-5	8	0-5	16
Armstrong-Bednall, Gerald	0-5	14	0-5	18
Brook, Norma	0-5	22	0-5	22
Luxon, Linda	-	-	0-5	2
Raine, Christopher	0-5	11	0-5	8
Oates, John	0-5	1	-	-
Ince, Peter	0-5	1	-	-



Sandra Verkuyten
Chief Executive and Registrar
8 July 2008

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 HM Treasury and published in *Government accounting* (replaced by *Managing Public Money* in October 2007).

Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the HAC's policies, aims and objectives, whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in *Managing public money*. The authority delegated to the Council by the Department for Business, Enterprise and Regulatory Reform is set out in the HAC's Management Statement.

The purpose of the internal control system

The system of internal control is designed to manage to a reasonable level, rather than to eliminate, the risk of failure to achieve policies, aims, objectives and outcomes; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is under continuous development and will be based on a process designed to:

- identify and prioritise the risks to the achievement of the Council's policies, aims and objectives; and
- evaluate the likelihood of those risks being realised, the impact should they be realised and to manage them effectively, efficiently and economically.

The system of internal control has been in place in HAC for the year ended 31 March 2008 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

Capacity to handle risk and the risk control framework

A continuous risk assessment process exists within HAC covering the activities of the Council and the environment within which it operates. The audit committee monitors the output from an HAC risk register system with periodic review of this by the Council.

All Council members receive training in conduct and governance at the start of their terms. Audit Committee members have also received training during the year for their roles from the NAO. The Audit Committee reviews the risk register at each meeting and serious concerns are raised with the Council. The Council oversees the activities of the CEO and Registrar, the Directors and the committees.

The corporate governance framework was updated in 2007-8, including a revised schedule of delegation.

- The rising level and seriousness of complaints in 2007-8 necessitated an increased focus on the controls and processes over the investigation of complaints and the disciplinary process and the related financial effect on the Council. Improvements to controls will continue to be made where possible during 2008-9.

Work to progress the achievement of HAC strategic objectives is outlined in the annual Business Plan which is agreed with the Senior Departmental Sponsor who monitors achievement against the plan in monthly performance review meetings and had an open invitation to attend Board and Audit Committee meetings. Copies of minutes and meeting papers were circulated to the Sponsor and discussed in quarterly review meetings with HAC officers.

Ministers are kept apprised of developments in the HAC work programme and continue to be fully involved in the support of key policy and operational work.

Review of effectiveness

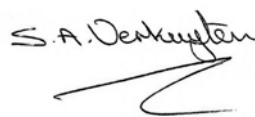
As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. This review is informed by the work of the internal auditors who have provided a specific annual opinion on the internal controls in place within HAC. The internal audit service has commented on our internal control system as a "strong control environment". This is their highest award, as in 2006-7.

I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Council and the Audit Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place. During a period of continued change, creating a high degree of uncertainty, there is a need for constant review of all policies, procedures and systems.

As a result of the comprehensive review of the system of internal control which I conducted, I can confirm that no significant control issues have been identified.

Disclosure of relevant audit information to our auditors

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.



Sandra Verkuyten
Chief Executive and Registrar
8 July 2008

I certify that I have audited the financial statements of the Hearing Aid Council for the year ended 31 March 2008 under the Hearing Aid Council Act 1968. These comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and Statement of Total Recognised Gains and Losses 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 are responsible for preparing the Annual Report, the Remuneration Report and the financial statements in accordance with the Hearing Aid Council Act 1968 and directions made by the Secretary of State with 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 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 management commentary sections, 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 remaining sections of the annual report 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.

The maintenance and integrity of the Hearing Aid Council's website is the responsibility of the Accounting Officer; the work carried out by the auditors does not involve consideration of these matters and accordingly the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Opinions

In my opinion:

- the financial statements give a true and fair view, in accordance with the Hearing Council Act 1968 and directions made by the Secretary of State with approval from Treasury, of the state of the Hearing Aid Council's affairs as at 31 March 2008 and of its deficit 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 with approval from Treasury; and
- information, which comprises the Council and management commentary sections, 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.

T J Burr
Comptroller and Auditor General
21 July 2008

National Audit Office
151 Buckingham Palace Road
Victoria
London SW1W 9SS

*Income and Expenditure Account
for the year ended 31 March 2008*

	Note	2007 / 08	2006 / 07
Income			
Registration and retention fees		763,878	749,125
Examination fees		245,950	220,300
CPD course accreditation		5,130	3,270
Other		2,744	2,251
Costs & fines awarded		90,670	94,253
		1,108,372	1,069,199
Expenditure			
Operating costs	3	642,331	640,472
Examination costs		227,877	198,275
Disciplinary and legal costs	6	354,649	284,221
Cost of capital change	1(g)	(864)	(620)
		1,223,993	1,122,348
Operating deficit		(115,621)	(53,149)
Cost of capital reversal	1(g)	(864)	(620)
Interest receivable		19,966	15,786
Net deficit for the period		(96,519)	(37,983)

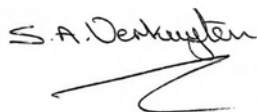
There were no recognised gains or losses other than the deficit for the financial period.

Grant funding from the Department for Business, Enterprise and Regulatory Reform of £116,245 has been taken directly to the income and expenditure reserve – see notes 1b and 12.

The notes on pages 37 to 45 form an integral part of these financial statements.

Balance Sheet as at 31 March 2008

	Note	2008 £'000	2008 £'000	2007 £'000	2007 £'000
Fixed assets					
Tangible assets	7		14,908		10,537
Intangible assets	8		250		2,016
			-----		-----
			15,158		12,553
Current assets					
Debtors	9	43,250		87,452	
Cash at bank and in hand	10	568,976		302,850	
		-----		-----	
		612,226		390,302	
Creditors					
Amount falling due within 1 year	11	642,216		437,413	
		-----		-----	
Net Current Liabilities			(29,990)		(47,111)
			-----		-----
Total assets less			(14,832)		(34,558)
Current liabilities			-----		-----
Net liabilities			(14,832)		(34,558)
			-----		-----
Capital and reserves					
Income and expenditure reserve	12		(14,832)		(34,558)
			-----		-----



Sandra Verkuyten
Chief Executive and Registrar
8 July 2008

The notes on pages 37 to 45 form an integral part of these financial statements.

*Cash flow statement
for the year ended 31 March 2008*

2007-08	Note	2007 / 08 £	2006 / 07 £
Net Cash Inflow / Outflow from Operating Activities		134,703	100,743
Return on investments and Servicing of Finance:			
Interest recieved		19,966	15,786
Capital Expenditure and Financial Investment:			
Payments to acquire fixed assets	7	(16,162)	
Proceeds on disposal of fixed assets		11,374	-
Net Cash Inflow / Outflow before Financing		149,881	116,529
Financing: Grant from the Department for Business, Enterprise and Regulatory Reform	12	116,245	-
Increase / Decrease in Cash at Bank and in Hand		266,126	116,529

**Reconciliation of operating deficit to net cash
inflow/(outflow) from operating activities**

Operating deficit		(115,621)	(53,149)
Cost of capital charge	1(g)	(864)	(620)
Depreciation and amortisation	7,8	11,244	7,950
Profit / loss on disposal of fixed assets	7	(9,061)	1,577
Increase / decrease in debtors	9	44,202	(41,598)
Decrease / increase in creditors	10	204,803	186,583
Net cash inflow / (outflow) from operating activities		134,703	100,743

The notes on pages 37 to 45 form an integral part of these 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

Grants income received from BERR are treated as contributions from a controlling party giving rise to a financial interest in the residual interest in HAC and are therefore accounted for as financing by crediting them directly to the Income & Expenditure Reserve on a cash receivable basis.

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.

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 2007-8, as in previous years, as any adjustments would not be material.

1(g) Cost of capital

Cost of capital is a credit for the year as it was calculated on average net liabilities in the year rather than net assets.

A notional cost of capital £(864) (2006-07: £(620)) has been calculated in accordance with the *FReM*. It has been calculated at a rate of 3.5% on the average net assets of the Council (2007 - 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.

2 GOVERNMENT GRANTS

Grant income from the Department for Business, Enterprise and Regulatory Reform is allocated directly to the income and expenditure reserve in compliance with the *FReM*.

3 EXPENDITURE

	Note	2007 / 08 £	2006 / 07 £
Operating costs			
Chief executive & registrar's fees *		46,735	45,377
Staff salaries **	4(a)	131,227	84,419
Director fees ***		30,354	25,783
Agency staff		2,445	24,590
Recruitment costs		(1,763)	13,748
Courses		4,467	5,064
Meetings and Council members' fees		171,089	174,487
CPD contractor		44,898	41,090
Computer and website		19,020	26,556
Printing and stationery		19,241	23,304
Rent, office and storage costs		58,847	37,662
Postage		10,539	13,184
Telephone		3,571	3,373
Audit fees	4(b)	27,141	32,459
Legal & professional - general		50,733	52,870
Consultancy fees	5	13,825	25,051
Bank charges		1,337	1,273
Insurance		6,442	655
Depreciation and amortisation	7,8	11,244	7,950
(Profit)/loss on disposal of fixed assets	7	(9,061)	1,577
Income and expenditure account		642,331	640,472

*See Remuneration Report

**Includes Employers National Insurance of £11,885 (2006/07 - £7,640).

***Includes Employers National Insurance of £2,259 (2006/07 - £1,783).

4 SALARIES AND AUDIT FEE

4(a) Staff salaries and administrative fees

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

	2007 /08 WTE (whole time equivalent)	2007 /08 WTE
Management and administrative	5.63	4.76
(Temporary staff 0.25 (2006-07 - 0.5 WTE))		

4(b) Audit fee

The audit fee comprises the estimated fee for 2007-8 totalling £15,000 plus an under-provision for the 2006-7 fee of £5,000 (2006-7: £15,000); and internal audit work for the year £7,141 (2006-7: £13,959).

The Comptroller and Auditor General fees do not include fees in respect of non-audit work. The National Audit Office Committee provided training for the Audit Committee but this was free of charge.

5 CONSULTANCY FEES

Cassiopeia Consultancy assisted in the further development of Council communications and policy at a cost of £13,825 (2006-7 - £19,172 of the total costs of £25,051).

6 DISCIPLINARY AND LEGAL COSTS

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

Table below

	2007 /08 £	2007 /08 £
Total costs, including lawyers, barristers and QCs' fees	294,049	272,396
Provision for doubtful debts in respect of costs and fines awarded	60,600	11,825
	354,649	284,221

7 TANGIBLE FIXED ASSETS

	Office equipment £	Computer hardware £	Total £
Cost			
At 1 April 2007	4,380	20,197	24,577
Additions	-	16,162	16,162
Disposals	-	(5,843)	(5,843)
At 31 March 2008	4,380	30,516	34,896
Depreciation			
At 1 April 2007	1,850	12,190	14,040
Provided in the period	876	8,602	9,478
Eliminated on disposal	-	(3,530)	(3,530)
At 31 March 2008	2,726	17,262	19,988
Net book value			
at 31 March 2008	1,654	13,254	14,908
Net book value			
at 31 March 2007	2,530	8,007	10,537

During the year two servers had to be replaced due to failure in their operation as a result of accidental damage. Both servers were covered by the HAC insurance policy resulting in a profit on disposal of £9,061.

8 INTANGIBLE FIXED ASSETS

Computer software	£
Cost	
At 1 April 2007	43,283
Additions	-
At 31 March 2008	43,283
Amortisation	
At 1 April 2007	41,267
Provided in the period	1,766
At 31 March 2008	43,033
Net book value at 31 March 2008	250
Net book value at 31 March 2007	2,016

9 DEBTORS

	2008 (£)	2007 (£)
Trade debtors	330	150
Prepayments	13,243	24,545
Other debtors	29,677	62,757
	43,250	87,452

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

	2007 /08 £	2007 /08 £
Cash at bank	568,976	302,430
Cash in transit	-	420
	568,976	302,850

**11 CREDITORS' AMOUNTS FALLING
DUE WITHIN ONE YEAR**

	2008 £	2007 £
Trade creditors	104,991	76,446
Tax and social security	22,868	43,373
2008 / 09 registration and retention fees in advance	397,675	172,974
2008 / 09 exam fees received in advance	42,900	85,700
Accruals	73,782	58,920
	642,216	437,413

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 2007	(34,558)
Grant from BERR	116,245
Deficit for the year ended 31 March 2008	(96,519)
Reserves as at 31 March 2008	(14,832)

13 CAPITAL COMMITMENTS

The Council had no capital commitments at either 31 March 2008 or 31 March 2007.

14 CONTINGENT LIABILITIES

There were no contingent liabilities at the year end.

15 DERIVATIVES AND FINANCIAL INSTRUMENTS

The Council has no borrowing and relies primarily on registration and retention fees from registered dispensers and grant-in-aid for its cash requirements. All assets and transactions are denominated in sterling. It therefore manages a continuing liquidity risk but is not exposed to currency risk. The Council is only exposed to interest rate risk to the extent that it holds its funds in an interest bearing current account.

Short term debtors and creditors have been excluded from these disclosures.

16 RELATED PARTY TRANSACTIONS

Amicie Knowles and Adam Knowles were employed by the Council and are related parties by virtue of their relationship as the daughter and son of the Chief Executive and Registrar. During the year they were paid £21,579 (2006-7 - £8,535) and £2,445 (2006-7 - £1,980) respectively. Amicie Knowles is a permanent member of staff and Adam Knowles provided temporary staff cover.

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 2007-8.

Janet Hawthorne – Director of Legal Services and Director of Iodem Limited.

HAC incurred charges from Iodem Limited in the year of £273,142 (2006-7 - £229,640) in relation to the provision of the services of the Legal Services Director £60,520 (2006-7 - £65,635) and supply of legal services in relation to Investigation and Disciplinary Committee activity during the year and review of disciplinary cases £212,622 (2006-7 - £164,005). The latter costs are disclosed in disciplinary and legal costs in the income and expenditure account.

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

Parfitt & Co Chartered Accountants invoiced the Council £46,509 (2006-7 - £41,995) in relation to financial management services included within legal and professional – general (see note 3).

Chris O'Leary – trading as Cassiopeia Consultancy

Cassiopeia Consultancy invoiced the Council £13,825 as referred to in note 5.

Maryanne Maltby

During the year £7,240 was paid to Maryanne Maltby for work carried out as a Hearing Aid Council examiner (2006-7- £2,109).

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

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

During the year the BERR provided grant in aid in the sum of £116,245 to the Council (2006-7: £nil). Please see notes 1b and 12 in relation to the treatment of grant in aid by the Council.

17 POST BALANCE SHEET EVENTS

As referred to in the main body of this annual report, in April 2008 the Government included a proposed amendment to the Health and Social Care Bill 2007-8 which will abolish the Hearing Aid Council and enable the transfer of responsibility for the registration of dispensers to the Health Professions Council.

On 14 May 2008 Hidden Hearing Limited made an application for judicial review of guidance issued by the HAC in relation to the use of non-registered dispensers to support the work of registered hearing aid dispensers. The HAC's legal advice is that the Council has not acted illegally and that the time period to challenge its actions has lapsed.

The annual report and accounts have been authorised to be issued by the Accounting Officer on 21 July 2008

18 LOSSES AND SPECIAL PAYMENTS

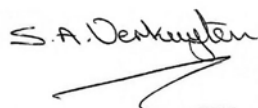
There were no material losses or special payments made during the financial year.

19 COMMITMENTS UNDER OPERATING LEASES

Rent costs included in other operating costs, in the sum of £54,990, 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	2008 (£)	2007 (£)
Expiring between one and five years	17	54,990	33,840
		54,990	33,840



Sandra Verkuyten
Chief Executive and Registrar
8 July 2008

HAC had no other operating leases as at 31 March 2008.