Agreement to revised terms and conditions of external auditors

Purpose
The Audit and Risk Committee recommend to Council the revised terms and conditions of the external auditors Grant Thornton.

Recommendation
The Audit and Risk Committee recommend to Council the revised terms and conditions of the engagement letter of our external auditors (Appendix 1) be approved and that Council delegate the authority to the Chair Bob Nicholls to sign on behalf of the Council any further engagement letters for the internal and external auditors on the proviso that they are reported to the Committee.

1.0 Background

1.1. The external auditors engagement letter has already been signed by the Council in October 2010 however due to a change in the International Standards of Auditing in 2010 the wording on the second page of the letter has been amended to include the following sentence:

It is your responsibility to provide a copy of this engagement letter to those charged with governance, including all members of the Board of the Council

This is part of the new clarity introduced within the International Standards of Auditing and is in response to concerns in case law that board members could claim that they never saw the terms and conditions under which the auditors are appointed.

Bernard Kelly, Director of Resources and Corporate Development
General Pharmaceutical Council
bernard.kelly@pharmacyregulation.org, tel 020 3365 3510
10 March 2011
Our Ref CAR/JMB

The Members of the Board of the Council
General Pharmaceutical Council
129 Lambeth Road
LONDON
SE1 7BT

26 January 2011

Dear Sirs

**Terms of engagement between the General Pharmaceutical Council and Grant Thornton UK LLP**

The purpose of this letter is to set out the basis on which Grant Thornton UK LLP (Grant Thornton, also 'the Firm') will supply services to the **THE GENERAL PHARMACEUTICAL COUNCIL** (being a body corporate incorporated pursuant to the Pharmacy Order 2010 of 129 Lambeth Road, London SE1 7BT), (GPhC)

The addressees of this letter are referred to collectively hereafter as 'the parties'.

**Responsibility of auditors**

Our appointment as auditors to the GPhC makes us responsible for reporting to the members on the financial statements prepared by the GPhC or on their behalf. Our responsibilities as auditors are imposed by applicable law and professional standards; for ease of reference they are summarised in Appendix II.

As noted above, our report will be made solely to the GPhC, as a body, in accordance with the regulations made under the Pharmacy Order 2010. Our audit work will be undertaken so that we might state to the members of the GPhC those matters we are required to state to them in an auditor's report and for no other purpose. In those circumstances, to the fullest extent permitted by law, we will not accept or assume responsibility to anyone other than the GPhC and the members of the GPhC as a body, for our audit work, for the audit report, or for the opinions we form.

**Responsibilities of the Council Members**

As Members of the GPhC, you are responsible for preparing the financial statements which satisfy the requirements of the Pharmacy Order 2010.

Our audit will be conducted on the basis that the members of the board of the council acknowledge and understand that they have responsibility:

(a) for the preparation and fair presentation of the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice.

(b) for such internal control as the GPhC determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and,
(c) to make available to us, as and when required:

- access to all information of which the GPhC is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters.
- additional information and explanations as we think necessary for the performance of our duties as auditor.
- unrestricted access to persons within the entity from whom we determine it is necessary to obtain audit evidence.

It is your responsibility to provide a copy of this engagement letter to those charged with governance, including all Members of the Board of the Council.

**Written representations**
As part of our audit process, we will request from the members of GPhC written confirmation concerning representations made to us in connection with the audit, including confirmation in their statement of responsibilities in the financial statements that, in so far as they are aware:

- there is no relevant audit information of which we are unaware; and
- the members of the board of the council of the GPhC have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that we are aware of that information.

It is important that the members of the board of the council of the GPhC understand these responsibilities and we would be happy to discuss them.

**Limitation of liability**
Our liability will be limited in connection with this engagement, on the basis set out in the detailed Terms of Business, to that part of any loss suffered that is proportional to our responsibility.

**Fees**
The Schedule of Fees is as per Grant Thornton Externat Audit Proposal dated 27 April 2010 (Appendix III) The fees will be reviewed on an annual basis in line with RPI, following discussion and agreement with the GPhC. Bills will be rendered periodically for each class of work undertaken and are due on presentation. Bills will be paid within 30 days of submission as per the GPhC’s Standard Terms and Conditions.

**Additional terms and conditions of engagement**
The additional terms and conditions included in Appendices II and III to this letter apply to this engagement as if they were set out in this letter. They should be read as part of and in conjunction with this letter as they form an important and integral part of the overall terms of engagement.

**Agreement of terms**
Once agreed, this engagement with you sets out the entire terms agreed between the parties relating to the service and supersedes all previous representations, warranties and terms (whether in writing or not) previously made between the parties. Any amendments, additions or alterations to this agreement shall not be effective unless in writing and signed by a duly
authorised representative of each party.

We should be grateful if you would confirm in writing your agreement to the terms of this letter by signing and returning the enclosed copy.

Yours faithfully

Grant Thornton UK LLP

Terms of engagement, including the appendices to this letter, acknowledged and agreed by:

[Signature]
Member of the board of the Council, General Pharmaceutical Council

Date
Terms of business
These additional terms and conditions of engagement should be read together with the accompanying letter from Grant Thornton UK LLP which identifies the engagement to which they relate (the engagement letter).

Limited Liability Partnership
Grant Thornton UK LLP is constituted as a limited liability partnership in accordance with the Limited Partnership Act 2000 (with registered number OC307742 and with its registered office at Grant Thornton House, Melon Street, Euston Square, London, NW1 2EP). Where reference is made in these Terms of Business, any correspondence or in the context of providing services, to a 'partner' of Grant Thornton, the term 'partner' indicates a member of Grant Thornton or a senior employee of Grant Thornton. It shall not be construed as indicating that the members of Grant Thornton are carrying on business in partnership for the purposes of the Partnership Act 1890. A list of the members of Grant Thornton is available from our registered office. Our partners and employees do not owe a personal duty of care nor assume any personal responsibility.

Client monies
Whilst you may not have asked us to do so, from time to time some clients request us to hold monies on their behalf and the following paragraphs provide information on the current basis of these arrangements if you choose to ask us to hold such monies at some time in the future and we agree to do so.

Agreement for payment of interest
The Clients’ Money Regulations of the Institute of Chartered Accountants in England and Wales require us to write to you to confirm formally the treatment of interest between us.

All client monies held on the GPhC’s behalf which are in excess of £10,000 and are unlikely to be reduced below that amount within thirty days of receipt, will be placed in an interest bearing designated deposit account in the GPhC’s name.

All client monies held on the GPhC’s behalf, other than amounts stated above, will be held in trust for the GPhC in our general clients’ bank account for which no interest will be accountable to the GPhC. However, such monies may be transferred to a designated deposit account where it is considered appropriate, or as a result of specific instructions to that effect being received from the GPhC.

All interest received on designated deposit accounts will be credited directly thereto and will be accounted for as belonging to the GPhC.

Operation of Bank Accounts holding Client Funds
As a matter of best practice and internal control no single partner or member of staff is permitted by the rules of Grant Thornton to be a sole signatory on a client’s bank, building society or similar account other than for sums of £5,000 or less in respect of each transaction. No partner or member of staff of Grant Thornton, whether singly or jointly, is permitted to receive in his/her/their own name monies due and payable to or from a client.

Ownership of books and papers
All documents such as (for example, but without being an exhaustive list) working papers, letters, memoranda, file notes of meetings and telephone calls, draft computations and returns etc and copies of other original documents which we create or which we receive either as principal in our own right or as agent for the GPhC, belong to Grant Thornton. For the avoidance of doubt we do not assert such ownership rights to documents such as, for example, title documents, original invoices and other original primary accounting records, tax deduction certificates etc, belonging to the GPhC but we may retain possession of them by exercising a lien because our fees remain outstanding after becoming due for payment.

Regulators’ access to our files
Grant Thornton is subject to the authority of a number of regulatory bodies including the Institute of Chartered Accountants in England & Wales and the Financial Reporting Council. These bodies have various powers (statutory or otherwise) to inspect our files and working papers, including client confidential information contained in them. Such powers are exercised from time to time and we are obliged to comply with them.

Responsibility for legal documents
There may be occasions in the provision of our services where you wish us to comment on the commercial aspects of legal documents drafted by lawyers. We will not be involved in their drafting and/or preparation as we consider this is within the realm of the professional business of lawyers. Further, whilst every care will be taken in the advice we give in relation to any information contained in such documents, such advice and/or comment should not be taken as setting the documents, which will have been drafted by your lawyers. Accordingly, we cannot accept any liability or responsibility for any loss or damage suffered as a result of any defect in such documents arising from their drafting.
preparation, completion or the mechanics of putting
them into effect.

Limitation of liability
The aggregate liability of this Grant Thornton, its
partners, agents and employees or any of them
(together referred to in this and subsequent clauses as
the 'Firm') for Total damage shall be limited to the
amount of £2 million (two million pounds).

For the purposes of this engagement letter 'the Total
damage' shall mean the aggregate of all losses or
damages (including interest thereon if any) and costs
suffered or incurred, directly or indirectly, by the
addressee(s) of this letter (together with such other
parties whom the Firm and such original addressees
have agreed may have the benefit of and rely upon our
work on the terms hereof) (together 'Addressees')
under or in connection with this engagement or its
subject matter (as the same may be amended or
varied) and any report prepared pursuant to it,
including as a result of breach of contract, breach
of statutory duty, tort (including negligence), or other act
or omission by the Firm but excluding any such losses,
damages or costs arising from the fraud or dishonesty
of the Firm or in respect of liabilities which cannot
lawfully be limited or excluded.

Where there is more than one Addressee the limit of
liability specified in paragraph 1 above will have to be
allocated between Addressees. It is agreed that such
allocation will be entirely a matter for the Addressees,
who shall be under no obligation to inform the Firm
of it, provided always that if (for whatever reason) no
such allocation is agreed, no Addressee shall dispute
the validity, enforceability or operation of the limit of
liability on the ground that no such allocation was
agreed.

Proportionality
The liability of Grant Thornton for all and any
losses or damage (including interest and cost) (the
Total Damage) suffered or incurred by the
addressee(s) of this letter shall be limited to the
proportion of the Total Damage which may be justly
and equitably attributed to Grant Thornton after
taking into account the contributory negligence (if
any) of the addressee(s) and any other third party
found to be liable to contribute to the Total Damage
pursuant to the Civil Liability (Contribution) Act 1978.

Claims
You agree not to bring any claim in respect of loss or
damage suffered by you out of or in connection with
the services (including but not limited to delay or non-
performance of our services) against any of our
partners or employees. This restriction will not
operate to limit or exclude the liability of
Grant Thornton for the acts or omissions of any
partner or employee. It is agreed that any partner or
employee will have the right to enforce this clause
pursuant to the Contracts (Rights of Third Parties)
Act 1999.

Other matters
International status
For the avoidance of doubt please be aware that Grant
Thornton International Ltd (Grant Thornton
International) is not an
international/global/worldwide partnership or limited
liability partnership either in relation to all of the
members collectively or any two or more members
together. In particular, Grant Thornton does not
carry on business in the United States of America or
Canada and is a separately owned and managed
business from entities known as Grant Thornton LLP
and/or Grant Thornton (International) carrying on business in
those territories.

The Contracts (Rights of Third Parties) Act 1999
in respect of member firms of Grant Thornton
International Ltd
In the course of our work for GPhC under this
engagement / contract we may obtain advice and/or
other services from one or more Member Firms of
Grant Thornton International Ltd. You and we agree
that in that event the terms of this engagement /
contract will apply for the benefit of such Member
Firm(s) of Grant Thornton International with respect
to any work that they carry out in respect of or in
relation to this engagement / contract. Other than in
relation to the advice and/or services provided by the
said Member Firm(s) of Grant Thornton
International, and except for the benefit of Partners
and employees of Grant Thornton as set out below it
is hereby agreed between us that the Contracts (Rights
of Third Parties) Act 1999 does not apply to the
terms of this engagement / contract or any subsequent
amendment to it unless expressly confirmed in writing
that the said Act does apply.

Contracts (Rights of Third Parties) Act 1999
Except to the extent that our partners and employees
can benefit from the provision 'Claims' herein, it is
hereby agreed between us that the Contracts (Rights
of Third Parties) Act 1999 does not apply to the terms
of this engagement or any subsequent amendment to
it unless expressly confirmed in writing that the said
Act does apply.
Notices
Any notice or other document to be served under this contract must be in writing and may be delivered or sent by pre-paid first class letter post, facsimile transmission or scanned/converted into electronic format (such as PDF or similar) and sent by email to the party to be served at that party's address set out in this contract or at such other address or number or email address as that party may from time to time notify in writing to the other party.

Any notice or document shall be deemed to be served:

i if delivered, at the time of delivery
ii if posted, 48 hours after posting and
iii if sent by facsimile transmission or sent by email, at the time of transmission if between the hours of 9.00 AM and 5.00 PM on Monday to Friday (other than statutory holidays) or otherwise at 9.00 AM on the next succeeding business day.

Any notice or document that is sent in electronic form by email shall also be sent in hard copy form by pre-paid first class post on the same day it is sent by email.

In proving service (without prejudice to any other means):

i by post, it shall only be necessary to prove that the notice or the document was contained in an envelope properly stamped and posted as provided in this paragraph
ii by facsimile transmission, it shall be necessary to prove that the notice or document was duly received by production of a copy facsimile with the record of correct transmission generated by the sender's facsimile machine
iii by email, it shall be necessary to prove that it was sent from the sender's email account

Freedom of Information Act 2000
For the purposes of this Agreement requests made under the Freedom of Information Act 2000 ("the Act") or similar legislation (including without limitation the Environmental Information Regulations 2005 ("the Regulations"), the GPhC agrees that trade secrets and information, the disclosure of which would prejudice the firm's commercial or legitimate economic interests, as referred to in the Act and/or the Regulations, shall mean those documents specifically referred to below or any other information so classified by the Firm at the time of communication:

i any financial workings and supporting analysis prepared by the firm based upon information received from you or from third parties and any advice provided to you derived there from

ii the terms of our engagement with you and any information relating to those terms

iii any advice provided to you based on the firm's skills, knowledge or experience.

For the purposes of this Agreement requests made under the Act or similar legislation (including without limitation the Regulations), the GPhC agrees that Information provided in confidence, as referred to in the Act and/or the Regulations, shall mean any advice provided to you based upon workings or analysis prepared by a third party or any other information so classified by the Firm at the time of communication.

You shall as soon as practicable and in any event within five (5) working days of its receipt forward to Grant Thornton UK LLP a copy of a Request for Information, together with a statement that either:

i the GPhC does not intend to make any disclosures pursuant to the Request for Information; or

ii the GPhC does intend to make a disclosure pursuant to the Request for Information together with confirmation of the information which it intends to disclose.

Grant Thornton UK LLP shall within five (5) working days of its receipt of the copy of the Request for Information referred to above reply to the GPhC with any objections which it has in relation to disclosure of information.

The GPhC will upon receipt of the objections referred to in Clause above

i consult with, and take into account any comments from Grant Thornton UK LLP prior to making any disclosure; and

ii work with Grant Thornton UK LLP to ensure that any exemptions or other legitimate means of preventing or limiting disclosure are used to the fullest extent possible.

The GPhC agrees that it will pay Grant Thornton UK LLP's reasonable costs in dealing with a request for information made by a third party under the Act or the Regulations. Such costs will be based on the agreed CALESTAL rates for a researcher as an appropriate benchmark although GPhC is not registered with Catalyst (currently £81 per hour plus VAT) together with disbursements including but not
limited to photocopying charge of £0.23 per A4 sheet, 
£0.46 per A3 sheet plus VAT, post, storage and all 
other reasonable sundry expenses.

The GPhC agrees that any information ("the 
Information") which Grant Thornton UK LLP is 
required to provide to the GPhC so that it may 
disclose the same to a third party pursuant to the Act, 
the Regulations or other similar legislation is so 
provided for that sole purpose. However, any 
disclosure of the Information made by the GPhC to a 
third party is made by the GPhC at its sole discretion 
and the GPhC accepts that it is solely responsible for 
that disclosure and for any contravention of the Act, 
Regulations or any other right of any person or body 
as a result of any act or omission by the GPhC and the 
GPhC agrees to indemnify Grant Thornton UK LLP 
for all and any cost, damages and expenses incurred by 
Grant Thornton UK LLP directly or indirectly as a 
consequence of the GPhC's disclosure. Any such 
costs would be agreed between the two parties before 
being charged, or if agreement could not be reached 
taken to the disputes and mediation process.

If the Information is disclosed in whole or in part the 
GPhC agrees that it will ensure that any disclaimer 
which Grant Thornton UK LLP has included or may 
subsequently wish to include in the Information 
disclosed is reproduced in full and in all copies 
disclosed.

Each of clauses above constitutes an entirely separate 
and independent provision so that if one or more are 
held to be invalid for any reason whatever then the 
remaining clauses shall remain valid.

Force majeure
No party to this agreement shall be held in any way 
responsible for any failure to fulfil its obligations 
under this Agreement if such failure has been caused 
(directly or indirectly) by circumstances beyond 
the control of the defaulting party. This shall include 
war, riot, acts of terrorism, industrial action, accident 
or 
equipment failure (except where such accident or 
equipment failure has been caused by the negligence 
of the defaulting party, its employees, sub-licensees, 
subcontractors, agents or otherwise).

Data protection
We confirm that we are aware of our obligations 
under the Data Protection Act 1998 (DPA) and we 
will take appropriate technical and organisational 
measures to comply with all our obligations under the 
DPA when processing Personal Data supplied by you. 
All terms used in this paragraph have the same 
meaning as in the DPA.

In the conduct of our professional services we may 
need to collect and use personal information about the 
Council, your members and your employees agents or 
contractors, which we will hold as data controllers 
under the DPA. You confirm that you will comply 
with any obligations that you may have under the 
DPA when providing us with this personal 
information.

All such personal information will be held and 
processed strictly in accordance with the provisions of 
the Data Protection Act 1998 and will be only be used 
to provide professional services agreed under this 
engagement letter and for related purposes (including 
updating client records, analysis for management 
and 

purposes, statutory returns, legal and regulatory 
compliance). We will not, without consent, provide 
any such personal information to any third party 
except that where such transfer is a necessary part of 
the services provided, or we are required to do so by 
operation of law.

All individuals have a right under the DPA to obtain 
details of information held on them by 
Grant Thornton. If the Council, your members, your 
employees agents or contractors wish to exercise this 
right please contact our Data Protection Officer.

Staff
Our staff are assigned to you on the mutual 
understanding that neither party will offer 
employment to, nor employ, the staff of the other 
who have been involved during our assignment, or 
dealing with you, within twelve months unless written 
consent has been obtained from either party. If such 
consent is given either party reserves the right to bill 
an appropriate fee of 24% of the annual salary on 
appointment plus VAT.

Termination
In the event of non-payment of any bill rendered by 
us in accordance with our terms for payment, we 
reserve the right to unilaterally suspend or terminate 
our engagement / contract with you and the services 
provided under it.

Subject always to your obligations pursuant to the 
'Disputes and Mediation' clause herein and at all times 
behaving reasonably, you may terminate this contract 
by written notice if we commit a material breach or 
persistently breaches any term of this Contract and (in 
the case of a breach or breaches capable of being 
remedied) fail to remedy the breach or breaches within 
14 days after the receipt of a request in writing from 
you to do so(such request to contain a warning of 
your intention to terminate this Contract).
Any such suspension or termination by either party will be communicated in writing and sent by post or by facsimile transmission or e-mail.

Such Notice shall be deemed to be delivered to you two days after posting. If the Notice is sent to you by facsimile transmission or e-mail it shall be deemed delivered to you at the date and time of transmission or sending. Following any such suspension or termination our contractual or tortious duty of care to you will cease for any future actions or advice required under the engagement / contract with you. You will remain liable for all fees and disbursements and VAT owing together with interest calculable thereon.

Disputes and Mediation
In the unlikely event of a dispute arising out of or relating to this Contract/Engagement it is mutually agreed that before embarking on litigation proceedings we will attempt to resolve it through negotiations between senior executives of our respective organisations, who have authority to settle the same. If the matter is not resolved through negotiation, we shall endeavour to agree upon the nomination and appointment of an independent Mediator upon receipt of a written notice, by either of us to the other, to concur in such nomination and appointment. Should either of us fail to concur in such nomination and appointment within 14 days, either party may apply to the Centre for Effective Dispute Resolution (CEDR at www.cedr.co.uk), for the appointment of a Mediator. Each of us will give due weight to the views of the Mediator and will hope to resolve the dispute as a result thereof but such mediation is not binding and after the mediation each of us can resort to other means of dispute resolution that will be binding and enforceable. If either of us unreasonably refuses to invoke the mediation process the other party can, on giving written notice, rescind this term.

Our service
If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, please let us know by contacting Charles Futton-Potts.

We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. If we have given you a less than satisfactory service, we undertake to do everything reasonable to put it right and if you are still not satisfied, you may of course take up matters with the Institute of Chartered Accountants in England and Wales.

Governing law
This engagement shall be governed by and construed in accordance with English Law and you hereby agree with us to submit for all purposes in connection with this engagement to the exclusive jurisdiction of the English courts.
Our Reporting Responsibilities as Auditors
We will report to you as members whether the financial statements give a true and fair view of the state of the GPhC's affairs and of its profit and loss for the year, in accordance with United Kingdom Generally Accepted Accounting Practice.

We also have professional responsibilities to report if the financial statements do not comply in any material respect with applicable law and accounting standards, unless in our opinion the non-compliance is justified in the circumstances. In determining whether or not the departure is justified we consider:

- whether the departure is required in order for the financial statements to give a true and fair view; and
- whether adequate disclosure has been made concerning the departure.

Our professional responsibilities also include:

- including in our report a description of the members' responsibilities for the financial statements where the financial statements do not otherwise include such a description; and
- considering whether other information in the annual report is consistent with the audited financial statements.

In addition, there are certain matters which, according to the circumstances, may need to be dealt with in our report. For example, non-compliance with a requirement of the regulations made under the Pharmacy Ordere 2010.

Audit approach
We will conduct our audit in accordance with International Standards on Auditing (UK and Ireland) by the Auditing Practices Board.

Our audit will be directed at fulfilling our responsibilities as auditors and will include such tests of transactions and of the existence, ownership and valuations of assets and liabilities that we consider necessary. Our objective will be to obtain such relevant and reliable evidence as we consider sufficient to enable us to draw reasonable conclusions.

Accounting system and internal control
We shall obtain an understanding of the accounting system and internal control systems so that we can assess their adequacy as a basis for the preparation of the GPhC's financial statements and to establish whether proper accounting records have been maintained (including those held on a computer). The nature and extend of our procedures will vary according to our assessment of the GPhC's accounting system and, where we wish to place reliance on it, the internal control system, and may cover any aspect of the business's operations that we consider appropriate.

Our audit is not designed to identify all significant weaknesses in the GPhC's systems but is designed primarily for the purpose of expressing our opinion on the financial statements of the GPhC. In consequence, our work will not encompass a detailed review of all aspects of the systems and cannot be relied upon necessarily to disclose all defalcations or other irregularities or to include all possible improvements in internal control that a more extensive special examination might develop.

However, if such weaknesses come to our notice during the course of our audit which we think should be brought to your attention, we shall report them to you.

Any such report may not be provided to third parties without our prior written consent. Such consent will be granted on the basis that such reports are not prepared with the interests of anyone other than the GPhC in mind and that we accept no duty or responsibility to any other party as concerns the reports.

Materiality
Our audit is planned and performed to enable us to provide reasonable assurance that the financial statements are free of material misstatement and give a true and fair view. In the context of auditing, materiality is an expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole. A matter is material if its omission would reasonably influence the decisions of an addressee of our report, likewise a misstatement is material if it would have a similar influence. Materiality may also be considered in the context of any individual primary statement within the financial statements or of any individual items included in them. Materiality is not capable of general mathematical definition as it has both qualitative and quantitative aspects.

Our assessment of materiality will assist in determining the nature, timing and extent of our audit procedures. The nature and extent of the work that we decide to perform will take account of our understanding of the business of the GPhC, our assessment of the GPhC's reporting, accounting and internal control systems (particularly the information
that management employs to manage the business).

**Material misstatements**

In performing our audit, we focus our audit effort on areas where material misstatements are more likely. These are areas where the nature of the item is such that it is subject to a greater possibility of misstatement and the GPhC’s control environment does not reduce this uncertainty to a sufficiently low level. However, there is an unavoidable risk that even some material misstatement may remain undiscovered because of the test nature and other inherent limitations of an audit, together with the inherent limitations of internal control.

**Fraud and other irregularities**

The members of the GPhC have sole responsibility for the prevention of fraud and other irregularities and primary responsibility for their detection.

We shall endeavour to plan our audit so that we have a reasonable expectation of detecting material misstatements in the financial statements or accounting records including those resulting from error, fraud or other irregularities, or non-compliance with law or regulations. However, our audit should not be relied on to disclose all such material misstatements, error, fraud or other irregularities or instances of non-compliance that may exist.

Should our audit lead us to believe that a fraud or irregularity has occurred, we will normally report the matter to management at an appropriate level or to the trustees. Where there is an impact on the financial statements, we will consider reporting the matter to the members through the medium of our audit report on those financial statements. In certain very exceptional circumstances, the public interest may require us to make disclosure to third parties.

**Taxation**

Our audit is not specifically designed to detect errors of principle in relation to VAT and PAYE; it cannot, therefore, be relied upon to do so; although we will draw management’s attention to VAT and PAYE irregularities detected during our normal audit procedures.

**Other matters**

In order to assist us in achieving our audit objectives, we will normally request the members to provide written confirmation of oral representations made to us and of matters which could not be corroborated by normal audit evidence. We will also request sight of all documents or statements which are to be issued as part of, or with, the financial statements (for example the annual report).

Once we have issued our report we have no further direct responsibility in relation to the financial statements for that financial year. However, we expect that you will inform us of any material event occurring between the date of our report and that of laying the accounts before the House of Parliament, which may affect the financial statements.

We are entitled to attend all general meetings of the Council, and to receive notice of all such meetings.

**Electronic publication**

We recognise that the GPhC may wish to publish its financial statements and our auditors’ report on its website or distribute them by e-mail or other electronic means. The GPhC should ideally advise us of any intended electronic publication before it occurs.

The members are responsible for ensuring that any such publication properly presents the financial information and any auditors’ report, and for the controls over, and the security of, the website. The members are responsible for establishing and controlling the process of electronically distributing the annual report and other financial information.

We reserve the right to withhold consent to the electronic publication of our auditors’ report if the audited financial statements or our auditors’ report are to be published in an inappropriate manner. The examination of the controls over the maintenance and integrity of the GPhC’s website is beyond the scope of our audit of the financial statements.
**Schedule of fees as per proposal dated 27 April 2010**

Our proposed fees for the audit of The General Pharmaceutical Council for the year ending 31 March, excluding VAT and expenses, are:

<table>
<thead>
<tr>
<th></th>
<th>£</th>
</tr>
</thead>
<tbody>
<tr>
<td>Statutory audit 2010 (no transactions but full accounts)</td>
<td>1,875</td>
</tr>
<tr>
<td>Statutory audit 2011</td>
<td>19,050</td>
</tr>
</tbody>
</table>

As the work for both the years ended 31 March 2010 and 31 March 2011 are to be completed in the same year we propose that only a small additional charge be applied to 31 March 2010. Our ongoing fee would be based on the 2011 fee.

**Setting and agreeing fees in future years**

In the event of no material changes in your expected size and structure, and no changes in audit regulatory regime, we would propose that our fee increase by RPI each year. If material changes do occur to your organisation, we would discuss with management any additional fees that may be required.