Purpose
To approve the combined annual report; annual accounts; and annual fitness to practise report.

Recommendation

The Council is asked to agree:

i. The combined annual report; annual accounts; and annual fitness to practise report.

1.0 Introduction

1.1 The Pharmacy Order 2010 sets out reporting requirements for the General Pharmaceutical Council. These requirements include, as set out in Schedule 1 Paragraph 7 and Paragraph 8 of the Order, the requirement to present to the Privy Council on an annual basis:

- the annual report, including how we have met good practice in equality and diversity;
- annual accounts including a report from our external auditor;
- a statistical report on our fitness to practise proceedings, with the Council’s observations; and
- a strategic plan.
1.2 Council has indicated its intention, which the Privy Council has approved, to agree a strategic plan in September 2011.

1.3 The combined annual report, fitness to practise report and accounts should be provided to the Privy Council Office, by 22 June 2011 at the very latest, if it is to be laid in both the Houses of Parliament and the Scottish Parliament before summer recess. The report will also be provided to the Welsh Assembly. The draft report is at Appendix 1.

1.4 The Welsh Language Act also requires us, as a designated public body, to set out in our annual report, how we are meeting our obligations under the Act including reporting on activities set out in our own Welsh Language Scheme. We are currently consulting on our scheme and the annual report, annual accounts and fitness to practise report are being published bilingually and will be submitted to the Welsh Language Board.

2.0 Key Considerations

2.1 Although the legislation sets out these key requirements for reporting; flexibility exists for Council to publish the reports as either individual documents or as a joint report. We have prepared these reports (excluding the strategic plan) in one document, believing that this would help transparency and key interest groups to access key information about our organisation and what we have done over the reporting period.

2.2 Having three reports in one therefore makes this report longer than may seem familiar but it is more efficient.

2.3 The Privy Council Office and the parliamentary authorities have some specific requirements in terms of the report’s format and printing and we have consulted and received formal approval of the format.

2.4 Our annual accounts were independently audited by Grant Thornton UK LLP and the financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). A copy of their key issues memorandum is at Appendix 2.

2.5 The Audit and Risk Committee’s terms of reference require it to consider the annual report and, following the independent audit of accounts, the annual accounts.
2.6 The Audit & Risk Committee considered in detail, at its meeting on 13 May 2011, not only the annual report and accounts, but also the annual fitness to practise report.

2.7 The Committee provided helpful feedback and recommendations to strengthen the presentation of the accounts and reports including enhancements to the statement on internal control and also those areas where we are operating in a way reflective of current regulatory best practice and reflective of the major themes set out in the government command paper, *Enabling Excellence: Autonomy and Accountability for Health and Social Care Staff* (Feb 2011).

2.8 Amendments were subsequently made and were resubmitted, in electronic format, to members of the Audit & Risk Committee, for any final comments before the annual report, annual fitness to practise report and accounts were submitted to the Council for approval.

3.0 **Equality and diversity implications**

3.1 The annual report sets out the actions we have taken to ensure we are compliant with legislative requirements on equality diversity. This includes the development of an equality, diversity and inclusion scheme with a one-year action plan.

3.2 The annual report has been designed and published to be compliant with RNIB guidelines.

3.3 We will also be producing the report bilingually in English and in Welsh in accordance with the requirements of the Welsh Language Act 1993.

4.0 **Communications**

4.1 The annual report; annual accounts; and annual fitness to practise report will be published on our website. In addition, we will be sending copies to key organisations covering all our major stakeholders including, but not limited to, pharmacy and patient representative organisations across Great Britain.

4.2 We are also required to submit a copy of the annual report to the Welsh Language Board.

4.3. A copy of the annual report, annual accounts and annual fitness to practise report will also be submitted to the Council for Healthcare Regulatory Excellence.

4.4 We envisage producing a much shorter, informal and more accessible review document to complement the annual report.
5.0 **Resource implications**

5.1 There are no additional significant resource requirements in publishing and communicating our annual report, accounts and fitness to practise report.

6.0 **Risk implications**

6.1 Failure to approve and submit the required reports to the Privy Council Office for laying before each House of Parliament and the Scottish Parliament carries significant risk.

6.2 Failure to approve the reports will also carry significant reputation risk.

**Recommendation**

**The Council is asked to agree:**

i. **The annual report, annual accounts and annual fitness to practise report.**

*Duncan Rudkin, Chief Executive and Registrar  
General Pharmaceutical Council  
[duncan.rudkin@pharmacyregulation.org](mailto:duncan.rudkin@pharmacyregulation.org), tel 020 3365 3501*
Appendix 1

Annual report
Annual fitness to practise report
Annual accounts
2010/2011

June 2011
General Pharmaceutical Council

Annual Report
Annual Fitness to Practise Report
Annual Accounts

2010/2011

Annual Report and Annual Fitness to Practise Report presented to Parliament and the Scottish Parliament Pursuant to Paragraph 8 of Schedule 1 to the Pharmacy Order 2010

Annual Accounts presented to Parliament and the Scottish Parliament Pursuant to Paragraph 7 of Schedule 1 to the Pharmacy Order 2010

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129 Lambeth Road | London | SE1 7BT
A message from the chairman – Bob Nicholls

1. In introducing our first annual report, I would like to pay tribute to those who took the decision to separate regulation from professional leadership and development and others who prepared the ground for setting the General Pharmaceutical Council up as a new health regulator. The separation of roles is already beginning to have benefits both for the public and the professions as the responsible bodies develop their distinctive independent voices and this will develop further in the years ahead.

2. The GPhC Council is committed to regulation which focuses on protecting, promoting and maintaining the health, safety and wellbeing of patients and pharmacy service users, putting patients and the public at the heart of all we do. We are aiming to deliver regulation which:
3. works effectively and respectfully with the pharmacy professions, pharmacy organisations and pharmacy businesses but is not owned or governed by them
4. does not confuse thoroughness with harshness
5. seeks to manage risk in pharmacy in proportionate ways
6. promotes and encourages high standards of professional behaviour and practice, which are themselves so important in keeping patients safe
7. demonstrates flexibility, innovation and responsiveness, whilst maintaining consistency of standards
8. operates as effectively and efficiently as possible, upholding standards that protect and underpin the public’s trust in pharmacy professionals and premises whilst minimising the financial and regulatory burden on all those affected by our work.

9. I believe that this report demonstrates that we have made a sound start in achieving these aims. In our first few months of operation we have consciously been working along two related tracks. Our overriding commitment to public safety and professional standards has helped us to focus on ensuring a safe and effective handover of regulation from the Royal Pharmaceutical Society and the continuity of public protection during and immediately after this transfer phase. At the same time we have identified some significant organisational and operational challenges, and we have invested in building the governance systems, processes and capability we need to ensure that the organisation can meet those challenges. In addition we have been looking to identify and demonstrate the different approaches we hope to take in order to meet the aims that we have set ourselves.

10. Finally I would like to pay tribute to the new council which has come together to oversee the work of the organisation, and to the chief executive and registrar and his staff, many of whom transferred to the new organisation after a period of personal uncertainty. All have worked hard and flexibly to achieve the change and are enthusiastically embracing the challenges ahead in our quest to become an effective modern health regulator. Continuing assurance and a commitment to innovative regulation: these twin themes run through this our first annual report, which I hope you will find equally informative and enjoyable.
A message from the chief executive and registrar – Duncan Rudkin

1. Much achieved, and much still to be achieved… that is the story of our first six months.

2. Our statutory role is set out in Pharmacy Order 2010. We’re a new regulator, but we’ve established ourselves on a sound footing. Within the pages of this report, you’ll be able to read about our achievements so far.

3. We ensured the smooth transition of regulatory activities from the previous regulator, the Royal Pharmaceutical Society of Great Britain (RPSGB). We have developed GPhC values and priorities, and worked out how to deliver them, through a skilled and experienced workforce.

4. We have identified the significant operational challenges we face and have begun the work to address those challenges. Our business and information systems, our management information, our service standards, our internal control arrangements – all these aspects of our inheritance require much-needed investment in order to improve both the level of assurance we provide and the efficiency and cost-effectiveness with which we do that. We have a programme of work planned to ensure that these challenges are addressed comprehensively.

5. We have raised awareness and understanding of how we serve patients, the public and the profession. We are earning the trust and confidence of all our stakeholders, including other regulators, and are involving them to help us make appropriate and proportionate decisions.

6. We have introduced new core standards for pharmacy professionals in conduct, ethics and performance, and are monitoring and approving pharmacy education and training.

7. A “call and review” process to monitor continuous professional development is up and running. We are disposing of a legacy of fitness to practise cases in an innovative, agile and proportionate way, and are hard at work dealing with newer cases that have come straight to us.

8. Finally, a new concept for pharmacy regulation: it is now for a fixed period. To renew, a registrant must affirm their continuing fitness to practise, making them professionally accountable.

9. Looking forward, we need to strengthen our capacity to measure and improve the standard of the regulatory services we provide in terms of quality, timeliness and cost-efficiency. We need to implement a new information technology strategy to support that objective, and to develop our organisation so that it continues to be fit to meet both the challenges we face now and those of the future. And we need to continue and develop some early good work on creating innovative, cost-effective and meaningful ways of engaging and involving in all aspects of our work those who are affected by what we do.

10. Much achieved, and much still to be achieved… I am proud to congratulate all those who work with and for the GPhC on a good start, and to thank our many partners for supporting, encouraging and sometimes challenging us to make good on our big ambitions.
HOW WE BEGAN – AND MEAN TO GO ON


2. Established by the Pharmacy Order 2010, the GPhC gained legal status on 12 March 2010 as the shadow regulator for pharmacists, pharmacy technicians and pharmacy premises in Great Britain, although no financial activity took place until after 31 March.

3. On 27 September, the GPhC took on full regulatory responsibility from the Royal Pharmaceutical Society of Great Britain, and for the first time, in line with other healthcare professionals, pharmacy professionals had an independent regulator.

4. It is our job to protect, promote and maintain the health, safety and wellbeing of those members of the public who use or need the services of pharmacy professionals or the services provided at a registered pharmacy – that is, the 1.6 million of us who visit a community pharmacy every day, and the hospital patients in whose care and treatment pharmacy professionals play such a vital part.

5. Earlier in these pages, the chairman set out how we aim to create a new model for professional regulation, based on continuing assurance and a commitment to innovation. The chief executive and registrar summarised what we have achieved in the GPhC’s first six months. This section builds on that summary, to introduce the next few sections.

6. First, the theory. We aim to ensure that regulation is fair and proportionate – that is, based on evidence and the risk posed to patients and the public – and not over-burdensome. We want it to be flexible enough to respond to the changing demands made of the profession and to allow for innovation, at the same time as maintaining high quality practice.

7. How does this work in practice? As set out in the Pharmacy Order, we assure the quality of education and training you need to register as a pharmacy professional. We keep a register of those professionals, and pharmacy premises. We set standards for the safe and effective practice of pharmacy, ensuring that they are relevant, up-to-date and enable innovative practice.

Continuing assurance and a commitment to innovation: As a new regulator, we are focusing on fair and proportionate regulation, based on evidence and the risk posed to patients and the public, that does not over-burden pharmacy professionals but ensures they are professionally accountable.

1. We keep patients, the public, pharmacy professionals and pharmacy owners up to date with these standards. Where they are breached, and concerns arise about the fitness to practise of pharmacy professionals, or how pharmacy premises are being run, we investigate and act, safeguarding patient safety. We aim to do all this effectively and efficiently, fairly and proportionately.

2. However, to be an innovative and effective regulator, we must continuously seek to improve how we work. We have agreed a three-year strategy. We will continue to monitor changes in pharmacy practice, education and training, and influence and respond to them. We will review how best to assure the public of the continuing fitness to practise (FtP) of our registrants and the role of revalidation in doing this. We will join
with other organisations in strengthening health regulatory policy and systems UK- and Europe-wide.

3. We recognise that the work of a regulator will often require balancing competing considerations in the interests of public protection. We are committed to engaging and communicating with our stakeholders in person and through groups and organisations.

4. We have achieved a lot since becoming operational but understand that we need to do more. Continuing assurance and a commitment to innovation will be the hallmarks of the new General Pharmaceutical Council.

HOW WE REGULATE THROUGHOUT GREAT BRITAIN

1. To perform our statutory role throughout Great Britain, we must respond to, and reflect, developments throughout England, Scotland and Wales, such as legislation by the Scottish Parliament and Welsh Assembly, changes in professional working practices, and changes in methods of involving patients and the public across the three parts of Great Britain. Implementing the recent Department of Health (England) white paper, *Equity and Excellence: Liberating the NHS*, may mean that how the NHS is delivered further diverges across the UK.

Continuing assurance and a commitment to innovation: In order to provide continuing assurance to patients and the public throughout Great Britain, we are introducing a number of initiatives.

2. To regulate pharmacy effectively, we will have to engage effectively with key groups in pharmacy, wherever they are. Our governing council has met in Edinburgh and Cardiff as well as London. At least one person on the council lives or works wholly or mainly in each of England, Scotland and Wales, to help ensure regulation reflects different national contexts. Dedicated directors for both Scotland and Wales will engage with patient and public representatives, policy makers and pharmacy communities locally. We also cooperate closely with the Pharmaceutical Society of Northern Ireland, the statutory regulator for pharmacists in Northern Ireland.

3. We have developed a draft Welsh language scheme to ensure that we are communicating and engaging with Welsh speakers. The draft scheme, which can be found on our website, commits us to treating Welsh and English languages equally when dealing with the public in Wales, through, for example written communications, consultations and public meetings. This annual report is available in Welsh and can be found on our website.
HOW WE SET PROFESSIONAL STANDARDS

1. We have a regulatory responsibility to set standards for a number of areas, including conduct, education and training, premises and proficiency.

2. One of our key roles is to set the core standards for pharmacy practice – the standards for conduct, ethics and performance. These standards set out the behaviours, attitudes and values expected of pharmacy professionals. They also inform patients and the public of the standards that they can expect of pharmacy professionals.

3. The standards build on the work of the RPSGB and were drafted after extensive consultation, initially hosted by the Council for Healthcare Regulatory Excellence, and subsequently by us, before we launched in September 2010. The standards are focused on outcomes and are based on seven, equally important, principles.

The seven principles

4. As a pharmacy professional, you must:
   • make patients your first concern;
   • use your professional judgement in the interests of patients and the public;
   • show respect for others;
   • encourage patients and the public to participate in decisions about their care;
   • develop your professional knowledge and competence;
   • be honest and trustworthy; and
   • take responsibility for your working practices.

5. We have written our standards so that they apply to all pharmacy professionals, whatever work they do, and they prioritise patient safety and patient-centred care.

6. The regulation of professional practice is not – or should not be – a tick-box exercise. Our standards do not contain detailed technical guidance, and are written in a way that aims to promote and support professional accountability, without stifling innovative practice. The standards we publish recognise that there may be more than one way to meet them and that professionalism is, rightly, about enabling professionals to take decisions informed by a range of factors and led by what is in the patient’s best interests.

Continuing assurance and a commitment to innovation: Our standards aim to ensure professional accountability, without hampering innovative practice or obscuring the patient’s best interests.

7. We have new powers to set standards for retail pharmacy businesses which will apply to superintendent pharmacists and pharmacy owners. We have adopted interim standards for owners and superintendent pharmacists while we develop our long term standards.

8. We are at the beginning of an 18-month project to develop our approach to regulating pharmacies, including standards for superintendent pharmacists and pharmacy owners. We mean to fully engage and communicate with pharmacy professionals, patients, the public and other stakeholders, such as the Council of University Heads of Pharmacy.
How we inspect pharmacy professionals and premises

1. We have a team of inspectors who work across Great Britain to support pharmacy professionals by upholding standards and conduct.

2. The inspectors aim to visit 13,500 pharmacies over a three-year cycle, while making specific additional visits to respond to patient concerns or pharmacists' needs.

3. This is proportionate regulation in action. Our inspectors not only investigate concerns but provide advice to pharmacists on ethical dilemmas and implementing standards, while providing information to us on issues that may be addressed in our future policy development.

HOW WE ENGAGE WITH YOU

1. Whoever you are – patient or member of the public, current registrant, potential registrant, professional or health service stakeholder – we want to engage with you. To this end, we will:
   - be open and transparent about how we develop policy and make decisions;
   - give you the information you need to engage with us effectively;
   - let you know how we've taken your comments into account; and
   - give you an opportunity to comment on how we engage.

2. We believe engagement should not be left up to other people. It's the responsibility of all of us at the GPhC. That said, we have used specific means to engage in specific cases. We have:
   - produced witness guidance for patients presenting evidence in fitness to practice cases;
   - developed two regular communications to keep registrants and stakeholders up to date on developments in the regulation of pharmacy professionals and practices;
   - tested and debated service users’ issues with the help of independent partners; and
   - begun to develop a new website that will make information more accessible.

3. Our communication initiatives cover all three countries in Great Britain and we use bilingual communication when engaging with the public in Wales in accordance with the requirements of the Welsh Language Act 1993.

Continuing assurance and a commitment to innovation: Engaging with you – whether you’re a pharmacy professional, member of the public or other stakeholder – is the responsibility of every single one of us here at the GPhC, not something simply to be left to others.
HOW WE ACCREDIT EDUCATION AND MONITOR DEVELOPMENT

1. Ensuring that pharmacists and pharmacy technicians are properly and suitably qualified at the point of registration is key to protecting patients and the public.

2. We achieve this by accrediting pharmacy schools in universities, following rigorous assessment, to assure ourselves that they are delivering high quality educational programmes leading to the MPharm (Master of Pharmacy degree). Currently, there are 23 fully accredited schools, with three provisionally accredited new schools.

3. We accredit “OSPAP” courses, which award a postgraduate diploma following a conversion course for non-EEA qualified pharmacists, as well as MPharm courses delivered in part overseas.

4. We also recognise courses for pharmacy technicians, covering both knowledge and competence requirements.

5. Another crucial element of pre-qualification training is for pharmacy graduates to spend a pre-registration year gaining practical experience in a working pharmacy. At the end of that year, they sit the GPhC’s final registration examination, which they must pass to be accepted onto the register.

**Continuing assurance** and a commitment to innovation: Pharmacy graduates must gain a year’s practical experience in a working pharmacy before passing the GPhC’s final exam to be accepted on the register.

6. In 2010, 2505 new trainees entered pharmacist pre-registration training, bringing the total number of trainees in that year to 3071. This is an increase on previous years which will mean a bigger pool in the future of qualified pharmacists trained to deliver good quality pharmacy care and services.

7. Accreditation for the courses is also rigorous. Typically, it takes three years from an initial meeting with a university that wants to provide an MPharm course to the first intake of students, and another four years, during which the course is continually under review, until the first students graduate. They then enter pre-registration training. It is a tough regime, but necessary in order to ensure a continuous supply of well qualified pharmacists.

**Continuing Professional Development**

8. CPD assures patients that pharmacy professionals are keeping their knowledge and skills up to date right through their careers. This is something that we believe patients expect.

9. It has been a requirement for registrants to continue to develop professionally since 2005, but a comprehensive monitoring and evaluation system, “call and review”, began in 2009.

10. This process, and the online CPD system at www.uptodate.org.uk transferred from the RPSGB to GPhC on 27 September 2010. From then until 31 March 2011, the GPhC contacted 4788 registrants to request that they submit their CPD records for review, while it reviewed 5026 CPD records, including some that had originally been requested
by the RPSGB. The requirement is to document and submit nine examples of CPD activity annually.

**Continuing assurance** and a commitment to innovation: Continuing professional development ensures that a pharmacy professional continually updates his or her knowledge and skills.

11. During the period 45 registrants were referred to the fitness to practise team for failing to submit their CPD record for review. Of 236 requests for extensions to the submission deadline, 206 (87 per cent) were granted. Of those registrants removed for non-payment at the conclusion of the registration renewal process, 23 had had their records called but they had not made a submission. In addition, nine registrants who had CPD submissions pending requested voluntary removal from the register.

12. The Council consulted on a CPD framework and statutory rules for CPD between 1 November 2010 and 7 February 2011. Final documents, taking account of consultation responses, were due to be presented to the GPhC Council for approval in April 2011.

**HOW WE ARE REGISTERING PHARMACY TECHNICIANS**

1. Since 2009, an estimated 15,000 practising pharmacy technicians in Great Britain have had the option of registering voluntarily.

2. However, statutory regulation was introduced to protect the public and it is our duty as regulator to ensure that we do so. From 30 June 2011, it will become mandatory for pharmacy technicians to register, and they will need a qualification approved by us to do so.

3. Until that date, a ‘grandparenting’ period of transition allowed pharmacy technicians with a GPhC-recognised qualification and relevant experience to apply to register.

4. In other words, from 1 July 2011, registration will be based on knowledge and competency. Those who have not already applied to register may need to undertake further qualifications and work experience before they can apply.

**HOW WE MAINTAIN THE REGISTER**

1. We keep a register of pharmacy professionals who have proved to us that they have the appropriate education and training qualifications and meet the professional standards we have set. We have modernised by bringing in the concept of renewal of rather than retention of registration, bringing pharmacy professionals into line with their peers elsewhere in healthcare and with other regulated professions.

2. Registration is now for a fixed period that must be renewed, with the registrant affirming his or her continuing and continued fitness to practise. This makes individuals professionally accountable. It also requires them to declare their ability to meet key criteria, including CPD.
Continuing assurance and **a commitment to innovation**: Registering for a fixed period, after which a registrant must reaffirm his or her fitness to practise, promotes accountability as a regular part of professional life in pharmacy.

3. The deadline for registrants and owners of premises to renew their registration for the first time with us was 30 November 2010, just two months after we took over as the regulator from the RPSGB. A comprehensive, concerted communications campaign was focused on encouraging registrants to renew; it exceeded all expectations.

4. Almost 100 per cent of pharmacist and pharmacy technician registrants applied to renew their registration on time. We removed from the register 689 pharmacists (1.6 per cent of the total registered) and 198 pharmacy technicians (2.2 per cent of the total). A total of 40 premises were removed, around 0.3 per cent of the total.

5. Lessons were learned from this process of renewal, in particular on telephone handling and a need to introduce enhanced automation. These lessons will come in particularly useful when we introduce rolling registrar renewal. From June 2011, we will issue renewal notices twice a month.

Who is on the register?
- 43,500 pharmacists
- 13,500 pharmacy premises
- 11,500 (currently voluntarily registered) pharmacy technicians.

**HOW WE ARE FUNDED**

1. We are an independent regulator. Most of our income comes from registrants’ and pharmacy owners’ fees, with a little from other sources such as accrediting new schools of pharmacy. Because we are independent, we must set fees to cover the costs of our activities and allow us to be an effective regulator.

2. At the time of writing, we were due to conclude a consultation on fees for 2011/12, following a timetable set for us by the legislation we work within. This means that the majority of our registrants and premises owners who wish to be registered during 2012 must have applied for renewal and paid the fee before the end of October 2011.

Continuing assurance and **a commitment to innovation**: We’re determined to avoid “regulatory creep”, where standards, guidance and regulation become complex, unclear, confusing and often contradictory. We’ll keep regulation as simple as we can.
3. The fees we set must cover the costs of regulating effectively and ensure that we are financially resilient as an organisation, so that we can help to maintain pharmacy standards.

4. We consider external factors when setting fees, including economic factors, but recognise that we must set fees at a level that allows us to carry out our statutory functions effectively.

5. We try to set fees for different registrant groups fairly and simply. We will try to avoid large fluctuations in fees, up or down, in future years. We recognise we have a duty continually to strive to identify efficiencies in how we operate. We will stick to our statutory brief and avoid “regulatory creep”. And we’ll consult not just on the level of fees, but on these principles.

**HOW WE RESPOND TO EUROPEAN AND INTERNATIONAL ISSUES**

1. European Union legislation requires us to register those European Economic Area (EEA) nationals with EEA pharmacy qualifications who meet the relevant training requirements or who have worked for three consecutive years as a pharmacist in a European member state. In 2010 we registered 499 EEA pharmacists through this automatic route.

2. Applicants who have qualified overseas – and so are not covered by the European routes described above – are required to apply to us for the one-year overseas pharmacists’ assessment programme (OSPAP). This is followed by a year of pre-registration training and assessment by us. That means there is a two-year qualifying period before individuals can register as pharmacists with us.

3. Earlier this year, the EU Commission consulted as part of its review of the Recognition of Professional Qualifications directive. We were concerned that automatic recognition of pharmacy professionals based on a qualification following minimum training ignores whether they have kept their knowledge and skills up to date, or even whether they are competent in the English language.

**HOW WE TRACK DEVELOPMENTS ABROAD**

1. In order to be an innovative and effective regulator we continuously seek to improve how we work. We will do this by, among other things, collaborating with organisations and influencing health regulatory policy and systems in the UK and the rest of Europe.

2. We are a member of the Alliance of UK Health Regulators on Europe (AURE), which brings together the ten UK health and social care regulators to work collaboratively on European issues, particularly professional mobility, that affect patient safety. We attended the latest meeting of Health Professionals Crossing Borders, an informal partnership of professional healthcare regulators in Europe, in November 2010. We also actively seek to influence the European Commission in dealing with issues relating to cross-border mobility of pharmacists (see above).

3. We have signed up as a member of the Council for Healthcare Regulatory Excellence’s International Observatory which seeks to share good regulation globally. We believe that more and better fitness to practise information should be exchanged between European states to prevent dangerous pharmacists moving between countries. Things have improved, but could be more consistent.
HOW WE REGULATE EEA NATIONALS

1. When EEA nationals have pharmacy qualifications that do not meet legal requirements or who have pharmacy qualifications gained in a third country which have been recognised by a member state, we assess their qualifications and work experience on a case by case basis.

2. If we identify gaps in knowledge and experience, we may require applicants to complete a period of supervised training with assessments before they can register. In 2010 we registered 10 EEA pharmacists this way.

HOW WE GIVE ADVICE AND GUIDANCE

1. Offering up to date, accurate and complete advice and guidance on our standards and pharmacy regulation to all comers, whether members of the public or pharmacy professionals, by phone or by email, reflects our commitment to customer service.

2. Staff in our newly established contact centre aim to answer four out of five calls within 20 seconds, and resolve customers’ issues during the first call at least four out of five times. Most calls are resolved within two to three minutes. We aim to resolve nine out of ten written queries within two days of receipt. These targets are achieved on most days.

3. Members of the team liaise with specialist staff on more complex queries to ensure accurate and timely responses. They are trained to recognise and flag potential risks to our objectives, and to feed back issues of customer concern to internal colleagues. In time, we will identify and analyse types of questions and trends as appropriate.

CASE STUDY: The work of the contact centre reflects hot topics in the pharmacy sector – for instance, as the deadline for registering technicians approached, numerous calls came from technicians enquiring what to do. One such was Adam Hunter [not his real name], who was uncertain of the process. Our customer service representative Cecilia Williams-Spencer was able to explain the changes in legislation which now required him to be registered, guided him to the appropriate part of our website, explained how to download and fill in the appropriate form, and gave a general overview of the application process and timescales. The result: a happy customer, well-placed to comply with the regulations.

A standards advisory team of dedicated pharmacists provides advice to pharmacy professionals, patients and the public and others about our standards and legislation relating to pharmacy.
HOW WE PROMOTE EQUALITY AND DIVERSITY

1. We have a statutory duty to promote equality, value diversity, and operate procedures and processes which are fair, objective, transparent and free from unlawful discrimination. We have developed an equality, diversity and inclusion (EDI) scheme to ensure this, with a one-year action plan, which includes consultations, training and monitoring.

2. We have also set up an EDI leadership group (chaired by the chief executive) to oversee and help progress equality, diversity and inclusion within the organisation. An EDI reference group provides feedback, professional advice, guidance and support to the EDI leadership group. Membership of this group includes representatives from external EDI networks and professionals and our staff.

3. All members of council have been trained in equality and diversity issues.

HOW WE GOVERN OURSELVES

Continuing assurance and a commitment to innovation: Our governing council reflects the diversity of the public and pharmaceutical professionals, with a balance of qualities, skills and experience.

1. The council is responsible for deciding on the organisation’s aims, and for making sure that they are achieved. The council explains the organisation’s achievements to Parliament and to the Scottish Parliament and the Welsh Assembly, representing the public.

2. The organisational head is the chief executive and registrar. The combined role provides clarity in the responsibilities that a chief executive has over staff, resources, and business of the organisation. The registrar element is a legal function with key accountability for the professional register. The chief executive and registrar is required to assure the council that the organisation is achieving its stated aims, and managing the risks facing the organisation.

A register of council members’ interests can be found at http://www.pharmacyregulation.org/aboutus/whoweare/council/councilmembers/index.aspx

A list of committee members can be found on our website at www.pharmacyregulation.org.
## Members’ remuneration and expenses March 2010/March 2011

<table>
<thead>
<tr>
<th>Name</th>
<th>Registrant status</th>
<th>Remuneration £</th>
<th>Total expenses £</th>
<th>Attendance</th>
<th>Note</th>
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<tr>
<td>Robert Nicholls</td>
<td>Lay person</td>
<td>48,000</td>
<td>5,867.47</td>
<td>12/12</td>
<td>Chair of Council and RemC member 1/1</td>
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<tr>
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<td>Pharmacist</td>
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<td>12,000</td>
<td>399.95</td>
<td>12/12</td>
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<td>Lay person</td>
<td>12,000</td>
<td>1,387.53</td>
<td>11/12</td>
<td>RemC 1/1</td>
</tr>
<tr>
<td>Soraya Dhillon</td>
<td>Pharmacist</td>
<td>12,000</td>
<td>940.20</td>
<td>11/12</td>
<td></td>
</tr>
<tr>
<td>John Flook</td>
<td>Lay person</td>
<td>12,000</td>
<td>2,966.97</td>
<td>11/12</td>
<td>A&amp;RC 2/2</td>
</tr>
<tr>
<td>Christina Funnell</td>
<td>Lay person</td>
<td>12,000</td>
<td>2,138.89</td>
<td>10/12</td>
<td></td>
</tr>
<tr>
<td>Kirstie Hepburn</td>
<td>Pharmacist</td>
<td>12,000</td>
<td>1,609.16</td>
<td>11/12</td>
<td>RemC 1/1</td>
</tr>
<tr>
<td>Ray Jobling</td>
<td>Lay person</td>
<td>12,000</td>
<td>1,306.10</td>
<td>11.5/12</td>
<td></td>
</tr>
<tr>
<td>Elizabeth Kay</td>
<td>Pharmacist</td>
<td>12,000</td>
<td>4,608.23</td>
<td>12/12</td>
<td>RemC 1/1</td>
</tr>
<tr>
<td>Lesley Morgan</td>
<td>Pharmacy Technician</td>
<td>12,000</td>
<td>2,357.54</td>
<td>10/12</td>
<td>RemC 1/1</td>
</tr>
<tr>
<td>Keith Wilson</td>
<td>Pharmacist</td>
<td>12,000</td>
<td>1,472.44</td>
<td>11/12</td>
<td>A&amp;RC 2/2</td>
</tr>
<tr>
<td>Peter Wilson</td>
<td>Pharmacist</td>
<td>12,000</td>
<td>1,061.58</td>
<td>11/12</td>
<td></td>
</tr>
<tr>
<td>Judith Worthington</td>
<td>Lay person</td>
<td>12,000</td>
<td>2,625.56</td>
<td>11/12</td>
<td>A&amp;RC 2/2</td>
</tr>
</tbody>
</table>

**Key**

- A&RC = Audit and risk committee
- RemC = Remuneration committee

3. These figures cover members’ involvement in the work of the council, its committees and task groups, as well as other activities undertaken on the GPhC’s behalf.

4. The figures for members’ remuneration are disclosed gross. Expenses for council members are covered by a PAYE Settlement Agreement (PSA) with HM Revenue and Customs. The tax due on expenses is grossed up. National Insurance Contributions are paid on the expenses met and on the grossed-up tax paid by the GPhC.

## Members’ attendance March 2010/March 2011

**Notes**

- Meetings attended/meetings held
- A&RC = Audit and risk committee
- RemC = Remuneration committee

The attendance figures shown relate solely to formal meetings of the council and committees. All Council members are required to be involved in a number of other events such as task groups, strategy days, informal workshops, stakeholder meetings etc., for which they receive no additional remuneration.
Responsibilities of the GPhC and its chief executive

5. Under the Pharmacy Order 2010, the GPhC is required to prepare annual accounts in a form determined by the Privy Council.

6. The Privy Council’s Accounts Determination is summarised below.

7. We must prepare the accounts for each year in compliance with the accounting principles and disclosure requirements prescribed in the Generally Accepted Accounting Standards (GAAS).

8. The first accounts will be prepared for the financial year 2010/11 and will incorporate any residual accounts declaration from the financial year 2009/10.

9. The accounts must be prepared so as to give a true and fair view of the state of affairs of the organisation and of its income and expenditure, recognised gains and losses and cash flows for the financial year.

10. Compliance with the GAAS requirements will, in all but exceptional circumstances, be necessary for the accounts to give a true and fair view of the state of affairs at the end of the financial year. If there are such exceptional circumstances and compliance with the GAAS requirements would give rise to accounts which were inconsistent with a true and fair view of the state of affairs at the end of that year, the GAAS requirements should be departed from only to the extent necessary to give a true and fair view of that state of affairs. In such cases, informed and unbiased judgement should be used to devise an appropriate alternative treatment which is consistent with the economic characteristics of the circumstances. In any event, any material departure from the GAAS should be discussed with the Privy Council Office in the first instance.

How we act on complaints and feedback

1. We take all complaints about our service seriously and investigate them thoroughly. The most common customer service complaints are about communication and administration: 11 registrants complained about being removed from the register in error and five registrants complained that we delayed renewing their registration.

2. We’ve reviewed staff training and resources in light of these cases and made changes.

How we comply with FOI / data protection legislation

1. The Freedom of Information (FOI) Act 2000 ensures anyone can access GPhC records. To do so, check our website. Our publication scheme – the 2009 model publication scheme approved by the Information Commissioner for all health regulators – commits us to routinely publishing information. Find it on our website, or write to us.

2. As a registered data controller under the Data Protection Act 1998 (DPA), we collect, store, and use personal data. This is – for instance – for updating the register, processing complaints, compiling statistics and keeping stakeholders updated with information.
about the GPhC.

3. To improve client services, protect the public and respond to statutory requirements, we may share information with organisations with a legitimate interest, but only to further our statutory role and responsibilities, while respecting confidentiality.
Annual Fitness to Practise Report

HOW WE DEAL WITH FITNESS TO PRACTISE ISSUES

1. The fitness to practise (FtP) of a pharmacy professional may be impaired when they fail to meet the standards we publish. Cases of concern may come to us from a member of the public, bodies acting in a public capacity such as NHS trusts, law enforcement agencies or one of our own inspectors following a routine inspection. Taking action in such circumstances is one of our key functions. When the Pharmacy Order 2010 came into operation, it allowed us to introduce a new way of dealing with FtP cases.

2. The new council put the emphasis on streamlining the FtP process, defining the thresholds for action and making regulation proportionate. Fitness to practise information is initially reviewed by a case manager, who will make recommendations on how to proceed. These may include referral to an investigating committee, which may refer the case on to a full FtP hearing. Cases may be referred by the registrar straight to an FtP committee for an interim order, suspending registration or imposing conditions on registration.

3. Openness and transparency are key requirements of the process and a FtP hearing is normally held in public. Its decisions are widely published. The investigating committee meets in private and some meetings of the FtP committee may be held in private if, for example, it is to consider matters to do with a registrant’s health.

Legacy

1. When we launched on 27 September 2010, we inherited 589 legacy cases from the RPSGB, although it took some time to establish the exact numbers with any certainty because of the way in which data had been collected and collated. Public protection meant we had to deal with these cases but, given that we were a new regulator, the legislation allowed us to apply our standards and policies to deal with them quickly and fairly.

2. Our first priority was to improve data collection. Ultimately, we needed to develop a new database. We can now analyse volumes of cases, throughput and log-jams in the system, so we can appropriately allocate financial, human and physical resources to deal with them.

3. By the end of February 2011, we had reduced the legacy cases to 365 (see Fig 1).

<table>
<thead>
<tr>
<th>Cases brought forward from previous month</th>
<th>Sep-10</th>
<th>Oct-10</th>
<th>Nov-10</th>
<th>Dec-10</th>
<th>Jan-11</th>
<th>Feb-11</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total cases closed in month</td>
<td>45</td>
<td>28</td>
<td>47</td>
<td>47</td>
<td>29</td>
<td>28</td>
</tr>
<tr>
<td>Closed by FTCP</td>
<td>5</td>
<td>1</td>
<td>6</td>
<td>0</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>Closed by IC</td>
<td></td>
<td></td>
<td>7</td>
<td>8</td>
<td>6</td>
<td>9</td>
</tr>
<tr>
<td>Pre IC-closed - outside jurisdiction</td>
<td>7</td>
<td>2</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Pre IC-closed under legacy criteria</td>
<td>0</td>
<td>7</td>
<td>11</td>
<td>20</td>
<td>6</td>
<td>2</td>
</tr>
<tr>
<td>Pre IC-closed before referral</td>
<td>33</td>
<td>18</td>
<td>21</td>
<td>19</td>
<td>13</td>
<td>14</td>
</tr>
<tr>
<td>Total open cases carried forward to next month</td>
<td>544</td>
<td>516</td>
<td>469</td>
<td>422</td>
<td>383</td>
<td>365</td>
</tr>
</tbody>
</table>
4. How have we achieved that? Under the 2010 Order, the council has power to dispose of cases as it considers just. The 'just disposal of legacy cases' policy – agreed by council in July 2010 -- followed. This enables us to handle cases on a risk-based and proportionate basis. Each case is assessed against published criteria (the threshold criteria) to determine whether it should proceed to a hearing or be disposed of in some other manner. The council has delegated this decision-making to the registrar, who is required to work within the council’s published policy and report regularly to the council on the application of the policy.

5. Case managers and inspectors carry out the review; cases that they propose should be disposed of other than in a hearing are referred to as the ‘legacy determination group’ (LDG – made up of senior staff including those with legal and pharmacy expertise), which reviews cases and makes recommendations to the registrar.

6. The registrar has given a decision on 77 cases (post and pre IC) referred to him with a recommendation by the LDG, as follows:
   - Continue: 26
   - Discontinue: 41
   - Discontinue with letter of advice to the registrant: 5
   - Proceedings stayed: 1
   - Rescinded to IC with warning recommended: 4

7. The LDG also reviews a random sample of cases which the case manager and investigating committee have decided should proceed to hearing.

8. Under the just disposal policy, we draft structured investigative reports that lead to well reasoned decisions. We leave good audit trails, including action logs showing when and why actions were taken. All determinations (outcome decisions) are published on our website, and we inform the public through press releases to the media. We offer thorough explanations to complainants and third parties involved about how we dealt with cases.

9. Our use of the just disposal policy was in line with a governing council’s pledge to deal with FtP cases on a proportionate basis, analysing the risk involved, and potentially with
Annual report; annual accounts; and annual fitness to practise report

Council 9 June 2011

a view to corrective action, in line with the Council for Healthcare Regulatory Excellence’s proposals for ‘right-touch’ regulation. Our threshold criteria were in line with this. In each case we balanced three things: the interests of public safety, fairness to registrants under investigation and the public interest in FtP issues being dealt with in a timely fashion.

Continuing assurance and **a commitment to innovation**: Our “just disposal” process for disposing of a legacy of inherited fitness to practise cases is innovative, agile and proportionate, balancing public safety, fairness to registrants and a need to address cases in a timely fashion.

10. Historically, cases had taken too long to go through the regulatory process. Figure 2 shows the age profile of legacy cases.

**Figure 2**

- **Legacy Caseload by Year of Complaint**
- **Number of Cases**
- **2004** | **2005** | **2006** | **2007** | **2008** | **2009** | **2010**
- **Pre-IC** | 4 | 8 | 17 | 46 | 146
- **IC** | 1 | 5 | 14 | 14
- **Post-IC** | 1 | 3 | 7 | 20 | 27 | 32 | 20
- **Listed for Principal Hearing** | 4 | 12 | 9 | 4

11. Under the new Order, the chair of the FtP committee can issue practice directions generally to anyone involved in FtP proceedings (rather than in a specific case), directing how proceedings will be dealt with, for instance by requiring that the parties involved serve documents within three months. We can now forecast when cases will be ready for listing and schedule provisional dates to ensure that cases can be heard as quickly as possible.

12. The High Court, following appeals from registrants across the healthcare professions, has ruled that the fitness to practise process is not about punishing past conduct, but should consider whether the registrant’s fitness to practise is currently impaired.

13. This is in line with our experience. In many, quite old, cases we determined that we could not establish current impairment, for instance where a registrant had accepted
what had happened, demonstrated appropriate insight by revising their operating procedures, and had continued to practise without further issues arising.

14. We have taken steps to explain the implementation of the just disposal of legacy case process to patient representative groups and it has been endorsed by the Council for Healthcare Regulatory Excellence.

New FtP cases
15. Each month we receive around 66 new cases where fitness to practise may be impaired. So, in addition to legacy cases, the total caseload at the end of February 2011 was 600 cases. This is shown in Fig 3.
Figure 3

16. The just disposal policy cannot be used for new cases. It applies only to legacy cases. However, we have been studying how we can use the learning from the legacy review to deal with new cases efficiently and effectively, focused on patient and public safety. Already, we have established new contractual arrangements with legal firms involved in panels based on the just disposal model.

17. These are early days. We have not cleared the legacy of FtP cases we inherited, but we have reviewed all post-investigating committee cases. We have made a promising start. Our aim is to close all legacy cases by, at latest, the end of 2012 while simultaneously closing recently received cases speedily, fairly and efficiently.
FTP CASE STUDIES

Case study 1

This registrant was convicted for driving while disqualified. The legacy determination group recommended that the case should continue to a full hearing due to the severity of the offence, and the registrar agreed. He reasoned that driving while disqualified was a serious matter, and especially from the point of view of a regulator which operates a licensing regime, in which public safety depends on compliance with licensing decisions.

Case study 2

This registrant was alleged to have made errors in dispensing Gabapentin capsules and Morphine Sulphate tablets prescribed for the complainant. A practice visit by an inspector raised a number of additional concerns regarding the registrant’s fitness to practise. The legacy determination group, having carefully considered the facts and whether the registrant’s fitness to practise was currently impaired, recommended that the case should be rescinded back to the investigating committee with a recommendation that a warning should be issued to the registrant. The registrar agreed.

Case study 3

This registrant was alleged to have dispensed methadone without a valid prescription. The legacy determination group recommended that the case should be discontinued, and the registrar agreed. The patient was not harmed; the case would have failed to meet our new threshold criteria. The registrant himself had demonstrated insight, expressing his regret, and had taken remedial steps to improve his practice as a pharmacist. There was therefore no real prospect of a finding of current impairment.
Statement on internal control by the chief executive and registrar

Scope of responsibility

1. As chief executive and registrar, I am accountable to the council for maintaining a sound system of internal control that supports the council’s policies, aims and objectives, whilst safeguarding the GPhC assets.

2. As a new organisation we are working hard at developing our control environment and there is much planned and in progress.

The purpose of the system of internal control

3. The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk. It can therefore provide a reasonable but not absolute assurance. Our risk management is based on an ongoing process designed to identify and prioritise events that could adversely impact the achievement of our strategic aims and objectives.

Capacity to handle risk

4. The governing council has ultimate responsibility for risk management. It needs to be satisfied that appropriate risk management policies and strategies are in place and that systems are functioning effectively. The council has delegated responsibility for routine oversight of risk management arrangements to the audit and risk committee. The committee advises the council on the comprehensiveness and reliability of assurances and internal controls, including internal and external audit programmes, and on the implications of assurances provided in respect of risk and control. The committee oversees the risk management programme and monitors the strategic and the highest operational risks to the organisation on behalf of the council.

5. The audit and risk committee held an informal preparatory meeting in July 2010 before commencing its formal work in October 2010. The committee met again in February 2011 and will meet for a minimum of three times per year. Members of the committee took part in an audit and risk workshop with staff which was aimed at promoting a shared understanding of the roles of the council, the committee and staff in risk management.

6. The executive team consisting of me, the chief executive and registrar, and directors are responsible for the management of corporate risks, which are reviewed on a monthly basis. Each director is responsible for managing risks in his or her particular area and there is an escalation process in development so that the highest risks are escalated to the corporate risk register.

The risk and internal control framework

1. Risk management is a developing process and we are planning some changes. The executive team is working to ensure that risk management is fully embedded at all levels of the organisation.

2. Current risks are identified by the executive team and evaluated: how might they impact on the organisation achieving its strategic aims and objectives? All such risks are assigned a risk owner who is responsible for managing and mitigating the risk. The audit and risk committee formally reviews the latest risk register and takes into account
feedback from the auditors. Preventative and mitigating actions are identified for each risk on the risk register and significant projects are identified and scoped, our IT strategy project is one such example.

3. An annual programme of internal audits has been put in place. This programme is based on identified risks to ensure that the internal controls are routinely reviewed. Our first internal and external audits were carried out at the beginning of the year and the audit reports will be presented to the audit and risk committee. The committee will review the audit findings and associated management responses. Where necessary, the committee will create action points for the executive team to improve internal controls as appropriate. The minutes of the audit and risk committee are provided to the Council. As chief executive and registrar I present a strategic review of risks to the council three times a year. This includes a summary of the audit and risk committee’s most recent view of the state of risk management in the organisation.

4. A formal, structured comprehensive management assurance system and process is not a feature of the legacy situation within the GPhC. We plan to develop and embed such a system and process as a part of our structured programme of business improvement work.

**Review of effectiveness**

5. As chief executive and registrar, I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed by the work of the internal auditors, the managers who have responsibility for the development and maintenance of the internal control framework and comments made by the external auditors in their management reports.

6. Risk management has developed significantly during the time that the GPhC became operational on 27 September 2010 until 31 March 2011. It is a developing process that seeks to embed risk management at every level in the organisation.

7. The council has appointed Deloitte LLP as our internal auditors. The internal audit plan for the period to 31 March 2011 was considered by the audit and risk committee in February and included the following key areas:

- Core financial controls
- Fitness to practise
- Management of controlled drugs
- Registration framework
- Corporate governance
- Risk management
- Procurement and contract management
- Programme management
- System review/data security and data sharing
- Management assurance

The internal audit plan for the year ahead will be considered by the audit and risk committee each February and an internal audit progress report will be considered at each committee meeting.
On the basis of the sources available to me, including my knowledge of the risk management activity undertaken to date, such unstructured informal management assurance as is available to me and the opinion expressed by the Head of Internal Audit:

- the GPhC’s arrangements for governance and control processes have been adequate and effective generally, except in a number of specific areas where assurance is limited and agreed management action has been reported to the audit and risk committee; and

- the risk management process currently in place is adequate for the current status of the GPhC as a new organisation and the risk management process will be further developed to embed risk management more fully within the organisation, its processes and its culture.

[Signed]

Duncan Rudkin
Chief Executive and Registrar
FINANCIAL STATEMENTS FOR
YEAR ENDED 31 MARCH 2011

COUNCIL MEMBERS AND LEGAL & PROFESSIONAL ADVISORS

Chair
Bob Nicholls

Lay Members
Sarah Brown
Celia Davies
John Flook
Christina Funnell
Ray Jobling
Judith Worthington

Registrant Members
Cathryn Brown
Soraya Dhillon
Kirstie Hepburn
Elizabeth Kay
Lesley Morgan
Keith Wilson
Peter Wilson

Chief Executive & Registrar
Duncan Rudkin

Principal Office
129 Lambeth Road
London
SE1 7BT

External Auditors
Grant Thornton UK LLP
Grant Thornton House
Melton Street
Euston Square
London NW1 2EP

Internal Auditors
Business Process & Risk Consulting Deloitte LLP
2 New Street Square
London EC4A 3BZ

Solicitors
Capsticks LLP
1 St George’s Road
London SW19 4DR

Bankers
NatWest Bank plc
91 Westminster Bridge Road
London SE1 7HW
REPORT OF THE GENERAL PHARMACEUTICAL COUNCIL

The council presents its annual audited statements of the General Pharmaceutical Council for the year ended 31 March 2011.

The General Pharmaceutical Council (GPhC) is the independent regulator for pharmacists, pharmacy technicians and pharmacy premises in Great Britain. It is our job to protect, promote and maintain the health, safety and wellbeing of patients and the public who use pharmacy services in England, Scotland and Wales.

Governance

The GPhC obtained legal status on 12 March 2010 as the shadow regulator for pharmacists, pharmacy technicians and pharmacy premises in Great Britain and on 27 September took on full regulatory responsibility from the Royal Pharmaceutical Society of Great Britain. No financial activity took place in the period between March 12 and March 31 2010 , and as agreed with Privy Council there is no requirement to produce accounts for the period 12 to 31 March 2010.

The establishment of the GPhC has provided an opportunity to create a clear, efficient governance framework for the new organisation.

The GPhC Council

Crucial to the GPhC's governance is its independence from Government, professionals and all other interest groups. This independence is vital to improving public confidence in regulation in general.

To reinforce that independence and to ensure transparency in decision-making, there is an appointed, rather than elected, council.

The council acts as a governing board, with 14 members and a clear separation of functions from the executive. The council has equal numbers of lay and registrant members to bring in knowledge and experience from outside the profession and help to ensure public focus, openness and transparency.

GPhC Council members

There are no places reserved specifically for each of the professions regulated by the GPhC, nor for specific sectors of practice. There are, however, reserved places for at least one member who lives or works mainly, or wholly, in each country within Great Britain.

Members are appointed by the appointments commission, to whom the Privy Council has delegated its appointment functions, to ensure a balance of qualities, skills and experience, and to reflect the diversity of the public and of the pharmacy profession.

A structure of remuneration and expenses for members of the GPhC has been drawn up under the principle that these should reflect the Nolan principles of public life and avoid disincentives to good governance.
GPhC Committees

The Pharmacy Order 2010 makes provision for three statutory committees: investigating; fitness to practise, and appeals.

The council has taken the view that additional non-statutory committees should be kept to a minimum to help minimise bureaucracy, focus resources on outcomes and make sure that responsibilities are clear.

The GPhC’s statutory committees carry out its regulatory functions of investigating and deciding on registrants’ fitness to practise, and conducting appeals relating to registration and education matters.

- Investigating Committee
  This committee considers allegations that a registrant's fitness to practise is impaired and decides whether to refer a case to the fitness to practise committee for a full inquiry.
- Fitness to Practise Committee
  This committee makes decisions in cases where a registrant's fitness to practise may be impaired, for reasons concerning their conduct, professional performance or health.
- Appeals Committee
  This committee considers appeals relating to certain types of decision on registration and education matters as listed in article 39 of the Pharmacy Order 2010.

Non-statutory committees

In addition to the three statutory committees that are specified in the GPhC’s legislation, the GPhC has the following non-statutory committees:

Audit & Risk Committee
The audit and risk committee supports the GPhC by reviewing internal and external audit arrangements, and advising the Council on the implications of assurances provided in respect of risk and control.

Remuneration Committee
The committee provides advice to the GPhC Council on remuneration.

Appointments Committee
The appointments committee is responsible for the selection and recruitment of statutory committee members

Audit & Risk Committee
The audit and risk committee met three times in the year; one was an informal meeting in July 2010 before the official start of its work at its first meeting in October 2010, with a subsequent meeting in February 2011. The audit and risk committee is chaired by John Flook. It supports the council by reviewing internal and external audit arrangements. It also advises the council on the comprehensiveness and reliability of assurances and internal controls, and on the implications of assurances provided in respect of risk and control. The committee also has an independent member; Hilary Daniels.

The committee’s initial work has focussed particularly on risk management. It considered both the approach to risk management and the risk register itself. The focus of risk management is on risks to the achievement of the GPhC’s strategic objectives. The committee reviews the risk register at all meetings. A risk management guide was agreed by the committee as part of the assurance framework and published on our website. The committee has also reviewed our
standing financial instructions, one of the key mechanisms for managing financial risks and ensuring efficient working.

Members of the committee also took part in an Audit & Risk workshop with staff, aimed at promoting a shared understanding of the roles of the council, committee and staff in risk management. The Standing Financial Instructions were also reviewed and agreed by the committee. The role of internal audit at the GPhC is considered to be of extreme importance and is part of our strategy. An internal audit plan was developed and was approved at the meeting in February by the committee. 74 days of audit activity were planned to take place by the end of March to cover the following:- risk management, corporate governance, core financial controls, procurement, programme management, registration processes, fitness to practise processes, management of controlled drugs and a systems review. These audits have taken place and the reports are pending review by the committee.

**Remuneration Committee**

The remuneration committee met twice in the year, one of which was an informal introductory meeting in October 2010 before the official start of its work in March 2011. The remuneration committee is chaired by Elizabeth Kay. It provides advice to the council on remuneration for council members and other non-employee groups such as members of statutory committees. The committee, which includes an independent member, David Prince, has delegated power to approve or reject the remuneration framework for our employees and the remuneration packages for the chief executive and registrar, and directors.

The committee discussed its approach to benchmarking pay for GPhC employees and also the death in service insurance cover for employees.

**Appointments committee**

1. There are no council members on the appointments committee and it has an independent chair - Elizabeth Filkin. It is responsible for the selection and recruitment of members of the statutory committees and oversees arrangements for their training and performance reviews. This is an integral part of ensuring the statutory committees' independence.

2. The committee follows the principles laid down by the Office of the Commissioner for Public Appointments and is accountable to the council.

**Review of business activities**

A summary of the financial position for the period 1 April 2010 to 31 March 2011 is as follows:-

- The financial results include establishment costs of the GPhC from 1st April 2010 through to the 26th September 2010 all of which was covered by grants received by the Department of Health England (DH) to establish the GPhC. Regulatory responsibilities were passed to the GPhC on the 27th September and at that time 108 staff previously employed by the RPSGB were transferred under TUPE arrangements to the GPhC. In April 2010 a small number of staff were subject to an early TUPE transfer to assist in establishing the GPhC.
- Income for the year of £10.7m includes £4.04m received from the Royal Pharmaceutical Society (RPS) as part of the transfer order on the 27th September (£4.13m was received; however, £90K of this money has yet to be recognised as it is in relation to the
pre-registration year which does not finish until June); these monies relate to the regulatory proportion of income from registrants and premises that were paid in the financial year beginning 1 January 2010 to the RPS.

- Income received from pharmacists, pharmacist technicians and premises does not reflect the total amount of monies received in the year; income is recognised in the accounts over the length of the registration year with the balance remaining in the balance sheet as deferred income.

- The legacy cases that were inherited from the RPS were subject to the just disposal exercise where cases were reviewed to see if there was still a case to answer under the rules of the GPhC. This process was very useful and reduced the number of outstanding cases substantially. This process is still continuing for those cases that have yet to be heard by the investigating committee.

- As the number of cases that we inherited reduced from the just disposal exercise the costs that were expected to be incurred in the six months from the date the GPhC became operational to the 31 March were not as high as had been estimated; this includes costs in relation to hearings and external legal services.

- Pre-Registration expenditure contains the staff costs of running the department. It does not include the costs of the pre-registration exam; this is held in July and the re-take is held in September which was before the GPhC took responsibility for regulation.

- Of the staff that TUPE transferred to the GPhC only 6 were within the policy & communication team including advisory services and public and patient involvement; however, additional temporary staff have been employed in order to take the Communication activity forward, albeit not at the rate that was hoped for. Plans are in place to increase the size of this team in 2011/2012. Various events were attended by the team including the Pharmacy Show and the RPS Conference.

- Resources & corporate development costs of £1.68m includes occupancy costs of £391K and outsourced services of £756K which includes IT, HR, Building Services and Finance.

- There were twelve council meetings within the year; two were held outside of London in Edinburgh and Cardiff in October and November. The number of Council meetings will be halved in 2011/2012 as there will be a meeting held every two months.

- Business development and improvement costs of £505K are those costs that have been incurred to develop existing systems in order to ensure that the IT infrastructure was competent to deal with the GPhC renewal exercise and to cope with the rolling register that is now in operation.

- Debtors of £980K include the debt owed by those registrants who are paying via quarterly direct debit of £649K; two more instalments are due, in May and August.

Statement of Council’s responsibilities for the preparation of financial statements
The Council members are responsible for preparing the Report of the General Pharmaceutical Council and the financial statements in accordance with applicable law and regulations. The Pharmacy Order 2010 requires the council members to prepare financial statements for each financial year. Under that law the council members have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standard and applicable laws). The council members will not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and surplus or deficit of the council for that period. In preparing these financial statements, the council members are required to:

- Select suitable accounting policies and then apply them consistently;
• make judgements and accounting estimates that are reasonable and prudent;
• state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
• prepare the financial statements on the going concern basis unless it is inappropriate to presume that the council will continue its activities.

The council members are responsible for keeping adequate accounting records that are sufficient to show and explain the council’s transactions and disclose with reasonable accuracy at any time the financial position of the council and enable them to ensure that the financial statements comply with the Pharmacy Act 2010. They are also responsible for safeguarding the assets of the council and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as each of the council members is aware:
• there is no relevant audit information of which the council’s auditors are unaware; and
• the council members have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

**Appointment of Auditors**
The GPhC has appointed Grant Thornton UK LLP as its auditors.
By the order of the Council

Mr Bob Nicholls
Chairman
Date xx/xx/xxxx
Independent auditor’s report to the Council members of the General Pharmaceutical Council
We have audited the financial statements of the General Pharmaceutical Council (GPhC) for the year ended 31 March 2011 which comprise the Income and Expenditure Statement, Balance Sheet and the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the General Pharmaceutical Council in accordance with Part 8, Schedule 1, Section 7 of the Pharmacy Order 2010. Our audit work has been undertaken so that we might state to the council, as a body, those matters we are required to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the GPhC, and its council members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of council members and auditor
As explained more fully in the council members’ Responsibilities Statement set out on page 6, the council members are responsible for the preparation of financial statements and being satisfied that they give a true and fair view.

We have been appointed as auditor under the Pharmacy Order 2010 and report in accordance with the provisions of that order. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board’s (APB’s) Ethical Standards for Auditors.

We read other information contained in the Annual Accounts, and consider whether it is consistent with the audited financial statements. This other information comprises only the list of Council Members and Legal & Professional Advisors, and Report of the General Pharmaceutical Council. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company’s circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Financial Review and Corporate Governance Statement to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements
In our opinion the financial statements:
• give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the GPhC’s affairs as at 31 March 2011, and of its income and expenditure for the year then ended;
• have been prepared in accordance with the requirements of the Pharmacy Order 2010.

Grant Thornton UK LLP
Statutory Auditor,
LONDON
Xx/xx/xxxx
INCOME AND EXPENDITURE STATEMENT
For the year ending 31st March 2011

<table>
<thead>
<tr>
<th>Note</th>
<th>March 2011 £000</th>
<th>March 2010 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income</td>
<td>10,716</td>
<td>-</td>
</tr>
<tr>
<td>Expenditure</td>
<td>8,339</td>
<td>-</td>
</tr>
<tr>
<td><strong>Operating surplus</strong></td>
<td>2,377</td>
<td>-</td>
</tr>
<tr>
<td>Interest receivable and similar income</td>
<td>112</td>
<td>-</td>
</tr>
<tr>
<td>Interest payable</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Surplus on ordinary activities before Taxation</strong></td>
<td>2,489</td>
<td>-</td>
</tr>
<tr>
<td>Taxation</td>
<td>24</td>
<td>-</td>
</tr>
<tr>
<td><strong>Surplus/(deficit ) on ordinary activities after taxation</strong></td>
<td>2,465</td>
<td>-</td>
</tr>
</tbody>
</table>

Reconciliation of funds

| Total funds brought forward | - | - |
| Accumulated fund as at 31 March | 2,465 | - |

All activities of the GPhC are continuing.

There are no recognised gains or losses for the current or preceding financial year other than as stated in the Income and Expenditure above, therefore no separate statement of recognised gains or losses has been prepared.
## BALANCE SHEET

**As at 31 March 2011**

<table>
<thead>
<tr>
<th>Note</th>
<th>March 2011</th>
<th>March 2010</th>
<th>March 2011</th>
<th>March 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£'000</td>
<td>£'000</td>
<td>£'000</td>
<td>£'000</td>
</tr>
</tbody>
</table>

### Fixed Assets

<table>
<thead>
<tr>
<th></th>
<th>March 2011</th>
<th>March 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tangible assets</td>
<td>8</td>
<td>58</td>
</tr>
</tbody>
</table>

### Current Assets

<table>
<thead>
<tr>
<th>Note</th>
<th>March 2011</th>
<th>March 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debtors</td>
<td>9</td>
<td>980</td>
</tr>
<tr>
<td>Bank &amp; Cash</td>
<td>10</td>
<td>19,737</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Creditors : amounts falling due within one year</th>
<th>March 2011</th>
<th>March 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>11</td>
<td>18,310</td>
<td>-</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Net Current assets</th>
<th>March 2011</th>
<th>March 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2,407</td>
<td>-</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Total net assets</th>
<th>March 2011</th>
<th>March 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2,465</td>
<td>-</td>
</tr>
</tbody>
</table>

### Funds Employed

<table>
<thead>
<tr>
<th>Fund Employed</th>
<th>March 2011</th>
<th>March 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accumulated Fund</td>
<td>2,465</td>
<td>-</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Total Funds Employed</th>
<th>March 2011</th>
<th>March 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2,465</td>
<td>-</td>
</tr>
</tbody>
</table>

The financial statements on pages 10 to 20 were approved on 9 June 2011 and were signed on behalf of the Council by:

**Bob Nicholls (Chairman)**
**CASH FLOW STATEMENT**

*For the year ended 31 March 2011*

<table>
<thead>
<tr>
<th>Note</th>
<th>March 2011</th>
<th>March 2011</th>
<th>March 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£’000</td>
<td>£’000</td>
<td>£’000</td>
</tr>
</tbody>
</table>

**Operating Activities**

Net cash inflow from operating activities 13 19,718 -

**Return on investments and servicing of finance**

Interest and other similar income received 112

Interest payable and other similar expenditure - 112 -

**Taxation**

UK corporation tax paid (24)

UK corporation tax refunded - (24) -

**Capital expenditure and financial investment**

Purchase of tangible fixed assets (69) -

**Increase in cash for the period**

19,737 -

**Reconciliation of net cash flow to movement in net funds**

Increase in cash for the period 19,737 -

Net cash funds as at 1 April - -

Net cash funds as at 31 March 19,737 -
Notes to the financial statements for the year ending 31 March 2011

1. Accounting policies
The accounts have been prepared under the historical cost convention, in accordance with applicable accounting standards issued or adopted by the Accounting Standards Board in so far as those requirements are appropriate. The accounts have been prepared on a going concern basis.

a) Format of the Accounts
The GPhC is required to prepare annual accounts in a form as determined by the Privy Council. The Privy Council is required to lay the certified accounts before each House of Parliament and the Scottish Parliament.

b) Fixed assets
Tangible fixed assets include leasehold properties and equipment. All assets in these categories with a value of £1,000 or more have been capitalised (including the cost of implementation); the only exception to this rule is for personal computers and laptops as these have also been capitalised but are depreciated within 12 months from the date of purchase. Fixed assets are valued at cost less depreciation. The lease in Lambeth Road will run to 26 September 2012.

When the GPhC took responsibility for all regulation, all assets that were in use by those staff who transferred also transferred across to the GPhC on 27 September. These assets primarily consisted of IT equipment and were transferred over at zero value. During March 2011 consultants were employed to undertake a complete IT review of the GPhC to look at the organisation requirements in the immediate future as well as looking at longer term requirements. It is considered that significant investment will be required to ensure that the GPhC has the necessary IT infrastructure in place to ensure its operational effectiveness over the next 12-24 months which will include new hardware to support these needs. If the GPhC had to replace the assets that were transferred the total cost is estimated to be £125K; however, in the light of the current IT review, the age of the equipment and the depreciation policy that is in place, no entry has been made to the income and expenditure statement.

The principal useful economic lives of assets are as follows:-
Short Leasehold property in Lambeth Road – estimated useful life to 26 September 2012
Office furniture – 5 years
Computer Software – 5 years
Computer hardware (excluding PC’s and laptops) – 3 years
PCs and laptops – 1 year

c) Expenditure
Expenditure is accounted for on an accrual basis. Irrecoverable VAT is included with the item of expense to which it relates.

d) Income
All fees from registrants and premises are recognised in the Income and Expenditure account in the period to which they relate. Income attributable to future periods is included in creditors under the classification of Deferred Income.
Income from investments is included in the financial statement when received. Interest on loans and deposits is accrued as earned.
Revenue grants received are matched against the expenditure of the specific project in respect of which they are granted. Where projects span more than one accounting period, the balance
of the remaining grant is carried forward and included in creditors under the classification of Deferred Income. All other income is recognised in the Income and Expenditure statement when due.

e) Foreign exchange
Assets and liabilities denominated in foreign currencies are translated into sterling at the rate at the balance sheet date. Any foreign exchange differences are recorded in the Income and Expenditure Account in the year to which they relate.

f) Pension Costs
Employees are covered by the provisions of the NHS Pensions Scheme. The scheme is an unfunded, defined benefit scheme that covers NHS employers and other bodies allowed under the direction of the Secretary of State in England and Wales. The scheme is not designed to be run in a way that would enable NHS bodies to identify their share of the underlying assets and liabilities. Therefore the scheme is accounted for as if it were a defined contribution scheme; the cost to the GPhC of participating in the scheme is taken as equal to the contributions payable for the scheme for the accounting period.
The scheme is subject to a full actuarial valuation every four years (until 2004, every five years) and an accounting valuation every year. An outline of these follows:

i) Full actuarial (funding) valuation
The purpose of this valuation is to assess the level of liability in respect of the benefits due under the scheme (taking into account its recent demographic experience), and to recommend the contribution rates to be paid by employers and scheme members. The last such valuation, which determined current contribution rates, was undertaken as at 31 March 2004 and covered the period from 1 April 1999 to that date.
The conclusion from the 2004 valuation was that the scheme had accumulated a notional deficit of £3.3 billion against the notional assets as at 31 March 2004. However, after taking into account the changes in the benefit and contribution structure effective from 1 April 2008, the scheme actuary reported that employer contributions could continue at the existing rate of 14% of pensionable pay. On advice from the scheme actuary, scheme contributions may be varied from time to time to reflect changes in the scheme’s liabilities. Up to 31 March 2008, the vast majority of employees paid contributions at the rate of 6% of pensionable pay. From 1 April 2008, employees contributions are on a tiered scale from 5% up to 8.5% of their pensionable pay depending on total earnings.

ii) Accounting valuation
A valuation of the scheme liability is carried out annually by the scheme actuary as at the end of the reporting period by updating the results of the full actuarial valuation. Between the full actuarial valuations at a two-year midpoint, a full and detailed member data-set is provided to the scheme actuary. At this point the assumptions regarding the composition of the scheme membership are updated to allow the scheme liability to be valued.
The valuation of the scheme liability as at 31 March 2008 is based on detailed membership data as at 31 March 2006 (the latest midpoint) updated to 31 March 2008 with summary global member and accounting data.
The latest assessment of the liabilities of the scheme is contained in the scheme actuary report, which forms part of the annual NHS Pension Scheme (England and Wales) Resource Account, published annually. These accounts can be viewed on the NHS Pensions website. Copies can also be obtained from The Stationery Office.

iii) Scheme provisions
The scheme is a “final salary” scheme. Annual pensions are normally based on 1/80th (for those members in the 1985 scheme) or 1/60th (for those members in the 1998 scheme) of the
best of the last 3 years pensionable pay for each year of service. A lump sum normally equivalent to 3 years pension is payable on retirement. Annual increases are applied to pension payments at rates defined by the Pensions (Increase) Act 1971, and are based on changes in retail prices in the twelve months ending 30 September in the previous calendar year. On death, a pension of 50% of the member’s pension is normally payable to the surviving spouse.

Early payment of a pension, with enhancement, is available to members of the scheme who are permanently incapable of fulfilling their duties effectively through illness or infirmity. A death gratuity of twice final year’s pensionable pay for death in service, and five times their annual pension for death after retirement, less pension already paid, subject to a maximum amount equal to twice the member’s final year’s pensionable pay less their retirement lump sum for those who die after retirement, is payable.

For early retirements other than those due to ill health the additional pension liabilities are not funded by the scheme. The full amount of the liability for the additional costs is charged to the statement of comprehensive income at the time the Trust commits itself to the retirement, regardless of the method of payment.

The scheme provides the opportunity to members to increase their benefits through money purchase additional voluntary contributions (AVCs) provided by an approved panel of life companies. Under the arrangement the employee/member can make contributions to enhance an employee’s pension benefits. The benefits payable relate directly to the value of the investments made.

g) Operating lease rentals
Operating lease rentals are charged to the Income and Expenditure Account as they are incurred over the lease term on a straight line basis.

h) Management of liquid resources

The GPhC has one main current account from which all day to day transactional activity takes place. The balance of this account is kept to a minimum to ensure that excess monies are placed on short – medium term deposits. Our policy in managing our cash is to maximise returns while minimising risk.

2. Income

<table>
<thead>
<tr>
<th></th>
<th>March 2011</th>
<th>March 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£000</td>
<td>£000</td>
</tr>
<tr>
<td>Pharmacists</td>
<td>3,099</td>
<td>-</td>
</tr>
<tr>
<td>Premises</td>
<td>947</td>
<td>-</td>
</tr>
<tr>
<td>Pharmacy Technicians</td>
<td>642</td>
<td>-</td>
</tr>
<tr>
<td>Pre-Registration</td>
<td>14</td>
<td>-</td>
</tr>
<tr>
<td>Other Fee Related Income</td>
<td>4,040</td>
<td>-</td>
</tr>
<tr>
<td>Grant Income</td>
<td>1,767</td>
<td>-</td>
</tr>
<tr>
<td>Other Income</td>
<td>207</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Income</strong></td>
<td><strong>10,716</strong></td>
<td><strong>-</strong></td>
</tr>
</tbody>
</table>

Other fee related income contains the monies due from the Royal Pharmaceutical Society as part of the transfer order for fees.
### 3. Expenditure

<table>
<thead>
<tr>
<th>Category</th>
<th>March 2011 (£000)</th>
<th>March 2010 (£000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Establishment Costs</td>
<td>1,300</td>
<td>-</td>
</tr>
<tr>
<td>Chief Executive &amp; Registrar</td>
<td>130</td>
<td>-</td>
</tr>
<tr>
<td>Hearings</td>
<td>649</td>
<td>-</td>
</tr>
<tr>
<td>Education &amp; Quality Assurance</td>
<td>534</td>
<td>-</td>
</tr>
<tr>
<td>Fitness to Practise</td>
<td>786</td>
<td>-</td>
</tr>
<tr>
<td>Inspection</td>
<td>1,051</td>
<td>-</td>
</tr>
<tr>
<td>Registration</td>
<td>626</td>
<td>-</td>
</tr>
<tr>
<td>Pre-Registration</td>
<td>299</td>
<td>-</td>
</tr>
<tr>
<td>Policy &amp; Communication</td>
<td>465</td>
<td>-</td>
</tr>
<tr>
<td>Resources &amp; Corporate Development</td>
<td>1,684</td>
<td>-</td>
</tr>
<tr>
<td>Council &amp; Governance</td>
<td>310</td>
<td>-</td>
</tr>
<tr>
<td>Business Development and Improvement</td>
<td>505</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Expenditure</strong></td>
<td><strong>8,339</strong></td>
<td>-</td>
</tr>
</tbody>
</table>

### Employee Costs

Employee costs were made up as follows:

<table>
<thead>
<tr>
<th>Category</th>
<th>March 2011 (£000)</th>
<th>March 2010 (£000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wages and salaries</td>
<td>3,179</td>
<td>-</td>
</tr>
<tr>
<td>Employers National Insurance</td>
<td>339</td>
<td>-</td>
</tr>
<tr>
<td>Pension costs</td>
<td>261</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3,779</strong></td>
<td>-</td>
</tr>
</tbody>
</table>

As at the 31st March the number staff employed by the GPhC was 121.

Chief executive and Registrar and Directors’ remuneration, excluding pension contributions, fell within the following ranges:

<table>
<thead>
<tr>
<th>Range</th>
<th>No.</th>
<th>No.</th>
</tr>
</thead>
<tbody>
<tr>
<td>£0 - £50,000</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>£50,001 - £80,000</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>£80,001 - £100,000</td>
<td>2</td>
<td>-</td>
</tr>
<tr>
<td>£100,001 - £120,000</td>
<td>1</td>
<td>-</td>
</tr>
<tr>
<td>£120,001 - £140,000</td>
<td>1</td>
<td>-</td>
</tr>
</tbody>
</table>

### Council Members Remuneration & expenses

<table>
<thead>
<tr>
<th>Category</th>
<th>March 2011 (£000)</th>
<th>March 2010 (£000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total remuneration paid to Council Members</td>
<td>204</td>
<td>-</td>
</tr>
<tr>
<td>Total expenses paid to Council Members</td>
<td>33</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>237</strong></td>
<td>-</td>
</tr>
</tbody>
</table>
4) Interest receivable and similar income

March 2011       March 2010
£000       £000
Interest receivable  112       -

5) Interest payable

March 2011       March 2010
£000       £000
Interest payable  -       -

6) Surplus on ordinary activities before taxation

This is stated after charging:

March 2011       March 2010
£000       £000
Motor Vehicles operating lease rentals  109       -
Depreciation of tangible fixed assets  11       -
Auditors Remuneration : as auditors  25       -
for other services  -       -

7) Taxation

March 2011       March 2010
£000       £000
UK Corporation tax at 21% in the year  24       -

Corporation tax is only payable on interest receivable in the year.

8) Fixed Assets

<table>
<thead>
<tr>
<th></th>
<th>Short Leasehold</th>
<th>Office Equipment</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£'000</td>
<td>£'000</td>
<td>£'000</td>
</tr>
<tr>
<td>Cost</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>As at 1 March 2010</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Additions</td>
<td>28</td>
<td>41</td>
<td>69</td>
</tr>
<tr>
<td>Disposals</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>
As at 31 March 2011  

<table>
<thead>
<tr>
<th></th>
<th>28</th>
<th>41</th>
<th>69</th>
</tr>
</thead>
</table>

**Depreciation**

As at 1 March 2010  

|               | -   | -   | -   |

Charge for the year  

|               | 4   | 7   | 11  |

Disposals  

|               | -   | -   | -   |

As at 31 March 2011  

|               | 4   | 7   | 11  |

**Net Book Value**

As at 31 March 2011  

|               | 24  | 34  | 58  |

As at 31 March 2010  

|               | -   | -   | -   |

9) **Debtors**

<table>
<thead>
<tr>
<th></th>
<th>March 2011</th>
<th>March 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£000</td>
<td>£000</td>
</tr>
<tr>
<td>Trade debtors</td>
<td>27</td>
<td>-</td>
</tr>
<tr>
<td>Registrant direct debits to be collected</td>
<td>649</td>
<td>-</td>
</tr>
<tr>
<td>Other debtors</td>
<td>15</td>
<td>-</td>
</tr>
<tr>
<td>Prepayments and accrued income</td>
<td>289</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td><strong>980</strong></td>
<td><strong>-</strong></td>
</tr>
</tbody>
</table>

10) **Bank & Cash**

<table>
<thead>
<tr>
<th></th>
<th>March 2011</th>
<th>March 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£000</td>
<td>£000</td>
</tr>
<tr>
<td>Current Accounts</td>
<td>(317)</td>
<td>-</td>
</tr>
<tr>
<td>Deposit Accounts</td>
<td>20,040</td>
<td>-</td>
</tr>
<tr>
<td>Petty Cash Floats</td>
<td>14</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td><strong>19,737</strong></td>
<td><strong>-</strong></td>
</tr>
</tbody>
</table>

The balance of the current account as per the bank is never overdrawn. The reason the current account as per the accounts is showing an overdrawn balance is due to £339K of payments that have yet to clear the bank account. The balance of the current account is kept to a minimum and monies are swept from deposit accounts into the current account as and when needed to ensure a maximum return is earned from monies on deposit.
11) Creditors: - Amounts falling due within one year

<table>
<thead>
<tr>
<th></th>
<th>March 2011 £000</th>
<th>March 2010 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade Creditors</td>
<td>369</td>
<td>-</td>
</tr>
<tr>
<td>Corporation Tax</td>
<td>24</td>
<td>-</td>
</tr>
<tr>
<td>Other taxes and HMRC</td>
<td>160</td>
<td>-</td>
</tr>
<tr>
<td>Other Creditors</td>
<td>1,286</td>
<td>-</td>
</tr>
<tr>
<td>Accruals</td>
<td>1,342</td>
<td>-</td>
</tr>
<tr>
<td>Deferred Income</td>
<td>15,129</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td><strong>18,310</strong></td>
<td><strong>-</strong></td>
</tr>
</tbody>
</table>

Deferred income is made up by the following:-

<table>
<thead>
<tr>
<th></th>
<th>March 2011 £000</th>
<th>March 2010 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred income from registrants and premises</td>
<td>12,315</td>
<td>-</td>
</tr>
<tr>
<td>Working Capital Grant</td>
<td>2,604</td>
<td>-</td>
</tr>
<tr>
<td>Revalidation Grant</td>
<td>76</td>
<td>-</td>
</tr>
<tr>
<td>Other Grants</td>
<td>134</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td><strong>15,129</strong></td>
<td><strong>-</strong></td>
</tr>
</tbody>
</table>

12) Commitments

As at 31 March 2011 the GPhC has the following commitments relating to operating leases:

<table>
<thead>
<tr>
<th></th>
<th>March 2011 £000</th>
<th>March 2010 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating leases which expire:-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Within one year</td>
<td>12</td>
<td>-</td>
</tr>
<tr>
<td>after one year</td>
<td>220</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td><strong>232</strong></td>
<td><strong>-</strong></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>March 2011 £000</th>
<th>March 2010 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating surplus</td>
<td>2,377</td>
<td>-</td>
</tr>
<tr>
<td>Depreciation of tangible fixed assets</td>
<td>11</td>
<td>-</td>
</tr>
<tr>
<td>Profit/Loss on disposal of tangible fixed assets</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>(Increase) in debtors</td>
<td>(980)</td>
<td>-</td>
</tr>
<tr>
<td>Increase in creditors</td>
<td>18,310</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td><strong>19,718</strong></td>
<td><strong>-</strong></td>
</tr>
</tbody>
</table>

14) Related parties
There are no transactions with related parties other than those transactions disclosed with Council members in note 3.
Check your pharmacy professional is registered: [www.pharmacyregulation.org](http://www.pharmacyregulation.org)

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[www.pharmacyregulation.org](http://www.pharmacyregulation.org)
Appendix 2

Grant Thornton Key Issues Memorandum

Key Issues Memorandum
General Pharmaceutical Council
For the year ended 31 March 2011
To the Audit Committee of General Pharmaceutical Council (GPhC)

The purpose of this memorandum is to highlight the key issues affecting the results of GPhC and the preparation of its financial statements for the year ended 31 March 2011. It is also used to report to management to meet the mandatory requirements of International Standard on Auditing (UK & Ireland) 260.

We take responsibility for this memorandum, which has been prepared on the basis of the limitations set out in "The small print" (Section 4).

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

Grant Thornton UK LLP
Contents

1 Key audit issues 53
2 Audit adjustments 56
3 Design effectiveness of internal controls 58
4 The small print 59
1 Key audit issues

1.1 Matters identified at the planning stage
In the conduct of our audit, we have not had to alter or change our audit plan, which we communicated to you in our Audit Approach Memorandum dated 26 January 2011.

Our response to the matters identified at the planning stage are detailed below.

Status of audit
Our audit is substantially complete although we are finalising our procedures in the following areas:

- Confirmation of Council members’ remuneration and expenses
- Bank confirmation letters
- Finalisation procedures including update of subsequent events and review of available board minutes to date of signing
- Letter of Representation (to be signed at the date of signing the financial statements).
### 1.2 Matters identified at the planning stage

<table>
<thead>
<tr>
<th>Issue</th>
<th>Auditor response</th>
</tr>
</thead>
</table>
| **1** Income recognition policies  
  GPhC has five main revenue streams; registrants fees, administration fees (relating to memberships), accreditation fees, interest receivable and grant income. As part of this year's audit the Council's policy relating to each of these sources was reviewed and compared to UK GAAP. | As GPhC is a new organisation it is important to ensure that appropriate accounting policies are in place with a satisfactory approach to revenue recognition. Whilst we conclude that the policies applied to GPhC's financial statements are appropriate we do recommend that the wording within them include slightly more detail to give a clearer definition of their application for the users of the financial statements.  
  **Management response:**  
  We recognise the importance of providing the reader of our accounts with a good understanding of the accounting policies that we use, we have therefore taken the advice of Grant Thornton and revised the income note accordingly. |
2 Review of government grants received during the year

We reviewed all significant grants received during the year. We noted that the year-end balance left on the Contingency Grant was due to be repaid during the subsequent financial year, and that as such the balance should be reclassified from deferred income to other creditors. We also discussed with management the treatment of the Working Capital Grant from the Department of Health, in that only £41k of the £2.6m grant has been recognised in the year.

We have reviewed the Working Capital Grant agreement and are satisfied that the remaining £2.6m Working Capital Grant should be deferred.

Management response:
We have made an amendment to the accounts to reclassify the Contingency Grant as a creditor instead of deferred income.

3 Transfer of equipment from Royal Pharmaceutical Society for Great Britain (RPSGB) to GPhC

At the start of the year equipment (mainly computer equipment and furniture) was transferred from the RPSGB to GPhC. The assets (primarily IT equipment) were transferred over at zero value however the GPhC estimates that if they had to replace all of these assets the estimated cost would be £178k. Of those assets, £125k relates to IT items.

We note that the assets had already been fully depreciated in the books of the RPSGB.

During March 2011 consultants were employed to undertake a complete IT review to look at the organisation’s requirements in the immediate future as well as looking at longer term requirements. As a result of that review, management have concluded that significant investment will be required to ensure that GPhC has the necessary IT infrastructure in place to ensure its operational effectiveness over the next 12-18 months which will include new hardware to support these needs.

Therefore, in light of the current IT strategy being implemented, the age of the equipment transferred, the depreciation and capitalisation policy that is in place at the GPhC, and the remaining balance of assets transferred being below materiality, subsequently no entry has been made to the income and expenditure statement, but full disclosure will be instead be included within the fixed asset note.

Management response:
We concur with this approach of disclosing rather than full recognition due to the planned replacement of the IT assets (which form a significant part of the transferred assets).

A note has been made under the fixed asset accounting policy to disclose the fixed asset transfer from the RPSGB.
2 Audit adjustments

2.1 Adjustments

Adjustments were identified by Grant Thornton and the following have also been adjusted for:

- Reclassification of the contingency grant credit balance from deferred income to other creditors;
- Reclassification of committee advisor fees from the entity’s payroll costs to other expenses.

**Adjustments**

<table>
<thead>
<tr>
<th>Detail</th>
<th>Balance sheet</th>
<th>I &amp; E</th>
<th>I&amp;E effect</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Dr</td>
<td>Cr</td>
<td>Dr</td>
</tr>
<tr>
<td>Draft surplus</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dr Deferred income</td>
<td></td>
<td></td>
<td>1,285,505</td>
</tr>
<tr>
<td>Cr Other Creditors</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Being reclassification of monies due to grant awarded from deferred income to other creditors</td>
<td></td>
<td></td>
<td>0</td>
</tr>
<tr>
<td>Dr Advisory fees expense</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cr Payroll expense</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Being reclassification of advisory costs away from payroll to externally incurred expense</td>
<td></td>
<td></td>
<td>0</td>
</tr>
<tr>
<td>TOTAL</td>
<td>1,285,505</td>
<td>1,285,505</td>
<td>41,437</td>
</tr>
<tr>
<td>Final surplus</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
2.2 Unadjusted misstatements

The auditor is required to communicate all uncorrected misstatements, other than those considered to be clearly trivial, to the entity's management and to request that management corrects them. There is one unadjusted misstatement in relation to the fixed asset transfer (see section 1.2.3). The adjustment below shows the effect on the financial statements if GPhC were to recognise the assets transferred at estimated remaining useful life value at the date of transfer, and the subsequent depreciation in the year.

### Unadjusted misstatements

<table>
<thead>
<tr>
<th>Detail</th>
<th>Balance sheet</th>
<th>I &amp; E</th>
<th>I&amp;E effect</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Dr</td>
<td>Cr</td>
<td>Dr</td>
</tr>
<tr>
<td>Surplus</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dr fixed assets</td>
<td></td>
<td>60,000</td>
<td></td>
</tr>
<tr>
<td>Cr income</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Being recognition of assets on transfer from RPS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dr depreciation</td>
<td></td>
<td>60,000</td>
<td></td>
</tr>
<tr>
<td>Cr depreciation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Being depreciation of assets in the year</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>60,000</td>
<td>60,000</td>
<td>60,000</td>
</tr>
<tr>
<td>Adjusted surplus</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
3 Design effectiveness of internal controls

3.1 Accounting system and internal control
We have applied our risk methodology to your audit. This approach allows us to document, evaluate and assess your internal controls over the financial reporting process in line with the requirements of auditing standards. The following observations have been noted in regards to your internal controls:

- Controls over journal entries

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. See 'The small print' for further details of our approach.

<table>
<thead>
<tr>
<th>Assessment</th>
<th>Issue and risk</th>
<th>Recommendation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Controls over journal entries</td>
<td>We recommend that management consider instigating an authorisation process for posting of journals. We recommend that management ascertain a certain cut off limit which, if exceeded in monetary terms, requires authorisation by a second member of the finance function with a secondary periodic sample review by a senior member of the team. Management response: Due to the nature of our registration system (“Concept”) the number of manual journals is high as is the total amount of the journals as the system does not link directly into our accounting system. Reconciliations are carried out to ensure that the monies received from the registrants matches what the registration system states however we do recognise that there is a need for a journal control with appropriate sign off. We are working closely with the internal auditors Deloitte to develop an internal control over journal entries and plan to have this in place in the very near future.</td>
</tr>
</tbody>
</table>

Key to assessment of internal control deficiencies
- Material weakness - risk of material misstatement
- Significant deficiency - risk of significant misstatement
- Deficiency - risk of inconsequential misstatement
4 The small print

Purpose of memorandum
This Key Issues Memorandum has been prepared for the benefit of discussions between Grant Thornton, the Audit Committee of the General Pharmaceutical Council.
The purpose of this memorandum is to highlight the key issues affecting the results of the entity and the preparation of the council’s financial statements for the year ended 31 March 2011.
This document is also used to report to management to meet the mandatory requirements of International Standard on Auditing (UK & Ireland) 260.
We would point out that the matters dealt with in this report came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements of the Council.
This memorandum is strictly confidential and although it has been made available to management to facilitate discussions, it may not be taken as altering our responsibilities to the Council arising under our audit engagement letter.
The contents of this memorandum should not be disclosed to third parties without our prior written consent.

Responsible of the directors and auditors
The directors are responsible for the preparation of the financial statements and for making available to us all of the information and explanations we consider necessary. Therefore, it is essential that the directors confirm that our understanding of all the matters in this memorandum is appropriate, having regard to their knowledge of the particular circumstances.

Clarification of roles and responsibilities with respect to internal controls
The Council's management is responsible for the identification, assessment, management and monitoring of risk, for developing, operating and monitoring the system of internal control and for providing assurance to the Audit Committee that it has done so.
The Audit Committee is required to review the Council's internal financial controls. In addition, the Audit Committee is required to review all other internal controls and approve the statements included in the annual report in relation to internal control and the management of risk.
The Audit Committee should receive reports from management as to the effectiveness of the systems they have established as well as the conclusions of any testing conducted by internal audit or ourselves.
The Audit Committee is required to review the Council's internal financial controls. In addition, the Audit Committee is required to review all other internal controls and approve the statements included in the annual report in relation to internal control and the management of risk.
The Audit Committee should receive reports from management as to the effectiveness of the systems they have established as well as the conclusions of any testing conducted by internal audit or

ISAUK 260 requires communication of:
- relationships that have a bearing on the independence of the audit firm and the integrity and objectivity of the engagement team
- nature and scope of the audit work
- significant findings from the audit
ourselves.

We have applied our audit approach to document, evaluate and assess your internal controls over the financial reporting process in line with the requirements of auditing standards.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify.

We would be pleased to discuss any further work in this regard with the Audit Committee.

**Independence and robustness**

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

In accordance with best practice, we analyse our fees below:

<table>
<thead>
<tr>
<th></th>
<th>£</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit</td>
<td>19,050</td>
</tr>
</tbody>
</table>

**Clarification of roles and responsibilities with respect to internal controls**

The Council's management is responsible for the identification, assessment, management and monitoring of risk, for developing, operating and monitoring the system of internal control and for providing assurance to the Audit Committee that it has done so.