

## COUNCIL

### GOC annual report and financial statements for the year ended 31 March 2015

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**Meeting:** 11 November 2015

**Status:** for decision

**Lead responsibility:** Nicola Ebdon  
(Head of Governance)

**Contact details:** [nebdon@optical.org](mailto:nebdon@optical.org) /  
07502 400803

#### Purpose

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1. The Audit and Risk committee (ARC) present the draft Annual Report and Financial Statements (“the annual report”, attached at **annex one**) of the General Optical Council for the period **1 April 2014 to 31 March 2015**. The ARC considered the annual report at their meeting on **19 October 2015** and agree that when taken as a whole, the annual report for the year ended 31 March 2015 is fair, balanced and understandable and provides the necessary information to assess performance during 2014/15.
2. The Letter of Representation from haysmacintyre (the external auditors) is attached at **annex 2**. This letter needs to be signed on behalf of Council and will be sent back to the external auditors along with the signed annual report, before being submitted to Privy Council.
3. As per last year, the GOC Senior Management have, in accordance with a recommendation from ARC, also submitted their own letter of representation to Council to provide assurance that the representations stated in **annex 2** have been made on the basis of sufficient enquiry and inspection of supporting documentation. The GOC Senior Management letter of representation can be found at **annex 3**.

#### Recommendations

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4. Council is asked to:
  - 4.1 **note** and **agree** with the ARC recommendation that when taken as a whole, the annual report for the year ended 31 March 2015 is fair, balanced and understandable and provides the necessary information to assess performance during 2014/15;
  - 4.2 **consider** and **approve** the annual report for the year ended 31 March 2015. If Council are minded to request amendments to the annual report as presented, we recommend authority be delegated to the Chair of Council to sign off the final version before it is submitted to Privy Council;
  - 4.3 **sign** the Letter of Representation at annex 2; and

4.4 **note** the GOC Senior Management Letter of Representation at annex 3.

### Strategic Objective

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5. We produce an annual report in compliance with Section 32A(2) of the Opticians Act 1989 as amended by Schedule 2 paragraph 3 of the Health Care and Associated Professions (Miscellaneous Amendments) Order 2008, and now that we are a charity also to comply with the Charities Act 2011, the Charities (Accounts and Reports) Regulations 2008 and the provisions of the charity's constitution.
6. Section 32A(1) of the Opticians Act requires the GOC to include information in its Annual Report regarding the arrangements the Council has put in place to ensure that it adheres to good practice regarding equality and diversity. Section 32A(2) of the Act also requires us to publish an annual report on our Fitness to Practise (FTP) process.
7. The production of an annual report is part of the Governance work programme in the 2015/16 Business Plan, specifically accountability – managing the production of our annual report to openly and transparently account for our performance. This supports our strategic objective of Increased Trust and Awareness – promoting public trust in the professions and enabling the public to make informed decisions about optical care and raise any concerns. The production of the annual report supports our values, specifically that we are responsible, and that we inspire confidence because we make clear, well-reasoned and evidence-based decisions.
8. This work is led by the Head of Governance. The Council Champions are Gareth Hadley and Scott Mackie. The decision to approve the annual report rests with Council, as the GOC's Board of Trustees.

### Risks

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9. Risk around non-compliance with relevant legislative requirements is considered to have been mitigated through careful consideration of our legislative requirements – both as a statutory body and as a charity – and we are confident that we have complied with such requirements. The report has also been subject to consideration by our external auditors to ensure compliance with relevant Statements of Recommended Practice (SORPs). We therefore consider this risk to have been appropriately managed.
10. If Council are minded to not approve the report and financial statements, or request that further work is done, then this could lead to a delay in submitting the annual report and financial statements to Privy Council, in us publishing the document and in filing it with the Charity Commission within 10 months of our

year end. We have undertaken significant internal review and auditing to ensure that the report and financial statements are as comprehensive as possible, and have engaged the Council champions for governance, Gareth Hadley and Scott Mackie. We therefore consider that this risk is extremely low.

## Background

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11. In accordance with legislation, each year our annual report is submitted to the Privy Council for laying before Parliament before it can be published.
12. Council is being presented with the annual report in public session, which is in line with good practice. However, the report is not be made public as part of the papers for the meeting due to parliamentary requirements not to put the report into the public domain before it has been formally considered by Parliament.
13. Council considered the draft report in July 2015, which provided members an opportunity to comment on the content in advance of formal approval. Council agreed that this year the Annual Report and Financial statements and the annual Fitness to Practise (FTP) report would be published in a single document. This decision was made in order to ensure consistency, reduce duplication and conserve resources. This is in line with the approach taken by at least one other healthcare regulator.
14. In considering the draft report at its meeting in July 2015, Council raised the following points:
  - 14.1 Chair's report – Council **questioned** why the GOC's relocation had been referred to as this did not take place during the year under review. It was confirmed that the Chair's report should refer to any significant events which happened following the year under review, but in advance of publication of the report. Due to uncertainty about the time of the relocation, this remains draft in the current iteration. We will produce a definitive statement on this issue in the version submitted to Council in November 2015;
  - 14.2 Table three – Council **questioned** whether the table should refer to 'under 21's' and **requested assurance** that the data extracted from the CRM system was accurate before the final figures were published. We have carefully reviewed all data reproduced within this report and are now confident that there is consistency and accuracy in the numbers included;
  - 14.3 Table four – Council **requested** that the table be headed as 'higher education establishments' or another suitable alternative, as neither Bradford nor City and Islington Colleges were universities. We have retitled this table to read "Higher Education Institution";
  - 14.4 Glossary – Council **welcomed** the inclusion of a glossary which they **requested** be published separately on the GOC website once finalised.

- Council **requested** the inclusion of Independent Prescriber (IP), Contact Lens Optician (CLO) and Information Commissioners Office (ICO) and that the description of a Dispensing Optician (DO) be amended to replace 'glasses' with 'optical appliances'. We have redrafted the glossary accordingly and the glossary has been published on our website;
- 14.5 Table eight – Council **requested** that the ratio to the population of the four nations be included in this table. Once the report is designed, if possible a graphical representation of the population will be included;
- 14.6 Table eight – Council **questioned** whether there had been anonymous FTP complaints made during previous years or if the basis of calculation had changed. The Executive confirmed this would be checked and a footnote added if required to avoid misinterpretation. The report reflects that we are, this year, able to report on the number of concerns raised by whistleblowers and those raised anonymously (if a complaint falls into both categories, it will be classified as a whistleblower complaint); and
- 14.7 we have reviewed the report to ensure that there are no typographical errors.
15. The external auditors (haysmacintyre) undertook their audit in June 2015, which included section two (Trustees Report in draft) and section four (Financial Review for the year ended 31 March 2015 in draft). The external auditors will be provided with a copy of the report once sections one, two and three have been agreed by Council in order to complete their audit. The Chair's message, Chief Executive and Registrar's report, Section One and Section Three of the report will not be audited by the external auditors, but has been read to ensure consistency throughout the entire document.

### **The role of the ARC in the production of the annual report**

16. The Audit and Risk Committee (ARC) terms of reference require the Committee to advise Council on *"the accounts/financial statements and the annual report of the organisation, including the process for review of the accounts prior to submission for audit, the level of error identified, accounting policies and managements letter of representation to the external auditors and advise whether the financial statements are fair, balanced and understandable to assess performance."*
17. Consistent with the above, the ARC considered the draft annual report and accounts at its meeting on 19 October 2015. In considering the draft report, ARC raised the following points:
- 17.1 the Chair's and Chief Executive and Registrar's introductions to the report should make direct reference to the outcomes of the 2014/15 PSA performance review;
- 17.2 the section on whistleblowing should be revised to take into account the

- GOC's duties as a prescribed person under legislation and the importance that the GOC attached to this area;
- 17.3 the table detailing average number of employees (Table 10 of the notes to the financial statements) should identify the relevant departments within in the Resources directorate; and
- 17.4 the report should be further reviewed to ensure that there was consistency in the language used and the accuracy of all numerical data. Similarly, the report would need to be further revised to take account of the date of the GOC move to Old Bailey offices, once this was confirmed.
18. All of these points have been incorporated in the version presented to Council. On this basis, ARC agrees that when taken as a whole, the annual report and financial statements are fair, balanced and understandable and provide the necessary information to assess performance during 2013/14. **Therefore ARC recommend to Council that the annual report for the year ended 31 March 2015 be approved.**

#### **The role of the Remuneration committee (RemCo) in the annual report**

19. RemCo are required, under their terms of reference, to *'review and approve the relevant sections of the annual report in relation to Council member's remuneration and expenses ensuring that they meet best practice requirements'*.
20. RemCo fulfilled this remit via email in October 2015. All Committee members have confirmed that they are content that the relevant sections of the annual report relating to Council members' remuneration and expenses met best practice requirements.

#### **Analysis**

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21. In preparing the annual report we have sought input from various departments across the GOC including standards, education, registration, fitness to practise, regulation, communications, governance, HR and finance.
22. As last year, we have included a number of best practice requirements as stated in the UK Corporate Governance Code, such as an explanation of the work of Council's committees, attendance of Council members, the independence of the external auditors, and the role of the Senior Council Member.
23. The annual report has been compiled to comply with the Charities Act 2011 and applicable accounting standards. The financial statements are in the format required by the Statement of Recommended Practice (SORP): Accounting and Reporting by Charities (revised March 2005).

24. In preparing the Trustees' Report we have also complied with the duty in Section Four of the Charities Act 2011 to have due regard to the public benefit guidance published by the Charity Commission in determining the activities we undertake.

### **Compliance with the Statement of Recommended Practice (SORP)**

25. The Charities SORP applies to charities generally in the UK. It provides a mechanism to enable charities to meet the legal requirements for their financial statements in order that they provide a true, fair and consistent interpretation of the accounting standards to be met. In addition, the SORP also provide recommendation for annual reporting which are relevant to the charitable sector and stakeholder needs.
26. The SORP requires us to ensure that the following are covered:
- 26.1 reference and administrative details of the charity, its trustees and advisers (this can be seen on page 36);
  - 26.2 structure, governance and management (this can be seen on page 34);
  - 26.3 objectives, achievements and performance (this can be seen on pages 19 to 32);
  - 26.4 financial review (this can be seen on pages 46 to 67); and
  - 26.5 plans for future periods (this can be seen on page 33).
27. Below we explain briefly how each of the sections of the report and financial statements have complied with the SORP and other relevant legislation or guidelines.

### **Message from the Chair and Chief Executive**

28. This section is not required under SORP. However, Chairmen are encouraged to personally report in their annual reports under the UK Corporate Governance Code.

### **Section 1: About us**

29. This section sets out our role in each of the key regulatory areas. Specifically, the key regulatory areas are – setting standards, education, registration, fitness to practice, legal compliance and ensuring that complaints about consumer issues are dealt with appropriately. Investigating whistleblowing complaints is included because the GOC is a listed as a prescribed person in the Public Interest and Disclosure (Prescribed Persons) Order 1999 and as such has a legal duty to report annually on whistleblowing complaints. Whistleblowing complaints could potentially be filed by employees of registrants and non-registrants.

30. Information on how we work has been incorporated in this section, including Council, the non-statutory and statutory advisory committees and our internal structure.
31. This section is not specifically required under SORP. However, it is normal practice to explain how an organisation operates in order to provide context for the rest of the report.

## **Section 2: Trustees' Report**

32. The Trustees' Report is a review of the significant activities which were carried out through the year and delivery against our business plan for 2014/15. It includes an assessment of our performance and explanation of key priorities for 2014/15. It has been structured to address each of the key strategic objectives and to show our achievements, our performance and our plans for the future. It also includes details of our structure, governance and management and a statement of trustees' responsibilities as required by SORP.
33. This annual report covers the first year of our Strategic Plan 2014/17. The Trustees' Report is fully SORP compliant. We believe that the level of detail provided in this section is commensurate with the size and complexity of the organisation and provides an appropriate level of detail in order to meet the needs of our various stakeholders.
34. Section 32A(1) of the Opticians Act requires us to include information in our Annual Report regarding the arrangements the Council has put in place to ensure that it adheres to good practice regarding equality and diversity. It is also considered good practice to be transparent about how many corporate complaints and freedom of information requests the organisation has received over the reporting period and your commitment to the environment. This information is reported in this section.
35. The administration section is SORP compliant. We are required to set out the registered name of the charity, the registration number, the address of the registered office, the names of the trustees on the date that the report was approved, the names of the trustees who served during the year, the name of the Chief Executive/ Registrar and any other senior staff to whom day to day management/ responsibility is delegated as well as the names and addresses of any other relevant organisations, such as bankers and auditors. In addition, the section reflects the appointment of Brewin Dolphin as the GOC's investment advisers.

## **Section 3: Fitness to Practise annual report**

36. The section covers complaints received by the GOC in relation to registrants between 1 April 2014 and 31 March 2015. It contains detail of the possible

outcomes of an FTP hearing, i.e. erasure from our register, suspension from our register, conditional registration, warning or payment of a financial penalty. In addition, the section includes the work of the Registration Appeals Committee, section 29 referrals and the independent annual audit of the decision-making of the Investigation and Fitness to Practise Committees commissioned by the GOC. This is in compliance with the Professional Standards Authority's eighth FTP Standard of Good Regulation.

#### **Section 4: Financial Review for the Year Ended 31 March 2015**

37. The Financial Review for the year ended 31 March 2015 includes the independent auditors' report, the statement of financial activities, the balance sheet, cash flow statement and notes to the financial statements.
38. The Financial Review is fully SORP compliant and has been audited by the external auditors (haysmacintyre). The external audit findings report was presented to the Audit and Risk committee (ARC) on 19 October 2015. In summary, the findings from the report show:
  - 38.1 no significant matters were found as part of the audit work in relation to the areas which the external auditors believe should be brought to your attention; and
  - 38.2 following the completion of the external auditor's work, they expect to issue an unmodified audit report on the accounts and advise that there are no limitations in the scope of their work. However, this is subject to satisfactory completion of any further post balance sheet events taking place prior to the signing of the statutory accounts and recent management accounts and forecasts just prior to the approval of the financial statements.
39. ARC agree that there is nothing contained within the audit findings report which they need to bring to Council's attention.

#### **Letter of Representation**

40. The Letter of Representation is attached at **annex two**. The Letter, prepared by the GOC's external auditors, haysmacintyre, provides assurance that the representations noted in the letter have been made on the basis of sufficient enquiries of management and staff with relevant knowledge, and where appropriate, of inspection of supporting documentation.
41. As per last year, the GOC Senior Management also submit their own letter of representation to Council to provide assurance that the representations stated in **annex two** have been made on the basis of sufficient enquiry and inspection of supporting documentation. The GOC letter of representation can be found at **annex three**.



## Impacts

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42. The project has the following implications:
  - 42.1 GOC's reserves – no implications;
  - 42.2 GOC budget – The production of the annual report (including the external auditors' fee) is included in the 2015/16 budget. There is no impact on reserves for this area of our work.
  - 42.3 Resources – the production of the annual report is managed within existing staff and financial resources;
  - 42.4 Equality and diversity – We will meet our Welsh Language obligations through the translation of the annual report into Welsh prior to publication. We will provide the annual report in alternative formats on request. In addition, we have met the We are required to publish information in our annual report on how the Council has ensured good practice regarding equality and diversity; and
  - 42.5 Human Rights Act – no implications.

## Devolved Nations

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43. There are no implications in relation to this paper and the devolved nations.
44. We will publish the full annual report on our website and in Welsh once approved by Parliament. In addition, we also provide a copy to the Welsh Assembly for their information.

## Communications

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45. As per previous years, we will be commissioning an external agency to design the annual report and accounts.
46. Once Parliamentary approval has been obtained we will issue a press release to our registrants and stakeholders and publish the annual report on our website.
47. We will be printing a limited supply of hard copies as per previous years.

## Timeline for future work

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48. Once Council has approved and signed the annual report and Letter of Representation on 11 November 2015, they will be returned to the external auditors for signing and then submitted to Privy Council who will oversee the Parliamentary approval process. We currently anticipate the annual report and accounts to be laid before Parliament in early December 2015.

49. Once Parliamentary approval has been obtained we will issue a press release to our registrants and stakeholders and publish the annual report on our website.
50. We are required to submit our annual report to the Charity Commission by no later than 31 January 2015. We will submit our annual return to the Commission, once the report has been laid before Parliament.

**Attachments**

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Annex 1: Annual Report and Financial Statements for the year ended 31 March 2015  
*(not published)*

Annex 2: Letter of Representation from the external auditors

Annex 3: Letter of Representation from the GOC senior management team

haysmacintyre  
26 Red Lion Square  
London  
WC1R 4AG

Date:

Dear Sirs

During the course of your audit of our financial statements for the year ended 31 March 2015, the following representations were made to you by management and Council Members (Trustees) on behalf of the General Optical Council.

- 1 We have fulfilled our responsibilities as trustees under the Charities Act 2011 for preparing financial statements, in accordance with UK Generally Accepted Accounting Practice (UK GAAP) that give a true and fair view and for making accurate representations to you as auditors.
- 2 We confirm that all accounting records have been made available to you for the purpose of your audit, in accordance with your terms of engagement, and that all the transactions undertaken by the charity have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all management and Council Member meetings, have been made available to you. We have given you unrestricted access to persons within the charity in order to obtain audit evidence and have provided any additional information that you have requested for the purposes of your audit.
- 3 We confirm that significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- 4 We confirm that all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to the auditor and accounted for and disclosed in accordance with UK GAAP.
- 5 We confirm that there have been no events since the balance sheet date which require disclosing or which would materially affect the amounts in the accounts, other than those already disclosed or included in the accounts.

- 6 We confirm that the related party relationships and transactions set out in the declarations provided to you are a complete list of such relationships and transactions and that we are not aware of any further related parties or transactions and the transactions have been accounted for and disclosed in accordance with UK GAAP.
- 7 We confirm that the financial statements correctly disclose the Trustees' remuneration and reimbursement of expenses, and are drawn up in accordance with the Statement of Recommended Practice *Accounting and Reporting by Charities*.
- 8 We confirm that the charity has not contracted for any capital expenditure other than as disclosed in the financial statements.
- 9 We confirm that we are not aware of any possible or actual instance of non-compliance with those laws and regulations which provide a legal framework within which the charity conducts its business.
- 10 We acknowledge our responsibility for the design and implementation of controls to prevent and detect fraud. We confirm that we have provided you with the latest copy of our risk assessment. We confirm that we have considered the risk of fraud and disclosed to you any actual or suspected instances of fraud involving management or employees who have a significant role in internal control or that could have a material effect on the financial statements. We also confirm that we are not aware of any allegations of fraud by former employees, regulators or others.
- 11 We confirm that, having considered our expectations and intentions for the next twelve months and the availability of working capital, the charity is a going concern.
- 12 We confirm that in our opinion the effects of unadjusted misstatements as listed in the haysmacintyre Audit Findings Report are immaterial, both individually and in aggregate, to the financial statements as a whole.
- 13 We confirm the following details concerning restatement of the comparative figures in respect of allocation of expenditure.
- 14 All grants, donations and other incoming resources, receipt of which is subject to specific terms or conditions, have been notified to you. There have been no breaches of terms and conditions in the application of such incoming resources.
- 15 We confirm that there is no audit information of which you as auditors are unaware of, and that each Council Members (Trustees) has taken steps to make themselves aware of any relevant information and to establish that you are aware of that information.

We confirm that the above representations are made on the basis of enquiries of management and staff with relevant knowledge and expertise (and, where appropriate, of supporting documentation) sufficient to satisfy ourselves that we can properly make these representations to you and that to the best of our knowledge and belief they accurately reflect the representations made to you by the trustees during the course of your audit.

Yours faithfully

Signed on behalf of the Council of the General Optical Council by:

Signature:.....

Name: Gareth Hadley  
Chair and Council Member (Trustee)

DRAFT

DRAFT

General Optical Council  
41 Harley Street  
London  
W1G 8DJ

Date: 11 November 2015

Dear Council

During the course of haysmacintyre's audit of our financial statements for the year ended 31 March 2015, the following representations were made to them by management on behalf of the General Optical Council.

- 1 We have fulfilled our responsibilities as executives for preparing financial statements, in accordance with UK Generally Accepted Accounting Practice (UK GAAP) that give a true and fair view and for making accurate representations to you as auditors.
- 2 We confirm that all accounting records have been made available to haysmacintyre for the purpose of their audit, in accordance with their terms of engagement, and that all the transactions undertaken by the charity have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all management and Council meetings, have been made available to them. We have given them unrestricted access to persons within the charity in order to obtain audit evidence and have provided any additional information that they have requested for the purposes of their audit.
- 3 We confirm that significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- 4 We confirm that all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to the auditor and accounted for and disclosed in accordance with UK GAAP.
- 5 We confirm that there have been no events since the balance sheet date which require disclosing or which would materially affect the amounts in the accounts, other than those already disclosed or included in the accounts.

- 6 We confirm that the related party relationships and transactions set out in the declarations provided to the auditor are a complete list of such relationships and transactions and that we are not aware of any further related parties or transactions and the transactions have been accounted for and disclosed in accordance with UK GAAP.
- 7 We confirm that the financial statements correctly disclose the Trustees' remuneration and reimbursement of expenses, and are drawn up in accordance with the Statement of Recommended Practice *Accounting and Reporting by Charities*.
- 8 We confirm that the charity has not contracted for any capital expenditure other than as disclosed in the financial statements.
- 9 We confirm that we are not aware of any possible or actual instance of non-compliance with those laws and regulations which provide a legal framework within which the charity conducts its business.
- 10 We acknowledge our responsibility for the design and implementation of controls to prevent and detect fraud. We confirm that we have provided the auditor with the latest copy of our risk assessment. We confirm that we have considered the risk of fraud and disclosed to the auditor any actual or suspected instances of fraud involving management or employees who have a significant role in internal control or that could have a material effect on the financial statements. We also confirm that we are not aware of any allegations of fraud by former employees, regulators or others.
- 11 We confirm that, having considered our expectations and intentions for the next twelve months and the availability of working capital, we are confident that the charity is a going concern.
- 12 We confirm that in our opinion the effects of unadjusted misstatements as listed in the haysmacintyre Audit Findings Report are immaterial, both individually and in aggregate, to the financial statements as a whole.
- 13 We confirm the following details concerning restatement of the comparative figures in respect of allocation of expenditure.
- 14 All grants, donations and other incoming resources, receipt of which is subject to specific terms or conditions, have been notified to the auditor. There have been no breaches of terms and conditions in the application of such incoming resources.



- 15 We confirm that there is no audit information of which haysmacintyre as auditors are unaware of, and that each Senior Management Team Member has taken steps to make themselves aware of any relevant information and to establish that the auditor is aware of that information.

We confirm that the above representations are made on the basis of enquiries of management and employees with relevant knowledge and expertise (and, where appropriate, of supporting documentation) sufficient to satisfy ourselves that we can properly make these representations to you and that to the best of our knowledge and belief they accurately reflect the representations made to haysmacintyre during the course of their audit.

Yours faithfully

Signed on behalf of the Senior Management Team of the General Optical Council by:

Name: Samantha Peters  
Chief Executive and Registrar

DRAFT