

Annual Report and Accounts 2017

Purpose of paper	To present the 2017 Annual Report and Accounts to the Council for approval.
Action	For decision.
Corporate Strategy 2016-19	To be transparent about our performance so that the public, patients, professionals and our partners can have confidence in our approach.
Risk register	Not linked to any risks on registers, but related to the Mazars Fact Finding and Lessons Learned – 2016 Annual Report and Accounts Review – Final Report.
Decision Trail	<p>16 April – the Audit and Risk Committee (ARC) recommended the annual report and accounts 2017 to the Council – pending resolution of final changes from the auditors (subsequently approved by Chair of the ARC on 20 April).</p> <p>9 April 2018 – EMT recommended the final draft annual report and accounts for ARC (16 April) to review and recommend to the Council (17 May).</p> <p>23 March – the NAO and haysmacintyre commented on draft annual report and accounts via email circulation.</p> <p>15 March 2018 – the Council and the ARC, via circulation, commented on a draft of the annual report and accounts.</p> <p>7 March – the ARC commented on the first draft of the annual report and accounts via email circulation.</p>
Next steps	The ARA will be laid before UK and Scottish Parliaments on 20 June 2018.
Recommendations	<p>The Council is asked:</p> <ul style="list-style-type: none"> • To approve the Annual Report and Accounts; and • To authorise the signing of the Annual Report and Accounts and letters of representation by the Chief Executive and Registrar &

	Accounting Officer and the Chair of the Council
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Appendices	<p>Appendix 1. 2017 Annual Report and Accounts</p> <p>Appendix 2. External auditors' audit findings report and proposed letter of representation</p> <p>Appendix 3. National Audit Office audit completion report and proposed letter of representation</p>

1. Executive Summary

- 1.1. The General Dental Council Annual Report and Accounts and letters of representation for the year to 31 December 2017 are required to be approved by the Council prior to being signed by the Chief Executive (who is also the GDC Accounting Officer) and the Chair of the Council.
- 1.2. The Annual Report and Accounts, the audit findings reports and the proposed letters of representation are attached as appendices to this paper and have been reviewed by the ARC on 16 April 2018.
- 1.3. A designed version of the Annual Report and Accounts will be prepared following signing of the Annual Report and Accounts and representation letters.
- 1.4. When the documents have been signed by the Chief Executive and Registrar and the Chair of the Council, both the external auditors and the Comptroller and Auditor General of the National Audit Office will be able to sign the audit certificates.
- 1.5. The Annual Report and Accounts have been submitted to the ARC for its review, who agreed that, subject to clarifications and changes being made and an assessment of any material subsequent events up to the date of signing of the Annual Report being cleared with the external auditors and the NAO, the Annual Report and Accounts should be presented to the Council for approval.
- 1.6. The Executive are not aware of strategic risks that would impact on the conclusion that the GDC remains a going concern for the next 12 months. There are no other material issues detailed in this paper that warrant being highlighted in this executive summary.

1.7. The Annual Report and Accounts 2017 will be laid before the Scottish and UK Parliaments on 10 June 2018.

2. Introduction and background

- 2.1. The Dentists Act 1984 (as amended) states that the General Dental Council has to produce a report and accounts for each financial year. The Annual Report and Accounts have to be laid in the House of Commons and in the Scottish Parliament, with copies provided to each of the other two assemblies.
- 2.2. The GDC is required to complete its Annual Report and Accounts in accordance with International Financial Reporting Standards [IFRS], as adopted by the European Union, and as supplemented by directions from the Privy Council, take into consideration the accounting principles and disclosures of the Government Financial Reporting Manual (FRM). The Privy Council has appointed the Chief Executive as Accounting Officer, with responsibility for the execution of the Council's obligations under section 2C of the Dentists Act 1984. The Privy Council has also confirmed that the Accounting Officer is only asked to "take into consideration" the principles set out in Chapter 3 of Managing Public Money and wider MPM guidance.
- 2.3. We also take into account when preparing the Annual Report and Accounts the requirements of 'Corporate governance in central government departments: Code of good practice 2011' and any relevant pronouncements directed at Public Limited Companies regarding Remuneration and Governance reporting.
- 2.4. In line with all reports and accounts laid before Parliament, the GDC is required to obtain a certificate from the Comptroller and Auditor General (C&AG) who relies on the National Audit Office (NAO) to provide him with assurance. The C&AG will not sign this until after the Annual Report and Accounts have been approved by both the Council and our external auditors
- 2.5. The GDC is a statutory corporation which is not a Limited Company, neither is it a government department or a Non-Departmental Public Body (NDPB).

3. Key considerations for the Financial Report

- 3.1. To support the Council's review of the financial sections of the Annual Report and Accounts, the Executive's review covering 2017 and key financial information included in the 2017 Annual Report and Accounts, is as follows:

Key information	Review completed
1. Income £46.4m (2016 £46.4m), remained at £46.4m	Higher income (£0.5m) from an additional 382 Dentists and 1,229 DCPs renewing their registration in 2017, compared with 2016, was offset by a £0.5m reduction in income from fewer candidates sitting the Overseas Registration Examination in 2017.
2. Expenditure - regulatory activities £27.9 (2016 £35.0m) a decrease of £7.1m	Fitness to Practise and Hearings costs decreased by £5.8m.
3. Expenditure - support activities £11.1m (2016 £10.3m) an increase of £0.8m	A £0.9m increase in Finance, HR and CEO costs follows the restructure of the EMT and the centralisation of the costs of the EMT, was offset by reduction costs within Office Services.

Key information	Review completed
4. Going concern review	<p>The GDCs cash flow is very cyclical, with most income being received in December each year relating to the dentist ARF (£35m) for the following year and the DCP ARF in July each year (£7.5m). Monthly expenditure is steady, in the region of £3.5m per month. Current forecasts indicate that at the lowest point during the next 12 months - November 2018 - cash and realisable investments will be in the range of £15.0m to £20.0m, being some 4.3 to 5.7 months of operating spend. If the dentist ARF remains at £890 for 2019, cash resources will increase by around £35.0m in December 2017. So it is reasonable to assume that the GDC will have sufficient cash resources for the next 12 months of operations and can therefore be considered to be a going concern for the foreseeable future. The Executive are not aware of strategic risks that would impact on the view that the GDC remains a going concern for the next 12 months.</p>
5. IFRS v FReM – approach taken where guidance varies between accounting conventions	<p>Under IFRS [IAS16], property, plant and equipment are required to be stated at cost, net of depreciation. The FReM recommends that IAS16 be adapted to measure these assets at current value in existing use.</p> <p>The GDC has consistently applied IAS16 and proposes to continue to do so. Putting the difference in context, relates primarily to the presentation of the leasehold improvements to 37 Wimpole St, where the cost is £12.8m and the estimated value in existing use, calculated by CBRE in November 2015 [following completion of the redevelopment work] was £13.5m.</p> <p>Depreciation would be on a similar basis under both bases: over the remainder of the lease, 20 years or 10 years or, if shorter, over their estimated useful lives.</p>
6. Review of internal control issues	<p>Mazars have indicated that based on internal audits completed that internal controls are ‘generally adequate’. See the Governance statement.</p>
7. If there are any issues of materiality to the financial statements	<p>The ARC discussed an assessment of the impact of the introduction of IFRS 15 on the accounts on 16 April. The introduction of IFRS 15 presents a strong case for a change in our accounting treatment of income from the DCP ARF from 1 January 2018. The effect of the new accounting treatment on 2018 reported income will be immaterial. However, it will have a material impact on reserves as at 31 December 2018. The prior year adjustment will increase 2017 deferred income which could reduce 2018 opening reserves by £4.6m.</p> <p>There remains a current financial risk relating to the 2015 income and expenditure account which included a credit for ‘adjustment to tax and social security costs’, in the sum of £1.3m. Some £0.6m was received from HMRC during 2016 relating to the NIC element, with the balance currently outstanding. Having contacted the Deputy</p>

Key information	Review completed
	<p>Director of PAYE Policy on 18 October 2017, our advisers were assured that the claim would be reviewed by a senior Manager immediately after Christmas and told that he has authority to confirm the repayments. It is now three months since that review and so far no concrete correspondence about next steps has been received. Our advisers are therefore in the process of submitting a formal complaint to HMRC. The complaint will request that repayment is made by 31 May 2018 at the latest. Haysmacintyre requested that our advisers confirm the position to them in writing to enable them to decide whether they will allow the debtor or not. This was provided on 29 March.</p>
<p>8. Presentation of cost efficiency savings in the Financial Review</p>	<p>The Financial Review includes information on efficiency savings achieved:</p> <ul style="list-style-type: none"> a) New savings initiatives in 2017, plus on-going savings from initiatives started in previous 4 years - £4.1m b) Cumulative savings over 5 years to December 2017 - £6.5m c) Potential savings for 2018, plus on-going savings from initiatives started in previous 4 years - £6.7m
<p>9. If there are any other issues in the ARA which would be of interest to external bodies</p>	<p>The 2015 Financial review included a reference to the GDC reserves policy. This reference has been updated to be in-line with the revised policy approved by Council in 2017.</p>

4. Lessons Learned – 2016 Annual Report and Accounts Review

- 4.1. As part of the close out of last year’s annual report and accounts process a number of lessons were identified by the team, with specific focus on errors that occurred during the proof reading and design process; GDC’s internal audit partner, Mazars, were also commissioned to produce a fact finding and lessons learned report into the events that led to the errors.
- 4.2. The main lesson was related to ensuring accuracy of the report when it was transposed by the design company from the approved Word document to the designed copy. The team have a robust proof reading and design process in place and have implemented recommendations from the Mazars report and the team’s own learning and experience, to ensure there is as minimal chance as possible of a repeat of the errors from last year. The team is confident the quality standards expected are understood by the appointed designer.
- 4.3. The team has also invested to a greater degree than in previous years in the editing and proofing process, to ensure as far as possible that the version being signed by Council is “camera ready” (i.e. with no or minimal correction required). In previous years, significant work of this nature remained to be completed as part of the design process. This front-loading of effort should reduce risk further.

5. Recommendations

- 5.1. The Council is asked to:
 - 5.1.1. To approve the Annual Report and Accounts; and

5.1.2. To authorise the signing of the Annual Report and Accounts and letters of representation by the Chief Executive and Registrar & Accounting Officer and the Chair of the Council

6. Internal consultation

- 6.1. The 2017 annual report and accounts process is being managed as a cross-organisational project, coordinated by the Project Management Office (PMO).
- 6.2. The project team has been responsible for distinct areas of the report based on subject matter expertise, with Matthew Hill, as Executive Sponsor, responsible for the process in full.

7. Risks and considerations

<p>Communications</p> <ul style="list-style-type: none">• The Communications team within the Strategy directorate are responsible for handling the communications and narrative element of publishing the Annual Report and Accounts. There is a reputational risk around publishing the financial information, but the accounts will follow a robust process and the key financial controls will act as mitigations.• The Annual Report and Accounts will be published externally in June. This will be laid before parliament and uploaded to the external GDC website.
<p>Equality and Diversity</p> <ul style="list-style-type: none">• A specific section on Equality and Diversity will be included in the Annual Report and Accounts.• The Communications team will explore the timetables for producing translated copy, synchronising as much as possible with primary, English language copy. <p>Identify minimum (legislative and/or policy) accessibility requirements.</p>
<p>Legal</p> <ul style="list-style-type: none">• Pursuant to section 2C of the Act, the GDC is required to prepare and publish a statement of accounts in a form determined by the Privy Council. The Privy Council has appointed the GDC's Chief Executive as Accounting Officer and in that capacity, he has responsibility to discharge the Council's obligations under section 2C. The Privy Council has confirmed that the statement of accounts should be prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union, and as supplemented by directions from the Privy Council. The Privy Council has also confirmed that we are only asked to "take into consideration" the principles set out in Chapter 3 of Managing Public Money. The GDC, in accordance with section 2C(2) and (3) has appointed haysmacintyre as auditors. The GDC discharges its obligations under section 2C by publishing annual accounts.• We also take into account when preparing the Annual Report and Accounts the requirements of 'Corporate governance in central government departments: Code of good practice 2011' and any relevant pronouncements directed at Public Limited Companies regarding Remuneration and Governance reporting. Links and comments on these documents will be provided in the NAO audit planning report to the Committee.
<p>Policy</p> <ul style="list-style-type: none">• This proposal has no impact on GDC policy decision-making.

Resources

- There are no cost implications. All costs are covered by the budget.

Risks on registers

- Not linked to any risks on registers, but related to the Mazars Fact Finding and Lessons Learned – 2016 Annual Report and Accounts Review – Final Report.

8. Appendices

8.1. Appendix 1. 2017 annual report and accounts.

8.2. Appendix 2. External auditors' audit findings report and proposed letter of representation.

8.3. Appendix 3. National Audit Office audit completion report and proposed letter of representation.