

## 7a – Report of the Audit and Risk Committee - Annex A

### Annual Internal Audit Report 2008

#### Section 1: Executive Summary

##### *Background*

1. Arrangements for the provision of internal audit services in 2008 consisted of the in-house Head of Internal Audit (The Head of Consultancy and Review Service) supported by KPMG, the external provider of internal audit services until December 2008. The current Head of Consultancy and Review Service joined the GMC in June 2008.
2. The internal audit work undertaken during the year was driven mainly by the approved 2008 Internal Audit Plan, with additional requests from management.
3. Internal audit reviews were completed in accordance with terms of reference agreed with the relevant managers and sponsoring directors. Internal audit reports were presented to the Audit Committee, after consultation with management.

##### *Purpose of this report*

4. This report is intended to provide an overview of the internal audit work conducted during 2008; and to give assurance to the Audit and Risk Committee on the adequacy of the governance, risk management and internal control processes in operation during the year.

##### *Summary of Work Undertaken*

5. A summary of the work undertaken in 2008 is presented in the table below:

Nature of Activity	Summary of Work Undertaken
Programmed Reviews	A total of 14 programmed reviews were conducted during the year, giving rise to 72 recommendations.
Reviews Requested by Management	Two consultancy reviews were undertaken at management's request.

<b>Nature of Activity</b>	<b>Summary of Work Undertaken</b>
Advise and Challenge	Advice and challenge in respect of risk management and internal control, particularly in relation to new and developing processes.
Significant Event Reviews)	Support and guidance in relation to 14 Significant Event Reviews completed during the year.
Follow up	Follow up to ascertain the extent to which agreed recommendations arising from internal audit work have been implemented.

### *Head of Internal Audit Opinion*

6. The risk management, governance and internal control processes in operation during 2008 were adequate to ensure the achievement of the GMC's objectives. Management are implementing actions to address those areas identified for improvement during the course of the internal audit work.

## **Section 2: Internal Audit Coverage and Outputs**

### *Schedule of Programmed Reviews Conducted*

7. A schedule of programmed audits conducted in 2008, together with the levels of assurance provided and an analysis of the recommendations made are presented in the table below. An assurance rating of Full, Substantial or Limited was issued for each of the reviews undertaken. The significance of recommendations was rated as 'For Audit Committee Attention', 'For Management Action', or 'For Management Consideration'. A key to these ratings is presented in paragraph 11 below.

<b>No</b>	<b>Review</b>	<b>Assurance Rating</b>	<b>Recs.</b>			<b>Total</b>	<b>Agreed</b>
			<b>For ARC Attention</b>	<b>For Mgt. Action</b>	<b>For Mgt. Consideration</b>		
	<b>Corporate</b>						
1	Performance Management - Plans	Full	0	0	0	0	0
2	Governance - Plans	Full	0	0	0	0	0
3	Risk Management	Substantial	0	2	4	6	6
	<b>Registration and Resources</b>						
4	Application Routes to Registration and Credentialing – Stage One	Substantial	1	4	4	9	9

N o	Review	Assurance Rating	Recs.				
			For ARC Attention	For Mgt. Action	For Mgt. Consideration	Total	Agreed
5	Registration Document Control Process	Substantial	0	3	5	8	7
6	Review of Compliance with ISO27001 and BIP 0008-1	Substantial	0	2	6	8	8
7	Financial and Accounting Systems: Fee Income, Non Pay Expenditure and Payroll	Substantial	0	4	4	8	8
8	Application Routes to Registration and Credentialing – Stage Two	Substantial	0	3	3	6	6
9	Benefit Realisation of the Relationship Management System	Substantial	0	3	0	3	3
	<b><u>Standards and Fitness to Practise</u></b>						
10	Civil Standard of Proof	Substantial	0	0	7	7	7
11	Management of Associates	Substantial	0	0	3	3	3
12	Hearing Capacity	Substantial	0	0	3	3	3
	<b><u>Education and Revalidation</u></b>						
13	Education	Substantial	0	0	3	3	3
	<b><u>Communication</u></b>						
14	The Devolved Offices	Substantial	0	4	4	8	8
	<b><u>Total</u></b>		1	25	46	72	71

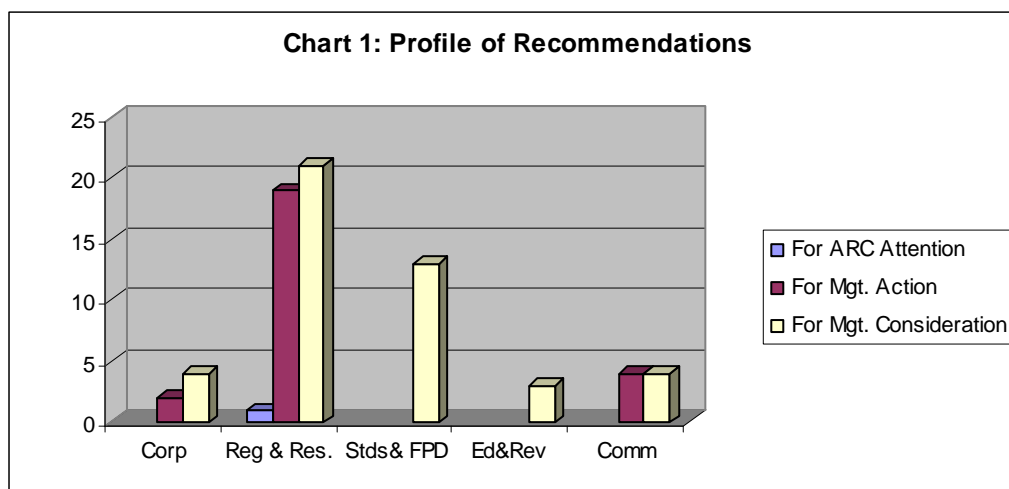
*Priority rating for recommendations raised*

8. The key to the ranking of recommendations is presented in the table below:

<p><b>For Audit Committee Attention (one):</b> a significant weakness in the system or process which is putting you at serious risk of not achieving its strategic aims and objectives. In particular: significant adverse impact on reputation; non-compliance with key statutory requirements; or substantially raising the likelihood that any of your strategic risks will occur. Any recommendations in this category would require immediate attention.</p>	<p><b>For Management Action (two):</b> a potentially significant or medium level weakness in the system or process which could put you at risk of not achieving its strategic aims and objectives. In particular, having the potential for adverse impact on your reputation or for raising the likelihood of your strategic risks occurring.</p>	<p><b>For Management Consideration (three):</b> recommendations which could improve the efficiency and/or effectiveness of the system or process but which are not vital to achieving your strategic aims and objectives. These are generally issues of good practice that the auditors consider would achieve better outcomes.</p>
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*Profile of Agreed Recommendations arising from Programmed Reviews*

9. A profile of the recommendations arising from internal audit work in 2008 is presented in Chart 1 below:



*Consultancy Reviews*

10. Two additional reviews were conducted at managements request, as follows:

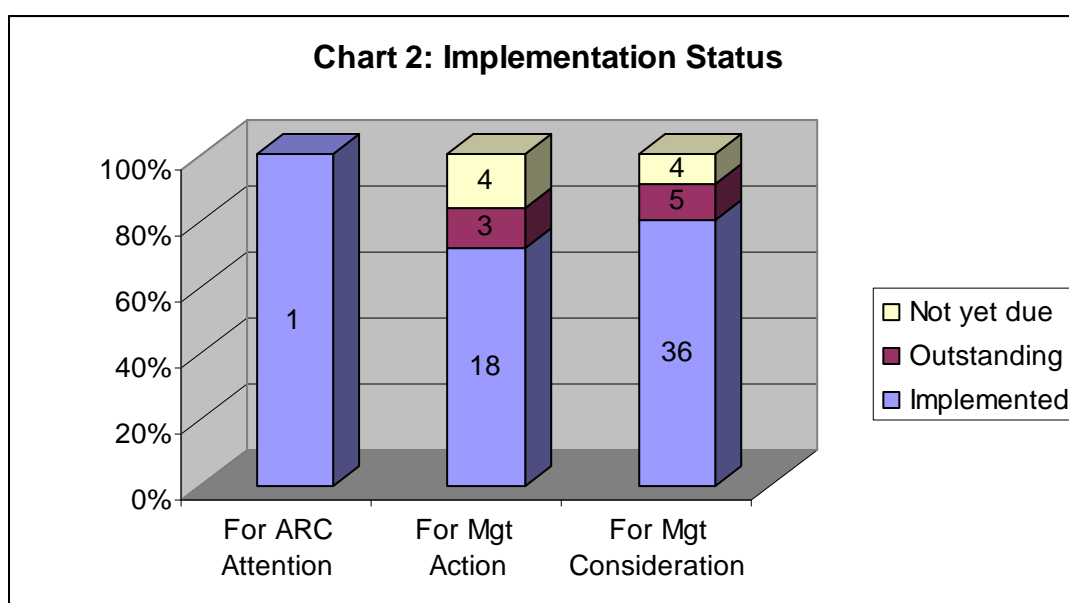
- a. Review of Evidence Supporting CHRE Returns
- b. Insurance and Indemnity -Readiness Review

11. Recommendations arising from both consultancy reviews have been implemented.

### Section 3: Follow up of Agreed Recommendations

12. We follow up on agreed recommendations as their target dates become due, and provide an update at each meeting of the Audit and Risk Committee. A summary of implementation status for recommendations arising from the 2008 programme of work is presented below:

Status	Total	For ARC Attention	For Mgt Action	For Mgt Consideration
Agreed recommendations	71	1	25	45
Implemented	55	1	18	36
Outstanding	8	0	3	5
Not yet due	8	0	4	4



### Section 4: Head of Internal Audit Opinion

13. The Head of Internal Audit is required to provide the Audit and Risk Committee with an opinion on the adequacy and effectiveness of the GMC's risk management, governance and internal control processes. In giving this opinion we note that assurance can never be absolute and, therefore, only reasonable assurance can be provided that processes are sufficiently robust to ensure the achievement of the GMC objectives.

14. The ensuing paragraphs outline the basis on which our opinion is based.

*Programmed reviews in accordance with the 2008 Internal Audit Plan*

15. All reviews included in the 2008 Internal Audit Operational Plan were conducted and reported to the Audit and Risk Committee. In each case, Full or Substantial assurance was provided over the areas of internal control, risk management or governance reviewed. Only one of the 72 recommendations was considered significant enough to warrant the attention of the Audit and Risk Committee.

*Implementation of Recommendations*

16. Management agreed to implement 71 of the 72 recommendations raised by the internal auditors during 2008. The recommendation that was not agreed was of the lowest priority, 'For Management Consideration'.

*Consultancy Reviews*

17. Management commissioned two consultancy reviews from Internal Audit, and the recommendations arising from both reviews have been implemented.

18. The two reviews commissioned were:

- a. Evidence Supporting the CHRE (Commission for Healthcare Regulatory Excellence) returns.
- b. Insurance and Indemnity -Readiness Review.

*Significant Event Reviews*

19. A significant event is defined as an event that has the potential for a material adverse effect on the organisation. When such events occur unexpectedly, a review is conducted to identify any controls that need strengthening, and to share learning across the organisation.

20. During 2008 14 SERs were completed by management with the support of the Head of CRS. The Audit Committee received a synopsis of SERs at each of its meetings during the year.

*Insight to Fundamental Corporate Control Processes*

21. Some of the GMC's fundamental control processes, such as risk management, were included in the programme of internal audit work for 2008. In addition, the Head of Internal Audit Opinion has been influenced by insights to other fundamental corporate control systems as such as:

- a. Standing orders and delegated authority.
- b. Budget setting and monitoring.
- c. Management information.
- d. Health and safety management.
- e. Equal opportunities management.

*Statement of Head of Internal Audit Opinion 2008*

22. In our opinion, the risk management, governance and internal control processes in operation during 2008 were adequate to ensure the achievement of the GMC's objectives. Management are implementing actions to address those areas identified for improvement during the course of the internal audit work.