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To consider

Report of the Audit and Risk Committee

Issue

1. This paper outlines the Committee's key activities during the period December 2008 to April 2009 and reports the assurance given by the Head of Internal Audit on the design and operation of the systems of internal control, governance, and risk management in 2008.

Recommendations

2.
 - a. To receive assurance on the systems of internal control and governance in operation during 2008 (paragraphs 8-14 and Annex A).
 - b. To receive assurance on the risk management arrangements in place (paragraphs 16-22 and Annex C).
 - c. To endorse the activities of the Audit and Risk Committee (paragraphs 8-25 and annexes A-C).

Further information

3. If you require further information about this paper, please contact us by email: gmc@gmc-uk.org or tel. 0161 923 6602

Background

4. The Audit and Risk Committee is a committee of Council. During 2008 the Committee consisted of three Council members and two co-opted, external, members. The Committee was reformed in January 2009, after the reconstitution of Council and now comprises four Council members and two co-opted, external, members.

5. The Committee's main functions are to monitor the integrity of the financial statements, to review the internal control, governance and risk management systems, and to monitor the internal and external audit services.

6. The Committee reported to Council on 2 December 2008, since when it has met, under the chairmanship of Dr Nicola Toynton, on 11 December 2008 and, under the chairmanship of Sir Rodney Brooke, on 18 March 2009 and 28 April 2009.

7. During this period, haysmacintyre have been the appointed external auditors. The contract with KPMG, as the external provider of internal audit services supporting the in-house Head of Internal Audit, expired at the end of December 2008. The contract is being re-tendered and the Head of Internal Audit is being supported by agency staff.

Discussion

Internal control

8. The Committee is responsible for reviewing the system of internal control on Council's behalf. It relies on the work of Internal Audit to obtain assurance on the adequacy and effectiveness of the control environment, including risk management and governance.

9. In February 2008, the Committee agreed a programme of internal audit work for 2008. All reviews in the 2008 programme have been conducted and reported to the Committee.

10. Since the Committee last reported to Council, 10 internal audit reports have been issued. Two reports provide full assurance over the plans developed for implementation in the areas reviewed; and eight reports provide substantial assurance over the design and operation of the controls in place in the areas covered by the reviews. All internal audit reports issued in 2008 provided at least substantial assurance.

11. During 2008, the internal auditors identified a number of opportunities for improvement and made 72 recommendations to enhance control. Only one recommendation was considered sufficiently significant to be brought to the attention of the Audit and Risk Committee. Of the remaining 71 recommendations, 25 required management's attention and 46 management's consideration.

12. The recommendation for the attention of the Audit and Risk Committee was raised in the Application Routes to Registration and Credentialing: Stage One Report, and relates to insufficient evidence to establish adherence to our restoration procedures in some cases. The recommendation has been implemented.

13. Management has responded constructively to all of the recommendations, and the auditors are satisfied with the proposed action and timescale for implementation. The Committee will continue to monitor implementation of the recommendations at each of its meetings.

14. Based on the audit work carried out in 2008, the Head of Internal Audit has concluded that we have adequate and effective control and governance processes in place. The internal audit annual report for 2008 is attached at Annex A.

Recommendation: To receive assurance on the systems of internal control and governance for 2008.

15. In December 2008, the outgoing Committee approved a programme of internal audit work for 2009 and recommended it to the reconstituted Audit and Risk Committee. The programme was endorsed by the reconstituted Committee on 18 March 2009. An outline of the 2009 programme is at Annex B.

Risk management

16. As the trustees of a registered charity, Council members are required, under the Charities Statement of Recommended Practice, to make a positive statement in the annual report, confirming that *'the major risks to which the charity is exposed, as identified by the trustees, have been reviewed and that systems have been established to mitigate those risks'*. The Audit and Risk Committee oversees risk management to ensure that the trustees can meet the requirements of the SORP.

17. There is a formal risk management process in place, which has been modelled on the framework set out in the Charity Commission's guidance on risk management. It involves an ongoing process of identifying risks to achieving the business objectives; prioritising them in terms of potential impact and likelihood of occurrence; ensuring that appropriate actions are taken to mitigate them; and monitoring and reporting on the arrangements in place to mitigate risks.

18. Major risks are monitored regularly by the Chief Executive and directors, and the Committee considered the risk management arrangements and the Major Risk Register on two occasions during 2008.

19. More recently, risks were identified within the directorates as part of the 2009 business planning process. The most significant risks have been included in the Major Risk Register, which is structured around the GMC's key Aims for 2009.

20. The Committee reviewed and discussed the risk management arrangements and the Major Risk Register on 18 March 2009. The Committee agreed that the risk management arrangements were fit for purpose, and should be kept under review to ensure that they continue to improve. The Major Risk Register has been circulated to Council members.

21. Confidence in the risk management arrangements is supported by the results of a recent internal audit of risk management arrangements. The report, issued in December 2008, provided substantial assurance on the risk management arrangements and confirmed that they were sufficient to meet the requirements of the Charities SORP 2005. The internal auditors made recommendations to develop risk management further and good progress is being made in taking those recommendations forward.

22. The Committee has concluded that the arrangements in place for managing risks are sufficient to enable the trustees to make a positive statement on risk management, as required by the Charities SORP 2005. A copy of the statement to be included in the trustees' report 2008 is at Annex C.

Recommendation: To receive assurance on the risk management arrangements in place.

Financial statements

23. The trustees' report and annual accounts for the year ended 31 December 2008 were considered by the Committee on 28 April 2009. Through consultation with the external auditor, the Head of Finance and the Director of Registration and Resources, the Committee satisfied itself that the accounts were properly prepared and were in accordance with the Charities Act 1993 and applicable accounting standards. The Committee considered the Management Letter from haymacintyre, which confirmed that the external auditors were satisfied with regard to audit and accounting matters and that no weaknesses in financial systems and controls were identified.

Internal and external audit services

24. In accordance with good governance, the Committee meets periodically with the external auditor and the internal auditor in the absence of management. The purpose of the meetings is to enable the auditors to raise any concerns they feel cannot be raised or resolved with senior management. We are pleased to report that no such issues have arisen.

25. At each meeting the Committee monitors the provision of non-audit services by the external auditor, to ensure that their independence and objectivity are not impaired by the provision of additional services. Since the Committee last reported to Council, haysmacintyre have been commissioned to conduct a due diligence review in relation to the merger of PMETB with the GMC. The value of the work is expected to be in the region of £10,000 and is not considered significant enough to undermine the auditors' objectivity.

Recommendation: To endorse the activities of the Audit and Risk Committee.

Resource implications

26. None.

Equality

27. There are no equality issues arising from this paper.