

20 May 2010

Council

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Medical
Council**

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To consider

Report of the Audit and Risk Committee

Issue

1. This paper outlines the Audit and Risk Committee's key activities during the period December 2009 to April 2010, and reports the assurance given by the Head of Internal Audit on the design and operation of the systems of internal control and risk management in 2009.

Recommendations

2.
 - a. To receive assurance on the systems of internal control and risk management in place during 2009 (paragraphs 8-21 and Annex A).
 - b. To endorse the activities of the Audit and Risk Committee (paragraphs 8-26 and Annexes A and B).

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. At the start of 2009, the Committee comprised four Council members and two co-opted, external, members. With the resignation of Sir Rodney Brooke in November 2009, Mrs Ann Robinson was elected and appointed chair, and the membership of the Committee was increased to five Council members and two co-opted, external members.

5. The purpose of the Audit and Risk Committee is to monitor the integrity of the financial statements, to review the internal control and risk management systems, and to monitor and review the internal and external audit services.

6. The Committee last reported to Council on 9 December 2009, since when it has met, under the chairmanship of Mrs Ann Robinson, on 25 February 2010 and 6 May 2010.

7. During this period, haysmacintyre have been the appointed external auditor; and the internal audit service has been provided by the in-house Head of Consultancy and Review Services, and PKF, the external provider of internal audit services.

Discussion

Internal control, risk management, and internal audit

8. The Committee is responsible for reviewing the systems of internal control and risk management on Council's behalf. It is assisted by the work of Internal Audit to obtain assurance on the adequacy and effectiveness of the risk management and control environment.

9. Each year, the Committee approves a programme of internal audit work and monitors its delivery. Two reviews included in the 2009 Internal Audit Plan were deferred with the Committee's approval, as explained in the Internal Audit Annual Report at Annex A. All other reviews have been completed.

10. The approved internal audit plan for 2010 is presented at Annex B.

11. The level of assurance (Sound, Substantial, Limited or Minimal) provided for each internal audit review depends on the volume, nature and significance of any weaknesses or improvement opportunities identified.

12. Since the Committee last reported to Council, it has received five internal audit reports, four providing Substantial Assurance, and one providing Limited Assurance.

13. Management has responded constructively to all internal audit recommendations, and the Committee is satisfied with the proposed timetable for implementing the agreed actions. The Committee will continue to monitor implementation of the recommendations at each of its meetings.

14. Unexpected events that could have an adverse effect on the GMC are investigated through the process of Significant Event Review (SER). The aim is to identify any contributory procedural weaknesses, and to implement remedial or development actions, where appropriate. The Committee receives a synopsis of SERs at each meeting. Ten SERs were completed and reported in 2009.

15. Based on the outcomes of the work conducted in 2009, the Head of Internal Audit Opinion is that the systems of internal control and risk management in operation were 'Satisfactory' to ensure the achievement of the GMC's objectives. The full internal audit annual report for 2009 is presented at Annex A.

Overview of risk management arrangements

16. As the trustees of a registered charity, Council members are required, under the Charities Statement of Recommended Practice (SORP), 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 reviews the risk management arrangements 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. Risks are identified within the directorates as part of the annual business planning process and major risks are monitored regularly by the Chief Executive and directors.

19. The Committee considered the risk management arrangements and the Major Risk Register on three occasions during 2009, and at its meeting on 25 February 2010. The Major Risk Register was circulated to Council members on two occasions during 2009 and again in March 2010.

20. On 25 February 2010, the Committee received Substantial Assurance from the internal audit review of the risk management arrangements. The report confirmed that the arrangements are sufficient to meet the requirements of the Charities SORP 2005. Notwithstanding, the report made recommendations to develop risk management further.

21. 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.

Recommendation: To receive assurance on the systems of internal control and risk management in place during 2009.

Financial statements

22. The trustees' report and annual accounts for the year ended 31 December 2009 were considered by the Committee on 6 May 2010. 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 haysmacintyre, 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.

Monitoring and reviewing the internal and external audit services

23. The Chair of the Committee meets regularly with the Head of Internal Audit, and the Committee receives an internal audit progress report at each of its meetings. The Committee also receives annual internal audit reports.

24. Each year, Committee members and the Assistant Director of Finance assess the performance of the external auditors against a standard set of criteria, and the Committee reviews the outcome.

25. In accordance with good governance, the Committee meets periodically with the external and internal auditors in the absence of management. The purpose of the meetings is to raise any concerns the Committee or the auditors consider would benefit from a discussion in the absence of management.

26. At each meeting, the Committee monitors the provision of non-audit services by the external auditors, to ensure that their independence and objectivity are not impaired by the provision of additional services. No additional services have been commissioned from haysmacintyre since we last reported to Council.

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

Resource implications

27. None.

Equality

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