

9 December 2009

Council

**General
Medical
Council**

Regulating doctors
Ensuring good medical practice

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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 May 2009 to October 2009.

Recommendation

2. To endorse the activities of the Audit and Risk Committee (paragraphs 8-30).

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 governance committee of Council. The Committee 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 and risk management systems and, to monitor the internal and external audit services.
6. The Committee reports on its activities to Council twice a year. The Committee reported to Council on 28 April 2009, since when it has met under the chairmanship of Sir Rodney Brooke on 21 July 2009, and under the chairmanship of Mr Stephen Whittle on 12 November 2009.
7. During this period, haysmacintyre have been the appointed external auditors. Since 1 June 2009 the in-house Head of Internal Audit has been supported in the provision of the internal audit service, by PKF, a firm providing accountancy and advisory services.

Discussion

Internal control and risk management

8. The Committee is responsible for reviewing the systems of internal control and risk management on behalf of the Council. It relies on the work of internal and external audit to assist it in providing assurance to Council.

Assurance from internal audit reviews

9. Each year the Committee agrees a programme of internal audit work as a basis for gaining and providing assurance.
10. The level of assurance (Sound, Substantial, Limited or Minimal) provided for each internal audit review depends on the volume and significance of any weaknesses or improvement opportunities identified, whether the issues relate to the design of the system or to the operation of controls, and whether they are one-off or systemic in nature.
11. Since the Committee last reported to Council, it has received seven internal audit reports, one (Financial Forecasting) with an assurance level of Sound, and the others providing Substantial assurance.
12. The reports received by the Committee since April 2009 are:
 - a. International Medical Graduates Registration.
 - b. Legal Advice in Fitness to Practise Investigations.
 - c. Licensing Readiness.
 - d. Revalidation Governance.

- e. Medical Education Governance.
- f. Financial Forecasting.
- g. Compliance with ISO 27001 (Information security management systems requirements) and BS 10008 (Evidential weight and legal admissibility of electronic information) standards.

13. The internal audit reports highlighted aspects of good practice in the areas reviewed. Notwithstanding, they identified opportunities for improvement and made recommendations to enhance controls. Recommendations were rated by the auditors as Medium or Low in priority. None was deemed to be of High priority, warranting referral to the Committee.

14. Management have accepted the audit recommendations, and have agreed target dates for their implementation. The Committee will continue to monitor implementation of the recommendations at each of its meetings.

15. In addition to delivering the reviews outlined above, Internal Audit conducted research and benchmarking and provided commentary to assist in the development of the Governance Handbook.

16. Unexpected events that could have an adverse effect on the GMC are investigated through the process of Significant Event Review. The aim is to identify any contributory procedural weaknesses, and to implement remedial or development actions, where appropriate. At each meeting, the Committee receives a synopsis of SERs completed since its last meeting. The Committee received a synopsis of SERs on 21 July 2009 and on 12 November 2009.

17. The Committee sought reassurance that the GMC would seek to learn any lessons in the light of the findings in the Council for Healthcare Regulatory Excellence's Report on the General Social Care Council.

18. Management advised that an internal audit review has been commissioned on the integrity of Fitness to Practise performance information. The review is expected to be concluded and reported to management by 1 December 2009. The report will be provided to members of the Committee, and Council will be advised of the outcome of the review.

Overview of risk management approach

19. A formal risk management process is 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.

20. Major risks are included in the Major Risk Register, and are monitored regularly by the Chief Executive and the directors.

21. The Committee received risk management updates and reviewed the Major Risk Register on 21 July 2009 and 12 November 2009.

22. A review of risk management is in progress, as part of the 2009 programme of internal audit work. The Committee expects to receive the audit report on 25 February 2010.

Internal and external audit services

23. The Committee monitors the progress of the internal audit work. The Committee received and reviewed internal audit progress reports on 21 July 2009 and 12 November 2009.

24. The Committee has agreed to the deferral of two reviews in the approved 2009 Internal Audit Plan, for the reasons outlined below:

a. Review of Performance Evaluation Framework Implementation: The implementation work is at an early stage. This activity will be incorporated into a wider review of performance monitoring and reporting in 2010.

b. Review of Insurance and Indemnity Policy Development: The Department of Health (England) announced in June 2009 that the Secretary of State would commence a review of the statutory requirement for health professionals to hold indemnity/insurance. As a consequence, the Department asked the GMC to suspend its work towards introducing regulations pending the outcome of this review. The re-scheduling of this internal audit project depends on the outcome of the review by the Department of Health.

25. Work is in progress on the remaining four internal audit reviews to be conducted in 2009. They are: Implementation of the Governance Framework; Risk Management; PMETB Merger Process; and the Communication Strategy for Licensing and Revalidation.

26. In accordance with the principles of good governance, the Committee meets periodically with the external and internal auditors 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.

27. Since the Committee last reported to Council, it met with the Head of Internal Audit and representatives from PKF, the external providers, in the absence of management, on 21 July 2009.

28. In July 2009, the Committee assessed the performance of haysmacintyre, the external auditors in relation to their audit of the 2008 accounts. The assessment criteria covered the knowledge and experience of the audit team, the effectiveness of the audit, and the quality of the audit service provided. The overall performance of the external auditors was judged as good.

29. On 12 November 2009 the Committee reviewed and approved the external auditors' strategy for the audit of the 2009 accounts. The Committee considered the levels of materiality proposed by the auditors, and their assessment of the key areas of risk to be covered by the audit work programme.

30. The Committee monitors the provision of non-audit services by the external auditors and the external supplier of internal audit services, to ensure that their independence and objectivity are not impaired by the provision of additional services. Neither haysmacintyre, nor PKF has been commissioned to undertake any non-audit work since the Committee last reported to Council.

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

Resource implications

31. None.

Equality

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