General Medical Council

Agenda item:	**M7**
Report title:	**Report of the Audit and Risk Committee**
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Considered by:	**Audit and Risk Committee**
Action:	**To consider**

Executive summary

This report provides an update to Council on the Audit and Risk Committee's activities since May 2016. It notes:

- The assurance the Committee continues to receive in the operation of the Risk Management Framework
- There is a good control framework in place across the organisation
- Emerging challenges with the strategic and operational impact of enhanced monitoring
- Satisfaction with the work of external and internal auditors.

Recommendation

Council is asked to note the report of the Audit and Risk Committee.

Working with doctors Working for patients

Background

1   The Audit and Risk Committee has met three times since its last report to Council in formal session and seminar on 11 July, 14 September in London and on 17 November 2016 in Manchester. This last meeting was preceded by an informative tour of the Data Centre. Seminar topics have covered risks associated with records retention and the standards expected of doctors in management positions.

2   Committee meetings have been fully supported by the Executive Team and have included the attendance of relevant directors and assistant directors when audit reports relating to their area of business have been presented. The Committee continues to welcome this attendance and participation and considers it an important part of their assurance gaining process both on the quality of audit work provided by suppliers and the ongoing ability of management teams and their leadership to follow up and deal with issues arising from audit review.

3   At is meeting on 17 November 2016 the Committee undertook its annual review of its Statement of Purpose and considers this remains relevant for its assurance role.

4   Areas to bring to Council's attention arising from the Committee's responsibilities and activities are outlined below.

Integrity of the financial statements and performance of the external auditor

5   In June, following the work of the external auditors, Crowe Clark Whitehill, Council approved the financial statements and Annual Report. Since then, the Committee has undertaken its annual assessment of the external auditor's performance and continues to hold a positive view of their work and relationship with the Committee. The Committee also meets privately with the external auditor at least once a year which provides an opportunity to discuss any issues without the presence of senior management.

Governance and risk management

6   The Committee continues to use risk as the basis for focus on its approach to oversight and scrutiny. At each meeting it has received a strategic risk update from the Chief Executive, discussed risk with the Chief Operating Officer (COO), scrutinised the Corporate Risk Register and received an update on the risks and implementation progress of the Change Programme from the COO.

7   This year's internal audit review of risk focused on the Change Programme risk management. To maintain independence from the responsibilities for risk which sit with the Assistant Director of Audit and Risk Assurance, this review was reported directly to the Chair of the Committee. The Committee was pleased to note that the

review concluded that risk management within the Change Programme had been well planned and executed and that the risk management arrangements that have been implemented were closely aligned to the Risk Management Framework with elements of good practice identified. One of the areas of assurance required going forward is that the changes expected as a result of implementing the programme are delivered. With the support of the COO and internal audit, the Committee will be seeking assurance in the first half of 2017 on how the success of the programme to date is being measured.

8   The Committee has also supported the work to develop risk maturity following the benchmarking exercise of the GMC's risk management approach with the principles of effective risk management set out in the international guidance standard ISO31000:2009. This has included the development of the risk appetite statement which was presented for approval at the Council's September meeting.

Systems of internal control

9   A comprehensive risk-based audit programme has been delivered to date. The Committee has scrutinised all audit findings and discussed them with both the audit team and the relevant senior management members. This allows the Committee to assure itself that issues identified and the recommendations proposed were fair, proportionate and owned by the business. The outcomes from individual reviews are shown in Annex A.

10 As well as the operational compliance based audits and use of spot checks for short targeted reviews, this year there has been an increased focus on emerging risks and providing ongoing, real time assurance, particularly in relation to the Change Programme. There has also been a clear focus on reviews with key strategic impact – for example the data strategy and intelligence work which continues to develop and drive the GMC's desired risk based approach to medical regulation, how the strategic direction of equality and diversity is operationalised across the business and the effectiveness of the GMC's written communication through 'writing with impact', particularly with external facing audiences. These broader based reviews have been welcomed by the Committee and the Executive and will continue to feature in the audit programme for 2017.

11 Overall, the Committee is satisfied that there is a good control framework in place. In total this year 70 recommendations have been made within the audit reviews, of which 10 were high priority. The first was in relation to writing with impact in GMC communications. It is four years since the introduction of the GMC's approach to communications, 'Writing with impact' and therefore it is now timely to re-state and refresh the importance of the writing with impact approach and guidance with clear Executive leadership. This is in hand for Q1 of 2017.

12   The second high priority was in relation to clarifying within the Regional Quality Assurance (QA) Visit reports the difference between 'published requirements' and 'requirements' set by GMC following a visits and the difference between a 'requirement' and an 'improvement requiring a recommendation' to avoid confusion with the terminology for an external reader and those subject to a QA visit. This wording has already been clarified in the report templates and further consideration of the approach to setting recommendations and requirements will take place in 2017 as part of the overarching Quality Assurance review.

13   Two high priority recommendations arose from the review of Rule 12 activity. These relate to the development of a more systematic quality assurance process and developing a reporting framework of business activity for oversight at the Performance and Resources Board. Both recommendations are being addressed in the Team's 2017 work programme.

14   Three high priority recommendations were made with respect to the contract management advisory review. This review considered the GMC's developing arrangements in this area against best practice and concluded that good practice was being met in most cases. Further development was required with respect to oversight of contract performance reporting, including KPIs, to the Performance and Resources Board and development of a formal contracting strategy, drawing together the existing contract principles and guidance in to one overarching document. Actions to address all three recommendations are in hand for completion by the end of Q1 2017.

15   The review of enhanced monitoring raised a further three high priority recommendations. The internal audit report identifies important questions about the purpose and effectiveness of enhanced monitoring in its current form and highlights the need for a strategic review of the regulatory purpose of enhanced monitoring within the broader education remit and quality assurance model. The Education and Standards Directorate will be accessing the organisation's funds for transformation to support this. Urgent attention also needs to be paid to the operational management of the current enhanced monitoring activity in the Directorate and the Committee were provided with some assurance that this has begun. However the Committee wishes to draw to Council's attention that there is much work to do in this area and that Council's input will be needed with respect to the question of strategic regulatory purpose.

16   At each meeting, the Committee has also received a progress report, including an update on the status of actions arising from internal audit work. The Committee is pleased to report that there is continuing effort to close outstanding audit actions and the audit tracker is being kept up to date. At the time of this report there are no recommendations overdue.

Significant Event Reviews

17   Since the last report to Council the Committee has considered two significant event reviews and satisfied itself that appropriate action was taken to address the event and appropriate learning and controls have been put in place where needed to mitigate as far as possible, a recurrence of the issue.

Internal audit management arrangements

18   The enhanced co-sourcing model continues to work effectively and the GMC has benefited from having carefully tailored audit scopes and the right level of expertise and knowledge delivering individual reviews. As last year, the Committee will be undertaking a formal evaluation of the performance of the internal audit function in the new year.

The Committee's 2016 review of its effectiveness

19   The Committee's has completed its annual effectiveness self-evaluation questionnaire and held a seminar with an external facilitator to explore changes emerging in the audit committee arena and emerging best practice across all sectors. This was an engaging session and provided the Committee with a range of issues to consider. Alongside paying continual attention to the balance of focus between assurance and risk was a particular question as to the Committee's role regarding organisational culture and how it gains assurance in this area. It will return to this matter over the coming months to consider how best to understand and pragmatically support this aspect of its assurance role.

Adding value

20   The Committee's role is to add value to the GMC through supporting the achievement of good governance. By continually improving its knowledge of the business and seeking assurance through audit and risk activity, the Committee believes it is improving its own performance and consequent value to the business through:

   a   Being clear on its role and purpose and continuing to check that this is still appropriate for the business's needs.

   b   Developing agendas and a programme of work which are pertinent to regular business and emerging issues so that meetings are relevant and focused.

   c   Holding regular seminars which focus on continual development of the Committee's knowledge and understanding of the business and specific risk areas.

   d   Providing scrutiny of the Corporate Risk Register.

e   Supporting development of a risk appetite statement and Corporate Issues Log.

f   Holding management to account by calling directors and senior staff to meetings to respond to the findings from audit reviews and following through on the implementation of audit recommendations.

g   Meeting internal and external auditors without management present.

h   Regular dialogue between the Chair and Assistant Director of Audit and Risk Assurance between meetings.

i   Dialogue between the Chair of Council and Chair of the Committee on emerging issues.

j   Inviting auditors to provide broader insight from global and national risk and audit trends in the financial, political and health environments.

k   Providing more time on agendas for reflecting on broader opportunity/risk issues and horizon scanning.

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Overview of the internal audit programme reviews

1 The audit ratings for each review are based on a five-point scale of green through to red. The table overleaf outlines each review under the level of assurance provided by the rating. Some audits were undertaken as advisory reviews with a development focus (noted by * below), which provide assurance on the same five-point scale but in relation to best practice rather than failure of controls or non-compliance with processes.

Green	Green/amber	Amber	Amber/red
Overall, there is a sound control framework in place	Minor weaknesses have been identified	Weaknesses have been identified	Significant weaknesses have been identified
*meets best practice	*generally meets best practice	*meets good practice in most cases but key areas for development	*some good practice but significant areas to develop further
- MPTS and FTP S60 planning - Adoption of new Standards in regional QA visit planning - Anti-fraud policy - Equality and Diversity - Recognised Professional Qualifications (RPQ) planning for implementation of new EU Directive - ISO27001/BSI10008 review - Budget management and monitoring - Induction spot check	- Change Programme initial planning - Communications – writing with impact* - Risk management – Change Programme - Adoption of new Standards in regional QA visit reporting - Data and intelligence follow up of progress* - Integrity and accuracy of performance reporting to Council - Revalidation - S60 implementation and benefits realisation - RPQ implementation - PMO introduction spot check - PMO progress spot check	- Rule 12 - Contract management arrangements*	Enhanced monitoring

2   In addition, cyber security penetration testing was undertaken, commissioned by the Committee through an independent supplier. This work did not award ratings but provided a number of recommended actions, none critical, all accepted by management and either implemented or programmed to be implemented.