

Agenda item:	M8
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 to date in 2017. It notes:

- From its review of the Annual Report and Accounts 2016, including the statement on risk, the Committee is satisfied that the accounts have been properly prepared and are in accordance with applicable accounting standards.
- That substantial assurance was given by the Head of Internal Audit in her annual opinion indicating that the systems of governance, risk management and internal control in operation during 2016 were generally well designed and working effectively to ensure the achievement of the GMC's objectives with the exception of arrangements to support the delivery of enhanced monitoring in Education and Standards.
- There have been no serious incidents to report to the Charity Commission.

Recommendation

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

Background

- 1 The Committee has met three times since its last report to Council in formal session and seminar on 26 January, 9 March and 11 May 2017. The May meeting was held in Manchester. 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.
- 2 Of particular note is that in March 2017 the Committee held an extended seminar with members of the Investment Sub-Committee to consider in detail the governance and management arrangements proposed for running and overseeing GMC Services International Ltd. The session was particularly valuable in understanding the detailed arrangements being considered and provided an opportunity for both Committees to clarify issues before final proposals were prepared for Council decision on 26 April 2017. Seminars have also been held on early thinking for the presentation of the Annual Report and Impact reporting and on the management of risks within the GMC's procurement and contract arrangements.
- 3 Areas to bring to Council's attention arising from the Committee's responsibilities and activities are outlined below.

Risk management

- 4 As the trustees of a registered charity, Council is required 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. During 2016, the Audit and Risk Committee scrutinised the Corporate Risk Register at each meeting and sought assurance over the management arrangements in place through the Risk Management Framework to support Council in meeting this requirement. The Committee also received assurance in the year on the risk management associated with the implementation of the Change Programme.
- 5 The Committee has also considered the risk statement in the Annual Report and is satisfied that it properly reflects its view of the balance of opportunities and risks facing the GMC and that the Risk Management Framework is operating effectively. It has continued to scrutinise the Corporate Risk Register and Corporate Issues Log at each of its meetings in 2017.
- 6 The next review of risk is scheduled to take place in June 2017 and the scope of the review is currently being agreed with the Chair of the Committee. To maintain independence from the responsibilities for risk which sit with the Assistant Director of Audit and Risk Assurance, the review report will also be presented directly to the Chair of the Committee.

Internal audit performance 2016 and ongoing management arrangements

- 7 A full evaluation of the audit work and performance undertaken in 2016 has been conducted taking in to account the views of Committee members, the Executive and auditees. There is a continuing high level of satisfaction expressed by all parties with the service they receive from the audit team and internal audit continues to have visibility and a positive profile across the business. Both auditees and the Executive indicate that the function adds value to their business areas. A summary of the audit performance review is at [Annex A](#).
- 8 The enhanced co-sourcing model continues to work well with the Assistant Director Audit and Risk Assurance fulfilling the Head of Internal Audit role with audit resource provided by Moore Stephens. By the end of December 2017 this arrangement will have been in place for three years, the term of the initial contract with Moore Stephens. At its meeting on 11 May 2017 the Committee reviewed the arrangements and agreed to extend the contract for a further 12 months before undertaking a full procurement exercise for audit resource which will be required in 2018.

Head of Internal Audit annual report

- 9 At its meeting on 9 March 2017, the Committee received the annual report and opinion from the Head of Internal Audit. The opinion is given in accordance with the Institute of Internal Auditors Practice guidance in the context of a risk based audit programme which the Committee had agreed, and had been delivered with appropriate audit resources and skills. A significant amount of audit and assurance activity took place in 2016 and the annual opinion provides an overall summary of assurance in place with respect to the systems of governance, risk and internal control in operation throughout the year.
- 10 The opinion awarded substantial assurance on the effectiveness of the GMC's arrangements in place to ensure delivery of corporate objectives with the exception of arrangements to support the delivery of Enhanced Monitoring in Education and Standards. The full report is at [Annex B](#).

Delivery of 2017 internal audit programme to date

- 11 Since its last report, the Committee has overseen the completion of seven audit reviews in line with the annual programme. In all cases, the Committee has scrutinised the audit findings and satisfied itself that the management actions proposed are appropriate.
- 12 The assurance ratings awarded to reports can range from red to green with red/amber, amber and green/amber in between. The reviews and assurance ratings for completed audits are given in the following table.

Audit review		Assurance rating	Number of recommendations (high priority)
1	2016 IA follow up	Green	0
2	FTP s60 benefits realisation	Green-amber	2 (1)
3	Digital media strategy – phase 1	Green-amber	7
4	Employer Liaison Service	Green-amber	6 (2)
5	Provisional enquiries	Green-amber	4
6	Contract management	Amber	10 (2)
7	MLA Phase 1	Amber	7 (3)

13 Of the 36 recommendations made in the above reviews, eight of these were high priority recommendations. These related to:

- a** Ensuring all the intended benefits from implementation of the S60 changes in Fitness to Practise are captured and monitored in a single document.
- b** Taking a strategic look at the purpose of the Employer Liaison Service and developing a series of indicators and measures to capture information on the Service's impact.
- c** Giving further consideration to contract development and value for money through contract management.
- d** Taking steps to clarify the senior level leadership of the Medical Licensing Assessment programme, reviewing resourcing requirements to support programme delivery and transferring the identified risks to a programme risk register for ease of scrutiny and oversight by the Programme Board.

14 The Committee has also received an update on the summary business assurance map which has taken the main functions of the GMC, overlaid the corporate risks and reflected management assertions and internal audit knowledge arising from the sources of assurance that currently exist. The Committee considers the map a useful oversight tool and it will continue to be developed and validated as audit work is carried out across the year. The map shows that local level quality controls, quality

assurance arrangements and risk management practices are embedded across most of the organisation and that the delivery of the audit programme this year will provide further assurance in areas where there is insufficient overall external assurance coverage.

- 15** At each meeting, the Committee 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.

Significant Event Reviews

- 16** There have not been any significant event reviews presented to the Committee during this period.

Trustees' Annual Report and Accounts 2016

- 17** At its meeting on 11 May 2017, the Committee scrutinised the Annual Report and Accounts 2016 and received the Audit Findings report of the external auditor. The Committee commended the Finance Team for their smooth production of the annual accounts which did not result in any significant external audit findings. The Committee also commended the joint working of the teams in producing the annual report and impact report, the output of which is considered to be a significant improvement on the previous year.

Follow up of the Committee's annual review of its effectiveness

- 18** The Committee has already reported the outcome from its effectiveness review in November 2016. Since then, it has restructured its agendas to consider risk at the start of each meeting using the Chief Executive's update and Chief Operating Officer's Risk report as a foundation for a broader risk discussion. This is bringing more balance to the focus between assurance and risk.
- 19** The Committee is also continuing to consider how best to focus its seminar sessions to ensure the topics for discussion support its assurance role. Seminar subjects for the remainder of the year include; understanding the GMC's role in relation to medical education and Education and Standards' activities, information technology, and a seminar following Council's away day in July to reflect on how the 2018 audit programme can best support the Committee in the areas it will need assurance to support delivery of the organisation's strategy in its first year.

Adding value

- 20** The Committee's role is to add value to the GMC through supporting the achievement of good governance. The Chair of the Committee has recently attended the Chartered Institute of Internal Auditors' Head of Internal Audit Conference which provided an

opportunity to reflect on the GMC's practices alongside the experience of other organisations and to hear about latest thinking and trends in risk management and the wider benefits an effective internal audit service can deliver. The purpose of attending the conference was to ensure the Chair continues to add value to how the Committee understands and goes about its business which is achieved 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** Providing scrutiny of the Corporate Risk Register and Corporate Issues Log.
- d** Supporting the risk management framework and risk maturity journey.
- e** 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.
- f** Meeting internal and external auditors without management present.
- g** Regular dialogue between the Chair and Assistant Director of Audit and Risk Assurance between meetings.
- h** Holding regular seminar sessions to give greater depth of background knowledge to members on key topics and inviting auditors to provide broader insight from global and national risk and audit trends in the financial, political and health environments.
- i** Providing more time on agendas for reflecting on broader opportunity/risk issues and horizon scanning.

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M8 – Annex A

Summary of review of internal audit performance 2016

Approach to review of internal audit performance

- 1 The review of internal audit performance has been drawn from three sources of information:
 - a Committee and executive satisfaction questionnaires.
 - b Auditee satisfaction questionnaires.
 - c Analysis of audit key performance indicators.

Summary of findings

- 2 In summary, the second year of the co-sourcing arrangement has been able to build on the foundations from year one and analysis of the performance sources of information show an improving trend. Committee members, the Executive and auditees have expressed high levels of satisfaction with the service and how it is carried out.
- 3 Audit delivery indicators show some improvement on 2015. Clearly there is still more to do on timeliness at various stages of the audit process, but there were no delays in meeting the Committee's agreed reporting timetable.

Response to satisfaction statement 2016	ARC and Executive survey	Auditees survey	KPIs 2016 <i>2015 in italics</i>
Strongly agree <i>2015</i>	98 <i>84</i>	270 <i>141</i>	Scoping meeting held two-four weeks in advance 100% (<i>100%</i>)
Agree <i>2015</i>	51 <i>92</i>	96 <i>75</i>	Scope approved by sponsor five days in advance 91% (<i>100%</i>)
Neither <i>2015</i>	2 <i>4</i>	24 <i>10</i>	Close meeting held 91% (<i>94%</i>)
Disagree <i>2015</i>		1 <i>7</i>	First report draft within ten days 91% (<i>78%</i>)
Strongly disagree <i>2015</i>		1 <i>0</i>	Management responses within ten days 65% (<i>61%</i>)
			Final report within five days 91% (<i>83%</i>)

Learning for 2017

- 4 At the start of 2016 the audit team reflected on performance in 2015 and agreed some specific actions for 2016. The results of the satisfaction questionnaires suggest that the team has been successful in most of these; continuing to build audit and risk visibility, providing a positive customer experience, considering the four country angle with each review, continual questioning of its independence and objectivity, providing more frequent update communications where reviews have longer elapsed delivery periods and ensuring that audit team members have sufficient preparation time so as to minimise the impact on GMC teams when conducting fieldwork.
- 5 However, the team must remain vigilant and focused if it is to continue this level of engagement and performance in 2017. In particular, it has not yet satisfactorily addressed how it reports in terms of 'outcomes' as well as 'process'. How to achieve this is being considered further with Moore Stephens and we will specifically consider outcomes at the scoping and reporting stages of reviews.
- 6 There is also more to do on timeliness, particularly in the time taken to gather management responses to draft reports. In the majority of cases, audit reports tend to need little amendment following management review but in the case of larger and more complicated business areas, there can be two or three iterations before the team is satisfied that the appropriate context and balance is reflected. We will also encourage this year's audit teams to consider and provide draft responses to audit recommendations before sending to more senior management in an effort to reduce

delays once the report wording has been finalised and then getting the recommendation responses inserted.

Committee and attendee satisfaction

- 7 There is a strong similarity with the responses received in 2015 and Committee members and attendees have responded ‘agree’ or ‘strongly agree’ to every question in their satisfaction survey except two where there was a response as ‘neither agree nor disagree’.
- 8 The results suggest that the co-sourcing arrangement is working effectively, and relationships between the audit team and the Committee and Executive remain strong with sufficient independence and objectivity demonstrated. It is particularly pleasing to note that the Executive has seen an improvement in the value added by internal audit findings leading to improvements in management of key risk areas.
- 9 In 2015, two of the 12 respondents neither agreed nor disagreed that ‘internal auditors have good knowledge of the business’. The results for 2016 indicate that the combination of Moore Stephens expertise and knowledge combined with that of the Head of Internal Audit has strengthened and the collective team is delivering ‘high quality incisive work’ and ‘command the trust of the ARC’.
- 10 A number of positive narrative comments underline the satisfaction results. There are also two points of interest for the future; that Internal Audit could be a little more explicit in reporting how recommendations are implemented and to continue to find ways of reporting back on outcomes.

Auditee performance satisfaction

11 Overall the results of the questionnaires continue to be encouraging and reflect the effort the audit team makes in delivering a customer service focused on providing assurance as well as adding value. A detailed analysis of all responses received is reflected in the table below where 5 indicates ‘strongly agree’ and a 1 ‘strongly disagree’.

Satisfaction area	1	2	3	4	5
Audit planning			3	7	40
Communication and conduct		1	11	48	132
Audit reporting	1		10	41	98
Total	1	1	24	96	270

- 12** In particular, the detailed analysis reveals there is a continuing level of satisfaction from auditees with:
- a** Involvement in audit scoping.
 - b** Professionalism and engagement of the audit team.
 - c** Audits being conducted with minimal disruption to normal business.
 - d** Willingness to listen to management comments on draft reports (but not be inappropriately influenced).
 - e** Audit work providing assurance and value to business areas.
- 13** Notable improvements on last year's scores (where 70% or more of auditees have scored 'very strongly' to the statement) were:
- a** Having the opportunity to include areas of added value for the team in the scope.
 - b** Audits being conducted in a timely manner and within agreed timeframes.
 - c** The final report addressing the agreed scope.
 - d** First draft reports being issued in a reasonable timeframe after the end of the audit.
- 14** There was one score for 'disagree' which related to impact on business as usual for the team involved in the enhanced monitoring review as the complexity of the subject matter did require more time with some team members than anticipated at the start of the review.
- 15** There was also one score of 'strongly disagree'. This relates to the ISO27001 review and the unacceptable length of time taken to produce a first report. The delay was discussed with the Moore Stephens Partner in the contract management meeting, with the audit partner involved in the review and the Audit and Risk Committee Chair was informed. There were some extenuating circumstances to explain the delay in part and following feedback from last year's audit review, the Head of Internal Audit had explicitly sought a senior knowledge expert to conduct the review. The partner involved was at the time, managing a number of other commitments with a consequent impact on the GMC report. However, the final output was of high quality, as were the insights and assurance provided to the Audit and Risk Committee at meeting on 14 September 2016.

Key Performance Indicators (KPI)

- 16** The analysis of KPIs shows some fluctuations in performance timeliness which require focus in 2017. Whilst some of these are due to annual leave there is still room for improvement by both Moore Stephens and the Assistant Director of Audit and Risk Assurance in ensuring the production of first draft reports and co-ordination of management comment and responses to recommendations.
- 17** However, overall there is some improvement on the previous year and whilst the team must not become complacent, where the timelines haven't been met, in general there are reasonable explanations. We would also not want to lose sight of some of the team's bigger objectives which are about audit profile and visibility, customer service and empathy with the general business pressure – which we have worked hard on in 2016. We also continue to work to the principle that individuals who have contributed to audits, out of courtesy should see a draft report. This provides both knowledge of the outcome and the opportunity to test the reasonableness and practicality of recommendations before being signed off by director sponsors. As last year, the number of auditees has varied hugely across reviews and in addition we continued work across the August holiday period to try and better smooth delivery for the Audit and Risk Committee.

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M8 – Annex B

Head of Internal Audit annual report and opinion

Executive summary

The delivery of internal audit services and position within the governance framework

- 1** The GMC's internal audit service is delivered through a co-sourcing model. The Head of Internal Audit (HOIA) role is carried out by the Assistant Director of Audit and Risk Assurance (ADA&RA), supported by an external audit team provided by Moore Stephens. Internal audit work has been planned and conducted in accordance with the International Standards for the Professional Practice of Internal Auditing and reflects the ethos of the Public Sector Internal Audit Standards, which include the requirement for an annual report from the 'Chief Audit Executive'.
- 2** The Council is collectively responsible for the organisation's system of internal control, governance and risk management in delivering the GMC's strategic aims. It puts in place arrangements to provide assurance on the overall effectiveness of delivery of its corporate objectives and the internal audit function supports the assessment and understanding of how well those arrangements are working in practice. Internal audit is also a catalyst for positive change, supporting continuous improvement and providing opportunities for shared learning across the organisation.
- 3** An independent, objective and evidenced based HOIA opinion contributes to the assurance available to the Chief Executive, Chief Operating Officer, Executive, Audit and Risk Committee and Council in making their own assessment of the effectiveness of the arrangements in place.

Head of Internal Audit opinion

- 4** This opinion is given in accordance with the Institute of Internal Auditors Practice Guide: Formulating and Expressing Internal Audit Opinions. The planned audit programme in 2016 was risk driven, discussed with the Senior Management Team and agreed by the Audit and Risk Committee. The work was resourced with appropriate skills. Two pieces of work were postponed, with the Committee's agreement, until 2017. The first was a review of benefits realisation as a result of implementation of the

Change Programme. This is scheduled for April 2017. The second was in relation to a review of contract management which was split in to two phases due to the introduction of a new financial system contract management module in Agresso. Phase 1, an arrangements review, was concluded in 2016 and phase 2, compliance testing, will be undertaken in April 2017.

- 5 The opinion is not given on the basis of individual audit results, but in the context of an audit programme which has aimed to push the organisation in risk based areas, seeking to add value to the teams involved and with an intelligent and open approach to commissioning and scoping audit activity with senior management and auditees.
- 6 Having adopted the approach outlined above, overall **substantial assurance** can be given that the systems of governance, risk management and internal control in operation during 2016 were generally well designed and working effectively to ensure the achievement of the GMC's objectives **with the exception of** arrangements to support the delivery of enhanced monitoring in Education and Standards. This is discussed further in paragraph 13.
- 7 This opinion is based on:
 - a Outcomes of the audit reviews for 2016.
 - b Management's approach to implementation of the recommendations.
 - c Outcomes and analysis of three significant event reviews undertaken in 2016.
 - d Insight in to the control environment through:
 - i Arrangements for setting and monitoring business objectives.
 - ii Risk management.
 - iii Information for decision making.
 - iv Performance reporting.
 - v Financial management and reporting.
- 8 The costs of delivering the 2016 programme were £297,867 (£298,853 in 2015) in the draft accounts against a budget of £289,067 (£302,897 in 2015). The additional £8,800 related to the review of the senior appointment process which was not included in the audit programme and the costs of a facilitator for the Audit and Risk Committee's review of effectiveness seminar.

Detailed audit activity

- 9 A summary of internal activity is given in the table overleaf. All programmed reviews, spot checks, significant event reviews (SER) and the follow-up on previously agreed audit actions have been reported to the Committee as they have progressed throughout the year.

Activity	Work completed in 2016
Programmed reviews	19 reviews, three spot checks and an independent cyber security review.
Follow up of previous actions	Regular progress checks undertaken on outstanding actions. At the end of 2016 there were 31 actions to be completed in 2017 and four overdue actions. All overdue actions had appropriate explanations and follow up arrangements are in place.
Risk management	Review of the risk management framework in relation to implementation of the Change Programme.
Significant event reviews	Three SERs were raised during 2016.

Analysis of 2016 programmed reviews

- 10 The audit programme was developed on a risk basis with reference to the Corporate Risk Register and discussions with individual directors and assistant directors. It included review of each of the statutory functions and a range of emerging risk areas. The programme was reviewed mid-year and discussed with the Audit and Risk Committee, concluding that the emerging risk areas remained appropriate to review. All of the reviews were designed to assess the extent to which effective internal controls were in place to manage the specific risks.
- 11 Nineteen reviews were programmed and conducted and the Committee scrutinised the audit findings and satisfied themselves that the management actions were appropriate in response to findings and recommended actions. An additional review considering the senior appointment process was commissioned by the Committee in September 2016.
- 12 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 * in the table), 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
<p>Overall, there is a sound control framework in place *meets best practice</p>	<p>Minor weaknesses have been identified *generally meets best practice</p>	<p>Weaknesses have been identified *meets good practice in most cases but key areas for development</p>	<p>Significant weaknesses have been identified *some good practice but significant areas to develop further</p>
<ul style="list-style-type: none"> ■ 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 ■ Senior appointment process 	<ul style="list-style-type: none"> ■ 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 	<ul style="list-style-type: none"> ■ Rule 12 ■ Contract management arrangements* 	<ul style="list-style-type: none"> ■ Enhanced monitoring

* Included in the programme as advisory reviews with a development focus

13 There is one area to draw particular attention to. The review of enhanced monitoring raised a number of high and medium priority recommendations. The significant pressures in the wider health system and the need to work with other regulatory partners does present challenges in dealing with areas of concern, both in terms of complexity and volume of cases brought to the GMC’s attention. The Directorate has also faced a number of internal specific challenges over the last 18 months, including changes in leadership and high turnover of staff in some teams as a result of the announcement and implementation of the Change Programme. Nevertheless, the 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. Urgent attention also needs to be paid to the operational management of the current enhanced monitoring activity in the Directorate.

- 14** The review echoes findings from a previous internal audit in the Directorate which was undertaken in 2015 – review of quality assurance through regional visits. This report also identified the need to consider the strategic effectiveness of regulatory action within the existing legal framework where the GMC considers an organisation's progress is not acceptable and highlighted that the operational management of quality assurance visits required improvement.
- 15** Overall 70 recommendations were made in the audit reviews conducted during 2016 and 10 of these were a high priority. At 22 February 2017, there were 22 actions not yet due and one outstanding – which is in hand for completion at the end of quarter 1. Progress in implementing recommendations has been reported regularly to the Performance and Resources Board and the Audit and Risk Committee.
- 16** In addition to the work above, 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 all of which have been accepted by management. An implementation plan is in place and all the actions, including hardware changes where needed, are scheduled for completion by October 2017.
- 17** Stepping back from the individual reviews conducted during the year, there are three particular features of note:
 - a** Risk is embedded in operational activities and audit reviews are not identifying new risks or areas of risk-related non-performance.
 - b** New initiatives are well planned, executed and managed (e.g. S60 implementation, introduction of the EU Directive on Recognised Professional Qualifications, the Change Programme).
 - c** The strength of local controls and quality assurance is good and there continues to be a culture of continuous improvement.

Spot checks

- 18** A spot check is a short, focused piece of review targeted at a specific area of the business as directed by management or the Audit and Risk Committee. Spot checks can be used to:
 - a** Provide ongoing assurance to areas where operational performance is good and where a full internal audit may not be warranted (subject to spot check results).
 - b** Review an area where operational performance has, or appears to be deteriorating.

- c Review an area where there may be emerging concerns about operational or management performance.

19 Three spot checks were undertaken during 2016 as part of the internal audit programme and were targeted at providing ongoing assurance on the implementation of the Change Programme. The checks covered the setup of the Project Management Office (PMO), a review of induction planning and arrangements for new staff appointed as part of the Change Programme implementation and a further check at the end of the year on progress and enhanced development of the PMO. There were no significant findings in the spot checks, but some useful points were identified in the first PMO review which were addressed by management. Arrangements for induction of new staff were found to be sound.

Risk management

20 Risks have been considered regularly by the Executive Performance and Resources Board, Council and the Audit and Risk Committee. The work of the Committee, supported by internal audit, has provided scrutiny of the risks and mitigating action plans and appropriate challenge of the Executive as new risks have emerged. These include risks in relation to major strategic projects, such as the Medical Licensing Assessment and GMC Services, as well as broader external risks such as the ongoing financial pressures in the wider health system and potential impact of the outcome of the EU referendum.

21 During the year the GMC has also developed its risk maturity thinking 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. In September 2016, Council approved the publication of a risk appetite statement providing a clear articulation of how risk is factored in to decision-making. In December 2016, Council began publishing the Corporate Risk Register as an integral part of the Chief Operating Officer's Report to Council each meeting, demonstrating its commitment to openness and transparency.

Significant event reviews

22 A significant event is where an incident did or could have had the potential for a material adverse effect on the organisation. Carrying out a review allows identification of how the incident occurred and the learning from this to strengthen controls for the future where appropriate. The Audit and Risk Assurance function provides guidance, support, challenge and independent quality assurance over the reviews, their findings and action plans. All Significant Event Reviews (SERs) completed during the year have been reported to the Committee.

23 Three SERs were raised in 2016. These relate to a missing bundle of Rule 12 papers which were not received at the delivery address, an interim order review hearing which was not scheduled within the statutory timeframe and the granting of voluntary

erasure to a doctor whilst they were party to a Professional Standards Authority appeal. Relevant actions to improve identified control weaknesses have been taken.

- 24** The Charity Commission requires the GMC to report serious incidents as defined by their trustee guidance. There were no such incidents to report in 2016.

Governance

- 25** A full governance review is planned for 2017. Whilst a specific focus on overall governance has not been conducted in 2016, assurance can be drawn on general governance arrangements from the regular reporting to the Executive boards, Committees and Council itself. Minutes of Council and Audit and Risk Committee meetings evidence that scrutiny of activities and performance is robust. In addition, none of the audit or assurance work conducted has identified specific governance weaknesses.

Quality management of internal audit

- 26** The performance of internal audit is kept under ongoing review and is drawn from three sources of information:
- a** Audit and Risk Committee member and Executive satisfaction questionnaires.
 - b** Auditee satisfaction questionnaires.
 - c** Analysis of audit key performance indicators.
- 27** In summary, the second year of the new internal audit arrangement has continued to build on the foundation of year one. Committee members, executive attendees and auditees have expressed continuing high levels of satisfaction with the customer focused service they receive from the team, the level of expertise undertaking reviews and the quality of audit reporting. The profile and visibility of internal audit continues to grow across the organisation and there is a high level of buy-in demonstrated by management and auditees to audit findings and follow up. The draft audit programme for 2017 was oversubscribed following a number of requests from teams for audit review.
- 28** However, there continues to be areas for improvement in the timeliness of delivery of parts of audit reporting, particularly in management responses and completion of comments to recommendations of draft reports. There were no delays in meeting the agreed reporting timetable to the Audit and Risk Committee and in most cases there are reasonable explanations for the delays which occurred. However, continued attention will be paid to these over the coming year.

29 The table below summarises performance for 2016.

Response to satisfaction statement 2016	ARC and Executive survey	Auditees survey	KPIs 2016 <i>2015 in italics</i>
Strongly agree <i>2015</i>	98 <i>84</i>	270 <i>141</i>	Scoping meeting held two-four weeks in advance 100% (<i>100%</i>)
Agree <i>2015</i>	51 <i>92</i>	96 <i>75</i>	Scope approved by sponsor five days in advance 91% (<i>100%</i>)
Neither <i>2015</i>	2 <i>4</i>	24 <i>10</i>	Close meeting held 91% (<i>94%</i>)
Disagree <i>2015</i>		1 <i>7</i>	First report draft within ten days 91% (<i>78%</i>)
Strongly disagree <i>2015</i>		1 <i>0</i>	Management responses within ten days 65% (<i>61%</i>)
			Final report within five days 91% (<i>83%</i>)

30 As part of the ongoing quality assurance of audit work, as well as Moore Stephens' own internal arrangements, the Assistant Director of Audit and Risk Assurance (ADA&RA) has reviewed a sample of audit working papers and all draft reports with the exception of the risk review. No significant issues have been identified during any of these reviews and minor points have been addressed promptly.

Independence of the Assistant Director Audit and Risk Assurance

31 The Assistant Director Audit and Risk Assurance (ADA&RA) is accountable to the Chair of the Audit and Risk Committee with day-to-day line management through the Chief Operating Officer. This is an important distinction to ensure the ADA&RA is, and is seen to be, independent of management decision-making. To maintain independence in the audit work relating to risk, the Assistant Director plays no part in the scoping of audits, and discussions and reporting of findings are conducted by the Moore Stephens Partner directly with the Chair of the Audit and Risk Committee, who sponsors the review. If the ADA&RA is involved in delivering audit reviews, the Partner from Moore Stephens undertakes a review of the report and challenge of the evidence and conclusions drawn.