

Audit and Risk Committee Annual Report to Council

Purpose of paper	To provide a report on the work of the Audit and Risk Committee in 2017 for noting and discussion by Council on 1 February 2018
Status	Public session
Action	For noting and discussion
Corporate Strategy 2016-19	Performance Objective 1: To improve our performance across all our functions so that we are highly effective as a regulator.
Business Plan 2018	N/A
Decision Trail	<p>In accordance with the General Dental Council Standing Orders for the Non-Statutory Committee of Council 2016, ARC will report to Council annually on its activities.</p> <p>This report, which was reviewed by Alan MacDonald, Chair of the ARC until 30 September 2017, was considered at the ARC meeting on 29 November 2017 and subsequently amended.</p>
Next stage	Council 1 February 2018.
Recommendations	The Council is asked to note and discuss the ARC annual report to Council for 2017.
Authorship of paper and further information	<p>Pauline Kemp Governance Manager pkemp@gdc-uk.org Tel: 0207 167 6204</p>
Appendices	N/A

Executive Summary

1. This paper sets out the work carried out by the Audit and Risk Committee during 2017.

Introduction and background

2. The current membership of the Audit and Risk (the Committee), comprises Crispin Passmore (Chair and Council lay member), Catherine Brady (Council registrant member), Sheila Kumar (Council lay member), Jason Davies (Independent Committee member) and Lawrence Mudford (Council registrant member). Both Alan MacDonald (previously Chair) and David Smith (Council registrant member) completed their Council terms of office on 30 September 2017 and were thanked for their valuable contributions to the work of the Audit and Risk Committee.
3. The key purpose of the Committee is:
“To monitor the integrity of the financial statements, to review the General Dental Council’s (GDC) governance, internal control and risk management systems and review the internal and external audit services.”
4. The Committee’s functions and duties cover financial reporting, internal and external audit as well as whistleblowing, fraud and investigations. It is the role of the Audit and Risk Committee to assist the Council in fulfilling its oversight responsibilities with respect to governance, risk management, internal audit and internal controls, external audit and financial reporting, and mitigating the risk of fraud.
5. In accordance with the General Dental Council’s (GDC’s) Standing Orders for the Non-Statutory Committee of Council 2016, clause 8.4, the Committee is required to report annually to the Council.
6. The proposed amendments to the ARC Terms of Reference form part of a separate paper to the Council.

Standing Items

Chief Executive’s Report

7. The Committee received reports at each meeting on key areas of potential risk, including updates regarding Shifting the Balance, the rationale behind the Executive Directors’ restructure including the new model of working within the finance team, the unexpected relocation from Portman Square to Baker Street, the GDC’s emerging financial position in 2017, the key assumptions underpinning the 2018 budget and the ongoing and uncertain implications of the referendum decision to withdraw from the EU.

Significant Litigation

8. A report on significant litigation was presented to each ARC meeting in a closed session. An annual report on significant litigation was presented to the Council in closed session of Council on 13 December 2017.

Annual Report and Accounts 2016

9. The Committee reviewed the Annual Report and Accounts for 2016, the external Audit Report and management letter and the National Audit Office’s Audit Report. The Committee recommended the Annual Report and Accounts to the Council for approval.
10. Members of the Committee also met in private with representatives from the Internal Auditors, External Auditors and National Audit Office to discuss their remit and any issues arising from audits carried out.
11. The Committee agreed to the preparation of a shorter timetable for the production of the

Annual Report and Accounts (ARA) 2017, which was considered at the November ARC meeting. This would include recommendations and lessons learned from the production of the ARA 2016.

PSA Investigation Report 2015

12. Action Plan Update/Close Out Report
At the 28 June ARC meeting, the Executive Director, Fitness to Practise provided an update on the remaining actions.
13. Analysis of Sampling of Investigating Committee (IC) Decisions
At the March meeting, the Committee received the report, which documented the completion of one outstanding task on the action plan following the PSA Investigation Report 2015. An independent expert and qualified solicitor, Barry Baines, conducted an evaluation and confirmed that each of the IC decisions he reviewed from a sample of 81 were properly and correctly reflected in the final decision documents.
14. Oversight of IC Feedback Reports
The Committee continued to receive monthly IC feedback reports following on from the PSA Investigation Report 2015. This allowed IC Team staff to raise issues regarding the decision making of IC panellists, and to raise training needs, without overstepping the boundaries of their role at the IC meeting. At the November ARC meeting, in the light of the IC having ceased to exist in its previous form since 31 October 2017 and whereby it would be drawn from a pool of suitably qualified Case Examiners should it need to convene, it was agreed that IC feedback would only be reported to ARC by exception.

Quality Assurance Group (QAG)

15. At the March Committee meeting, it was agreed that with the Statutory Assurance Panellists Committee (SPC) reviewing the report extensively, there was no longer the requirement to bring the QAG report to future ARC meetings unless there were matters of concern.

Decision Scrutiny Group (DSG)

16. The Committee discussed the establishment of the DSG, which would scrutinise randomly selected decisions across all decision points of the Fitness to Practise process. The Committee raised concerns about the appointment of the Chair of this group, which were then discussed and addressed by the Council.

Representation on the FtP Improvement Board

17. The Committee agreed at its meeting in January 2017 that there was no longer the need to have an ARC representative on the Board as appropriate risk monitoring was in place.

Case Examiner Feedback

18. The first report on Case Examiners feedback was received by the Committee at its March meeting, followed by quarterly reports. Any concerns raised had been dealt with appropriately.

Penningtons Reports

19. A review of Fitness to Practise (FtP) decisions was conducted by Penningtons and a report brought to September ARC. Of the 160 FtP decisions reviewed, all findings were

positive. This brought a third line of defence to the process and gave assurance on decisions taken, together with clear indications where improvements could be made.

Compliance updates

20. The Head of Compliance presented regular updates on the case work audits conducted during the year, with no direct risks to patient safety being identified. This included the monitoring of potential risks following the introduction of Case Examiners in November 2016.
21. Work continued to set the operational requirements for the compliance functions across the organisation to align the work of the compliance function with the current risk controls, with a view to strengthening the assurance framework. At the November ARC meeting, the Committee discussed the compliance work programme for 2018 which had been introduced to align with internal audit.

Information Governance/Data Security/Cyber Security

22. The Committee received regular reports on data security incidents across the GDC.
23. An increase in recorded incidents across the organisation as a whole was noted, although it was unclear if this was due to increased awareness of reporting requirements. Council attended a workshop on information governance in June 2017 and GDC Staff, Associates and Council members continued to receive appropriate training in order to improve performance.
24. The high volume of work generated by Freedom of Information (Fol) requests was duly noted.
25. The vacant role of SIRO would be taken up by the permanent Executive Director, Organisational Development although currently the Principal Legal Adviser was fulfilling this role on a temporary basis.

Business Continuity/Disaster Recovery

26. The Committee noted the positive outcome of a simulated exercise of a cyber-attack.

Procurement

27. The Committee continued to receive single tender action requests valued in excess of £50,000 at its meetings. This responsibility moved to the Finance & Policy Committee (FPC) from December 2017, as agreed by Council.

Risk Management

28. Following receipt of the 2016 Year End Risk Register, the Committee approved the introduction of a 5 x 6 risk scoring matrix for the Strategic Risk Register (SRR) at the January meeting. Risks relating to the changes of Directorate were closely monitored during the period of transition.
29. Due to ARC receiving enhanced risk documents, it was agreed Council would only receive papers on key risks to allow them to focus on issues of significant concern. With the changes to Directorate, strategic risks were no longer sub-categorised by Directorate to support the organisation-wide enhanced working.
30. During 2017, the Committee received and reviewed the Operational Risk Registers (ORR) for Registration, Corporate Resources, Organisational Development, Strategy and Fitness to Practise.
31. A Risk Management Framework was developed which provided both strategic and

operational guidance across the organisation.

32. In March 2017, a workshop was held on Risk Management for Council and EMT members. The session included a Risk Appetite review, with the appetite score assigned to each and within Council and EMTs current tolerances. The workshop also covered Strategic Risk Horizon Scanning to ensure the GDCs corporate objectives were aligned to strategic and operational risks.

Internal Audit

33. The Committee reviewed internal audit reports from Mazars LLP, the GDC's internal auditors, as follows:
 - Quality Assurance Group Report – assurance rating, adequate
 - Investigating Committee Feedback Report – assurance rating, substantial
 - Information Technology Report - assurance rating, substantial
 - Payroll Report – assurance rating, adequate
 - Project Management Report – assurance rating, adequate
 - Learning, Development and Performance - assurance rating, limited
 - Compliance Team Report – this was an advisory assignment which did not provide an assurance rating.
 - Rolling Forecast Model Report – assurance rating, substantial
 - KPIs: Development and Reporting - assurance rating, substantial
 - Procurement – assurance rating, adequate
 - Counter Fraud – assurance rating, substantial
34. The Committee agreed to implement an Internal Audit Recommendation Tracker, to track the effective and timely implementation of agreed internal audit recommendations. A dashboard version was taken to Council in June 2017.
35. The Committee received Mazars' Annual Internal Audit Report at its March meeting. On the basis of the audit work undertaken to date, Mazars' opinion was that the GDC's strategic governance and risk arrangements were generally adequate and effective to manages its achievements of its objectives. However, at a local level, improvements were required regarding the operational management of risks. Governance, risk management and internal control arrangements were generally adequate and effective.

External Audit

36. In June, the Committee considered a report on haysmacintyre's performance as the GDC's external auditors. The Committee agreed to recommend to the Council that haysmacintyre be re-appointed to audit the GDC's final accounts for the year ending 31 December 2017.

Effectiveness Review

37. A committee effectiveness review would be conducted in 2018 following the Council Effectiveness review in December 2017.

Whistleblowing

38. The Committee received the annual report and close out report on whistleblowing at its March meeting. The Committee continued to receive a brief report on the number of whistleblowing concerns raised by employees, along with any closure reports at each

meeting.

Policies

39. The Committee also reviewed revised versions of the Whistleblowing policies, which had been amended to include the GDC's role as a 'Prescribed Person' in respect of bringing whistleblowing legislation. Further information on the GDC's role as a Prescribed Person would be made publicly available.
40. The review of the Health and Safety policy was conducted in March 2017, together with receipt of the annual report. It was noted that any Health and Safety issues over the course of the year has been suitably addressed and resolved.

Governance

41. The Committee reviewed its Terms of Reference at the September and November meetings.
42. The Committee reviewed and amended the Scheme of Delegation at the November ARC meeting with recommended changes approved at December Council.

Work Plan 2018

43. The Committee's work plan for 2018 has not yet been finalised pending discussion with the new Chair who joined the Council on 1 October 2017 and other members of the Committee.

Expenditure

44. The only costs directly associated with the Committee in 2017 were the travel and subsistence of Council members for the meetings held.

Recommendations

45. The Council is asked to note and discuss the annual report.