

Audit and Risk Committee's Annual Report to Council

Purpose of paper	To provide a report on the work of the Audit and Risk Committee in 2018
Action	For discussion and noting
Corporate Strategy 2016-19	Performance Objective 1: To improve our performance across all our functions so that we are highly effective as a regulator.
Status	Public Session
Business Plan 2018	N/A
Decision Trail	<p>In accordance with the General Dental Council Standing Orders for the Non-Statutory Committee of Council 2018, ARC will report to Council annually on its activities.</p> <p>The draft annual report was approved by ARC 9 November subject to additions following the meeting which it was agreed would be approved by the Chair. The Committee also approved the draft Work Programme 2019.</p>
Recommendations	The Committee is asked to discuss and note the 2018 Annual Report to Council.
Authorship of paper and further information	<p>Polly Button, Governance Manager pbutton@gdc-uk.org 020 7167 6331</p>
Appendices	<p>Appendix 1. ARC Terms of Reference Appendix 2. 2019 ARC work programme</p>

Executive Summary

1. This paper sets out the work carried out by the Audit and Risk Committee during 2018.

Introduction and background

2. The current membership of the Audit and Risk (the Committee), comprises of Crispin Passmore (Chair and Council lay member), Catherine Brady (Council registrant member), Sheila Kumar (Council lay member), Rajeev Arya (Independent Committee member) and Lawrence Mudford (Council registrant member)- until 30 October 2018. Simon Morrow replaced Lawrence Mudford on 1 October and would attend the first Committee meeting on 9 November 2018.
3. The Committee welcomed Rajeev Arya as the independent member on 16 April 2018 replacing Jason Davis whose term ended on 31 March 2018. Lawrence Mudford completed his Council term of office on 30 September 2018. The Committee thanked Lawrence and Jason for their valuable contributions to the work of the Audit and Risk Committee.
4. 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."
5. 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.
6. In accordance with the General Dental Council's (GDC) Standing Orders for the Non-Statutory Committee of Council 2018, clause 8.4, the Committee is required to report annually to the Council on its expenditure, progress made against its work programme for that year and its planned work programme for the following year.
7. The Committee is able to provide a high level of assurance to Council on the issues within its Terms of Reference.
8. The current Terms of Reference are attached as Appendix 1.

Standing Items

Chief Executive's Report

9. The Committee received verbal reports at each meeting on key areas including updates regarding Estates Strand 1 and 2, recruitment, property negotiations and the opening of 1 Colmore Square on 1 October 2018.
10. The Committee received updates on the EU exit and the potential implications to the organisation. The GDC was working with the Department of Health and Social Care to change legislation in the event of a no deal EU exit
11. The Committee were informed of the PSA report on the Nursing and Midwifery Council handling of Infant deaths, the Bawa-Garba v GMC case and the associated Williams review.

Significant Litigation

12. A report on significant litigation was presented to each ARC meeting in a closed session. An annual report on significant litigation will be presented to the Council in

closed session of Council on 13 December 2018.

Annual Report and Accounts 2017

13. The Committee reviewed the Annual Report and Accounts for 2017, the external Audit Report and management letter and the National Audit Office's Audit Report. The audit findings report, the draft audit certificate and the draft letter of representation were recommended to Council. The Committee recommended the Annual Report and Accounts to the Council for approval.
14. Both NAO and Mazars reported that the audit ran smoothly and accurately with no major issues or errors identified in the accounts. NAO added this was first year the Registration and Corporate Recourses team had taken the lead. The governance structure had worked well and the timetable shifting earlier had also proved beneficial to the process. The auditors thanked the GDC staff for the clean and smooth running of the audit. The Chair on behalf of the Committee, thanked the staff and external advisors.

Annual Report and Accounts 2018

15. In November, the Committee reviewed the Annual Report and Accounts 2018 timeline and process. It was proposed that the Committee would receive a content outline of the report at the meeting in February 2019 rather than a first draft. The first full draft would be prepared for March 2019 and would be circulated to the committee after EMT had scrutinised it in detail. ARC would receive the full ARA at the meeting in April 2019. The Committee received a revised timeline shortly after the meeting and approved the GDC Annual Report and Accounts timetable.

Risk Management

16. During 2018, the Strategic Risk Registers (SRR) were presented, discussed and approved at each meeting. In June, the Committee discussed improvements to timeliness in the SRR. A new approach was agreed where the updated SRR would be sent to Council members as soon as ARC had agreed it. The register would then go forward to the next Council for full discussion. It was noted that the GDC had achieved full expected compliance with GDPR effective as of 25 May 2018.
17. In September, the Committee decided that in the context of the wider environment, the risk appetite needed to be reconsidered. It was agreed that the ARC chair, to recommend to Council that the risk appetite be considered for each appetite across the SRR.
18. In November, the Committee were presented with the Risk Management framework. The main update was the addition of programme and project risks. If risk management software was introduced as planned in the next year the framework would need to be reviewed mid-year to ensure it was compatible with the software. The Committee recommended the update for Council approval.
19. The Committee discussed the following deep-dive topics on risk assurance:
 - o Data security and strategic risk– it was noted the GDC had very good security training and tools available to staff as well as an efficient reporting process. Staff awareness around data protection had also improved over the last two years. The Committee discussed security protocols around the IT software/hardware and were assured that the GDC operated a high level of IT security across the business.
 - Performance- the Committee were presented with the resourcing bridging paper

Q2 2018 which was bridging summary between department resource, KPI performance and associated risk. The Committee felt this paper was primarily an FPC paper and assured the Committee that any feedback and relevant information on risk would be shared through regular discussions with the FPC chair.

- Estates – Financial forecasting and budgetary control. The Committee were presented the paper which provided a deep dive into the financial business case for the GDC Estates Strategy programme. Lessons had been learnt during the strand one planning which will be imbedded into strand two. Members reflected that Committees needed to be confident in the integrity of the data presented to them and in response were assured by EMT that they had learnt from the experience. Attempts were being made not only to reduce the risks in the systems but to accompany that by building risk management into the culture.

20. Maintaining Professional Standards Authority (PSA) standards

In February the Committee discussed the GDC's performance across all the PSA Standards, the risks to maintaining these standards and the mitigations in place. The Committee advised the Executive to make Council aware of any risks to maintaining the PSA standards and mitigations in place, ahead of the 2018 PSA review.

21. EU- Exit

In September, the Committee received a presentation and a briefing which provided an overview of the implications of the UK's exit from the EU, the GDC's legislation and the processes administered under legislation. The Committee discussed the potential risks, solutions and the implications to the organisation. The Committee were assured that the GDC was appropriately and adequately prepared. The risk registered featured a specific risk on EU exit which was routinely updated, and as the risk became clearer, the mitigations would be updated accordingly.

Internal Audit

22. The Committee reviewed individual internal audit reports from Mazars LLP, the GDC's internal auditors, as follows:

- Dental Complaints Service- limited assurance. It was noted that after scrutiny and discussion ARC was satisfied that the executive response would tackle areas for improvement and these were appropriately delivered.
- Cyber Security– reasonable assurance
- Absence Management– adequate assurance
- Health and Safety– adequate assurance
- Expenses– adequate assurance

23. StB programme review- provided assurance and no areas of disagreement The Committee received regular updates of the Internal Audit Recommendation Tracker from the Head of Risk and Internal Audit, to track the effective and timely implementation of agreed internal audit recommendations. The reports were largely positive and showed that implementation of recommendations, and the internal follow up had improved.

24. The Committee received Mazars' Annual Internal Audit Report at its February meeting and haysmacintyre annual internal audit opinion for inclusion in the 2017 Annual Report

and Accounts.

25. In February the Committee reviewed and approved the extension of the current internal audit contract with Mazars until 31 December 2018. As at November 2018, the Committee were in the process for selection of a new internal audit contract.

Specialist Audit- Penningtons

26. In September, the Committee received a specialist audit report for noting to provide an objective assessment of its casework and decision-making processes.

External Audit

27. It was explained the proposal for haysmacintyre to be reappointed to audit the GDC's accounts for 2018 and 2019, before the contract was retendered for external audit services in 2020. The extension was for 1 year longer than previously to allow for strand 1 of the estates strategy and the bedding in of a new finance team. The committee agreed to recommend to the Council that haysmacintyre be re-appointed
28. In November, the Committee received and approved external audit plan for 2018 accounts from haysmacintyre. There had been additional focus on the interim audit systems and processes that had been required given the risk created by the handover between teams as functions moved from London to Birmingham. The risk was well mitigated by the long overlap and handovers. Updates and changes in staff, alongside the interaction between the two offices also impacted on the control accounts. Measures, including migration procedures, were in place to manage the impact.

Fitness to Practise

Case Examiner Feedback

29. The Committee received quarterly update reports. In September, the Executive Director of Fitness to Practise transition updated the Committee that FtP had refreshed the process with the re-emphasis on the need for feedback, both positive and negative. This had resulted in an upturn in the number of submissions received. The team would continue to monitor the process to ensure it remained effective in delivering its core function of providing a conduit feedback.

Quality Assurance and Sampling Size

30. The Committee received outlined proposals relating to QA sampling size to allow a more consistent, proportionate and effective quality assurance process in FtP Directorate. The Committee approved the proposals set out in the report.

Other reports and Policies

Whistleblowing

31. The Committee received an annual report on whistleblowing raised under the GDC's whistleblowing policies and a report on whistleblowing concerns raised by workers or former workers to the GDC in its role as "Prescribed Person". The Committee were content with the approach and noted the paper and the joint healthcare regulators' annual report on whistleblowing disclosures.
32. It was also confirmed there were no whistleblowing cases raised by an employee in the past 12 months.

Compliance updates

33. The Committee received updates from the Compliance team. For the first meeting in 2018 the report showed continual issues with the timeliness of the casework part of the FtP process. Measures were taken to address this including more decision-making support earlier in the process.

In June, the Executive Director for Organisational Development noted for the record, that the supporting team had performance to a high level in the absence of the Head of Compliance. In November, the Committee received and approved the 2019 Compliance Annual Plan.

Information Governance

34. The Committee received quarterly reports which provided a snapshot of information requests and data security incidents (DSIs) across the GDC.

Anti-fraud and anti-bribery policy

35. In June the Committee received a report which related to acts of fraud and bribery committed by GDC staff. There was a separate policy for Council members and Associates and this was being considered as part of the Associates Project. The Committee received substantial assurance and subject to minor amendments, the Committee approved the policy review.

Health and Safety

36. The Committee reviewed the health and safety 2017 annual report, significant items raised related to a power outage and an incident on Oxford Street, where the public tried to gain entrance to the Wimpole Street building. The Committee noted the report and were assured that both issues were dealt with appropriately with guidance now actively in place.

Effectiveness Review

37. In June the Committee held an effectiveness session. The main premise was reviewing the Facet5 TeamScape and collaborative working across all parties to ensure best committee effectiveness. The session was a successful exercise and brought constructive ideas and discussion amongst the committee.
38. The Committee considered the effectiveness of each meeting including quality of papers, discussion and agenda at the end of each meeting.
39. In November it reviewed overall effectiveness including relationship between Executive and Committee, use of external advisers, and how the Committee worked. The Committee took the view that meetings were effective and well planned and run. It noted the openness of the Executive which it considered crucial for effective of assurance, and that the Executive was appropriately challenged to test relevant risk and assurance.

Governance

40. The Committee reviewed and approved the Terms of Reference and Workplan at the November meeting.
41. The Committee will review the Scheme of Delegation at the first meeting in 2019.

Expenditure

42. The only costs directly associated with the Committee in 2018 were the travel and

subsistence of Council members for the meetings held.

Recommendations

43. To Recommend the high level of assurance that the Committee considered it was able to provide to Council.
44. The Council is asked to discuss and note the 2018 Audit and Risk Committee Annual Report to Council and 2019 draft workplan.

Appendices

45. Appendix 1 – ARC Terms of Reference
46. Appendix 2 – Draft Work Programme 2019

Appendix 1

Terms of Reference: Audit and Risk Committee

Key purpose

- A1. To monitor the integrity of the financial statements, to review the General Dental Council's (GDC) governance, internal control and risk management systems and the comprehensiveness, reliability and integrity of the assurances provided and review the internal and external audit services. These responsibilities exist in parallel to that exercised by the Accounting Officer.

Delegated Powers

- A2. Investigate any activity within its terms of reference. Any investigation will normally be initiated in consultation with the Chief Executive and Accounting Officer.
- A3. Seek any information it may require from any member, employee or office-holder. All members, employees or office-holders are directed to co-operate with the Committee.
- A4. Obtain external legal or other professional advice and to secure the attendance at committee meetings of anyone it considers has relevant experience, expertise or knowledge.
- A5. Review the statements in the annual report and accounts relating to internal control and risk management (the Governance Statement).
- A6. Appoint and remove the internal auditors and approve their fee and terms of engagement and the internal audit strategy and plan.
- A7. Approve the fee and terms of engagement of the external auditor and the external audit strategy and plan.

Functions and Duties

Financial reporting

- A8. Review the Annual Report and Financial Statements before submission to the Council for approval, focusing particularly on the wording in the Governance Statement and other disclosures relevant to the Terms of Reference of the Committee including:
- i. changes in, and compliance with, accounting policies and practices;
 - ii. unadjusted mis-statements in the financial statements;
 - iii. major judgemental areas;
 - iv. significant adjustments resulting from the audit;
 - v. external audit's management letter; and
 - vi. management's letter of representation to the external auditors.
- A9. Ensure that the systems for financial reporting to the Council, including those of budgetary control, are subject to review as to completeness and accuracy of the information provided

to the Council.

Governance, Risk Management and Internal Control

- A10. Review the delegated authorities and governance structure annually, report to the Council on whether they are adequate and make any recommendations to the Council.
- A11. Monitor the integrity of the system of internal controls. In particular, to review management's and the internal auditors' reports on the effectiveness of the system of internal control, including Health and Safety and compliance with the Dentists Act.
- A12. Assess the scope and effectiveness of the systems established by management to identify, assess, manage and monitor significant risks.
- A13. Review the comprehensiveness, reliability and integrity of the assurances provided in relation to governance, internal control and risk management.
- A14. At the request of the Council, advise it on matters of corporate governance (but without prejudice to the Committee's power to make recommendations to the Council on corporate governance issues arising from the work of the auditors).
- A15. Provide assurance to the Council on the adequacy and effectiveness of the risk management processes. This involves reviewing the Strategic Risk Register, obtaining assurance on risk management arrangements from internal auditors, and reviewing the status and trends of all risk in the strategic risk register.

Internal Audit

- A16. Review the internal audit programme and ensure that the function is adequately resourced and has appropriate standing within the organisation [see above delegated authority A6].
- A17. Consider and monitor management's responses to any major internal audit recommendations.
- A18. Meet with the internal auditors at least once a year, without management being present, to discuss their remit and any issues arising from the internal audits carried out.¹ The internal auditors should be given the right of direct access to the Chair of the Council and the Committee.
- A19. Monitor and review the effectiveness and quality of the internal audit function to ensure it provides appropriate independent assurance to the Council and value for money.

External Audit

- A20. Consider and make recommendations to the Council on the appointment, reappointment and removal of the external auditors [see above delegated authority A7].
- A21. Review the findings of the audit with the external auditor considering any material issues which arose during the audit, any accounting and audit judgements and levels of errors identified during the audit.
- A22. Meet with the external auditors at least once year, without the management being present, to discuss their remit and any issues arising from the audit.²
- A23. Monitor and review the effectiveness and quality of the audit, assessing annually their independence and the relationship with the auditor as a whole, including the provision of any non-audit services, and value for money.

¹ The Chair shall decide whether the Secretariat members should withdraw also; if so, the Chair should ensure that an adequate note of proceedings is kept to support the Committee's conclusion, rationale and actions. In order for completeness of records the note should be deposited with the Secretariat.

⁸ Same process to be followed as in the footnote above.

Whistle-blowing, fraud and investigations:

- A24. Review the GDC's arrangements for employees, Council Members and associates to raise concerns about possible wrongdoing in financial reporting or other matters and ensure that they allow proportionate and independent investigation.
- A25. Review the GDC's arrangements for external parties to raise concerns about another individual or organisation with the GDC in its role as a Prescribed Person and ensure that they are appropriately dealt with.
- A25. Review the anti-fraud and bribery policies and arrangements in place for special investigations.

Review of effectiveness

- A26. Periodically review its own effectiveness and report the results of that review to the Council.