

## Annual Report on Committee Effectiveness – Audit and Risk Committee (ARC)

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<b>Type of business</b>	To note
<b>For Council only:</b>	Public session
<b>Issue</b>	In accordance with the General Dental Council Standing Orders for the Non-Statutory Committees of Council 2018, clause 8.4, Committees are required to report annually on expenditure, progress against work programmes and planned work programmes for the following year.  This report was circulated to the Committee for comment on 18 December 2019.
<b>Recommendation</b>	The Council is asked to note the 2019 annual report on effectiveness from the Audit and Risk Committee (ARC).

### 1. Introduction and background

- 1.1 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. The Committee will provide assurance to the Council on the issues within its Terms of Reference.
- 1.2 The current membership of the Audit and Risk Committee (ARC), as approved by the Council at its meeting on 3 October 2019, comprises of Crispin Passmore (Chair and lay Council member), Catherine Brady (registrant Council member), Sheila Kumar (lay Council member), Simon Morrow (registrant Council member) and Rajeev Arya (Independent Committee member). This year, the Committee held five meetings.
- 1.3 The key purpose of the ARC is defined in its Terms of Reference (**Appendix 1**) and is to:
  - a. 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.
- 1.4 The ARC also has delegated powers to:

- a. Investigate any activity within its Terms of Reference; normally initiated in consultation with the Chief Executive and Registrar.
- b. Seek any required information from any member, employee or office holder of the GDC.
- c. 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.
- d. Review the statements in the Annual Report and Accounts (ARA) relating to internal control and risk management (the Governance statement).
- e. Appoint and remove internal auditors, approve their fee and terms of engagement and the internal audit strategy and plan.
- f. Approve the fee and terms of engagement of the external audit and the external audit strategy plan.

1.5 The Committee's functions and duties cover:

- a. Scrutiny of financial reporting
- b. Review and oversight of governance systems, risk management and internal controls
- c. Review and oversight of internal and external audit; and
- d. Review and oversight of whistleblowing, fraud and investigations.

## 2. Expenditure

- 2.1 The only costs associated with the Committee in 2019 were those relating to travel and subsistence of Council members for the meetings held. This includes the cost of the independent member.

## 3. Scrutiny of Financial Reporting

### Annual Report and Accounts 2018-2019

- 3.1 In April 2019, the Committee reviewed the Annual Report and Accounts (ARA) for 2018, the external Audit Report and management letter, and the National Audit Office's (NAO) Audit Report. The audit findings report, the draft audit certificate and the draft letter of representation were recommended to the Council. The Committee recommended the Annual Report and Accounts to the Council for approval.
- 3.2 The external advisors reported to the Committee that that the audit had run smoothly and accurately with no major issues or errors identified in the accounts. Given the level of organisational change, it was noted that the track record of clean audits was something for which the organisation should be proud.
- 3.3 Prior to the ARA being laid in the UK and Scottish Parliaments, the accounts were required to have prior years re-stated following advice from the Comptroller & Auditor General (C&AG) wherein he took an alternative stance to the NAO on the historical approach to elements of the accounts. After this was resolved, some internal inconsistencies were discovered in the final checking stages, and revised processes were put in place for future iterations of the document.
- 3.4 The 2018 ARA was laid in the UK and Scottish Parliaments on 29 October 2019.

- 3.5 In September and November 2019, the Committee were assured that detailed planning was underway for the 2019 ARA. This would incorporate learnings from 2018 and include a review of the content of the report following a Council Workshop.

#### **4. Review and Oversight of Governance Systems, Risk Management and Internal Controls**

##### Chief Executive's Report

- 4.1 In relation to the oversight of the internal controls and governance of the organisation, the Committee received verbal reports from the Chief Executive at each meeting on key areas of the ongoing work programme, including the Estates Strategy, EU Exit, PSA review, Costed Corporate Plan (CCP), legislative change agenda and plans for the development of cultural change across the organisation.
- 4.2 On the topic of EU Exit, the lack of certainty around the UK's position and the Mutual Recognition of Professional Qualifications continued to be a planning challenge for the organisation. Following the election, it was a priority for the GDC, and all regulators, to push forward its legislative change agenda.
- 4.3 The Committee were updated that work was to be commenced in 2020 to bring about cultural change, with the Committee being sighted on proposed changes to governance structures and delegations from the Council.

##### Significant Litigation

- 4.4 An update on significant litigation for the organisation was presented to the Committee at each meeting. At the request of the Committee, from September 2019 onwards, the update was accompanied by data providing more granular insight into the GDC's overall litigation position.
- 4.5 An annual report on significant litigation will be presented to the Council in closed session of Council in January 2020.

##### Strategic Risk Register

- 4.6 The Strategic Risk Register (SRR) was presented and discussed at each meeting.
- 4.7 In 2019, there were recurring discussions at the Committee around whether the SRR was to be approved or noted by it. In June 2019, the Committee agreed to note the SRR and it was agreed that the Council would consider its current risk appetite, and that this would accordingly be plotted on a revised risk appetite matrix.
- 4.8 Following a Council workshop in October 2019, the Council approved the updated risk matrix, and agreed its current risk appetite. Following this, in November 2019, the Committee was presented with an updated SRR and received a new 'Board Assurance Framework' tool (BAF) created using new risk management software. The Committee were assured by these developments and recommended for approval the subsequent SRRs that were presented to it, noting the BAF was a significant achievement for the organisation.

##### Risk Assurance deep dives

- 4.9 The Committee conducted in-dept reviews in relation to the following topics in 2019: Procurement and contract management, Shifting the Balance, Estates (people and business continuity) and Estates (finance). Each in-depth review focused on the current risk landscape and background in relation to strategic, operational, programme and projects risks. In November 2019, the Committee agreed to continue thematic deep dives for 2020,

rather than moving to a directorate-led approach, as it took the view that risk is rarely self-contained and more likely to have a cross-organisational impact.

#### Fitness to Practise

- 4.10 In February 2019, the Committee were presented with the Case Examiner Feedback. It was confirmed there was no obligation with the PSA to report this quarterly or annually. Therefore, it was agreed to report on an exception basis going forward.

#### GDC Fees regulations

- 4.11 In June 2019, the Committee received and noted a paper to advise of actions being taken to establish a recognised process for the development and delivery of amendments to fees regulations.

#### Compliance

- 4.12 In February 2019, the Committee received an update on the work undertaken by the Compliance function in Q4. Further updates were included as part of the In-House Internal Audit team, following the completion of the merger.

#### Information Governance

- 4.13 The Committee received and noted quarterly reports which provided performance in relation to information requests, a summary of data security incidents reported during the quarter, matters in relation to the Information Commissioner (the ICO), complaints relating to data subject rights and compliance work in relation to records management, retention and disposal.

#### Other reporting

- 4.14 In April 2019, the Committee noted the 2018 Annual Health and Safety Report and Insurance Summary for 2019.
- 4.15 The Committee noted the following reports in June 2019: the Review of GDC Health, Safety and Wellbeing and GDC visitor access.

### **5. Review and Oversight of Internal and External Audit**

- 5.1 The Committee reviewed and scrutinised the work of the GDC's internal audit function and the ongoing work programme, alongside considering management responses to internal audit recommendations.

#### In-House Internal Audit Update

- 5.2 In February 2019, the Committee received an update on the proposed merger of the Risk Management, Internal Audit and Compliance functions within the organisation. The proposal was subsequently approved, and an Internal Audit Manager joined the team in November 2019. The Committee heard that work had already commenced with successful reviews and further projects scoped for 2020.

Global Internal Audit Plan 2020

- 5.3 In November 2019, the Committee approved the preliminary paper for the production of the ‘Global Audit Plan’ for Mazars, the In-House Internal Audit team and the FtP Decisions Audit function, carried out by BWB.
- 5.4 The Committee reviewed individual internal audit reports from Mazars LLP, the GDC’s internal auditors, and noted the assurance levels in each area of the organisation:

Area	Assurance Level
Equality, Diversity and Inclusion	<b>Adequate</b> assurance
Customer Services	<b>Adequate</b> assurance
Associates Management Report	<b>Adequate</b> assurance
GDPR	<b>Substantive</b> assurance
Contract Management (advisory review)	This was described as a good example of risk management.
Corporate Strategy - Design of Methodology for assigning costs to Strategic Aims	<b>Satisfactory</b> assurance

- 5.5 The Committee received Mazars’ Annual Internal Audit Report and Operational Plan 2019 at its February 2019 meeting. The Committee received regular internal audit progress reports from Mazars, and it was confirmed that all areas were on track with no concerns.
- 5.6 The Committee received a specialist audit on FtP Decisions from BWB<sup>1</sup> in June 2019. It heard that no decisions had been assessed as ‘Red’ and the Committee noted that the overall performance was an improvement from the previous audit.
- 5.7 The Committee received regular updates to the Internal Audit Recommendation Tracker. The Committee were pleased with the high rate of implementation of recommendations and were given assurance that the implementation dates were realistic and agreed in collaboration with business areas.

External Audit

- 5.8 In November 2019, the Committee received and approved the Draft Audit Planning Report from haysmacintyre and the Audit planning report on the 2019 financial statement audit from the NAO.
- 5.9 It was noted that the haysmac interim visit went well, and the systems and procedures that the GDC had adopted in the past, had continued with no material changes for 2019. Haysmac confirmed that they expected a smooth process and were optimistic that they could deliver to the proposed timetable.

**6. Review and oversight of whistleblowing, fraud and investigations**

Whistleblowing

- 6.1 In June 2019, the Committee received an annual report on the operation of the policies in place for staff, Council members and Associates (internal whistleblowing). In September 2019, the Committee received the Joint Regulators Whistleblowing Report. This included information on ‘Prescribed Persons’ whistleblowing and was published on the GDC website.

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<sup>1</sup> Formerly undertaken by Penningtons

- 6.2 In line with the GDC Whistleblowing Policy, the Committee received updates to two internal cases received during 2019.

Anti-fraud and anti-bribery policy

- 6.3 In November 2019, the Committee received the Anti-fraud, Bribery and Corruption Policy 2020 for GDC employees. The policy had been reformatted, and definitions around corruption, theft and financial malpractice had been included. The Committee heard that there were no changes to the underlying processes and, subject to minor amendments, approved the policy for recommendation to Council.

## 7. Governance and next steps

Board Effectiveness Review

- 7.1 An observer from Deloitte attended the June 2019 meeting, as part of the wider Board Effectiveness review. The results of the review were delivered as part of a Council workshop in October 2019. Further outcomes and recommendations would be discussed in Committee and Council in early 2020.
- 7.2 In November 2019, the Committee were updated that Finance and Performance Committee had decided to defer looking at the Terms of Reference until after the Deloitte review and a Council workshop in early 2020. The Committee agreed with this approach and deferred the review of its Terms of Reference until after the Council workshop.
- 7.3 In November 2019, the Committee received the currently formatted work programme for 2020 and were updated that work was underway to unify all work plans across the Committees and the Council. This would be shared with the Committee in 2020.
- 7.4 The Council will review the Scheme of Delegation to its Committees and the Chief Executive and Registrar in 2020.

Terms of Reference

- 7.5 The Committee decided to defer the review of the Terms of Reference until the Council had completed its first Board Development session as this would inform the wider review into the delegations its scheme of delegations.

Work Programme 2019

- 7.6 The Committee reviewed the workplan at each meeting and noted the draft 2020 workplan at the meeting in November 2019.
- 7.7 The Council is asked to note the 2019 annual report on effectiveness from the ARC.

## 8. Appendices

- a. **Appendix 1** – ARC Terms of Reference
- b. **Appendix 2** – ARC Work Programme for 2020

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