Audit and Risk Committee unconfirmed minutes

Purpose
To note the unconfirmed minutes of the Audit and Risk Committee.

Action required
The Council is asked to note the unconfirmed minutes of the Audit and Risk Committee meeting held on 27 February 2013.

1.0 Background
1.1 The Council’s Audit & Risk Committee met on 27 February 2013. Unconfirmed minutes of that meeting are attached at Appendix 1. These have been circulated to members of the Committee for comment but will not be confirmed until the Committee’s next meeting on 29 May 2013. The unconfirmed minutes are circulated to the Council for noting as part of the assurance which the Committee provides to the Council and to ensure that the Council remains aware of the Committee’s activities.

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March 2013
Minutes of the Audit and Risk Committee Meeting held on 27 February 2013 at 129 Lambeth Road, London SE1 7BT at 1.00pm

Present

John Flook (Chair)
Cathryn Brown
Keith Wilson (from minute 169)
Judy Worthington

In attendance

David Prince (Chair designate)
Sarah Brown (Council member)
Duncan Rudkin (Chief Executive & Registrar)
Bernard Kelly (Director of Resources & Customer Services)
Alison Readman (Interim Head of Governance)
Joseph Hall (Interim Head of Finance)
Elaine Mulingani (Head of Associates and Executive Office) minute 174 to 175
Maxine Pryce (Governance and Assurance Officer) minute 172 to 175
Morag Childs (Deloitte, Internal Auditor)
Martin Lewis (Deloitte, Internal Auditor)

ATTENDANCE AND CHAIR’S INTRODUCTORY REMARKS

166 The Chair welcomed everyone to the meeting, including David Prince the Committee chair designate. Apologies were received from Hilary Daniels and from Jenny Brown (Grant Thornton, External Auditor – in attendance).

DECLARATIONS OF INTEREST

167 The Chair asked members whether they had any interests to declare in respect of the agenda items. No interests were declared.
MINUTES OF THE LAST MEETING

168 The minutes of the meeting held on 11 October 2012 were agreed as a true record of the meeting with the following amendments:

In minute 145 substitute ‘latest’ for ‘last’.
In minute 148 delete ‘2013’ and the first ‘be’ in the penultimate line.
In minute 152.2 the sentence ‘It was agreed that comments be circulated to BK to take forward in preparing a revised proposal ...’ should be amended to read ‘It was agreed that BK would take the comments made at the meeting into account in preparing a revised proposal ...’.
In minute 154.2 substitute ‘if required’ for ‘as required’ in the last sentence.

169 Keith Wilson (KW) joined the meeting.

MATTERS ARISING AND ACTION LOG

170 There were no matters arising that did not feature on the agenda.

170.1 The Committee discussed the action log. Duncan Rudkin (DR) gave an update on minute 132.4 of 29.05.12. He reported that an education advisory working group was being formed to provide advice and challenge on planning and prioritisation of the whole education programme as a single, coherent piece of work. With specific regard to pre-registration training, a survey of tutors and trainees was planned. Work was also ongoing to consider the implications of the Francis report in this regard. In relation to the registration assessment, the Board of Assessors had met earlier in February 2013.

170.2 With regard to minute 152.2 of 11.10.12, it was noted that the action should be deleted since the minute to which it referred was incorrect.

170.3 The Committee noted that with the exception of item 132.4, which would remain on the log, all other items had been completed or were addressed on the agenda.

171 The Committee noted the action log.

RISK MANAGEMENT REVIEW

172 Maxine Pryce (MP) joined the meeting. Duncan Rudkin (DR) introduced paper 02.13/ARC/01. He confirmed that the red risks from the directorate risk registers had been included in the paper, to strengthen the assurance provided. DR mentioned that risk 27 referred primarily to the rebalancing project and that the risks relating to the Francis report were still being evaluated. A discussion
took place regarding the distinction between risks 26 and 27. The Committee took the view that it was acceptable for them to remain as separate risks since they related to the leadership of the organisation (the Council, Chair of Council and the Chief Executive & Registrar) and the resultant workload of the wider organisation respectively. A member of the Committee asked if the current risk score for risk 27 could be reviewed since it seemed low in comparison to risk 26.

172.1 The Committee noted that target dates had been exceeding in respect of a number of risks. Maxine Pryce (MP) agreed to state the reasons for individual slippages in future papers. DR acknowledged that on occasion management needed to set more realistic deadlines, especially when external factors were involved.

172.2 The Chair reported a comment from Hilary Daniels (HD) that the accommodation risk was not included. Bernard Kelly (BK) responded that the decision had not been made when the register had last been reviewed; however it would appear in future risk registers.

172.3 An error was noted in regard to risk 24, in that it should refer to Investigating Committee (IC) training not Interim Orders (IO) training.

173 The Committee noted the latest version of the risk register.

RISK MITIGATION: STATUTORY COMMITTEE DECISIONS

174 Elaine Mulingani (EM) joined the meeting. The Committee considered paper 02.13/ARC/02, which had been requested to provide the Committee with detailed assurance. In this instance the paper set out the actions being taken to reduce the risks relating to Statutory Committee decisions. EM clarified that the primary risk being mitigated was that public protection could be undermined, although the actions remained the same.

174.1 A detailed discussion followed on the actions being taken. In response to a member’s question as to why a QC was leading the external review referred to at 5.7.2 of the paper, EM confirmed that the reviewer had been chosen because of her calibre and experience in the relevant area. Later in the meeting it was clarified that the reviewer was in fact a senior solicitor advocate not a QC.

174.2 Questions were also asked about the September 2014 recruitment round and the ongoing training. EM confirmed that the chair of the Appointments Committee chair observed Statutory Committee hearings occasionally. The question of resources was considered. DR assured the Committee that
sufficient resources had been allocated for the work and that the work would continue in the Head of Organisational Development and People Strategy’s team after EM’s departure.

174.3 The Committee requested that the paper be circulated to Council members informally and to the Statutory Committee chairs and deputy chairs. EM

175 The Committee thanked the team for preparing the paper. It noted the tasks undertaken and planned to mitigate the risks relating to Statutory Committee decisions. EM and MP left the meeting.

THE COMMITTEE’S ANNUAL REPORT TO COUNCIL

176 BK introduced paper 02.13/ARC/03, which contained a draft report to Council on the Committee’s activities for the period from February 2012 to January 2013. The Committee was of the view that the report needed to synchronise with the period of the Annual Report and do more to show the impact of the Committee especially in relation to risk management. Comments about specific areas were mentioned.

176.1 BK noted the comments and confirmed that a revised draft would be brought to the Committee for approval at its May 2013 meeting.

INTERNAL AUDIT PROGRESS REPORT

177 Morag Childs (MC) and Martin Lewis (ML), both of Deloitte, presented a progress report on the internal audit plan 2012-13 for the period from October 2012 to January 2013. The Committee considered the report in general and expressed concern that it could not assure itself that internal controls were effective without management’s response being included as a separate item to Deloitte’s findings. This was of particular concern given that three of the five internal audits completed had shown limited assurance. It thought that procedures had been put in place to make sure this happened. The Committee requested that the full reports be circulated to it before the next meeting and the item be put on the agenda at that meeting.

177.1 The Committee considered each of the completed audits. With regard to specific matters, in relation to evidence management DR reported that the former director of Regulatory Services had identified the issues relating to evidence management as being a concern. DR confirmed that we should aim to be beyond reproach in what we did in this regard so Deloitte’s recommendations had been accepted and were in hand. In particular the priority 1 issue would be completed by the end of March 2013.
177.2 With regard to the Standards Advice and Information audit, DR reported that the issue was one of inadequate documentation of processes and KPIs that needed to be rewritten rather than the staff being unclear what their role was. He and BK were satisfied that there was no threat to the public because of this lack of documentation.

177.3 In relation to the Standards Development internal audit, DR confirmed that management disagreed with the internal auditors’ view on what should be documented and this was shown in the full report. DR confirmed that a public law QC had reviewed our consultation processes.

178 The Committee noted the internal audit progress report at appendix 1 of paper 02.12/ARC/04.

INTERNAL AUDIT - REPORT ON FOLLOW-UP ACTIONS

179 ML introduced paper 02.13/ARC/05, which provided an update on follow-up actions flowing from each of the years 2010-11, 2011-12 and 2012-13. The Committee reviewed the outstanding follow-up actions. The Committee noted that the replacement registration system was part of the review of the IT strategy, in respect of which we were still tendering (2010-11 action). BK confirmed that the 2011-12 action in appendix 2 relating to the performance management process had been completed. The action in the same appendix relating to the associates’ contracts was also substantially complete since we were merely waiting for five associates to return signed contracts (2011-12 action).

179.1 Some deadlines relating to external communications (2011-12) were considered unrealistic, as had been the case for the management of risk. Management would review this. BK

180 The Committee noted the internal audit progress report on follow-up actions.

INTERNAL AUDIT PLAN 2013-14

181 BK introduced paper 02.13/ARC/06 relating to the internal audit plan for the year 2013-14. He reported that the plan had been worked up in conjunction with Deloitte. In response to a member’s query, he confirmed that no audits had been omitted for budgetary reasons. Since this was the last year of the internal audit cycle and we were a more mature organisation, we would reflect on what would need to be done differently in the next internal audit cycle.

182 The Committee approved the internal audit plan 2013-14 at appendix 1 of
EXTERNAL AUDIT PROGRAMME

183 DR introduced paper 02.13/ARC/04 relating to the external audit programme for the year ending 31 March 2013.

183.1 The Committee considered the programme. A brief discussion took place about the DH grants still in existence. DR and BK acknowledged that it would be beneficial to consult with DH regarding whether the revalidation grant could be used for the CPD work. If the grants could not be used in this or another lawful way we should consider returning the grants to DH.

184 The Committee agreed the nature and scope of the external audit programme for the year ending 31 March 2013.

AUDIT AND RISK COMMITTEE TERMS OF REFERENCE

185 Alison Readman (AR) introduced paper 02.13/ARC/08, which invited the Committee to review its remit.

185.1 The Committee was of the view that the proposed new paragraph 4.8 relating to the purchase of non-audit services would be beneficial. It also considered that the change of name of the document from remit to terms of reference was appropriate. It further considered that the Committee members’ names should not be in the terms of reference. These last two points were in line with the views of the Remuneration Committee at its meeting earlier in February 2013.

185.2 The Committee was also of the view that the maximum number of terms that a Committee member could serve should not be specified; however, it had some concerns about this provision being included in the terms of reference rather than in the standing orders. It was also concerned that members should not have an expectation that they would be allowed to serve on a Committee for the whole time they were on the Council. AR clarified that members would still serve for a specified term of up to four years, which would carry no expectation of renewal; nevertheless the current wording was unduly restrictive if short terms were favoured for reasons not relating to a member’s abilities. The Committee noted these provisos.

185.3 MC reflected whether the external membership of the Committee should be comprised of people with recent relevant financial experience. The Committee was of the view that the external members’ role was to fill skills gaps and that since the Committee considered risks relative to its role as a healthcare regulator it was more appropriate to stipulate that one member, whether
internal or external, should have recent relevant financial experience.

185.4 MC also suggested that paragraph 4.5 of the terms of reference be amended to approve the internal audit strategy, operational plan and work programme. At present that paragraph included reference to reviewing these matters although the scheme of delegation and paragraph 1.2 of the terms of reference did already refer to approving the work programme. The Committee agreed to recommend this change.

186 The Committee agreed to recommend to Council the proposed changes to its remit as set out in Appendix 3, and taking into account the comments at minute 185 above.

**Audit & Risk Committee Membership**

187 AR introduced paper 03.13/ARC/09, which confirmed the Committee’s membership from 1 April 2013 namely:

- David Prince (lay - chair)
- Hilary Daniels (external)
- Mohammed Hussain (registrant)
- Judy Worthington (lay).

188 The Committee noted the membership and the expressions of interest being sought from Council members in order to recruit a member for the remaining vacancy.

**Any Other Notified Business**

189 Judy Worthington noted that this was the last meeting of the Committee with its current membership. She said that John Flook had chaired the Committee exceptionally well and in a good humoured way during its formative years, encouraging members to speak out without fear or favour. Likewise Cathryn Brown and Keith Wilson had both served the Committee well in different ways and she wished all three the very best for the future. The Chair responded by thanking JW for her kind words and said that he was pleased with the progress the Committee had made particularly in relation to risk management, which was now well-embedded in the organisation.

The meeting closed at 3.20pm.

Date of next meeting – 29 May 2013.