Public business

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 11 October 2012.

1.0 Background

1.1 The Council’s Audit & Risk Committee met on 11 October 2012. 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 27 February 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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31 October 2012
Minutes of the Audit and Risk Committee Meeting held on 11 October 2012 at 129 Lambeth Road, London SE1 7BT at 1.00pm

Present

John Flook (Chair)
Cathryn Brown
Hilary Daniels
Keith Wilson
Judy Worthington

In attendance

Celia Davies (Council member)
Duncan Rudkin (Chief Executive & Registrar)
Bernard Kelly (Director of Resources & Customer Services)
Christine Gray (Head of Governance)
Joseph Hall (Head of Finance)
Maxine Pryce (Governance and Assurance Officer)
Francesca Chittenden (Committee Secretary)
Jenny Brown (External Auditor, Grant Thornton)
Martin Lewis (Internal Auditor, Deloitte)

ATTENDANCE AND CHAIR’S INTRODUCTORY REMARKS

139 The Chair welcomed everyone to the meeting including Joseph Hall, Interim Head of Finance and Celia Davies who would be observing the meeting.

DECLARATIONS OF INTEREST

140 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 AND MATTERS ARISING
The minutes of the meeting held on 29 May 2012 were agreed as a true record of the meeting and there were no matters arising.

ACTION LOG

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.

The action log was noted.

RISK MANAGEMENT REVIEW

Duncan Rudkin (DR) summarised the key areas of paper 10.12/ARC/01 which was presented in the established format. He drew the Committee’s attention to section 4 informing the Committee that the ‘greyed out’ risks were in fact closed risks which had been left visible for the benefit of the Committee and that the rationale for the closure of each of the risks was set out in paragraph 4.2.

In response to a query in relation to the closure of a risk, the Committee debated the importance of putting in place a process to ensure that risks which are closed on the corporate risk register are not lost sight of. It was noted that, where appropriate, risks which are closed on the corporate risk register would remain on Directorate and programme board risk registers. In such cases, it would be appropriate to refer to risks as ‘removed’ from the corporate risk register rather than ‘closed’.

In response to a member query DR set out that the corporate risk register brings together key risks from directorate and programme board risk registers. The Committee debated whether it would be appropriate for the Committee to review the ‘red’ risks across all directorate / programme risk registers in order to provide assurance to the Council. Following a short debate it was agreed that to provide the Committee with assurance that risks were being adequately escalated to the corporate risk register from directorate and programme risk registers that all red risks be reported to the Committee as part of future risk review papers but not automatically escalated to the corporate risk register.

The Committee noted the last version of the risk register.

EXTERNAL AUDIT FOLLOW UP REPORT

Martin Lewis, Deloitte (ML) introduced paper 05.12/ARC/02 which provided an update on completed audits within the internal audit programme and an update
on management actions in response to previous internal audits.

146.1 ML led the Committee through the paper, reporting that in relation to the 2010-11 planned internal audits, 6 had been implemented and 2 were in progress. In relation to the 2011-12 planned internal audits ML set out an updated position to that detailed in the paper and reported that 9 of the internal audits had been implemented and 9 were in progress.

146.2 The Committee welcomed the updated position however highlighted concern that the due dates for the management actions in relation to communications, which had been agreed with management, had passed and the actions had not been implemented and no explanation had been provided. DR acknowledged that this was not acceptable. Management comments in relation to these audits were now available and would be circulated to the Committee. Bernard Kelly (BK) assured Committee that the staff responsible had acknowledged the importance of providing an explanation where required and that the situation would not arise again.

146.3 The Committee requested that the implementation deadline for the 3 management actions on communications currently being implemented be reported to the Committee.

63 The Committee noted and welcomed the reports of completed internal audits and the update on management actions.

UPDATE ON INTERNAL AUDIT PLAN

64 ML introduced paper 11.12/ARC/03 which provided an update on the status of the internal audit work for the period to June to September 2012. ML reported that the financial procedures audit had been completed and substantial assurance had been awarded; with one priority 2 finding issued in relation to the lack of a purchase order system. In response BK assured the Committee that subject to competing priorities in the development of new IT applications it was intended that a purchase order system would be implemented in the first quarter of 2013/14 and in the meantime invoices would be continue to be checked and approved by the relevant managers.

65 ML also reported on a number of changes to the internal audit plan. The changes included alterations to the start dates of 4 internal audits due to diary changes and resources availability and the addition of a data security audit and a financial procedures audit. He also reported that the inspection audit had been split in to two audits, the first to test the inspection process design and the second audit to test the inspection process operation.
ML confirmed that start dates for all but 3 of the audits had been set and that field work would be completed by the end of January 2013. ML confirmed he was confident all audits would be completed.

The Committee reviewed and noted the update

REVIEW OF STANDING FINANCIAL INSTRUCTIONS

BK introduced paper 10.12/ARC/04 informing the Committee that the Standing Financial Instructions (SFIs) were to be reviewed on a periodic basis and that the document presented had been developed by the Head of Finance with input from the Procurement Manager. He highlighted that reference to the Director of Resources had been replaced with ‘Head of Finance’ throughout the document to reflect the reality of the process. The Committee, whilst noting the delegations by the Director of Resources to the Head of Finance, requested that the reference to Director of Resources be retained in the SFIs.

A member highlighted that the SFIs were to be scrutinised by internal audit in January 2013 and in acknowledgement of this the Committee agreed that it would be more appropriate to undertake a review of the SFIs when the outcome of the audit was known and that the existing SFIs remain until then.

The Committee highlighted the importance of the SFIs containing references to established Council policies such as the Gift & Hospitality Policy and the Anti-Bribery Policy. It was agreed that comments be circulated to BK to take forward in preparing a revised proposal which would be informed by the internal audit for review in May 2013. The committee requested that the paper accompanying the proposed SFIs set out the rationale for the changes.

The Committee agreed to postpone the review of the SFIs to May 2013 following the internal audit.

INFORMATION SECURITY REVIEW

BK introduced paper 10.12/ARC/06 reinforcing the notion that information security did not relate just to IT but also to data protection, data sharing and the way the GPhC handles information. He informed the Committee that a new ISO27001 accredited IT provider was in place but that a significant amount of work was still required and it would take time before the review was complete and the system controls fully implemented.

In response to a member query as to whether Council members were being
considered as part of the review BK confirmed that although Council members do not receive or have access to confidential information in relation to registrants, options were being explored for enabling Council members to have secure online access to the papers and information they needed. Following on from this DR highlighted that consideration would also have to be given to the secure transfer of data to Associates, some of whom regularly received confidential data in relation to registrants.

154.2 A member welcomed that firewall testing had been undertaken and suggested that firewall testing should continue on a periodic basis even though a new IT provider was in place. BK confirmed that firewall access testing would be undertaken periodically and that the forthcoming data security audit would address this in addition to disaster recovery. ML confirmed that Deloitte had the software required and would be able to test this as required, in addition, when reviewing the contract with the IT provider Advance365, Deloitte would look at whether the contract included periodic firewall testing.

154.3 The Committee debated whether it would be appropriate to work towards ISO27001 certification. BK and ML informed the Committee that certification would be very costly and maintaining compliance would be resource intensive and that it was important to consider whether certification would be relevant. Jenny Brown (JB) suggested awaiting the results of the internal audit on data security in order to assess what the requirements of achieving certification would be before taking a decision and this was agreed.

154.4 The Committee welcomed and were reassured by the progress but requested regular updates and a report back to the Committee at their May 2013 meeting. DR and BK undertook to consider whether it would be appropriate for a fuller report or workshop session on the review be provided to the full Council.

71 The Committee considered the information security arrangements and requested a progress paper be included on the May 2013 agenda.

REPORTING STANDARD FOR ANNUAL REPORT AND ACCOUNTS

72 DR introduced paper 10.12/ARC/06 containing a proposed standard for future Annual Report and Accounts. DR informed the Committee of the rationale for the proposal, setting out that it would be beneficial for the Council to define its own standard and hold itself accountable against that standard rather than voluntarily attaching the Council to an external reporting standard which was not mandatory and not entirely relevant to the requirements placed upon the organisation.
156.1 JF invited the views of the auditors. JB assured the Committee that the proposed standards were at the appropriate level of simplicity and that the items included were sensible given the nature of the organisation and what would be expected. She commented that the notion of having a degree of flexibility would be beneficial in allowing content to be reviewed in certain circumstances. ML agreed that the proposals were sound but highlighted that internal audit should not be viewed as an internal control but as an additional source of assurance and that the wording in relation to this should be looked at.

156.2 A member of the Committee suggested that committee memberships should be listed alongside Council member names. DR also suggested that reference to the register of interests for statutory committee members should also be included. Both suggestions were agreed.

73 The Committee recommended the draft reporting standard for the Annual Report and Accounts for approval by the Council subject to minor textual amendments.

Revision of Cash Flow Statement Contained in the 2012 Annual Accounts

74 BK introduced paper 10.12/ARC/07 and informed the Committee that advice had been taken from the external auditors who had recommended the proposed course of action to restate the cash flow statement in the 2013 accounts.

158.1 JB confirmed that Grant Thornton would provide suitable wording to accompany the restatement and confirmed that the revision was presentational and not material.

159 The Committee agreed that the revised 2012 column as shown in the report be used as the comparative column when compiling the 2013 Annual Accounts.

Committee’s Performance Review

160 JF introduced report 10.12/ARC/08 and asked the Committee to consider when it would be appropriate to review the Committee’s terms of reference. In response to a member query CG confirmed that the maximum length of term of office followed the Council’s TOR which set out that terms of membership must be restricted to 4 years. Following a brief discussion it was agreed that the TOR would be reviewed annually at the February meeting and that consideration would be given to the restrictions around the maximum period of membership.
160.1 In response to a member query BK reminded the Committee that they had appointed the internal and external auditors for a fixed period of time and that upon expiry of the appointments the Committee would undertake a formal review of the performance of both auditors to inform the decision of whether to reappoint or go to tender. In response to a similar query JB confirmed that as the external auditors, Grant Thornton confirmed their independence to the GPhC twice a year.

160.2 Committee debated whether the performance review form used was suitable and whether as a more mature Committee an alternative appraisal form should be used or whether external observation would be of benefit. However, after a lengthy debate it was agreed that the form used was comprehensive and that the presence of auditors and experienced members on the Committee provided assurance that the Committee was functioning effectively. Furthermore, DR and BK as members of the Executive team assured the Committee they had no cause for concern. In order to maximise the value added by the Committee, it was agreed that it would be beneficial for the Committee to receive a paper from time to time highlighting an issue for consideration in more depth. One such topic would be the risks associated with statutory committee decisions.

161 The committee considered its collective performance

LEARNING AND DEVELOPMENT FOR COMMITTEE MEMBERS

162 CG introduced paper 10.12/ARC/09 reminding the Committee that it was a standing item on the October agenda. She led the Committee through the key points, highlighting that the ‘Skillsbite – E-Learning’ system was now in place and could be made available to members of the Committee and the wider Council if requested.

162.1 CG reminded the Committee that a decision whether to renew the CIPFA better governance forum was required. Following a short debate, including confirmation of the price of the membership, the Committee agreed that the membership be renewed and access to workshops be offered to the wider Council and members of staff immediately.

162.2 JB informed the Committee that the new UK GAAP guidance was due to be released in the near future and suggested that the Committee allocate time to talk through the new guidance and whether any action was required. JF and BK undertook to action this.

163 The Committee considered the learning and development opportunities proposed for Committee members.
2013 COMMITTEE MEETING DATES AND BUSINESS CYCLE

164 The Committee noted the 2013 committee meeting dates and business cycle noting that the business cycle would be updated to include various items following decisions taken at the meeting.

ANY OTHER BUSINESS

165 The Committee moved in to confidential session for any other business.

Date of next meeting – 27 February 2013.