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 13 October 2011.

1.0 Background
1.1 The Council’s Audit & Risk Committee met on 13 October 2011. 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 in February 2012. 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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18 October 2011
Minutes of the Audit and Risk Committee Meeting held on 13 October 2011 at Novotel London Waterloo, 113 Lambeth Road, London SE1 7LS at 1.00pm

**Present**
John Flook (Chair)
Cathryn Brown
Hilary Daniels
Keith Wilson

**In attendance**
Duncan Rudkin (Chief Executive & Registrar)
Christine Gray (Head of Governance)
Bernard Kelly (Director of Resources and Corporate Development)
Maxine Pryce (Governance and Assurance Officer) – mins 58 to 65.2 and 68 to 69.1
Martyn Schofield (Committee Secretary)
Jenny Brown (External Auditor, Grant Thornton) – mins 66 to 67
Martin Lewis (Internal Auditor, Deloitte)

**ATTENDANCE AND CHAIR’S INTRODUCTORY REMARKS**

58 The Chair welcomed everyone to the meeting of the Committee. There were apologies from Judy Worthington.

**DECLARATIONS OF INTEREST**

59 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**

60 The minutes of the meeting held on 13 May 2011 were agreed as a true record of the meeting.

**MATTERS ARISING AND ACTION LOG**

61 The Chair requested that the action log include actions that had been completed so the Committee could be assured of finalisation, before the action was then removed for the following meeting.
It was formally noted that the Annual Report and Accounts had been circulated to the Committee for approval before circulation to June Council meeting.

It was agreed that the action log include all completed actions for viewing by the Committee before removal.

**REVIEW OF RISK REGISTER**

DR introduced paper 10.11/ARC/01 and reported that at the September Council meeting a number of Council members had sought reassurance on some detailed aspects of the risk register. It had been apparent that the gap between the last Audit and Risk Committee meeting held in May and the September meeting of Council had not put the Committee in the position of being able to provide their up to date confirmation of recent scrutiny by them of the risk register and risk management more widely, which then resulted in Council members requiring more direct assurance and discussion than would normally be the case. There was also the issue of how the strategically significant risks had been presented to Council, namely in a table, which resembled a risk register, thereby inviting critique of it as such (which was not the intention of the paper). To address both of these concerns the Audit and Risk Committee’s risk management reviews had been rescheduled to tie in closer with Council meeting dates and instead of a table of risks Council would be presented with a summary, together with fuller information from the Committee about their recent scrutiny of the organisation’s risk management.

64.1 HD asked for reassurance that the corporate risk register and the directorate risk registers were effectively linked with clear processes in place to ensure that risks were able to be quickly placed onto the corporate register as necessary. In discussion, BK and DR advised that directorate risk registers were discussed on a monthly basis at directorate team meetings but if a major and unexpected corporate risk became apparent then the Executive Team would be immediately informed.

64.2 DR advised that the corporate risk register was discussed quarterly with Maxine Pryce (MP). The Committee requested that more clarity be provided on the timings of the directorate risk register updates and the link with the corporate risk register and on how risks were initially flagged up.

64.3 In response to a question about risk 10 (a widely drafted risk about education-related matters), DR advised that although the risk was listed as ‘closed’ on the corporate register it had in fact been divided into smaller sub-sections and placed onto the appropriate directorate risk register. It was agreed that
clarification on this risk be provided to Council as well as ensuring that any risk deemed ‘closed’ remain on the register until the Committee had viewed it before being removed.

64.4 In response to the concern raised at the Council meeting about media coverage of the organisation, there was discussion on the link between other risks and reputational risks. It would not be useful or appropriate to include a risk specifically about negative publicity, because reputational risk was always part of the risk assessment and risk management for all risks; it was not something that could be managed as a separate item, but a function of all risks to the organisation. It was agreed that an explanation of this should be provided to Council in the next report.

64.5 The committee were informed that the internal auditors were due to audit risk management in January 2012.

65 The Committee noted the risk register at Appendix 1 and agreed that future reports include evidence about how the corporate risk register was embedded in the organisation.

65.1 The Committee noted the closure of risk 10 in terms of the corporate risk register, that risk having been divided and placed onto the appropriate directorate risk register. As a risk now closed in the corporate risk register it would now be removed from the register, the closure decision having been scrutinised by the Committee.

65.2 The Committee requested that an explanation to Council on the risks on media coverage be provided.

EXTERNAL AUDIT UPDATE

66 Jenny Brown (JB) of Grant Thornton introduced report 10.11/ARC/02.

67 The Committee noted the update on key issues from the external audit carried out for the year 2010-2011 and the draft timetable for the 2011-12 external audit.

INTERNAL AUDIT PROGRESS REPORT

68 Martin Lewis (ML), from Deloitte, introduced paper 10.11/ARC/02. The Chair requested that the findings from internal audits be presented so that the management response and timescale were clearly indicated. It was also
requested that the manager updates include a column indicating whether the issue was ongoing or had been completed.

68.1 BK advised that a business analyst had been employed in order to document all operational activities of the organisation in order to have a benchmark against which improvements could be measured. The Committee were advised that this information would be submitted to Council annually in the internal control report but that the Chair could highlight when the minutes of the meeting were submitted to the November Council meeting.

68.2 The Committee considered in detail the reports on Procurement, Programme Management, Legacy Cases Project, General IT Controls and Pharmacy School Accreditation. In the Legacy Cases Project some of the findings had already been resolved due to the transfer of data to a new spreadsheet. There were more concerns on the General IT Controls due to the two priority 1 findings. BK advised that an IT best practice review was under way where these findings would be resolved. A business continuity test was scheduled for January 2012; the outcome would be reported to the February committee meeting.

68.3 BK advised that the possibility of outsourcing IT outside of the current arrangement was currently underway with tenders due now and an expectation of implementation in the first quarter of 2013.

68.4 ML advised that Deloitte would be recording the management responses in future and this would include the agreed action to be implemented.

68.5 It was noted that several of the findings, which were recommended improvements rather than control failures, depended upon the new IT system being up and running, which was not scheduled to be in place until 2013. It was agreed that these actions would remain on the report but in a separate table.

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

69.1 The Committee agreed that the findings from the internal audit reports include a clear management response and timescale as well as a column in the management update indicating the status of the finding.

UPDATE ON INTERNAL AUDIT PLAN

70 BK introduced paper 10.11/ARC/04 and advised that the regulatory framework audit had been placed into the next period as it was ill-defined and more work needed to be done in order to clarify what needed to be audited.
70.1 HD requested that in future the 3 year plan of the internal audit be included with the report to aid the Committee in assessing how the plan was being implemented.

70.2 DR asked the Committee whether the issue of whistleblowing and public safety should be included in the audit plan for the year 2012. This was agreed as a priority and to facilitate this the Committee decided that standard setting be deferred until 2013.

71 The Committee reviewed and noted the 2011-2012 internal audit plan and agreed that whistleblowing be placed on the plan to be audited in 2012 with standard setting deferred until 2013.

GPhC ANTI-BRIBERY STATEMENT

72 CG introduced paper 10.11/ARC/05. It was noted that the section on training would be revised to show a firm commitment to regular training, proportionate to the GPhC’s needs.

73 The Committee recommended that the anti-bribery statement at Appendix 1 be submitted to Council.

COMMITTEE’S PERFORMANCE REVIEW

74 The Committee considered paper 10.11/ARC/06. The Committee discussed the need for all non-audit services that were to be carried out by either the internal or external auditors to be discussed and agreed by the Committee or the Chair in the first instance. This was due to the issue of the perception of independence.

74.1 The Chair advised that he would feed back to the Chair of the Council shortly after each meeting.

74.2 In response to issues raised in the performance review about the need for more training for Committee members it was proposed that Deloitte and Grant Thornton be asked for audit briefings for non-executives and that it would be beneficial for the Committee members to be able to access online training and thus address areas in which they felt their skills needed to be improved, The Healthcare Financial Management Association (HFMA) was recommended by members who had previous experience of their services.
Overall, the Committee felt it had made a good start to its work. Some suggestions for improvement had been identified and some aspects of performance had not yet been tested; it would be helpful for the assessment to include a ‘not tested’ column in future.

The Committee noted the performance review and agreed that for the sake of transparency and the avoidance of any suggestion of conflicts of interest any non-audit services commissioned from either the internal or external auditors should be approved in advance by the Committee or by the Chair, if timescales did not allow consideration by the Committee.

The Committee agreed that Deloitte and Grant Thornton be requested for briefings on audit training for non-executives and that DR should investigate the possibility of the GPhC becoming a member of the HFMA.

2012 DATES AND BUSINESS CYCLE

The Committee considered paper 10.11/ARC/07.

The Committee agreed the 2012 business cycle and noted the 2012 meeting dates.

ANY OTHER NOTIFIED BUSINESS

There was no other notified business. The meeting closed at 3.21 pm.