

Audit Committee, 20 March 2014

Audit Committee Annual Report

Executive summary and recommendations

Introduction

The Treasury has produced the *Audit and Risk Assurance Committee Handbook* (April 2013) to help Audit Committees review the appropriateness and fitness for purpose of their constitution, membership and activities.

The handbook requires that the Audit Committee provide an annual report to the Council and Accounting Officer, timed to support finalisation of the Accounts and the Governance Statement, summarising its conclusions from the work it has done or commissioned during the year. The required contents of this report are set out in section 6 of the handbook, which is attached to this paper as appendix 1.

The UK Corporate Governance Code sets out in its *Guidance on Audit Committees*, that audit committee arrangements must be proportionate and best suited to an organisation's needs. These arrangements will depend on the size, complexity and risk profile of the organisation. The HCPC Audit Committee has not previously submitted an annual report to Council, and it is recommended that starting from the financial year 2013-14 it do so.

Appendices 2 and 3 to this paper, illustrate how the format and length of the report can vary. The report in appendix 2 is an independent paper, and appendix 3 gives examples of how the report can be produced within an organisations Annual Report and Accounts.

Recommendation

It is proposed that the Audit Committee Annual Report be imbedded within the HCPC's Annual Report and Accounts, as it is considered that this would be proportionate and best suited to the HCPC's particular circumstances. Comparable organisations have taken this approach, as shown in appendix 3.

The draft Committee report will be presented to the Audit Committee in June 2014 and the Council in July 2014, when approval of the draft Annual Report and Accounts is sought.

Decision

The Committee is asked to discuss and agree the proposed format of the Audit Committee Annual Report 2013-14 and subsequent annual reports.

Resource implications

Within current resource.

Financial implications

None.

Appendices

Appendix 1 – The Audit and Risk Assurance Committee Handbook section 6 (HM Treasury)

Appendix 2 – CQC Audit and Risk Assurance Committee Annual Report

Appendix 3 – GMC and GOC Annual Report and Accounts Audit and Risk Committee report extracts

Date of paper

10 March 2014

6 Communication and reporting

“The Audit and Risk Assurance Committee should ensure that it has effective communication with all key stakeholders, for example, the Board, the Group Chief Internal Auditor, Head of Internal Audit, the External Auditor, the Risk Manager and other relevant assurance providers”.

Communication between the committee and the board

6.1 The work of the Audit and Risk Assurance Committee needs to be effectively communicated, including across the departmental group. After each meeting of the Committee a report should be prepared for the Board and Accounting Officer to:

- summarise the business taken by the Committee, explaining if necessary why that business was regarded as important; and
- offer the views of, and advice from, the Committee on issues which they consider the Board or Accounting Officer should be taking action.

6.2 If the minutes of the committee meeting are used as the report, care should be taken in their presentation to highlight the advice being provided. These reports should be copied to the Head of Internal Audit and the External Auditor (especially if the report contains advice about or to the auditors).

Improving relationships

6.3 It is important for the Audit and Risk Assurance Committee to have good relationships and communication with those it seeks briefings from, and those it provides assurance to. This ensures that the committee is effectively engaged with the organisation and able to fulfil its function. This should include where risks cross organisational boundaries, for example, in major projects (see 5.10).

Annual reports

6.4 The Audit and Risk Assurance Committee should provide an Annual Report, timed to support the preparation of the Governance Statement. This internal report needs to be open and honest in presenting the committee’s views if it is to be of real benefit to the Board and Accounting Officer. This report is likely to be used by the board in preparing its own report for publication in fulfilment of the reporting requirements of the Code.

6.5 The Annual Report should summarise the Audit and Risk Assurance Committee’s work for the year past, and present the committee’s opinion about:

- the effectiveness of governance, risk management and control;
- the comprehensiveness of assurances in meeting the Board and Accounting Officer’s needs;

- the reliability and integrity of these assurances;
- whether the assurance available is sufficient to support the Board and Accounting Officer in their decision taking and their accountability obligations;
- the implications of these assurances for the overall management of risk;
- any issues the Audit and Risk Assurance Committee considers pertinent to the Governance Statement and any long term issues the Committee thinks the Board and/or Accounting Officer should give attention to;
- financial reporting for the year;
- the quality of both Internal and External Audit and their approach to their responsibilities; and
- the Committee's view of its own effectiveness, including advice on ways in which it considers it needs to be strengthened or developed.

6.6 The Audit and Risk Assurance Committee's opinion should take into account any other relevant assurance reports. For example, where there are risks across a group, related committees may need to produce mini Annual Reports along the lines of 6.5 above, timed to support the production of the overarching group report.

Bilateral communications

6.7 There should be mutual rights of access between each of the Chair of the Audit and Risk Assurance Committee, the Accounting Officer, Risk Manager (if a separate function), Head of Internal Audit and the External Auditor. Periodic discussions outside of the formal meeting help to ensure that expectations are managed and that there is mutual understanding of current risks and issues.



MEETING:	PUBLIC BOARD MEETING
DATE:	19 June 2013
TITLE OF PAPER:	Audit and Risk Assurance Committee Annual Report to the Board

SUMMARY:

This is the annual report to the Board of the Audit and Risk Assurance Committee on its work in 2012-13

RECOMMENDED ACTION:

The Board is asked to:

- **NOTE** the Audit and Risk Assurance Committee report

<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Note	Agree	Discussion
* Check box as required		

LEAD DIRECTOR:	N/a
AUTHOR:	John Harwood, ARAC Chair
DIRECTORATE	N/a
DATE:	13 June 2013
SUPPORTING PAPERS:	Appendix 1 – Table of assurance levels

GOVERNANCE

AUDIT TRAIL:	Audit and Risk Assurance Committee meetings 30 November 2012, 30 January 2013, 19 March 2013, 30 April 2013 and 13 June 2013
LINK TO STRATEGIC OBJECTIVES AND BUSINESS PLAN	The proceedings of the Committee contribute to the effective governance of CQC which underpins the delivery of business plan and strategic objectives
FINANCIAL IMPACT:	N/A
RISK IMPACT:	Failure of the Committee to discharge its responsibilities would create risks to the quality of CQC's governance.
REPUTATION IMPACT:	Failure of the Committee to discharge its responsibilities would risk adverse comment from key stakeholders.
LEGAL IMPACT:	None at this time.
HEALTHWATCH IMPACT:	The remit of the Committee has been expanded to take account of the establishment of Healthwatch England. .
EQUALITY IMPACT ASSESSMENT:	N/A

DRAFT Audit and Risk Assurance Committee Report to the Board

1. Introduction

- 1.1 This is the second annual report from the Audit & Risk Assurance Committee to summarise the Committee's oversight of the CQC's governance, risk management, internal control, management assurance, internal audit and external audit responsibilities. The Committee was established in its present form in January 2012. Its terms of reference are in line with the principles of good governance and guidance laid down by Treasury and the National Audit Office and are reviewed regularly. During the year they were amended to take account of the establishment of Healthwatch England as a committee of the CQC.
- 1.2 The last annual report was submitted to the Board in September 2012 but we felt that it would be more appropriate to submit our report at the time the Board was considering the Commission's Annual Report and Accounts. This report therefore covers less than a full year. Five formal ARAC business meetings have been held during the period of this review; on 30 November 2012, and 30 January, 19 March, 30 April and 13 June this year. In addition, a number of risk workshop sessions were held last year with the Board and Executive Team to discuss how to improve the identification and management of strategic risks. ARAC has reported to the Board following each of its formal meetings.
- 1.3 Professor Deirdre Kelly, the previous Chair, stood down from the Board at the end of January 2013. As Deputy Chair of the Committee, I assumed the role of Chair on a temporary basis at the beginning of February 2013. This appointment was confirmed by the Board at its meeting on 7 February 2013. Other changes in membership during the year were the resignation of Professor Martin Marshall (who has also resigned from the Commission) and the appointment of Steve Hitchins. The current Committee membership is as follows:
- John Harwood (Chair)
 - Steve Hitchins
 - Jane Mordue (from Healthwatch England)
 - John Butler (independent external member)
 - David Prince (independent external member)
- 1.4 The Committee is supported by the CQC's Head of Internal Audit and regularly benefits from the attendance of the Chief Executive, the Director of Finance and Corporate Services and the Director of Governance and Legal Services. Representatives from the National Audit Office and, Deloitte, who undertake external audit on their behalf, also regularly attend. A representative of the Department of Health attends our meetings as an observer and the agenda, papers and minutes of all meetings are routinely supplied to the Department.

2. Summary

- 2.1 During the year, the Committee provided advice and assurance to the Board through:
- Reviewing CQC's systems for risk management, including its treatment of strategic risks and making recommendations for improvement;

- Approving a programme of risk based internal audits, and monitoring the effectiveness and timeliness of the completion of management actions;
- Requiring improvement in the analysis of patterns themes and trends in compliance which needs to inform the design of CQC's regulatory model and deployment of regulatory resources;
- Commissioning a review of the CQC's use of its section 48 powers under the Health & Social Care Act;
- Overseeing progress in the development of CQC's information governance and information security arrangements;
- Receiving regular reports from the Corporate Governance Framework Project Board;
- Reviewing and overseeing improvements in CQC's counter-fraud arrangements;
- Receiving a report on CQC's internal whistle-blowing arrangements;
- Review and oversight of the preparation of the Commission's Annual Report and Accounts for the approval by the Board, including the audit completion report, and developing the draft Governance Statement;
- Scrutinising the Government's intention to centralise internal audit services in a departmental shared service hub;
- Conducting an analysis of the costs of governance in CQC.

3. Main themes and conclusions

- 3.1 We regret that we are unable to give the Board the level of assurance which we would like and which we believe the Board should be able to expect.
- 3.2 During the last year, of the 14 risk assurance audits completed only 6 were able to give full or substantial assurance with 8 able to give only partial assurance. The full list of audits is shown at Appendix 1. We acknowledge that these proportions represent an improvement on the performance in previous years, but it is still not satisfactory. Management has not been sufficiently proactive in applying the learning from the recommendations more widely than addressing the specific weakness leading to the recommendation. As in previous years there were no cases of limited assurance. The reason for partial assurances was not due to individual significant weakness but common weaknesses, including the potential for breakdown in the end to end process, inconsistency in the application of risk identification, assessment and mitigation of risk, inadequate monitoring and assurance, not achieving full implementation and embedding. We can also report that the level of assurance reported in the main financial system subject to audit was 'substantial'.
- 3.3 With these sorts of consistent findings, however, the speedy implementation of recommended (and agreed) management actions is most important. In previous

years there have been serious delays in such implementation. We are pleased to report that the situation has improved significantly since we last reported. The Committee was nevertheless concerned about the lack of clarity in the audit reports on the levels of residual risks remaining where only partial assurance had been given. We have changed the reporting system so that in future judgments will be made on the levels of residual risk, which will then inform our reporting to the Board. In the meantime however, we remain concerned about the level of risk facing the Commission, which will continue until the significant efforts now being made to improve the management and culture of the organisation come into full effect.

Regulatory risk

- 3.3 The Committee has been very concerned for some time by the overall approach to assessing and managing regulatory risk, and the protocols for escalation to enforcement action. The data initially available to the committee on the prevalence of unacceptable standards and care failures, the features of providers where poor care was most likely to occur, its likely causes and associated factors, the length of time before rectification, and other essential data, were all inadequate. During the year we acknowledge that considerable improvement has taken place in the collection, analysis and availability of data, although much more remains to be done. An executive level regulatory risk committee (RRC) was established to consider in a more structured way the prevalence of, and patterns and trends in, non-compliance by providers. The Committee has received a number of reports from the RRC.
- 3.4 We remain concerned, however, that while there is now a greater level of understanding of regulatory risk this is still not sufficient to enable the Commission to undertake its regulatory duties as effectively as it needs to. In particular, we have yet to see significant improvements in the use of regulatory risk data in decisions about the allocation and disposition of resources or in the targeting of inspections. This is not to criticise specific staff or the RRC but to recognise that the scale of change needed has been beyond the resource and capability which has been available.
- 3.5 The Committee has therefore welcomed the steps which have been taken in recent months to clarify the standards against which the Commission inspects and makes judgments, and to bring in additional specialist external support to improve the understanding of regulatory risk, especially in the hospital sector, and to reform significantly the methodology of hospital inspections.
- 3.6 One specific measure instigated by the Committee was the commissioning of a review by Deloitte, the NAO external partner for the CQC, of the use by the Commission of its powers under Section 48 of the Health and Social Care Act. The report of this review was received in January 2013 and contained important recommendations for changes in the use the CQC makes of this regulatory power. In summary, it proposed that the powers should be used as part of a more strategic approach to understanding and countering systemic poor care rather than simply being seen as a type of inspection. These recommendations have been accepted and an implementation plan prepared.

Corporate and strategic risk

- 3.7 Considerable work has been undertaken to refine CQC's approach to risk, including a number of workshops with ARAC and Board members. The Committee has expressed its concern on a number of occasions about the mismatch between risk management policies and procedures, which is largely complete, and their actual implementation, including essential training, and embedding in to operations across all parts of the organisation. As a consequence, the risk management framework has been further revised and work is currently under way to make available to all line managers new software line which enables the active management of business delivery risks and to provide real time assurances over risks, controls, mitigating actions and the assessment of their effectiveness. The software will also allow the profiling of risks by type, owner, rating etc. Identifying and 'tagging' risks by type will address the previous criticism that CQC's various different registers of risk (eg strategic, corporate, directorate etc.) was in itself a barrier to effective risk control and reporting.
- 3.8 While this development is an important step forward, the Committee has also drawn attention to another cause of the mismatch identified above; the importance of staff understanding and skills and the need for effective training and development programmes to improve these and develop appropriate local cultures. The Committee therefore welcomes the steps which have been taken by the new management team to lead and implement changes in the organisation and to establish a new approach to skills through the setting up of an internal academy. The successful embedding of risk management will remain an area to which the Committee will continue to pay close attention.
- 3.9 Mention was made above of the high proportion of risk assurance audits where it has not been possible to give full or substantial assurance. A further concern to which the Committee has drawn attention has been the extent to which recommendations made by audit reports, and accepted and agreed by management, have not been implemented. We are glad to report that the extent of these has declined considerably since our last report. Even so, at the last count there were still 19 agreed management actions which had not been implemented by the agreed date. We were sufficiently concerned during the year formally to draw the situation to the attention of the Chief Executive, and we welcome the changes which have come about as a result of his intervention and leadership.
- 3.10 We do therefore recognise the improvements which have taken place over the last nine months and we are grateful for the strenuous efforts made by many managers and staff to improve the situation. In particular, we were impressed by the steps which some regional teams had taken to improve their understanding of regulatory risk and their use of the resulting data to direct their resources. These initiatives will undoubtedly support the new approaches and methodologies now being developed.

Other specific risks

- 3.11 *Counter-fraud arrangements* - The Committee receives regular annual reports on potential or actual fraud in the Commission. The counter fraud policy and fraud response capability were significantly updated last year and have been put into full effect during the year. 19 potential fraud cases had been reported in the year. These mainly related to the passing of information, improper conduct due to conflict of interest, bribery/corruption, or expenses abuse. After rigorous preliminary research and consideration by the fraud response group none of these progressed into fraud, bribery or corruption investigations. One case arising from the previous

year has been the subject of further discussions with the NAO and Crown Prosecution Service. In order to ensure the effective and consistent implementation of the CQC's policy on the declaration of interest, Internal Audit have scheduled a small number of audit days to review whether this is being done.

- 3.12 *Whistle-blowing arrangements* – ARAC received a report on CQC's internal whistle-blowing arrangements. As part of its consideration of the issue, the Committee suggested that to support the development of the policy and inform future annual reports to ARAC, it would be helpful to seek an external review of processes by 'Public Concern at Work'. In conclusion, however, and pending such a review, the Committee was content that the current whistle-blowing policy and arrangements were fit for purpose.
- 3.13 *Costs of governance in CQC* - The Committee commissioned a study to identify the cost of corporate governance for the financial year 2012/13 and welcomed the fact that costs were under the benchmark figure of 2% of the Commission's overall budget.
- 3.14 *Healthwatch England* - During the year, the remit of the Committee took account of the establishment of Healthwatch England (HWE) as part of the CQC. A member of the Healthwatch England Committee, Jane Mordue, has joined the Audit and Risk Assurance Committee. ARAC recognises that the editorial independence of HWE should be clearly apparent and accordingly we structure our meetings into two parts, with all HWE matters dealt with separately. Equally however it is important that internal control and risk management processes are sufficient across all parts of the organisation to provide assurance to the Accounting Officer that the Commission's work has been conducted with probity, effectiveness and economy. The integrated audit and risk assurance committee is designed to support this. Recently two internal audit projects in HWE have been commissioned.
- 3.15 It is recognised that the editorial independence of Healthwatch would benefit from some procedures and processes being different from those in the standing instructions for the remainder of the CQC. While in this interim set up period Healthwatch is operating under the CQC 's standing financial instructions, we are concerned that the delay in agreeing and implementing specific financial regulations for HWE, together with appropriate SLA's between the main part of CQC and HWE, should not be too long.

4. Audit

- 4.1 The Audit and Risk Committee is charged with agreeing the programme of work of the external and internal auditors and reviewing their findings. During the year we have engaged with both the NAO and Deloitte as our external auditors. We have considered the results of their work, enquired about their planned approach and the way they are co-operating with Internal Audit to maximise overall audit efficiency, capture opportunities to derive a greater level of assurance and minimise unnecessary duplication of work. We thank them for their work.
- 4.2 In relation to Internal Audit, we have advised the Accounting Officer on: the Audit Strategy and periodic Audit Plans; how well they support the Head of Internal Audit's responsibility to provide his annual opinion on the overall adequacy and effectiveness of the organisation's risk management, control and governance processes; the results of Internal Audit work; and, as noted elsewhere, on

management response to issues raised by that work. We have considered the resourcing of Internal Audit and remain concerned to ensure that the Internal Audit function is sufficiently well staffed with people with appropriate skills and capability; fully funded; and appropriately deployed to provide the level of assurance that this organisation requires as it restructures.

5. Future work

- 5.1 The Committee completed a self-assessment of its effectiveness in January 2013. It concluded that, while CQC had made a number of steps to improve its management of risk and provision of assurances, there are still improvements which needed to be made to corporate governance. Some of these issues are for the Committee to consider, including the balance between considering risks and audit issues, and the effectiveness of audit and assurance processes. Accordingly, the Committee will give further consideration to these issues at its next meeting on 16 July.
- 5.2 Over the coming year the Committee will focus on developing the mapping of the sources of assurance from within operational processes, corporate controls and external oversight, and will assess the individual and aggregate effectiveness of these. The Committee will continue its programme of audit reviews and regular oversight of fraud investigations and other relevant issues. The Committee will give further consideration to the issue of capitalisation of IT and the changes in the operation and implementation of management systems and the skills and operating culture of the organisation. The desired direction of travel is to be able to derive greater levels of assurance from evidence of the effective operation of controls that are intrinsic to day to day business and that demonstrate wider and deeper embedding of risk management. Within our work plan we will selectively examine in depth with the relevant staff the major strategic and regulatory risks and the effectiveness of the mitigations in force.

6. Conclusion

The Board is asked to:

- **NOTE** this annual report.

Name: John Harwood
Title: Audit and Risk Assurance Committee Chair
Date: 13 June 2013

AUDIT ASSIGNMENTS UNDERTAKEN 2012-13, with assurance judgments

Appendix 1

Assurance assignments	Assurance
Safeguarding and whistleblowing disclosures received by the Commission from external sources	Partial
Accounts Payable	Substantial
Mental Health: expenses	Partial
Mental Health: Information Security	Substantial
Information Security Follow Up	Substantial
Counter Fraud follow up	Partial
Workforce Planning Stage 1 (rolling audit running into 2013-14)	Partial
Management assurance of Performance Information and Data Quality	Partial
Regional Management Assurance (North Region)	Substantial
Financial Management - budget setting and budget management	Partial
Programme Management Office Implementation	Partial
Reputation Risk Management through External Communications	Not yet reported
Corporate Governance Framework - Follow Up	Partial
Enforcement Follow Up	Substantial
Registration Follow Up	Substantial
Consultancy and advisory audit work	
Mental Health consultancy/ advice	
Quality Assurance Framework in place over CQC's regional compliance inspection activity	
Key deliverables within CQC's operational activity	

Key:

Level of assurance	Condition
Full	All key risks effectively managed to appetite
Substantial	Most key risks managed to appetite but material over exposure on 1 key risk or moderate over exposure on 2 key risks
Partial	Material over exposure on 2 key risks, moderate over exposure on 3 key risks
Limited	Risk mitigation is ineffective

Investment policy

116 Our investment policy is to hold general reserves in cash or near cash equivalents to minimise risk in terms of both loss of capital and volatility of investment returns. The investment policy supports the aims of the reserves policy and so is reviewed periodically at the same time as the reserves policy. Our investment policy was reviewed by the Resources Committee on 1 May 2012. From 1 January 2013, our governance arrangements changed and the investment policy will, in future, be considered by the Performance and Resources Board and then approved by Council.

117 Cash required for normal day-to-day working capital is shown on our balance sheet within current assets, whereas cash held for the longer term is shown as investments.

118 In 2012, our investments generated interest of £0.6 million, equivalent to an average annual rate of return of 0.6%. The Resources Committee regularly reviewed investment income, as part of the overall monitoring of our financial performance in 2012.

Audit and Risk Committee's report

119 The Audit and Risk Committee is an important part of our governance structure. Throughout 2012, the Committee was made up of five Council members and two external members. The Committee was reconstituted in January 2013, and now consists of six members of Council and two external members, one of whom will be appointed during 2013.

120 The Committee bases its advice and decisions on guidance issued by the Financial Reporting Council. Its responsibilities include:

- confirming whether the accounting policies used in preparing the annual report and accounts are appropriate
- appointing the external auditors and reviewing their work
- monitoring internal control and risk management
- monitoring internal audit work and the implementation of actions arising from it.

The Committee reports its activities and any significant matters to Council at least twice a year.

121 Following a tender process, the current external auditors were appointed in September 2011 for an initial period of three years. Internal audit is provided separately and the head of the internal audit service has a direct reporting line to the chair of the Committee. The internal auditors undertake an approved programme of internal control reviews, reporting to the Committee on the effectiveness of controls in managing the risks associated with our activities.

122 The Committee met four times in 2012, and among other things:

- monitored the non-audit services provided by the external auditors to make sure the auditors are independent and objective

- approved the external audit letter of engagement, and reviewed how the audit for the year ending 31 December 2012 would be done to ensure that it set out what would be produced, identified key areas of risk, and reflected changes in circumstances since the previous year
- approved the programme of internal audit work for 2013
- oversaw our risk management activities, as outlined in the risk management statement in paragraphs 123–27.

Risk management statement

123 Council has ultimate responsibility for ensuring that the organisation operates an appropriate system of risk management. Council has ensured that there are formal structures and processes in place to identify, evaluate, mitigate and monitor risks effectively; and has delegated responsibility for routine oversight of risk management arrangements to the Audit and Risk Committee.

124 Our approach to risk management is set out in our risk management framework. The Audit and Risk Committee has reviewed and endorsed the framework, and has been assured by the internal auditors that the arrangements in place are sufficient to ensure that risks are identified, mitigated and monitored.

125 A performance report, including emerging risks, was monitored monthly by the Performance Board and the Senior Management Team. Additionally, the Performance Board and the Senior Management Team reviewed the corporate risk register quarterly.

The Audit and Risk Committee and Council each received two reports on risk management arrangements during 2012 – the Committee in September and November, and Council in July and December.

126 Risk management needs to permeate all levels and operational functions of the organisation, and sound risk management needs to be embedded in business planning and project management. To achieve this, we keep three types of risk register to assist in the strategic and operational management of the organisation:

- local risk registers – embedded in the operational plan of each directorate
- project risk registers – maintained for specific projects
- a corporate risk register – summarising critical risks facing the organisation.

The Audit and Risk Committee and Council focus on the corporate risk register.

127 Our risk registers are structured around the eight strategic aims from our *Corporate strategy 2010–2013*. We know there are inherent risks associated with our core functions and we have systems and procedures in place to mitigate these. For example, there is a risk that we register or revalidate an individual who is not properly qualified and/or fit to practise. We mitigate this risk by having registration and revalidation systems and procedures in place that are specifically designed to prevent this.



Senior Council Member

In June 2012, Council appointed a Senior Council Member (SCM) to carry out the Chair's appraisal, provide a sounding board for the Chair and to serve as an intermediary for Council members, Executive and stakeholders as necessary. This role is similar to that of a Senior Independent Director as described in the UK Corporate Governance Code. Council agreed that Council members would be appointed to the role for a period of two years to allow for appropriate rotation between Council members. Council were asked for nominations from amongst their number and Brian Coulter was appointed in June 2012. Whilst Brian fulfilled the role as Interim Chair, Fiona Peel acted as the SCM. Since 19 February 2013, Brian has resumed the role.

Remunerating Council and committee members

The Remuneration Committee reviewed Council and committee member fees in March 2013 (as contained in our fees and expenses policy). It recommended to Council that the member fees should not change. Council approved this recommendation in March 2013 and agreed to carry out a further review of fees in Autumn 2013.

Non-statutory advisory committees

In order to exercise its powers under the Opticians Act 1989, Council delegates certain responsibilities to Committees with clearly defined authority and terms of reference.

Audit and Risk Committee

The Audit Committee was renamed the 'Audit and Risk Committee' and its role was updated following a best practice review of its terms of reference in February 2013. The purpose of the Committee is to advise Council on a number of areas of audit and risk and to take some decisions as delegated by Council, which are listed in its terms of reference. The committee met three times during the year (in future the committee will meet four times a year) and the following Council members were members of the committee during the year:

Attendance

Name	
Peter Douglas - Chair	3/3
Morag Alexander - lay member	2/3
Brian Coulter* - lay member	3/3
James Russell – registrant member	2/3

*Brian Coulter temporarily stepped down from the Committee between November 2012 and February 2013 whilst he was Interim Chair.

The Chair of the committee (Peter Douglas) satisfies the requirement under the UK Corporate Governance Code that one member of the committee has relevant financial experience.





How we work

The committee undertook the following work during 2012/13:

- reviewed our financial accounts and advised Council on their approval;
- received and commented on our budget planning timetable and guidance for 2013/14;
- received and commented on the external audit findings report and accounting and internal control recommendations;
- reviewed the risk management policies of the Council;
- removed the internal auditors, agreed the process to reappointment new internal auditors and reappointed new internal auditors;
- reviewed and commented on a report by BDO Stoy Hayward on our information governance procedures;
- considered a variety of policies and recommended their approval to Council including the financial regulations; risk management, whistleblowing, use of credit cards;
- reviewed the lessons learnt from projects and procurement, as requested by Council;
- reviewed our Business Continuity Plan;
- considered and agreed a new committee work plan;
- considered revised terms of reference for the committee;
- reviewed complaints received and dealt with by the Registrar under the Complaints Protocol;
- reviewed the appointment and tenure of external auditors and advised the Council as to the appointment of external auditors; and
- received and commented on the half yearly budget position and management accounts.

The internal audit function was outsourced to Pannell Kerr Forster (PKF) until June 2012. In June 2012, the Audit Committee concluded that there had been a lack of progress on a number of areas. The Committee then removed the internal auditors and a tender exercise was carried out in January 2013. Moore Stephens were appointed as internal auditors in March 2013 for a period of three years but subject to yearly reappointment.

The external audit function was carried out by Crowe Clarke Whitehill LLP (CCW). The Committee reviewed the tenure of the external auditors at their meeting in January 2013 and considered that their performance had been satisfactory. The Committee recommended to Council that the CCW be appointed for a further year and this was approved by Council in February 2013. We intend for this service to be retendered during 2013/14. During 2012 the external auditors also carried out the following non audit functions:

- tax assistance; and
- charity registration advice.

CCW has procedures in place to ensure that its partners and professional staff comply with both the Ethical Standards and the Guide to Professional Ethics issued by The Institute of Chartered Accountants in England and Wales. We are satisfied that there are no relationships between Crowe Clark Whitehill LLP and the GOC which would threaten the external auditors' audit independence or the objectivity of the audit partner or the audit staff.