

Council

Audit Committee Annual Report 2021-2022

Action: For discussion

Issue: Provides the Audit Committee's annual report to the Council 2021-2022.

Core regulatory function: Supporting functions.

Strategic priority: Strategic aim 5: Insight and influence
Strategic aim 6: Fit for the future organisation

Decision required: None.

Annexes: None.

Further information: If you require clarification about any point in the paper or would like further information, please contact the authors or the Audit Committee Chair named below.

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Chair: Marta Phillips

Context:

- 1 This is the Audit Committee's annual report for 2021-2022. The Committee met four times during 2021-2022 and has since met in April 2022 and June 2022 of the current financial year and matters addressed in these meetings are also included.
- 2 The remit of the Audit Committee is to support the Council and the Executive by reviewing the comprehensiveness and reliability of assurances on governance, risk management, the control environment and the integrity of financial statements and the annual report.
- 3 The key issues covered in this report are:
 - 3.1 The Committee's membership and effectiveness.
 - 3.2 Internal Audit work programme 2021-2022 and annual opinion.
 - 3.3 Internal controls and risk management.
 - 3.4 External audit and National Audit Office (NAO) audit report findings.
 - 3.5 The Annual Report and Accounts 2021-2022, and the Fitness to Practise (FtP) Annual Report 2021-2022.

Committee membership and attendance

- 4 Following appointment as Chair of Council, Sir David Warren initially attended two meeting(s) ex officio. The Chair has decided that, in accordance with good governance, he will not in future attend the Committee.
- 5 The Committee has welcomed the continued regular attendance of the Chief Executive and Registrar, as Accounting Officer.
- 6 Having served as the NMC's external auditors since 2003-2004, haysmactynyre stepped down as our auditors in June 2021. Following an open competitive tender process, overseen by the Committee, HW Fisher LLP were appointed by Council in September 2021 and have since regularly attended Committee meetings.
- 7 The Committee has also welcomed the consistent attendance of the Internal Auditors (RSM) and the National Audit Office (NAO) at its meetings. In keeping with good practice, the Committee has held a private meeting with the auditors.

Committee effectiveness review

- 8 The Committee undertakes an annual review of its effectiveness taking account of NAO good practice. The Committee has taken forward actions identified in the 2020-2021 review, including taking a more strategic approach to oversight of risk management and more streamlined regular reporting.
- 9 The Committee considered the 2021-2022 review outcomes on 8 June 2022. The Committee had positive and constructive discussions and identified some actions that could be take forward to improve its effectiveness, in particular:
 - 9.1 Reviewing how personnel matters and the work of People and Organisational Development department is scrutinised.
 - 9.2 The potential for providing development sessions to Audit Committee, and potentially the wider Council, on issues such as cyber security.
 - 9.3 The potential for providing Council with an annual report of legal cases.
 - 9.4 Ensuring it continues to remain focused on equality, diversity and inclusion (EDI) implications by scrutinising EDI content within papers.
- Four country factors:** 10 The Committee is mindful of the need to ensure that the NMC is compliant with relevant legislation in all four countries, for example charity law.

Discussion: Internal audit

- 11 In April 2021 the Committee approved the Internal Audit work programme for 2021–2022.
- 12 During the year, the Committee monitored progress against the Internal Audit work programme and against audit recommendations at each meeting. The planned Internal Audit programme was completed on schedule and a total of nine assignments were carried out:

Assignment	Assessment
Education – Emergency and Recovery Standards Modernisation of Technology Services Payroll	Substantial Assurance
Core financial controls Employment tax report payroll People – Equality, Diversity and Inclusion. Fitness to Practise: Management of Caseload	Reasonable Assurance
People – Starters and Onboarding	Partial Assurance
New ways of working	Advisory report

- 13 The Committee was pleased to note the strong Executive engagement with internal audit activity and that, in general, internal audit recommendations were progressed and implemented by management.
- 14 However, a number of internal audit recommendations relating to People Services functions were not progressed due to a combination of challenges within the team and with outdated systems.
- 15 The Committee agreed a plan of action with management including prioritisation of audit and other key business improvement outcomes and will monitor progress closely.
- 16 The Head of Internal Audit’s annual internal audit opinion and report concluded that:

“The organisation has an adequate and effective framework for risk management, governance and internal control. However, our work has identified further enhancements to the framework of risk management, governance and internal control to ensure that it remains adequate and effective.”
- 17 The Committee discussed the opinion and report and was satisfied that this was a true and fair reflection of the current level of assurance.

- 18 The Committee reviews the effectiveness of internal audit services on an annual basis and the 2021-2022 annual review was considered on 8 June 2022. The Committee noted that the internal Audit Effectiveness review was positive with some useful points for development, particularly around communication.
- 19 RSM's contract was due to expire in June 2022. Given the satisfactory performance of the internal audit service, in February 2021, Audit Committee agreed to the use of a framework agreement to appoint RSM for a further four years to June 2026.
- 20 The Committee has approved the Internal Audit work programme for 2022–2023. It will continue to review the work programme and will amend the plan should new priorities emerge.

Internal controls and risk management

- 21 As indicated, the Committee agreed to take a more strategic approach to oversight and scrutiny of risk management, given significant improvements achieved in recent years. The Committee now focuses on how Executive Directors and directorates are implementing risk management in practice including through strengthened comprehensive assurance reviews from Executive Directors and an annual review of risk management effectiveness.
- 22 Since October 2021, the Committee has considered two comprehensive assurance reviews (CAR): a review of Communications and Engagement in October 2021 and Information Technology in February 2022.
- 23 The Committee considered the annual review of risk management effectiveness in April 2022. The Committee endorsed the overall conclusion that there can be reasonable assurance that our internal control environment operates adequately at corporate and directorate level. The Committee noted plans to continue strengthening our internal controls and risk assurance, including strengthening our appraisal completion rates.

Whistleblowing

- 24 The Committee reviewed an update on the whistleblowing policy at each meeting. During 2021–2022 there were three invocations of the internal whistleblowing policy (2020-2021: none).
- 25 Of the three concerns raised during 2021-2022, one was found to be a complaint rather than a whistleblowing issue and was progressed accordingly. The other two were:

- 25.1 A concern that some Fitness to Practise Panel Members were being discriminated against on the basis of their race; and that some Panel Members and Legal Assessors lacked integrity and work ethic. Follow up discussions took place with the person who raised the concern; areas for improvement were identified and an action plan to address these is in place. Progress against this is overseen by the Appointments Board. The individual who raised the concern was satisfied with how the concern was addressed and the action being taken.
- 25.2 An allegation that the organisation was not appropriately managing reports of potential bullying and harassment. A review was overseen by the Chair of Audit Committee and lead Audit Committee member and this matter has now been concluded. The Chair of Audit Committee and lead Audit Committee member were content with the outcome.
- 26 So far no concerns have been raised during 2022-2023.

Serious event reviews (SERs) and data breaches

- 27 The Committee now reviews SERs every six months. This included a full year report in June with analysis of trends and figures for incidents reported during the financial year 2021-2022.
- 28 Throughout the year the Committee has made suggestions for improving the SER reporting and processes, and welcomed the formation of a Change and Continuous Improvement function which will help strengthen our ability to identify thematic trends and mitigate root causes of recurring SERs.

Anti-fraud, bribery, and corruption

- 29 The Committee received an update on anti-fraud, bribery, and corruption at each meeting. No instances of fraud, bribery or corruption were detected and there were no reported incidents or offences in the NMC's supply chain under the Modern Slavery Act 2015. The Committee reviewed an updated Modern Slavery Statement.

Single tender actions (STAs)

- 30 The Committee reviews STA logs every six months as an indicator of the health of the procurement function. In 2021-2022, the number of STAs has remained broadly consistent with previous year (2020-2021: 17, 2021-2022: 18), whilst the Committee is not concerned by the number of STAs, it welcomed plans to reduce the number of STAs to less than 12 a year.

Committee's views on governance, risk management and control

- 31 The Committee has reflected on a range of issues including the Internal Audit annual opinion and report 2021-2022, the findings of the External Auditors and NAO and the views of the Chief Executive and Registrar, in her capacity as Accounting Officer.
- 32 In considering the Internal Audit annual opinion and report for 2021-2022, the Committee accepted the annual opinion of the Internal Auditors that the NMC has an adequate and effective framework for risk management, governance and internal controls. The Internal Auditors have identified further enhancements to the framework to ensure that it remains adequate and effective, but have confirmed that nothing has arisen which they would consider to be a significant control issue.
- 33 The Committee has also considered the view of the Executive, which is that the Audit Committee can take reasonable assurance that the NMC is adequately managing risk both corporately and operationally, and that the internal control environment remains strong.
- 34 Overall, the Committee's view is that the Council can have confidence that arrangements for governance, risk management and controls are satisfactory, notwithstanding the fact that there is further work to be done. The Committee will continue to closely monitor progress on the proposed improvements.

External audit and NAO

- 35 The Committee approved the arrangements proposed by the External Auditors (HW Fisher) and the National Audit Office (NAO) for the external audit and certification of the NMC's annual accounts for the year ending March 2022.
- 36 At its meeting on 27 June 2022, the Committee reviewed the external auditor's findings reports and letter of representation, as well as an update on the NAO audit. In considering in the letters of representation, the Committee noted that these were standard provisions and that it was content to recommend these to Council for signing by the Chair of Trustees and Chief Executive and Registrar as Accounting Officer.

Integrity of financial statements and draft Annual Report and Accounts 2021-2022

- 37 The Committee carried out its annual review of accounting policies and agreed a number of small changes in relation to Covid-19 and the going concern, accounting for government grants, depreciation policy and investment policy.

- 38 The Committee scrutinised the draft Annual Report and Accounts 2020–2021, including the Annual Governance Statement, in April and June 2022. The Committee endorsed the Annual Report and Accounts for approval by the Council at its meeting on 6 July 2022.

Draft Fitness to Practise annual report 2021-2022

- 39 The Committee scrutinised the draft Annual Fitness to Practise Report 2021–2022 in June 2022. The Committee endorsed the draft for approval by the Council at its meeting on 6 July 2022.

Midwifery implications:

- 40 No midwifery implications arising directly from this report.

Public protection implications:

- 41 No public protection implications arising directly from this report.

Resource implications:

- 42 No resource implications arising directly from this report.

Equality diversity and inclusion implications:

- 43 In its 2021 effectiveness review the Committee identified its approach to EDI as an area for refinement. The findings of the 2022 review noted that this had improved but that this could continue to be strengthened.

Stakeholder engagement:

- 44 No stakeholder engagement implications arising directly from this report.

Risk implications:

- 45 The role of the Audit Committee is to give assurance to Council that the NMC has effective governance, risk management and internal controls in place.

Regulatory reform

- 46 The implications of regulatory reform will become an increasing area of focus for the Committee in 2022-2023.

Legal implications:

- 47 None.