



## **Audit Committee**

Minutes of the 29<sup>th</sup> meeting of the Audit Committee held on  
Thursday 2 July 2015

*Unconfirmed*

Chair: Chris Shapcott

Present: Mark Eames  
Brian McKenna  
Martin Owen

In Attendance: Jenny Brown, Auditor and Engagement Lead, Grant Thornton (Items 1-5)  
Ben Chambers, Registration and Resources Administrator  
Matthew Redford, Head of Registration and Resources  
Tim Walker, Chief Executive and Registrar  
Alison White, Chair of Council (Items 1-7)

### **Item 1: Welcome and apologies**

1. The Chair welcomed all participants to the meeting. Jenny Brown, Engagement Lead at Grant Thornton, was also welcomed.
2. It was noted that this would be the first meeting for Chris Shapcott as Chair of the Audit Committee.
3. There were no apologies.

### **Item 2: Minutes of the previous meeting and matters arising**

4. The minutes for the meeting of 24 March 2015, were agreed as a correct record subject to the following amendments:

Item 5, paragraph 16b: it was added that the current structure of the register was designed to reflect the underlying system of internal control that manages risk across the organisation and the mechanisms of assurance in place to support this. While the GOSC was not seen as high risk organisation per se, there is an opportunity to ensure the risk register continues to reflect the new corporate plan and the delivery required under this.

## Matters arising

5. Item 3, paragraph 10f: Chris Shapcott noted that the auditors have provided a response to the Committee about the levels of risk testing which were set out in the audit plan. The auditors advised there was an error in the documentation and for the red risk, the level of work should be detailed as 'enhanced'.

## Item 3: Audit Findings Report and Annual Report and Accounts

6. The Head of Registration and Resources introduced the Audit Findings Report and noted this was the first audit undertaken with the restructured Registration and Resources team. He noted the Audit Findings Report was clean, before passing over to the auditor.
7. The following areas were highlighted:
  - a. No major issues/concerns were found during the course of the audit. There were only a few minor control points.
  - b. The auditor commented that the new structure of the team meant segregation of duties had been enhanced and could now be addressed further. In the future, they would expect the Head of Registration and Resources to move to monitoring work undertaken, for example, journal processing would be carried out by the Registration and Resources Administrator. The Committee was supportive of this approach.
  - c. The auditor highlighted the potential for looking at the split between the value of land and building in relation to FRS 102. Without a current market value, it could be speculated that there is a material difference between market value and book value. The Committee noted the feedback from the auditors and asked the Executive to consider this further.
  - d. It was noted that NCOR remains a Joint Arrangement that is Not an Entity (JANE) in these accounts. However, this will change in the future as NCOR is now a charity. A Related Party Transaction (RPT) note to the accounts will be added to reflect the fact that the Chief Executive is Chair of Trustees of NCOR.
  - e. The Committee asked about the £500k investment and how this was described in the accounts. Members were advised that Council receives an annual report about the investment however the description in the annual report and accounts would be enhanced.
  - f. General questions were asked about the annual report and accounts including fee debtors sample size, fitness to practice costs and presentation changes to the accounts.

**Noted:** the Committee noted the Audit findings report and Annual Report and Accounts.

#### **Item 4: Auditor evaluation**

8. The Head of Registration and Resources introduced the auditor evaluation framework, completed by Grant Thornton, reviewed by management, and which was presented to Audit Committee for discussion.
9. In discussion the following points were made and answered:
  - a. Members asked what areas could GOsC improve upon and the auditor advised they would prefer receiving the annual report and accounts sooner, which has been discussed previously with management. Members asked if it would be preferable to set a target date. The Head of Registration and Resources advised that management would take the point away and consider it further, although setting an arbitrary date was not advised.
  - b. The auditor advised that the Audit Manager resigned recently but there is a degree of continuity because a former audit team member has stepped back into post. However, this has caused the end of the audit process to become less coordinated than desired.
  - c. Members thought it would be a good idea to draft the accounts into FRS 102 for March 2016. The Head of Registration and Resources commented it would make sense to do so early on. The auditor suggested GOsC translate to FRS 102 by the end of the calendar year.
  - d. Members queried management's default position of 'satisfactory'. The Head of Registration and Resources advised this position was agreed by Audit Committee in 2014 and added if there was a dispute between GOsC and Grant Thornton, the evaluation would reflect that point.

**Noted:** the Committee noted the auditor evaluation framework.

#### **Item 5: Financial Reporting Standard 102**

10. The Head of Registration and Resources introduced this report which concerned the implications for the GOsC of the introduction of FRS 102.
11. The Head of Registration and Resources advised the Committee that the impact of FRS 102 to GOsC would be fairly limited, before taking the Committee through the paper.

12. In discussion the following points were made and answered:
- a. Members noted the auditor had suggested that GOsC was not consistent with UK GAAP (General Accepted Accounting Principals) in relation to land and buildings. The auditor responded that as an organisation, GOsC is not required to follow UK GAAP and instead is required to keep proper accounting records, giving GOsC a certain measure of flexibility and scope. However the auditor said GOsC should move to FRS 102 as this is the sensible thing to do. Members suggested FRS 102 should be adopted unless serious issues are identified.
  - b. The Chair of Council commented that GOsC did not want to indicate the way in which the organisation holds its accounts was deficient and not in line with its legislation. UK GAAP is now out of date and there should be no doubt it is good practice to move to FRS 102 as soon as it is appropriate for the organisation to do so.
  - c. Members were conscious that the move to FRS 102 does not lead to any unintended consequences and asked the Executive to explore any implications to the financial statements, in particular to land and buildings.
  - d. The auditor left the meeting at the conclusion of this item.

**Agreed:** the Committee agreed to recommend that Council commission the Executive to explore the implications to the financial statements in the event of adopting FRS 102.

### **Item 6: Auditor reappointment**

13. The Head of Registration and Resources introduced the report which concerned the reappointment of the auditors, Grant Thornton. Members were asked to consider reappointing the auditors for a further three year period.
14. In discussion the following points were made and answered:
- a. Members asked how Grant Thornton was appointed as GOsC financial auditors. The Head of Registration and Resources advised Grant Thornton was appointed through an external tender exercise for a period of five years ending July 2013.
  - b. In October 2013, GOsC went through another external tender exercise and narrowed the selection to three firms who were interviewed. The panel consisted of Jane Hern, former Chair of Audit Committee, the Head of Registration and Resources and the Chief Executive. At the time it was felt that Grant Thornton had demonstrated sufficient reflection on their time as GOsC auditors and it was felt GOsC should utilise their experience and knowledge further.

- c. Members and the Chair of Council noted there were a number of deficiencies in the presentation of the financial statements. The Chief Executive commented that the Committee should reflect on the good work Grant Thornton have done for GOsC in the past. He thought the staffing problem at Grant Thornton, the Audit Manager having resigned before the audit findings report was finalised, was the cause of this and a decision to not consider to Council to reappoint Grant Thornton could prove quite challenging.
- d. Members discussed whether to recommend Council reappoint Grant Thornton for one year; however they decided it would be counter productive to only reappoint for this short period.
- e. The Chair of Council asked how GOsC manages the performance of the auditors. The Head of Registration and Resources advised there are a number of discussions throughout the year with Grant Thornton and if members of the Committee wanted to provide feedback about the audit presentation, the Executive would convey that message.
- f. It was also noted that the Audit Committee has never exerted its right to a private session with the auditors. The Chair of Council suggested the Committee did so to outline the nature of the Committee's expectations of the auditors. Members agreed to consider this for a future meeting.

**Agreed:** the Committee agreed to recommend that Council consider the reappointment of Grant Thornton for a further three years.

### **Item 7: Statement of internal financial controls**

- 15. The Head of Registration and Resources introduced the revised statement of internal financial controls.
- 16. In discussion the following points were made:
  - a. Members found the document useful as to what happens in practice and thought the segregation of duties was more enhanced than before.
  - b. Members asked if there were any hotspots or breakdowns in the system and to what extend should we consider doing an audit walkthrough as part of the audit programme. The Head of Registration and Resources commented that additional audit walkthroughs and internal review of specific controls could be factored into future work programmes. It was noted that the hotspots and breakdowns identified are related to new staff members joining the team and the subsequent changing of job roles at the same time. The Head of

Registration and Resources said there were no fundamental breakdowns in the processes; it was a case of providing adequate training and support, together with bringing staff members up to speed.

- c. The Chief Executive commented that a future internal audit could be considered on a peer review basis with another healthcare regulator.
- d. Members also raised the question of what would happen if the Head of Registration and Resources was on long-term sick leave. The Head of Registration and Resources said he did not believe there was an overreliance on him and an external accountant could be brought up to speed in the event of long-term sickness. He added the Registration and Resources team have written a detailed manual that lists all processes undertaken in the department.
- e. The Chair of Council left the meeting at the conclusion of this item.

**Noted:** the Committee noted the revised statement of internal financial controls.

### **Item 8: Updated Risk Register**

- 17. The Chief Executive introduced the revised version of the risk register for the Committee's consideration.
- 18. It was noted that one risk was removed from the Risk Register – 1.2 Confidence in the Register – following discussions with the registration assessors and providers of professional indemnity insurance. The risk rating relating to failure of IT infrastructure has been reduced from red to amber following the conclusion of the web re-platforming project and development of the new online register.
- 19. There was a broad discussion on the subject of risk and how this is dealt with by Audit Committee and Council. Members agreed that Martin Owen and Chris Shapcott would be invited to attend the risk seminar in November 2015.

**Noted:** the Committee noted the revised risk register.

### **Item 9: Internal audit report**

- 20. The Head of Registration and Resources introduced the report on the progress of internal audit activity and updates members on planned future activity.
- 21. He advised the Committee that two internal audit activities had been undertaken – International routes to registration and Section 32 monitoring.

22. Members were pleased this work had been carried out, finding it very systematic and structured. Members thought the operating effectiveness of these processes should be reviewed in the future and it was suggested, if possible, that the scope of the audit could look at the design of processes and controls.

**Noted:** the Committee noted the internal audit report.

#### **Item 10: PSA Performance Review consultation**

23. The Chief Executive introduced the draft response to the consultation on the PSA's revised Performance Review process.
24. The Committee noted the approach the PSA were taking with the consultation and the GOsC draft response.
25. Mark Eames left the meeting at the conclusion of this item.

**Noted:** the Committee noted the PSA Performance Review consultation and GOsC draft response.

#### **Item 11: Monitoring report**

26. The Head of Registration and Resources introduced the report which set out notifications of fraud, critical incidents, data breaches and corporate complaints.
27. It was noted there were only two data breaches to report, both relating to electronic correspondence. The Chief Executive added that the GOsC is reliant on self-reporting of breaches and senior managers demonstrated this by example.

**Noted:** the Committee noted the monitoring report.

#### **Item 12: Audit Committee Annual report 2014-15**

28. The Head of Registration and Resources introduced the Audit Committee Annual Report which would be presented to Council. It was noted that the report has been considered by the Chair of Audit Committee prior to the meeting.
29. The Chief Executive noted, under paragraph 16, that Martin Owen was not co-opted onto the committee at the time of the March 2015 meeting which he observed. Martin formally joined the Committee on 1 April 2015. An amendment to the report would be made.
30. It was noted that the Chair of Audit Committee will be attending Council on Thursday 16 July to present the Audit Committee Annual report 2014-15.

**Agreed:** the Committee agreed the content of the Annual report to be submitted to Council in July 2015.

### **Item 13: Forward work plan**

31. The Chief Executive introduced the draft forward work plan of the Committee and asked members to consider the work plan.
32. In discussion the following points were raised and answered:
  - a. It was questioned how the review of principal accounting policies in March 2016 relates to FRS 102. The Head of Registration and Resources advised that at the first meeting of the reconstituted Council, they should adopt those accounting policies and be made aware of what they are. It was discussed that it was incumbent on the Executive to ensure that the information presented to Council is clear and understandable, not containing accounting jargon.
  - b. The Chief Executive commented on the constitution order, currently being discussed with the Department of Health, which would replace a 14 member Council with a 10 member Council. The Chief Executive advised this would take effect from 1 April 2016.
  - c. Members asked which head of department they would meet concerning the risk discussion. The Chief Executive responded, advising members would meet with the Head of Regulation. It was agreed to move this discussion from the March 2016 meeting to the November 2015 meeting.

**Noted:** the Committee considered the forward work plan.

**Agreed:** the Committee agreed to bring forward the risk discussion with the Head of Regulation from March 2016 to November 2015.

### **Item 14: Any other Business**

33. None.

### **Item 15: Date of next meeting**

34. The date of the next meeting will be Wednesday 25 November 2015 at 10.30 a.m.