



Audit Committee

Minutes of the 26th meeting of the Audit Committee held on
Tuesday 1 July 2014 at Osteopathy House, 176 Tower Bridge Road, London SE1 3LU

Unconfirmed

Chair: Jane Hern

Present: Mark Eames
Kenneth McLean
Chris Shapcott

In Attendance: David Gomez, Head of Regulation (Item 7)
Matthew Redford, Head of Registration and Resources
Marcia Scott, Council and Executive Support Officer
Tim Walker, Chief Executive and Registrar
Alison White, Chair of GOsC

Jenny Brown, Audit Director, Grant Thornton LLP (Items 3 and 4)
Vivien Ma, Audit Manager, Grant Thornton LLP (Items 3 and 4)

Observing: Ben Chambers, Registration and Resources Administrator

Item 1: Welcome and apologies

1. The Chair welcomed all participants to the meeting including Chris Shapcott attending his first meeting as a member of the Audit Committee and Ben Chambers, GOsC Registration and Resources Administrator, who was observing the meeting.
2. The Grant Thornton auditors, Jenny Brown and Vivien Ma were also welcomed to the meeting.
3. There were no apologies.

Item 2: Minutes of the previous meeting and matters arising

4. The minutes for the meeting of 27 March 2014, were agreed subject to the following amendments being made:

Item 3: Financial Audit Preparation and Audit Plan (page 2)

- a. Item 3d: the Auditor would be reviewing management override of controls adding that internal control points identified last year were corrected.
- b. Item 3e: the level of trivial misstatement was confirmed to remain at 5% of materiality.
- c. Item 3h – first sentence: in considering the transition it was advised that if the GOsC sought charitable status then the SORP (Statement of Recommended Practice) would also be relevant.
- d. Item 3i – first sentence: it was advised that the new accounting framework was effective from 31 March 2016 which would mean a transitional starting date of 1 April 2014.
- e. Item 7b: Internal Audit Progress Report (page 10): it was confirmed there had been some discussion between the Head of Registration and Resources and members of the Audit Committee about the work being conducted on the internal audit and that members were happy with the approach being taken.
- f. Item 8d: Scrutiny and governance of major contracts (page 10, second sentence): it was advised that the GOsC should ensure a robust Project Initiation Document (PID).

Matters arising

5. **Item 8: Scrutiny and governance of major contracts** – members raised an additional concern relating to governance of major procurement projects and the need to have an approach which covers changes to the scope (whether this is because the project has been expanded or was wrongly scoped in the first place), cost or schedule. The Chief Executive agreed to incorporate these matters into a future draft for Council.

Item 3: Financial year-end 2013-14: Audit Findings Report (AFR)

6. Before the introduction and discussion commenced on the Audit Findings Report (AFR) the Chair asked that it be noted that she had discussed the content of the AFR with the Auditors in a telephone conference on 24 June.
7. Before presenting their key findings the auditors asked that a correction to the introductory paper be noted which related to paragraph 7, depreciation of land and buildings and specifically FRS102.

8. The keys points to note in the AFR were:
 - a. Improper revenue recognition: it was noted that an improvement could be made in relation to advertising income to ensure all income was complete.
 - b. Operating expenses (completeness): two minor issues were noted, an accrual had been included for IT spend for £20k where no liability existed at the year end and a liability for a late invoice of £12k had been included as an unadjusted difference.
 - c. Treatment of NCOR: it was noted that as NCOR is now an independent charity the JANE would cease to exist in 2014-15.
 - d. Depreciation of Land and Buildings: it was noted that, while not inaccurate in terms of accounting treatment, land and buildings had never been shown as separate cost items on the Balance Sheet. FRS102 would allow for this to be done retrospectively if the GOsC choose.

9. In discussion the following points were made and responded to:
 - a. Members discussed the issues around depreciation of land and buildings and specifically the technical aspects of FRS102. The auditors advised the committee that there were two issues:
 - i. GOsC currently sits on property and land which is likely to have a value in excess of that recorded in the accounts.
 - ii. Land would continue to have value even if the accounts showed the cost of the asset had been reduced to zero as would happen at the end of the 50 year depreciation cycle.
 - b. It was agreed that OH was a valuable site and with limited restrictions on development. It was asked if the Committee and Council should consider a revaluation as the new standard would allow.
 - c. The auditors advised there were a number of options which could be considered, including:
 - i. Undertake ongoing revaluation
 - ii. Leave the asset at cost
 - iii. Perform a one-off revaluation and use this as the deemed cost.
 - d. The Chief Executive advised the members that there were ongoing discussions as to the future ownership of Osteopathy House with a decision

to be made in due course. It was considered the current discussion should be revisited once this is clearer.

- e. Turning to other matters, members asked what the corporate objective was for the accounts and why there was no adjustment for unadjusted misstatement in relation to the operating expenses. Members agreed that there should be some consistency and standard set for making adjustments. Both the Chief Executive and the Head of Registration and Resources agreed that to make the adjustment would not be an issue.
- f. Members queried the Balance Sheet investment of £500k and why there did not appear to be a change in its value from 2013 to 2014. The Head of Registration and Resources explained that the sum was held by Newton Investment and management had taken the view that the increase in the value was not a material adjustment.
- g. It was acknowledged by both the auditors and the Committee that the success of the financial audit process was due to the diligence and work of the Chief Executive, the Head of Registration and Resources, and the finance team. There was some concern that the reliance on the Head of Registration and Resources presented a risk if either he or the Chief Executive were unavailable to conduct financial business. The Chief Executive responded that this had been taken into consideration and that the organisation was investing in the skill mix with training and recruitment of staff following the merger of the finance and registration teams.
- h. The auditors stressed that the control points raised were in the minutiae of the GOsC's finance systems. It was recognised that the organisation was small and therefore the segregation of duties were limited but this also reflected the transparency in place to allow an in-depth audit. The Committee was asked to note that the merger of the finance and registration teams allowed the Head of Registration and Resources to explore different ways of maintaining segregation of duties.
- i. The Committee agreed it was content to note the AFR and that it should be presented to Council in July with the Annual Report and Accounts.

The Chair thanked the auditors on behalf of the Committee for their presentation on the AFR.

Item 4: Auditor Evaluation

- 10. The Head of Registration and Resources introduced the item advising members that the framework had been used for the first time at the conclusion of the 2013-

14 financial audit. The framework was completed by Grant Thornton and reviewed by the Executive, and the Committee was now invited to rate each element and comment on the evaluation. Members were advised that the default position would be that the Committee was 'satisfied' unless there was evidence to the contrary.

11. In discussion the following points were raised and responded to:
 - a. The auditors commented that the evaluation was positive and that they would like to ensure there would be opportunities to collaborate on future projects with the GOsC.
 - b. It was noted that the Executive is happy with the work of the auditors and the scrutiny which is employed when conducting their work with the GOsC. The Chief Executive advised that it was planned to return to areas reviewed in past audits to ensure a programme of continuous assessment.
 - c. It was confirmed that Grant Thornton had previously given advice on 'horizon scanning' and in order to support them in future collaborative projects it was suggested a résumé on the current work of GOsC should be provided, allowing them a better insight and understanding to the needs and requirements of the GOsC.
 - d. It was also advised that it may be useful for Grant Thornton to demonstrate their awareness of current regulatory trends.
 - e. Members also noted that following a Charity Governance Review document issued by Grant Thornton at the beginning of the year, changes had been made to the Annual Report and Accounts.

Agreed: the Committee agreed it was satisfied with the performance of the auditors, Grant Thornton, based on the auditor evaluation.

Item 5: Updated Risk Register

12. The Chief Executive reported to members that the Risk Register had been presented to Council which was pleased with the changes that had been introduced to the Register. He also advised the Committee that the revised Register had been presented at recent meetings of the Education and Registration Standards Committee (ERSC) and Osteopathic Practice Committee (OPC).
13. Following discussions at the meetings of the ERSC and OPC it had been agreed that:

- a. The OPC's role in oversight at 1.4: Continuing Fitness to Practice (Revalidation), would be inserted.
 - b. The ERSC questioned whether the engagement of registrants with standards should be looked at in more detail.
 - c. Both committees have agreed to review the Register on an annual basis.
14. The Chief Executive also advised that point at 3.5: Legislative Reform, in relation to the Law Commission Bill the possibility for change was still a risk but any change was not anticipated until 2015-16.
15. In discussion the following points were made and responded to:
- a. The Chief Executive acknowledged that there still improvements to be made in linking the Business Plan to the Risk Register.
 - b. Members asked if there was a clear accountability for delivery on areas shown under the assurance mechanisms. The Committee suggested that there should be discussions with the Chairs of the Committee to ensure awareness of their responsibilities and what was required of to provide assurances in their given areas.
 - c. Members agreed that testing GOsC's resilience to risk is important and that it was the role of the Executive not to try to second guess every possible eventuality, but to develop plans for handling scenarios. The Audit Committee could then be used to review those plans and outcomes. The Head of Registration and Resources advised that this was the approach being taken for the revised Business Continuity Plan.
 - d. In response to the question on how best to build the capacity of the committees in their responsibilities and roles the Chief Executive advised members a training day was being planned for Council members in December 2014 to support scrutiny and encourage members to challenge more effectively.

Item 6: Internal Audit Progress Report

16. The Head of Registration and Resources introduced the item which reported on the progress of internal audit activity in 2013-14 and looked ahead to the planned activity during 2014-15. He advised members that discussion on information governance would follow in a separate item. The Head of Registration and Resources also advised members that a progress report on the GOsC website audit would be submitted at the next meeting in November 2014.

17. In discussion the following points were made and responded to:
 - a. Members accepted that establishing information security protocols would take time but wanted to understand what and how systems are managed, and what assurances there were in terms of breaches of the cloud and supporting systems. The Chief Executive responded that there had been an assessment of risks posed by cloud systems and assurances had been provided by the external hosting provider. This information had also been presented to the Committee in November 2013. It was agreed that the Committee and the Executive should not lose sight of the concerns raised about the possibilities of security breaches.
 - b. Members asked whether there were risks to be considered relating international registration and how are these registrants managed? The Chief Executive responded that the internal audit relates to overseas registrants who want to register in the UK.
 - c. The Head of Registration and Resources confirmed that internal audits are conducted by staff and, if and where necessary, by external contractors (including using staff from other regulators).
 - d. The Chief Executive agreed that a paper setting out the priorities, details and processes of the internal audit would be brought to the next meeting in November 2014.

Item 7: Information Governance

18. The Head of Regulation introduced the item which set out the issues for the GOsC, as a public body and statutory regulator, and on the information which it holds from various sources. It is necessary to have a framework for preserving the confidentiality, integrity, security and accessibility of data held by the organisation.
19. The Information Governance Framework details the requirements placed on staff and non-executives, and members were asked to consider the draft framework which was still a work in progress. Members were advised that the General Medical Council had informally peer reviewed the document.
20. The Chief Executive added although the framework was still being developed, staff have responded well to the policy and it is being embedded within organisational culture. He advised that the next steps would be to audit and manage any issues highlighted.
21. In discussion the following points were made and responded to:

- a. Members asked about practical issues and how these are managed such as locking cupboards, storage of keys, and other areas of in-house security. It was agreed there was a potential for a degree of complacency and perhaps more consideration should be given to these areas in addition to the specific requirements of the framework.
- b. The Head of Regulation pointed out that a key risk area for Information Security breaches lay with the fitness to practise committees and the Legal Assessors due to the nature of their work and the data they handle. The key risks had been identified and processes were in place to mitigate against the risk in most areas.
- c. Members asked whether the policy went substantially beyond the legal requirements for compliance. The Head of regulation stated that it was largely compliance driven other than where good practice has taken us beyond the legal requirement.
- d. Members agreed it was important that Information Governance sit within the primary governance framework. It was agreed that it was important to achieve a framework which was proportional to the size of the organisation, as well as encouraging a culture in which both conscious and unconscious competencies were demonstrated by all staff and members of the governance structure. It was suggested that a one page key issues summary for all staff should be produced.
- e. Members asked if GOsC insurance would cover any cost incurred from data infractions and investigation from the ICO. It was also queried whether the current Code of Conduct covers Information Governance and the responsibilities of non-executives. The Chief Executive responded that insurance was in place and that the Code of Conduct might need to be strengthened.

The Chair thanked the Head of Regulation for his report, the draft framework and the work which he had put into producing the documents.

Noted: the report was noted.

Item 8: Review of Key Statistics / KPIs

22. The Chief Executive introduced the item which sets out the data and other performance information presented to Council and asked for the Committee's feedback on any changes in approach. He also added that the discussion was timely as the Professional Standards Authority (PSA) had noted the GOsC's performance reporting mechanism in the 2014-15 Performance Review.

23. In discussion the following points were made:
- a. Members agreed that the performance reports were essential but consideration might be given to how much detail should be included and that the reports should link to the Business Plan indicating how targets are being achieved. A way forward would be to streamline the reports with added narrative.
 - b. It was suggested that an inventory of registration matters and fitness to practise cases might be more helpful, that time series should be lengthened and that additional data of CPD audits should be added.
 - c. Members advised that there should be a reference to the Audit Committee in the listing at Annex A: Performance measures identified in the 2013-16 Corporate Plan. It was also suggested that reference to the Audit Committee should be made under the title 'Effective and efficient leadership and management'
 - d. Members suggested that the charts required updating in their presentation and could be a more sophisticated in using more integrated approach in presenting key data. This would include capturing best practice in departmental and functional areas and including analysis and insight. It was agreed that the Audit Committee could be influential in developing a new approach.
24. The Chief Executive thanked members for the input and advice and he would report on the outcomes of the discussion with the Audit Committee at the next meeting of Council.

Item 9: Audit Committee Annual Report

25. The Head of Registration and Resources introduced the item which reviews the work of the Audit Committee.
26. In discussion the following points were made:
- a. Members suggested that the section on risk should be expanded to cover the new risk register not just the risk tolerance statement.
 - b. Members suggested that the report on internal audit activity for the year should give more specific detail especially in light of the discussions on information governance. Members noted that this detail would actually fall into the committee report for 2014-15.

- c. It was asked how agreement is reached for the Audit Committee's programme of work for the financial year. The Chief Executive explained that a programme is presented to the Committee for consideration and agreement with the Executive.

Agreed: The content of the Annual Report was agreed for submission to Council at its meeting in July 2014.

Item 10: Monitoring Report

27. The Head of Registration and Resources introduced the report which sets out notifications of fraud, critical incidents, data breaches and corporate complaints. Members were asked to note the report.
28. The Chief Executive asked members to be mindful that the new information security policy, discussed at item seven earlier in the meeting, might generate more reports of data breaches.

Noted: the report was noted.

Item 11: Any other Business

29. There was no other business.

Item 12: Date of next meeting

30. The date of the next meeting will be Wednesday 26 November 2014 at 14.00