



Audit Committee

Minutes of the 38th meeting of the Audit Committee held on
Thursday 28 June 2018

Unconfirmed

Chair: Chris Shapcott

Present: Martin Owen
Haidar Ramadan
Denis Shaughnessy

In Attendance: Ben Chambers, Registration and Resources Officer
Carl Pattenden, IT and Business Support (Item 11)
Matthew Redford, Director of Registration and Resources
Tim Redwood, Audit Partner from Crowe (Items 1-6)
Tim Walker, Chief Executive and Registrar
Simeon London, GOsC Council Member (observed Items 1-10)

Item 1: Welcome and apologies

1. The Chair welcomed all participants to the meeting.

Item 2: Minutes and matters arising from the meeting of 19 October 2017

2. The minutes of the meeting of 19 October 2017 were agreed as a correct record.

Item 3: Notes of the inquorate meeting on 22 March 2018

3. The notes of the inquorate meeting of 22 March 2018 were noted by members.

Item 4: Audit findings report and draft Annual Report and Accounts

4. It is noted that the Audit Committee had held an 'in-camera' session, without the Executive, with the auditor before the meeting commenced.

5. The Director of Registration and Resources introduced the Audit findings report, noting the audit was clean, before passing over to the auditor.

6. The auditor provided an overview of the audit findings report and the draft Annual Report and Accounts to the Committee.
7. The following areas were highlighted and discussed in detail by the Committee:
 - a. There were no issues with the recording and recognition of registration fees and no instances of management override of controls were identified.
 - b. All testing around Payroll together with Council and Committee allowances and expenses was satisfactory and yielded no issues.
 - c. It was noted that the observations made in 2017, concerning segregation of duties and the split between land and buildings of Osteopathy House, had been reviewed by management and these matters were now concluded.
 - d. It was noted that the Chair of Council was happy with the draft Annual Report and Accounts, the results of the Audit Findings Report and the Letter of Representation. Clarification was sought that the Executive and the auditors had reviewed provisions and suspense accounts, which was confirmed. In addition it was questioned whether disclosures would need to be made in the accounts as there were a number of new international financial reporting standards (IFRS) coming into effect next year. The auditor advised GOsC does not prepare its accounts under IFRS but under Charities SORP (FRS 102) and does not need to make these disclosures although they will be kept under review and discussed with the Executive next year should they be perceived as having an impact.
 - e. The auditor drew attention to a number of changes within the Annual Report and Accounts which included:
 - Principal risks and mitigating actions added to the Annual Report;
 - Reserves policy reformatted to aid transparency;
 - Statement of Council's responsibilities now includes confirmation that the trustees have regard for the Charity Commission's guidance on public benefit;
 - Independent Auditor's Report now states the audit opinion at the beginning of the report. Overall report is longer and contains more information;
 - Notes to the financial statements make reference to the Charities SORP (FRS 102).
 - Expenditure arising from charitable activities and reclassified support costs presented in different format to previous years;
 - Payments to non-executive members now included in the notes to the accounts;

- Investment note in the accounts reformatted to new style. It was noted that the investment disclosure did not need to include the 120-day bond;
 - Prior year reserves comparator provided in the notes to the accounts.
- f. A number of minor wording and stylistic changes were also highlighted within the draft annual report and accounts.

Recommended: the Committee agreed to recommend the audit findings to Council.

Item 5: Statement of internal financial controls

8. The Registration and Resources Officer introduced the report which set out the statement of financial controls.
9. He highlighted a number of enhancements had been made to the internal financial controls over the past year, by work undertaken by the Registration and Resources Officer and the Registration and Resources Assistant.
10. Members had questions concerning the new corporate credit card and it was advised there were credit limits placed on the card to restrict use and additional controls so that only certain individuals had access and use of the card.
11. There was a question raised concerning whether the level of controls in place around online payment authorisations was appropriate. The Director of Registration and Resources responded, advising the level of controls in place were proportionate and sufficient for an organisation of the GOsC's size.

Noted: the Committee noted the statement of financial controls.

Item 6: Auditor evaluation

12. The Director of Registration and Resources introduced the auditor evaluation framework.
13. He added that the evaluation included comments from the auditors and the Executive. He advised the Executive were satisfied with the position outlined in the auditor evaluation.
14. It was noted one area of the evaluation had not been completed, the Executive and auditor advised this was a typing error and that area of the evaluation was also listed as "satisfied".
15. Members agreed with the position of the Executive.

Decision: the Audit Committee agreed the auditor evaluation.

Item 7: External auditor reappointment

16. The Director of Registration and Resources introduced the item.
17. He advised that Crowe were appointed as the external financial auditors in February 2017 for a two year period which could be extended for a further three years subject to satisfactory performance. He added the Executive was not aware of any reason why Crowe should not be re-appointed.
18. Members raised a question concerning the level of fee Crowe would be charging. The Director of Registration and Resources advised there were no major changes to the fee proposed by Crowe, aside from increases in line with inflation. He added if there was a substantial increase in the proposed fee, there would be the option to tender for new external financial auditors if necessary.
19. He advised members that their recommendation would be viewed by Council at its July meeting.

Decision: members agreed to recommend to Council the reappointment of Crowe for a further three years.

Item 8: Audit Committee performance evaluation: summary of results

20. The Registration and Resources Officer introduced the report which outlined the summary of results of Audit Committee's performance evaluation.
21. He advised the Executive's response to member's feedback was outlined in the table within the paper.
22. Members believed the questionnaire was very thought provoking and that there was a good balance of input from members, the Executive and the external auditors.
23. Members thought it was useful to include an informal discussion between members prior to the start of Audit Committee meetings and this should be embedded during the year. They also agreed that good progress had been made this year with risk identification and the robustness of IT security.
24. Members were interested in the proposal for the Chair and other members to keep abreast of the wider regulatory landscape. The Chair of Audit Committee advised that he would need to have a discussion with the Chair of Council before any further steps were taken.

Considered: members noted the audit committee effectiveness summary of results.

Item 9: Audit Committee Annual Report 2017-18

25. The Registration and Resources Officer introduced the Audit Committee Annual Report which will be presented to Council. It was noted that the Chair of Audit Committee had reviewed the report prior to the meeting and would be attending Council in person to deliver the report.

Decision: the Committee agreed the Audit Committee Annual Report.

Item 10: Updated Risk Register

26. The Chief Executive introduced the Updated Risk Register.

27. The following areas were highlighted during the discussion:

- a. The Chief Executive updated members on the current key risks; the CPD risk being updated to reflect the progress within the project, the fitness to practise risk being updated to reflect the return to a full staffing complement and the IT/data risk being updated to reflect the GDPR action plan and the 'hybrid' cloud infrastructure developments.
- b. Members raised reviews into the work of other regulators and questioned whether they had any impact on the work of the GOsC. The Chief Executive advised that it was interesting to read these reports and to note how regulators can sometimes be tied to the independent panels and the decisions these panels take. Another important thing to note from these reviews was the importance of equal treatment of registrants and complainants. He advised that some of the outcomes of these review may change some of the guidance and training GOsC provides to its fitness to practice panellists.
- c. There were a number of questions raised concerning Brexit and any issues which may arise from it. The Chief Executive responded to advise that he had no new information to provide to the Committee since the last meeting and no further clarity had been provided by the Department of Health (DH). Members thought an update at the next meeting would be useful.

Discussion: the Committee noted the updated Risk Register.

Item 11: Internal audit and IT update

28. The Director of Registration and Resources introduced the report with input from the IT and Business Support Officer around the IT action plan.

29. Members raised a question about the feasibility of the GDPR actions to be undertaken in July. The Chief Executive responded to advise a significant number of the July actions were minor and he was confident that these would be completed.
30. A short discussion took place around the update on USB ports. Members were notified that all external devices were blocked and only 'known' devices would be enabled and any request to add a new device would need to be requested from the IT and Business Support Officer. At the discussion's conclusion the Chair of Audit Committee summarised the view of the meeting that the USB port issue has been taken as far as it can be and the Committee was content with the approach of the Executive.
31. Whilst introducing the IT action plan, the Director of Registration and Resources advised members that Council had signed off the IT project but wanted Audit Committee to consider the risk management approach relating to each phase of the project.
32. The IT and Business Support Officer advised that in preparation for the IT action plan, the hardware and software of the server has been optimised, upgraded and updated. It was added that there was no significant resources anticipated in addition to what has already been identified.
33. After noting the yearly saving, members asked a number of substantive questions surrounding the issues, risks, worst-case scenarios, testing mechanisms, fall-backs and points of no return for the IT project plan which were answered by the Director of Registration and Resources and the IT and Business Support Officer. It was confirmed that if there was a single point failure, this would not disrupt day-to-day business, as plans were in place to revert back to existing systems.
34. While members were concerned this was the first time the GOsC was attempting this migration as an organisation, their concerns were mitigated by the IT and Business Officer's response who advised he has performed a large number of these types of migrations in previous roles and the third parties assisting with this phase also have previous experience.

Considered: the Audit Committee noted the internal audit and IT update.

Item 12: Monitoring report

35. The Registration and Resources Officer introduced the report which set out notifications of fraud, critical incidents, data breaches and corporate complaints.
36. He advised there were no corporate complaints or incidents of fraud to report since the last meeting and added that the Chief Executive and the Director of Registration

and Resources were available if there were any questions concerning the critical incident or data breach that was reported.

37. During the discussion it was noted that the critical incident was part of the reason why the GOsC was choosing to move to the hybrid cloud environment outlined in Item 11.
38. The Committee also noted the preventative measures being taken to avoid a repeat of the recent data breach.

Noted: the Committee noted the monitoring report.

Item 13: Forward work plan

39. The Registration and Resources Officer introduced the forward work plan of the Committee and asked members to consider the content.

Noted: the Committee noted the forward work plan.

Item 14: Any other Business

40. None.

Item 15: Date of next meeting

41. The date of the next meeting will be 10:00am Thursday 25 October 2018.