Audit Committee

Minutes of the 28th meeting of the Audit Committee held on
Tuesday 24 March 2015

Unconfirmed

Chair: Jane Hern

Present: Mark Eames
                    Brian McKenna
                    Chris Shapcott

In Attendance: Martin Owen (member designate)
                    Jenny Brown, Auditor and Engagement Lead, Grant Thornton LLP (Item 3)
                    Ben Chambers, Registration and Resources Administrator
                    Matthew Redford, Head of Registration and Resources
                    Marcia Scott, Council and Executive Support Officer
                    Tim Walker, Chief Executive and Registrar

Item 1: Welcome and apologies

1.   The chair welcomed all participants to the meeting. A special welcome was
     extended to Martin Owen, Audit Committee member designate, who will formally
     join the Committee on 1 April. Jenny Brown, Grant Thornton LLP, was also
     welcomed.

2.   It was noted that this would be the final meeting for Jane Hern as Chair and
     member 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 1 July 2014, were agreed as a correct record
     subject to the following amendment:

     Item 5, paragraph 16: Internal Audit Progress Report: it was confirmed that in due
     course the Committee would be provided with a review of the previous internal
     audits and outcomes at a future meeting along with the proposal for the next
     three years.

Matters arising

5. <u>Professional Standards Authority Review of PSA Process</u>: the Chief Executive informed the Committee that the PSA were currently undertaking a review of, and consulting on, their annual Performance Review process. As part of the review the PSA held a meeting with Audit Committee members of the health regulators. Mark Eames attended on behalf of the GOsC and was invited to give his reflections on the meeting.

6. Mark reported that the meeting was attended by representatives of the nine health regulators and he had discussed a number of the outcomes with the Chief Executive and Chair of Council. He informed members the suggested dataset that might be required by the PSA was extensive and that the health regulators were unsure that they would be able to provide the data without having to implement new IT systems. It was also reported that the PSA wanted to expand their review by including a new standard on governance. It was suggested that the GOsC should seek to support the PSA in its review of the Performance Review process.

7. In discussion the following points were made:

    a. The Chief Executive advised that there was a possibility of delay to the consultation, planned for the end of March, due to some aspects of the dataset. He informed members that the consultation period for the review would be for 10 weeks. It was not thought that the general election timetable would impact on the PSA consultation. There would be discussion of the review at the next meeting of Council.

    b. Members agreed that the GOsC would be able to comply with the requirements put forward by the PSA for the review.

    c. It was considered that the PSA were moving in the right direction in implementing a more risk informed system of review.

    d. The Chief Executive suggested the PSA would also review the standards for the annual Performance Review submissions. He commented that for this reporting year the PSA had not considered it necessary to have a review submission meeting with the GOsC. It was thought that the PSA's assessment of the organisation for the year had been positive.

Item 3: Financial audit preparation and audit plan

8.   Jenny Browne, Engagement Lead for Grant Thornton LLP, introduced the item which concerned the Audit Plan and key areas for attention in the financial audit for the year ended 31 March 2015.

9.   The following areas where highlighted:

a.   GOsC balance sheet: credit/debit areas of risk.

b.   GOsC income/expenditure risk.

c.   The audit timeline: members were informed that the planned audit close-out meeting would take place on 3 June 2015.

d.   The issue of FRS102 and changes to the accounting framework were also highlighted and the Committee were advised that it would be appropriate to present a recommendation to Council for agreement as soon as possible and ensure that there was a clear timeline for implementation in place.

10.   In discussion the following points were made and responded to:

a.   The Chief Executive informed members that it was intended that discussion on the FRS102 issue would take place at the meeting of Council at the July meeting of Council and should include the auditors and the Chair of the Audit Committee.

b.   It was also suggested there should be discussion with other regulators on FRS102 to understand their approach to the accounting changes and any requirement for reporting to the Department of Health. The Head of Registration and Resources would do this.

c.   Members noted that the GOsC accounting policies were a low risk but queried whether the auditors offered a view as to their appropriateness. The auditor responded by saying that the audit would say if the accounting policies were considered to be inappropriate.

d.   Members were assured that the scrutiny of accounting controls was undertaken with an adequate amount of scepticism. In preparing for the audit it had been noted that changes had been implemented to reflect different levels of responsibility arising from staff changes within the Registration and Resources team.

e.   It was suggested that including management accounts as part of the audit plan would be helpful. The Chief Executive agreed this would be done in future.

f. Members approved of the risk approach to the audit but queried whether there should be more in depth testing in line with the level of risk as it appeared there were only two levels of testing – standard and limited. The auditor acknowledged the comment and advised that the issue would be reviewed with a response to the Committee to follow.

g. Members queried the difference between revenue and fee revenue. The auditor responded that the risk was split with total revenue being the overarching high risk area.

Agreed: The Committee agreed the audit proposal as outlined in the Audit Plan.

Agreed: The Committee agreed that a recommendation on FRS102 would be presented to Council at their meeting in July.

Item 4: Review of Audit Committee Terms of Reference

11. The Chief Executive introduced the item which concerned the Audit Committee's current terms of reference and whether it wished to request that Council approve any revisions.

12. The Chief Executive highlighted paragraphs 7 and 8 of the report which suggested the revisions that could be made to the current Terms of Reference (ToR).

- Whether there should be a broader role to make recommendations to Council not just on performance management but any other aspect of corporate governance.

- The inclusion of a more explicit role in relation to whistleblowing.

- A more explicit role in relation to conducting or commissioning work in relation to fraud or other matters requiring special investigation.

- A formal requirement to periodically review its own performance as a Committee.

- Whether the current terms of reference reflect a suitable balance between financial and non-financial aspects of the GOsC's work.

13. In discussion the following points were raised and responded to:

a. The Chair welcomed the opportunity to discuss the ToR; it was timely to review the remit of the Audit Committee given the change of chairmanship and the PSA proposals, especially in relation to governance.

b. Members agreed the current ToR adequately covered the expected areas but adjustments could be made to ensure it remained relevant.

c. Members commented that 7a and 8 were similar in considering a wider role beyond the current AC remit. It was suggested there should be inclusion of a broader view rather than focusing on risk as would bring the ToR in line with the principles of good corporate governance. It was also suggested that Council would want the Audit Committee to have oversight consistent with the holistic systems of internal controls.

d. Members agreed that the ToR should include a more explicit role in relation to whistleblowing.

e. It was suggested that k. of the current ToR could be more explicit in reflecting the work of the Committee, especially in recent years, giving Council a Committee 'opinion' similar to that of the assessment given by the auditors. It was also suggested that Corporate Governance could be incorporated at j. of the current terms.

f. The Chief Executive informed members he was happy with the model version of the ToR [extracted from the Treasury Handbook] but its purpose was not entirely clear. He added that the Chair of Council wished to see the ToR tested against the model terms but she had advocated only minor revisions to the ToR rather than a full rewrite.

g. It was suggested that at f. of the current terms as well as the audit report and the Audit Findings Report (AFR) there should be some rewording to include the annual accounts.

h. There would be further discussion on the Terms of Reference between the Chair of Council, the new Chair of the Audit Committee and the Chief Executive.

Agreed: the Committee agreed the technical amendments to paragraphs f. and j. of the current Terms of Reference.

Agreed: the Committee agreed that the areas identified in paragraphs 7a, b, c, d and 8 of the report be incorporated into the Audit Committee Terms of Reference:

Agreed: to submit the recommended changes to the Audit Committee Terms of Reference to Council.

Item 5: Updated Risk Register

14. The Chief Executive introduced the item which concerned the revised version of the risk register for the Committee's consideration.

15. In particular the issue the following areas of high risk were highlighted:

    1.3: international registrants' transition into practice: discussions were ongoing with involved parties to clarify who held clinical responsibility for patients examined during registration assessments. The aim was to resolve this matter in the coming months.

    3.1: Risk of IT infrastructure failure: members were informed that although the web re-platforming project had been completed it was too soon to downgrade the risk rating.

16. In discussion the following points were raised:

    a. In relation to the international registration assessments, members asked what were the risk and probability of a complaint arising. The Chief Executive responded that the risk for the GOsC lay in its potential liability in the event of a claim or complaint being made by a patient. He added that assessor contracts were to be reviewed and that the number of applicants for registration in question was low. Members were advised that the timeframe to resolution would be as swift as possible.

    b. Members commented that many of the described risks were known issues, anti-objectives or outcomes. It was explained that the risk pertaining to the GOsC were enduring including fitness to practice, the integrity of the register etc. It was added that the Risk Register was more a system of internal controls and that the GOsC as an organisation was not a high risk. It was suggested that there was still a discussion to be had relating to risk type.

    c. It was suggested that there should be link between the Risk Register and the Business and Corporate Plans. The Chief Executive agreed that incorporating and linking the Risk Register to the next Corporate Plan could be built into the development process and that activities could be cross-referenced.

Noted: the Committee noted the content of the report.

Item 6: Tenders for service and related contracts

17. The Head of Registration and Resources introduced the item which concerned the Governance Handbook and the list of service and related contracts which are subject to tender at least once every five years.

18. Council had asked the Committee to consider whether it is necessary for all the of the listed service and related contracts to be subject to tender review at least once every five years.

19. In discussion the following points were made and responded to:

a. Members were keen that the procurement section of the Governance Handbook did not attempt to constrain the Executive. Members advocated a light-touch approach where the Executive is required to ensure the best value services were procured, but this did not require a list of service and related contracts to be recorded in the Governance Handbook.

b. The Chief Executive informed members that there were legal implications in some areas, for example the educational quality assurance contract was subject to EU procurement requirements.

c. Members agreed that the Executive should be allowed flexibility in their approach but that it was important that Council and committees received appropriate reports to allow for scrutiny and assurance.

Noted: the Committee noted the report.

Item 7: Internal Audit Report

20. The Head of Registration and Resources introduced the item which reported on the progress of continuing internal audit activity and updated members on planned future activity.

21. The Head of Registration and Resources added that both the re-platforming of the GOsC website and the associated audit had been completed. He informed members that he was happy with the outcome and findings of the audit which highlighted the importance of a rolling content review process. He added that the Web Manager had found the findings helpful.

22. In discussion the following points were made and responded to :

a. Although taking longer than planned members were pleased with the work which had been completed on the website and the subsequent audit.

b. On the audit activity around fitness to practise, members raised concerns relating to interim orders. The Chief Executive agreed the comments made by the auditor were fair and that this issue had been discussed at Council. He informed members that a training day for the Investigating Committee would take place on 16 May 2015.

c. Members asked if the peer review exercise had been useful. The Chief Executive responded that it had and the Head of Regulation had been integral in establishing the inter-regulatory peer review audit process. It was hoped that this would be identified as good practice by the PSA.

Noted: the Committee noted the content of the report.

Item 8: Monitoring Report

23. The Head of Registration and Resources introduced the item which sets out notifications of fraud, critical incidents, data breaches and corporate complaints.

24. It was noted there was only one data breach to report relating to an email sent in error to an individual who had the same first name as a member of staff. The Chief Executive added that the GOsC were reliant on self-reporting of breaches and senior managers demonstrated this by example.

25. The following comments were made:

    a. Members were reminded that the Hospitality Register had been reviewed by the Chair in 2013. Members asked whether the Hospitality Register was available on the public website. The Chief Executive responded that though the GOsC was moving towards more openness, the Hospitality Register was not currently published but will be in due course to meet ICO guidelines. He added that the GOsC was moving towards publishing expenses on the website, this again in accordance with the ICO guidelines.

    b. Members enquired whether actual cases of fraud, and attempted fraud were reported in this paper. The Head of Registration and Resources confirmed that attempted and actual fraud were included.

Noted: the Committee noted the monitoring report.

Item 9: Committee forward planning

26. The Chief Executive introduced the item which provided a draft forward work plan for the Committee.

27. In discussion the following points were made:

    a. It was confirmed that all Audit Committee documents and related papers could be located at the private document library at DocMonster. The Committee was informed that all members of the governance structure (except members of the fitness to practise committees) had access to their relevant sections of the document library.

    b. Members suggested including some context to Audit Committee items such as management accounts.

    c. Other items for inclusion on the workplan were FRS102, changes to the risk register in relation to the corporate plan, and inviting members of the SMT to attend to review risk in relation to their areas of responsibility.

Item 10: Any other Business

28. <u>Jane Hern, Chair of Audit Committee</u>: it was noted that this was the last meeting for Jane Hern as Chair and Member of the GOsC Audit Committee. The Chief Executive, on behalf of the GOsC thanked Jane for her time, work and commitment to the organisation. The Chair designate, Chris Shapcott, and members of the Committee also thanked the Chair for her leadership.

Item 11: Date of next meeting

29. The date of the next meeting will be Thursday 2 July 2015 at 2.00 p.m.