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## **Audit and Risk Assurance Committee**

### **Draft Minutes**

**Monday 17<sup>th</sup> April 2023 at 2pm**

**Via Zoom**

### **Present**

Gerry Guckian, Chair, Northern Ireland Social Care Council Board Member  
Jacqui McGarvey, Northern Ireland Social Care Council Board Member

### **In Attendance**

Declan McAllister, Director of Registration and Corporate Services  
Jenny McCaw, BSO Internal Audit  
Stephen Knox, NIAO  
Emma Thompson, Assistant Director of Finance, BSO  
Lesley Mitchell, HSC Leadership Centre Associate and Independent Reviewer  
Hollie Bishop, Secretariat

### **Apologies**

Sandra Stranaghan, Head of Business Services

Item	Agenda	Action
<b>Formalities</b>		
<b>1.</b>	<b>Welcome and Apologies</b>	
1.1	The Chair welcomed members to the meeting and noted the above apologies. He also introduced Lesley Mitchell, Independent Reviewer.	
<b>2.</b>	<b>Conflicts of Interest</b>	
2.1	No conflicts of interest were declared.	
<b>3.</b>	<b>Chairs Business</b>	
3.1	The Chair thanked members for attending an extraordinary meeting at short notice to review the Independent Report on Annual Accounts Deferred Income. It was noted that the report was commissioned as a result of representations made by Lee Wilson prior to his term ending with the Social Care Council Board and subsequently, the Audit and Risk Assurance Committee. The Chair extended an apology to external members for not referring	

	to the report at the last meeting, however the previous committee meeting in January was held before the report had been formally commissioned.	
<b>4.0</b>	<b>Review the Report on Annual Accounts Deferred Income</b>	
4.1	Lesley Mitchell thanked members for meeting with her in preparation and research for the Report on Annual Account Deferred Income. She advised that the report was commissioned by the Chair of the Board within the context of issues brought to his attention by a previous Board member and member of the Audit and Risk Assurance Committee. Lesley Mitchell informed members that the Chair of the Board felt it was appropriate to commission a review of how deferred income had been managed in 2020-21 and 2021-22 conducted by an independent accountant.	
4.2	<p>Lesley Mitchell provided an overview of the Report on Annual Accounts Deferred Income with the following key points:</p> <ul style="list-style-type: none"> <li>• 47% of the Social Care Council's total income is from registration fees, which is particularly important when considering the significance of deferred income.</li> <li>• Annual fees are the only type of income which has an element of deferred income at the year-end and is accounted for accordingly.</li> <li>• The Social Care Council receives a full accounting service from Business Services Organisation and relies on the professional advice of the Head of Client Accounting.</li> <li>• Deferred element of the annual fees had been accounted for many years: <ul style="list-style-type: none"> <li>○ 2017-18 - £72k</li> <li>○ 2018-19 - £21k</li> <li>○ 2019-20 - £17k</li> <li>○ 2020-21 - £6k</li> </ul> </li> <li>• 2020-21 was an unusual year with the pandemic which saw fee income and deferred income significantly reduced. Deferral of annual fees as directed by the DoH further disrupted accruals.</li> <li>• The Director of Registration and Corporate Services sought additional funding from DoH for a potential loss in income in 202-21 which was received in February 2021 to £216k</li> <li>• A Registrant Removal Control on 5<sup>th</sup> July 2021 resulted in the following analysis: <ul style="list-style-type: none"> <li>○ Total income received relating to 31 March 2021 - £124,885</li> <li>○ Total income deferred - £75,276</li> <li>○ Net impact on income - £49,609</li> </ul> </li> <li>• At this stage it was agreed between PWC and BSO that a more accurate methodology would be implemented to</li> </ul>	

	<p>calculate deferred income on the basis of the element of the annual fee which falls into the following financial year.</p> <ul style="list-style-type: none"> <li>• This was not reflected in the Report to Those Charged with Governance Note 1.10 related to income or Note 4.3 relating to deferred income. This was an oversight.</li> </ul>	
4.3	<p>Discussion took place following an overview of the observations of 2020-21 highlighted in the report on annual accounts deferred income with the following key points:</p> <ul style="list-style-type: none"> <li>• Members reflected that it has become clearer how the change in accounting methodology was implemented. Evidence that the DoH were consulted by the Director of Registration and Corporate Services to secure additional allocation of funding shows that any manipulation or attempt to misrepresent the breakeven position is unfounded as appropriate guidance was sought.</li> <li>• There is significant learning for the Audit Committee from the impact of deferred renewal and fee payments as implemented by DoH during the Pandemic. Members agreed that greater oversight of the processes and implications should be discussed in advance of implementation. It was also agreed that all meeting minutes should provide greater detail of all discussions to accurately reflect the full remit of conversation undertaken by members.</li> </ul>	
4.4	<p>Lesley Mitchell provided an overview of the remaining sections of the Report on Annual Accounts Deferred Income with the following key points:</p> <ul style="list-style-type: none"> <li>• Deferred income for 2021-22 had risen to £369k given the revised approach to calculating the deferred element of annual fee income.</li> <li>• The Audit and Risk Assurance Committee were presented with evidence of the revised approach at the meeting on 15<sup>th</sup> June 2022 and following concerns from members an extraordinary meeting was convened on 7<sup>th</sup> July 2022 where additional information on deferred income was presented.</li> <li>• On 7<sup>th</sup> July 2022 members “unanimously agreed to endorse the methodology with full recognition that this change was made following discussions in July-October 2021 and was not brought to Audit Committee for approval. Members retrospectively agreed the changes and methodology”</li> <li>• The NI Audit Office and Deloitte should be commended for their thorough diligence in understanding the change to accounting methodology and in conveying the information accurately to Audit Committee members.</li> <li>• Members agreed that the NI Audit Office, BSO and Deloitte were incredibly helpful in accommodating additional fact</li> </ul>	

	finding and discussion to assist members in their understanding of deferred income.	
4.5	Stephen Knox, NI Audit Officer, advised members that a continuity of auditors across 2020-21 and 2021-22 may have identified issues earlier, however both PwC and Deloitte did refer to the change in methodology of deferred income as an accounting estimate. Furthermore, the NI Audit Office has found no evidence of manipulation of the accounts and the impact of unadjusted errors are not material.	
4.6	Emma Thompson, Assistant Director of Finance BSO, informed members that the report covers a very thorough evaluation of the treatment of accounts across 2020-21 and 2021-22. She advised that BSO will gladly implement their part in all recommendations made by Lesley Mitchell.	
4.7	The Director of Registration and Corporate Services advised that the report accurately captures the challenging year and the impacts of Covid on the management of fee income. He concurred with colleagues that the Social Care Council had worked to the best of their ability to manage finances and maintain a breakeven throughout the pandemic but there are certainly lessons to learn that will strengthen the robustness of accounts preparation for the future.	
4.8	The Chair advised, and members agreed, that the Audit Committee will endorse the three recommendations outlined by Lesley Mitchell in the Report on Annual Accounts Deferred Income.	
4.9	Members thanked Lesley Mitchell for conducting a thorough and informative report and taking the time to walk the committee through each element with great detail.	
<b>Closing Formalities</b>		
<b>5.</b>	<b>Any Other Business</b>	
5.1	No other business	
<b>6.</b>	<b>Date of Next Meeting</b>	
6.1	<ul style="list-style-type: none"> <li>Wednesday 10<sup>th</sup> May 2023 at 10:30am</li> </ul>	