

SOUTH EASTERN HEALTH & SOCIAL CARE TRUST

Minutes of a meeting of the Audit Committee held on Thursday 12 October 2017 at 12.00 noon in the Boardroom, Trust Headquarters, Ulster Hospital

PRESENT: Mr N Brady, Non-Executive Director (Chairman)
Dr M Briscoe, Non-Executive Director
Mrs H Minford, Non-Executive Director
Mrs J O'Hagan, Non-Executive Director

IN ATTENDANCE: Mr N Guckian, Director of Finance & Estates
Miss I Low, Board Secretary & Assistant Director, Risk
Management & Governance
Mr Brian Grimley, Assistant Director, Financial Services (Acting)
Mrs C McKeown, Head of Internal Audit, BSO
Mr S Knox, Audit Manager, Northern Ireland Audit Office
Ms M Maginnis, Director, Grant Thornton

APOLOGIES: None

ABSENT: None

CHAIRMAN'S BUSINESS

Mr Brady advised members that Ms Coulter Director of Planning, Performance & Informatics and Mr Stewart, Assistant Director, Technology & Telecommunications had attended the briefing session just prior to today's meeting to present on the subject of Cyber Security and Business Continuity. It was noted that an Internal Audit in relation to Cyber Security was included in the current Internal Audit Plan 2017/18 and will commence in October 2017. The outcome of this work will be reported at a future meeting. Mr Brady then invited ideas/topics for future presentations from members.

Mr Brady reported that Mr Richard Ross was no longer responsible for the Trust's audit arrangements within the NIAO. His replacement is Mr Stephen Knox who was attending today's meeting. Mr Brady welcomed Mr Knox and also recorded his thanks and appreciation to his predecessor, Mr Ross.

Mr Brady also welcomed Mr Brian Grimley (who had replaced Mr Mark Schubert) in his new role as Acting Assistant Director, Financial Services to the meeting.

1.0 DECLARATION OF POTENTIAL CONFLICT OF INTERESTS WITH ANY BUSINESS ITEMS ON THE AGENDA

Mr Brady invited members to declare any items of potential conflict of interest with business items on the agenda. None were received and the business of the meeting proceeded.

ACTION

2.0 MINUTES OF THE PREVIOUS MEETINGS HELD ON 4 MAY 2017 AND 2 JUNE 2017

The minutes of the meeting held on 4 May 2017 were circulated for reference purposes.

The minutes of the meeting held on 2 June 2017, having been previously circulated, were taken as read and agreed as a true and accurate record subject to the following amendment:-

Page 5, first paragraph - remove the words "... *but would be formally discussed at the Audit Committee meeting to be held on 12 October 2017*".

3.0 MATTERS ARISING FROM THE MINUTES

Meeting held on 4 May 2017

For action /discussion

There were no items for this section

For information/noting

3.1 Confirmation of amendment to Declaration of Interests Register

Members noted that the master register of Declaration of Interests was updated following the Audit Committee held on 4/5/17 to take account of the new interest noted by Mr Brady.

3.2 Governance Statement – query regarding the submission date of business case for Mental Health Inpatient Capital Business Case

Members were advised that the revised business case was approved by EMT in early June 2017 (and by the Finance Committee at its meeting on 30 June 2017) and submitted to the Department of Health (DOH) shortly thereafter. No indication has been given as to when a response may be received.

3.3 Annual Report & Accounts 2016/17 – Thanks to staff

Members noted that Mr Schubert had sent an email dated 5 May 2017 to all relevant staff thanking them for all their hard work in the production of the Annual Report & Accounts. A separate email was also sent to the Communications Team on the same date.

3.4 Revisions to Committee's TOR and POW

Members were advised that the above documents were submitted to the Trust Board, for endorsement at its meeting on the 31 May 2017.

3.5 Report on Effectiveness of the Committee

Members were advised that the above documents were submitted to the Trust Board, for endorsement at its meeting on the 31 May 2017.

3.6 Annual Report of the Audit Committee

Members noted that the above document was submitted to the Trust Board, for endorsement at its meeting on the 2 June 2017.

3.7 Format for the report on Incidents of Theft/Fraud and Whistleblowing and NFI Matches

Members were advised that the format changes to the above report requested at the meeting held on 4 May 2017 were incorporated into the report submitted to members for the meeting to be held on 12 October 2017.

Meeting held on 2 June 2017

For action /discussion

There were no items for this section.

For information/noting

3.8 Draft Annual Report & Accounts 2016/17 and Letter of Representation (including Governance Statement)

Members noted that the above documents were presented to, and approved by the Trust Board at its meeting on the 2 June 2017.

3.9 Draft Charitable Funds Accounts 2016/17

Members were advised that the above documents were presented to, and approved by the Trust Board at its meeting on the 2 June 2017.

3.10 Update on Cyber Space attack on NHS

Members noted that post the meeting held on 2 June 2017, Mr Stewart/Ms Coulter briefed Mr Brady in respect of ongoing work in respect of the above item.

Subsequent to this a briefing paper was submitted to the Confidential Trust Board meeting on 22 June 2017. Mr Stewart /Ms Coulter presented on the subject of Cyber Security at the briefing session prior to the Audit Committee meeting held today - 12 October 2017.

3.11 Draft Report to those Charged with Governance 2016/17

Members were advised that a copy of the final Report to those Charged with Governance was circulated with papers for the Audit Committee meeting held on 12 October 2017, for information.

4.0 NEW BUSINESS ITEMS

For Approval and/or Discussion

4.1 Mid-Year Progress Report on Audit Recommendations – 2017/18

Members received, for consideration, a copy of a report detailing mid-year progress in respect of Audit Recommendations for 2017/18. In presenting the paper, Mr Guckian said that it covered both Internal Audit and External Audit reports and was prepared by the Finance Directorate. Mr Guckian explained the rationale for the production of this paper and then highlighted the key issues contained therein. Mr Guckian said he was content with the steady progress in implementing audit recommendations.

A short discussion ensued and Mr Guckian responded to members' queries and in particular the reason for delays in implementing recommendations. Mr Brady and members welcomed the production of this short report.

4.2 Head of Internal Audit Mid-Year Assurance Statement

Members received, for information, a copy of the Head of Internal Audit's Mid-Year Assurance Statement which was circulated with the paper for the meeting and formed a substantial part of the body of the Trust's Mid-Year Statement (item 4.3 below). It was noted that there no Priority 1 recommendations in this report (based on the new audit definitions) and this was welcomed by members.

In presenting the report, Mrs McKeown explained the rationale for the production of this document and said that Accounting Officers use it to attest to the continued robustness of their organisations system of internal control. She then highlighted the key sections of the report as detailed below and addressed queries raised by members during the ensuing discussion.

- Internal Audit assignments completed and reported on by mid-year;
- Shared Services Audits; and
- Follow up on previous accepted Internal Audit Recommendations.

A breakdown of the status of the implementation of the recommendations was included at Appendix A of the report.

4.3 Draft Mid-Year Assurance Statement

Members received, for consideration, a draft copy of the Mid-Year Assurance statement which had been circulated with the papers for the meeting. A further amended copy was tabled at the meeting and, for ease of reference, Mr Guckian highlighted the additional /reworded sections in this version:-

- Internal Control Divergences - Mental Health Services;
- Internal Control Divergences - Prison Healthcare
- Internal Control Divergences - Capital Priorities (ref Mental Health Services)
- Internal Control Divergences - Financial Breakeven requirement – additional paragraph added.
- New Internal Control Divergences – paragraph in respect to Cardiology added

A general discussion ensued on the tabled document and Mr Guckian responded to members' queries in relation to the following areas - mental health services, ring fencing of certain finances, procurement issues and the reason for not including the new GDPR regulation in this statement.

Mr Brady also gave his views on procurement issues which he said was extremely important. With regard to this issue, it was agreed that it this would be useful as an Audit Committee briefing session however on balance it was agreed it would be useful for all NEDs and Miss Low was asked to include as a topic for a future Trust Board workshop.

IL

In response to Dr Briscoe queries, Mr Guckian clarified what was meant by 'internal control divergences' and the rationale for inclusion of Urology in the document. Reference was also made to the issues with GP OOHs and Paeds service. It was agreed that the latter two issues did not require to be added to the draft document however, Mr Guckian would raise members' concerns with the relevant Director/s.

NG

Following discussion, members approved the content of the mid-year assurance statement for onward transmission to the DoH on Friday 13 October 2017. Noted that the final document had already been approved by the Executive Management Team.

Finally, Dr Briscoe raised the issue of the cessation of the Controls Assurance Programme and requested this item is listed for discussion at a future meeting of the Governance Assurance Committee.

IL

4.4 Draft NIAO Self-Assessment Checklist for Audit Committees

Members received, for consideration and approval, a copy of the draft NAO Audit Committee Self-Assessment checklist which had been circulated in advance of the meeting. In presenting the paper, Miss Low advised that the draft document had been completed by herself with input from Mr Grimley and Internal Audit, as required. She then highlighted the key changes in the draft document as outlined in page 8 of the document.

Following discussion, members approved the draft self-assessment checklist subject to the addition of information in respect of Ms O'Hagan and Mrs Minford at note 21, page 17. In respect of a query raised, Miss Low confirmed that the checklist was the same as the previous year and no new version had been issued by the DOH.

4.5 Revised Schedule of Dates for Audit Committee meetings – 2018

Members received, for information, a copy of the schedule of dates for Audit Committee meetings to be held in 2018. In presenting the paper, Miss Low said that she had amended the format of the paper so that the document now shows all associated meetings of the Committee such as Closed Meetings and other meetings that the Chairman has either pre or after Audit Committee meetings.

Mr Brady asked members to update their diaries/schedules accordingly.

ALL

For Information/Noting

4.6 Circular DCO (DoF 1-17) – Timetables for the Whole of Government Accounts dated 31 May 2017

Members received, for information, a copy of Circular DCO (DoD 1-17) which had been circulated with the papers for the meeting, for information. The circular sets out the timetables

for the Whole of Government Accounts for the 2016/17 financial year.

4.7 BSO Final Assurance Letter as at 30/6/17

Members received, for information, letter dated 30 June 2017 from Mr McIvor, Chief Executive, Business Services Organisation together with final version of the Governance Statement which had been circulated with the papers for the meeting. Mr Brady reminded members that they had already seen previous draft versions of the statement which were discussed at previous meetings.

4.8 Media Release – Management of Transforming Your Care – April 2017

Member received, for information, a copy of the media release and NIAO document in relation to the Management of Transforming Your Care, April 2017 which had been circulated with the papers for the meeting.

4.9 Media Release – NIAO Access to Finance for SMEs in Northern Ireland – September 2017

Member received, for information, a copy of the media release and NIAO document in relation to the Access to Finance for SMRs in Northern Ireland, September 2017 which had been circulated with the papers for the meeting.

5.0 REPORT FROM INTERNAL AUDITORS

5.1 Progress Report to Audit Committee dated 12 October 2017

Members received, for consideration, the Progress Report to Audit Committee dated 12 October 2017 which had been circulated with the papers for the meeting. In presenting the report, Mrs McKeown explained the format of the new report and highlighted pages 1 to 4 of the report which detailed the key information contained in the report, ie:-

- Key Performance Indicators,
- Definition of Levels of Assurance and Prioritisation of Findings and Recommendations; and
- Audit assignment, current status, date of consideration by the Audit Committee and overall level of assurance.

In terms of the KPIs, Mrs McKeown stated she was satisfied with the performance to date but recognised that it fell below the 75% that Mr Brady had requested at a previous meeting

Two regional reports had attributed to the lower performance level. In response, Mr Brady said he was happy that improvement had been made and hoped a better position would be shown at 31 March 2018.

Reference was made at this juncture to the issue with the Claims Management audit in terms of days to complete the management responses and in this regard Mrs McKeown undertook to review the matter. She advised that, as regional coordination was required to finalise regional reports, such reports are expected to be amongst the 25% that take longer than the target 5 weeks to finalise.

CMcK

5.1.1 Cash Management - Satisfactory Assurance

Mrs McKeown presented this report and a short discussion ensued. A Satisfactory level of assurance was noted. There were no issues of concern raised.

5.1.2 Procurement and Catering Management 2017/18 – Satisfactory Assurance (Procurement and Contract Management and Cash Management) and Limited Assurance (Stock Management)

Mrs McKeown presented the findings of the above report which had Satisfactory Assurance (Procurement and Contract Management and Cash Management) and Limited Assurance (Stock Management). A detailed discussion took place and Mr Guckian explained the issues from a management perspective particularly with reference to the lack of use of the Saffron system. Dr Briscoe raised issues with the petty cash finding and Mr Guckian duly responded to her queries.

In response to Mr Knox, Mr Guckian said that there was not enough benchmarking to determine if there was any profitability. He then cited other examples in the Trust such as the Downe Hospital Coffee shop issue. It was agreed that Mr Guckian would follow up this issue further with Mr Thompson and then determine further action, if necessary, regarding the issue of profitability.

NG

5.1.3 Management of Client Monies – 3 out of 5 Independent homes visited = Satisfactory assurance; 2 out of 5 Independent homes visited = Limited assurance

Mrs McKeown presented the findings of the above audit report. 3 out of 5 Independent homes visited = Satisfactory assurance; 2 out of 5 Independent homes visited = Limited assurance.

A detailed discussion took place on this report. Mr Guckian provided an overview of the context of this work and the controls currently in place and the previous work undertaken to assist independent homes in complying with audits such as these. He then outlined the further action planned to assist homes in making improvements as a result of this audit which included items such as:-

- Write to homes and share findings;
- Draw up an action plan;
- SET Finance staff to visit – to demonstrate what is being done;
- For areas of non-compliance – eg, highlight to RQIA, stop payments

He reassured members that Finance staff do not do this in isolation. Mr Guckian said that the questionnaire completed by independent homes is also completed by the statutory homes. In response to Mr Knox's query, Mrs McKeown explained her rationale for the homes chosen for the audit. Mr Guckian cited the previous case of Stewart Memorial and the actions taken post audit to assist this home but unfortunately this did not stop its eventual closure.

5.1.4 Claims Management – Satisfactory Assurance

Mrs McKeown presented this report and a short discussion ensued. A Satisfactory level of assurance was noted. There were no issues of concern raised.

Finally, Mrs McKeown said that following the outcome of the Grenfell incident, Internal Audit had been asked by the DoH to include Fire Safety as an audit within the 2017/18 plan. In order to accommodate this work, it is proposed to postpone the Risk Management and Recruitment Audits for 2017/18 and replace with the Fire Safety Audit. She sought members' approval to this change in the Internal Audit Plan 2017/18 and this was duly agreed. Mrs McKeown will update the plan accordingly.

CMcK

5.2 Update on Internal Audit Recommendations (follow up)

Members received, for information, a copy of the Mid-Year Follow Up report on Outstanding Recommendations 2017/18, which had been circulated with the papers for the meeting.

In presenting the paper, Mrs McKeown highlighted the key changes in the format of the report from last year due to the implementation of the new definitions of assurance and audit recommendation priorities. As part of this, Internal Audit

reviewed and reprioritised, where applicable, the outstanding recommendations as part of this September follow up exercise.

In summary, 276 (85%) of the 324 recommendations examined were fully implemented, a further 48 (15%) were partially implemented and none were not yet implemented at the time of the review. Of the 324 total recommendations within the report, 2 Priority 1 and 1 Priority 2 recommendations (1%) are dependent on another HSC organisation to allow full implementation. All three recommendations were partially implemented.

Two summary tables were provided in the report – 1 showing the status of the recommendations under the priority definitions that existed prior to April 2017 and a second table which shows the status of recommendations under the new audit recommendation definitions which have been introduced since April 2017 as a result of Circular HSC (F) 47-2016. Internal Audit identified 91 recommendations outstanding at 31 March 2017, 17 have now been reprioritised under the new audit recommendations (6 from Priority 1 to Priority 2 and 11 from Priority 2 to Priority 3).

A discussion took place on this report. Mrs O'Hagan questioned the percentage implemented in the absence management report and also other reports where the percentage implemented was low or had been outstanding for some time. Mr Guckian undertook to bring this matter to the attention of relevant Directors and seek their assist in implementing any outstanding recommendations.

NG

5.3 BSO Shared Services Summary Report

Members received, for information, a copy of the BSO Shared Services Summary Report which was circulated with the papers for the meeting. It was noted that the recommendations in these reports are the responsibility of the BSO Management to take forward and will be addressed as part of the BSO Governance & Audit Committee in October 2017. Given that the Trust is a customer of BSO, the final reports are shared with Mr Guckian. In presenting the report, Mrs McKeown highlighted the key items contained therein.

A short discussion ensued. Mrs McKeown said that she could see progress in the Payroll Audit. In response, Mr Guckian said that a project had been set up by BSO which included a Customer Assurance Forum and 3 other work streams. He was hopeful that this work would improve the

service and noted that he had been asked to co-chair the Project Board.

Mr Brady said that he was uncomfortable with this report. However, he did appreciate the efforts by BSO to rectify the situation.

With regard to overpayments, Mr Guckian clarified the current position and measures to sort this issue out. He also addressed Mrs Minford's question in relation to the system problems.

5.4 Internal Audit Mid-Year Assurance Statement

This item was discussed at item 4.2 above.

5.5 General Annual Report

Members received, for information, a copy of the Internal Audit General Report 2017/18 which had been circulated with the papers for the meeting. In presenting the report, Mrs McKeown said that it had been provided to assist in sharing learning across the HSC and NIFRS. The report covers the period 1 April 2016 to 31 March 2017. This Trust is organisation 4 within the report. There is an error in page 6 – the narrative is incorrect and should read 69%.

Mrs McKeown presented the key findings in the report and responded to members' queries.

6.0 REPORT FROM THE EXTERNAL AUDITORS

6.1 Final Report to those Charged with Governance

Members received, for information, a copy of the final version of the RTTCWG issued to Mr McCaughey under cover of a letter dated 6 July 2017 from Mr Wilkinson, Director, Northern Ireland Audit Office.

Members noted that the draft report had been discussed in detail at the Audit Committee meeting held on 2 June 2017 and there were no substantial changes made to the report thereafter.

7.0 REPORT ON INCIDENTS OF THEFT/FRAUD AND WHISTLE-BLOWING AND NFI MATCHES

Members received, for information, a copy of the Fraud Update Paper as at October 2017, which had been circulated with the papers for the meeting. Table 1 detailed the current position in respect of four new cases reported since the last meeting; Table 2 provided a progress update on cases previously reported to the Audit Committee together with current status.

A short discussion took place in respect of item 2 (ID1855). In response to Mrs O'Hagan's query, Mr Guckian confirmed the Trust is in discussion with CFPS in relation to this case and would take advice from HR in relation to proceeding with actions when a member of staff is on sick leave. A further update on this case will be listed in the report for the next meeting.

BG

Finally, section 3 of the report provided an update on the National Fraud Initiative and highlighted some issues with Payments to Private Residential Homes. The outcome of investigation of these matches has determined no fraud but has identified the need to escalate action on 'non-returned remittances' to avoid risk of errors in the future. Mr Knox also made reference to this issue. In response to Dr Briscoe's query, Miss Low clarified the position on Duty of Candour arrangements in Northern Ireland.

8.0 REQUEST FOR A CLOSED MEETING

As per the agreed schedule, a Closed meeting of the Audit Committee was held without any officers present. A separate note of this meeting is recorded.

9.0 ANY OTHER BUSINESS

There were no items raised for discussion under this section.

10.0 DATE AND VENUE OF NEXT MEETING

It was agreed that the next meeting should be held on **Thursday 7 December 2017 at 12 noon in the Board Room, Trust Headquarters, Ulster Hospital.**

IL

A short training session will commence at 11.30 in the Board Room – all members are welcome to attend.