

SOUTH EASTERN HEALTH & SOCIAL CARE TRUST

Minutes of a meeting of the Audit Committee held on Friday 2 June 2017 at 1.15 pm 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 M Schubert, Assistant Director, Financial Services (Acting)
Mr H McCaughey, Chief Executive
Mrs C McKeown, Head of Internal Audit, BSO
Mr P Jameson, IT Audit Manager, BSO
Mr R Ross, Audit Manager, Northern Ireland Audit Office
Mr N Taylor, Partner, Grant Thornton
Ms M Maginnis, Director, Grant Thornton

APOLOGIES: None received

ABSENT: None

CHAIRMAN'S BUSINESS

At the outset, Mr Brady welcomed everyone to the meeting and, in particular, Mr McCaughey, Chief Executive, to his annual attendance at the Audit Committee 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.

2.0 MINUTES OF THE PREVIOUS MEETING HELD ON 4 MAY 2017

The minutes of the previous meeting held on 4 May 2017, having been previously circulated, were taken as read and agreed as a true and accurate record subject to the following amendment:-

"OUTH" should read "SOUTH"

ACTION

3.0 MATTERS ARISING FROM THE MINUTES

An update on the matters arising will be deferred to the next meeting.

4.0 NEW BUSINESS ITEMS

For Approval and/or Discussion

4.1 Presentation of the draft Annual Report and Accounts [including the Governance Statement and the Letter of Representation]

Members received, for consideration and approval, the final version of the Annual Report and Accounts (including the Governance Statement) and the Letter of Representation which had been circulated with the papers for the meeting. Members noted that detailed discussion on previous drafts had taken place at the meeting held on 4 May 2017 therefore only new or exception issues would be discussed at today's meeting.

In presenting the papers, Mr Guckian tabled a copy of the revised pages 54 and 55 of the Governance Statement which had been amended following analysis of the draft previously submitted to the DOH in May 2017. Mr Guckian confirmed that all changes suggested at the last meeting including the issue regarding Domiciliary Care had been included in the final draft.

The key changes were discussed as follows:-

- DPA Undertaking – paragraph added to the document on the basis this issue was included in the Mid-Year assurance statement;
- RQIA Acute Hospital Inspection of the Ulster Hospital – paragraph added to the document on the basis this issue was included in the Mid-Year Assurance Statement;
- Leases – this was a new item requested by the DOH. Mr Guckian outlined, in detail, the background to this issue and stated that, in his opinion, this was not a material issue for the accounts (£50k) and the view of the Trust, contrary to DoF views, was that no irregularity had occurred.

A lengthy discussion took place on this item and Mr Guckian responded to Mr Brady's and members' queries in respect of this matter and, in particular, the break clause item.

Following discussion, the working of this paragraph was debated and revised taking account of the views of members, as follows:-

- First sentence – insert potentially irregular (as opposed to irregular);
- Insert amount of £50k at appropriate section;
- Paragraph 4 – reword to include reference to ... if the Trust had wished to break the lease;
- Paragraph 6 – remove “is clear” and replace with ... is strongly of the view.

Mr Guckian notated all proposed changes on the hard copy document and agreed to amend the document accordingly prior to approval at the Confidential Trust Board meeting later today. In response to Mr Brady’s query, Mr Guckian confirmed that the Cyber attack issue was not included as this occurred post the 31 March 2017 reporting period.

NG

With regard to the Annual Report, Mr Guckian confirmed that any changes received post the last meeting had been included in the final version. He also highlighted a new section added to all HSC Trust Annual Reports by the DOH on page 28 entitled, Going Concern. Members were also satisfied with this additional paragraph. In response to Dr Briscoe’s query in respect of the Medical Education section, Mr Schubert confirmed that the required changes had already been made and were in the hard copy document he had with him at the meeting.

Dr Briscoe also referred to the statistics for attendance at Trust Board meetings and noted the percentage compliance for the Governance Assurance Committee which could be viewed as an outlier. Mr Guckian and Mr McCaughey duly responded to Dr Briscoe’s query and it was noted that this issue had also been addressed in the Report of the Committee’s effectiveness 2016/17.

Finally, Mr Guckian presented the final changes to the Annual Accounts and reported on these by exception:-

- Amendment to the Medical Devices score – 60% to 64%;
- Page 45 – Counter Fraud & Probity Service;
- Page 47 – Social Care Procurement issues;
- Additional paragraph re Going concern;
- New control divergences;
- Sickness rates clarified; and
- New discount rates for NI included (as per DOH)

He also confirmed that there were no material changes to the accounts in terms of provisions based on the figures provided by Directorate of Legal Services.

Following discussion, Mr Guckian confirmed that he had no hesitation in recommending the Annual Report & Accounts (including the Governance Statement and Letter of Representation) to the Accounting Officer for signing at the Confidential Trust Board meeting later today.

Before seeking formal approval to the draft Annual Report and Accounts 2016/17, Mr Brady then invited Mr Taylor to present the draft Report to those Charged with Governance (as detailed at section 6.0 below). Miss Low undertook to reorder the agenda accordingly for the 2018 meeting.

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4.2 Draft Annual Report of the Audit Committee – 2016/17

Members received, for consideration and approval, a copy of the Annual Report of the Audit Committee for 2016/17 which had been previously circulated to members for comment/amendments at the meeting held on 4 May 2017. A short discussion ensued and members approved the content of the final report for submission to the Trust Board at its meeting later today.

For Information/Noting

4.3 Draft Charitable Funds Accounts and Letter of Representation

Members received, for consideration and approval, a copy of the draft Charitable Funds Accounts and Letter of Representation which had been circulated with the papers for the meeting.

Mr Guckian said that members of the Charitable Funds Committee had received the above papers at the Charitable Fund meeting earlier today. Members had recommended approval of these Accounts and Letter of Representation and these will be presented, for approval, at the Confidential Trust Board meeting later today.

4.4 Update on Cyber Space attack on NHS

Members received, for information, a copy of a Consultancy Report on HSCNI Cyber Security undertaken by Internal Audit which had been circulated with the papers for the meeting.

In presenting the paper, Mr Guckian said that it was tabled today for information only but would be formally discussed at the Audit Committee meeting to be held on 12 October 2017.

Mr Guckian then tabled a paper at the meeting received from Mr McIvor, Chief Executive, BSO, regarding the recent global Cyber Attack on 12 May 2017 based on the Wannacrypt Ransomware Malware. The paper outlined the context for the attack, actions taken by the HSC and immediate next steps.

Mr Brady said that he was concerned at the outcome of the information in the Consultancy Report and he was confused by some of the commentary in the report. He was also concerned about the Trust's network and how BSO could stop our systems being affected if they were subject to Cyber Attack. He considered that the answers specifically around the firewall were quite worrying.

In response, Mrs McKeown said that this was a Consultancy report (as opposed to an assurance report) that was undertaken on a regional basis to help HSC Trusts establish best practice and, hopefully address issues on a regional basis going forward. A general discussion then ensued and Mr Guckian responded to members' queries with regard to governance issues and recent discussions at EMT level and Trust Board as presented by Mr Stewart, Assistant Director, Technology and Telecommunications.

Following discussion the following action was agreed:-

- Miss Low to arrange for Mr Stewart to contact Mr Brady directly within the next week to discuss this matter further; and
- Miss Low to ask Ms Coulter/Mr Stewart to arrange for a briefing paper on this issue to be presented to the next Confidential Trust Board meeting on 22/6/17.

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IL

5.0 REPORT FROM INTERNAL AUDITORS

There was no business under this section

6.0 REPORT FROM THE EXTERNAL AUDITORS

6.1 Draft Report to those Charged with Governance

Members received, for information, a copy of the draft RTTCWG for 2016/17 which had been previously circulated with the papers for the meeting. In presenting the draft report, Mr Taylor summarised the key matters arising from Grant Thornton's audit of the 2016/17 financial statements for the benefit of those charged with governance.

It was anticipated recommending to the Comptroller & Auditor General that he certifies the 2016/17 financial statements with unqualified audit opinion, without modification. No report on the accounts was required.

The main area within the Public Funds financial statements where audit judgments have been applied was provisions. In order to determine the value of provisions for clinical negligence, employer liability, public liability and injury benefit, probability rates and forecast settlement accounts were obtained from the Directorate of Legal Services.

The cases were tested to ensure accuracy of the calculations. There were no areas of audit judgement applied within the Charitable Trust Fund financial statements. From review of the Trust's accounts, Grant Thornton was content that the quality, effectiveness and transparency of financial reporting and accounting were of a good standard.

Mr Taylor confirmed that the Governance Statement and Annual Report and Accounts were consistent with the accounts. In the course of the audit, no misstatements were identified which have been adjusted in the financial statements. Members were advised that there were 0 Priority 1 findings, 4 Priority 2 findings and 3 Priority 3 findings (2 P3 findings in the Charitable Funds accounts).

Mr Taylor then outlined the salient points from the key sections of the report as listed below:-

- Section 1 – Audit Risks;
- Section 2 – Audit Findings;
 - o Disclosure of accruals;
 - o Financial assessments;
 - o Payroll accrual;
 - o Prompt payment;
 - o Stock management;
 - o Fixed Assets; and
 - o Employee Contracts
- Section 3 – Identified misstatements;
- Section 4 – Other matters of Governance interest.

With regard to the identified misstatements, it was noted that the sum was circa £3m but this was not material. Mr Ross then explained the issues regarding accrual for statutory maternity leave which had been included in all HSC Trusts' accounts. Legal advice had been sought in respect of this matter and the accrual remains.

Following discussion, Mr Brady then sought, and received, approval to recommend the draft Annual Report and Accounts for 2016/17 (including the Governance Statement) together with the Letter of Representation to be signed by Mr McCaughey (as Accounting Officer) at the Trust Board meeting later today at 3.00 pm subject to inclusion of any revisions as agreed at this meeting.

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Mr Brady, on behalf, of members, then thanked Mr Taylor for a comprehensive presentation of the draft Report to those Charged with Governance. He also thanked Mr Guckian and Mr Schubert (and finance team/s) and Grant Thornton (and respective staff) for all their hard work in completing the audit report despite the challenging DOH audit timetable. He also commended Internal Audit for all their work during the year.

7.0 REQUEST FOR A CLOSED MEETING

Mr Brady invited members to declare any requests for a closed meeting. None were received and the business of the meeting proceeded.

8.0 ANY OTHER BUSINESS

8.1 Farewell to Mr Schubert

Mr Guckian advised members that Mr Schubert would be taking a career break for a one year period commencing at the end of August 2017. He thanked Mr Schubert for his leadership in the successful completion of the annual report and accounts for 2016/17 and wished him well for the future. Members also wished Mr Schubert well for the future.

9.0 DATE AND VENUE OF NEXT MEETING

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

IL