

SOUTH EASTERN HEALTH & SOCIAL CARE TRUST

Minutes of a meeting of the Audit Committee held on Wednesday 5 June 2019 at 10.30am in the Board Room, 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 P Morgan, Interim Director of Finance & Estates
Mrs A Henderson, Assistant Director, Financial Accounting & Financial Services
Mrs C McKeown, Head of Internal Audit, BSO
Mr D Lynn, Director, Northern Ireland Audit Office
Mr J McCallion, Manager, PricewaterhouseCoopers (PwC)
Ms L Paterson, Partner, PricewaterhouseCoopers (PwC)
Miss C Hughes, Personal Assistant
- APOLOGIES:** Miss I Low, Board Secretary & Assistant Director, Risk Management & Governance

ACTION

CHAIRMAN'S BUSINESS

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 9 MAY 2019

Mr Brady advised that the minutes of the previous meeting would be deferred to the meeting scheduled for 3 October 2019.

3.0 NEW BUSINESS ITEMS

For Approval and/or Discussion

3.1 Presentation of the draft Annual Report and Accounts 2018/19 [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 also received a paper table by Mr Morgan at the meeting entitled “Summary of Changes to Annual Report and Accounts”. As requested by Mr Brady, this paper will be uploaded to Board Papers on iPads following the meeting.

Mr Morgan then presented the Accounts which had been discussed in detail at the meeting held on 9 May 2019 and had been subject to rigorous audit by PwC Auditors and NIAO. He took this opportunity to thank Mrs Henderson, the Finance Team and PwC Auditors for the speedy conclusion to a smooth audit.

As previously noted, the Trust has a small surplus of £88k (£54k core expenditure and £34k relating to Confidential & Supply funding) from a total budget of £703m. There is a small capital surplus (£12k) and net assets of £548m. In respect of Patients & Residents funds, Mr Morgan confirmed that £4.2m is held on behalf of clients. As the Annual Accounts are now consolidated, they also incorporate the SEHSCT Charitable Trust Funds. He noted that the Annual Report and Accounts 2018/19 are presented for approval today on the basis that some minor amendments may be made prior to final submission. No material changes will be made without members being advised.

During review of the changes to the Annual Report and Accounts, Mr Morgan noted that many of the amendments were simply the inclusion of the word “audited” for areas where this work has been completed. He highlighted the following amendments:-

- The Governance Statement had been submitted to DoH and has now been updated to include minor amendments as requested, eg in relation to governance divergences, the inclusion of timeframes for actions and an additional section in respect of cyber security. The section on Financial Breakeven now also includes the formal wording requested by DoH in respect of the NI budget.
- Statement of Accounting Officers Responsibilities section has been updated to include paragraphs as requested by NIAO/FReM requirements.
- The Directors Report has been updated to include the final outturn of Sickness Absence information for the financial year.
- Within the Remuneration and staff report, minor amendments have been made to the Table of Executive Directors Remuneration and Pension Benefits relating to pay ranges and a number of minor clarification notes

have been added to the report, such as the median remuneration calculation, employees (Medical Consultants) who received remuneration in excess of the highest paid Director with their remuneration ranging from £202k to £343k. This is a DoH required disclosure. Highest paid Director and prior year information in respect of Retirements Due to Ill Health.

- In respect of the Annual Consolidated Accounts, Mr Morgan noted that there were some minor changes/ additional narrative required by DoH but these have not affected the overall total. Note 5.1 was amended to reflect the disposal of a MRI Scanner – nil effect to the overall position. Note 9 has been updated to reflect the transfer of assets for sale to fixed assets.

In response to a query, Mrs Henderson confirmed the following abbreviations:-

- FREM Financial Reporting Manual (DoH)
- IFRS International Financial Reporting Standard
- IAS International Accounting Standard

A glossary of these abbreviations would be added to the Summary report prior to uploading to Board papers. During discussion it was noted that the Governance Statement had been updated as requested by DoH and no issues had been raised which were of significant concern.

Mr Brady thanked Mr Morgan for his comprehensive presentation. On behalf of Audit Committee and Non-Executive Directors he thanked PwC auditors; NIAO and Finance staff for their work in producing the Annual Report and Accounts 2018/19. Ms Paterson commented that the review of the Accounts had resulted in relatively minor findings. Mr McCallion noted that this was PwC's first year as the Trust's Auditors and the process had been completed smoothly.

Mr Brady noted that the Letter of Representation had also been circulated with papers for the meeting and was in a prescribed format.

Following discussion, Mr Brady sought, and received Audit Committee approval to, the Annual Report and Accounts 2018/19 and the Letter of Representation. He would present them at the Confidential Trust Board scheduled for later in the day for approval.

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For Information/Noting

3.2 Draft Charitable Funds Accounts and Letter of Representation 2018/19

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

Mrs Minford confirmed that the Charitable Funds Committee had reviewed the papers in detail at their meeting earlier in the day and these had been approved for presentation to the Trust Board later today. She thanked Mr Morgan, Mrs Henderson and the Team for their work in preparing these Accounts.

During discussion it was noted that significant expenditure is expected from Charitable Funds in 2019/20 or beyond due to the McDermott Unit development in association with MacMillan Cancer. Mr Morgan noted that the Common Investment Fund had realised significant gains on investments during 2018/19 - £393k. Mrs Minford also noted that efforts are being made to amalgamate restricted funds and encourage donations to the General Fund.

Mr Brady noted that the Letter of Representation for Charitable Funds had also been circulated with the papers for the meeting and was in a standard prescribed format.

4.0 REPORT FROM INTERNAL AUDITORS

There was no business under this section.

5.0 REPORT FROM THE EXTERNAL AUDITORS

5.1 Draft Report to those Charged with Governance (RTTCWG) – 2018/19

Members received, for information, a copy of the draft RTTCWG for 2018/19 which had been previously circulated with the papers for the meeting. In presenting the report, Ms Paterson highlighted the following key messages:-

- Proposed that the Comptroller and Auditor General (C&AG) certifies the 2018/19 financial statements with an unqualified audit opinion, without modification.
- The net effect of adjustments had no impact on the statement of comprehensive net expenditure and statement of financial position was £nil.

- No priority 1 issues were identified in relation to regularity and the internal control environment.
- Subject to a small number of outstanding matters, the Accounting Officer will sign the Annual Report and Accounts together with a Letter of Representation.
- PwC staff had access to personal data during the audit process and this will be destroyed in line with General Data Protection Regulations (GDPR).

Ms Paterson noted that three risks were identified:-

- Shared Services – Payroll: Whilst there are issues around controls in this area, improvements are progressing and additional testing was carried out in this area to ensure processes are adequate. One control weakness was identified in this area.
- Under ISA 240, there is a presumed significant risk of material misstatement owing to fraud arising from management override controls. Associated testing as part of the audit found no issues in this area.
- Fraud in revenue recognition. Associated testing as part of the audit found no issues in this area.

Ms Paterson also advised that page 8 of the RTTCWG highlighted that, importantly, no issues of irregularity or impropriety were found during the audit. Pages 9 – 12 of the RTTCWG detailed the areas of concern identified and Ms Paterson noted the following Priority 2 issues:-

- Direct Award Contracts (DACs) : Trust to ensure that DACs are actioned in a timely fashion when required.
- Reliance on Third Party Organisations (BSO) : Management to work with BSO to ensure mitigation of risks.
- Revenue from Contracts with Customers : Trust staff should ensure that contracts are in place for all revenue under IFRS 15 (new accounting standard).
- Payroll Accruals : Trust staff should continue to liaise with DoH staff to obtain clarity on classification of accruals.

The following Priority 3 issues were noted:-

- **Approval of Journals:** A review should be undertaken to consider whether the restriction of approval access within teams is feasible and appropriate.

- **Patient Travel:** Checks to be carried out to ensure all appropriate information completed.
- **Sales Cut-off:** Arrangements to be put in place to capture all information although it was recognised that this was not a material point and it is difficult to capture everything in an organisation of this size.
- **Debtors Arising from Overpayments to Staff:** Currently the Trust provide for 10% of debtors arising from overpayment of salaries but this may be difficult to recover and this should be reviewed to be based on a case by case basis. This is not a material issue.
- **Bank Reconciliations:** Ensure that staff are trained to provide cover for sick leave.
- **Patients Funds:** Relevant staff should be reminded of the importance of appropriate approvals on PPP withdrawal forms. Whilst amounts are not significant this is an area of scrutiny and reputation.

In conclusion, Ms Paterson noted Appendix 3 of the RTTCWG and highlighted the Prompt Payment target achievement.

Mr Brady thanked Ms Paterson for her presentation. Discussion took place regarding the RTTCWG during which it was agreed that any areas of potential concern should be raised at Audit Committee in advance of the Annual Accounts process. It was noted that some of these issues are of a regional basis rather than just the Trust.

Mr Lynn explained that the Draft RTTCWG will remain in draft format until the Annual Accounts are submitted however he highlighted the clear audit opinion expressed on page 3 and advised that this will not change. Any minor amendments will be drawn to the Trust's attention. During discussion Mr Lynn commented that a review will be undertaken of all Trust's Accounts in order to ensure consistency and provide comparators.

7.0 **ANY OTHER BUSINESS**

No additional items of business were raised.

8.0 **DATE AND VENUE OF NEXT MEETING**

It was agreed that the next meeting should be held on **Thursday 3 October 2019 at 11.30am in the Board Room, Trust Headquarters, Ulster Hospital.**

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