SOUTH EASTERN HEALTH & SOCIAL CARE TRUST

Minutes of a meeting of the Audit Committee held on Thursday 9 May 2019 at 12.00 noon 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 N Guckian, Interim Chief Executive
Mr P Morgan, Interim Director of Finance & Estates
Miss I Low, Board Secretary & Assistant Director, Risk Management & Governance
Mrs A Henderson, Assistant Director, Financial Accounting & Financial Services
Mrs J McCaw Senior 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
Mr D Henderson, Assistant Director, ICT for item 5.2 only

OBSERVER: Mr D Sagar, Chairman of the Trust Board

APOLOGIES: None

ABSENT: None

ACTION

CHAIRMAN'S BUSINESS

Mr Brady welcomed everyone to the meeting and, in particular, Mr Deep Sagar, Chairman of Trust Board, who was attending today's meeting as part of his induction to understand the work of all the Board Sub Committees. He also welcomed Mr Morgan, in his interim role as Director of Finance & Estates, and Mr Guckian, interim Chief Executive. For the benefit of all he invited everyone to introduce themselves. He also advised members that he had invited Mr Henderson, Assistant Director, ICT to attend the meeting for discussion at item 5.2 (SET ICT Cyber Security).

Mr Brady advised that due to the volume of business on today's agenda there was no pre-briefing session. However there would be a detailed 'walk through' of the annual report and accounts at section 4.4 below. Mr Brady encouraged members to submit suggestions for future briefing sessions to Miss Low. **ALL**

Mr Brady also wished to place on record the committee's thanks and appreciation to Mr Guckian, Mr Morgan and Mrs Henderson and their respective teams for all their hard work over the last few weeks in preparing the draft Governance Statement and the Annual Report and Accounts.

Finally, Mr Brady reminded members that there would be a Closed Meeting of the committee (excluding Trust Officers) at the end of 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.

2.0 MINUTES OF THE PREVIOUS MEETING HELD ON 15 FEBRUARY 2018

The minutes of the meeting held on 20 February 2019, having been previously circulated, were taken as read and agreed as a true and accurate record

3.0 MATTERS ARISING FROM THE MINUTES

For action /discussion

3.1 Update – Below Delegated Limits (BDLs) Capital Projects – Business Cases and Post Project Evaluations (PPEs)

Members received, for consideration, three papers prepared by Mrs Fleming, Assistant Director, Financial Performance & Capital, in respect of the above item which had been circulated with the papers for the meeting. In presenting the papers, Mr Morgan summarised the key points contained therein highlighting the key aspects which addressed the queries raised by Dr Briscoe at the last meeting.

Members noted that capital business cases below £1.5m (£0.25m ICT) are classified as BDLs and are prepared in accordance with DoH guidance by the Trust prior to capital expenditure being incurred. The DoH then requests the Trust's BDL database from which a selection of BDLs are test drilled to ensure Trusts are compliant with DoH guidance. In addition, the DoH test drills the associated BDL PPEs. Members also noted that there were 189 BDLs for 2018/19 with an average value of £30k. BDLs are not formally submitted to the DoH but are subject to a test drilling process which Mr Morgan summarised for members. The results for 2017/18 for BDLs and Post Project Evaluations were of a good standard as per the test drilling results (7 BDLs test drilled and all 7 green which is excellent; green – key elements addressed, well documented); PPEs – 2 PPEs test drilled and both classified as amber (ie, elements addressed by more work required to strengthen the business case, no significant areas of concern).

Overall, DoH described the PPEs selected of satisfactory standard and were proportionate to the level of expenditure on the project. The summary value of BDLs approved in 2018/19 was £19.8m and included estates maintaining service schemes, estates strategic schemes, equipment and ICT. Mr Morgan said that the policies and procedures for BDLs and PPEs are on the intranet and training provided for same on a regular basis. The lessons learnt from the 2017/18 test drill were disseminated to staff via direct feedback. Going forward this information will be included in Finance Focus Group meetings.

A short discussion ensued and Dr Briscoe confirmed that the queries she had raised at the last meeting had been addressed and thanked Mr Morgan for the very comprehensive papers and update.

For information/noting

3.2 Update on Private Practice (query raised during discussion of letter dated 15/10/18 from Deborah McNeilly re HSC Fraud Report)

In response to the query raised by Dr Briscoe at the last meeting with regard to private practice in terms of 'queue jumping' members noted the following reply which had been received from the Director of Hospital Services.

"A policy for paying patients has been developed which includes arrangements for patients transferring from private to NHS. The policy is currently being finalised and will be available for Trust circulation in due course. While a private appointment does cut short the wait for a first appointment, if treatment or a procedure is required there are no exceptions and the patient will join the same queue as everyone else".

3.3 Update on query regarding report on Incidents of Theft/Fraud & Whistleblowing

Members noted that Mrs Henderson will review the format of the update report in line with the queries raised by Mrs O'Hagan at the meeting on 20/2/19 and include in the next report to the Audit Committee in October 2019. **AH**

4.0 NEW BUSINESS ITEMS

For Approval and/or Discussion

4.1 BSO Draft Governance Statement 2018/19

Members received, for information, a copy of a letter dated 30 April 2019 from Mr McIvor, Chief Executive, BSO,

regarding BSO Provisional Assurance for 2018/19 which also included a copy of their draft Governance Statement for the same period. Members noted that the document was in draft form and is subject to amendments until formally approved as part of the annual report and accounts of the organisation in mid-June 2019.

At that point in time, they will issue the final governance statement, as final assurance for the 2018/19 year. Members also noted that the letter assured the Chief Executive that BSO would continue to address any identified weaknesses and pursue continuing improvements to their systems of internal control in 2019/20.

A short discussion ensued and Mr Morgan responded to members' queries. Mr Morgan also confirmed that BSO assurances are reflected in the Trust's Governance Statement and confirmed that nothing in the BSO statement would affect the Trust's respective Governance Statement. In response to Mr Brady's queries regarding sections 8.1 (Table of Internal Audit Reports – Levels of Assurance and 8.1.1 IT Audit – Cyber Security), it was agreed that Mrs Henderson would arrange for a BSO representative to attend the Audit Committee meeting in October 2019 (this had previously been agreed at the February Audit Committee meeting) to address the issue of limited assurances in respect of the Payroll. **AH**

4.2 **Head of Internal Audit Annual Report 2018/19**

Members received, for information, a copy of the Head of Internal Audit's Annual Report for the year ended 31 March 2019 which had been circulated in advance of the meeting. The report covered the following areas:-

- Introduction;
- Independence;
- Summary of work undertaken;
- Quality Assurance;
- Performance Indicators;
- HIA's opinion on the effectiveness of the system of internal control; and
- Year end follow up on Internal Audit recommendations.

In summary, Mrs McCaw said that the overall opinion for the year ended 31 March 2019 was *"that there was a satisfactory system on the adequacy and effectiveness of the organisation's framework of governance, risk management and control. Although, it was important to note that Limited assurance had been provided in a number of areas, most notably in Payments to Staff and Cyber Security".*

The report noted that the Trust had fully implemented 69% of its outstanding audit recommendations at year end. In response, Mr Guckian confirmed that he had recently reminded EMT members of the importance of closing off Internal Audit recommendations in a timely manner. This item was debated further in the meeting at section 5.3 below.

In response to Mrs O'Hagan's queries, Mr Guckian stated that some of the limited assurance reports may take time to complete and cited the payroll issue and cyber security by way of example.

4.3 Draft Governance Statement

Members received, for consideration, a copy of the draft Governance Statement which was submitted to the Department on 25 April 2019. Mr Morgan stated that members would already be aware of the issues contained therein via discussions about the Corporate Risk Register and internal control divergences. A short discussion ensued and Mr Morgan welcomed any suggestions and/or amendments from members via email (to Mr Morgan/Mrs Henderson) on or before 12 noon on Friday 17 May 2019. Further detailed discussion on this item was included at item 4.4 below. **ALL**

4.4 Draft Annual Report & Annual Accounts

Members received, for consideration, a copy of the draft Annual Report and Annual Accounts for the year ended 31 March 2019 which had been circulated with the papers for the meeting. A detailed briefing paper was also provided to members via email and Board Papers to assist members in their understanding of the papers and to provide more detailed explanations, as required.

In presenting the report, Mr Morgan said that as per the DoH Finance Circular (HSC (F) 07-2019), the draft annual report and accounts were submitted to the NIAO and DoH on Tuesday 7 May 2019. The Annual Accounts are now consolidated with the Charitable Fund Accounts. The Trust was also required to submit a separate set of draft Charitable Fund Accounts by the same date. The Trust is now embarking on its External Audit which is being carried out by PricewaterhouseCoopers.

At this juncture, Mr Brady wished to place on record the thanks and appreciation of Committee members to Mr Morgan and, in particular, Mrs Henderson and her team on the production of the accounts and asked that this message be conveyed to the relevant staff. **PM/AH**

Annual Report

With regard to the Annual Report, Mr Morgan advised that the format of the report was similar to previous years and contained the following:-

- Chairman & Chief Executive's Statements;
- Performance Report – contributions from each Directorate;
- Accountability Report – including Non-Executive Directors Report (new), Governance Statement, Directors' Report, Remuneration and Staff Report, Funding Report (new) and Statement of Losses;
- The Annual Accounts – the Financial Statements and Notes to the Accounts.

Dr Briscoe acknowledged the new requirement for a Non-Executive Director report and said she very much appreciated the initial draft provided to NEDs for comment by Mrs Henderson/Miss Low. However, she considered that a process should be put in place for the preparation of future statements including guidance on the content of this statement. In response, Mrs Henderson explained that this was new requirement and very little guidance other than that contained in the guidance circular was available. A short discussion ensued and Mr Brady requested that the process for preparation of future NEDs section for the Accountability Report is discussed further with the Chairman post today's meeting. **IL**

Governance Statement

Members noted that this part of the report forms part of the Accountability Report. A draft version was submitted to the DoH by the due date of 25 April 2019. Some minor changes have been made subsequently and the latest version is contained in the draft Annual Report and Accounts. Members also noted that this statement is mainly in a prescriptive format and Mr Morgan summarised the key areas therein. A short discussion ensued and Mr Morgan addressed the queries raised by Mr Sagar in respect of BSO price increase and the issue of impairments.

Accounting Issues

Mr Morgan reported that there was one significant change in accounting policy for 2018/19 which related to IFRS15 (Revenue from Contracts with Customers) relating to the classification and recognition of income. Under the requirements of the Standard, five criteria require to be met to define income as a contract from a customer. If not met

then revenue streams should be classified as other operating income. From 2013/14 the Accounts are consolidated with the Charitable Fund Accounts, combining income and expenditure and balance sheet items. Certain transactions between public and charitable fund accounts are cancelled to avoid double counting. Consolidation of the Public and Charitable Fund Accounts do not affect the Trusts breakeven performance.

Items requiring Estimates/Judgements

Mr Morgan outlined the main areas of estimates/judgement in the accounts as listed below:-

- Employees Benefit Accrual;
- Entitlement to Statutory Days when on Maternity Leave;
- Agenda for Change;
- Underpayment of allowances on Sick and Annual Leave;
- Underpayment of Allowances (Other);
- Clinical Excellence Awards (lower grade);
- RTA Debtor;
- Car Leasing NIC on P11D;
- Provisions (Note 15 – Directorate of Legal Services);
- Voluntary Redundancy/Retirement; and
- Bad Debt Provision.

A number of queries were raised by members in respect of the above items and Mr Morgan duly responded. With regard to Mrs O'Hagan's specific query in respect of clinical negligence cases, Mr Morgan outlined the work of the Preliminary Advisory Group in terms of case management and identification of trends (via the Litigation Newsletter) and the submission of reports to the Lessons Learnt Sub Committee. Mr Morgan also addressed the queries in respect of agency and locum staff raised by members.

Four Primary Statements

Members noted the four primary statements as listed below and a short summary of each was provided by Mr Morgan:-

- Statement of Comprehensive Net Expenditure;
- Statement of Financial Position;
- Statement of Cash flows; and
- Statement of Taxpayers Equity.

Mr Morgan stated that all main statements are supported by a number of supplementary notes that provide additional information. For clarity, the figures referred to are those in the consolidated columns of the relevant notes.

Statement of Net Expenditure

- Surplus of £88k including £34k relating to Transformation funding and £54k relating to Core services (surplus of £76k in 2017/18);
- Net expenditure increased by £25.4m:
  - S&W increased by c£21m. NB: impact of pay awards (£13m) and additional Transformation expenditure (£8m);
  - Cash non pay expenditure increased by £23m. Includes additional Transformation expenditure £5.5m;
  - Non cash expenditure decreased by £16.5m, primarily due to a movement in provisions.
  - Income increased by £2m.

Members were advised that the net increase in spend is the result of increase in cash and the decrease in non-cash related expenditure.

Statement of Financial Position

Members noted that overall the Trust's balance sheet increased in value by £60m. A table detailing the breakdown was provided in the papers provided to the Committee. The increase in the balance value was attributable to the increase in property, plant and equipment tangible assets and a net decrease in liabilities (creditors and provisions).

Statement of Cash flows

Members noted that this is a primary statement of the Annual Accounts. It carries out an important reconciliation that proves that all relevant items have flowed correctly through the bank account. It reconciles to the movement between the opening and closing bank account.

Taxpayers Equity

Members were advised that this statement replicates the value of the Trust balance sheet and has also increased in value by over £60m.

Key Notes

Members noted that the primary statements are supported by a number of key notes (notes 1 to 24) to the accounts which provide the reader with additional information/ disclosure.

Members also noted that section 2 of the paper provided a summary of the Charitable Trust Funds Annual Report and Accounts.

Mr Morgan confirmed that the draft documents presented today were ready for audit review and the final versions would be submitted to the next Audit Committee on 5 June 2019 for final approval and onward transmission to the Trust Board on the same day. **PM**

Mr Brady thanked Mr Morgan for his very comprehensive summary and presentation of the draft Annual Report and Accounts. It was agreed that any comments/amendments in respect of these documents should also be submitted by 12 noon on Friday 17 May 2019 via email to Mr Morgan/Mrs Henderson. **ALL**

4.5 Draft Charitable Funds Accounts 2018/19

Members received, for information, a copy of the draft Charitable Funds Accounts 2018/19 which had been circulated in advance of the meeting. Mr Morgan advised that these draft accounts will be presented for detailed consideration at the next meeting of the Charitable Funds Committee on 5 June 2019. **PM**

4.6 Revisions to the Committee's Terms of Reference and Programme of Work

Members received, for consideration and approval, copies of the Terms of Reference and Programme of work in tracked changes format. Following a short discussion, both documents were approved and it was agreed that these should be forwarded to the Trust Board for endorsement at its meeting on 29 May 2019. **IL**

4.7 Draft Report on the Effectiveness of the Committee

Members received, for consideration and approval, a copy of the draft report on the Review of the Audit Committee's Terms of Reference, Programme of Work and overall effectiveness as at 31 March 2019.

In presenting the report, Miss Low briefly summarised the content of the report and highlighted the key sections. Following discussion, members approved the draft report subject to inclusion of the key dates and queries highlighted in the report and any further amendments submitted by members via email to Miss Low (by 12 noon on Friday 17 May 2019). It was noted that this report would be submitted to the next Trust Board meeting to be held on 29 May 2019, for information. **IL**

4.8 **Draft Annual Report of the Audit Committee**

Members received, for consideration, a draft report on the work of the Audit Committee for 2018/19 which had been circulated in advance of the meeting. In presenting the report, Miss Low highlighted the key sections including the summary and conclusion sections. She welcomed any further comments/amendments from members by 12 noon on Friday 17 May 2019. **ALL**

A brief discussion ensued and subject to confirmation of dates/draft notes contained in the report and any further comments on the draft, members approved the content of the draft report. It was agreed that Miss Low would amend the report accordingly for submission to the Trust Board at its meeting on 5 June 2019. Mr Brady thanked Mrs Henderson and Miss Low for a short, succinct yet comprehensive report. **IL**

4.9 **Audit & Risk Committee new Self-Assessment Checklist**

Members received, for consideration and approval, a draft copy of the completed new NIAO Self-Assessment Checklist for Audit Committees which had been completed and circulated in advance of the meeting. Members were advised that the first draft had been completed by Mrs Henderson and Miss Low based on last year's submission (with input from Internal Audit) and circulated with the papers for the meeting. There were no further amendments to the draft paper.

A short discussion ensued and members approved the draft document subject to clarification of the date queries contained therein. Miss Low will now convert to a final document. **IL**

For Information/Noting

4.10 **Notes of the Bi-lateral meeting with Internal Audit – 20 February 2019**

Members received, for information, a copy of the note of the Bi-lateral meeting with Mr Brady and Mrs McKeown held on 20 February 2019. There were no areas of concern requiring the attention of members.

4.11 **Notes of the Bi-lateral meeting with External Audit – 20 February 2019**

Members received, for information, a copy of the note of the Bi-lateral meeting with Mr Brady and Mr Knox, Mr Lynn, Mr McCallion and Ms Paterson held on 15 February 2018.

There were no areas of concern requiring the attention of members.

4.12 Circular HSC (F) 09/2019 – Timetable for 2018/19 Annual Accounts

Members received, for information, a copy of Circular HSC (F) 07/2019 which detailed the final timetable for the production and certification of 2018/19 Annual Accounts.

4.13 DOH (Finance Policy Branch) letter date 27/3/19 – Whistleblowing Year-end return 2018/19 Fraud Related cases

Members received, for information, a copy of a letter dated 27 March 2019 from DoH Finance Policy Branch in respect of the above matter. Members noted that Annex A included the SET return for the year ended 31/3/19.

4.14 NIAO Media Release dated 9/4/19 – Locum Doctors

Members received, for information, a copy of the NIAO Media Release dated 9 April 2019 regarding Locum Doctors. There were no issues raised in respect of this report.

5.0 REPORT FROM INTERNAL AUDITORS

5.1 SET IT Cyber Security Report – Limited Assurance (was previously noted as item 5.2 on the agenda and moved to accommodate Mr Henderson's attendance at the meeting)

Mr Brady welcomed Mr Henderson, Assistant Director, ICT who had joined the meeting for discussion in respect of the above item.

Mrs McCaw presented a high level summary of the findings contained in the above report which had limited assurance. In total there were 8 Priority 1 Findings, 20 Priority 2 Findings and 2 Priority 3 findings. Mr Brady said he agreed with the limited assurance for one area but thought it was quite harsh for the second area (also limited). He then invited Mr Henderson to address the report. Mr Henderson said that he agrees with the findings and levels of assurance with the audit report. He views it as an opportunity for improvement and provides a very good work plan for the incoming year in respect of Cyber Security. For the benefit of members, he summarised the current regional situation in respect to Cyber Security and noted that there had been a bit of a delay in the regional business case.

However, this had recently been sorted and was back on track. He emphasised the importance of the Trust working in collaboration with other HSC Trusts and the region to address the recommendations contained in the report. Those that are specifically for SET are currently being actioned. In terms of the business case, the delay did affect the Trust's work plan and this Trust (in common with others) went 'at risk' and is in the process of recruiting the necessary staff. He was pleased to report positive outcomes with the SET's recent recruitment programme.

Mr Brady asked if it would be useful to ask the regional team to attend a future meeting to address this subject. In response, Mr Henderson said that he represents SET on a number of regional meetings and is content with the progress made to date and the agreed way forward. Given this assurance members were content not to invite regional representatives to a future meeting, unless advised further by Mr Henderson. In response to Dr Briscoe's query, Mr Henderson outlined the linkages of the E-Health Programme sub committee to its parent committee – Corporate Control.

With regard to the queries raised by Mrs O'Hagan in respect of the business case and the responsible person/s, Mr Henderson confirmed that Ms McLaughlin based at the HSCB has been appointed and is taking the lead in this work. Members noted that a lot of the issues required a regional approach and were satisfied that Mr Henderson and/or his team were involved in this work. Mr Henderson said that the delay in the business case was primarily due to the scope which was too wide but this had now been sorted and was focussed on the Cyber Security element. Once this is sorted the region will move to the other key issues such as information security.

With regard to a progress report on the recommendations, Mrs McCaw confirmed that this would addressed in the September Internal Audit report. Mr Brady raised his concerns again about the limited assurance for Mobile Home Working and asked that Mrs McKeown should review this assurance level again. In response, Mrs McCaw stated that she would feedback Mr Brady's comments to Mrs McKeown but it was unlikely that the assurance level would be changed bearing in mind the report had been accepted by management. **JMcC**

On reflection, Mr Brady accepted this point and noted that the matter would be reviewed in the September follow up report. Mr Lynn supported Mrs McCaw's position and said the important point was the implementation of the recommendation accepted by management.

5.2 **Progress Report to Audit Committee dated 3 May 2018**

Members received, for consideration, the Progress Report to Audit Committee dated 9 May 2019 which had been circulated with the papers for the meeting. In presenting the report, Mrs McCaw highlighted pages 1 to 4 of the report which detailed Key Performance Indicators, Audit Assignment, current status, date of consideration by the Audit Committee and overall level of assurance.

The following reports were reviewed and discussed during the meeting:-

5.2.1 Payments to staff – Limited Assurance

Mrs McCaw presented a high level summary of the above report including the significant and other key findings of the audit. In response, Mrs Henderson said that the report had been accepted by management and highlighted the responses to three areas, in particular, – authorisation framework, staff in post and the overtime and enhanced payments issue.

In respect of the latter item, Mrs Henderson said that the Trust had commenced a full review of the instances highlighted by Internal Audit and whilst this had not been fully completed she can advise that there appears to be no instances of suspected fraudulent activity at this time. The matter was also reported to Counter Fraud and Probity Services and the Trust is keeping them up to date on the progress on the internal investigation in line with the Trust's Fraud Response Plan. The Trust will take action to recoup any identified instances of overpayments.

5.2.2 Mortality & Morbidity – Limited Assurance

Mrs McCaw presented a high level summary of the findings contained within the above report which had limited assurance and noted the significant findings in the audit, which impacted on the assurance provided. Members noted that SET is organisation 4.

A discussion ensued. Dr Briscoe said that she had concerns about this report and was unhappy with the outcome. She stated that it would have been useful to have the lead Director/Assistant Director in attendance at today's meeting to address the issues contained therein. She wanted a follow up report and also considered that this matter was of such importance that it should be the subject of a Trust Board workshop (as opposed to a briefing session for Audit Committee members). In response, Miss Low gave a short

overview about M & M system and progress to date and reminded members that the recommendations had been accepted by management.

Following discussion, it was agreed that Mr Brady/Miss Low would discuss this matter further post today's meeting with Dr Briscoe and the relevant lead Director and agree a course of action which would be reported at the next Audit Committee meeting on 3 October 2019. **NB/IL**

5.2.3 ***Risk Management – 2018/19 – Satisfactory Assurance***

Mrs McCaw presented a high level summary of the findings contained within the above report which had satisfactory assurance. Members noted that the recommendations contained therein had been accepted by management.

5.2.4 ***Assurance Processes post Controls Assurance Standards 2018/19***

Mrs McCaw presented a high level summary of the findings contained within the above report. Members noted that the conclusion was "… *that the processes adopted by the Trust during 2018/19 were adequate to provide appropriate assurances internally in the Trust and onwards to DoH, in the areas previously covered by the former Controls Assurance Standards".* Members were satisfied with the outcome of this report.

5.3 **<u>Year-End 2017/18 Follow Up Report dated 9 May 2019</u>**

Members received, for information, the year end follow up for 2018/19 and noted the following performance. During February and March 2019, BSO Internal Audit reviewed the implementation of accepted outstanding Priority 1 and 2 Internal Audit recommendations, where the implementation date had now passed. 178 (69%) of the 259 recommendations examined were fully implemented, a further 76 (29%) were partially implemented and 5 (2%) were not yet implemented at the time of the review.

Of the 5 recommendations not implemented, 1 Priority 1 recommendation and 3 Priority 2 recommendations are partially dependant on another HSC organisation to allow full implementation. Of the 76 recommendations partially implemented 7 Priority 1 recommendations and 25 Priority 2 recommendations are partially dependent on another HSC organisation to allow full implementation. A discussion ensued and Mrs Henderson commented on the 69% recommendations implemented. She said that a number of Internal Audit reports were cleared at mid year (September

2018) but these are no longer taken into account in the review of fully implemented recommendations. If this progress had been reflected at year end, SET's percentage of fully implemented would have been 74%.

It was was also noted that the Internal Audit follow up report had a significant number of recommendations dependant on another organisation. Adjusting to remove the impact of these recommendations (dependant on another organisation) would increas the percentage of fully implementated by 11% to 80%. In response, Mrs McCaw advised that the same rules were applied to all organisations when completeing follow up. SET had the lowest follow up at year end.

In response to Mrs O'Hagan's query about the named Lead Director responsible for the implemation of recommendations, Mrs McCaw said that format of Internal Audit reports was about to be revised (following a short pilot in another organisation) and that this information would be included in future reports. Members stated that this would be very helpful for future reports.

5.4 BSO Shared Services – Progress Report

Members received, for information, a copy of the Shared Services Report which had been circulated in advance of the meeting. It was noted that the recommendations in these reports are the responsibility of BSO to take forward. However, given that the Trust is a customer of BSO the outcome of the final reports are shared with the Trust. Three reports were included in the paper – Payroll Service Centre (limited assurance), Accounts Payable and Business Services Team (both satisfactory assurance). A short discussion ensued and Mr Brady referenced discussion on the Payroll Service Centre earlier in today's meeting (see section 4.1) and the subsequent agreed action.

5.5 Draft Internal Audit Strategy & Plan 2017/18 to 2019/20

Members received, for consideration and approval, a copy of the Internal Audit Strategy incorporating the Internal Audit Plan for 2017-2020 (approved by Audit Committee in May 2017 and May 2018). In presenting the paper, Mrs McCaw summarised the key elements of the plan for 2019/20 and noted that one of the audits will include the booking process for private patients and will cover the queries raised at item 3.2 above. Mr Brady reported that he had met with Mrs McKeown on 20 February 2019 in relation to the plan and was satisfied with its content.

Mr Morgan confirmed that Internal Audit had also met with relevant Directors who had also confirmed approval. Following a short discussion members approved the draft Internal Audit Strategy & Plan 2019/20.

5.6 Internal Audit Charter

Members received, for consideration and approval, a copy of the Internal Audit Charter (previous version last approved by Audit Committee in May 2017). In presenting the paper, Mrs McCaw summarised the key highlights from the document and advised that unless significant changes are required, the Charter will be reviewed and presented to the Audit Committee every two years. A short discussion ensued and members duly approved the Internal Audit Charter.

5.7 External Quality Assessment – Internal Audit

Members received, for information, a copy of the above document which had been circulated with the papers for the meeting. In presenting the paper, Mrs McCaw thanked Mr Brady and Miss Low for their input to the assessment. Internal Audit is very pleased with the positive outcome of the report and will address the conformance recommendations contained therein. Mr Lynn congratulated Mrs McCaw on an excellent report. Members also concurred with Mr Lynn. Mr Brady asked that the comments from today's meeting are conveyed to Mrs McKeown. **JMcC**

6.0 REPORT FROM THE EXTERNAL AUDITORS

There was no formal report from External Audit for this meeting. Ms Paterson confirmed the audit was underway and on target at this point in time.

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

Mr Brady advised that due to the volume of business on today's agenda, the report on the above item was deferred until the Audit Committee meeting to be held on 3 October 2019. **AH**

8.0 ANY OTHER BUSINESS

8.1 Query regarding reports listed for information /noting – items 4.10 to 4.14

In response to Mrs O'Hagan's query, Mr Brady confirmed that the reports listed for information and noting on today's agenda (section 4.10 to 4.14) did not require discussion at a Trust Board meeting.

9.0 DATE AND VENUE OF NEXT MEETING

It was agreed that the next meeting should be held on **Wednesday 5 June 2018 at 1.00 pm in the Board Room, Trust Headquarters, Ulster Hospital.** This will be a one agenda item meeting to approve the final draft Annual Report and Accounts for onward transmission to the Trust Board meeting on the same day. **IL**