

SOUTH EASTERN HEALTH & SOCIAL CARE TRUST

Minutes of a meeting of the Audit Committee held on Thursday 3 October 2019 at 12.00 noon in the Boardroom, Trust Headquarters, Ulster Hospital

- PRESENT:** Mr N Brady, Non-Executive Director (Chairman)
Mrs H Minford, Non-Executive Director
- IN ATTENDANCE:** Mr P Morgan, Interim Director of Finance & Estates
Mrs A Henderson, Assistant Director, Financial Accounting & Financial Services
Ms C McKeown, Head of Internal Audit, BSO
Mr P Tunney, Audit Manager, BSO
Mr D Lynn, Director, Northern Ireland Audit Office
Mr J McCallion, Manager, PricewaterhouseCoopers (PwC)
Miss I Low, Board Secretary & Assistant Director, Risk Management & Governance
Miss C Hughes, PA
- OBSERVER:** Ms K Hudson, DoH Sponsor Branch
- APOLOGIES:** Dr M Briscoe, Non-Executive Director
Mrs J O'Hagan, Non-Executive Director
- ABSENT:** None

ACTION

CHAIRMAN'S BUSINESS

Mr Brady welcomed everyone to the meeting and noted that there would be a Closed Meeting (without SET officer staff present) at the conclusion of the meeting.

Mr Brady noted that a presentation had taken place immediately prior to the meeting during which Mr Mulholland, Interim Head of Payroll Service Centre, BSO, had given a very informative report on the Internal Audit Report on Payroll Services and actions being developed to address the Internal Audit Report. Mr Mulholland indicated that he could provide a further presentation in the future to provide an update on the actions outlined should the Audit Committee find this helpful. Mrs Henderson agreed to arrange this in line with any future request from the Committee. Mr Brady also welcomed Mrs Hudson who was attending today's meeting as an observer [once per year].

AH

Mr Brady advised that Mr Lynn is retiring in the near future and took this opportunity to express the Committee's thanks and appreciation for his contribution to the Audit Committee. Mr Morgan also took the opportunity to thank Mr Lynn for all his assistance to South Eastern Trust. On behalf of Internal Audit, Ms McKeown formally thanked Mr Lynn for all his support. Mr

Lynn thanked everyone for their kind wishes.

Mr Brady extended congratulations to Mr McCallion on his forthcoming wedding.

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 AND 5 JUNE 2019

The minutes of the meetings held on 9 May and 5 June 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 – Meetings held on 9 May and 5 June 2019

There were no items for action/discussion arising from the meetings held on 9 May and 5 June 2019 respectively.

For information/noting – Meeting held on 9 May 2019

3.1 Update – Query on the Report of Incidents of Theft/Fraud and Whistleblowing

Members were advised that Mrs Henderson had reviewed the format of the above report in line with the queries raised by Mrs O'Hagan at the meeting on 20/2/19 and included these in the report submitted to the Committee on 3/10/19.

3.2 Update – Non-Executive Directors to Annual Report

Members noted that Miss Low will speak to the Chairman about the drafting of the above section of the annual report well in advance of next year's preparation of draft report.

3.3 Update – Revisions to the Committee's Terms of Reference and Programme of Work

Members were advised that the revisions to the above documents were submitted to and approved by the Trust Board at its meeting on 29 May 2019.

3.4 Update – Report on the Effectiveness of the Committee

Members were advised that the above document was

circulated to the Trust Board, for information, at its meeting on 29 May 2019.

3.5 Update – Annual Report of the Audit Committee

Members noted the above document which was circulated to the Trust Board, for approval, at its meeting on 5 June 2019.

3.6 Update – Audit & Risk Committee Self-Assessment Checklist

Members noted the master version of the above document which was updated post the last Audit Committee meeting held on 9 May 2019.

3.7 Update – Mortality & Morbidity Internal Audit Report

Members were advised that following discussion at the last meeting held on 9/5/19, the subject of M&M (including the IA report) has been listed for the Trust Board workshop to be held on 11/12/19.

For information/noting – Meeting held on 5 June 2019

3.8 Annual Report & Accounts (including Governance Statement and Letter of Representation)

Members noted that the Annual Report and Accounts had been presented to, and approved by the Trust Board at its meeting on 5 June 2019; they were also presented at the Trust's Annual Public Meeting on 3 October 2019. Both documents had been laid at the NI Assembly on 2 July 2019.

4.0 NEW BUSINESS ITEMS

For Approval and/or Discussion

4.1 Draft Mid-Year Assurance Statement

Members received, for information, a draft Mid-Year Assurance Statement, with the papers for the meeting. In presenting the paper, Mrs Henderson advised that the draft statement has been produced in line with DoH requirements and has been discussed at a recent Executive Management Team meeting.

A short discussion ensued and members were asked to review the draft document and provide comments to Mrs Henderson by 10 October 2019. The final draft will be approved by the Executive Management Team prior to submission to the DoH.

ALL

AH

A copy of the final statement will be circulated to members in due course.

IL

4.2 **Letter from DoH dated 23 July 2019 regarding 2018/19 Test Drilling of Below Delegated Limits (BDL) Capital Business Cases and Post Project Evaluations (PPEs)**

Members received, for information, a copy of a letter dated 23 July 2019 from the DoH in relation to 2018/19 Test Drilling of Below Delegated Limits (BDL) Capital Business Cases and Post Project Evaluations, which had been circulated with papers for the meeting.

Mr Morgan noted that the BDL and Post Project Evaluation processes had been detailed at a previous Audit Committee presentation. The correspondence indicated that in 2018/19 there were 189 BDLs completed with a total value of £19.8m. The test drill process selected 9 BDLs for review, as detailed in Appendix A of the document, and have been rated as 3 green, 4 amber and 2 red. The two red rated items were highlighted:-

- **Hillsborough HC Extension (Value £244k):** Feedback has been provided to the person who prepared the Business Case and a review has been undertaken of BDLs previously prepared by them. Monitoring will take place of future BDLs to ensure they meet the required standard.
- **Asbestos Removal and Encapsulation (£75k):** The main issue was the inclusion of a full Need for Asbestos Report (345 pages) instead of summary within the BDL and this will be appropriately addressed in future.

Mr Morgan assured the Committee that lessons have been learnt and noted that generally the BDLs were satisfactory. He also confirmed that the Capital Business Guidance had been circulated to all relevant staff who are involved in the completion of capital business cases and post project evaluations.

4.3 **Draft Fraud Policy and Response Plan**

Members received, for consideration, a copy of the draft Fraud Policy and Response Plan, which had been circulated with papers for the meeting. In presenting the draft documents, Mrs Henderson advised that this new document amalgamated the two previous policies and outlines actions to be taken by all staff in the event of a suspected fraud. Members noted that a generic e-mail address had been created for staff to report any potential issues

(fraud@setrust.hscni.net). In addition, a process map is also included, for ease of reference.

In response to a query, Mrs Henderson confirmed that when approved the new Fraud Policy and Response Plan will be launched to all staff. Mr Morgan noted that this will also be highlighted at the Trust's Procurement/Fraud Awareness Training sessions. Mr Brady highlighted a small amendment to the document and commended the new amalgamated format. He sought, and received, Audit Committee approval.

AH

4.4 Update – Attendance at the Departmental Audit & Risk Assurance Committee by Mr Brady (18 September 2019)

Mr Brady advised that he had been invited to attend a recent meeting of the Department Audit & Risk Assurance Committee (DARAC) held on 18 September 2019. This is part of a new process where Trust Audit Committee Chairmen will be invited to attend on annual basis. Attendance at the meeting had been very informative of the challenges being addressed regionally.

For Information/Noting

4.5 BSO Governance Statement 2018/19

Members received, for information, a copy of the BSO Governance Statement 2018/19. Mr Morgan noted that an early draft had been reviewed by the Committee in May 2019 with the Annual Accounts and this had informed the Trust's Governance Statement. This final document was presented for information and he highlighted Section 13 (page 20) which stated "*BSO has a rigorous system of accountability which I can rely on as Accounting Officer to form an opinion on the probity and use of public funds, as detailed in Managing Public Money NI*". Mr Brady noted that the presentation earlier today by Mr Mulholland put the payroll information into context for members.

4.6 Schedule of Dates for Meetings – 2020

Members received, for information, a copy of the Schedule of Dates for Audit Committee meetings in 2020, which had been circulated with papers for the meeting. A short discussion ensued in relation to the timing of the October 2020 meeting and it was agreed that the proposed date of Thursday 1 October 2020 should be changed to Thursday 8 October 2020. It was agreed that Miss Low would amend the schedule of dates accordingly and reissue to all members post meeting.

IL

4.7 Letter from Ms Neelia Lloyd, DoH, dated 21 June 2019, re: Counter Fraud Issues

Members received, for information, correspondence from Ms Neelia Lloyd, DoF, DoH, dated 21 June 2019 regarding concerns raised by DARAC in relation to fraud, which had been circulated with papers for the meeting.

Mrs Henderson advised that the issues raised within the letter had been addressed in the new Counter Fraud Action Plan, included with the papers. She noted that there were detailed and extensive roles and responsibilities for Fraud Liaison Officers and all Trusts may find this as staff perform this function as only part of their job role.

Mr Brady noted Audit Committee agreement that the new Counter Fraud Action Plan addressed the issues raised.

4.8 SET Response to Letter from DoH, dated 5 August 2019, - Locum Appointments – NIAO Report – Internal Audit Findings

Members received, for information, the Letter from DoH dated 5 August 2019, re Locum Appointments – NIAO Report – Internal Audit Findings and the Response to DoH dated 22 August 2019, which had been circulated with papers for the meeting. Mr Morgan advised that this correspondence had been issued for information.

5.0 REPORT FROM INTERNAL AUDITORS

5.1 Progress Report to Audit Committee dated 3 October 2019

Members received, for consideration, the Progress Report to Audit Committee, dated 3 October 2019, which had been circulated with papers for the meeting. In presenting the Report, Ms McKeown highlighted the following reports:-

5.1.1 Charitable Funds – Satisfactory Assurance

There were no significant findings but three key points had been noted regarding Charitable Funds procedures, ie not all donations being processed and retained by wards for use and included the acceptance of gift vouchers; one form did not have appropriate expenditure authorisation and it was noted that not all staff were familiar with the receipting procedures. Management had accepted the recommendations.

Mrs Henderson noted that this report had been discussed at the Trust's Charitable Funds Committee on 2 October 2019 and refreshed procedures/protocols will be issued to all areas; it was noted that one form had been for an urgent expenditure and appropriate signature was received as soon as possible and finally further discussions will take place regarding new procedures regarding the acceptance of gift vouchers for charitable purposes. .

It was accepted that gift vouchers cannot be processed through the Charitable Funds process but it was felt that to refuse them would cause offence to patients/relatives. This issue will be addressed and amendments made to the extant Gifts & Hospitality policy.

AH/IL

5.1.2 Management of Client Monies in Independent Sector – Satisfactory / 1 Limited Assurance

Members noted that 4 homes were audited and of these 3 were viewed as Satisfactory but 1 Limited due to a priority 2 recommendation regarding home banking of clients' funds in a pooled bank account, where no reconciliation was available to support clarity on individual ownership of monies. Management had accepted the recommendations. Mrs Henderson confirmed that this Home has now created separate bank and client bank accounts and reconciliations are available.

5.1.3 Management of Medical Locums – Limited Assurance

Mrs McKeown advised that there were three main issues resulting in this Limited assurance:-

- Significant volume of non-contract Agencies: Audit accepted the use of non-contract Agencies as a reality but there was no evidence that contract routes had been initially sought on some occasions.
- Insufficient evidence in areas reviewed that pre-employment checks were completed: both contract and non-contract Agency staff.
- No demonstration that Agency shifts were allocated in line with regional contract terms

Detailed discussion took place regarding this Audit and it was noted that there are emergency circumstances where Agency staff are required at short notice in order to maintain Hospital services. However, this does not excuse all the issues raised. Mr Brady noted that the Trust has established a Medical Locum Group, under the Chairmanship of Mrs McCreanor, Assistant Director, Employee Resources, to detail a plan to address the priority 1 recommendations

contained within the report with a view to having the issues resolved by April 2020. Mr Lynn stressed the importance of ensuring that pre-employment checks are carried out due to the potential impact on patient safety. Mr Brady thanked him for this steer and agreed that this would be addressed as part of the Trust's work.

5.1.4 Review of Client Monies at Parkanur College – Limited Assurance

Mrs McKeown noted that this audit was carried out at the request of four Trusts due to concerns regarding this Facility. This was viewed as part of the Review of Client Monies in Independent Sector and therefore why the number of Homes in that audit had been reduced from 5 to 4. This regional audit was Limited and whilst South Eastern Trust only have one client in residence, who was not directly affected by the main issues, the general financial control environment was of concern. During discussion it was noted that the Southern Trust Safeguarding Team and RQIA are assisting the Facility. Ms McKeown confirmed that this Audit is not being treated separately in the South Eastern Trust Mid-Year Assurance Statement as it is included in the Review of Client Monies (3 Satisfactory/ 2 Limited).

5.2 Mid-Year Follow Up On Outstanding Internal Audit Recommendations 2019/20

Members received, for consideration, the Mid-Year Follow Up on Outstanding Internal Audit Recommendations 2019/20, which had been circulated with the papers for the meeting. In presenting the report, Ms McKeown highlighted that there were 269 recommendations outstanding and 81% of these have been agreed as implemented and 19% are partially implemented. She drew attention to the more historic recommendations and suggested that there should be a focus on these partially implemented actions. At the request of Mr Brady, Mrs Henderson undertook to prepare a brief summary of the historic outstanding Priority 1 recommendations and an update on progress in this regard/explanation of the current position at the next meeting.

AH

During discussion of the IT Audit, Mrs McKeown accepted that it will be difficult to address some of the recommendations due to the regional nature of the issues. Mrs Henderson noted that Mr Henderson, Assistant Director Technology & Communications, had given a presentation at a previous Audit Committee on the challenges within this area.

5.3 Internal Audit Mid-Year Assurance Statement

Members received, for information, the Internal Audit Mid-Year Assurance Statement from the Head of Internal Audit, which had been circulated with papers for the meeting. In presenting the report, Mrs McKeown noted, as previously mentioned, that page 2 detailed the presentation of the Parkanur Audit as part of the Management of Client Monies in Independent Sector. Mr Morgan noted that the Trust's draft Mid-Year Assurance Statement would be updated in line with this.

AH/
PM

5.4 BSO Internal Audit General Annual Report 2017/18 and 2018/19

Members received, for information, a copy of the BSO Internal Audit General Annual Report 2017/18 and 2018/19, which had been circulated in advance of the meeting.

Mrs McKeown presented the report for information and noted that the South Eastern Trust is referred to as "Organisation 4". She noted that page 2 of the Report outlined the Service Level Agreement and Key Performance Indicators. Page 3 detailed the common areas of limited and unacceptable findings.

6.0 REPORT FROM THE EXTERNAL AUDITORS

6.1 Report to those Charged with Governance (RTTCWG) 2018/19

Members received a copy of the Final 2018/19 Report To Those Charged with Governance, which had been circulated with paper for the meeting. In presenting the report, Mr Lynn noted that an unqualified statement had been confirmed and the key messages were as presented to the Audit Committee at their meeting on 5 June 2019 in respect of the draft report.

Mr McCallion highlighted the following findings:-

Direct Award Contracts (DACs): some not signed until after the contract start date with the potential for irregular expenditure. It is recommended that processes are put in place to ensure timely completion of DACs.

Shared Services – HRPTS/Payroll: There were concerns about the Shared Services HRPTS/Payroll systems and additional work was carried out within the Trust for assurance.

IFRS15: Of the 17 items reviewed there were 2 where the contract could not be identified (total £50k). It was recommended that an exercise be carried out to ensure formal contracts are in place and this would include inter-Trust recharges.

In conclusion, Mr Lynn noted that the Trust is a large and complex organisation and the findings contained in the report were consistent with same.

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

Members received, for consideration, a copy of the Report on Incidents of Theft/Fraud and Whistle-blowing and NFI Matches, which had been circulated with papers for the meeting. Mrs Henderson noted that the format of the report had been presented in a revised format as requested at a previous meeting and highlighted the following points:-

- **Progress Update on Cases of Suspected Fraud:** There were 5 reported cases of which 1 has been referred for investigation. 6 cases were closed in 2019/20.
- **NFI Matches:** The Trust is involved in this exercise and to date no frauds or errors have been found.

Mrs Henderson noted that case 1377, logged in 2016, related to suspected fraudulent claims for hours worked and it had been previously noted that a decision was awaited from the Public Prosecution Service (PPS). The Trust has now been advised by BSO Counter Fraud Services that the PSNI have advised that the file had not yet been passed to PPS and this would be actioned in September 2019.

A short discussion ensued. Mr Brady said that the revised format for the report was comprehensive and user friendly and commended Mrs Henderson and her team on this work. However, Mr Brady asked that the report be amended to remove the names of CFS Officers detailed in Appendix A. Mrs Henderson undertook to have the paper amended accordingly and the revised paper uploaded to Board Papers.

During discussion it was also noted that there have been an incident of e-mail cloning for fraudulent purposes. Mr Brady thanked Mrs Henderson for a very comprehensive and informative report.

AH/IL

8.0 ANY OTHER BUSINESS

There were no items of any other business raised.

9.0 DATE AND VENUE OF NEXT MEETING

It was agreed that the next meeting should be held on **Thursday 5 December 2019 at 11.30am in the Board Room, Trust Headquarters, Ulster Hospital.**

IL

Minutes – Audit Committee – 3 October 2019