

SOUTH EASTERN HEALTH & SOCIAL CARE TRUST

Minutes of a meeting of the Audit Committee held on Thursday 4 February 2021 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 J O'Hagan, Non-Executive Director

IN ATTENDANCE: Ms W Thompson, Director of Finance & Estates
Ms L Campbell, Interim Assistant Director, Financial Accounting & Financial Services
Ms C McKeown, Head of Internal Audit, BSO
Mr S Knox, Audit Manager, Northern Ireland Audit Office (NIAO)
Ms L Paterson, Engagement Leader, PricewaterhouseCoopers
Mrs M McNally, Board Secretary & Assistant Director, Risk Management & Governance

Mr S Martin, Executive Support Services Manager (minutes)

APOLOGIES: None received

OBSERVER: Ms A Birmingham, Internal Auditor, BSO

ABSENT: None

CHAIRMAN'S BUSINESS

ACTION

At the outset of the meeting, Mr Brady welcomed Ms Lyn Campbell as the new Interim Assistant Director, Financial Accounting & Financial Services and Mrs Martine McNally as Board Secretary and Assistant Director, Risk Management & Governance to their first Audit Committee meeting since taking up their respective posts. Mr Brady also welcomed Ms Aoife Birmingham from BSO Internal Audit attending in an observer capacity today.

Mr Brady advised Members that just prior to today's meeting he had had separate bi-lateral meetings with External and Internal Audit. Both meetings were very positive and the notes of both meetings will be circulated with the papers for the next 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 8 OCTOBER 2020

The minutes of the meeting held on 8 October 2020, having been previously circulated, were taken as read and agreed as a true and accurate record subject to a minor amendment proposed by Ms McKeown which was accepted.

3.0 MATTERS ARISING FROM THE MINUTES

Mr Brady advised that a Matters Arising Sheet had been circulated with the papers for the meeting and welcomed the initiative as a means of streamlining business. Mr Brady invited any questions from Members of which there were none.

4.0 NEW BUSINESS ITEMS

4.1 SET Declaration of Interest Register

Mrs McNally advised the Chief Executive's Office would be issuing the annual request to all Trust Board Members to update their respective entries and to re-affirm acceptance of their responsibilities under the Code of Conduct & Accountability later today.

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4.2 NIAO Report – Procurement Fraud Risk Guide

Members received, for information, a copy of a report from the NI Audit Office titled Procurement Fraud Risk Guide which had been circulated with the papers for the meeting. In presenting the item, Ms Thompson drew attention to a Self-Assessment Checklist contained within the publication which she advised would be taken forward with our Procurement Board and advised her team would be working with PaLs as actions arising.

Mrs O'Hagan welcomed the Guide which she said was very informative and asked if there was merit in considering the inclusion of a HR colleague to the membership of the Committee given that a significant number of risks arise from HR-related matters e.g. lack of appropriate training and/or human error. Mr Brady asked if there were any examples of other Audit Committees doing something similar. Ms McKeown advised that it was not something that would normally be seen as the Committee would have the right to seek access to those with relevant expertise as a matter of course.

Mr Knox stated that he had seen incidents where Non-Executive Directors with particular expertise such as in the HR field had been co-opted onto such Committees but HSC Trust Non-Executive Director appointments were a matter for the Department.

Dr Briscoe stated that Mrs O'Hagan had posed an interesting question and commented that since the Assistant Director, Risk Management & Governance was a senior Head of Service within the Human Resources & Corporate Affairs Directorate reporting directly to the Director anything of HR related concerns could always be escalated through her office. Dr Briscoe added that the Third Party Report Register was available as another mechanism to ensure that matters of shared learning are cascaded as it had a clear pathway through the governance within the organisation. Dr Briscoe concluded that there was merit in the Committee ensuring that documents of interest that are presented to them are placed on the Register.

Mr Brady agreed and asked Ms Thompson to consider if the Guide should be placed on the Register which Ms Thompson undertook to do. Responding to a query from Mr Brady, Mrs McNally stated that she would be content for her office to act as a linkage in appropriate circumstances to the Director of Human Resources & Corporate Affairs on matters of particular concern for the Audit Committee. Ms Thompson offered further assurance to Members in that when audit recommendations are actioned the HR team act as an enabler for achieving the necessary change.

McN

Mr Brady stated that he considered a future presentation from HR on how they cascade such recommendations within their training programme would be beneficial. Dr Briscoe commented that she would see benefit if it is at a high level and appropriate to the Committee's function as a conduit for seeking assurance that the appropriate links are in place.

5.0 REPORT FROM INTERNAL AUDITORS

5.1 Progress report to Audit Committee dated 4 February 2021

Members received, for consideration, the Progress Report to Audit Committee, dated 4 February 2021, which had been circulated with papers for the meeting. In presenting the paper, Mrs McKeown said that the report to the Committee included a report summarising progress being made against the 2020/21 Internal Audit Plan and also a summary of the audit reports finalised since the last meeting.

Ms McKeown advised Members that she was requesting an amendment to the existing Audit Plan be approved in changing the arrangements in relation to the Validation assignment in respect of payments to Community & Voluntary organisations to a standard audit albeit

undertaken in the context of the pandemic. Ms McKeown stated that verification of payments had been thought important regionally especially considering the implications of the furlough scheme. Following feedback from Regional Directors of Finance, Ms McKeown noted that they had concluded such an exercise would be of limited impact as the enforcing authority would be HMRC as opposed to HSC.

This amendment to the Audit Plan was duly approved by the Committee. In addition, Ms McKeown noted that 50% of SLA audit days will have been delivered or 60% if account is made for activity stood down particularly during Quarter 1 due to the pandemic. As a consequence, 373 audit days rather than the usual 440 will be the revised target SLA delivery time for 2020/21 and on that basis Ms McKeown advised she was content that Internal Audit will complete their planned programme for the year. Two audit reports were being presented today.

Mr Brady noted that 33% against a target of 85% of First Draft Reports had been issued within 4 weeks of fieldwork completion and asked if it is taking longer to progress work because of the implications of Covid. Ms McKeown advised that this was the case.

5.1.1 Interim Report on Independent Homes Payment Validation Work

Mrs McKeown presented a Briefing Note on Internal Audit's review in respect of a number of financial support initiatives that were established by the Department for independent residential and nursing homes during the Covid-19 disruption period. Mrs McKeown advised that a template form was issued to all 370 independent homes designed to require homes to confirm how they used the funds to offset the additional Covid-19 cost pressures, provide assurance that the costs incurred are additional costs and over and above the costs that a home would normally incur in a pre-Covid context and provide assurance that other forms of HSC/Government support have not/were not accessed to cover costs that had already been covered under this scheme. 10% of homes were sampled and required to submit evidence to support the additional expenditure incurred in support of their completed template. Mrs McKeown advised circa 19% of homes have not yet returned their completed templates. While Internal Audit are unable to complete a 100% verification, Mrs McKeown stated that from those homes that did submit, there was evidence that funds were used to offset Covid-19 related costs with no significant issues identified during that review process. In terms of next steps, Mrs McKeown advised that

the Trusts have put in place an action plan to address an interim assurance gap including issuing further letters to those who have not yet returned their template, further communication with those that records underspends to obtain an updated position against funding issued and lastly seek advice and clarity from HSCB and the Department on the appropriateness of the use of funds for loss of income, tax payment and staff incentive payments or schemes. The expectation would be that a finalised report should be available by year end.

Dr Briscoe asked if the homes were advised there was a requirement to retain evidence of expenditure. Mrs McKeown responded that there had been an instruction issued to retain adequate supporting evidence though it was the view of Internal Audit that it would have been preferable to see additional parameters included such as a deadline for monies to be spent by. Dr Briscoe recalls the initial negative media coverage around the apparent lack of support being offered to the sector and felt it was a missed opportunity that the financial support initiatives were not brought more clearly to the attention of the public.

Mrs O'Hagan noted the interim status of the report and asked if there were any further recommendations that could be taken forward at this time particularly in the context of a possible increased risk of fraud arising from the pandemic. Ms Campbell provided background information of our approach within the locality where an underspend remained or a template had not been returned – efforts on both fronts having assisted in reducing the numbers outstanding. Ms Campbell stated that regional colleagues had agreed to correspond one final time with those outstanding before seeking further guidance from the Department.

Mr Brady commended the efforts to date noting at some point there will be an overall review of data to determine whether there has been duplication etc. Mr Brady stated he was a little concerned that a number of homes had failed to respond but the fact this was being followed up showed important initiative on the part of the Trust.

5.1.2 Non-Pay Expenditure 2020/21 – Satisfactory Assurance

Mrs McKeown presented the findings of the aforementioned audit assignment emphasising that Covid-related spend did not form part of this particular exercise. Mrs McKeown confirmed that Internal Audit could provide Satisfactory assurance in relation to Non Pay Expenditure (specifically focusing on the Hospital Services Directorate). Satisfactory assurance had been provided on the basis that controls are

generally operating effectively. However, the process for checking invoices to contract rates and managing and approving delegated authority to spend and user access was considered in need of strengthening

Members noted that there were a number of key findings in the audit which included:

- Sixty users were identified whose FPL authority limit exceeded the maximum approval limit for the banding with specific approval for these higher limits not evident and the Scheme of Delegated Authority for expenditure and any significant amendments to it not routinely presented to Trust Board or relevant nominated Committee for approval.
- Control over user activity within E-Financials/FPM needs to be strengthened and monitored.
- 39% of agency invoices sampled had not been checked to contract rates before payment.

A discussion ensued in respect of this report and Ms Thompson referred to the relevant management responses. Mr Brady asked which Committee delegated authority would ordinarily be sought from. Ms Thompson responded that it would be Trust Board and this is being progressed. At Mr Brady's request, Ms Thompson provided additional information on the FPL issue noting that the matter appeared to be linked to specific job roles which was supported by Mrs McKeown. Mrs O'Hagan asked for information on the Manager's Toolkit and specifically on an issue around start dates on the agency invoice approval system noted in the paper. Ms Campbell responded that the Toolkit is a resource for new staff or for those who have moved up a role focused on financial responsibilities which it was hoped would assist in overcoming process issues such as delay with inputting start dates etc. into key systems. Mrs O'Hagan asked if it would be of assistance in relation to the agency invoices and Ms Campbell agreed there was an expectation that it would assist. Mrs McKeown added that the checking of data fields in conjunction with PaLs is being progressed.

5.1.3 Governance and Management of Revenue Business Cases 2020/21 – Advisory Report

Mrs McKeown presented this report. She advised that Internal Audit had conducted an advisory review across the five HSC Trusts during July to September 2020 focused on compliance with HSC (F) 32-2019 Guidance on the Completion of Revenue Business Case and Post Project Evaluation Templates. Mrs McKeown advised that Internal

Audit were content with the Trust's processes in this regard and would highlight the need to ensure the approval of the current draft policy in place and the strengthening of how expenditure is justified by recording as per the extant guidelines. Mrs McKeown confirmed that this was an advisory audit and the purpose of sharing the findings today was to share the learnings at an early stage with all relevant stakeholders.

Dr Briscoe asked why the Trust was the only HSC organisation to only have a draft policy in place. Ms Thompson provided Members with background information and confirmed the policy is due to be considered at the next meeting of the policy committee.

5.2 BSO Shared Services Report

Members received, for information, a copy of the above report which had been circulated with the papers for the meeting. In presenting the paper, Mrs McKeown said that BSO Internal Audit carried out a programme of Shared Service audit assignments as part of the BSO Internal Audit Plan. The recommendations in these reports are the responsibility of BSO Management to take forward and the reports have been presented to BSO Governance & Audit Committee. As a customer of BSO Shared Services, the final reports have been shared with the SET Director of Finance.

Mrs McKeown said the reports presented an improving position especially with the Payroll Audit and this was acknowledged by members.

6.0 REPORT FROM THE EXTERNAL AUDITOR

6.1 NIAO Audit Strategy

Members received, for discussion, a copy of the Audit Strategy for 2020/21 received from the NIAO. In presenting the paper, Ms Paterson said that the strategy provided the Trust with an understanding of how NIAO plan to carry out the audit of the 2020/21 financial statements and the key risks. The document includes a timetable of key dates for the audit process and the detailed timetable will be agreed separately with management in advance of the audit. Ms Patterson specifically referred to the impact of last year's valuation on land and buildings, a recent court judgment which may have implications in terms of holiday pay as well as the ability of Trusts to control or monitor payments to domiciliary care providers as potential areas of focus.

Ms Paterson then highlighted the key issues contained within the following sections of the report as detailed below:-

- Key Messages;
- Materiality;
- Audit approach including significant audit risks and responses;
- Audit timetable, fees and staffing; and
- Appendices.

A short discussion ensued. Mr Brady noted that the impact of Covid-19 was recognised within the report and the significant spend on PPE which in his view was a substantial material change to the overall budget. Mr Brady also highlighted that there had been a significant change in personnel both within the Finance Team but also within other key areas within the Trust. Mr Brady raised the issue of handover and managing transition noting the importance for governance that resilient systems are in place to facilitate such inevitable changes. Mr Knox added that the monthly returns submitted by the Trust on Covid to the Department who have the opportunity to challenge any item thereon acts as another mechanism of assurance in-year.

Mr Brady thanked Ms Paterson for a very informative audit strategy and looked forward to certification which is planned for June 2021.

7.0 REPORT ON INCIDENTS OF THEFT, FRAUD, BRIBERY AND WHISTLEBLOWING AND NFI UPDATE

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. In presenting the paper, Ms Campbell provided details on the number of cases that had been dealt with during the financial year alongside those new cases which had been opened with 8 cases open as at 1 April 2020.

With regard to the new cases (2020/21) – Ms Campbell highlighted the following points:-

- There are currently 3 new reported cases in 2020/21, 2 of which are currently open and at reported stage and 1 relating to employee overpayment; and
- There was 1 new BSO Hotline case which has since been closed.

With regard to the National Fraud Initiative (NFI) – the 2020/21 exercise has now launched and SEHSCT will participate fully in the Initiative. The Trust has uploaded its data to the NFI 2020 platform in respect of Supplier/Payroll/Nursing & Residential data with matching reports for private supported care home residents to death records having become available in mid-January for the purpose of

investigating potential fraud or errors where care homes have continued to receive payments after a resident's death. The remaining matched data sets will become available to Trusts for the purposes of risk based investigation and action by the end of January 2021. Any data matches will be categorised within the range of high, medium and low risk. The high risk data matches will therefore prioritise for action and the matches investigated.

A short discussion ensued. Mr Brady complemented Ms Campbell on the report.

With regard to the item on Page 3 – ID 2749 (car parking issue), Ms Campbell advised that this matter had now been progressed by PSNI and a file sent to PPS with a view to take forward. Both Mr Brady and Dr Briscoe asked a number of follow-up queries to which Ms Campbell responded.

With regard to case ID 2971 (overpayment issue), Ms Campbell provided Members with information on this addition since the last meeting of the Committee which amounted to a value of circa £80,000. Ms Campbell addressed Mr Knox's query in relation to how long the matter had continued without resolution and responded to a query from Mrs O'Hagan around the specific actions taken by the individual to bring this matter to the attention of relevant colleagues.

8.0 ANY OTHER BUSINESS

8.1 Presentation Slot – May 2021 Audit Committee Meeting

Mr Brady referred to the value of the previous practice of holding presentation slots prior to Audit Committee and requested that for the next scheduled meeting this could be facilitated once again.

MMcN

9.0 DATE AND VENUE OF NEXT MEETING

It was agreed that the next meeting should be held on **Thursday 6 May 2021 at 12 noon in the Board Room, Trust Headquarters, Ulster Hospital.**