

SOUTH EASTERN HEALTH & SOCIAL CARE TRUST

Minutes of the meeting of the Audit Committee held on Wednesday 12 May 2021 at 12.00 noon via Zoom hosted from the Meeting Room, Trust Headquarters, Ulster Hospital

- PRESENT IN HQ:** Mr N Brady, Non-Executive Director (Chair)
- PRESENT REMOTELY:** Dr M Briscoe, Non-Executive Director
Mrs J O'Hagan, Non-Executive Director
- IN ATTENDANCE IN HQ:** Ms W Thompson, Director of Finance & Estates
Ms L Campbell, Assistant Director, Financial Accounting & Financial Services
- IN ATTENDANCE REMOTELY:** Ms C McKeown, Head of Internal Audit, BSO
Ms J McCaw, Internal Audit, BSO
Mr N Gray, Director, Northern Ireland Audit Office (NIAO)
Ms L Paterson, External Auditor, PricewaterhouseCoopers
Mrs M McNally, Assistant Director, Risk Management & Governance (Trust Board Secretary)
- Mr S Martin, Executive Support Services Manager (minutes)
Mr B Grimley, Financial Accounting & Governance Manager
- APOLOGIES:** Mr S Knox, Audit Manager, Northern Ireland Audit Office (NIAO)

CHAIRMAN'S BUSINESS

ACTION

Mr Brady welcomed everyone and noted that the principal business under consideration was in relation to the draft Annual Report and Accounts.

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 26 APRIL 2021

The minutes of the meeting held on 26 April 2021, having been previously circulated, were taken as read and agreed as a true and accurate record subject to any minor amendments provided to Mrs McNally before close of business on 28 April 2021.

MMcN

3.0 MATTERS ARISING FROM THE MINUTES

Mr Brady advised that a Matters Arising Sheet had been circulated with the papers for the meeting for information and stood as read. Referring to ICT audit recommendations, Mr Brady noted that a meeting had been scheduled with Ms Coulter and Mr Henderson for next week and that he would updated Members in due course.

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4.0 **NEW BUSINESS ITEMS**

4.1 **Presentation of the draft Annual Report and Accounts 2020/21**

Members received, for consideration, the draft Annual Report and Accounts for the period 2020/21 which had been circulated with the papers for the meeting. A detailed briefing paper was provided to assist with understanding and provide more detailed explanations as required.

In presenting the report, Ms Thompson confirmed that as per DOH requirements, the draft Annual Report and Accounts had been submitted to the NI Audit Office and DOH on Friday 7 May 2021. The Annual Accounts are consolidated with the Charitable Fund Accounts.

The Trust was also required to submit a separate set of Draft Charitable Fund Accounts to DOH 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 record his thanks and appreciation to Ms Thompson, Mrs Campbell and the wider team for the production of the accounts.

Annual Report

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

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

Governance Statement

Members noted that this part of the report forms part of the Accountability Report though the Statement itself was not required to be submitted presently.

Ms Thompson advised that the Executive Management Team had met within the last month to consider the Corporate Risk Register and their considerations had been reflected in this draft version which now included a new internal divergence for 2020/21 with respect of Infusion Pumps noting that Internal Audit had provided a Satisfactory Assurance.

Dr Briscoe expressed concern that a number of ongoing judicial reviews in relation to one service and sought clarification on whether or not this should have been escalated as an issue within our governance structures. Dr Briscoe concluded that there remains a need for clarity between the interface between this Committee and the Governance Assurance Committee on such matters.

Following discussion, Non-Executive Directors agreed to liaise with Mr Patton to determine whether or not consideration should be given at Trust Board level.

NEDs

Accounting Issues

Ms Thompson reported that there were no new accounting issues for 2020/21 stating that since 2013/14, the Accounts had been consolidated with the Charitable Fund Accounts combining income and expenditure and balance sheet items. Consolidation of Public and Charitable Fund Accounts do not affect the Trust's breakeven performance.

Items requiring Estimates/Judgements

Ms Thompson outlined the main areas of estimates/judgements in the accounts as listed below: -

- Employee Benefit Accrual;
- Agenda for Change Clustering Appeals or Job Evaluation Reviews
- Clinical Excellence Awards (lower medical grades)
- RTA Debtor
- Holiday Pay (PSNI)
- Covid-19 Recognition Payment
- Covid-19 Grants and Claims to the Community & Voluntary Sector
- Provisions – potential settlements
- Bad Debt Provision

A number of queries were raised by Members in respect of the above items and Ms Thompson duly responded.

Four Primary Statements

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

- Statement of Comprehensive Net Expenditure
- Statement of Financial Position
- Statement of Cashflows
- Statement of Taxpayers Equity

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

Statement of Comprehensive Net Expenditure

- Net expenditure increased by £147.8m:
 - S&W increased by c£82.2m. NB: impact of Covid-19 recognition payment (£9.7m), annual leave accrual (£12.0m) and PSNI/Holiday Settlement (£9.2m), AFC Pay Award (£12.3m), increased Medical/Dental Costs (excluding Covid) (£8.4m), increased Nursing Costs (excluding Covid) (£5.0m), increase in employers superannuation & NI due to increased wte (£6.9m) and misc spend eg. Increased support workers for children's homes (£3.0m)
 - Goods and Services expenditure increased by £64m. NB: care from non HSC bodies (independent & CVS sector) (£27.6m), Clinical & General Supplies including PPE (£35.2m) and misc spend including BSO and training costs (£2.0m)
 - Non Cash spend increased by £0.8m-depreciation

Statement of Financial Position

Members noted that overall the Trust's balance sheet had decreased in value by £20.6m this year. A table detailing the breakdown was provided in the papers circulated for the meeting. The decrease in the balance value was attributed primarily to the amount of organisations owed money within the next twelve months (an increase of £47.2m in 2020/21).

Examples included supplies, independent sector care homes, payments to staff for the Covid-19 recognition payment, PSNI holiday pay accrual, pension capitalisation though this had been offset by a healthy increase in the value of property and equipment assets of £17.7m (e.g. Acute Services Block).

Mrs O'Hagan asked for additional information in respect of accruals and specifically in relation to AfC appeals and Job Evaluation reviews. Ms Thompson noted that panels had not been able to meet due to Covid-19 which delayed progression. Mrs O'Hagan stated that in terms of job evaluations it may be a management issue to grapple with. Responding to Mr Brady's request in relation to the trend associated with these figures, Ms Thompson stated that she would be content to provide additional analysis in respect of the associated figure noting we were not out of line with other Trusts.

Statement of Cashflows

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 had also decreased in value by £20.6m in 2020/21.

Key Notes

Members noted 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.

Ms Thompson confirmed that the draft accounts presented today were ready for audit review and the final versions would be submitted to the next Audit Committee meeting on 16 June 2021 for final approval and onward submission to Trust Board on the same day.

Mr Brady invited Mr Gray from NI Audit Office if he had any comments to make at this juncture. Mr Gray advised that PwC were currently working on the draft submitted and aim to return to Finance colleagues within relative short order. Ms Paterson concurred that this was the case.

Mr Brady thanked Ms Thompson for her comprehensive summary and presentation of the draft Annual Report and Accounts stating that it was a tremendous piece of work. It was agreed that any comments/amendments should be submitted via email to Ms Thompson as soon as possible.

4.2 Final drafts of the Terms of Reference, Programme of Work for 2021/22 and Report on the Effectiveness of the Audit Committee for 2020/21

Members received, for information, the final draft Terms of Reference, Programme of Work for 2021/22 and Report on the Effectiveness of the Committee for 2020/21. Mrs McNally explained the minor changes and welcomed feedback in relation to both documents.

Following a short discussion, Members approved the final draft Terms of Reference, Programme of Work for 2021/22 together with the Report on the Effectiveness of the Audit Committee for 2020/21.

4.3 Draft Annual Report of the Audit Committee for 2020/21

Members received, for consideration, the draft Annual Report of the Audit Committee for 2020/21 which had been circulated in advance of the meeting.

In presenting the report, Mrs Campbell highlighted the key sections including the summary and conclusion sections welcoming any further comments/amendments from Members as soon as possible.

Mr Brady paid tribute to Committee members, Internal Audit, External Audit and support staff for their contributions throughout the past year.

Members approved the draft Report subject to any minor amendments provided to Mrs Campbell as noted above.

ALL

5.0 REPORT FROM INTERNAL AUDITORS

5.1 Progress Report to Audit Committee dated 12 May 2021

Members received, for consideration, the Progress Report to Audit Committee, dated 12 May 2021, which had been circulated. Mrs McKeown said that the report included a summary of progress made against the 2020/21 Internal Audit Plan highlighting the completion of the Review of Funding to Independent Domiciliary Care Providers referred to under this item at the Committee's previous meeting.

Mrs McKeown noted that of the 55 providers that were required to submit a return, 42 (76%) did so. Of these 42, 34 (81%) based on the review work undertaken appeared to have administered the scheme correctly. Of the remaining 8, 5 (12%) of providers did not apply the enhanced payment scheme correctly.

Mrs McKeown noted that 1 of these 5 providers had indicated their intention to retrospectively pay all affected staff in the near future and another confirmed that they retrospectively made payments to staff affected in April 2021. In a further 3 (7%) providers, payroll errors were identified in respect of the consistent application of the scheme. In addition, it was noted that across all Trusts, a total of ten complaints were received. Mrs McKeown advised that a total of five recommendations had been made all of which had been accepted by Management.

Mr Brady referred to the findings with respect to a number of providers having issues with the furlough scheme and the potential confused picture there was at that time in respect of the requirements of the scheme.

Mrs McKeown confirmed this appeared to be the case though the time period would have allowed for space for such issues to have been clarified if necessary. Mrs McKeown noted that this was a non-assurance assignment but that the recommendations would be treated just like any other report. Dr Briscoe noted the regional nature of the report and asked for guidance on any specific item affected SEHSCT. Ms Campbell responded that Recommendation 3 in relation to the furlough scheme had relevance to the Trust and this had been brought to the attention of relevant teams.

5.2 Revised Internal Audit Strategy and Plan for 2021/22

Members received, for information, the revised Internal Audit Strategy and Plan for 2021/22 which had been provided with today's papers.

Mrs McKeown advised that this was a three-year Strategy document now in its second year and highlighted one amendment on Page 3 of the document which reflected an agreed increase of 90 audit days provided by Internal Audit as part of its Service Level Agreement with the Trust.

Mr Brady asked if the increase in the number of days reflected an increased need. Mrs McKeown advised that client money within the independent sector was now on the forward plan and that the team were closing out an adult in relation to Adult Services. Additional time was envisaged for domiciliary care contracts, counter fraud, assisting governance leads with assurance mapping exercises and progressing Covid-related validation work moving forward also. Mrs O'Hagan sought further information on assurance mapping and whether Internal Audit might review the role of the public in terms of Complaints Management.

Mrs McKeown outlined what assurance mapping was noting its visual representation with respect of corporate risks assisting with reduced duplication as well as gaps in assurance and advised of work being taken forward regionally with governance leads in this respect which Internal Audit would be supporting. Mrs McNally confirmed this was the case and linked well with the ongoing Risk Management and Governance review which had been initiated within the Trust. In terms of Mrs O'Hagan's latter query, Mrs McKeown responded that her team would audit Complaints against the current regional guidance.

Dr Briscoe noted the issue of assurance mapping would be useful to capture within the Governance Assurance Committee also and asked how the Corporate Risk aspects would be determined. Mrs McKeown advised that ideally Internal Audit would consider different risks for each individual Trust. Mrs McNally added that the governance leads would wish to focus on the complex risks first.

Following a further brief discussion, Members approved the Internal Audit Strategy and Plan as table.

6.0 REPORT FROM THE EXTERNAL AUDITOR

Mr Brady noted no items for discussion under this section.

7.0 ANY OTHER BUSINESS

Mrs McNally advised that as per the Audit Committee's Programme of Work, work is progressing with the completion of the Audit Committee Self-Assessment Checklist as produced by the NI Audit Office. A further update would be provided to Members in due course.

MMcN

8.0 **DATE AND VENUE OF NEXT MEETING**

It was agreed that the next meeting should be held virtually via Zoom on **Wednesday 16 June 2021 at 10.30am hosted from the Board Room, Trust Headquarters, Ulster Hospital, Dundonald.**

Draft Minutes – Audit Committee – 12 May 2021

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