

# **SOUTH EASTERN HEALTH & SOCIAL CARE TRUST**

## **Minutes of the meeting of the Audit Committee held on Wednesday 16 June 2021 at 10.30 am via Zoom hosted from the Meeting Room, Trust Headquarters, Ulster Hospital**

- PRESENT IN HQ:** Mr N Brady, Non-Executive Director (Chair)  
Dr M Briscoe, Non-Executive Director
- PRESENT REMOTELY:** 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 S Knox, Audit Manager, Northern Ireland Audit Office (NIAO)  
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)
- APOLOGIES:** Mr S McGoran, Interim Chief Executive  
Ms R Coulter, Director of Planning, Performance & Informatics (Chief Executive designate)

### **CHAIRMAN'S BUSINESS**

### **ACTION**

Mr Brady welcomed everyone to today's meeting and noted that the principal business under consideration was in relation to the final draft Annual Report and Accounts. Mr Brady noted apologies particularly from Mr McGoran who was due to attend but had had a family bereavement. On behalf of the Committee, Mr Brady expressed condolences to the McGoran family.

#### **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 12 MAY 2021**

The minutes of the meeting held on 12 May 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 18 June 2021.

**MMcN**

Mrs O'Hagan suggested that the draft minutes be circulated to Members prior to their inclusion with the papers for the next meeting to allow for feedback in advance. Mrs McNally undertook to review in advance of the next meeting and engage with Mr Brady.

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.

### **4.0 REPORT FROM THE EXTERNAL AUDITORS**

#### **4.1 Presentation of the Draft Report to Those Charged with Governance 2020/21**

Members received, for consideration and approval, the draft Report to Those Charged with Governance (RTTCWG) for the period 2020/21 which had been circulated with the papers for the meeting.

By way of introduction, Mr Knox advised Members that the NI Audit Office's Technical Team had this morning confirmed the classification of Clinical Excellence Awards and holiday pay accrual should be as a NIAO view that the provision not an accrual. Mr Knox stated this was a difficult accounting matter though with the updated advice the NI Audit Office were recommending approval subject to clarification on this issue from DoH particularly on how they would view current cash and non-cash RRL allocations.

Mr Brady expressed his concern that the timing of this determination could adversely impact on the ability of Members to approve the Annual Report and Accounts at Trust Board later today. Mr Knox responded that the recommendation remained that the accounts be approved subject to resolution of the issues noted in the RTTCWG. Ms Thompson added that this would impact all HSC bodies completing their annual accounting process and noted while the timing was unfortunate that issue itself had been outstanding throughout the course of the audit.

Mrs O'Hagan sought clarification of what impact the NIAO determination would have overall. Ms Campbell advised that the issues were within the Trust's materiality level and confirmed that it would not impact on the ability to break even.

In presenting the report itself, Ms Paterson stated that the audit was complete subject to completion of the following matters:

- Journals testing
- Bank confirmation
- Finalisation of accounts
- Continued classification of the holiday pay as an accrual (PSNI ruling) rather than a provision
- Follow up testing on payments to domiciliary care providers
- Being content on the scope, impact and disclosures on the revised DOJ discount factor on legal liabilities with provisions
- Confirmation that an emphasis of matter paragraph in the audit certificate should be inserted associated with valuation uncertainties associated with Covid-19.

Ms Paterson stated subject to satisfactory clearance of the aforementioned matters, PwC highlighted the following key message: -

- Proposed that the Comptroller and Auditor General (C&AG) certifies the 2020/21 financial statements with an unqualified audit opinion, without modification.

The net effect of adjustments had no impact on the statement of comprehensive net expenditure and statement of financial position was £nil.

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

Ms Paterson noted the following risks: -

- Under ISA240, there is a presumed significant risk of material misstatement owing to fraud arising from management override controls. Associated testing as part of the audit found no issues in this area.

- **Payroll Accruals:** the commentary has been updated to note that the Trust has followed guidance from DOH and had been provided with values from BSO to include within the financial statements. PwC had noted that they did not agree with the classification of the Clinical Excellence Awards liability as an accrual and the treatment of the holiday pay accrual in response to the PSNI ruling had been at the time of the production of the draft document still under consideration by the NI Audit Office. It is noted that PwC are comfortable with the underlying calculation of the amounts involved.
- **Ability to break even:** The Trust's ability to fulfil its statutory responsibility to break even remains challenging subject to external inputs outside of its immediate control.
- **Charitable Trust Funds:** A review of monies received for Charitable Trust Funds being solely for the purposes intended did not identify any issues.

Ms Paterson also advised that page 5 of the RTTCWG highlighted that importantly, no issues of irregularity or impropriety were found during the audit. Pages 5-10 of the RTTCWG detailed other relevant risks. Ms Paterson noted audit testing on PPE stock valuation which found no issues and the risk of potential overpayments to domiciliary care providers.

Ms Paterson noted the following Priority 2 and Priority 3 recommendations:

- **Clinical Excellence Awards (Priority 2):** It is recommended that payroll liabilities continue to be monitored to ensure they are properly classified in accordance with accounting standards and departmental guidance. Ms Paterson noted that the discussion earlier that this had now progressed.
- **Overpayment to Leavers (Priority 3):** It is recommended that the notification process is undertaken to ensure that final payment/settlement is accurate and does not result in overpayment.

In conclusion, Ms Paterson noted Appendix 3 of the RTTCWG that there were no Priority 1 recommendations for the prior year.

Mr Brady thanked Ms Paterson for her presentation and stated that overall this was a good outcome given the challenges of the last year as a result of the Covid-19 pandemic. Mr Brady however asked why the accounting classification issue was not highlighted under the Key Messages section of the draft RTTCWG. Ms Patterson explained it had been included within an overall heading they would undertake to differentiate to ensure this was the case. Mr Brady advised that the wording of the formal recommendation to approval subject to clarification would require further input since it had not been finalised and this should be recorded in the minutes accordingly.

Responding to Mr Brady's concern on the lateness of the NI Audit Office's determination, Mr Gray apologised advising discussions had been ongoing with DoH resulting in technical advice becoming available yesterday evening. Mr Gray advised that the NI Audit Office were working at pace to consider all the relevant consequences and expected to have a confirmed position by the end of this week. Mr Gray explained that this had been a live issue for discussions had been ongoing with DoH since the commencement of the audit. The NI Audit Office Technical Team had required specific information in order to allow them to make a determination on classification which they had only been able to review last week.

Both Mr Brady and Mrs O'Hagan expressed their disappointment in how events had unfolded to this point.

In response to Mrs O'Hagan asking if this impacted the proposed unqualified opinion, Mr Knox noted that the draft RTTCWG states that subject to satisfactory clearance of outstanding issues noted within the audit, the unqualified opinion would stand. Ms Paterson added this was a sector wide issue. Mrs O'Hagan asked how the issue might be resolved. Ms Thompson stated that progress on finalising the Clinical Excellence Awards had been delayed as a consequence of Covid-19 and that once paid the issue would resolve from an accounting perspective. The holiday pay accrual issue was also the subject of ongoing negotiations, whose conclusion would resolve the accounting treatment.

Dr Briscoe noted the lengthy period of time that the awards had been outstanding and asked if ultimately DoH had to determine how this would be resolved. Ms Thompson stated there was an ongoing engagement between representative bodies and DoH which once concluded would allow for crystallisation. Dr Briscoe asked that this be recorded as an ongoing matter outside of the control of the Trust to resolve.

A small number of other queries were raised by Members in respect of the above items and Ms Thompson duly responded concluded that the draft RTTCWG will remain in draft format until the Annual Accounts are submitted however any minor amendments will be highlighted.

## **5.0 NEW BUSINESS ITEMS**

### **5.1 Director of Finance & Estates Briefing – Summary of Changes to the draft Annual Report and Accounts for 2020/21 tabled at the meeting held on 12 May 2021**

Members received, for consideration, a briefing summarising the changes made to the draft Annual Report and Accounts for 2020/21 as previously considered by Members at the previous meeting of the Committee held on 12 May 2021. Ms Thompson provided a verbal update which was noted by Members.

Mr Brady expressed his appreciation to Ms Thompson, Ms Campbell and their Finance team colleagues for their efforts in respect of same.

### **5.2 Presentation of the final draft Annual Report and Accounts for 2020/21 (including the Governance Statement)**

Members received, for final consideration and approved the revised final draft Annual Report and Accounts for 2020/21 (including the Governance Statement) which had been provided with today's papers. In presenting, Ms Thompson provided a brief final overview of the documents noting the discussion earlier with regard to the impact of the accounting classification issues.

Dr Briscoe referred to the lack of narrative relating to the performance remit of the Finance & Performance Committee within the final draft though concluded it was overall a good report commending the final version of the Non-Executive Directors Report.

Following a brief discussion, Members agreed to recommend approval of the final draft Annual Report and Accounts for 2020/21 (including the Governance Statement) as tabled on the basis of the advice provided today by the NI Audit Office and the necessity to complete a number of outstanding items to achieve the proposed unqualified opinion.

### **5.3 Presentation of the Letters of Representation for 2020/21**

Members received, for final consideration and approved the revised final draft Letters of Representation for 2020/21 which had been provided with today's papers. In presenting, Ms Thompson provided a brief final overview of the Letters of Representation noting the discussion earlier with regard to the impact of the accounting classification issue.

Following a brief discussion, Members agreed to recommend approval of the final draft Letters of Representation for 2020/21 as tabled on the basis of the advice provided today by the NI Audit Office and the necessity to complete a number of outstanding items to achieve the proposed unqualified opinion.

### **6.0 REPORT FROM INTERNAL AUDIT**

There were no matters raised for consideration under this item.

### **7.0 ANY OTHER BUSINESS**

#### **Update - the MainStay Audit Report**

Ms McKeown noted the conclusion of the MainStay Audit Report within the last number of days and that it would be available for detailed consideration at the next Committee meeting. Ms McKeown highlighted that a total of twenty-two recommendations had been made and was content to answer any initial questions Members might have at this stage.

Dr Briscoe advised she was not yet sighted on the report. Ms Campbell provided a summary of the Trust's actions to date noting that while the Trust has ownership of the recommendations the actions were primarily for MainStay to take forward. Dr Briscoe asked if they were any wider learning points for the HSC sector as a whole at this stage. Ms Campbell responded that consideration was ongoing.

Mrs O'Hagan stated that she required further time to consider but asked given the number of recommendations was there anything of note within monitoring and contractual arrangements that requires review. Ms Campbell stated that control mechanisms may need to be strengthened but a full update would be available for the next meeting.

Dr Briscoe commented that within the programme of work for the Governance Assurance Committee there is a bi-annual session focused on independent sector governance and sought assurance around internal communications so that relevant teams are aware of the report's findings. Ms Campbell confirmed that she was liaising closely with the Contracts team on the issue. Dr Briscoe stated that this should be recorded in the minutes for assurance purposes.

Concluding this item, Mr Brady asked that together with consideration of this matter arrangements be put in place to allow for a presentation slot at 11.30am on the next occasion preferably on the topic of the Encompass Programme.

MMcN

## **8.0 DATE AND VENUE OF NEXT MEETING**

It was agreed that the next meeting should be held virtually via Zoom on **Wednesday 7 October 2021 at 10 noon hosted from the Board Room, Trust Headquarters, Ulster Hospital, Dundonald.**