

Annual Report of the Audit Committee for the financial year 1 April 2021 to 31 March 2022

1.0 Purpose of Report

1.1 This report details the 14th formal annual report of the Audit Committee (the Committee) to the Board of the South Eastern HSC Trust (the Trust) for the financial year ended 31 March 2022. Its purpose is to report on the work of the Committee for the financial year under review in discharge of its oversight responsibilities to the Board. The report also includes a review of the Annual Report and Accounts for the year ending 31 March 2022 and an assessment of the effectiveness of the system of internal control within the Trust for the same period.

2.0 Chairman's Foreword

2.1 This is my 6th year as Audit Committee Chair. I would like to thank all members for their attendance and contribution at meetings during the year. In particular, to the staff in Internal Audit - Mrs Catherine McKeown and Mrs Jennifer McCaw, the External Auditors, Northern Ireland Audit Office – Mr Stephen Knox as well as Mr Brian Clerkin and Mr Jonathan Murray of ASM. I would also like to thank my Non-Executive colleagues Mrs Joan O'Hagan and Dr Maura Briscoe.

2.2 I would also wish to record my sincere thanks to Ms Wendy Thompson as Director of Finance & Estates in leading the wider Finance Team who have contributed to the work of the Committee throughout the year.

2.3 Finally, thanks to Mrs Martine McNally and Mr Mark Cadden for their efficient preparation and distribution of Audit Committee papers despite the many challenging deadlines associated with the work of the Committee.

3.0 Audit Committee

3.1 Membership of the Committee

Membership of the Committee during 2021/22 comprised:

Members

- Mr Noel Brady, Non-Executive Director
- Dr Maura Briscoe, Non-Executive Director
- Mrs Joan O'Hagan, Non-Executive Director

3.2 Terms of Reference of the Committee

The Committee's Terms of Reference are reviewed on an annual basis and were approved by the Committee for the 2020/21 year on 14 April 2021.

3.3 Meetings of the Committee

The Committee is required by its terms of reference to meet not less than four times per year. During the 2021/22 year the Committee met on 6 occasions:

Formal minutes are recorded of each meeting and these are subsequently reported at the following Trust Board meeting with a copy circulated with the Board papers. No agenda and papers of the Audit Committee were submitted to Department of Health in 2021/22 in line with Annex 1 of the Management Statement/Financial Memorandum. This was due to a further pause in Sponsorship and Governance activities.

One closed meeting of the Audit Committee was chaired by Mr Brady during 2021/22. This was after the Audit Committee meeting of 10 February 2022.

3.4 Attendance at meetings

The Committee has adopted the practice of inviting the Director of Finance & Estates along with representatives of the appointed external auditors, the NIAO and Internal Audit staff from the Business Services Organisation to all meetings and on occasions other Trust staff. In addition, the Chief Executive is invited to attend the meeting at which the Annual Accounts are considered for approval in June.

3.5 Training for Audit Committee Members

During the year, when relevant training courses are notified a representative/s from the Audit Committee will attend and report back to the Committee and share the documentation and presentation slides for information. During 2021/22 two NEDS attended a Risk Management workshop.

4.0 Internal Audit Services

4.1 Provider

The Trust's Internal Audit Service was provided by the Business Services Organisation (BSO) for 2021/22. The Trust pays BSO Internal Audit an annual fee to cover the internal audit service and its assessment of the Trust's compliance with Organisational Controls Standards. The Trust increased the number of days procured from BSO from 448 to 538 in 2021/22.

The Internal Audit team for the South Eastern Trust was headed by Mrs Catherine McKeown, Head of Internal Audit at BSO with Mrs Jennifer McCaw, Assistant Head of Internal Audit.

4.2 Operational Plan

The primary objective of Internal Audit is to provide an independent and objective opinion to the Accounting Officer, Trust Board and Audit Committee on the adequacy and effectiveness of the systems of internal control. The work of the Internal Auditor is informed by an analysis of risk to which the Trust is exposed, and is therefore integrated with the Trust's own risk assessment process and assurance framework.

In 2021/22, the Committee approved a programme of work agreed between the Internal Auditor and the Director of Finance & Estates and other relevant Directors. During the year the Committee considered reports from the Internal Auditor covering the following systems:

Audit Assignment	Level of Assurance**
Finance Audits	
Payments to Staff	Limited
Non Pay Expenditure	Satisfactory – Retained Finance Limited - Off Contract Agency Spend / Foster Care Services / Staff Training
Review of Service Users monies at Rathdree House	Limited
Client Monies in Trust Run Supported Living Schemes	Satisfactory
Client Monies in Independent Sector Homes	Satisfactory
COVID Payment Validation Work: SRP	TBC
Advisory Work	
Assurance Mapping	N/A
Corporate Risk Audits	
IT Procurement & Contract Management	Satisfactory
Recruitment	Postponed to 2022/23
Fire Safety	Limited
Management of Domiciliary Care Contracts	TBC
Governance Audits	
Care Management	Limited
Complaints Management	Limited
Management of Medical Devices	Limited

The definition of assurance levels is described in the BSO Internal Audit reports. Internal Audit provided limited assurance within the following areas:

- Payments to Staff

On the basis that issues remain with compliance with the staff in post process, and there is no standardised process for WLI payments across the Trust increasing the risk of fraudulent or erroneous payments in this area.

- Non Pay Expenditure

On the basis that off-contract Foster Care and Agency Staff expenditure totalled £5.2m for the 12 month period ending 31 March 2021 without a procurement exercise or Direct Award Contract.

- Review of Service Users monies at Rathdree House

Due to significant issues being identified in relation to:

- a) Service users bank / credit union accounts
- b) Procurement of contracts
- c) Service users' holidays
- d) Service User Finance Agreements and Assessment of Financial Capability
- e) Transport Arrangements
- f) Inadequate procedures to safeguard service user monies
- g) Household Costs and Admin Support Charges
- h) Monitoring of Safe Contents

- Fire Safety

Due to:

- a) Inadequate central monitoring of Fire Wardens including the provision of adequate numbers during occupied hours.
- b) Inadequate central monitoring and completion of Fire Risk Assessment Action Plans in a timely manner.
- c) Inadequate assurances provided to the Trust Fire Safety Working Group by Operational and Corporate Directorates.
- d) Inadequate fire safety monitoring within departments
- e) Inadequate mandatory (statutory fire) training coupled with poor record keeping and reporting.

- Care Management

On the basis that care plans and assessments of need are not routinely completed in full. Significant delays were identified from the completion of the service user assessment to the completion of the care plan. There is also limited reporting on care management at Non-Executive level. Evidence of service user consent to share all relevant information at all stages of the care management process was not clearly documented in all instances and annual reviews were not consistently performed as required.

- Complaints Management

On the basis of significant issues identified in relation to reporting to Board; complaints management training; management of learning from complaints; and the lack of central retention of investigation records.

- Management of Medical Devices

On the basis that systems in place to record, track and manage servicing and maintenance of medical devices are not adequate. Governance arrangements need to be revisited and refreshed. There is not an up to date asset register and contract

management arrangements are not sufficiently robust. If servicing is delayed there is an increased risk to patient safety. Also that MDEC did not meet in line with its terms of reference and further refinement is needed in terms of the assurances that it needs to provide to the Board.

Shared Services Audits

A number of audits (summarised below) were conducted in 2020/21 in BSO Shared Services, as part of the BSO Internal Audit Plan. The recommendations in these audit reports are the responsibility of BSO Management to take forward and the reports have been presented to BSO Governance & Audit Committee.

Shared Services Audit	Level of Assurance
Payroll Shared Service	Satisfactory: Elementary Payroll Processes Limited: Timesheet Processing, Reconciliation of HMRC Real Time Information, Management of Overpayments and Holiday Pay
Recruitment Shared Service	Satisfactory
Accounts Payable	Satisfactory
Business Services Team	Satisfactory

4.4 Follow up reviews

A review of the implementation of previous priority one and priority two Internal Audit recommendations was carried out at mid-year and again at year-end. At year end, 99% of the recommendations had either been fully or partially implemented (fully implemented 89% & partially implemented 10%). Only 1% (3) recommendations had not been implemented at the time of review.

4.5 Annual Internal Audit Assurance Report

In accordance with HSS (F) 51/2007, issued by the DoH, the Head of Internal Audit is required to provide an annual opinion on risk management, control and governance arrangements. This opinion is based upon and limited to, the internal audit work performed during the year. The purpose of the annual opinion is to contribute to the assurances available to the Accounting Officer and the Board which underpin the Trust's own assessment of the effectiveness of the system of internal control, which, in turn, will assist in the completion of the Governance Statement. The opinion expressed does not imply that Internal Audit has reviewed all risks and assurances relating to the organisation.

In her annual report, the Head of Internal Audit provided the following opinion on the Trust's system of internal control:

*Overall for the year ended 31 March 2022, I can provide **Satisfactory** assurance on the adequacy and effectiveness of the organisation's framework of governance, risk management and control.*

However I am content there has been sufficient audit work conducted across the organisation's framework of governance, risk, and control to provide an annual assurance opinion in 2021/22.

4.6 Performance of Internal Audit

The Committee is pleased to report that the service provided by the Internal Auditor was to a high standard and was delivered in a professional and effective way with reports setting out in a clear manner any remedial action needed. The Committee's overall assessment is that Internal Audit provided a satisfactory service during the year 2021/22.

5.0 External Audit Service

5.1 Introduction

The Northern Ireland Audit Office (NIAO) contracted out the conduct of the Trust's external audit in respect of the Trust's Public Funds Accounts and the Charitable Fund Accounts to ASM for the financial year 2021/22.

NIAO were represented at the Audit Committee during the year by Mr Stephen Knox.

ASM was represented at Audit Committee by Mr Brian Clerkin.

5.2 External Audit Reports

During the period reported on, the Committee received the Report to those Charged with Governance (RttCwG) covering the Annual Public Fund Accounts and Charitable Trust Fund Accounts for 2020/21.

The Committee received a comprehensive review of this report from the NIAO and are pleased to report that an unqualified opinion was issued by the NIAO, concerning both the truth and fairness of the financial statements and also the regularity of financial transactions.

In respect of the 3 recommendations contained within the 2020/21 RttCwG the Trust has made the following progress:

- a) Monitoring of payroll liabilities has been on-going throughout the year following a difference in opinion between NIAO and the Trust in relation to the treatment of Clinical Excellence Awards.
- b) The Trust has worked with the BSO to establish a methodology to estimate outstanding liabilities in relation to Clinical Negligence claims.
- c) Trust officers worked with BSO Payroll Services to develop and embed a revised 'Leavers' Service Level Agreement and introduced, from 30th June 2021 quarterly Financial Awareness Training for line managers to reduce incidences of overpayments.

5.3 Performance of PricewaterhouseCoopers

The Committee acknowledges in this Annual Report the independence and effectiveness of the statutory auditors, PwC. The Committee is satisfied that the External Auditor possessed the requisite skills and expertise to manage the audit effectively. The Committee also recognises that the reports of the External Auditor presented to the Committee were robust, comprehensive and of the highest quality. For the 2021/22 year end new external auditors have been appointed by NIAO.

5.4 Engagement with External Auditor

Following the presentation of the Annual Report and Accounts the members of the Committee had an opportunity to meet with external auditors, without the presence of Trust officials.

6.0 Annual Report and Accounts (including Governance Statement)

The Audit Committee reviewed the Trust's Annual Report and Accounts for 2020/21 (including the draft Governance Statement) at its meetings on 12 May 2021 and 16 June 2021 before they were ratified on the same day by the Trust Board. The Committee were satisfied that the process to prepare the accounts was robust, and that the Annual Report and Accounts had been extensively reviewed by management and the Committee before final approval by the Board.

The Audit Committee also reviewed the draft Governance Statement at its meeting on 12 May 2021. The Committee is satisfied that the content of the Governance Statement accurately reflected the governance, control and risk management processes currently in operation within the Trust.

7.0 Fraud and Anti-Bribery

The Fraud Officer for the Trust is Mr Brian Grimley, Financial Accounting and Governance Manager, Financial Services. The Trust has formal Fraud and Anti-Bribery policies in place.

During the year a number of incidences of theft and fraud were reported to the Committee. All reports of fraud have been investigated in line with the Trust's Fraud Response Policy and the Trust continues to be committed to a zero-tolerance policy in respect of fraud. It should be noted that there are on-going current investigations where the outcome and any associated monetary value has yet to be established. These cases will be reported in line with the Trusts procedures and, where appropriate, disclosed within the Losses Statement when investigations have closed and a relevant value has been quantified. The Trust will pursue any financial loss incurred as a result of theft or fraud. The Committee concluded that the general framework established by the Trust for the prevention and detection of fraud and Anti-Bribery is satisfactory.

8.0 Other Matters

In addition to the above, the Audit Committee also carried out the following key pieces of work during the period in question:

8.1 Review of Audit Committee's Terms of Reference, Programme of Work and Committee Effectiveness

The Committee formally reviewed the effectiveness of its work and documented this in a report entitled Review of Effectiveness of the Committee (including its Terms of Reference and Programme of Work) on 26 April 2021.

8.2 Annual Report on the work of the Audit Committee – 2020/21

The Committee prepared a report on its work which was endorsed by the Trust Board at its meeting on 16 June 2021.

8.3 Bi-lateral Meetings between the Chairman of the Audit Committee with NIAO, Internal Audit and the Chairman of the Trust Board

No formal bi-lateral meetings were held by the Chairman of the Audit Committee with External Audit, Internal Audit or the Chairman of the Trust Board in 2020/21.

8.5 DoH Workshops for Audit Committee Chairs

There were no DoH workshops held for Audit Committee members during 2020/21.

8.6 Losses and Special Payments 2020/21

As part of its review of the annual public funds accounts, the Committee received a report on the detail of losses and special payments made during the financial year.

8.7 Tabular Summary of Current Position and Status of all Internal Audit Assignments

At each Audit Committee, a report from Internal Audit on the status/progress of all agreed audit assignments is discussed.

9.0 Summary

9.1 Remit

The Committee recognises that the Chief Executive as Accountable Officer supported by the Trust Board is ultimately responsible for the system of internal control, the management of risk and the governance framework. Management is responsible for implementing policies on risk management and control. The Board has delegated to the Audit Committee responsibility for an assessment of the effectiveness of the system of internal control.

The Committee is of the opinion that for the year ended 31 March 2022 it has discharged its oversight responsibilities in accordance with the Terms of Reference set for the Committee by the Trust Board. The Committee is also satisfied that it has considered its business in accordance with best practice.

9.2 Assurance

The Committee in the preparation of this Annual Report sought regular assurances to enable it to report to the Board that the system of internal control is functioning effectively. The principle sources of assurance used by the Committee in the formation of its opinion are:-

- Independent Assurance
 - Reports in respect of individual Internal Audit assignments;
 - The Annual Assurance Report of the Internal Auditor showing a high level of implemented internal audit recommendations by 31 March 2022.
 - External Audit opinion on annual accounts and the Report to those Charged with Governance for the year 2020/21.

- Management Assurance
 - Reports to the Audit Committee from the Director of Finance and Estates covering follow ups to internal audit reports, incidences of fraud and follow-up to external audit reports.

The opinion of the Committee is that the assurances received from the Internal and External Auditor and the Management Team are comprehensive and reliable and sufficient to support the Board and the Accounting Officer in their decision taking and their accountability obligations.

In addition, it should be noted that the Audit Committee has the right to call Directors to address the Committee on items of limited assurance or recurring themes in audit reports.

10.0 Overall Conclusion and Recommendations

- 10.1 The Committee is satisfied in respect of the reliability and integrity of the assurances and of their comprehensiveness in meeting the needs of the Board and the Accounting Officer. Furthermore, the Committee is of the opinion that the assurances available are sufficient to support the Board and the Accounting Officer in the decisions taken by them and in their accountability obligations and that a sound system of Internal Control is in place.
- 10.2 The Committee, at its meeting on 5 May 2022 approved the content of this, the 14th Annual Report for submission to the Trust Board at its meeting on 16 June 2022.

Mr Noel Brady
Chairman of the Audit Committee, South Eastern HSC Trust

6 May 2022