SOUTH EASTERN HEALTH AND SOCIAL CARE TRUST

Minutes of the Audit Committee Meeting of the South Eastern Health & Social Care Trust held on Thursday 20 June 2024 at 9.36am in the Boardroom, Trust Headquarters, Ulster Hospital, Dundonald

PRESENT: Mr N Brady, Non-Executive Director (Chair)
Mrs A Quirk, Non-Executive Director
Mrs J O'Hagan, Non-Executive Director
Mr N McKinley, Non-Executive Director

IN ATTENDANCE: Ms W Thompson, Deputy Chief Executive, Director of Finance & Estates
Mrs C McKeown, Head of Internal Audit, BSO Internal Audit
Ms L Campbell, Assistant Director, Financial Services
Ms L Benson, Head of Financial Accounting
Ms J Shortall, Auditor, ASM Chartered Accountants
Ms S Murphy, Audit Manager, NI Audit Office

OPENING REMARKS

Mr Brady welcomed everyone to the meeting and covered a number of house-keeping items.

1.0 APOLOGIES

Apologies were recorded for Mrs McNally (Board Secretary), Mr Donaghy (Non-Executive Director) and Ms Blee (DoH HSC Sponsorship Branch).

2.0 DECLARATION OF POTENTIAL CONFLICTS OF INTEREST

There were no declarations made at this juncture or during the meeting.

3.0 MINUTES OF THE MEETINGS HELD ON 11 APRIL 2024 AND 9 MAY 2024

Members agreed the minutes of the meetings held on 11 April 2024 and 9 May 2024, having been previously circulated, as a true and accurate record of each.

Mr Brady advised Mrs O'Hagan was not notified of the meeting held on 9 May 2024 due to an administrative error and therefore had not had the opportunity to review the minutes from 11 April 2024 adding this had now been rectified. **Mr Brady** stated Mrs McKeown had provided minor amendments for the draft 9 May 2024 minute which would be incorporated. **Ms Campbell** also advised of a number of typographical changes. On that basis, **Mr Brady** sought and obtained approval for the minutes held on 11 April 2024 and 9 May 2024.

4.0 MATTERS ARISING

Members noted **SET/AC/37/24** Matter Arising Sheet which detailed three actions with one completed, one due to be completed at the next Trust Board meeting and one carried forward for action as part of next year's Annual Report process.

5.0 ITEMS FOR DECISION

5.1 DIRECTOR OF FINANCE BRIEFING: SUMMARY OF CHANGES TO ANNUAL REPORT AND ACCOUNTS 2023/24

Members received, for discussion, **SET/AC/38/24 Briefing: Summary of Changes to draft SET Annual Report & Accounts 2023/24**.

Ms Campbell summarised changes made to the version considered on 9 May 2024 referring to a number of presentational changes as well as incorporation of feedback received from DoH, Internal and External Audit and NED colleagues particularly in relation to the Governance Statement. **Ms Campbell** highlighted a change in the Notes to the Accounts to include commentary on how Holiday Pay provision had been calculated to address feedback detailed in the draft Report to Those Charged with Governance.

Ms Campbell explained this had resulted in changes to the figures included in the Accounts with expenditure reduced by £16m to £1,221m due to the changing method in calculating the early years of Holiday Pay Provision (£17m) offset by a £1m increased to the clinical negligence provision for two cases. **Ms Campbell** added there was a corresponding £16m increase in the Net Current Asset figure (£462m from £446m) being the equal and opposite effect of the aforementioned expenditure changes.

Mr McKinley asked for assurance that topics considered by the Governance Assurance Committee during the 2023/24 period prior to his appointment as Chair of that Committee in February 2024 had been sufficiently represented within the version of the Governance Statement before Members. **Ms Campbell** replied she believed this was the case.

5.2 ANNUAL REPORT AND ACCOUNTS 2023/24

Members received, for decision, **SET/AC/39/24 Annual Report & Accounts 2023/24.**

Ms Campbell explained the main elements included the Performance Report, the Accountability Report (including the Governance Statement) and the Annual Accounts, including the Primary Statements and notes to the Accounts and the Patients'/Residents Monies Accounts. **Ms Campbell** reported the Annual Accounts had been subject to External Audit and were presented for approval before being tabled at Trust Board. **Ms Campbell** stated that within the Primary Statements, with total income of £1,221m and expenditure of £1,221m, the Statement of Net Expenditure reported a surplus of £0.05m meaning SET had achieved statutory breakeven.

Members noted the segmental analysis of expenditure as follows:

- **Staff Costs - £650m** (up by £68m in 2022/23 with £50m resulting from 2023/24 pay awards)

- **Provisions - £109m** (up £79m with £55m attributable to Holiday Pay Provision and £24m set aside for Clinical Negligence)

- **Goods and Services - £420m** (up £10m with Clinical Supplies increasing by £9m and many other categories reduced on the previous year as a result of savings strategies e.g. Heat, Light & Power down by £5m, Engineering Costs reduced by £9m and Training costs dropping by £1m)

- **Depreciation & Impairment - £42m**

Members were advised Pay expenditure accounted for 61% of total spend (compared to 59% in 2022/23) with pay awards accounting for the growth in percentage terms as opposed to a growth in employee numbers with full time equivalents standing at 11,456 (up 162 or 1.4% on 2022/23). Members noted Staff Turnover & Absenteeism due to illness figures had improved – 8.8% compared to 9.5% (Turnover) and 7.99% compared to 8.04% (Absence). **Ms Campbell** explained that, while provision for Clinical Negligence had increased, total payments stood at £7.1m (down £3m on last year) due to fewer high cost cases in 2023/24. **Ms Campbell** confirmed a total of £29.8m capital expenditure had been utilised in 2023/24 (down from £31.5m in 2022/23 – largely attributed to a £3m drop in capital needed for the UHD Acute Services Block). **Ms Campbell** reported that, at the time of writing, there were two matters not yet finalised namely Holiday Pay Provision and Clinical Negligence Provision.

Following discussion, **Mr Brady** commended everyone involved in the production of the Annual Report and Accounts. **Mr Brady** then sought and received approval for the Annual Report and Accounts for 2023/24, subject to satisfactory resolution to the two outstanding NIAO matters referred to above and subject to the inclusion of any minor amendments required. On the same basis, Members also provided approval for the Letter of Representation to be signed by the Accounting Officer in due course.

6.0 REPORT FROM EXTERNAL AUDIT

6.1 DRAFT REPORT TO THOSE CHARGED WITH GOVERNANCE (RTTCWG)

Members received, for discussion, **SET/AC/40/24 Draft Report to Those Charged with Governance 2023/24.**

Ms Murphy stated the RTTCWG was the NIAO's summary of key matters arising from their audit of the 2023/24 financial statements which this year was likely to see the C&AG certify with an unqualified audit opinion without modification subject to the resolution of Holiday Pay and Clinical Negligence provision queries. **Ms Murphy** then introduced Ms Shortall to present. **Ms Shortall** confirmed the proposed opinion was unqualified subject to two matters namely adjusted errors of £16m Holiday Pay provision and clarification required on Clinical Negligence provision as they are waiting on a final outturn from BSO and DLS. **Ms Shortall** stated an updated RTTCWG would be issued once finalised.

Mr Brady asked External Audit colleagues why these issues had not been raised at the start of the process outlining his concern it appeared SET had

very little notice to respond to the queries raised within the last number of days. **Ms Murphy** replied the PSNI holiday pay issue had been ongoing for a number of years and provisions were identified as a significant risk in the audit strategy. **Ms Murphy** added External Audit were required to test the figures, review data provided and examine calculation methods which through necessity takes some time. **Mr Brady** stated if SET had been notified at the outset that there were two areas of focus this would have allowed preparatory work to have been planned rather than requiring an 'all hands on deck' reactive approach. **Ms Murphy** acknowledged all teams had worked as hard as they could with engagement undertaken with DoH and PSNI Audit colleagues on how they had approached particularly complex aspects of this matter. **Ms Murphy** added ASM had raised the issue relating to the provisions being affected by the Covid pandemic working patterns at a relatively early stage of the audit but the complexity of the provisions this year had taken time to work through. In respect of the Clinical Negligence provision, **Ms Murphy** stated the potential issues in relation to the calculation were not known at the outset of the audit.

Mr Brady stated it was not a comfortable position to be in when the Committee would be taking forward Annual Accounts with two fundamental issues unresolved and it was a concern from an assurance perspective. **Ms Murphy** replied that, while the process had not yet completed, they had reasonable certainty what the overall opinion would be. **Ms Murphy** undertook to take back concerns expressed while acknowledging External Audit had to fulfil their professional obligations properly. **Mr Brady** asked **Ms Thompson** to comment who acknowledged both issues could have been raised and addressed at an earlier stage.

Mrs O'Hagan asked what the expectation of Trust Board would be when two key elements are not yet finalised. **Mrs O'Hagan** stated it was important the process was challenged when it falls short so Members can provide assurance to Trust Board. **Mrs O'Hagan** stated she was not sure where the Holiday Pay issue left the proposed opinion and referred to the draft Chief Executive's Annual Report foreword welcoming an unqualified opinion without reference to conditionality. **Mrs O'Hagan** sought assurance on the status of the opinion and what more the Committee may need to do to fulfil its obligations. **Mr Brady** agreed the foreword may need revised if the issues remain outstanding and asked if there were any other issues which may prove material enough to affect the overall opinion. **Ms Thompson** explained the Audit Certificate was NIAO's to determine and clarified the Committee's role was to recommend the Annual Accounts which Trust Board would consider for approval after which NIAO would issue its certificate. **Ms Thompson** stated that, if she believed there was likely to be some form of qualification, she would be making Trust Board aware at its meeting though she understood there would be sufficient clarity in time.

Mrs O'Hagan raised a previous debate over provisions and accruals so today's discussion seemed foreseeable and had left Members in an uncomfortable position. **Ms Shortall** noted the provision for holiday pay adjustment was below the level of materiality so should provide a degree of comfort. **Ms Shortall** highlighted that, 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. **Ms Shortall** explained the final Governance Statement would have narrative on the high level of backlog maintenance with a recommendation this be considered during the LPS 2025 valuation process. **Ms Shortall** highlighted issues persisting with Direct Awards Contracts (DACs) being retrospective approved so recommended procedures continue to be reinforced to all staff involved in such arrangements. **Ms Shortall** provided background on testing of payroll processes and fixed assets. **Ms Shortall** confirmed her team had access to personal data during the audit and this will be destroyed in line with General Data Protection Regulations (GDPR). **Ms Shortall** advised no issues of irregularity or impropriety had been found and recorded no other issues to highlight with the Letters of Representation or proposed Audit Certificate.

Mrs O'Hagan stated it was her understanding Members had to consider whether the uncorrected misstatements should be accepted as such and that this be recorded in the minutes of the meeting. Following discussion, Members agreed to accept the position as proposed. **Ms Campbell** asked if the Clinical Negligence provision figures had been finalised and **Ms Murphy** responded she would be a position to confirm in the near future. **Ms Thompson** advised Trust Board papers would be issued later today so this version may be revisited before the meeting. **Ms Murphy** added she did not believe there would be any changes to the figures but that there may be further changes required in terms of narrative disclosures around the provisions. **Mrs O'Hagan** stated it was important to consider Clinical Negligence as she felt it was an area the Committee had insufficient awareness of. **Mrs O'Hagan** asked if it should be explored to gain a better understanding of the associated risks together with preventative and mitigating measures in place. **Mr Brady** asked if a presentation could be brought to the next meeting to better inform Members who may wish to ask Internal Audit to consider looking at this area. **Mrs McKeown** said DLS may be best placed in terms of shared learning and advised her team examined overall Claims Management (including governance arrangements) every three to four years. **Mrs O'Hagan** stated this area also linked into job planning, training, development, validation and appraisal so took on in a broader importance across the organisation.

Mr Brady recorded appreciation to all colleagues involved in this process which appeared to show an improved position on last year. **Mr Brady** advised the final RTTCWG would be tabled for noting at the next meeting.

7.0 REPORT FROM INTERNAL AUDIT

7.1 BSO GENERAL INTERNAL AUDIT REPORT 2023/24

Members received, for discussion, **SET/AC/41/24 BSO General Internal Audit Report 2023/24** with **Mrs McKeown** confirming SET was Organisation 4 listed therein. **Mrs McKeown** stated it was in similar format as previous years adding the most common category of limited (or less) assurance found across HSC related to Contract Management and Procurement (23%). **Mrs McKeown** highlighted an upward trend in Priority 1 recommendations over the last three years though 82% of outstanding

Priority 1 & 2 recommendations at year end had been fully implemented. **Mrs McKeown** reported 49% of assignment assurances were wholly Satisfactory which was consistent with 2022/23 and identified a number of learning themes from the Limited (or less) assurance audits as follows:

- The need for effective contract management.
- The need to improve compliance with established processes in a number of areas and enhance assurance in respect of compliance.
- Business Continuity Planning and Management of Medical Job Planning need enhanced in many HSC organisations.
- There is a need to focus on staff training.

Mrs McKeown acknowledged a number of Internal Control improvements:

- The cessation of off-contract nursing agency usage through use of the new nursing agency framework.
- Improvement in compliance with Staff in Post checking processes.

Mr Brady noted Contract Management and Procurement stood out and asked if there were any plans to look at revised training. **Mrs McKeown** referred to her 'Learning Brief' last year focused on Staff in Post checks adding she intended to focus on Contract Management this year. **Mrs McKeown** stated it was a matter for HSC Trusts to consider a training focus but agreed one would be beneficial. **Mrs O'Hagan** asked if there was a need and who would be responsible for bespoke training with independent sector providers so they play an improved role. **Mr Brady** recorded the Committee requested EMT consider with a view to improving compliance.

Mrs McKeown provided a summary of SET's outcomes highlighting Pages 6, 8, 11 and 12 thereof to advise 50% of limited assurances found had been in areas previously limited, SET had the lowest number of outstanding Priority 1 and 2 recommendations at year-end and the highest implementation rate. Members were advised of the need for a sustained organisational focus of staff training and to embedding assurance mapping. Following discussion, **Mr Brady** thanked Mrs McKeown and her team for their ongoing efforts in support of the Committee's work.

8.0 ITEMS FOR ESCALATION

There were no items for escalation to Trust Board.

9.0 ANY OTHER BUSINESS

There were no other items of business raised.

10.0 DATE AND VENUE OF NEXT MEETING

Mr Brady advised the next meeting would be held on Thursday 3 October 2024 at 12noon at Trust Headquarters, Ulster Hospital, Dundonald and declared the meeting closed at 10.52am.