

**Minutes of a Virtual meeting of the Audit Committee
held on Thursday, 15th June 2023 at 9.10 a.m.**

PRESENT:

Mrs H McCartan, Non-Executive Director (Chair)
Mr M McDonald, Non-Executive Director
Mr J Wilkinson, Non-Executive Director

IN ATTENDANCE:

Ms C Teggart, Director of Finance, Procurement and Estates, SHSCT
Mrs A Rutherford, Assistant Director of Finance for Financial Services, SHSCT
Mrs C Cassells, Assistant Director of Finance, Financial Management, SHSCT
Mrs F Jones, Corporate Financial Accountant/Fraud Liaison Officer, SHSCT
Mrs J McConville, Assistant Director Corporate Planning, SHSCT *(Item 11 only)*
Mrs C McKeown, Head of Internal Audit
Ms J McCaw, Assistant Head of Internal Audit
Mr J Kelly, Trainee Accountant, Internal Audit
Ms A Strain, Manager – Internal Audit
Ms C Kane, Engagement Director, Northern Ireland Audit Office (NIAO)
Mr B Clerkin, External Audit Partner – ASM, Belfast
Mrs S Judt, Board Assurance Manager, SHSCT
Mrs S McCormick, Committee Secretary, SHSCT (Minutes)

APOLOGIES

Dr M O’Kane, Chief Executive

1) CHAIR’S WELCOME

Mrs McCartan welcomed everyone to the virtual meeting including representatives from both Internal and External Audit.

2) DECLARATION OF INTERESTS

Mrs McCartan asked members to declare any potential conflict of interests in relation to items on the agenda. None were received and the business of the meeting proceeded.

3) CHAIR'S BUSINESS

- Closed Session with Internal and External Auditors

Mrs McCartan advised that in line with good practice, Audit Committee members had met in closed session prior to the meeting with representatives from NIAO, External Partners ASM Belfast and Internal Audit. Subsequently, Audit Committee members met with the Trust Chief Executive, Director of Finance, Procurement and Estates and the Board Assurance Manager on 27th June 2023 to provide formal feedback on the closed session. Trust Management found the engagement informative and worthwhile.

- DoH Correspondence – SHSCT 2022/23 Governance Statement

Members noted the Departmental correspondence dated 24th May 2023 in relation to the SHSCT 2022/23 Governance Statement. Ms Teggart advised that the revised Governance Statement included within the final Draft Annual Report and Accounts (for discussion under Item 6i on the agenda), reflected the matters referenced in the letter from the Department of Health (DoH).

4) MINUTES OF MEETING HELD ON 24TH APRIL 2023

The minutes of the meeting held on 24th April 2023, were agreed as an accurate record of the meeting.

5) MATTERS ARISING FROM PREVIOUS MEETING

Members noted the progress updates from the relevant Directors to issues raised at the previous meeting.

6i) FINAL DRAFT ANNUAL REPORT, GOVERNANCE STATEMENT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2023

Ms Teggart along with Mrs Rutherford presented the draft Annual Report and Accounts for the year ended 31 March 2023 and guided members through a detailed summary of changes made from submission of draft accounts to the DoH on 5 May, to Audit Committee on 15th June 2023. Mrs Rutherford spoke to the changes including a clinical negligence case which had been listed for March 2023, but was settled before year end. Mrs Jones explained the accounting treatment of the £4m provision, which did not impact the year-end reported position. The Trust concluded the financial year 2022/23 at breakeven with a small surplus of £33k.

Mrs McCartan welcomed the year end position and reflected on the robust discussion on the suite of financial statements at the Audit Committee meeting in May. Whilst the Committee was content that the revised Governance Statement 2022/23 was an accurate reflection of Governance and the internal control environment in the Trust, Mr McDonald asked that the narrative be strengthened in relation to Medical staffing issues at Daisy Hill Hospital (DHH). Ms Teggart agreed to relay Mr McDonald's comments to the Chief Executive and strengthen the text appropriately.

Action – Ms Teggart

In conclusion, on behalf of the Committee, Mrs McCartan recorded thanks to the Chief Executive and all staff involved in achieving financial balance in a difficult budgetary and operational environment. She paid particular tribute to the Director of Finance, Assistant Directors of Finance and wider team, for their professionalism and commitment to delivering the Trust financial statements within an extremely challenging timetable.

Members recommended the draft Annual Report, Governance Statement and Accounts 2022/23 for onward submission to Trust Board for formal approval on Thursday, 22nd June 2023.

6ii) FINAL DRAFT ANNUAL REPORT AND CHARITABLE TRUST FUNDS ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2023

Mrs Jones presented the draft Charitable Trust Funds Accounts (CTFs) 2022/23 and advised that at the conclusion of the external audit process, the key elements of the accounts remain unchanged from those presented to the Audit Committee on 4th May 2023. Members noted the key financial performance indicators which included income totalling £439k and expenditure for the period amounted to £769k. The total value of funds at 31 March 2023 amounted to £6.38m.

Members welcomed the year end position. Mrs McCartan advised the Endowments and Gifts Committee would convene later the same day to review the final draft CTF accounts.

On behalf of the Audit Committee, Mrs McCartan recorded thanks to the Trust Finance team along with External Audit representatives for delivering the Trust Fund financial statements within an extremely challenging timetable. Members recommended the draft Trustees' Annual Report and CTF Accounts 2022/23 for onward submission to Trust Board for formal approval on Thursday, 22nd June 2023.

7i) DRAFT LETTER OF REPRESENTATION

At the outset, Mrs McCartan introduced the draft Letter of Representation in relation to the SHSCT Annual Report and Accounts 2022/23. She explained the purpose of the Letter which is signed by the Chief Executive in her role as Accounting Officer and alluded to the Accounting Officer's responsibility for the effective operation of the system of internal control including the prevention and detection of fraud and other matters.

On behalf of the Accounting Officer, Ms Teggart presented the draft Letter of Representation to the Committee for information purposes.

7ii) DRAFT REPORT TO THOSE CHARGED WITH GOVERNANCE 2022/23

Mr Clerkin, External Audit Partner presented the findings of the external audit of the Trust's financial statements for the year ended 31 March 2023. At the outset, he put on record sincere thanks to the Trust finance team for their sterling work in terms of progressing the audit within an extremely tight timeframe.

In relation to misstatements, Mr Clerkin advised of one change from the figures presented from the draft audit position in May 2023 to those presented in the final draft. He assured members the year-end settlement position is not affected and advised of his intention to revisit the wording slightly. Members were pleased to see no Priority 1 recommendations, however noted the specific Priority 2 finding made by the NIAO in relation to the overall internal control environment, namely a deterioration in the first line of defence element of some aspects of the internal control environment.

Mr Clerkin went on to highlight that ongoing discussions continue around a number of classifications of payroll accruals across the region and advised the Trust would be alerted once the matter had been bottomed out with the NIAO. He said it was important to note, if applicable, this was a sector wide issue and would have no bearing on the final year end outcome position. By way of comment, Mrs McCartan said it was unlikely the provision versus accruals classification on payroll would change at this point to which Mr Clerkin provided some further detail on the matter and stated his current assessment was that subject to further discussion with NIAO colleagues on two classifications which fall under the Southern Trust, if a work out was required it would be undertaken as an unadjusted

error. Continuing, Mr Clerkin asked members to note the actions for the Audit Committee detailed on page 3 of the report.

In relation to Charitable Trust Funds (CTFs), members noted the recommendation in respect of lodging and receipting of donations. Trust management have accepted the recommendation and work is underway to reinforce procedures.

In concluding, Mr Clerkin stated he would be recommending to the Comptroller and Auditor (C&AG) that an unqualified audit opinion on the Trust accounts be issued.

By way of response, Mrs McCartan recorded thanks to ASM for their work in completing a rigorous audit in an extremely professional manner. She spoke in particular to the Priority 2 finding in relation to the Internal Control Environment and stated she would be reporting back to Trust management in an open and transparent fashion the discussion on the matter from the closed session with External and Internal representatives. Mrs McCartan also congratulated the Trust Finance Team on their work in compiling a very robust suite of Annual Accounts and Financial Statements, along with the Trust Charitable Funds Accounts in an exceptionally timely manner.

8i) INTERNAL AUDIT PROGRESS REPORT 2023/2024

Mrs McKeown presented the IA Progress Report, which demonstrates progress to date against the 2023/24 IA Plan. Mrs McKeown advised draft reports have been issued for two assignments and fieldwork is in progress across a further number of audits.

Mrs McCartan pointed out the next Audit Committee meeting scheduled for 12th October 2023 marked the mid-year position and emphasised the importance of collaborative working to ensure as many IA reports as possible come to the Committee for review.

8ii) BSO DRAFT GOVERNANCE STATEMENT 2022/23

Members noted for information purposes, the BSO draft Governance Statement for the year ended 31 March 2023. Members welcomed the overall Satisfactory assurance provided by the Head of Internal Audit on the adequacy and effectiveness of the BSO's framework of governance, risk management and control.

9) FRAUD UPDATE

i) SHSCT Annual Fraud and Lessons Learned Report 2022/23

Mrs Jones, Fraud Liaison Officer (FLO) presented her written report, which included 19 fraud cases reported within the Southern Trust for the financial year 2022/23. Three cases are now closed. Mrs Jones referred to a number of cases in particular and subsequently responded to questions raised. Members commended as very helpful the learning outcomes for the individual fraud cases identified across the Directorates. On behalf of the Committee, Mrs McCartan emphasised the very important remit aligned to the FLO and recorded appreciation to Mrs Jones for her diligence in this regard throughout the financial year.

ii) Trust Annual Fraud and Action Plan 2023/24

Mrs Jones guided members through the programme of work on Anti-Fraud and Financial Governance planned for 2023/24. Members welcomed the breadth of detail provided on the action plan and asked a number of questions to which Mrs Jones responded appropriately.

iii) DoF Annual Theft & Fraud Report 2020/2021

Mrs Jones highlighted the key aspects of the above named report. The total number of general Fraud cases reported for the period 2020/21 was 130, a decrease of 94 from the prior year (224 cases). The value of cases reported amounted to £780k, a significant decrease of £2,349k on the prior year figure of £3,129k. Members noted 34% of the total value reported was in respect of 'actual' cases (£263k).

Of the 224 cases, there were 59 reported cases of Fraud by Health Service Boards and Trusts. Members welcomed the good work being undertaken in terms of Fraud prevention and lessons learned.

iv) BSO Counter Fraud and Probity Year-End Report 2021/22

Mrs Jones guided members through the key elements of the report and advised that in the year under review, CFPS investigated a total of 243 referrals from HSC clients and other agencies. Mrs Jones welcomed the detail on the Organisations key performance indicators and their work in raising Fraud prevention across the region.

10) **ANNUAL REPORT ON THE USE OF DIRECT AWARD CONTRACTS FOR THE YEAR ENDED 2022/23**

Mrs Rutherford presented the annual report to the Committee on the use of direct award contracts for the year ended 31 March 2023. Whilst the number of DACs has reduced from 2021/22, the figure remains high with 30 retrospective DACs and 14 Red RAG rated DACs. Members noted the finer detail outlined in the paper and welcomed the establishment of a DAC sub-group to review current processes and Trust DAC documentation and guidance for managers. Mrs Rutherford advised training to senior staff has also been provided in 2022/23.

Members thanked Mrs Rutherford for her ongoing work in raising awareness amongst managers in this area. Mrs McCartan welcomed the comprehensive report and some discussion ensued in regards the best pathway to share the informative narrative within the report through to the Department of Health (DoH). Ms Teggart suggested she would seek advice from BSO Pals on the matter.

Action – Ms Teggart

11) **SUMMARY REPORT OF POST PROJECT EVALUATIONS COMPLETED DURING 2021/22 ON CAPITAL AND REVENUE PROPOSALS GREATER THAN £300,000**

In accordance with the Audit Committee Terms of Reference, members reviewed the summary report of Post Project Evaluations (PPEs), which were completed during 2021/22 on Capital and Revenue proposals greater than £300k. Mrs McConville pointed out that the projects detailed within the report contribute towards improvement in the Trust's infrastructure and in the services which the Trust provides.

Members welcomed the detail included on the objectives of each project, along with an update on if and how they were met and any key learning identified. Members were pleased to note the Trust has achieved 100% green compliance on the 2021/22 DOH test drilling exercise of economic appraisals and Post Project Evaluations (PPEs).

Mrs McCartan highlighted in particular the Capital proposal of £1.2m for investment in a Laundry Tunnel Washer and commended the 'invest to save' approach. Mrs McConville advised the Trust was working to secure capital funding for the project and alluded to the benefits in terms of efficiency saving in the future.

Members welcomed the comprehensive report provided by Mrs McConville.

Mrs McConville left the meeting at this point.

12) AUDIT COMMITTEE ANNUAL REPORT 2022/23

Mrs McCartan presented the Audit Committee Annual Report which relates to the year 2022/23. She reminded members that its purpose was to report on the work of the Committee for the financial year under review. Thanks were recorded to the Board Assurance Manager for the work she had undertaken in producing the comprehensive report. The Committee endorsed the report for onward submission to Trust Board for formal approval on 28th September 2023.

Mrs McCartan drew members' attention to page 13 of the document and stated the Committee will focus during 2023/24 on the work of the Internal Audit Forum to ensure accepted internal audit recommendations are implemented on a timely basis. Going forward the work of the Internal Audit Forum will be a standing item on the Audit Committee agenda. Ms Teggart welcomed the support of the Audit Committee in order to progress this work. Mrs McCartan advised she would meet with Ms Teggart and the Board Assurance Manager in due course to discuss the finer detail of the proposed reporting to Audit Committee.

Action – Mrs McCartan / Ms Teggart / Mrs Judt

13) FINANCE CIRCULARS / GOOD PRACTICE:

i) HSC(F) 15-2023 – Counter Fraud Responsibilities of all HSC & NIRS Employees

Members noted the above named circular for information purposes, reminding all employees of their counter fraud responsibilities. Mrs Rutherford advised the circular will require tailoring to Southern Trust requirements and Mrs Jones and herself will work with the Trust Communications Team to establish how best to communicate the message out to all staff in a timely manner. Mrs Rutherford emphasized the importance of ensuring all medical and non-medical staff are aware of their responsibilities.

ii) HM Treasury: Government Financial Reporting Review – Best practice examples from 2021-22

Members noted the best practice examples on Financial Reporting for information purposes.

iii) NAO Good Practice Guide – Good Practice in Annual Reporting

Members noted the guide, which sets out NAO good-practice principles for good annual reporting.

iv) NAO Good Practice Guide – Cyber & Information Security

Mrs McCartan commended the guide as a useful tool and source of reference for Non-Executive Director colleagues when considering the Trust Corporate Risk Register.

v) NAO Efficiency savings require learning past lessons – Insights from the Auditor General

Mrs McCartan commended the narrative from the Auditor General as extremely helpful and suggested it would be beneficial to share the detail with Dr O’Kane particularly in terms of productivity and efficiency savings.

Mrs Teggart agreed to share a number of the key points included in the text with the Senior Management Team (SLT) for information purposes.

Action – Ms Teggart

Mrs McCartan stated she would like the items of good practice made available on Decision Time software. The Board Assurance Manager welcomed the suggestion and agreed to take forward.

Action – Mrs Judt

14) TRAINING AND DEVELOPMENT

Members were reminded by Mrs McCartan of the importance of keeping informed of ongoing learning and development opportunities.

15) AUDIT COMMITTEE SELF-ASSESSMENT

Mrs McCartan advised that the Audit Committee is using the revised National Audit Office Audit and Risk Assurance Committee

Effectiveness Tool (May 2022) as the basis for reviewing its own effectiveness and guided members through the process for completion. She stated that, in line with good practice, the Committee will seek the views of key stakeholders in relation to their opinion on the Committee's effectiveness and would welcome any suggestions for improvement.

The completed self-assessment will be on the agenda for the meeting scheduled for 12th October 2023.

16) ANY OTHER BUSINESS

The Chair recorded thanks to everyone for their commitment and hard work throughout another financial year and working against an extremely challenging operational environment.

Members noted the next meeting will take place on Thursday, 12th October 2023.

The meeting concluded at 11.30 a.m.

SIGNED: _____

DATED: _____