

Report to those charged with Governance

Southern Health and Social Care Trust

2023-24

Date of issue:

17 September 2024

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We have prepared this report for Southern Health and Social Care Trust's sole use. You must not disclose it to any third party, quote or refer to it, without our written consent and we assume no responsibility to any other person.

1. Key Messages

This report summarises the key matters from our audit of the 2023-24 Southern Health and Social Care Trust (SHSCT) financial statements which we must report to the Audit Committee, as those charged with governance. We would like to thank the Executive Director of Finance, Procurement Estates and Capital and her staff for their assistance during the audit process.

This report covers the SHSCT Public Funds, Charitable Trust Funds and Patients' and Residents' Monies accounts.

Proposed Audit Opinion

The Comptroller and Auditor General (C&AG) certified the 2023-24 financial statements with unqualified audit opinions, without modification.

The Audit Certificates are included at [Appendix Two](#).

Misstatements and Irregular Expenditure

Financial Statement Adjustments

For the Public Funds account, the net effect of adjustments on the Statement of Comprehensive Income and Expenditure was a decrease in Net Expenditure for the Year of £4,077k and on the Statement of Financial Position was an increase in Net Assets of £4,077k.

For the Charitable Trust Funds account, there was no net effect of adjustments on either the Statement of Financial Activities for the Year or the Expenditure or the Balance Sheet.

Uncorrected misstatements

The net effect of uncorrected misstatements on the Statement of Comprehensive Income and Expenditure was an increase in Net Expenditure for the Year of £6,429k and on the Statement of Financial Position was a decrease in Net Assets of £6,429k.

There were no uncorrected misstatements on the Charitable Trust Funds account.

Irregular expenditure

Irregular expenditure was not identified from our audit procedures.

C&AG's Report

No report on the account was required.

Audit Findings

During the audit we reviewed internal controls; accounting systems; and procedures to the extent considered necessary for the effective performance of the audit. We have not identified any priority one recommendations in relation to regularity and the internal control environment.

Full details of findings are included at [Findings from the Audit](#).

Status of the Audit

The audit is now complete.

The total audit fee charged is in line with that set out in our Audit Strategy.

Independence

We consider that we comply with the Financial Reporting Council (FRC) Ethical Standard and that, in our professional judgment, we are independent and our objectivity is not compromised.

Management of information and personal data

SHSCT is required to comply with the General Data Protection Regulations (GDPR) in the handling and storage of personal data. Those Charged with Governance should ensure they have made sufficient enquiries of management to form a view on whether there were any significant specific data incidents which should be disclosed in the Governance Statement. We are unaware of any data handling incidents during the year other than those disclosed in the Annual Report and confirmation to this effect has been sought within the letter of representation included at [Appendix One](#).

During the course of our audit we have access to personal data to support our audit testing. We have established processes to hold this data securely within encrypted files and to destroy it where relevant at the conclusion of our audit. We can confirm that we have discharged those responsibilities communicated to you in accordance with the requirements of the UK General Data Protection Regulation (GDPR) and Data Protection Act 2018.

Actions for the Audit Committee

The Audit Committee should review the findings set out in this report.

2. Audit Scope

We have completed our audit of the 2023-24 financial statements in accordance with International Standards on Auditing (UK) (ISAs) issued by the Financial Reporting Council; with Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'; and with the Audit Strategy presented to the Audit Committee in February 2024.

3. Significant Risks

The significant risks identified in our Audit Strategy have been addressed as follows:

Significant Risk 1

Management override of controls

Under ISA (UK) 240, there is a presumed significant risk of material misstatement due to fraud through management override of controls.

Audit Response

As required by ISA (UK) 240, we:

- tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements;
 - reviewed accounting estimates for biases and evaluated whether the circumstances producing the bias, if any, represented a risk of material misstatement due to fraud;
 - considered significant transactions that were outside the normal course of business for the entity, or that otherwise appeared to be unusual;
 - considered whether the projected deficit gave rise to any unusual spending patterns around year end; and
 - considered how the year-end position had been disclosed in the Governance Statement and annual accounts in the context of both the expectation that Trust would break even and the going-concern disclosure.
-

Outcome

No issues in relation to management override of controls were identified during the audit.

While a significant deficit was identified at planning stage, additional funding became available to assist HSC bodies to achieve year-end breakeven. This was non-recurrent funding to meet breakeven and pay pressures.

Significant Risk 2

Accruals, Provisions and Contingent Liabilities

In the prior year audit, a number of issues in relation to payroll accruals were identified. In order to meet the definition of an accrual as set out in IAS 37, the liability should be agreed with reasonable certainty of both the amount to be paid and the timing of the payment. Two unadjusted misstatements cumulatively totalling £2.1m, in respect of agenda for change and senior executive pay awards, were included within the 2022-23 Report to those Charged with Governance. The financial statements were not recommended for qualification on grounds of disagreement of accounting treatment because the total amount was below materiality. We understand that SHSCT continues to seek clarity and guidance from the Department of Health to ensure appropriate and correct treatment.

We further note that the Court of Appeal decision made in relation to the PSNI Holiday Pay case may have a significant impact on SHSCT. However, we note that at the time of writing, the impact has not yet been quantified by the Trust.

Audit Response

During the audit, we reviewed the payroll accrual guidance from the Department of Health and also reviewed the treatment of payroll liabilities to ensure that they have been appropriately accounted for within the financial statements.

We also reviewed any changes made to the calculation and classification of the PSNI Holiday Pay case.

Outcome

In respect of the PSNI Holiday Pay case, we noted that no formal guidance was provided from DoH with regard to calculation of the provision. The circumstances of the case, the timescale of the period under review, and the inherent limitations on available data impacted on the Trust's ability to produce a reliable estimate. Management initially produced a detailed calculation of the liability for a 5 year 8 month period, and extrapolated the annual average of that period to backdate the liability to April 1998 plus 2023-24. The Trust did not use actual data to calculate the 2023-24 liability. There are a number of data limitations, such as the number of claimants and the level of overtime recorded throughout the period, which cannot be factored into the calculation, creating estimation uncertainty.

The draft accounts provided for audit had insufficient related disclosure, in particular the narrative relating to the provision, such as:

- the disclosure of key estimates and judgements, and any possible contingent liability relating to this matter was insufficient to enable a user of the financial statements to understand the change in approach; and
- the limitations on the information available to calculate the provision and the risk of misstatement inherent in the provision in light of these limitations, given that negotiations in relation to settling the matter have not commenced.

Management reworked their model for the provision to provide a more accurate estimate which resulted in an adjusted audit misstatement.

Further detail on this matter is set out in Finding 1.

We have not identified any issues in respect of classification of other payroll liabilities as part of our audit work.

Significant Risk 3

Internal Control Environment and Governance Arrangements

We noted during the 2022-23 external audit that the Trust's Head of Internal Audit identified a number of areas within the Trust's internal control environment where there was limited or unacceptable level of assurance. Our Report to Those Charged with Governance for 2022-23 also identified a deterioration in the 'first line of defence' elements of some aspects of the Internal Control environment.

There is a risk that the weaknesses in the 'first line of defence' elements of some aspects of the Internal Control environment may have continued, which may increase the risk of irregular spend.

Audit Response

We reviewed all internal audit reports issued relating to the financial year and ensured that any issues impacting the audit are taken into consideration during our substantive testing.

We liaised with the Trust and Internal Audit in relation to the impact this may have on the Head of Internal Audit Annual Opinion, and the

subsequent impact this may have on our audit and particularly our testing of regularity.

Outcome

The Head of Internal Audit provided an overall limited assurance rating for the 2023-24 financial year. For individual assignments, limited assurance was provided for eleven internal audit assignments and a further two assignments were given split assurance ratings with limited assurance on certain elements of the individual audit assignments.

There remains a risk that the 'first line of defence' elements of some aspects of the Internal Control environment continue to be ineffective which may increase the risk of irregular spend. See Finding 2 below for further details.

Significant Risk 4

Clinical Negligence provision

The Trust provides for Clinical Negligence liabilities under the advisement of BSO Legal Services (DLS). In April 2024 new Guidelines for the Assessment of General Damages in Personal Injury Cases in Northern Ireland (the 'Green Book') were published. Given the size of the provision as at 31 March 2024, it was considered that there was a risk that the valuation of the provision was materially misstated in light of the new guidance.

Audit Response

In response to this risk, we:

- Considered the accounting treatment of the provision, and managements judgements, in the context of IAS 37;
 - Performed substantive testing and agreed a sample of the balances by testing the movements in the provisions of individual cases through to supporting documentation from the Trust;
 - Assessed the competence, capabilities and objectivity of DLS as managements expert; and
 - Assessed the impact of the new Green Book guidelines on the provision.
-

Outcome

It is our understanding that while some current cases were updated to consider the new Green Book guidelines, a full review of cases is in progress, and it is anticipated that Clinical Negligence provisions will increase across the board. In the absence of complete data, we have estimated a potential understatement of £6.42m in Clinical Negligence provisions for the Trust, which we report as an uncorrected misstatement.

Further detail on this matter is set out in Finding 3.

4. Findings from the Audit

Financial Reporting

As part of our audit, we evaluated the qualitative aspects of accounting practices and financial reporting. In this section we draw to your attention any significant changes or issues in respect of accounting policies; accounting estimates; and financial statement disclosures.

SHSCT has robust processes in place for the production of the accounts and continue to produce good-quality supporting working papers. Officers dealt efficiently with audit queries, effectively prioritising them, and the audit process has been completed within the planned timescales.

Accounting Policies

We are content with the appropriateness of the accounting policies judged against the objectives of relevance, reliability, comparability and understandability. Our substantive testing has provided us with sufficient assurance over the accounting policies adopted.

Accounting Estimates

We examined the appropriateness of accounting estimates and judgements and are content with the consistency of assumptions and the degree of prudence reflected in the recorded amounts.

With regard to clinical negligence and employer and public liability, we have placed reliance on the expertise of the Directorate of Legal Services (DLS). With regard to valuations and indexation of land and property, we have placed reliance on the expertise of the Land and Property Services (LPS). We note that there is a significant degree of estimation inherent in the Holiday/Sick Pay and Clinical Negligence Provisions. See Findings 1 and 3 for further details.

Financial Statement Disclosures

We made a number of suggestions to improve narrative disclosures and to ensure completeness of the disclosures required under the Government Financial Reporting Manual (FReM) and other relevant guidance for the public funds' financial statements. One significant change relates to the disclosure of uncertainties around claims likely to arise from the PSNI Holiday/Sick Pay case.

Going Concern

No events or conditions were identified from our audit work that cast significant doubt about SHSCT's ability to continue to adopt the going-concern basis of accounting.

Annual Report

The Annual Report was considered to be consistent with our understanding of the business, and was in line with the other information provided in the financial statements.

Accountability Report

The parts of the Accountability Report to be audited were considered to be properly prepared in accordance with Department of Health directions made under the Health and Personal Social Services (Northern Ireland) Order 1972, as amended.

Governance Statement

The Governance Statement was considered to reflect compliance with the Department of Finance's guidance.

Regularity, Propriety and Losses

We found no issues in relation to irregularity, impropriety or losses during our audit.

Internal Control

No material weaknesses in the design and implementation of Southern Health and Social Care Trust's internal control systems have come to our attention during the audit. However, certain internal control weaknesses were identified during audit testing and have been detailed below, including a specific finding in relation to the overall internal-control environment. See Finding 2 for further detail.

Related Parties

No significant matters were arising during the audit in connection with The Trust's related parties.

Audit Recommendations

This section outlines the findings arising from our audit, as well as management's response and target date for implementation. Our findings are defined as:

- **Priority 1** – significant issues for the attention of senior management which may have the potential to result in material weakness in internal control.
 - **Priority 2** – important issues to be addressed by management in their areas of responsibility.
 - **Priority 3** – issues of a more minor nature which represent best practice.
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Finding 1

Holiday/Sick Pay provisions

The Court of Appeal (CoA) judgment from 17 June 2019 (PSNI v Agnew) determined that claims for holiday pay shortfall can be taken back to 1998. The PSNI appealed the CoA judgment to the Supreme Court and the hearing concluded on 15 December 2022. A judgement was handed down on 4 October 2023 confirming claimants are able to bring their claims under the 'unlawful deductions' provisions of the Employment Rights (Northern Ireland) Order 1996, and can thus claim in respect of a series of deductions potentially going back as far as 1998. The HSC working group considering resolution of the liability has indicated that any interim solution is likely to be a number of years away as it will require system change and, in light of industrial action, there have also been delays in initiating discussions with the Trade Unions regarding settlement of the historic liability.

Management initially produced a detailed calculation of the liability for a 5 year 8 month period (August 2017 to March 2023), and extrapolated the annual average of that period to backdate the liability to April 1998 plus 2023-24, without using actual data to calculate the 2023-24 liability, nor for the liability for the period that predates August 2017.

The impact of this on the relevant provision was to increase it from £20.8m to £91.9m in the draft accounts. The draft accounts provided for audit had insufficient disclosure in relation to this matter, in particular the narrative relating to the provision, including:

- the disclosure's key estimates and judgements and any possible contingent liability relating to this matter was insufficient to enable a user of the financial statements to understand the change in approach;
- the limitations on the information available to calculate the provision and the risk of misstatement inherent in the provision in light of these limitations, given that negotiations in relation to settling the matter have not commenced.

We also queried if the inclusion of Covid years was representative of the overtime pre Covid. Management reworked their model for the provision to provide a more accurate estimate which resulted in an adjusted audit misstatement of £23.7m bringing the provision included the annual report and accounts to £68.2m.

The final accounts presented for audit have been updated to reflect these matters.

See adjusted error on page 26 below.

Priority Rating

2

Recommendation

Where in future there is a significant change in the basis of calculation of a key estimate within the financial statements, we recommend that management reviews the calculations for such significant changes to ensure that estimation errors within the calculation are identified and rectified, to provide a reliable degree of accuracy in the calculation. It is important that this review is documented and that management are content that the estimate is reliable.

We would also expect management and the Board to consider the extent to which appropriate disclosure is required to enable the users of the financial statements to understand the changes made and the factors that have influenced the change, and to comply with financial reporting

standards. The Trust should also continue to engage with the Department of Health on this matter.

It is recommended that the Trust continue to seek information relevant to this case and refine the models they have developed in order to be able to reliably measure future probable payments. As a formal claims process is established, we expect management will be better placed to refine the expected liability.

Management Response (including target date)

This recommendation is accepted.

The Trust will continue to engage with HSC regional colleagues and any regional working groups on Holiday/Sick Pay and request DoH guidance on the specific Holiday/Sick Pay provision. The Trust will continue to work to refine the methodology and improve the reliability of the estimate dependent on available information, also ensuring appropriate disclosures are made within the financial statements. This will be implemented in accordance with DoH guidance by 31 March 2025.

Responsible Manager: Corporate Financial Accountant

Target date: 31 March 2025

Finding 2 Internal Control Environment

We note that the Trust's Head of Internal Audit provided the Trust with overall Limited assurance for the year after her reviews identified a number of areas within the Trust's internal control environment where there was limited level of assurance. For individual assignments, limited assurance was provided for 11 internal audit assignments and a further two assignments were given split assurance ratings with limited assurance on certain elements of the individual audit assignments. Details of these reports are included within the Governance Statement.

Our review of Internal Audit findings and our own audit work indicates a deterioration in the 'first line of defence' elements of aspects of the Internal Control environment. We reported upon this finding in 2022-23 and it is concerning that there has been a further reduction in the extent to which some standard controls are being consistently applied across the organisation.

In particular, as external auditors we are concerned that a failure to address control issues around staff-in-post reports, which are a key control in ensuring accuracy of workforce headcount and the validity of payments to staff. Whilst the staff in post reports were suspended for a third of the year due to Trust organisational changes and whilst a new process was agreed to issue the staff listings on a more timely basis to address Internal Audit recommendations (subsequently accepted by Internal Audit as implemented) the fundamental issue of the low compliance rates remains and is concerning.

Other areas of concern within the internal control environment include payments to staff in Laboratory Services, the updating of consultant and specialist doctor job plans, and the use and approval of both agency and bank staff, as well as both ICT incident management and business continuity arrangements, particularly in the event of a cyber-attack. All of these areas may in future have a material impact on the Trust's financial statements and our opinion thereon.

There remains a risk that the 'first line of defence' elements of some aspects of the Internal Control environment continue to be ineffective which may, in future, the risk of irregular spend and have a material impact on the Trust's financial statements and our opinion thereon.

We also note that further progress is needed to fully implement the outstanding significant recommendations made in previous audit reports.

Priority Rating

2

Recommendation

We recommend that the Trust works to promptly address the issues identified from our fieldwork, the 2023-24 Internal Audit reports and the outstanding significant recommendations made in previous financial years, particularly where these relate to ensuring that the existing controls are robustly applied throughout the Trust.

Management Response (including target date)

This recommendation is accepted.

Regular reporting to the Trust's Senior Leadership team on progress on outstanding significant and key internal audit recommendations is occurring as well as the Trust IA Forum working with Directorate representatives on all aspects of the internal audit work programme. The Trust has set ten improvement targets for itself in 2024-25 with regard to internal audit. An additional Audit Committee is also scheduled in October 2024 to consider progress on outstanding internal audit recommendations specifically.

Responsible Manager: Director of Finance, Procurement and Estates

Target date: 31 March 2025

Finding 3

Clinical Negligence

The Trust provides for Clinical Negligence liabilities under the advisement of BSO Legal Services (DLS). In April 2024 new Guidelines for the Assessment of General Damages in Personal Injury Cases in Northern Ireland (the 'Green Book') were published. It is our understanding that while some current cases have been updated to consider the new Green Book, a full review of cases is in progress, and it is anticipated that Clinical Negligence provisions will generally increase across the board. In the absence of complete data, we have estimated a potential understatement of £6.42m in Clinical Negligence provisions for the Trust, which we report as an uncorrected misstatement (see Section 5 below). We recognise that transitioning to full alignment with the new guidelines will take time, due to a high HSC caseload within DLS.

At 31 March 2024, there were Clinical Negligence provisions valued at £128.2m in the Trust's accounts.

Priority Rating

2

Recommendation

In this instance, it is important that provisions are valued using the most accurate information available. We recommend that the Trust works closely with DLS to ensure that all relevant cases are updated in a timely manner to reflect the new Green Book and that provisions are updated accordingly.

Management Response (including target date)

This recommendation is accepted.

There is an ongoing Working Group led by DoH on the Legal Cases Settlement Process. SHSCT representatives will request that this Group considers the DLS valuation of legal cases, in particular to implement fully the provisions of the new Green Book, as well as seeking assurances through the DLS Customer Forum that this has happened. SHSCT will also engage with DLS separately throughout the year to request progress updates on the revised valuations of clinical negligence cases to ensure accurate estimates are available for in year financial monitoring and year end accounts purposes.

Responsible Manager: Assistant Director of Finance & Corporate Financial Accountant

Target date: 31 December 2024

Finding 4

Backlog maintenance

We noted during our review of the Annual Report that the Trust has disclosed the need for capital funding to provide backlog maintenance schemes and remedial works to the Trust estate. The Trust has told us that the estimated level of backlog maintenance is circa £134.7 million, based on an analysis prepared and regularly reviewed by the Estate management team. We understand that the backlog maintenance work is categorised as low, moderate, significant or high risk, based upon the potential service delivery impact.

This backlog maintenance figure covers long standing issues and range of works needed to get the Trust's estates up to desired levels as well as all of the maintenance works needed to ensure buildings are safe, secure and fit for purpose and to modernise the estate.

In the course of our audit, it was identified that LPS indices are applied to the valuation of fixed assets, on the assumption that property is used for service delivery. From discussions with management, we understand that there has been no significant impact to services offered arising from backlog maintenance. The last asset revaluation by LPS was carried out on 31 January 2020, and LPS will complete its next valuation by 31 January 2025.

There is a risk that some of the backlog maintenance may be impacting upon service delivery and therefore the current valuation of property is potentially overstated. Therefore, there is a risk that potential impairment considerations have not been made.

Priority Rating

2

Recommendation

We recommend that the Trust engages with LPS going forward to ensure that backlog maintenance is explicitly taken into consideration when valuations are carried out, and that the backlog maintenance details provided to LPS appropriately distinguish between work which is required to reinstate service delivery capacity, which is required to bring the estate up to a reasonable modern standard and desired future improvement works. We note a full valuation is due in 2025.

The Trust should also consider (along with the Department of Health) whether a five-year valuation cycle is appropriate or if a more regular approach would be more beneficial.

Management Response (including target date)

This recommendation is accepted.

The Trust will ensure that Estates professional staff are involved in the specification and commissioning of the annual and quinquennial valuations, and that the issue of backlog maintenance is explicitly referenced in the LPS commissioning process.

MiCad is the system that Estates use to provide high-level strategic assessment of the current condition of the property assets and identify backlog maintenance costs. Information is collected which allows items to be condition rated, risk assessed with improvement/compliance costs recorded to give the backlog figure as well as the risk rating for the building.

Backlog maintenance is the cost to bring the building up to a category 'B' rating where B is defined as "Satisfactory condition with evidence of only minor deterioration and element / sub-element is operational and performing as intended". The Trust Property team will explore with LPS what information may be required for LPS to inform their valuations.

Responsible Manager: Corporate Financial Accountant & Trust Property Manager

Target date: 31 December 2024

With regard to the frequency of valuations, that is under DoH direction, so the Trust will write to DoH to outline this issue and seek a response in respect of the timing of the full estate valuations. This will ultimately be for DoH to determine and the Trust will continue to follow the prescribed guidance in respect of annual, ad hoc and quinquennial valuations.

Responsible Manager: Assistant Director for Financial Services

Target date: 31 December 2024

Finding 5

Bank reconciliation

The Public Funds bank reconciliation presented for audit had been correctly executed but the reconciled balance did not agree to the General Ledger amount that was included within the Cash and cash equivalents balance in the draft accounts. The £81k difference arose because of a late journal adjustment to correct a duplicate payment, which was incorrectly posted to the GL bank account. The error remains unadjusted but is not reported within the unadjusted errors table as it is below our trivial threshold. The Trust intends to make the correction in the next financial year.

Priority Rating

2

Recommendation

The reconciliation of the bank account is a fundamental control which underpins the accuracy and completeness of financial reporting. The Trust should introduce an end of year control to ensure that bank accounts are fully reconciled to the general ledger and to the financial statement disclosures. There should also be evidence of proper review and approval, which confirms the accuracy of the bank reconciliation and agreement to the GL and financial statements.

Management Response (including target date)

This recommendation is accepted.

An additional control will be incorporated into the monthly and year end accounts preparation timetables. There will be an allocation of tasks so that balances and Notes to the Accounts are reviewed back to the preparing officer and working paper before final inclusion in the working draft of the financial statements.

Responsible Manager: Corporate Financial Accountant for adjustment to month end and year end timetable tasks

Target date: 1 October 2024 for month end timetable, 31 January 2025 for year end timetable.

Finding 6

Existence and valuation of fully depreciated assets

The Trust holds a significant number of fully depreciated assets. A review of the fixed asset register identified 3,857 assets, with a total cost of £53.7m, that have a nil net book value as at 31-3-2024.

- Given the high number of assets that are fully depreciated, and in particular within the category 'Plant and Machinery' (3,134 assets), the expected useful economic life (UEL) of assets appears to be understated. We understand that assets are being held longer than normal due to funding pressures and on that basis this practice should be reflected in the depreciation policy.
 - Of the 11 assets, total cost £283k, selected for detailed testing the Trust was unable to locate six of them (total cost £62k), therefore we couldn't verify that they exist or are in use. The unlocated assets represent 22% of the sampled items, by cost value.
-

Priority Rating

2

Recommendation

We recommend the Trust reviews these assets to:

- re-assess the Trust's depreciation policies to ensure they are relevant for current circumstances.

- locate them and assess whether they are still in operation and if so to re-evaluate their useful economic lives and recalculate depreciation.

Where assets are no longer in operation, they should be appropriately disposed of.

Management Response (including target date)

This recommendation is accepted.

The Trust will review the RAM asset register to confirm depreciation rates and to consider re-living if appropriate for the fully depreciated assets.

Finance will work with Estates colleagues in respect of physical location and operational lives of the fully depreciated assets, using a prioritised approach of reviewing those with highest original gross cost first.

Responsible Manager: Corporate Financial Accountant

Target date: 30 June 2025

Finding 7

Capital accruals

Through our testing of PPE additions we identified that the Trust had accrued for the capital addition (£320k) of a bespoke modular building for a health centre which had been commissioned from a contractor on 28 March 2024 under a Service Level Agreement. There is no evidence to validate the extent of work in progress on the project at 31 March 2024 and it would be reasonable to assume that the contractor would have had little to no opportunity to incur costs on the project in such a short timeframe. We understand the building has not yet been delivered to the Trust.

It is our view that the signing of this agreement represents a financial commitment, regardless of its bespoke nature. Costs should not be capitalised until there is clear evidence of fulfillment of defined contract obligations.

Upon enquiry the Trust told us that a further two buildings have been capitalised under similar arrangements and circumstances, and in total for all three the accrued costs are £1.37m.

This accounting treatment error has not been corrected and is reported as an uncorrected misstatement within Section 5 below.

Priority Rating

2

Recommendation

The Trust should ensure that for future transactions of this nature costs are capitalised at the point in time when contract obligations are fulfilled, not on commitment. This should be supported by proper documentary evidence.

Management Response (including target date)

This recommendation is accepted.

The Trust sought clarification regarding the accrual of capital spend for bespoke modular units. DoH Capital Resource Unit advised that they had liaised with the Department's Financial Accounting Unit and the DoH Finance Director and that given the bespoke nature, the accrual of spend was considered reasonable and the liability is incurred when the contract is signed, as a binding commitment has been entered into.

However, on the basis of the above recommendation from NIAO, any future bespoke modular units will be considered capital commitments at the time of ordering and will not be accrued until the unit is complete and on site.

Responsible Manager: Assistant Director of Finance – Financial Costing, Efficiencies & Capital

Target date: From Financial year 2024-25 onwards.

Finding 8

Disclosure of fees and charges information

The Government Financial Reporting Manual (FreM) requires entities covered by Managing Public Money NI to include an analysis of fees and charges where material, within the Accountability and Audit Report.

The analysis should include the following information for each service:

- the financial objective(s) and performance against the financial objective(s);
- the full cost and unit costs charged in year;
- the total income received in year; and
- the nature/extent of any subsidies or overcharging

Client contributions totalling £38.8m are a material income stream for the Trust and the above disclosures have not been made.

We note that the Department's Charging for Residential Accommodation Guide 2015 (GRAG 2015) states that:

- the Department (delegated to HSC through a Direction) is to set the standard rate for Trust managed homes at an amount equivalent to the full cost to the Trust of providing the accommodation;
- for independent sector residential care where there is no standard rate set by the trust, the standard rate will be the gross cost to the Trust of providing or purchasing the accommodation under a contract; and
- that if a resident is unable to pay the standard rate, the Trust must assess his ability to pay, and decide what lower amount should be charged.

MPMNI's basic principle is that fees and charges are set to recover full costs and this applies to all fees and charges set by Ministers including Health and Social Care bodies (MPMNI section 6.2.4).

It is evident that the Trust's default position should be full cost recovery of the standard charges set by HSC in relation to residential accommodation, only assessing where necessary the ability to pay and a reduction of charges.

Priority Rating

3

Recommendation

Looking ahead we recommend that, in the interests of transparency and accountability, the Trust include the above required fees and charges disclosures for Client Contributions income, if material.

Management Response (including target date)

This recommendation is accepted and the Trust will consider and liaise with Finance colleagues regionally to promote consistency of application across all Trusts.

Responsible Manager: Assistant Director for Financial Services

Target date: 31 March 2025

Finding 9

Pay Award Accrual

The Trust has included an accrual for the cost of the 2023-24 pay award within the accounts. Most of the input figures used in the calculation of the Pay Award Accrual estimate are based upon Department of Health indicative figures that are ultimately derived from the Trust's own estimates at Month 7, which were provided to the Department in order to inform the October Monitoring Round. The failure to use the full data for the year in the calculations represents a weakness in the estimation methodology that may result in an inaccuracy in the value of the accrual.

Priority Rating

3

Recommendation

The Trust should consider basing the estimation methodology for calculating any future pay award accruals on full data for the year. Where this is not practicable, the Trust should seek to review or confirm extrapolated pay award estimate figures towards year-end to form the basis of any accrual.

Management Response (including target date)

The recommendation is accepted and going forward consideration will be given to basing the estimation methodology on full data for the year where practicable or confirm extrapolated estimates towards year-end where not, in order to inform any accrual.

Responsible Manager: Assistant Director for Financial Management

Target Date: 31 March 2025

A review of management's implementation of priority one recommendations made in our prior year Report to those charged with Governance is set out at Appendix Three.

5. Misstatements and Irregular Expenditure

Adjusted misstatements

Public Funds

During the audit process we identified the following misstatements that were subsequently adjusted by the Trust. The net effect of these corrected misstatements is a decrease in expenditure and an increase in net assets of £4.077m.

ISSUE	AREA	SoCNE DEBIT / (CREDIT) £'000	SoFP DEBIT / (CREDIT) £'000
Uplift in provision for a clinical negligence case	Provisions- Clinical Negligence (non-current liability)		(22,707)
	Provisions- Clinical Negligence (current liability)		3,130
	Provisions expense	19,577	
Revision of estimated Holiday/sick Pay provisions	Provisions- Other		23,654
	Provisions expense	(23,654)	
TOTAL		(4,077)	4,077

Charitable Trust Funds

During the audit process we identified the following misstatement that was subsequently adjusted by the Trust. This adjustment had no net effect on either the Statement of Financial Activities for the Year or the Expenditure or the Balance Sheet.

ISSUE	AREA	SoFAY DEBIT / (CREDIT) £'000	Balance Sheet DEBIT / (CREDIT) £'000
Classification Error within Note 2 Analysis of Income	Income – Donations from Individuals	53	
	Income - Other	(53)	
TOTAL		-	-

Uncorrected misstatements

Public Funds

The table below lists unadjusted misstatements which exceed our clearly trivial threshold of £300k. The net effect of these uncorrected misstatements is an increase in expenditure and a decrease in net assets of £6,429k.

ISSUE	AREA	SoCNE DEBIT / (CREDIT) £'000	SoFP DEBIT / (CREDIT) £'000
Incorrectly accrued capital additions	Property, Plant & Equipment		(1,366)
	Trade capital Payables		1,366
Potential understatement of estimated clinical negligence provisions (projected)	Provisions- Clinical Negligence		(6,429)
	Provisions expense	6,429	
Incorrect split of bad debt provision between trade and other receivables	Trade Receivables		472
	Other Receivables – Not FA		(472)
Incorrect classification of General Travel Accrual	Payroll Payable		688
	Accruals		(688)
TOTAL		6,429	(6,429)

We recommended that uncorrected misstatements, other than projected errors, be corrected by the Trust.

Charitable Trust Funds

We did not identify any uncorrected misstatements on the Charitable Trust Funds account.

Irregular Expenditure

We did not identify any irregular expenditure during the course of our audit.

Appendix One – Letter of Representation



Quality Care - for you, with you

The Comptroller and Auditor General
Northern Ireland Audit Office
106 University Street
SOUTHERN
BT 7 1EU

Letter of Representation: Southern Health and Social Care Trust 31 March 2024 Incorporating: Public Funds, Charitable Trust Funds and Patients' and Residents' Monies (PRM/PPP)

As Accounting Officer of the Southern Health and Social Care Trust (SHSCT) I have fulfilled my responsibility for preparing accounts that give a true and fair view of the state of affairs, net expenditure, cash flows, Changes in Taxpayers' Equity; and the related notes of the SHSCT for the year ended 31 March 2024.

In preparing the accounts, I was required to:

- observe the accounts direction issued by the Department of Health (DoH), including the relevant accounting and disclosure requirements and apply appropriate accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards have been followed and disclosed and explain any material departures in the accounts; and
- make an assessment that SHSCT is a going concern and will continue to be in operation throughout the next year; and ensure that this has been appropriately disclosed in the financial statements.

I confirm that for the financial year ended 31 March 2024:

- neither I nor my staff authorised a course of action, the financial impact of which is that transactions infringe the requirements of regularity as set out in Managing Public Money Northern Ireland;

- having considered and enquired as to the SHSCT's compliance with law and regulations, I am not aware of any actual or potential non-compliance that could have a material effect on the ability of the SHSCT to conduct its business or on the results and financial position disclosed in the accounts;
- all accounting records have been provided to you for the purpose of your audit and all transactions undertaken by the SHSCT have been properly recorded and reflected in the accounting records. All other records and related information, including minutes of all management meetings which you have requested have been supplied to you; and
- the information provided regarding the identification of related parties is complete; and the related party disclosures in the financial statements are adequate.

All material accounting policies as adopted are detailed in note 1 to the accounts.

Internal Control

I have fulfilled my responsibility as Accounting Officer for the design and implementation of internal controls to prevent and detect error and I have disclosed to you the results of my assessment of the risk that the financial statements could be materially misstated.

I confirm that I have reviewed the effectiveness of the system of internal control and that the disclosures I have made are in accordance with DoF guidance on the Governance Statement.

Fraud

I have fulfilled my responsibility as Accounting Officer for the design and implementation of internal controls to prevent and detect fraud and I have disclosed to you the results of my assessment of the risk that the financial statements could be materially misstated as a result of fraud.

I am not aware of any fraud or suspected fraud affecting the SHSCT and no allegations of fraud or suspected fraud affecting the financial statements has been communicated to me by employees, former employees, analysts, regulators or others.

Assets

GENERAL

All assets included in the Statement of Financial Position were in existence at the reporting period date and owned by the SHSCT and free from any lien, encumbrance or charge, except as disclosed in the accounts. The Statement of Financial Position includes all tangible assets owned by the SHSCT.

NON CURRENT ASSETS

All assets over £5,000 are capitalised. They are revalued annually using indices. Depreciation is calculated to reduce the net book amount of each asset to its estimated residual value by the end of its estimated useful life in the SHSCT's operations.

OTHER CURRENT ASSETS

On realisation in the ordinary course of SHSCT's operations the other current assets in the Statement of Financial Position are expected to produce at least the amounts at which they are stated. Adequate provision has been made against all amounts owing to SHSCT which are known, or may be expected, to be irrecoverable.

BACKLOG MAINTENANCE

Backlog maintenance as at 31 March 2024 has been estimated at £134.7 million. This level of backlog maintenance has not impacted service delivery.

Liabilities

GENERAL

All liabilities have been recorded in the Statement of Financial Position.

There were no significant losses in the year and no provisions for losses were required at the year end.

All litigation and claims have been disclosed to you and correctly accounted for.

PROVISIONS

Provision is made in the financial statements for:

- Clinical Negligence;
- Holiday/ Sick Pay relating to overtime and sick pay;

- Senior Executive pay;
- Pay modernisation; and
- Other (Employer's and Occupier's Liability, injury benefit and employment law) and

Provisions are recognised when the Trust has a present legal or constructive obligation as a result of a past event, it is probable that the Trust will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties.

The Trust has engaged Directorate Legal Services as an expert in relation to provisions.

Holiday/Sick Pay Provision

The Holiday/Sick Pay Provision has been included in the financial statements at £68.2 million. Whilst there is a degree of estimation uncertainty in this estimate, I consider it to be reliable enough to meet the definition of a provision in accordance with IAS 37, and consider the disclosure provided to be sufficient to provide a reader of the accounts a clear understanding of the uncertainty.

CONTINGENT LIABILITIES

Other than matters disclosed in the contingent liability note to the accounts, I am not aware of any pending litigation which may result in significant loss to the Trust and I am not aware of any action which is or may be brought against the Trust under the Insolvency (Northern Ireland) Order 1989 and the Insolvency (Northern Ireland) Order 2005.

Other Disclosures

RESULTS

Except as disclosed in the accounts, the results for the year were not materially affected by transactions of a sort not usually undertaken by the SHSCT, or circumstances of an exceptional or non-recurring nature.

UNCORRECTED MISSTATEMENTS

The following uncorrected misstatement has been brought to my attention. The net effect on Net Expenditure and Net Assets is nil.

ISSUE	AREA	SoCNE DEBIT / (CREDIT) £'000	SoFP DEBIT / (CREDIT) £'000
Incorrectly accrued capital additions	Property, Plant & Equipment		(1,366)
	Trade capital Payables		1,366
Potential understatement of estimated clinical negligence provisions (projected)	Provisions-Clinical Negligence		(6,429)
	Provisions expense	6,429	
Incorrect split of bad debt provision between trade and other receivables	Trade Receivables		472
	Other Receivables Not FA	-	(472)
Incorrect classification of General Travel Accrual	Payroll Payable		688
	Accruals		(688)
TOTAL		6,429	(6,429)

I consider the effect of this uncorrected misstatement to be immaterial, both individually and in aggregate, to the financial statements taken as a whole.

EVENTS AFTER THE REPORTING PERIOD

Except as disclosed in the accounts, there have been no material changes since the reporting period date affecting liabilities and commitments, and

no events or transactions have occurred which, though properly excluded from the accounts, are of such importance that they should have been brought to notice.

ACCOUNTING ESTIMATES

The methods, significant assumptions and the data used in making the accounting estimates and the related disclosures are appropriate to achieve recognition, measurement or disclosure that is in accordance with the financial reporting framework.

Management of Personal Data

Except as disclosed in the Directors' Report, there have been no personal data related incidents in 2023-24 which are required to be reported.

Yours sincerely



M O'Kane

Chief Executive and Accounting Officer

Southern Health and Social Care Trust

02 July 2024

Appendix Two – Audit Certificates

SOUTHERN HEALTH AND SOCIAL CARE TRUST – PUBLIC FUNDS

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE NORTHERN IRELAND ASSEMBLY

Opinion on financial statements

I certify that I have audited the financial statements of the Southern Health and Social Care Trust for the year ended 31 March 2024 under the Health and Personal Social Services (Northern Ireland) Order 1972, as amended. The financial statements comprise: the Group and Parent Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes including significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards as interpreted and adapted by the Government Financial Reporting Manual.

I have also audited the information in the Accountability Report that is described in that report as having been audited.

In my opinion the financial statements:

- give a true and fair view of the state of the group's and of the Southern Health and Social Care Trust's affairs as at 31 March 2024 and of the group's and the Southern Health and Social Care Trust's net expenditure for the year then ended; and
- have been properly prepared in accordance with the Health and Personal Social Services (Northern Ireland) Order 1972, as amended and Department of Health directions issued thereunder.

Opinion on regularity

In my opinion, in all material respects the expenditure and income recorded in the financial statements have been applied to the purposes intended by the Assembly and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK), applicable law and Practice Note 10 'Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate.

My staff and I are independent of the Southern Health and Social Care Trust in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK, including the Financial Reporting Council's Ethical Standard, and have fulfilled our other

ethical responsibilities in accordance with these requirements. I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my opinions.

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the Southern Health and Social Care Trust's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Southern Health and Social Care Trust's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

The going concern basis of accounting for the Southern Health and Social Care Trust is adopted in consideration of the requirements set out in the Government Financial Reporting Manual, which require entities to adopt the going concern basis of accounting in the preparation of the financial statements where it anticipated that the services which they provide will continue into the future.

My responsibilities and the responsibilities of the Trust and the Accounting Officer with respect to going concern are described in the relevant sections of this certificate.

Other Information

The other information comprises the information included in the annual report other than the financial statements, the parts of the Accountability Report described in that report as having been audited, and my audit certificate and report. The Trust and the Accounting Officer are responsible for the other information included in the annual report. My opinion on the financial statements does not cover the other information and except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon.

My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters

In my opinion, based on the work undertaken in the course of the audit:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with Department of Health directions made under the Health and Personal Social Services (Northern Ireland) Order 1972, as amended; and

- the information given in the Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

In the light of the knowledge and understanding of the Southern Health and Social Care Trust and its environment obtained in the course of the audit, I have not identified material misstatements in the Performance Report and Accountability Report. I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the parts of the Accountability Report to be audited are not in agreement with the accounting records; or
- certain disclosures of remuneration specified by the Government Financial Reporting Manual are not made; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with the Department of Finance's guidance.

Responsibilities of the Trust and Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer Responsibilities, the Trust and the Accounting Officer are responsible for:

- the preparation of the financial statements in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- ensuring such internal controls are in place as deemed necessary to enable the preparation of financial statements to be free from material misstatement, whether due to fraud or error;
- ensuring the annual report, which includes the Remuneration and Staff Report, is prepared in accordance with the applicable financial reporting framework; and
- assessing the Southern Health and Social Care Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Accounting Officer anticipates that the services provided by the Southern Health and Social Care Trust will not continue to be provided in the future.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to examine, certify and report on the financial statements in accordance with the Health and Personal Social Services (Northern Ireland) Order 1972, as amended.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue a certificate that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulation, including fraud.

My procedures included:

- obtaining an understanding of the legal and regulatory framework applicable to the Southern Health and Social Care Trust through discussion with management and application of extensive public sector accountability knowledge. The key laws and regulations I considered included the Health and Personal Social Services (Northern Ireland) Order 1972, as amended;
- making enquires of management and those charged with governance on the Southern Health and Social Care Trust's compliance with laws and regulations;
- making enquiries of internal audit, management and those charged with governance as to susceptibility to irregularity and fraud, their assessment of the risk of material misstatement due to fraud and irregularity, and their knowledge of actual, suspected and alleged fraud and irregularity;
- completing risk assessment procedures to assess the susceptibility of the Southern Health and Social Care Trust's financial statements to material misstatement, including how fraud might occur. This included, but was not limited to, an engagement director led engagement team discussion on fraud to identify particular areas, transaction streams and business practices that may be susceptible to material misstatement due to fraud. As part of this discussion, I identified potential for fraud in the following areas: revenue recognition, expenditure recognition and posting of unusual journals;
- engagement director oversight to ensure the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with the applicable legal and regulatory framework throughout the audit;
- documenting and evaluating the design and implementation of internal controls in place to mitigate risk of material misstatement due to fraud and non-compliance with laws and regulations;
- designing audit procedures to address specific laws and regulations which the engagement team considered to have a direct material effect on the financial statements in terms of misstatement and irregularity, including fraud. These audit procedures included, but were not limited to, reading board and committee minutes, and agreeing financial statement disclosures to underlying supporting documentation and approvals as appropriate; and

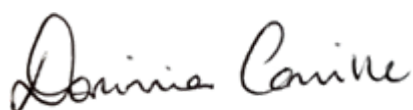
- addressing the risk of fraud as a result of management override of controls by:
 - performing analytical procedures to identify unusual or unexpected relationships or movements;
 - testing journal entries to identify potential anomalies, and inappropriate or unauthorised adjustments;
 - assessing whether judgements and other assumptions made in determining accounting estimates were indicative of potential bias; and
 - investigating significant or unusual transactions made outside of the normal course of business.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my certificate.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by the Assembly and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Report

I have no observations to make on these financial statements.



Dorinnia Carville
Comptroller and Auditor General
Northern Ireland Audit Office
106 University Street
BELFAST
BT7 1EU
4 July 2024

SOUTHERN HEALTH AND SOCIAL CARE TRUST – PATIENTS' AND RESIDENTS' MONIES

**THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE
NORTHERN IRELAND ASSEMBLY**

Opinion on account

I certify that I have audited the Southern Health and Social Care Trust's account of monies held on behalf of patients and residents for the year ended 31 March 2024 under the Health and Personal Social Services (Northern Ireland) Order 1972, as amended.

In my opinion the account:

- properly presents the receipts and payments of the monies held on behalf of the patients and residents of the Southern Health and Social Care Trust for the year ended 31 March 2024 and balances held at that date; and
- the account has been properly prepared in accordance with the Health and Personal Social Services (Northern Ireland) Order 1972, as amended and Department of Health directions issued thereunder.

Opinion on regularity

In my opinion, in all material respects the financial transactions recorded in the account statements conform to the authorities which govern them.

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK), applicable law and Practice Note 10 'Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the account section of my certificate.

My staff and I are independent of the Southern Health and Social Care Trust in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK, including the Financial Reporting Council's Revised Standard, and have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my opinions.

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the Southern Health and Social Care Trust's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Southern Health and Social Care Trust's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Accounting Officer with respect to going concern are described in the relevant sections of this certificate.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the account is not in agreement with the accounting records; or
- I have not received all of the information and explanations I require for my audit.

Responsibilities of the Trust for the account

As explained more fully in the Statement of Trust's Responsibilities in relation to patients'/residents' monies, the Trust is responsible for:

- the preparation of the account in accordance with the applicable financial reporting framework and for being satisfied that they properly present the receipts and payments of the monies held on behalf of the patients and residents;
- ensuring such internal controls are in place as deemed necessary to enable the preparation of financial statements to be free from material misstatement, whether due to fraud or error; and
- assessing the Southern Health and Social Care Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trust anticipates that the services provided by the Southern Health and Social Care Trust will not continue to be provided in the future.

Auditor's responsibilities for the audit of the account

My responsibility is to examine, certify and report on the financial statements in accordance with the Health and Personal Social Services (Northern Ireland) Order 1972, as amended.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue a certificate that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulation, including fraud.

My procedures included:

- obtaining an understanding of the legal and regulatory framework applicable to the Southern Health and Social Care Trust through discussion with management and application of extensive public sector accountability knowledge. The key laws and regulations I considered included the Health and Personal Social Services (Northern Ireland) Order 1972, as amended;

- making enquires of management and those charged with governance on the Southern Health and Social Care Trust's compliance with laws and regulations;
- making enquiries of internal audit, management and those charged with governance as to susceptibility to irregularity and fraud, their assessment of the risk of material misstatement due to fraud and irregularity, and their knowledge of actual, suspected and alleged fraud and irregularity;
- completing risk assessment procedures to assess the susceptibility of the Southern Health and Social Care Trust's financial statements to material misstatement, including how fraud might occur. This included, but was not limited to, an engagement director led engagement team discussion on fraud to identify particular areas, transaction streams and business practices that may be susceptible to material misstatement due to fraud;
- engagement director oversight to ensure the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with the applicable legal and regulatory framework throughout the audit;
- designing audit procedures to address specific laws and regulations which the engagement team considered to have a direct material effect on the financial statements in terms of misstatement and irregularity, including fraud. These audit procedures included, but were not limited to, reading board and committee minutes, and agreeing financial statement disclosures to underlying supporting documentation and approvals as appropriate; and
- addressing the risk of fraud as a result of management override of controls by:
 - performing analytical procedures to identify unusual or unexpected relationships or movements;
 - testing journal entries to identify potential anomalies, and inappropriate or unauthorised adjustments;
 - assessing whether judgements and other assumptions made in determining accounting estimates were indicative of potential bias; and
 - investigating significant or unusual transactions made outside of the normal course of business.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my certificate.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the financial transactions recorded in the account conform to the authorities which govern them.

Report

I have no observations to make on this account.

Dorinnia Carville

*Dorinnia Carville
Comptroller and Auditor General
Northern Ireland Audit Office
106 University Street
BELFAST
BT7 1EU
4 July 2024*

SOUTHERN HEALTH AND SOCIAL CARE TRUST – CHARITABLE TRUST FUNDS

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE NORTHERN IRELAND ASSEMBLY

Opinion on financial statements

I certify that I have audited the financial statements of the Southern Health and Social Care Trust's Charitable Trust Funds for the year ended 31 March 2024 under the Health and Personal Social Services (Northern Ireland) Order 1972, as amended. The financial statements comprise: the Statement of Financial Activities, the Balance Sheet, Statement of Cash flows and the related notes including significant accounting policies. The financial reporting framework that has been applied in their preparation is United Kingdom accounting standards including FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In my opinion the financial statements:

- give a true and fair view of the state of the Southern Health and Social Care Trust's Charitable Trust Funds' affairs as at 31 March 2024 and of its incoming and expenditure of resources for the year then ended; and
- have been properly prepared in accordance with the Health and Personal Social Services (Northern Ireland) Order 1972, as amended and Department of Health directions issued thereunder.

Opinion on regularity

In my opinion, in all material respects the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK), applicable law and Practice Note 10 'Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of this certificate.

My staff and I are independent of the Southern Health and Social Care Trust's Charitable Trust Funds in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK, including the Financial Reporting Council's Ethical Standard, and have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my opinions.

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the Southern Health and Social Care Trust's Charitable Trust Funds' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt about the Southern Health and Social Care Trust's Charitable Trust Fund's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Trust and the Accounting Officer with respect to going concern are described in the relevant sections of this certificate.

Other Information

The other information comprises the information included in the Annual Report other than the financial statements and my audit certificate and report. The Trust and the Accounting Officer are responsible for the other information included in the annual report. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters

In my opinion based on the work undertaken in the course of the audit, the information given in the Trustee's Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

In the light of the knowledge and understanding of the Southern Health and Social Care Trust's Charitable Trust Funds and its environment obtained in the course of the audit, I have not identified material misstatements in the Trustee's Annual Report.

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or

- I have not received all of the information and explanations I require for my audit.

Responsibilities of the Trust and Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer Responsibilities, the Trust and the Accounting Officer are responsible for the preparation of the financial statements and for:

- the preparation of the financial statements in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- such internal controls as the Trust Accounting Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
- assessing the Southern Health and Social Care Trust's Charitable Trust Funds' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trust and Accounting Officer anticipates that the services provided by the Southern Health and Social Care Trust's Charitable Trust Funds will not continue to be provided in the future.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Health and Personal Social Services (Northern Ireland) Order 1972, as amended.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue a certificate that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulation, including fraud.

My procedures included:

- obtaining an understanding of the legal and regulatory framework applicable to the Southern Health and Social Care Trust's Charitable Trust Funds through discussion with management and application of extensive public sector accountability knowledge. The key laws and regulations I considered included the Health and Personal Social Services (Northern Ireland) Order 1972, as amended and Department of Health directions issued thereunder;

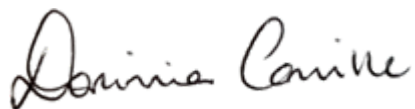
- making enquires of management and those charged with governance on the Southern Health and Social Care Trust's Charitable Trust Funds' compliance with laws and regulations;
- making enquiries of internal audit, management and those charged with governance as to susceptibility to irregularity and fraud, their assessment of the risk of material misstatement due to fraud and irregularity, and their knowledge of actual, suspected and alleged fraud and irregularity;
- completing risk assessment procedures to assess the susceptibility of the Southern Health and Social Care Trust's Charitable Trust Funds' financial statements to material misstatement, including how fraud might occur. This included, but was not limited to, an engagement director led engagement team discussion on fraud to identify particular areas, transaction streams and business practices that may be susceptible to material misstatement due to fraud. As part of this discussion, I identified potential for fraud in the following areas: revenue recognition, expenditure recognition, posting of unusual journals;
- engagement director oversight to ensure the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with the applicable legal and regulatory framework throughout the audit;
- designing audit procedures to address specific laws and regulations which the engagement team considered to have a direct material effect on the financial statements in terms of misstatement and irregularity, including fraud. These audit procedures included, but were not limited to, reading board and committee minutes, and agreeing financial statement disclosures to underlying supporting documentation and approvals as appropriate;
- addressing the risk of fraud as a result of management override of controls by:
 - performing analytical procedures to identify unusual or unexpected relationships or movements;
 - testing journal entries to identify potential anomalies, and inappropriate or unauthorised adjustments;
 - assessing whether judgements and other assumptions made in determining accounting estimates were indicative of potential bias; and
 - investigating significant or unusual transactions made outside of the normal course of business.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my certificate.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the financial statements conform to the authorities which govern them.

Report

I have no observations to make on these financial statements.



Dorinnia Carville
Comptroller and Auditor General
Northern Ireland Audit Office
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16 September 2024

Appendix Three – Implementation of Prior Year Priority One Recommendations

No priority one findings were raised during the 2022-23 financial audit.
