

REPORT SUMMARY SHEET

Meeting: Date:	Trust Board 23 rd May 2019
Title:	Audit Committee Feedback
Lead Director:	Chair, Audit Committee
Corporate Objective:	N/A
Purpose:	Approval
Summary of Key Issues for Trust Board	
<u>High level context:</u> i) The Minutes, for approval, contain an overview of the key discussion points and decisions from Audit Committee meetings held on 14th February and 11th April 2019. ii) The Committee subsequently met on 9th May 2019. The key items discussed at the meetings held on 11th April and 9th May 2019, are presented as attached.	

Audit Committee

Report for Board Meeting on 23 May 2019

The Audit Committee ('the Committee') met on 11 April 2019. The following is a summary of the key items considered at the meeting to update the Board. The formal record of the meeting remains the approved minutes.

1. Welcome

The Chair welcomed Mr Denver Lynn, NIAO Director, Ms Louise Kelly – Audit Partner Grant Thornton, Ms Jenny McCaw, Assistant Head of Internal Audit and Mr John Murray, Internal Audit Manager.

2. Matters arising

Following the last Audit Committee meeting, the issue of regular meetings between the ALBs Audit Committee Chairs and the DoH Audit Committee Chair was raised with the DoH to which Trust was advised that work on this has been halted in light of other pressing priorities and that DoH will be touch with Audit Committee Chairs when the situation changes. Mr Lynn advised that the issue of Departmental/ALB Audit Committee liaison was raised by Departmental Audit Committee members at their meeting of 20 March 2019. NIAO noted that this issue had been raised at several ALB Audit Committees. DoH officials were to progress how this liaison would take shape.

Members also stated that they would welcome the opportunity of a joint session with other Audit Committee members regionally in terms of shared learning.

3. Internal Audit

a) Internal Audit Progress Report

The Assistant Head of Internal Audit informed Members that 5 final audit reports were issued for consideration by the Committee. The level of assurance provided by Internal Audit in respect of the individual assignments was as follows:

Audit Assignment	Level of Assurance Provided by Internal Audit	Comment
Management of Trust Homecare within the OPPC Directorate	Unacceptable	The Committee was disappointed to note the unacceptable level of assurance received from Internal Audit. Unacceptable assurance was provided by internal audit on the basis (amongst other issues) that significant variances were identified between actual care times delivered by Trust Homecare compared to commissioned and paid for time, there was poor completion of daily record sheets by domiciliary care workers, and also low levels of monitoring of service users and

		supervision of domiciliary care workers. Internal audit made 2 Priority-1 recommendations, 11 Priority- 2 and 1 Priority -3 recommendations. The Director for Older People and Primary Care was in attendance to provide the Committee with a verbal update on actions to address the issues identified. The Director informed Members that the Trust was in the process of implementing a new model of working (not time for task) with a focus on quality independent outcomes, and that this model has been well received by GPs, client groups etc. Notwithstanding the poor rating, Committee members received assurance from the Director in respect of the quality and safety of domiciliary care delivered by the Trust to service users. The Committee was pleased to note the 95% customer satisfaction achieved in the December 2018 Customer Satisfaction Survey.
Payments to Staff	Limited	The Committee was disappointed to note the limited level of assurance received from Internal Audit. The audit focused on Trust controls and responsibilities in respect of the HRPTS system. Limited assurance was provided by internal audit on the basis that work to prevent and manage overpayments and ensure accuracy of payments across the Trust requires further embedding. The audit focused on payments to staff during Nov 18 TO Jan19 – testing focused on the CYP directorate. 9 Priority 2 issues were identified. The Director of Human Resources was in attendance to give a verbal update to the Committee on actions in progress to address the internal control deficits.
Morbidity & Mortality	Limited	The Committee was disappointed to note the limited level of assurance received from Internal Audit. Limited assurance was provided by internal audit on the basis that, (amongst other issues) whilst M& M processes are in place, the required timescales for Consultant review and discussion at M&M groups is not consistently followed and the process is not yet capturing learning in a consistent

b) Update on Internal Audit Recommendations

The Assistant Head of Internal Audit presented the Report-Year End Follow-Up on Outstanding Internal Audit Recommendations 2018/19 (Priority 1 and Priority 2) .

Out of a total population of 336 accepted Priority 1 and Priority 2 audit recommendations:

- 270 (80%) were fully implemented, (PY 68%)
- 62 (19%) were partially implemented, (PY 24%) and
- 4 (1%) were not yet implemented at the time of review. (PY 8%)

The Committee and the Assistant Head of Internal Audit acknowledged the excellent work of the Internal Audit Forum in driving forward the timely implementation of accepted internal audit recommendations which is reflected in the commendable year end position when compared to the previous year's performance. The Assistant Head of Internal Audit informed members that out of a total population of 49 Internal Audit Assignments during 2018/19, 21 Internal Audit Reports achieved 100% fully implemented internal audit recommendations.

c) BSO Shared Services: Summary Report

Payroll Shared Services – Follow-up Review – September 2018

The Committee was pleased to note the written update on progress in respect of the above named report provided by the Head of HSC Shared Services and the Interim Head of PSC.

d) Internal Audit Charter

The purpose, authority and responsibility of internal audit activity must be formally defined in an Internal Audit Charter as specified in the Public Sector Internal Audit Standards 2016.

The Committee reviewed the Internal Audit Charter from BSO Internal Audit Service; members were content to approve the document.

e) Internal Audit Strategy (incorporating the IA Plan 2019/20 to 2021/22)

The Committee reviewed the Internal Audit Strategy Document and the new 3 Year Audit Plan for the years 2019/20 to 2021/22 which is subject to annual refresh. The Service Level Agreement with BSO includes provision of 990 internal audit days each year, allocated between individual planned assignments, management time, follow up time and contingency. Members focused on the revised audit plan for 2019/20 and were content to approve the plan.

f) External Quality Assessment Self- Assessment Validation Report for BSO

The Chartered Institute of Internal Auditors conducted an independent validation (normally every 5 years) of the self-assessment performed by BSO Internal Audit Services in respect of conformance to the global Internal Audit Standards and the International Professional Practice Framework etc.

BSO Internal Audit Services were pleased with the outcome of the independent assessment – achievement of the “Generally Conforms’ rating.

The Committee congratulated Internal Audit on this achievement and recognised the consistency and rigour of the work of internal audit upon which members place reliance and use as a robust form of assurance to the Committee.

4. Fraud Report

The Trust’s Fraud Liaison Officer (FLO) presented a schedule of reported fraud cases for 2018/19. The Committee commended the pro-active work of the FLO and the Finance team investigating cases of fraud in the Trust.

5. Trust Annual Counter Fraud Action Plan 2018 /19

Members noted the comprehensive Trust Annual Counter Fraud Action Plan 2018/19.

6. Annual Theft and Fraud Report 2017/18

The Committee noted the Annual Theft and Fraud Report 2017/18 from the DoF.

7. Finance Circulars

The Committee noted the following circular:

- i. HSC(F) 07-2019 – Timetable for 2018-19 Annual Accounts

The Committee noted the challenging timetable for the submission of the Annual Accounts for 2018/19 including the requirement to have draft Accounts by 7 May19.

8. Any other business

The Chair advised Members that the next Audit Committee Meeting is scheduled for 9th May 2019 at 9.45am at which the draft Annual Accounts 2018 /19 and early draft Governance Statement will be reviewed.

Hilary McCartan
Chair
On behalf of the Audit Committee
16 April 2019

Audit Committee

Report (2) for Board Meeting on 23 May 2019

The Audit Committee ('the Committee') met on 9 May 2019. The following is a summary of the key items considered at the meeting to update the Board. The formal record of the meeting remains the approved minutes.

3. Welcome

The Chair welcomed Mr Stephen Knox, NIAO Manager, Ms Louise Kelly – Audit Partner Grant Thornton, Mrs Catherine McKeown, Head of Internal Audit and Mr John Murray, Internal Audit Manager.

4. Chair's Business

The Chair advised Members that the next Audit Committee meeting on 4th June 2019 will be chaired by Mr Martin McDonald in her absence.

9. Internal Audit

g) Internal Audit Progress Report

The Committee approved the proposed amendment to the 2019/20 Internal Audit Plan.

The Head of Internal Audit informed Members that 5 final audit reports (including non-assurance reports) were issued for consideration by the Committee. The level of assurance (where applicable) provided by Internal Audit in respect of the individual assignments was as follows:

Audit Assignment	Level of Assurance Provided by Internal Audit	Comment
CYP Directorate Risk-based Audit Children with Disabilities	Limited	The Committee was disappointed to note the limited level of assurance received from Internal Audit. Limited assurance was provided by internal audit on the basis that there are significant delays in the processing of referrals to the service and there is no monitoring of unmet needs. 2 Priority 2 and 2 Priority 3 issues were identified. The Director of Children and Young Peoples Services was in attendance to give a verbal update to the Committee on actions in progress to address the internal control deficits.

Management and Use of Health Roster	Limited	The Committee was disappointed to note the limited level of assurance received from Internal Audit. Limited assurance was provided by internal audit on the basis that the Health Roster control environment around access controls and user privileges needs strengthened. 14 Priority 2 issues and 1 Priority 3 issue were identified. The Interim Director of Nursing and AHPs was in attendance to give a verbal update to the Committee on actions in progress to address the internal control weaknesses.
Review of Theatre Utilisation	Non-assurance audit	Internal Audit conducted a consultancy assignment on the management of theatre utilisation. Based on utilisation information for a month, a number of recommendations were made which have been accepted by management. The Committee was pleased to note the positive engagement of management with internal audit on this review.
Waiting List Initiative Payments to Medical Staff	Non-assurance audit	This audit focused on the implementation of recommendations contained in the 2016-17 internal audit of waiting list initiative payments. Of the 10 recommendations previously made, 4 are fully implemented and 6 are partially implemented. The Committee was pleased to note the progress made in relation to the internal audit recommendations.
ICT Network Security		The Committee noted the Internal Audit Report.

h) Head of Internal Audit Annual Report

The Head of Internal Audit is required to provide an annual opinion on risk management, control and governance arrangements based upon the internal audit assignments conducted during the year. The Committee is pleased to note that the overall opinion of the Head of Internal Audit for the year ended 31 March 2019 is that she can 'provide **satisfactory assurance** on the adequacy and effectiveness of the organisation's framework of governance, risk management and control.' However, the Head of Internal Audit qualified her opinion by noting that limited assurance has been provided in a number of areas and also unacceptable assurance in respect of Management of Trust Homecare.

Members acknowledged that, of the 22 internal audit assignments conducted during 2018/19, 11 were satisfactory, 3 were substantially satisfactory with part limited, 6 were limited, 1 was unacceptable and 1 was unacceptable / limited. The Committee noted that the HIA's opinion was also informed by the positive results of the year end follow-up on previous recommendations and the non-assurance assignments conducted during 2018/19.

i) BSO Shared Services: Summary Report

The Head of Internal Audit presented the BSO Shared Services Summary Report. The assurance provided by internal audit in respect of shared services is as follows:

<i>Shared Service Audit</i>	<i>Assurance</i>
Payroll Shared Service (March 19)	Limited Assurance
Accounts Payable Shared Service	Satisfactory Assurance
Business Services Team	Satisfactory Assurance

Payroll Shared Service

The Committee reviewed the internal audit Shared Services Summary Report and was disappointed to note again the limited level of assurance provided in respect of payroll. Internal audit noted that the control environment continues to improve in the areas of variance monitoring, PSC structural review and the management of historical overpayments. The current audit highlighted significant issues with the control environment in relation to timesheet processing and sickness payments.

j) BSO Draft Governance Statement 2018/19

The Committee noted the BSO Draft Governance Statement for the year ended 31 March 2019.

4. Draft Charitable Trust Fund Accounts for the year ended 31 March 2019

The Director of Finance presented the draft Charitable Trust Fund Accounts 2018/19. Members noted the key financial performance indicators including income totalling £461k and expenditure of £356k. The total value of funds at 31 March 2019 amounted to £3.69 million. The financial statements will be discussed again at the Audit Committee meeting scheduled for 4th June 2019.

5. Draft Annual Accounts for the year ended 31 March 2019

The Director of Finance presented the draft Annual Accounts 2018/2019 together with a comprehensive narrative paper highlighting key financial performance for 2018/19. Members were informed that the Trust had achieved financial breakeven for 2018/19 with a small surplus of £43k. Revenue from all sources amounted to £673million, and capital expenditure for 2018/19 was c£17million (with a small underspend of £19k). The Committee acknowledged that the financial accounts are still draft and are subject to audit by the NIAO.

Other matters within the narrative commentary discussed by the Committee included Prompt Payment Performance, Trust Management Costs as a percentage of total income (3%), staff numbers (10754 WTE), staff costs (c£440m), non pay costs, Balance Sheet movements and Provisions movements. The Committee also considered the introduction of IFRS15 "Revenue from Contracts with Customers" in the financial accounts 2018/19, and the inclusion of a Non-Executive Directors' Report within the Accountability Report in the draft Annual Report for 2018/19.

The Committee commended the Director of Finance, the Assistant Director of Finance, the entire finance and management teams for achieving financial balance in a difficult budgetary environment, and for producing the draft annual report, governance statement and suite of financial statements for the year ended 31st March 2019 to a very high standard and within a challenging reporting timeframe.

6. Draft Governance Statement 2018/19

The Committee reviewed the draft Governance Statement (which had already been issued to the Department of Health) for the year ended 31 March 2019, and acknowledged that it was subject to on-going review by executive management, the DoH, Grant Thornton, the NIAO and the Governance Committee at its meeting on 21st May 2019.

Members noted that the Chief Executive as Accounting Officer stated in the draft Governance Statement that he was 'content that the Trust has operated a sound system of internal governance during the period 2018/19'. The Committee was content with the Accounting Officer's assessment of the system of internal control operational in the Trust during 2018/19.

7. Statement of Losses and Special Payments 2018 /19

Members reviewed the 'Statement of Losses and Special Payments recognised in the year' (for year ended 31 March 2019) and supporting narrative – (page 92 – Draft Accounts 2018/19 within the Accountability and Audit Report). The Committee specifically noted the quantum of Clinical Negligence Compensation Payments paid out during 2018/19 c£2.5million (81 cases)– prior year sum amounted to c£5million (87 cases).

Members were content to recommend the Statement of Losses and Special Payments for approval at the Board meeting scheduled for 12 June 2019.

8. Controls Assurance Report of Compliance for 2018/19

The Committee acknowledged the positive year-end outcome in respect of the Trust controls assurance process for 2018/19: 17 areas achieved a RAG rating of green and 5 areas a RAG rating of amber. Members also recognised the significant work undertaken in this transitional year by self-assessors, lead directors and peer reviewers, and noted the conclusion of Internal Audit that the processes adopted for 2018/19 provide appropriate assurances internally to the Trust and onwards to the Department of Health.

9. Finance Circulars

The Committee noted the following circulars:

- ii. HSC(F) 12-2019 – FD (DoF) Annual Report and Accounts
- iii. HSC(F) 08-2019 – Manual of Accounts and Excel Template 2018-19 & Financial Reporting Manual (FReM)2018-19

10. Any other business

The Chair advised members that the next Audit Committee Meeting is scheduled for 4th June 2019 at 1.30pm. Members will meet Internal and External Audit representatives in closed session at 12.30pm prior to the Audit Committee meeting. The meeting will focus on the final Annual Report, Governance Statement and Accounts for the year ended 31 March 2018/19.

Hilary McCartan
Chair
On behalf of the Audit Committee
9 May 2019