Minutes of a meeting of the Audit Committee held on Thursday, 15th October 2015 at 9.30 a.m. in the Boardroom, Trust Headquarters

PRESENT:

Mrs E Mahood, Non Executive Director (Chair)
Mrs D Blakely, Non Executive Director
Mr E Graham, Non-Executive Director

IN ATTENDANCE:

Mrs A Rutherford, Assistant Director of Finance, SHSCT
Mrs C Doyle, Corporate Financial Accountant, SHSCT
Mrs C McKeown, Internal Audit, BSO
Ms J McCaw, Internal Audit, BSO
Mr G Christie, Northern Ireland Audit Office (NIAO)
Ms H Hagan, Head of HSC Sponsorship Branch, DHSSPSNI
Mrs S Judt, Board Assurance Manager, SHSCT
Mrs S McCormick, Committee Secretary (Minutes), SHSCT

1. CHAIRMAN’S WELCOME AND APOLOGIES:

Mrs Mahood welcomed everyone to the meeting. Apologies were recorded from, Dr Mullan, Non Executive Director, Mr McNally, Director of Finance, Mr O’Brien and Mr Dowds, External Audit, KPMG.

2. DECLARATION OF INTERESTS

Mrs Mahood asked members to declare any potential conflict of interests in relation to items on the agenda. None were received and the business of the meeting proceeded.
3. **CHAIRMAN’S BUSINESS**

Mrs Mahood advised that the next Departmental Audit Committee Chairs’ Forum was scheduled to take place on 1st December 2015.

4. **MINUTES OF MEETING HELD ON 7TH MAY 2015 AND 9TH JUNE 2015**

The minutes of the meeting held on 7th May 2015, were agreed as an accurate record and duly signed by the Chairman.

The minutes of the meeting held on 9th June 2015, were agreed as an accurate record and duly signed by the Chairman, subject to the following amendment;

- Page 1 – Mr Christie, NIAO was not in attendance at the meeting and requested that this would be reflected within the minutes.

Mrs Mahood referred to page 3, advising that the next Information Governance meeting had been postponed until the 2nd December 2015 and she would raise Audit Committee’s concerns regarding the ICT contracts register at that meeting.

5. **MATTERS ARISING FROM PREVIOUS MINUTES**

Members noted the progress updates from the relevant Directors to issues raised at the meetings held on 7th May 2015 and 9th June 2015. Mrs Mahood welcomed the correspondence from Mr Bingham, BSO Chief Executive, addressing issues that had arisen as a result of the following Internal Audit reports:- i) Payroll Shared Services, ii) Payments Shared Services and (iii) Business Services Team. Given the payroll report was provided with Limited assurance, the correspondence from Mr Bingham focused on this report. Mrs Mahood queried if an overall level of assurance, specifically for shared services audits would be provided at year end. Mrs McKeown undertook to clarify with Mr Bingham.
6. **UPDATE ON EXTERNAL AUDIT RECOMMENDATIONS**

Mrs Rutherford spoke to this report and stated there were three priority one issues, of which two are in progress while the remaining issue is partially dependent on BSO leading and addressing recommendations during 2015/16. Mrs Rutherford also drew member’s attention to the update on three priority two issues.

Mrs Rutherford referred to recommendations carried forward from year 2013/14. One priority one issue and one priority three issue were recorded.

7. **INTERNAL AUDIT**

a) **Internal Audit Progress Report**

Mrs McKeown gave a detailed report on progress to date against the 2015/16 Audit Plan. She referred to the regional internal audit of Incident Management, scheduled in 2015/16 audit plans for Trusts and sought approval for postponement of same, until the second half of 2016/17. Mrs McKeown pointed out this was a collective approach by all five Trusts. Members agreed to this proposed adjustment. Mrs McKeown advised that Internal Audit proposed to re-allocate the audit time from Incident Management to conduct a review of controls within Domiciliary Care provider, Enablecare.

Mrs McKeown presented her Progress Report drawing attention to the twelve final audit reports issued since the previous Audit Committee meeting:

**Management of Client Monies for Independent Sector Homes 2015/16**

A total of eleven facilities were selected for testing, ten of which received Satisfactory assurance. One priority one issue occurred at three homes. Several priority two findings were also identified at a number of homes, however most controls at these homes, were operating effectively. Limited assurance was provided in
relation to Glenview, where two priority one findings were identified along with several priority 2 issues.

Mrs McKeown advised that as part of a regional audit approach, IA conducted visits to a sample of 53 independent homes across the 5 Trusts. She circulated updated information advising that 25 of these homes were in 16 groups, which operate within the Southern Trust, or where the Trust had placed clients. Satisfactory systems of control were in place over the handling of clients’ monies, at the homes visited relating to the majority of groups, with the exception of 5 group homes where Limited assurance was provided. The findings from these homes, have been shared with the Trusts in which the homes are located, to take forward. Mrs Mahood emphasized the importance of taking forward recommendations and sharing learning in relation to the handling of client monies.

**Bank & Cash 2015/16**

A Satisfactory level of assurance was provided on the system of internal control over Bank and Cash 2015/16 on the basis that controls over bank and cash are generally operating effectively within the Trust. One priority one weakness and six priority two weaknesses were identified. Mrs Mahood acknowledged the challenges/complexities around petty cash re-imbursements and welcomed the implementation date of November 2015 for completion of recommendations. Mrs Mahood asked about written procedures to which Mrs Rutherford advised that these were nearing completion.

**FPL System Administration 2015/16**

A Satisfactory level of assurance was provided on the system of internal control over FPL Systems Administration 2015/16. This is the first time an audit has been carried out on this topic within the Southern HSC Trust. The audit assignment focused on 8 out of 12 sub-systems, which are within the responsibility of the Finance Systems Team based at Lurgan Hospital. One priority 1 weakness, five priority 2 and one priority 3 weaknesses were
identified. All recommendations have been accepted by Management and are being taken forward.

**Client Monies & Cash Handling at Social Care Facilities 2015/16**

A Satisfactory level of assurance was provided on the system of internal control over Management of Clients and Cash Handling at Social Care Facilities 2015/16. There were no priority 1 weaknesses identified. However, eight priority 2 and two priority 3 weaknesses were noted.

Mrs Mahood referred to staff at two facilities, purchasing sundry items from their personal money, as the facilities have been unable to recoup petty cash and asked how this could be improved on. Mrs Rutherford advised of a Purchase card in use within the Trust’s Estates division and stated that the Head of Purchasing was undertaking to review the petty cash list and ascertain if such a card could be implemented within any of these facilities. In light of the Trust policy, to no longer pay reward monies to clients for performing work whilst attending these facilities, Mrs Mahood asked about such monies paid to a number of clients who attended Station Road and how this could be rectified. Mrs Rutherford agreed to clarify that these transactions have now ceased for the next meeting in February 2016.

**Action – Mrs Rutherford**

In conclusion, Mrs Mahood welcomed the good progress made since this topic was previously audited in June 2014.

**The Haven Nursing Home 2015/16**

Ms McCaw set this exercise in context by advising that this was requested by the Trust following an administrative surcharge of 10% applied by Haven on many types of expenditure, incurred by residents. This practice has been deemed inappropriate by RQIA and requested through the Trust that all surcharges paid by service users were calculated and reimbursed to them. She pointed out that the exercise exclusively focused on confirming
the accuracy of reimbursement amounts calculated by the home and was not an audit of the management of residents’ money in the home. Members were assured that Internal Audit are content that the facility has taken onboard the corrections identified.

Audit Committee members sought assurance that the Trust’s approach to Haven facility was consistent with its approach to other providers. Mrs Rutherford assured members that the home owners are aware of the additional exercise being carried out by Internal Audit and are co-operating fully.

**Client Monies – The Valley Nursing Home 2015/16**

A Satisfactory level of assurance was provided on the system of internal control over the Management of Client Monies in the Valley Nursing Home. Two priority 1 and four priority 2 weaknesses were identified. Mrs Mahood commended the progress achieved since October 2014/15 when an Unacceptable level of assurance was provided.

Concern was raised around former residents’ balances held by the home totaling £28,916.03. Mrs Mahood asked a number of questions relating to legalities and interest on these funds, to which Mrs Rutherford provided explanation. Mrs McKeown advised that IA would undertake a follow up process at year end.

**Management of Agency & Bank Staff Usage 2015/16**

A Satisfactory level of assurance was provided on the system of internal control over the Management and Use of Agency and Bank Staff in 2015/16. One priority 1 and five priority 2 weaknesses were identified. Mrs Mahood welcomed the report in light of the ongoing challenges faced by the Trust, in balancing finances and patient safety. She emphasized the need to ensure were possible the organization follows the proper contract process for the use of Agency workers.
Laboratory Contracts 2015/16

A Limited level of assurance was provided on the system of internal control over the Management of Laboratory Procurement and Contract Management in 2015/16. Two priority 1 weaknesses and six priority 2 weaknesses were identified. Ms McCaw pointed out this was the first regional audit carried out in this area and the findings were largely consistent across the five Trusts. Common weaknesses identified were, i) The management and monitoring of the Belfast Block Contract activity, ii) Non contract activity and iii) Formal contract management and monitoring arrangements. Members asked a number of questions to which Mrs McKeown and Ms McCaw responded. Mrs Mahood acknowledged this was the first occasion Laboratory Contracts had undergone an audit inspection of this nature, however moving forward she emphasized the necessity for robust processes to be put in place. Mrs Mahood requested that Mrs Gishkori, Director of Acute Services would be invited to attend the next Audit Committee meeting in February 2016, to provide an update on progress.

Action – Mrs Gishkori

Fostering & Adoption Payments 2015/16

A Limited level of assurance was provided on the system of internal control over Fostering and Adoption Payments in the SHSCT. Two priority 1 weaknesses and five priority 2 weaknesses were identified. Members noted the last audit of this topic took place in 2010/11, when a Limited assurance over controls was provided. A number of concerns were raised and in particular, the 65% of payment errors identified from a sample of 20 adoption payments made by the Family Placement Teams. Following a brief discussion Mrs Mahood advised that she would raise members concerns at the Audit Committee Chair feedback meeting and would request a briefing paper from Mr Morgan on action being taken to address weaknesses in controls identified. Mr Morgan would be invited to attend the next Audit Committee meeting in February 2016, to discuss progress.
Action – Mrs Mahood / Mr Morgan

Corporate Mandatory Training & Appraisals 2015/16

A Satisfactory level of assurance was provided on the system of internal control over Corporate Mandatory Training and Appraisals managed by the HROD Directorate in 2015/16. However Limited assurance is provided to Directorates on the basis that most directorates and their divisions were not complying with the Trust requirement to ensure all their staff undertook Corporate Mandatory Training in relevant topics and also all staff do not receive an annual appraisal. Three priority 1 weaknesses and four priority 2 weaknesses were identified. Members expressed concern at the low attendance across most mandatory training particularly within Acute and CYP Directorates. Mrs Mahood emphasized that compliance in mandatory training areas was vital in seeking to eliminate risks to the organization and ensure the provision of safe and effective services. Following some discussion Mrs Mahood stated that she would raise members concerns at the Chair feedback meeting, requesting Senior Management Team (SMT) discuss further and report back on action being taken to address gaps in compliance to Audit Committee/Trust Board.

Action – Mrs Mahood

Compliance with Standards & Guidelines 2015/16

A Satisfactory level of assurance was provided on the system of internal control over the management of Standards and Guidelines within the Trust. One priority 1 weakness and five priority 2 weaknesses were identified. Mrs McKeown welcomed the robust process the Trust has in place for recording receipt, dissemination, management and subsequent reporting of same.

Management of Client Monies 2015/16

A Satisfactory level of assurance was provided on the system of internal control over the management of Client Monies in St
Francis Nursing Home. One priority 1 weakness and three priority 2 weaknesses were identified.

- **Shared Services Reports**

  Mrs McKeown presented the following reports for information purposes and explained that as part of the BSO Internal Audit Plan a programme of Shared Services audits was being conducted. The following reports have been finalized to date:

  - Payroll Shared Service – Limited Assurance
  - Payments Shared Service – Satisfactory Assurance
  - Business Services Team – Satisfactory Assurance

  All recommendations have been accepted by management and are being progressed.

  Mrs Rutherford updated members on a number of issues from the Trust’s perspective and Mrs McKeown advised that any recommendations would form part of the Internal Audit year end follow up.

  b) **Follow up on previous Internal Audit Recommendations**

  Ms McCaw spoke to this report which detailed Priority One and Two recommendations where the implementation date has now passed. 76% of the 314 recommendations examined were fully implemented, a further 67 (21%) were partially implemented and 8 (3%) were not yet implemented at the time of review.

  Mrs Mahood expressed her concern that some recommendations dated back to 2010/2011. Discussion took place around the difficulties implementing some of the recommendations despite conscious efforts to progress same. Ms McCaw referred to Private Patient Income on page 37 of the report and the Priority One recommendation not implemented. Following a question from Mrs Mahood, Ms McCaw assured members that staff had fully engaged with Internal Audit throughout the process.
Mrs Rutherford circulated an updated paper on outstanding Internal Audit Recommendations prior to 2014/15. Across 6 directorates, a total of 32 Priority One and Priority Two recommendations are not fully completed. Mrs Mahood welcomed the progress in refining the report to this point and stated that she would like to see movement on a number of the older recommendations. Mrs McKeown advised that she had agreed with Mrs Rutherford to review and refine further the process at year end.

c) **Internal Audit Mid-Year Assurance Statement**

Mrs McKeown presented the Internal Audit Mid-Year Assurance Statement. She drew attention to the Internal Audit Assignments which have been completed and reported on for mid-year and members noted the priority one findings.

Mrs Mahood thanked Mrs McKeown for her detailed report and reminded members this would form part of the Trust’s Mid-Year Assurance Statement.

8. **FRAUD UPDATE**

i) **Fraud Update 2014/15**

Mrs Rutherford provided a verbal update on the three fraud cases within the SHSCT from April 2015 to date.

ii) **NFI Update**

Mrs Rutherford presented the National Fraud Initiative Report which demonstrates the results of data matching exercises for 2014/15 and the approach being taken to investigate these by the Trust. She pointed out that for the first time data had been sourced from direct payments/personal budgets and included within the report.
9. **DRAFT MID-YEAR ASSURANCE STATEMENT 2015/16**

Mrs Rutherford presented the Draft Mid-Year Assurance Statement 2015/16 and advised of changes to reporting on the NAO Audit Committee Checklist. Mrs Judt explained that it was no longer a requirement to formally submit the completed self-assessment to the DHSSPSNI but the Trust would be required to complete as per best practice.

Members approved the Draft Mid-Year Assurance Statement 2015/16. Mrs Judt advised that the document would be submitted to the DHSSPSNI the following day and come to Trust Board on 22\textsuperscript{nd} October 2015 for retrospective approval.

10. **REPORT TO THOSE CHARGED WITH GOVERNANCE 2014/15**

Mrs Rutherford presented the final report for information purposes.

11. **REVISED TERMS OF REFERENCE**

Members reviewed the Committee’s Terms of Reference and agreed that no further amendments were required.

12. **PROPOSED MEETING DATES 2016**

Members approved the proposed meeting dates for 2016.

13. **AUDIT COMMITTEE SELF-ASSESSMENT**

Mrs Mahood advised that following the completion of the Audit Committee self-assessment, the following recommendation had emerged.
- Audit Committee Chair to liaise with Trust Chair to ensure effective induction and training of new Audit Committee members.

14. **ANY OTHER BUSINESS**

Mrs Mahood thanked Ms Hagan, for her attendance at the meeting in her capacity as, Head of HSC Sponsorship Branch, DHSSPSNI
On behalf of the Audit Committee, Mrs Mahood recorded thanks to Mrs Blakely for her contribution to the committee over the past number of years, in her role as Non-Executive Director and wished her well for the future.

The meeting concluded at 12.05 p.m.

The next Audit Committee meeting will be held on Thursday, 11th February 2016, at 9.30 a.m. in the Boardroom, Trust Headquarters