

AUDIT COMMITTEE OF NORTHERN HEALTH AND SOCIAL CARE TRUST

ANNUAL REPORT FOR 2019/20

May 2020

1. PURPOSE OF REPORT

The purpose of this Annual Report of the Audit Committee ('the Committee') to the Board of the Northern Health and Social Care Trust Organisation ('the Organisation') for the financial year ending 31 March 2020 is to report on the work of the Committee for the year under review in its discharge of its oversight responsibilities to the Board.

The report also includes an assessment of the effectiveness of the system of internal control in the Northern Health and Social Care Trust for the financial year 2019/20.

2. CHAIRMAN'S FOREWORD

In presenting this Annual Report of the Audit Committee of the Northern Health and Social Care Trust, I wish to place on record my thanks to all members of the Committee. I also wish to thank those who attend the Audit Committee, including the Director of Finance, Northern Ireland Audit Office, and the various directors of the Trust. I also record the Committee's thanks also to our administrative staff for their support during the year.

3. MEMBERSHIP

The membership of the Audit Committee during the year 2019/20 was as follows:

Mr B Graham	Chairperson	Appointed September 2018
Mrs G McGahey	Non-Executive Director	Appointed May 2016 – 31 st August 2019
Glenn Houston	Non-Executive Director	1 st September 2019
Mr Paul Corrigan	Non-Executive Director	Appointed October 2016

The Internal Auditors and the Northern Ireland Audit Office also attend the meetings and their representatives are currently:

Mrs Catherine McKeown	Head of Internal Audit, BSO(Internal Auditors)
Mr David Charles	Assistant Head of Internal Audit, BSO (Audit lead for NHST)
Mr Denvir Lynn/ Mr Neil Gray*	Northern Ireland Audit Office
Mr Stephen Knox	Northern Ireland Audit Office

**Mr Lynn has retired from the NIAO at the end of 2019/20 and been replaced by Mr Neil Gray.*

The Department of Health send a representative at their discretion.

4. TERMS OF REFERENCE

The Terms of Reference of the Audit Committee were last reviewed and approved in October 2019.

5. MEETINGS OF THE COMMITTEE

The Committee is required by its Terms of Reference to meet not less than 4 times a year. During the year commencing 1 April 2019, the Committee met 4 times.

6. ATTENDANCE AT MEETINGS

The Committee has adopted the practice of inviting the Director of Finance, and representatives of the appointed auditors (BSO Internal Audit and Northern Ireland Audit Office) to all meetings, and on occasions, other senior managers are invited to attend. The attendance of members at meetings during the year is given in Annex 1.

7. GOVERNANCE REPORT

The Governance Report for the year ended 31 March 2020 is detailed within the Annual Report and Accounts, and sets out the governance structures, risk management and internal control procedures that operated within the Northern Health and Social Care Trust during the 2019/20 financial year.

The Governance Report is derived from the Board's annual review of its own processes and practices, informed by the views of the Audit Committee on the organisation's assurance arrangements.

Other inputs into the Governance Report have included insight into the organisation's performance from internal audit, including an audit opinion on the quality of the systems of governance, management and risk control, and feedback on business performance and internal risk management measures as a result of other internal accountability mechanisms.

The Audit Committee can confirm that it has reviewed related information presented with the financial statements for the year ended 31 March 2020, including the business review, and corporate governance statements relating to the audit and to risk management.

8. SELF ASSESSMENT

It is considered good practice for an Audit Committee to assess regularly its own skills base.

During 2019/20, the committee completed an Audit Committee Self-Assessment. This process was considered to be an effective method of identifying the balance of skills of current Committee members.

The overall view of the Committee was that it had the requisite skills (including governance, financial reporting, risk management, auditing, strategic planning

and understanding the core functions of the organisation) to discharge its responsibilities effectively. This assessment was reported to the Department of Health as part of the mid-year assurance process.

9. INTERNAL AUDIT SERVICE

9.1 Provider

The Internal Audit Team for the organisation is outsourced to Internal Audit, Business Services Organisation and is led by Catherine McKeown, Head of Internal Audit and David Charles, Assistant Head of Internal Audit and lead for this Trust.

9.2 Appreciation

The Committee wishes to take this opportunity in its Annual Report to acknowledge the work undertaken by the Internal Audit Team and appreciates the excellent working relationships between the Audit Team and the organisation's staff.

9.3 Operational Plan

The primary objective of Internal Audit is to provide an independent and objective opinion to the Board and Audit Committee on the adequacy and effectiveness of the system of internal control. The work of the Internal Auditor is informed by an analysis of risk to which the organisation is exposed. Annual audit plans, approved by the Audit Committee, are based on this analysis.

BSO Internal Audit provides assurance on audit areas using the assurance categories below.

Satisfactory	Overall there is a satisfactory system of governance, risk management and control. While there may be some residual risk identified, this should not significantly impact on the achievement of system objectives.
Limited	There are significant weaknesses within the governance, risk management and control framework which, if not addressed, could lead to the system objectives not being achieved.
Unacceptable	The system of governance, risk management and control has failed or there is a real and substantial risk that the system will fail to meet its objectives.

In 2019/20, the Committee approved a programme of work agreed between the Internal Auditor, the Chief Executive, the Head of Governance and the Director of Finance. During the year the Committee considered Reports from the Internal Auditor covering the following systems:

AUDIT ASSIGNMENT	LEVEL OF ASSURANCE
Finance Audits:	
Payments to Staff (specifically focusing on the Women, Children & Families Directorate)	Limited
Non Pay Expenditure (specifically focusing on Nursing and User Experience)	Satisfactory
Core HR Processes in respect of Payments to Staff	Limited
Asset Management	Satisfactory
Patients Private Property – Acute	Satisfactory
Charitable Trust Funds	Satisfactory
Pharmacy Procurement and Contract Management	Satisfactory
Homecare Service	Unacceptable
Management of Client Monies in Independent Sector (Residential and Nursing Homes and Adult Supported Living Facilities)	Satisfactory – in 5 out of 7 homes visited within the Trust area Limited – in 2 out of 7 homes visited within the Trust area Limited - 1 Independent Sector Homes Visited on behalf of 4 Trusts outside NHSCT area
Corporate Risk Audits:	
Management of Community Equipment	Unacceptable
Acute Discharges – Input From Pharmacy	Satisfactory
Management of Food Allergens	Limited
Governance Audits:	
Risk Management	Satisfactory
Complaints and Incidents in the Community Setting	Limited (Draft)
Management of Medical staff	Limited
Cyber Security IT Audit – Managing User Privileges and ICT Risk Management	Satisfactory
Medication Incident Management	Limited (Draft)

Overall, the Committee accepted the Internal Auditor's findings and recommendations in their reports for 2019/20. The Committee assessed whether management's proposed actions were set within a reasonable timetable and that responsibility for such actions was identified. The Committee monitored progress to achievement of agreed actions throughout the year, including a programme of invitation of Directors to Committee meetings to discuss actions being taken to address audit recommendations.

Particular focus was placed on the 2 audit reports which received unacceptable assurances, with Directors being invited to discuss their action plans. The Committee was pleased to note that at 31st March 2020 both reports had a high implementation rate for the Internal Auditor's recommendations of 78% and 85%, with the remainder partially implemented.

The Committee has concluded that it is satisfied with management's timely responses to Internal Audit recommendations.

9.4 Annual Statement of Assurance

Internal Audit, BSO, as Internal Auditors, are required to provide an Annual Statement of Assurance to the Accounting Officer and the Board, through the Audit Committee, with an assessment of the adequacy, reliability and effectiveness of the organisation's system of internal control. The Internal Auditor presented the Annual Statement of Assurance for the year 2019/20 to the Committee on 3rd June 2020.

On the basis of the programme of work performed during the year, Internal Audit, BSO concluded that the organisation had a **satisfactory** system of internal control designed to meet the organisation's objectives, although the Head of Internal Audit noted that limited assurance has been provided in a number of areas, as highlighted in section 9.3 above.

9.5 Follow Up Reviews

Internal Audit conducted formal follow-up reviews in respect of implementation of agreed internal audit recommendations. Internal Audit presented a full report which showed that 75% of agreed actions had been taken or partially implemented.

9.6 Performance of Internal Audit

Internal Audit, BSO identified in their Internal Audit Charter, a number of key performance targets for annual reporting to the Committee. The Committee is pleased to report on the Internal Auditors' successful achievement of the following key performance indicators:

Key Performance Indicator	% Achieved in 2018/19 for NHSCT	% Achieved in 2019/20 for NHSCT
100% Delivery of Annual Audit Plans	100% (99%*)	100% (100%)
85% of First Draft Reports Issued within 4 weeks of fieldwork completion	91%	100%
75% of reports finalised within 5 weeks of issue (and within 1 week of receiving management comments)*	32% (95%)	11% (100%)
75% Management Comments should be received within 4 weeks*	32%	11%
% of reports significantly amended between draft report and final report stage ¹	0%	0%

**The Trust has an Audit Steering Group which meets prior to all Audit Committee meetings and is attended by all Directors, the remit of ASG is to scrutinise and review the responses to the Internal Auditors recommendations, ensuring they are timely and appropriate. When the ASG is content with the draft report it will then be issued as a final copy. Therefore, this KPI does not fully reflect the Trust's position and this has been discussed with the Internal Auditor.*

The Committee is pleased to report that the work delivered by the Internal Auditor was to a high standard and delivered in a professional and effective way, with reports setting out in a clear manner any remedial action needed. The Committee's overall assessment is that Internal Audit provides a satisfactory service.

9.7 Co-operation between Internal and External Audit

The Internal Auditors met with the Northern Ireland Audit Office to share findings arising from both the Internal and External Audit fieldwork, and to discuss areas to be included within the 2019/20 Internal Audit Strategic Plan. No significant issues were noted in the course of these discussions.

10. **EXTERNAL AUDIT SERVICE**

10.1 Provider

The External Audit is conducted by the Northern Ireland Audit Office for the year 2019/20. The Audit Manager presented the External Audit Plan for the

¹ Significant change is defined as change in assurance level provided in report, a priority 1 recommendation being completely removed from report, or significant changes in a number of key findings

financial year ended 31 March 2020 to the Committee at its meeting held on 13th February 2020.

The External Auditors have undertaken an audit of the organisation's financial statements which took place during May and June 2020, with interim work taking place in February 2020.

10.2 External Audit 2019/20

The Committee notes that Northern Ireland Audit Office presented the findings of the external audit of the organisation's financial statements for the year ended 31 March 2020 in their draft Report to those charged with Governance at the Audit Committee meeting of the 23rd June 2020, with the final report due in September, the final report for 2018/19 was reviewed by the Committee on 15th October 2019.

The Committee was pleased to report at its meeting of 23rd June 2020 that the Northern Ireland Audit Office had indicated a likely unqualified opinion on the truth and fairness of the financial statements for the year ended 31 March 2020, to be confirmed when issued finally.

10.3 Performance of External Auditor

The Committee acknowledges in this Annual Report the independence and effectiveness of the external auditors, Northern Ireland Audit Office. The Committee is satisfied that the External Auditor possesses the requisite experience and expertise to manage the audit effectively. The Committee also recognises that the reports of the External Auditor presented to the Committee are robust, comprehensive and of the highest quality.

The Committee is also pleased that the External Auditor co-operates with Internal Audit to maximise overall audit efficiency and to minimise unnecessary duplication of work.

10.4 Engagement with External Auditor

A meeting between the Audit Committee and the External Auditors without the officers present is considered good practice. This meeting took place on 20th June 2019 and was very positive with no substantive issues, in addition to those already raised in reports and at meetings, requiring further action.

10.5 Appreciation

The Committee wishes to take this opportunity in its Annual Report of the Audit Committee to the Board to formally record our appreciation of the quality and rigour of the Audit Team to welcome Mr Neil Gray and to record the Committee's thanks and best wishes to Mr Denvir Lynn of the NIAO on his retirement.

11. RISK MANAGEMENT

The Trust's Internal Audit Plan is risk based and it covers the Risk Management and Information Governance areas. The committee is satisfied that this fulfils its current remit on Risk Management.

12. FINANCIAL REPORTING FOR 2019/20

The Audit Committee reviewed the organisation's Draft Annual Report and Accounts for the year ended 31 March 2020 at its meeting on 3rd June 2020 and subsequently on 20th June 2020, prior to ratification by the Board. The Committee was satisfied that the process to prepare the accounts and annual report was robust, and that the accounts had been reviewed by management and the Committee before final approval by the Board.

Accounting Policies

The Committee, at its meeting held on 3rd June 2020, reviewed the continued appropriateness of the accounting policies used in the 2019/20 Annual Accounts. The Committee were satisfied that the Accounting Policies continue to be appropriate.

Governance Report

The Governance Report was reviewed by the Audit Committee for adequacy and completeness at the meeting held on 3rd June 2020, and for consistency with the Committee's understanding of the internal control environment. There were no substantive issues to be addressed.

Review of Annual Report and Accounts

The Audit Committee reviewed the organisation's Annual Report and Accounts, including funds held on behalf of patients and clients, for the year ended 31 March 2020 and the Charitable Trust Funds Trustee's Report and Accounts for the year ended 31 March 2020, at its meeting on 3rd June 2020. The Committee was satisfied that the process to prepare the accounts and annual report was robust, and that the accounts had been reviewed by management and the Committee prior to making a recommendation for approval by the Board.

13. FRAUD

The Fraud Officer for the organisation is Mr David McIlwaine, a senior officer within the organisation, and this is overseen by Mrs Tracey McCaig Assistant Director of Financial Accounting Services. The organisation has in place a formal Fraud Response Policy and Plan, and a Bribery Policy, which were both refreshed during 2019/20, together with a Whistleblowing Policy. During the year there were a number of suspected frauds reported to Audit Committee and these were investigated in line with all appropriate Trust policies. As at the 31 March 2020 there were 21 cases under review.

The Committee and Auditors concluded that the general framework established by the organisation for the prevention and detection of fraud is adequate.

14. OTHER MATTERS

The Terms of Reference for the Committee require it to consider a number of matters not dealt with above. The Committee would wish to acquaint the Board with its work in the areas described overleaf:

14.1 COVID-19 impacts

While a COVID-19 report on financial impacts and financial governance was considered in the first Committee meeting of 2020/21, the Committee considered these impacts in relation to the Annual Report and Accounts for 2019/20 and will continue to consider the impacts on risk and financial controls moving into 2020/21.

14.2 Related Party Transactions

During the year there were a number of related party transactions, details of which are contained within note 21 of the Annual Accounts.

14.3 Bad Debts Losses

The organisation had a number of bad debts and claims abandoned, the amount of which has been made available as part of the final accounts preparation process. The Committee receives regular reports on Debtors and the work being done to manage this area of work.

14.4 Changes to the Board's Standing Orders

The Standing Orders were reviewed in September 2019 and no changes were made. These were noted by Trust Board on 28th November 2019. The Standing Orders were fully operational in 2019/20.

15. Training

The Committee recognises the need for continuous training for members and staff at all levels, on the basis of need (subject to budgetary constraints).

16. Summary

Remit

The Committee recognises that the organisation's Board is ultimately responsible for the system of internal control, the management of risk and the governance framework. Management is responsible for implementing Board policies on risk and control. The Board has delegated to the Audit Committee responsibility for an assessment of the effectiveness of the system of internal control.

The Committee is of the opinion that, for the audit year ended March 2020 it has discharged its oversight responsibilities in accordance with the Terms of Reference set for the Committee by the Board. The Committee is also satisfied that it has considered its business in accordance with best practice.

Assurance

The Committee in the preparation of this Annual Report sought regular assurance to enable it to report to the Board that the system of internal control is functioning effectively. The principle sources of assurance used by the Committee in the formation of its opinion are:

- Independent Assurance

- (i) Reports in respect of individual Internal Audit assignments.
- (ii) Internal Audit Follow Up Audits.
- (iii) The Annual Assurance Report of the Internal Auditor.
- (iv) Positive meetings with Internal and External Auditors in closed session.
- (v) The Report to those charged with Governance (RTTCWG) for the year ended 31 March 2019 and the Draft RTTCWG for the year ended 31 March 2020 from the External Auditors.

- Management Assurance

- (i) The Corporate Governance Report presented to the Audit Committee before ratification by the full Board.
- (ii) The Committee can confirm that the necessary action is being taken by management to remedy any significant failings or weaknesses.

The opinion of the Committee is that the assurances received from the Internal Auditor and the External Auditor and the Management Team are comprehensive and reliable and sufficient to support the Board in their decision taking and their accountability obligations.

The Committee is of the opinion that the organisation's system of Internal Control was satisfactory for the financial year ended 31 March 2020.

17. Overall Conclusion

The Committee is satisfied in respect of the reliability and integrity of the assurances and of their comprehensiveness in meeting the needs of the Board. Furthermore, the Committee is of the opinion that the assurances available are sufficient to support the Board in the decisions taken by them and in their accountability obligations and that a sound system of Internal Control is in place.

Mr B Graham

Chair

On behalf of the Audit Committee of the Northern Health and Social Care Trust

23rd June 2020

Annexes

1 Attendance at Audit Committee meetings

ANNEX 1: ATTENDANCE AT AUDIT COMMITTEE MEETINGS

During the year 2019/20 the Committee met on 4 occasions. The dates of meetings and member attendance are given below:

Name	Office	16/05/19	06/06/19	15/10/19	13/02/2020
Mr B Graham	Chairman	✓	✓	✓	✓
Mrs G McGahey	Board Member (up to 31 st August 2019)	✓	✓	N/A	N/A
Mr P Corrigan	Board Member	✓	✓	✓	✓
Mr G Houston	Board Member from 1 st September 2019	N/A	N/A	✓	✓

With regards to the scrutiny of the 2019/20 Annual Reports and Accounts attendance has been set out below:

Name	Office	06/05/20	03/06/20	23/06/20
Mr B Graham	Chairman	✓	✓	✓
Mr P Corrigan	Board Member	✓	✓	✓
Mr G Houston	Board Member	✓	X	✓

Key

✓ = attended meeting

X = absent from meeting