

AUDIT COMMITTEE OF NORTHERN HEALTH AND SOCIAL CARE TRUST

ANNUAL REPORT FOR 2021/22

June 2022

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 2022 is to report on the work of the Committee for the year under review on the 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 2021/22.

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 my Non-Executive Director colleagues on the Committee. I also wish to thank those who attend the Audit Committee, including the Director of Finance, Governance, Northern Ireland Audit Office, BSO Internal Audit and the various Directors of the Trust. I would pay particular thanks to Nuala McAuley, AD Finance and her team, for the support they provided to the Audit Committee over the past year. I also would like to record the Committee's thanks to our administrative staff for their support during the year.

2021/22 has been another challenging year due to the pressures of Covid-19; this necessitated changes to the audit assignments carried out by Internal Audit, presented additional work and staffing pressures and required some new ways of working and data sharing between all the stakeholders. The Audit Committee wish to place on record their appreciation to Trust Management, BSO Internal Audit and the NIAO for their determination and resilience in ensuring this valuable work continued during the past financial year.

The Committee were concerned in the overall performance of the internal audits presented during the year (section 9.3) with only 5 out of 15 showing Satisfactory, 3 with partial Satisfactory/Limited, 6 Limited and 1 audit producing an Unacceptable level of assurance. However, the Trust has not shied away from substantial audits and the subject matter of the audits during 2021/22 were challenging. The Committee look forward to reviewing progress against the recommendations in these audits during 2022/23. Internal Audit gave a satisfactory opinion for the year overall due in part to the approach of the Trust in tackling outstanding recommendations with performance at year end, improving by 11% against last year.

3. MEMBERSHIP

The membership of the Audit Committee during the year 2021/22 was as follows:

Paul Corrigan	Chairperson	Appointed October 2016 appointed as Chair October 2020
Billy Graham	Non-Executive Director	Appointed as Chair September 2018, Committee Member from October 2020
Glenn Houston	Non-Executive Director	Appointed as Committee Member 1 st September 2019

Internal audit services are supplied by the Business Services Organisation (BSO) Internal Audit. The Internal Auditors and the Northern Ireland Audit Office also attend Audit committee 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 NHSCT)
Mr Neil Gray	Director, Northern Ireland Audit Office
Mr Stephen Knox	Audit Manager, Northern Ireland Audit Office

The Department of Health (DoH) send a representative at their discretion. There were nil attendances by the DoH at meetings during the year.

4. TERMS OF REFERENCE

The Terms of Reference of the Audit Committee were last reviewed and approved in May 2021.

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 2021, 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 2022, 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 2021/22 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, risk management and control. Feedback was provided on business performance and internal risk management measures through other internal accountability mechanisms.

The Audit Committee can confirm that it reviewed related information presented within the financial statements for the year ended 31 March 2021, including the business review, and corporate governance statements relating to the audit and to risk management, and continues to support the process for 2021/22.

8. SELF ASSESSMENT

It is considered good practice for an Audit Committee to assess its own skills base regularly. During 2021/22, the committee completed an Audit Committee Self-Assessment. This process is an effective method of identifying the balance of skills of current committee members and was undertaken as part of the mid-year assurance process.

The overall view of the Committee was that it had the requisite skills to discharge its responsibilities effectively. None of the committee members are financially qualified but they can draw on advice from the DoH and internal and external audit, as required. The Trust has raised the issue of the lack of a financially qualified representative on Audit Committee with the DoH and this deficit will be addressed through the recruitment of Non-Executive Directors, planned during 2022. In the event that this does not prove to be possible, the Committee may consider the possibility of co-option of a financially qualified representative.

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 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 the risks to which the organisation is exposed. Annual internal audit plans, approved by the Audit Committee, are based on this analysis. During the year the Audit Committee reviewed and approved the proposed 3 year Internal Audit work programme to cover the period 2022-25.

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 2021/22, 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 (in the Lab department)	Unacceptable
Non Pay Expenditure (focus on Surgical and Clinical Services Division and Retained Finance)	Satisfactory – Non Pay Expenditure in Surgical and Clinical Services Division and Retained Finance Limited – Off Contract Agency Spend
Management of Cash Offices	Satisfactory
Self Directed Support	Satisfactory
Private & Change of Status Patients	Limited
Clients Monies & Cash & Valuables Handling in Social Services Facilities	Satisfactory – 9 of 10 facilities Limited – 1 of 10 facilities
Management of Domiciliary Care Contracts	Limited
Management of Client Monies in Independent Sector Homes	Satisfactory – 5 of 6 Homes Limited 1- of 6 homes
Corporate Risk Based Audits	
Patient Flow – Management of Community Beds	Limited
Information Governance	Satisfactory
Care Management	Limited
Governance Audits	
Operation of Assurance Framework	Satisfactory

AUDIT ASSIGNMENT	LEVEL OF ASSURANCE
Absence Management	Limited
ICT Project Management	Satisfactory
Complaints Management	Limited

All audit assignments included in the 2021/22 Internal Audit Plan have been carried out, with the following approved amendments:

- The audits of Mental Health Capacity Act, Dysphagia Control Review and Food Allergens follow up were deferred at the request of Trust Management, largely to due work pressures/audit access issues associated with Covid-19.
- A review of a specific pharmacy procurement was added to the plan.

Overall, the Committee accepted the Internal Auditor's findings and recommendations in their reports for 2021/22. 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 in 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. The Committee has concluded that it is satisfied with management's timely responses to all 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 2021/22 to the Committee on 25th May 2022.

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, and in one instance unacceptable.

During 21/22 Internal Audit carried out a governance audit on the operation of the assurance framework within NHSCOT and gave an overall **satisfactory** rating on the system of governance, risk management and control.

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 99% of agreed actions had been undertaken (76%), or partially implemented (23%).

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 2020/21	% Achieved in 2021/22
100% Delivery of Annual Audit Plans	100% (99%*)	100% (96%*)
85% of First Draft Reports Issued within 4 weeks of fieldwork completion	75%	72%
75% of reports finalised within 5 weeks of issue (and within 1 week of receiving management comments) ¹	44% (100%)	29% (88%)
75% Management Comments should be received within 4 weeks	38%	29%
% of reports significantly amended between draft report and final report stage ²	6% (1 report)	Nil

*Actual delivery against SLA annual audit days (or specifically in 2020/21 the revised target audit days given an under-utilisation of audit time due to COVID-19).

¹The Trust has an Audit Steering Group (ASG) 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 IA 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.

²Significant change is defined as change in assurance level provided in the report, a priority 1 being completely removed or significant changes in a number of key findings.

The Committee is pleased to report that the work of 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 2021/22 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 was conducted by the Northern Ireland Audit Office for the year 2021/22. The Audit Director presented the External Audit Plan for the financial year ended 31 March 2022 to the Committee at its meeting held on 21st February 2022.

The External Auditors undertook an audit of the organisation's financial statements for the year ended March 2021 which took place during May and June 2021. Interim audit work for the year ended 2022 took place in February 2022 and year end audit work commenced on 3rd May 2022.

10.2 External Audit 2020/21 and 2021/22

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 2021 in their draft 'Report To Those Charged With Governance' at the Audit Committee meeting of the 15th June 2021, with the final report reviewed by the Committee on 13th October 2021.

The Committee was pleased to report at its meeting of 15th June 2021 that the Northern Ireland Audit Office had issued an unqualified opinion on the truth and fairness of the financial statements for the year ended 31 March 2021.

10.3 Performance of External Auditor

The Committee acknowledges in this Annual Report the independence and effectiveness of the external auditors, the 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 13th October 2021 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 External Audit Team.

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 2021/22

Review of Annual Report and Accounts

The Audit Committee reviewed the organisation's Draft Annual Report and Accounts for the year ended 31 March 2022 including funds held on behalf of patients and clients, for the year ended 31 March 2022 and the Charitable Trust Funds Trustee's Report and Accounts for the year ended 31 March 2022, and recommended them for submission to the NIAO on 6th May. The accounts were reviewed in depth at the Audit Committee's meeting on 25th May 2022 and the Committee was satisfied that the process to prepare the accounts and annual report was robust.

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.

Accounting Policies

The Committee, at its meeting held on 25th May 2022, confirmed the continued appropriateness of the accounting policies used in the 2021/22 Annual Accounts. The Committee is 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 25th May 2022, and for consistency with the Committee's understanding of the internal control environment. There were no substantive issues to be addressed.

13. FRAUD

The Fraud Liaison Officer for the organisation is Mr David McIlwaine and the Fraud Investigatory function is overseen by Mrs Nuala McAuley, Assistant Director of Financial Accounting and Services. The organisation has in place a formal Fraud Response Policy and Plan, and a Bribery Policy, 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 2022 there were 29 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 any 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 2021/22, the Committee considered these impacts in relation to the Annual Report and Accounts for 2021/22 and will continue to consider the impacts on risk and financial controls moving into 2022/23.

14.2 Related Party Transactions

During the year there were a number of related party transactions, details of which are contained within note 20 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 review within the year 2021/22 and noted at February Audit Committee.

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 2022 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 principal 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 2021 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, the External Auditor and the Management Team are comprehensive, 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 2022.

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 P Corrigan

Chair

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

<Add date>

ANNEX 1: ATTENDANCE AT AUDIT COMMITTEE MEETINGS

During the year 2021/22 the Committee met on 4 occasions. The dates of meetings and member attendance are given below:

Name	Office	23th May 21	15th June 21	13th Oct 21	21st Feb 22
Mr P Corrigan	Chairman	✓	✓	✓	✓
Mr B Graham	Board Member	✓	✓	✓	✓
Mr G Houston	Board Member	✓	✓	✓	X

Key

✓ = attended meeting

X = absent from meeting