



Western Health  
and Social Care Trust

**AUDIT COMMITTEE**

**ANNUAL REPORT**

**2017/18**

## **1. Chairman's Foreword**

I am pleased to present this Annual Report to Trust Board. It provides an overview of the Audit Committee activities for the Financial Year 2017/18 and sets out how the Committee has met its key priorities.

It is the responsibility of the Audit Committee to oversee the establishment and maintenance of effective governance and internal control arrangements, ensure an effective internal audit function is in place, oversee the arrangements for the completion and external audit of the Trust's Annual Report and Accounts and oversee the adequacy of the Trust's arrangements for securing value for money.

The Audit committee provides the Trust Board with assurance on the adequacy and effectiveness of internal control systems and that all regulatory and statutory obligations are being met.

I wish to place on record my thanks to my Non-Executive Colleagues on the Committee for their effective contribution and support throughout the year. We are also very grateful for the assurances provided by the Director of Finance and Contracting, the Assistant Director of Finance (Accounting and Financial Services), Internal Audit and External Audit.

## **2. Role of the Audit Committee**

The Audit Committee supports Trust Board and the Accounting Officer by reviewing the comprehensive and reliability of assurances on governance, the control environment, the integrity of the financial statements and the annual report including the Governance Statement.

Risk Assurance is the responsibility of the Governance Committee who ensure there is an effective risk management and assurance framework in place.

## **3. Committee Membership, Meetings and Attendance**

Membership of the Audit Committee comprises of three non-executive directors of the Trust. During 2017/18 the members were:

- Mr Joe Campbell, Chairman    Member from October 2015 and Chair from April 2016
- Mrs Joan Doherty                Member from May 2016
- Dr Catherine O'Mullan        Member from February 2017

The NHS Audit Committee Handbook and the Audit Committee's terms of reference require the Committee to meet at least four times per annum and there must be at least two members present for the meetings to be quorate. The Committee met four times and the meetings were quorate on all occasions. Attendance at the meetings by each of the members was as follows:

	5 JUN 2017	23 OCT 2017	5 FEB 2018	14 MAY 2018
<b>Mr J. Campbell</b>	√	√	√	√
<b>Mrs J. Doherty</b>	Apology	√	√	√
<b>Dr C. O'Mullan</b>	√	√	√	√

The following were in regular attendance at Audit Committee meetings during the year:

- Chief Executive
- Director of Finance & Contracting
- Assistant Director of Finance (Accounting & Financial Services)
- Internal Audit representatives
- NI Audit Office representatives
- KPMG representatives
- Grant Thornton representatives

In addition, the following attended on specific items:

- Medical Director
- Director of Acute Services
- Director of Performance & Service Improvement
- Assistant Director of Corporate Parenting, Women & Children's Directorate
- Head of Services, Adoption, Fostering, Independent Chairs & Early Years Services
- Assistant Director of Finance Shared Services, Business Services Organisation (BSO)
- Head of Payroll Shared Services Centre, BSO
- Head of Counter Fraud & Probity, BSO

A representative from the Department of Health attended one meeting during the year.

The Audit Committee members also held a private meeting in June 2017 with the external auditors and internal auditors without any executive directors being present.

After each meeting, the Chairman reported back to the next Trust Board drawing attention to those matters of significance for the Board. Draft minutes are also reported to Trust Board.

#### **4. Internal Audit**

The Trust secures its internal audit service from Business Services Organisation (BSO) Internal Audit. BSO is the regional provider of Internal Audit services to all H&SC Trusts in Northern Ireland. The Head of Internal Audit, BSO and / or her Deputy attend each meeting of the Trust Audit Committee.

The Business Services Organisation (BSO) Internal Audit's primary objective is to provide an independent and objective opinion to the Accounting Officer, Audit Committee and Trust

Board on the adequacy and effectiveness of risk, control and governance arrangements. The basis of this independent and objective opinion is the completion of the Annual Internal Audit Plan. The 2017/18 internal audit plan was developed in conjunction with Client Management and was approved by the Audit Committee in February 2017.

#### 4.1 2017/18 Internal Audit Plan – Audit Assignments and Assurances Reported

During the year, the Committee considered reports from the Internal Auditor covering the following:

AUDIT ASSIGNMENT	LEVEL OF ASSURANCE
<b>Finance Audits</b>	
Payments to Staff	Limited
Non Pay Expenditure	Satisfactory- (with the exception of areas below)  Limited – Purchase Cards, Link loads and Manual Payments
Budgetary Control	Satisfactory
Catering Procurement & Contract Management (incorporating stock and cash management)	Satisfactory
Management of Contracts with Independent and Voluntary Sector Organisations	Limited
Financial Controls in the Radiotherapy Unit	Satisfactory
Review of Financial Controls - Omagh Hospital & Primary Care Complex	Satisfactory
Management of Client Monies in Independent Sector Homes	Satisfactory - for 5 homes Limited - for 2 homes
Management of Domiciliary Care Contracts	Unacceptable (Trust Controls)
<b>Corporate Risk Audits</b>	
Regional Audit of Management of Contract Adjudication Groups (CAGs)	Satisfactory
Management and Use of Bank and Agency staff within the Primary Care and Older People Directorate	Satisfactory
Management of Patient Flow - Internal Transfers and Discharges	Satisfactory
Management of Medical Staff	Limited
Management of Use of Agency & Medical Locum Staff	Limited
Kinship Placements	Limited
<b>Governance Audits</b>	
Risk Management	Satisfactory
Management of the Relationship between WHSCT and C-Tric	Satisfactory
Cyber Security	Limited – IT Incident Management and Secure Configuration  Satisfactory – Malware Prevention
Claims Management	Satisfactory

In addition, Internal Audit undertook other non-assurance / consultancy work which was reviewed by the Audit committee during the year in relation to:

Culture of Care

Using the King’s Fund Culture of Care Barometer model as a guide, Internal Audit carried out a consultancy review of culture in the Trust. A small number of areas for development were also noted.

Resource Centre Derry (RCD)

RCD offers a range of services to the local community funded by various organisations including the Trust, Department for Communities (DfC) and Derry City and Strabane Council. Following concerns raised, Internal Audit conducted a review of how Trust funds were being managed. A number of significant weaknesses in control were identified both in the Trust and the RCD and recommendations were made to strengthen control.

Aspire Employability Programme

The ASPIRE Employability Programme, which is funded through the European Social Fund (ESF) via the Department of Economy, is delivered by Fermanagh and Omagh District Council in partnership with the Western Health & Social Care Trust (WHSCT) and the Education Authority for the Western Region. On the request of the Trust, Internal Audit conducted testing to provide the assurance required by ESF to support the validity and accuracy of the claim being submitted for payment.

Regional IT Audit

Similar to 2016/17 and as part of the IT audit work in 2017/18, Internal Audit facilitated a self-assessment in 7 HSCNI organisations which was designed to make Senior ICT Management assess ICT and wider organisation control environment against the National Cyber Security Centre’s suggested controls. In particular, this was to provide coverage of the 10 Steps to Cyber Security which was not substantively tested by Internal Audit during 2017/18 (in the Cyber Security audit). The results were reported in a regional report issued in April 2018 and will be presented to the Trust’s Audit Committee once finalised.

**4.2 Report to the Audit Committee in relation to BSO Shared Service Audits**

A number of audits have been conducted in BSO Shared Services, as part of the BSO Internal Audit Plan. The recommendations in these Shared Service audit reports are the responsibility of BSO Management to take forward and the reports have been presented to BSO Governance & Audit Committee. As a customer of BSO Shared Services, the final reports have been shared with the Western Trust Director of Finance and Contracting and a summary of the reports reviewed by the Audit Committee for the year was as follows:

<b>Shared Service Audit</b>	<b>Assurance</b>
Payroll Shared Service – as at September 2017	Limited - Payroll Processing and Payroll System Stability Unacceptable - Payroll Function Stability
Payroll Shared Service – as at March 2018	Limited
FPL Upgrade	Satisfactory
Income Shared Service	Satisfactory
Recruitment Shared Service	Satisfactory
Shared Service Governance	Satisfactory
Accounts Payable Shared Service	Satisfactory

The Audit Committee has received regular updates from an Assistant Director of Finance from BSO as well as the Head of BSO Shared Services Centre in relation to a Service Improvement Project which has been put in place at BSO Payroll Shared Services Centre. This project is in place to address the on-going issues with the quality of payroll service and

the reports of Internal Audit during 2017/18 which concluded with a Limited Assurance for the March 2018 report. The Audit committee has reviewed a letter from the Chief Executive of BSO which provided written assurance for 2017/18 that BSO would continue to address any identified weaknesses and pursue continuing improvements to the systems of internal control in operation within the organisation.

### 4.3 Internal Audit Annual Report

Internal Audit is required to provide an independent and objective opinion which will contribute to the assurances available to the Accounting Officer and the Board which underpin the Trust's own assessment of the effectiveness of the system of internal governance. This opinion is based upon the work performed in fulfilment of the Internal Audit Plan for 2017/18.

The Committee considered the Head of Internal Audit Annual Report for 2017/18 at its meeting in May 2018 and has noted in particular:

- Internal Audit completed 100% of the audits assigned against the approved Audit Plan for 2017/18
- 8 services received limited or part limited assurance which have impacted on the assurance provided by Internal Audit:
  - Payments to Staff
  - Non Pay Expenditure – **Part Limited**
  - Management of Contracts with Independent and Voluntary Sector Organisations
  - Management of Client Monies in Independent Sector Homes – **Part Limited**
  - Management of Medical Staff
  - Management of Use of Agency & Medical Locum Staff
  - Kinship Placements
  - Cyber Security – **Part Limited**
- One service, Management of Domiciliary Care, received unacceptable assurance.
- 30 Priority One findings (weaknesses that could have a significant impact on the system under review) were identified during 2017/18.
- A follow up review of the implementation of previous priority one and priority two Internal Audit recommendations was carried out at mid-year and again at year-end. At year-end, 289 (79%) out of the outstanding 366 recommendations examined were fully implemented, a further 64 (17%) were partially implemented and 13 (4%) were not yet implemented.

The Audit Committee accepted the findings and recommendations of Internal Audit in its reports for 2017/18 and was satisfied with the management responses to address the control weaknesses identified. The Audit Committee monitors the implementation of recommendations and has received progress updates from Directors and Senior Management at meetings during the year.

Internal Audit also reviewed the Trusts self-assessment of compliance with Controls Assurance Standards. Internal Audit agreed that the self-assessments were reasonable and the Trust has met the DoH requirement for substantive compliance with the four standards examined.

#### **4.4 Internal Audit Overall Opinion**

Overall, for the year ended 31 March 2018, the Head of Internal Audit has provided **Satisfactory** assurance on the adequacy and effectiveness of the organisations framework of governance, risk management and control.

The Head of Internal Audit further stated that **“although I am content to provide overall Satisfactory assurance, it is important to note that Limited assurance has been provided in a number of areas, most notably in Payments to Staff, several elements of Cyber Security, and Management of Contracts in a number of areas (Unacceptable assurance provided in relation Trust’s Management of Domiciliary Care contracts)”**

Members welcomed the overall opinion of satisfactory assurance for 2017/18.

#### **4.5 Internal Audit Plan 2018/19**

At the February 2018 meeting, the Committee approved the Internal Audit Plan for 2018/19.

Finally, the Audit Committee wishes to take the opportunity, in its Annual Report, to express its appreciation of the commitment of Mrs McKeown, Mr Charles and their team. The Committee acknowledges the work undertaken by the Internal Audit Team is of a high standard and notes the effective working relationship which exists between the Audit Team and Trust staff.

### **5. External Audit**

The Northern Ireland Audit Office (NIAO) is the Trust’s external auditor and the performance of external audit testing up to 2016/17 was subcontracted by NIAO to KPMG. Following a tendering exercise, the NIAO have awarded the audit contract to Grant Thornton for 2017/18. A senior representative from NIAO or KPMG attended all four Audit Committee meetings during the year.

In June 2017, KPMG presented the findings of the external audit of the Trusts Financial Statements for the year ended 31<sup>st</sup> March 2017 to the Audit Committee in the Report to those Charged with Governance.

In February 2018, the Audit Committee agreed the external auditor’s plan (Audit Strategy) for the audit of the 2017/18 Consolidated Accounts and the Charitable Trust Funds Accounts.

The Committee acknowledges, in this Annual Report, the independence and effectiveness of both the outgoing external auditors KPMG and the incoming External Auditors Grant

Thornton. The Committee is satisfied that both External Auditors possess the requisite experience and expertise to manage the audit effectively. The committee also recognises that the reports of the External Auditor presented to the Audit Committee are robust and comprehensive.

The Committee has a positive relationship with the external auditors.

## **6. Financial Reporting and Governance Statement 2016/17**

The Committee reviewed the Trust's draft annual Consolidated Accounts and the Charitable Trust Funds Accounts for 2016/17 and the Draft Governance Statement. At the June 2017 meeting, the Committee considered the Report to Those Charged with Governance from KPMG / NIAO and following discussion recommended approval of the Accounts to Trust Board.

The Committee acknowledges that the Accounts were prepared to a high standard against a very tight timetable and thanks the Trust's Director of Finance and her team for their commitment during 2017/18.

The Mid-year Assurance Statement as at 30<sup>th</sup> September 2017 was also reviewed by the Audit Committee for adequacy and completeness during the year.

## **7. Fraud**

The Trust has in place a formal Fraud Policy and Fraud response Plan. At the 1<sup>st</sup> April 2017 there were 17 open fraud cases. During 2017/18 there were 31 new incidents of suspected of actual fraud and 31 cases, having been investigated with the assistance of PSNI and BSO Counter Fraud services, were closed.

The Committee is content that it has been kept fully briefed on developments in this area.

## **8. Review of Effectiveness / Self-Assessment**

In accordance with the guidance set out in the NHS Audit Committee Handbook, the Audit Committee members undertook a self-assessment exercise in February 2018 to evaluate the Committee's effectiveness and its level of compliance with established best practice. The assessment highlighted that mandatory requirements were being fully met with a possible enhancement for consideration by the Chair in relation to Risk Management oversight as part of Audit Committee business whilst recognising that the responsibility for risk assurance will continue to be with the Governance Committee. A review of the Governance Committee is currently taking place and this will be considered as part of the review.

The Committee also noted that a new checklist format by National Audit Office has been produced to take account of Cyber-Security which will be applied for the 2018/19 financial year. The self-assessment checklist for 2017/18 was formally approved by Audit Committee.

The Committee also reviewed its Terms of Reference and approved an update at its meeting in February 2018.

## **9. Committee Statement of Assurance**

The Audit Committee is aware that assurances are provided to the Accounting Officer and the Board from a variety of sources. The other primary sources are:

- Trust Governance Committee;
- Trust Endowment & Gifts Committee;
- Trust Finance and Performance Committee
- Trust Remuneration and Terms of Service Committee;
- Corporate Management Team;
- Other Trust management and staff;
- Chief Executive of the Business Services Organisation;
- Internal Auditors;
- External Auditors; and
- Other review/inspection bodies.

The Audit Committee received assurances during 2017/18 from Management, Internal and External Audit and from other Assurance Committees on Risk Management processes etc. Based on this, the Audit Committee is satisfied that the Trust's system of governance and internal control arrangements are adequate and satisfactory.

**Mr Joe Campbell**  
**Chairman**  
**Audit Committee**

**11<sup>th</sup> June 2018**