



Western Health
and Social Care Trust

**AUDIT AND RISK ASSURANCE
COMMITTEE**

ANNUAL REPORT

2018/19

1. Chairman's Foreword

I am pleased to present this Annual Report to Trust Board. It provides an overview of the Audit and Risk Assurance Committee activities for the Financial Year 2018/19 and sets out how the Committee has met its key priorities.

It is the responsibility of the Audit and Risk Assurance 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 and Risk Assurance 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.

During 2018/19, as part of the Trust Board review of the Governance Structure, the Committee has now also taken responsibility for having oversight to the adequacy and effectiveness of the risk management and assurance framework in the Trust.

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 and Contracting and Internal Audit and External Audit.

2. Role of the Audit and Risk Assurance Committee

The Audit and Risk Assurance Committee supports Trust Board and the Accounting Officer by reviewing the comprehensiveness and reliability of assurances on governance, the control environment, the risk management and assurance framework, the integrity of the financial statements and the annual report including the Governance Statement.

3. Committee Membership, Meetings and Attendance

Membership of the Audit and Risk Assurance Committee comprises three non-executive directors of the Trust. During 2018/19 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

Mrs Joan Doherty had completed her term of office as a Non-Executive Director on 31st March 2019. A new Non-Executive Director, Mrs Ruth Laird, has been appointed to the Committee effective from 10th June 2019.

The NHS Audit and Risk Assurance Committee Handbook and the Audit and Risk Assurance 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:

	11 JUN 2018	15 OCT 2018	4 FEB 2019	13 MAY 2019
Mr J. Campbell	√	√	√	√
Mrs J. Doherty	√	√	√	*
Dr C. O'Mullan	√	√	√	√

* Mrs J Doherty had completed her term of office as a Non-Executive Director on 31st March 2019.

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

- Chief Executive
- Director of Finance & Contracting
- Assistant Director of Finance & Contracting
- Internal Audit representatives
- NI Audit Office representatives
- Grant Thornton representatives

In addition, the following attended on specific items:

- Medical Director
- Director of Pharmacy & Medicines Management
- Director of Primary Care and Older People
- Assistant Director of Corporate Parenting, Women & Children's Directorate
- Head of Services, Adoption, Fostering, Independent Chairs & Early Years Services
- Head of Payroll Shared Services Centre, BSO
- Assistant Director of Finance, BSO
- Head of Counter Fraud & Probity Services, BSO
- Head of Financial Services
- Corporate Financial Accountant

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

The Audit and Risk Assurance Committee members also held a private meeting in June 2018 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 and Risk Assurance Committee.

The Business Services Organisation (BSO) Internal Audit's primary objective is to provide an independent and objective opinion to the Accounting Officer, Audit and Risk Assurance 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 2018/19 internal audit plan was developed in conjunction with client management and was approved by the Audit and Risk Assurance Committee in May 2019.

4.1 2018/19 Internal Audit Plan – Audit Assignments and Assurances Reported

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

Reports Issued 2018/19	Assurance Provided
Estates Procurement & Contract Management	Satisfactory
Compliance with DoHs Permanent Secretary's Instructions Regarding Travel (primarily travel outside Ireland and Britain)	Limited
Non Pay Expenditure	Satisfactory - Non Pay Expenditure Limited - Procurement of Social Care Contracts with Independent & Voluntary Organisations
Management of Cash offices	Satisfactory
Financial Assessment and Direct Payments	Satisfactory - Financial Assessments Limited - One-off and Direct Payments
Endowment & Gifts	Satisfactory
Client Monies in Cash and Valuables Handling in Social Services Setting (5 facilities)	Satisfactory
Management of client monies in Independent Sector Homes	Satisfactory - 6 homes Limited - 1 home
Review of service users' finance at 24 Pettigo Road (Independent home)	Satisfactory
Private / Paying Patients, Category 2 & Road Traffic Accidents (RTA) Income	Satisfactory - Paying Patients and Road Traffic Accidents Limited - Private Patients and Category 2
Women & Children Directorate Risk Based Audit	Satisfactory – Management of placement of under 18 in adult psychiatric ward Limited – Retention and security of medical records
Information Governance – with a focus on GDPR compliance	Satisfactory
Absence Management	Limited

Reports Issued 2018/19	Assurance Provided
Performance Management - Clinical Cancellations and Management of Trauma and Orthopaedic Outpatient Appointments 2018/19	Limited
Risk Management	Satisfactory
Clinical and Social Care Governance (including Quality Improvement and Whistleblowing)	Satisfactory
IT Audit – Cyber Security	Limited / Satisfactory elements of opinion
Health & Safety	Satisfactory
Medicines Management	Limited
Mandatory Training	Limited

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

Resource Centre Derry (RCD) – follow up

Internal Audit performed a substantive follow up review from the previous review conducted in 2017/18 which had identified a number of significant weaknesses in control at both the Trust and RCD. Internal Audit has confirmed that action has been taken to address the recommendations made.

Assurance Processes Post Controls Assurance Standards

Internal Audit undertook a high-level review of the processes established within WHSCT to monitor compliance with the required standards, policies, legislation etc. previously contained within the Controls Assurance Standards and the process for providing assurance on this to the Chief Executive and the Board (and onwards to DoH in the tailored format they have requested). Internal Audit concluded that the processes adopted by WHSCT for 2018/19 are adequate to provide appropriate assurances internally in the areas previously covered by the former Control Assurance Standards.

4.2 Report to the Audit and Risk Assurance 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 and Risk Assurance 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 and Risk Assurance Committee for the year was as follows:

Shared Service Audit	Assurance
Payroll Shared Service (September 2018 and March 2019)	Limited
Payments Processing in Accounts Payable Shared Service	Satisfactory
Recruitment Shared Service	Satisfactory
Business Services Team	Satisfactory

The Audit and Risk Assurance Committee has received regular updates from 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 2018/19 which concluded with a Limited Assurance for the March 2019 report. The Audit and Risk Assurance Committee has reviewed a letter from the Chief Executive of BSO which provided written assurance for 2018/19 that a plan to address weaknesses and ensure continuous improvement to the system is in place and that he is content that the BSO has operated a sound system of internal governance during the financial year 2018/19.

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 2018/19.

The Committee considered the Head of Internal Audit Annual Report for 2018/19 at its meeting in May 2019 and has noted in particular:

- Internal Audit completed 100% of the audits assigned against the approved Audit Plan for 2018/19
- 11 services received limited or part limited assurance which have impacted on the assurance provided by Internal Audit:
 - Compliance with DoHs Permanent Secretary's Instructions Regarding Travel (primarily travel outside Ireland and Britain)
 - Non Pay Expenditure – **Part Limited**
 - Financial Assessment and Direct Payments - **Part Limited**
 - Management of client monies in Independent Sector Homes - **Part Limited**
 - Private / Paying Patients, Category 2 & Road Traffic Accidents (RTA) Income - **Part Limited**
 - Women & Children Directorate Risk Based Audit - **Part Limited**
 - Absence Management
 - Performance Management - Clinical Cancellations and Management of Trauma and Orthopaedic Outpatient
 - IT Audit – Cyber Security - **Part Limited**
 - Medicines Management
 - Mandatory Training
- **30** Priority One findings (weaknesses that could have a significant impact on the system under review) were identified during 2018/19.
- 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, 213 (76%) out of the outstanding 279 recommendations examined were fully

implemented, a further 65 (23%) were partially implemented and 1 (1%) was not yet implemented.

The Audit and Risk Assurance Committee accepted the findings and recommendations of Internal Audit in its reports for 2018/19 and was satisfied with the management responses to address the control weaknesses identified. The Audit and Risk Assurance Committee monitors the implementation of recommendations and has received progress updates from Directors and Senior Management at meetings during the year.

4.4 Internal Audit Overall Opinion

Overall, for the year ended 31 March 2019, 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, Cyber Security, and Medicines Management”**.

Members welcomed the overall opinion of satisfactory assurance for 2018/19.

4.5 Internal Audit Plan 2019/20

At the May 2019 meeting, the Committee approved the Internal Audit Plan for 2019/20.

Finally, the Audit and Risk Assurance 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 2018/19. A senior representative from NIAO or Grant Thornton attended all four Audit and Risk Assurance Committee meetings during the year.

In June 2018, Grant Thornton presented the findings of the external audit of the Trusts Financial Statements for the year ended 31st March 2018 to the Audit and Risk Assurance Committee in the Report to those Charged with Governance.

In February 2019, the Audit and Risk Assurance Committee agreed the external auditor’s plan (Audit Strategy) for the audit of the 2018/19 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 Grant Thornton. The Committee is satisfied that the 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 and Risk Assurance Committee are robust and comprehensive.

The Committee has a positive relationship with the external auditors.

6. Financial Reporting and Governance Statement 2017/18

The Committee reviewed the Trust's draft annual Consolidated Accounts and the Charitable Trust Funds Accounts for 2017/18 and the Draft Governance Statement. At the June 2018 meeting, the Committee considered the Report to Those Charged with Governance from Grant Thornton / 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 30th September 2018 was also reviewed by the Audit and Risk Assurance Committee for adequacy and completeness during the year.

7. Fraud

The Trust has in place a formal Fraud Policy and Fraud response Plan. At 1st April 2018 there were 14 open fraud cases. During 2018/19 there were 7 new incidents of suspected or actual fraud and 10 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 and Risk Assurance Committee Handbook, the Audit and Risk Assurance Committee members undertook a self-assessment exercise in February 2019 to evaluate the Committee's effectiveness and its level of compliance with established best practice. The National Audit Office November 2017 checklist was used for this purpose. The assessment confirmed that across the five principle areas that the Committee is performing effectively and no actions were recorded.

The Committee also reviewed its Terms of Reference and approved an update at its meeting in February 2019.

9. Committee Statement of Assurance

The Audit and Risk Assurance 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;
- Engagement & Experience Committee
- People's 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 and Risk Assurance Committee received assurances during 2018/19 from Management, Internal and External Audit and from other Assurance Committees on Risk Management processes etc. Based on this, the Audit and Risk Assurance Committee is satisfied that the Trust's system of governance and internal control arrangements are adequate and satisfactory.

Mr Joe Campbell
Chairman
Audit and Risk Assurance Committee
10th June 2019