



**MINUTES OF THE AUDIT COMMITTEE HELD ON
THURSDAY 18 MARCH 2021 AT 2PM BY ZOOM
(DUE TO COVID-19)**

PRESENT: Mr W Abraham Non-Executive Director (Chair)
Mr D Ashford Non-Executive Director

IN

ATTENDANCE: Mr N Gray Northern Ireland Audit Office
Ms C Hagan ASM (External Auditors)
Ms C McKeown Head of Internal Audit, BSO Internal Audit
Mr M Bloomfield Chief Executive
Mr P Nicholson Interim Director of Finance
Ms M Paterson Director of Planning, Performance & Corporate Services
Mr A Phillips Assistant Director of Finance
Ms F Slevin Financial Accounts Manager
Mrs L Mitchell Independent Adviser to Committee
Mrs C Mooney NIAS Board Secretary

APOLOGIES: Mr S Knox Northern Ireland Audit Office

Welcome, introduction and format of meeting

The Chair welcomed everyone to the meeting and thanked them for facilitating the rearranged meeting.

1/21 **Apologies**

Apologies were noted from Mr Knox.

2/21 **Declaration of Potential Conflict of Interest & Confirmation of Quorum**

The Chair confirmed that the meeting was quorate and asked those present to declare any conflicts of interest now or as the meeting progressed.

The Chair also stressed the confidentiality of information presented.

3/21 Previous Minutes (AC01/18/03/21)

It was noted that the minutes of the previous meeting held on Thursday 29 October 2020 had been **APPROVED** by e-mail and reported to Trust Board on 4 March 2021.

4/21 Matters Arising (AC02/18/03/21)

The Chair advised that the Committee Terms of Reference would be reviewed with a view to expanding the remit of Committee to become an Audit and Risk Committee.

Mr Nicholson indicated that the Terms of Reference would normally be reviewed on an annual basis to adhere to best practice. He reminded that all Terms of Reference for Trust Committees were being reviewed and the Audit Committee Terms of Reference would form part of this.

Mr Ashford agreed that the development of Committee Terms of Reference would be an iterative process and he agreed with the development of an Audit and Risk Committee.

5/21 Committee Chair's Business

The Chair informed the meeting that he had asked Mrs Mitchell to review the format and content of the Committee Annual Report as well as looking at a report from the Committee to Trust Board.

The Committee noted that a similar report was in place for the Safety Committee in order to highlight to Trust Board the key issues discussed at meetings.

6/21 Standing Items

6.1 Direct Award Contract (AC03/18/03/21)

The Chair invited Mr Nicholson to take members through the detail of this paper and in particular explain the RAG rating process and how that impacted upon the list.

Mr Nicholson explained that historically Direct Award Contracts (DACs), also known as Single Tender Actions (STAs), had been few in number and had been presented to the Committee on an annual basis. However, he said that there had been an increase in DACs as a result of Covid-19.

Mr Nicholson advised that DACs were part of the procurement process but represented purchases which had not followed the normal competitive tendering process. The reasons for this were contained within the sub category of Award which are broadly around Sole Source, Preferred Supplier or Contract Extension.

Mr Nicholson explained that the documentation to support a DAC included a case produced by the relevant manager, signed off at Assistant or Director level and then reviewed by BSO PaLS with subsequent approval by the Chief Executive. He said that, in some instances, Departmental Accounting Officer approval was also required depending on the expected value of the contract. He pointed out that the BSO PaLS review would attribute the award a RAG status.

Mr Nicholson drew the Committee's attention to the fact that some of the awards had been classified as retrospective and explained that, in such instances, awards had been made ahead of the relevant paperwork being completed. He acknowledged that this had been more of an issue in the current year due to Covid-19.

Referring to the values contained in the register, Mr Nicholson advised that one-off purchases were more easily defined than goods or services over a period of time. He explained that, should there be any uncertainty over the value or duration of the award, estimates would be at the higher end to avoid exceeding the DAC value and the rating and level of authorisation.

Mr Nicholson asked the Committee to note the contents of the register and said he would be happy to provide any further information or points of clarification required.

Responding to a question from the Chair on the DAC for natural gas and why this had not been subject to normal tendering process, Mr Nicholson explained that there was a regional tender in process which had been impacted by the Covid-19 pandemic.

The Chair referred to the tender for an ambulance training vehicle and sought further detail around this.

Mr Nicholson advised that generally the Trust used its own vehicles as part of the driver training for students. However, he said, due to additional pressures being placed on the fleet as a result of Covid-19, a decision had been taken to provide a dedicated suite of vehicles for a period of four weeks to allow students to undertake the necessary driver training.

Mr Ashford referred to the contracts with the Association of Ambulance Chief Executives (AACE) and sought clarification on why a number of contracts had been categorised as retrospective.

Responding, Mr Nicholson explained that AACE was included as it was the only provider with the ability to provide the breadth of skills, expertise and networks across the UK to be able to support the Trust before, during and as it came out of the pandemic.

Mr Nicholson acknowledged that the AACE contract had been identified as an Internal Audit finding in that the Trust had exceeded the value of the DAC. He said that the Trust reviewed the detail and produced additional documentation hence the reason for the retrospective element recorded.

Referring to the AACE contract, Mr Bloomfield clarified that this had been in place since 1 April 2019 and had Departmental approval. He explained that, rather than agree work areas on an annual basis, the approach taken by the Trust was to agree a three-year contract to be used on a flexible basis as the Trust commenced its restructuring and increased its own capacity and capability with a view to reducing the usage of AACE over time. Mr Bloomfield said that AACE had provided the Trust with support across a number of areas and he acknowledged that no other

organisation had the same breadth of knowledge and expertise. He pointed out that the Trust was currently finalising its work plan for 2021-22 and added that this would be on a reducing scale.

Mr Bloomfield accepted that, during the past year, it had not always been possible for the Trust to follow the necessary procurement processes.

The Chair acknowledged this and confirmed that the Chief Executive had advised Non-Executives at the start of the Covid-19 pandemic that there would likely be instances where normal processes could not be followed due to the impact of the pandemic.

Mr Nicholson advised that BSO PaLs had completed DACs on behalf of HSCNI.

Mr Ashford alluded to the fact that as the Trust recovered from the pandemic and asked whether Mr Nicholson would expect to see a reduction in the use of DACs as well as a reduction in retrospective DACs.

Mr Nicholson explained that there were certainly elements within the DAC list which he would not expect to continue. He cited the example of the provision of food to staff impacted by the pandemic and said that, moving forward, the Trust did not expect that level of food provision to be required.

The Chair enquired about the refurbishment of the heating system at Ballymena Station and the additional expenditure incurred by the Trust. He said he would welcome an explanation from Estates on why the Trust had paid for the refurbishment in a relatively new facility. Mr Nicholson acknowledged that some difficulties relating to the heating had occurred shortly after construction. He said that it had not been possible to resolve these under the initial contract and therefore new remedial work had been required.

Mr Ashford sought further clarification around the fact that a number of the sub-categories in relation to the rating of DACs had not been completed by BSO. In response, Mr

Phillips explained that those DACs had not yet been submitted to BSO for consideration.

The Committee **NOTED** the Direct Award Contract register.

6.2 **Fraud Update:**

- 2019-20 Counter Fraud Services Report (AC04/18/02/21)

Mr Nicholson advised that this Report had been provided for members' information and awareness as to the nature of the cases, investigations and responses by the BSO Counter Fraud Services.

- National Fraud Initiative (NFI) Self-Assessment Fraud Case Update (AC05/18/03/21)

Mr Nicholson pointed out that members would note that much of the advice and guidance accompanied the Self Assessment exercise. He added that Paper 5 was the first of three such exercises in members' papers for today's meeting and was in relation to the National Fraud Initiative. Mr Nicholson explained that this assessment comprised of two Parts – Part A was to assist Audit Committee members as part of NIAS participation in the NFI while Part B contained more detail to support organisations to get the most out of the process.

Mr Nicholson advised that, every other year, a significant data matching exercise was conducted and he confirmed that such an exercise was taking place in the 2020-21 year.

The Chair suggested that the self-assessment referred less to NIAS than to other Trusts.

Mr Nicholson indicated that in the past the Trust had a significant number of matches and had invested resources in investigation. He acknowledged that there were few areas in which the Trust had assumed the lead in the investigation.

Agreeing with the comments made, Mr Phillips acknowledged that there had been minor issues identified in NIAS.

Ms Paterson commented that BSO Shared Services would undertake a significant number of investigations for example payroll and salary checks. She pointed out that other checks took place outside of HSCNI and added that such self-assessments helped the Trust understand the value of the processes involved.

Responding to a question from Mr Ashford as to whether the Trust would continue its participation in the NFI, Mr Nicholson said that he would recommend the Trust's continued participation.

The Committee noted that the matches for the seventh NFI exercise had now been released. Mr Phillips pointed out that previously the Trust had approximately 250 matches, while this year there were approximately 500 matches. He advised that BSO had examined the matches in detail and had clarified that there were over 400 in which no issues had been identified. Mr Phillips said that the Trust continued to work closely with BSO colleagues in this regard.

Mr Nicholson said that he would welcome the Committee's endorsement of the self-assessment provided by management and its support in its continued completion.

The Committee endorsed the management self-assessment.

- **Fraud Cases**

Mr Phillips provided an update on ongoing fraud cases and undertook to keep members apprised.

Members **NOTED** the agenda items relating to Fraud.

7/21 **Internal Audit**

7.1 Internal Audit Progress Report (AC06/18/03/21)

The Chair invited Ms McKeown to provide an update on Internal Audit.

Ms McKeown drew members' attention to page 4 of the Progress Report which set out the current position. She advised that three draft Internal Audit reports, namely Financial Review, Governance during Covid-19 and IT Procurement and Contract Management, were currently with management for consideration. She pointed out that Internal Audit was in the process of concluding the fieldwork relating to the Information Governance assignment. With regard to the previous Internal Audit recommendations, Ms McKeown said that work was ongoing to close these by year-end.

The Chair referred to the context of Covid-19 and asked what the experience of Internal Audit had been during this period.

Ms McKeown acknowledged that it had been challenging and said that the Trust had co-operated and co-ordinated well with Internal Audit. She said that, despite the Internal Audit team largely working remotely, the Department had been able to deliver its annual audit assignments with a view to delivering the annual assurance by the year-end deadline.

The Chair referred to the practice of working remotely and its impact on team-working asked whether this might become an issue for the Trust.

Responding, Mr Bloomfield suggested that, moving forward, elements of home working would remain. He reminded the meeting that the official Executive advice was to work from home where possible. Mr Bloomfield acknowledged that there were benefits of meeting face-to-face in terms of building relationships, for example. He said that it was hoped that, with the vaccination programme and the reduction in infections, there would be some return to normal working in the near future.

Mr Ashford suggested that it might be helpful to get an overview of the outstanding Internal Audit recommendations.

Ms McKeown confirmed that this would be provided at the next Audit Committee.

Mr Bloomfield said that he particularly regretted that the second and third surges of Covid-19 had undoubtedly impacted on the Trust's ability to further progress the outstanding Internal Audit recommendations. He said that members would recall that, while the Trust had received an overall limited assurance finding, there had been an acknowledgement of the progress being made at that time. However he assured the Committee that the Trust was doing everything possible to make some progress by the year-end.

The Chair recognised the challenges faced by the Trust in the last number of months and accepted that work continued to address the outstanding Internal Audit recommendations.

The Chair thanked Ms McKeown for her update which was **NOTED** by the Committee.

8/21 **External Audit**

8.1 **NIAS: 2020-21 External Audit Strategy (AC07/18/03/21)**

The Chair invited Mr Gray to present the 2020-21 External Audit Strategy to the meeting.

Mr Gray said that members would be familiar with the format of the Strategy. He drew members' attention to the 'Actions for the Audit Committee' on page 1 of the Strategy which set out a number of questions for the Committee's consideration.

Mr Gray introduced Ms Christine Hagan who had taken over from Mr Clerkin as the contracted External Audit Director for the audit and asked her to take members through the detail.

Following Ms Hagan's detailed presentation of the Strategy, the Chair invited question from those present.

The Chair referred to the impact of change in Discount Rates and sought further detail on this from Ms Hagan.

Ms Hagan explained that, for a number of years, the Discount Rate in NI had been set at 2.5%. However, she said, England, Scotland and Wales had changed the Discount Rate in March 2019. Ms Hagan said that, in the absence of a sitting Assembly in NI, no change had been made. She pointed out that the Department of Justice had recommended in October 2020 that a new legal framework for setting the personal injury discount rate should be adopted and should be similar to the model in Scotland which had a current rate of -0.75%. She explained that this rate would be used for the calculation in clinical negligence claims.

The Chair said he would welcome further clarity on understanding the impact of the discount rate and sought clarification on whether this would have a negative impact on the Trust.

In response, Ms Hagan clarified that it would likely result in an increase in accounts.

Ms Hagan reminded the meeting of the requirement placed upon the Trust to achieve a break-even position within 0.25%.

Referring to the timetable for annual accounts, Ms Hagan advised that final audit testing would commence on 4 May 2021 with a view to submitting the draft annual report and final accounts to NIAO on 7 May 2021. She added that the overall signing of the accounts would take place week commence 20 June 2021.

She said that External Audit was planning to undertake a remote audit similar to the previous year and would engage with NIAS staff to ensure full information sharing.

The Committee noted that there had been no changes in the audit team and that Ms Hagan would be responsible for progression of the NIAS audit for the remainder of the contract duration.

Mr Ashford referred to significant risk 3 relating to the completeness of payroll related provisions or accruals and

asked if there was an understanding of the magnitude facing the Trust in relation to the outworkings of the PSNI case.

Mr Nicholson explained that there were two distinct payroll related risks, namely the level of outstanding annual leave at 31 March and the payment of overtime during holiday periods. He reminded the meeting that, due to NIAS' reliance on overtime, the Trust would be disproportionately impacted by this compared to other Trusts. Mr Nicholson said that the other issue to be taken into consideration was the period of time over which the liability may extend. He said that the Trust continued to work with colleagues from the DoH, HSCB and other Trusts to quantify the impact in the current year. Mr Nicholson added that a further issue to be considered by year-end was that of the Staff Recognition Payment to all HSC staff.

The Chair referred to the banding issue and enquired whether this had been resolved.

Mr Nicholson advised that the position would be reviewed by Internal and External Audit and said he very much hoped that the financial elements, which had been with the Trust since 2004, had now been addressed with remaining elements transitioning to normal business to be addressed moving forward.

The Chair thanked Mr Gray and Ms Hagan for presenting the 2020-21 External Audit Strategy which was **NOTED** by the Committee and said he looked forward to working with them in the coming year.

9/21 **For Noting**

9.1 **NIAS response to 'Guide for Audit and Risk Committees on financial reporting and management during Covid-19 – National Audit Office' (AC08/18/03/21)**

Mr Nicholson drew members' attention to this guide in relation to financial reporting and management. He explained that the report was issued in June 2020 and some consideration had been taken of the report in the 2019-20 financial reporting process. Mr Nicholson confirmed that the

report would still have relevance for the Trust and advised that its content would be taken into consideration during the current financial year.

He alluded to the challenging timescale for the production and completion of the annual report and final accounts by 7 May and said that the Trust would use this guide to pre-empt the challenges of that process.

The Committee **NOTED** the NIAS response to ‘Guide for Audit and Risk Committees on financial reporting and management during Covid-19 – National Audit Office’ to members.

9.2 **NIAS response to ‘Covid-19 Fraud Risks – NI Audit Office’ (AC09/18/03/21)**

Mr Nicholson advised that ‘Covid-19 Fraud Risks’ had been produced in August 2020 and he drew members’ attention to the management response. He indicated that the response covered six areas, namely, governance; Covid-19 funding; procurement; IT/cyber/data security; payroll/recruitment and staffing.

Members **NOTED** the NIAS responses to the above.

10/21 **Closed Meeting**

The Chair advised there was no need to have a Closed Meeting on this occasion.

11/21 **Any Other Business**

- **HFMA Annual Accounts workshop**

Mr Nicholson undertook to share with members details of a HFMA Annual Accounts workshop on 22 March.

12/21 **Date, time and venue of next meeting**

The next meeting of the Audit Committee would take place on Thursday 13 May 2021 at 10am (venue and arrangements to be confirmed)

The Committee noted the dates for future meetings.

SIGNED: *William Abraham*

DATE: 29 April 2021

**AUDIT COMMITTEE – 18 MARCH 2021
ACTION LIST**

		INDIVIDUAL ACTIONING	UPDATE
1	Committee Terms of Reference – to be reviewed	PN/LM	Ongoing
2	Format of Committee annual report – to be reviewed	LM	Ongoing
3	Format of Committee report to Trust Board – to be reviewed	LM	Actioned 19/3/21
4	Direct Award Contract: - explanation from Estates as to why the Trust met the costs associated with the heating refurbishment	PN	To be provided at May meeting
5	Report on outstanding IA recommendations to be provided to next Cttee meeting	CMcK	Listed for agenda for 13/5/21
6	HFMA – workshop details to be shared with members	PN	Actioned 18/3/21