

**NORTHERN IRELAND CENTRAL SERVICES AGENCY FOR THE
HEALTH AND SOCIAL SERVICES**

Minutes of Proceedings

A special meeting of the Agency Board was held on Tuesday 30 November 2004 at 2.00 pm in the Conference Room, Regional Supplies Service, 77 Boucher Crescent, Belfast.

Present

Professor Sean Fulton (Chairman)

John Campbell	Stephen Hodkinson
Geraldine Fahy	Paul Gick
Ivan Jackson	Jacqui Kennedy
Sean Mahon	Teresa Molloy
Hilary McCartan	Paula Sheils

In Attendance

Amanda Mills
Simon McGrattan
Arthur O'Brien – External Auditor, KPMG

1. **Apologies**

There were no apologies.

2. **Chairman's Business**

Professor Fulton commenced the meeting by welcoming Arthur O'Brien and Simon McGrattan. He then advised members of the format of the meeting which would start with Hilary McCartan presenting the Audit Committee Report on the Annual Accounts for 2003/2004 followed by Mr Hodkinson briefing members on the preparation of the Statement on Internal Control.

3. **Approval of Annual Accounts for 2003/2004**

The Chair of the Audit Committee, Hilary McCartan, advised that the Annual Accounts for 2003/2004 were presented to the Committee at its meeting earlier in the day. At the meeting it was agreed that the Accounts for year ending 31 March 2004 should be presented to the Agency Board with a recommendation that they be approved.

The Chair reported on the matters listed below and asked members to consider them.

- (i) The Statement of Internal Control is still in draft form and the Chief Executive will liaise with KPMG, NI Audit Office and Internal Audit on finalising the document. It is envisaged that an agreed Statement can be provided within the next ten days.
- (ii) The Audit Committee had considered the External Auditor's decision to give a disclaimed opinion on the Accounts and the rationale underpinning this.
- (iii) Members had considered a status report detailing progress to date in implementing the auditor's recommendations. The significant amount of work carried out by management to present a set of accounts was acknowledged.
- (iv) The Audit Committee had expressed its concerns about the deficiencies on internal financial control and recommended that the revisions to the management letter points should be completed as a matter of urgency.
- (v) The Committee had noted that a Review of the Finance Function will commence in December and asked that they should have sight of the consultants report when the review is completed. The External Auditor had already agreed to be available to assist in the review.
- (vi) The adoption of the Accounts and completion of the Statement of Internal Control should prompt early completion of the Annual Report for 2003/2004.
- (vii) The Audit Committee recommended to the Board that the Internal Audit Programme for 2004/05 be re-assessed by the Audit Committee with the programme being revised in light of other action being taken.
- (viii) Mr Terry Woodhouse (NI Audit Office) had concurred with the Audit Committee's recommendation that the Accounts for 2003/04 be approved. He advised that the accounts for 2004/2005 will have a technical disclaimer.
- (ix) Arthur O'Brien had supported a recommendation from the Audit Committee to adopt the Accounts for 2003/2004 as a pragmatic approach. He pointed out that there would be a technical disclaimer on the Income and Expenditure Account for the 2004/2005 year.
- (x) The Committee had received a report on the work being carried out by Simon McGrattan and finance colleagues. It had been noted at the meeting that the Agency had produced a set of Accounts for the period to 31 October 2004. The processes adopted and the outcome will be discussed with the External Auditor.

Mr Hodkinson advised that the Statement on Internal Control is still in draft form and that he will be liaising with Arthur O'Brien, Terry Woodhouse and Peter Shaw to reach agreement on a final document. The Board decided that the Chairman of the Audit Committee should be presented with the agreed Statement for final clearance.

The Agency Accounts for 2003/2004 were recommended to the Board which agreed to approve them.

Arthur O'Brien reminded members that once the accounts are approved the NI Audit Office will assess the performance of the External Auditor's work and subsequently produce a certificate on the accounts.

The Chairman asked the External Auditor whether the "significant deficiencies" in the internal control systems for the recording and maintenance of transactions were inherent in the systems or had not been applied or misapplied. In a comprehensive reply, Arthur O'Brien stated that the deficiencies resulted from both sources, some inherent in the systems in the sense there were weaknesses in the structure of the General Ledger, for example in the design and the controls and others to the lack of or inappropriateness of the applications.

Arthur O'Brien congratulated Agency staff in the work that has been undertaken in finalising the accounts and also the work that is ongoing in implementing the action needed to address deficiencies.

Arthur O'Brien left the meeting at this stage.

By request Mr Gick highlighted key issues in the accounts for 2003/04 which reflected the performance of the Agency.

4. **Report on other Matters considered at Audit Committee Meeting held on 30 November 2004**

Hilary McCartan reported on other issues emerging from the Audit Committee meeting.

The Committee had agreed the write-off losses totalling some £20,000. The losses resulted from compensation payments made under legal obligations.

The Committee considered three Internal Audit reports on RSS Transport, CSA Travel and FPS Counter Fraud Unit.

The Committee had noted the contents of a paper summarising the main points of the NI Civil Service Fraud Report for 2002/2003.

The Chairman thanked all these for their attendance at the Board meeting and those who were present at the Audit Committee meeting. He commended those concerned with the projects to address and resolve the issues by taking the required remedial action. He pointed out that it is now necessary to investigate how this state of affairs occurred and through the action we have taken and are going to take, be in a position to assure the Department, NIAO and the general public that it will not happen again.

Chairman

Chief Executive

Date _____