



Audit Committee

Venue: Roche, YAS, Wakefield, WF2 0XQ

Date: Monday 11 January 2018

Time: 0900 hours

Chairman:

Vacant

John Nutton (JN) Non-Executive Director & Chairman of Finance & Investment Committee & Acting Audit Chairman

Membership

Erfana Mahmood (EM) Non-Executive Director
 Ronnie Coutts (RC) Non-Executive Director
 Pat Drake (PD) Non-Executive Director, Deputy Chairman and Chairman of Quality Committee
 John Nutton (JN) Non-Executive Director & Chairman of Finance & Investment Committee

Apologies:

Ronnie Coutts (RC) Non-Executive Director
 Claire Mellons (CM) Senior Manager, Ernst & Young (External Audit)

In Attendance:

Anne Allen (AA) Trust Secretary
 Mark Bradley (MB) Executive Director of Finance
 Steve Page (SP) Executive Director of Quality, Governance and Performance
 Perry Duke (PDu) Head of Financial Services
 Rachel Monaghan (RM) Associate Director of Performance Assurance and Risk
 Hassan Rohimun (HRo) Executive Director, Ernst & Young (External Audit)
 Sue Kendall (SK) Interim Head of Audit, Audit One
 Terry Smith (TS) Head of Counter Fraud, Audit One
 Ian Wallace (IW) Managing Director, Audit One
 Matt Sandford (MS) Associate Director of Planning and Development
 Mike Fairbotham (MF) Associate Director of Procurement and Logistics (Item 14)

Minutes produced by:

Joanne Lancaster (JL) Committee Services Manager

		Action
	The meeting commenced at 0905 hours.	
1.0	Introduction and Apologies JN advised he was acting Chair for the Audit Committee until a replacement for the former Audit Chair was recruited; interviews were taking place later that day. Any potential conflict of interest between the two roles of Chairman of Finance and Investment Committee and	

		Action
	<p>Chairman of Audit Committee had been considered. In light of the imminent appointment of a new Non-Executive Director/Chair of Audit Committee any risk was assessed as negligible. Apologies for absence were noted as above.</p> <p>On behalf of the Trust and the Audit Committee JN thanked Barrie Senior, former Non-Executive Director and Chair of the Audit Committee for the skilful, diligent and enthusiastic way he had chaired the committee over the past few years and wished him well for the future.</p>	
2.0	<p>Declaration of Interests for any item on the agenda No declarations of interest were made relating to agenda items.</p>	
3.0	<p>Minutes of the Audit Committee meeting on 6 November 2017, including Matters Arising The minutes of the Audit Committee meeting held on 6 November 2017 were reviewed and agreed as a true record of the meeting.</p> <p>There were no matters arising that were not already included on the day's agenda.</p>	
3.1	<p>Action Log and Matters Arising The action log was reviewed and updated.</p> <p>Action 2017/015 – An explanation of 'entity-wide controls' – HRo had circulated an explanation of what was considered within entity-wide controls to BS and colleagues. Action closed.</p> <p>Action 2017/045 – Completeness check matrix – An update on this was included in the Risk Management Report. Action closed.</p> <p>Action 2017/046 – Report headers to be appropriately completed – This had been noted. Action closed.</p> <p>Action 2017/047 - This was included within the Internal Audit Report on the agenda. Action closed.</p> <p>Action 2017/049 - This was included within the Internal Audit Report on the agenda. Action closed.</p> <p>Action 2018/051 - It was noted this would take place once the new Audit Committee Chairman was appointed. Action remains open.</p> <p>All other actions had been appropriately closed.</p> <p>PD referred to the agreement that a finance update would be included in future CEO updates for the NEDs and asked for assurance this would be included on a regular basis.</p> <p>MB responded that an update on Month 7 had been included in the</p>	

		Action
	CEO update for NEDs and that Month 8 had been delayed due to the festive period. This would be included in the CEO's update this coming week.	
4.0 & 4.1	<p>For Review: Audit Committee Terms of Reference & Auditor Panel Terms of Reference</p> <p>JN advised that it had been agreed that the new Chair of Audit Committee would consider both of the above Terms of Reference on appointment and feedback any comments to the Trust Secretary, for Board approval 27 March 2018.</p> <p>PD requested that the wording in relation to quoracy be amended to make it clearer on the numbers required.</p> <p>Action: Amend the Terms of Reference wording on quoracy so it was explicit the numbers required.</p> <p>Approval: It was agreed to defer the approval of the Terms of Reference for Audit Committee and Auditor Panel until the new Audit Committee Chair was in post.</p>	AA 2018/001
5.0	<p>For Review: Standing Financial Instructions/Standing Orders</p> <p>The paper provided a partial review of Standing Financial Instructions and proposed two particular updates to those instructions.</p> <p>PDU highlighted the changes to be made within the document which were mainly in relation to rules provided by NHSI for consultancy. In addition there had been clarification on the responsibility of the Director of Fleet, Estates and Facilities relating to property transactions.</p> <p>It was noted that NHS Protect was now known as NHS Counter Fraud Authority and this should be reflected within the documents.</p> <p>It was noted the updated Standing Financial Instructions/Standing Orders would be presented to the Board at their meeting of 27 March for approval.</p> <p>Approval: The Audit Committee noted the update to SFIs/SOs and subject to the above amendment recommended these be approved by the Board of Directors.</p>	
6.0	<p>For Assurance: Risk Management Reporting including Board Assurance Framework (BAF) and Corporate Risk Register (CRR)(including Datix Progress Update)</p> <p>The paper provided an update on quarterly projections on the BAF 2017/18 and detailed changes to the CRR since the last Audit</p>	

Committee. The paper highlighted new 'Red' risks on the CRR and provided an update on action and reflected upon findings on the internal audit of risk culture and maturity and outlined plans to progress the Trust's risk culture.

SP advised this was the usual report and that it had been through the cycle of meetings including Quality Committee and Finance and Investment Committee.

It was highlighted that at the end of Q2 the risk rating for two principal risks on the BAF had not achieved the projected rating:

- Risk 1a - 'Inability to deliver performance targets and clinical standards was not mitigated to the predicted level' – there were a number of reasons the rating reduction had not been achieved including EOC staff attrition and call performance, A&E Operations recruitment being behind trajectory and aligning vehicle availability to rostering of core and additional shifts.
- Risk 4a – 'Impact of external system pressures and changes in wider health economy' – There were a number of factors within the health economy including reconfigurations, increased Inter Facility Transfers and clarity in patient pathways for frail elderly and patients with cardiorespiratory conditions presenting with other symptoms which had meant that the reduction in the risk rating had not been achieved. It was not expected to reduce this risk by the end of this financial year.

It was confirmed that the CRR was reviewed as part of the regular cycle by the Risk Assurance Group (RAG) and the BAF and high level corporate risks were considered by TMG on a monthly basis.

The changes to the CRR since the last Audit Committee meeting were considered, of particular note:

- Risk 1036 West PTS Contract Performance;
- Risk 1039 FOI Compliance - following a dip in performance improvements had been made to the process and performance had significantly improved;
- Risk 1048 Paramedic band 6 upskill – work was on-going to resolve the issue for Paramedics that qualified pre-2008;
- Risk 252 Vehicle Deep Cleaning – Work was on-going to mitigate this risk with a strong management focus.

The risk ratings which had been reduced since the last Audit Committee meeting in November 2017 were noted with particular reference to risk 983 'Ineffective breathing' due to the work undertaken to mitigate this risk it had been reduced to be monitored locally. As a result of the additional guidance and training it had caused Category 1 volumes to increase when compared to other ambulance services and the Trust was investigating this with a paper to the TEG for consideration.

SP referred to the completeness check matrix and advised there was an appendix attached to the report in this regard.

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	<p>outlined in the report and continued to be assured with regard to the effective management of risks and noted the continued improvement of risk management within the Trust.</p>	
<p>7.0</p>	<p>For Assurance: Quality Committee Risk Assurance Report The report provided assurance on the management of risks within the remit of the Quality Committee. PD reported that the Quality Committee had discussed a number of issues, of particular note:</p> <ul style="list-style-type: none"> • Concerns in relation to reconfigurations across the region; • Maintaining operational effectiveness over the winter period; • A strong focus remained on workforce issues; • Future CQC inspection. <p>JN thanked PD for the update.</p> <p>Approval: The Audit Committee noted the update on Quality Committee discussions in relation to key risks and gained adequate assurance from the update report that appropriate risks were being suitably managed.</p>	
<p>8.0</p>	<p>For Assurance: Finance & Investment Committee Risk Assurance Report The report provided assurance on the management of risks within the remit of the Finance and Investment Committee.</p> <p>JN advised that the Trust was in a positive financial situation at present due to a number of reasons including less than expected uptake of overtime within the A&E Operations service. It had been noted that the current positive financial position was a one-off and this should be emphasised to NHSI in discussions over the Control Total for 2018/19.</p> <p>The F&IC had held in-depth discussions on using the positive financial position to undertake early necessary maintenance and improvement works on the Trust's estate subsequently approved by the Board. It had also invested earlier in the purchase of chassis for vehicles with the bodies to be purchased in 2018/19.</p> <p>MB provided a summary of discussions with NHSI in relation to the Control Total for 2018/19. He advised that TEG was having regular discussions in relation to this to agree a recommendation to the Board which was appropriate for YAS.</p> <p>MB confirmed the accounts from Month 4 onwards had shown a positive picture against that forecasted. Reports to Committees and the Board with associated minutes confirmed such.</p> <p>Approval: The Audit Committee noted the update on Finance & Investment Committee discussions in relation to key risks and gained</p>	

		Action
	appropriate assurance that risks were being suitably managed.	
<p>9.0</p>	<p>For Assurance: External Audit Update The report provided the proposed audit approach and scope for the 2017/18 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office’s 2015 Code of Audit Practice, the auditing standards and other professional requirements and also to ensure that our audit is aligned with the Committee’s expectations.</p> <p>Section one of the report provided an overview of the Ernst & Young audit strategy.</p> <p>Section two of the report highlighted the key significant risks and areas of focus:</p> <ul style="list-style-type: none"> • Risk of fraud in revenue and expenditure recognition; • Misstatements due to fraud or error; • Value of Land and Buildings; • Value for money risks: <ul style="list-style-type: none"> ○ Arrangements for managing financial resources; ○ Arrangements for managing workforce resources; ○ Arrangements for working with partners. <p>Section three of the report provided detail of materiality and section four gave details of the scope of the report. Details of the audit team were provided at section five and the audit timeline was outlined at section six. Section seven confirmed the independence of Ernst & Young.</p> <p>It was noted that the national accounting timetable had a slightly shorter timescale than that of previous years.</p> <p>JN thanked HRo for the update.</p> <p>Approval: The Audit Committee received and accepted the latest External Audit Progress Report.</p>	
<p>10.0</p>	<p>For Assurance: YAS Internal Audit Update The paper provided an update on the management of risk associated with outstanding Internal Audit actions.</p> <p>It was noted that internal audits commenced from December 2017 onwards would follow a new grading system implemented by Audit One. Overall level of assurance would be described:</p> <ul style="list-style-type: none"> • Substantial; • Good; • Reasonable; • Limited. 	

	Action
<p>In addition, recommended action gradings would now be categorised as:</p> <ul style="list-style-type: none"> • High; • Medium; • Low. <p>It was confirmed that the YAS Risk Team would continue to utilise a risk-based approach to follow up of actions prioritising high and medium risk actions from 'Reasonable' and 'Limited' assurance audits for more detailed follow up and risk analysis.</p> <p>There had been positive progress on reducing the number of outstanding audit actions with relevant managers. Where actions were not considered as complete it was confirmed that plans were in place with ongoing progress to mitigate the risks.</p> <p>Proposals had been made to amend the Internal Audit programme for 2017/18:</p> <ul style="list-style-type: none"> • Defer the Health Records Audit to next financial year to allow for implementation of the electronic patient record (ePR); • An additional 20 days had been agreed in the plan for 2017/18 for Counter Fraud. A recommendation to subsume those days into the current plan with no requirement for additional days as they could be covered by the deferral of the Health Records audit and existing capacity within the plan. <p>PD asked whether assurance was provided by the employment agencies that healthcare professionals employed by them and undertaking work for YAS had the necessary/appropriate qualifications and checks in place.</p> <p>SP responded that YAS used suppliers from the Agency Framework and as such all checks should be in place through the agency.</p> <p>EM asked whether the Trust was compliant with GDPR.</p> <p>SP responded this was being picked up under a separate plan under the IG toolkit work. It was confirmed there was a robust assurance plan in place in regard to GDPR.</p> <p>Action: Take the GDPR action plan to provide assurance in this regard to the Quality Committee.</p> <p>EM remarked that there had been a lot of changes within A&E Operations over the past 12 months and she asked whether the directorate should be reviewed to ensure it was delivering to expectations.</p> <p>SP referred to the three main areas within A&E Operations and the associated internal checks and balances. One or all of these areas</p>	<p style="text-align: right;">SP 2018/004</p>

	Action
<p>could undergo an Internal Audit review but such was the scope it would have to be done over a period of time in 2018/19 and 2019/20:</p> <ul style="list-style-type: none"> • <u>Management and Leadership</u> – the management structure had been completed and managers within A&E Operations were part of the broader leadership development programme that was taking place Trust-wide; • <u>A&E general recruitment and workforce</u> – HR had undertaken a restructure to ensure it could respond more effectively, the TRAC system implementation had been positively received; • <u>Realising the benefits for ARP</u> – this was aligned to the organisation strategy which was currently being developed and how the A&E Transformation Programme could be reframed in light of ARP implementation. <p>Action: Consideration to whether it was necessary to undertake Internal Audit reviews of parts of A&E Operations.</p> <p>SP explained that A&E Operations formed part of the wider YAS Strategy discussion which would provide YAS with a clear future direction of travel.</p> <p>AA remarked that two other significant pieces of external work would help form a view of leadership, performance and delivery which was the CQC inspection and the peer review under the Well-Led Framework.</p> <p>Approval: The Audit Committee received and accepted the latest Compliance with Audit Recommendations Report.</p>	<p>SP 2018/005</p>
<p>11.0 For Assurance: Internal Audit Progress Report The paper provided an update on progress with and the outcomes from Internal Audit activity.</p> <p>SK clarified that the Internal Audit assurance ratings had changed from three to four categories.</p> <p>There had been four reports completed at draft report stage since the last Audit Committee meeting and all four had received a rating of ‘good’ assurance level.</p> <p>The draft Internal Audit Charter had been included within the report for information.</p> <p>The Infection Prevention Control (IPC) audit had received significant assurance. There had been some issues identified with recommended actions to be undertaken to reduce and/or mitigate these. There had been an increased focus on IPC practice within with PTS service.</p> <p>PD asked that the IPC progress be reported to Quality Committee in</p>	

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<p>March 2018.</p> <p>Action: That the IPC progress be reported to Quality Committee in March 2018.</p> <p>It was confirmed the 'implementation date' was the expected completion date.</p> <p>RM confirmed that the PMO followed up Internal Audit recommendations with the relevant action owner to ensure that it had been completed.</p> <p>JN thanked SK for the update.</p> <p>Approval: The Audit Committee received and accepted the latest Internal Audit Progress Report.</p>	<p>SP 2018/006</p>
<p>11.1 For Assurance: Counter-Fraud Progress Report</p> <p>To provide an update on the progress against the annual counter fraud workplan including a counter fraud perception versus reality review.</p> <p>It was explained that following recruitment of a new Head of Service for Counter Fraud AuditOne had carried out an evaluation of the previous Self-Review Toolkit submitted by the Trust and to determine the baseline position of the Trust's counter fraud position. Nationally, NHS Counter Fraud Authority (previously NHS Protect) had seen significant discrepancies in the self-assessed RAG ratings against the RAG rating awarded following inspections. This indicated across the country there was a gap between the perception of Local Counter Fraud Specialists and the reality of the stringent evidence required to justify the ratings.</p> <p>Following the outcome of the review the Trust's Counter Fraud annual workplan was also reviewed and following consultation with MB the decision was taken to revise the workplan mid-year. The newly created plan set out specifically how the counter fraud position would address the issues identified in the Perception versus Reality report whilst delivering a meaningful counter fraud service. The plan had been extended to 18 months.</p> <p>TS emphasised that the Trust had not previously been misled in relation to the counter fraud standards rather the system used had not been as robust as it could have been. TS explained that each standard had been reviewed and reassessed alongside supporting documentary evidence and a revised RAG rating provided. He confirmed that he expected all of the standards to move positively against the standards and return to their original rating by the end of the workplan timescale.</p> <p>Discussion took place in relation to the report and it was noted that senior colleagues within YAS had not had sight of the document prior</p>	

	Action
<p>to the day's meeting. It was agreed that discussions should take place outside of the meeting to ensure that workplans aligned and work was not duplicated or separate risk registers developed.</p> <p>It was suggested that the narrative of the RAG ratings should be included within the report to provide context to the document.</p> <p>Action: The Counter-Fraud Progress report to be treated as a draft document and brought to the next Audit Committee in April 2018 following discussions with key officers.</p> <p>JN thanked TS for the update.</p> <p>Approval: The Audit Committee agreed to take the Counter-Fraud Progress report as a draft document whilst discussion took place with key officers within YAS. The report to be brought back to the April Audit Committee meeting for final approval.</p>	<p>TS 2018/007</p>
<p>11.2 For Assurance: Counter Fraud Workplan The paper provided details of the mid-year revised annual Counter Fraud Workplan.</p> <p>The Audit Committee noted the revised plan.</p> <p>Approval: The Audit Committee noted the revised annual Counter Fraud Workplan.</p>	
<p>12.0 For Assurance: Review of Members' Expenses (first half of 2017/18) The paper updated on Board's Member's expenses for the period 1 April to 30 September 2017.</p> <p>AA explained the £277.50 listed against Phil Storr, Non-Executive Director which related to travel expenses and the £107.40 listed against Rod Barnes, Chief Executive which related to a room booking.</p> <p>Approval: The Audit Committee noted the Board Members' expenses for the period 1 April to 30 September 2017.</p>	
<p>13.0 For Assurance: Review of Register Members' Interests The paper provided assurance of the process for declarations of members' interests both of Board members and staff at or above Agenda for Change Band 8d for the period to 31 December 2017.</p> <p>EM informed the Committee that she had recently accepted a Non-Executive Director role at Plexus and Omega Housing (subsidiary of Mears Group Plc).</p>	

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	<p>JN advised that he had been co-opted to Queen Elizabeth Grammar School, Wakefield Fundraising Committee for the transformation of the former Clayton Hospital site. He was also on the Committee of the Wakefield Cathedral Friends Group.</p> <p>AA confirmed she had made the necessary changes to the register.</p> <p>Approval: The Audit Committee gained assurance of the process for and declarations of members' interests, of Board members and staff at or above Agenda for Change Band 8d, for the period to 31 December 2017.</p>	
<p>14.0</p>	<p>For Assurance: Review Accounts and Annual Report Timetable/Plan 2017/18 The paper provided the timetable for the production of the 2017-18 Annual Accounts.</p> <p>PDU advised there were no major changes although the timetable was compressed compared to previous years. There was a three week period between the 1st draft of the Accounts and Annual Report to the Board of Directors Meeting on the 24 May 2018. The Trust would work closely with the External Auditors to ensure the Accounts were produced in a timely manner and within timescales.</p> <p>HRO advised that it was likely that the Audit report would not be ready one week in advance of the 24 May but that he would circulate this as soon as it was available.</p> <p>PDU advised that a NED's briefing ahead of the 24 May had been scheduled for 17 May.</p> <p>JN thanked PDU for the update.</p> <p>Approval: The Audit Committee accepted the Annual Accounts timetable.</p>	
<p>15.0</p>	<p>For Assurance: Review of Schedule of Losses and Special Payments The paper advised the incidence of Losses and Special Payments for April to December 2017.</p> <p>PDU confirmed this was the cumulative position. The Trust received a report from NHS Resolution after each quarter end detailing claims received but not yet settled. Based on this report the Trust sets funds aside in a Provision. At the end of December 2017 the Trust held a provision for NHS Resolution claims totalling £507.8k in respect of 100 claims. The cost of these claims would only appear on the Losses register at the point the Trust was required to make payment.</p>	

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<p>It was noted that the overall costs could be broken down further if required. Vehicle accidents were only a small part of the overall position.</p> <p>Discussion took place in relation to over payments to staff and processes in place to reduce this happening. Some of this was educating managers on the importance of timely returns of leaver forms etc. It was expected that the HR Business Managers would work with operational managers to ensure that organisational processes were followed effectively.</p> <p>Action: A paper to be provided to F&IC in relation to overpayments to staff including trend analysis and actions taken to address the issue.</p> <p>It was noted that two meetings had taken place relating to staff injury claims with NHS Resolution. The Trust was satisfied that it was actively trying to reduce claims by putting appropriate staff training and awareness in place to reduce injury.</p> <p>The H&S Executive (HSE) had met with YAS colleagues in relation to the Trust's work on reducing musculoskeletal injuries. The HSE had asked YAS to take a leadership role across the ambulance sector in this regard as they had been impressed with the Trust's approach.</p> <p>Approval: The Audit Committee noted the reported incidence of Losses and Special Payments for the first six months of 2017/18.</p>	<p>PDu 2018/008</p>
<p>16.0 For Assurance: SFI Waivers and Contract Award Activity over £100,000</p> <p>The paper provided assurance on the approved contracts that had been awarded for goods and services above £100k and Single Tender Waivers (STW) signed since the previous Audit Committee.</p> <p>The Audit Committee noted the paper.</p> <p>Approval: The Audit Committee noted the update and was assured on the contracts let and purchase orders raised for goods and services above £100,000 and Single Tender Waivers (STW).</p>	
<p>16.1 For Assurance: Review of Suspension of Standing Orders</p> <p>It was confirmed that there had been no suspension of Standing Orders since the Audit Committee meeting on 6 November 2017.</p> <p>Approval: The Audit Committee noted the update.</p>	

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17.0	<p>For Assurance: Freedom to Speak Up (FTSU) SP provided a verbal update in relation to FTSU and confirmed that there were no significant individual cases. The FTSU Guardian continued to receive enquiries and concerns of which the vast majority were in relation to management and leadership issues with some relating to bullying and harassment. There had been a couple of concerns relating to the appointment process into senior roles. All concerns raised were being managed through the FTSU Guardian.</p> <p>It was noted that the FTSU guidelines were being reviewed as was the FTSU Guardian role now it had been in place for over 12 months. A report would be produced following the review with, where appropriate, recommendations for changes.</p> <p>SP confirmed that it had always been the intention that the FTSU Guardian role would be re-appointed after a two year period. The current post-holder would be in post for two years in July 2018 and discussions were taking place on how and when to recruit into the role for the next period.</p> <p>Approval: The Audit Committee noted the update.</p>	
18.0	<p>For Assurance: Review of Meeting Actions and Quality Review of Papers JN thanked everyone for their contribution to the meeting.</p> <p>The meeting finished at 1130 hours.</p>	
16.0	<p>Date and Location of Next Meeting: 11 January 2017, 0900 – 1300 hours, YAS HQ</p>	

CERTIFIED AS A TRUE RECORD OF PROCEEDINGS

_____ **CHAIRMAN**

_____ **DATE**