



Audit Committee

Venue: Kirkstall and Fountains, YAS, Wakefield, WF2 0XQ
Date: Thursday 13 April 2017
Time: 0900 hours

Chairman:

Barrie Senior (BS) Non-Executive Director

Membership

Barrie Senior (BS) Non-Executive Director
 Erfana Mahmood (EM) Non-Executive Director
 Ronnie Coutts (RC) Non-Executive Director

In Attendance:

Pat Drake (PD) Non-Executive Director, Deputy Chairman and Chairman of Quality Committee
 Mark Bradley (MB) Executive Director of Finance
 Steve Page (SP) Executive Director of Quality, Governance and Performance
 Hassan Rohimun (HRo) Executive Director, Ernst & Young (External Audit)
 Claire Mellons (CM) Senior Manager, Ernst & Young (External Audit)
 Benita Boyes (BB) Internal Audit
 Perry Duke (PDu) Head of Financial Services
 Suzanne Hartshorne (SH) Deputy Director of HR and Organisational Development (Item 3.2)
 Samantha Kelly (SK) Head of Leadership and Learning (Item 3.2)

Apologies:

John Nutton (JN) Non-Executive Director & Chairman of Finance & Investment Committee
 Ronnie Coutts (RC) Non-Executive Director
 Anne Allen (AA) Trust Secretary
 Shaun Fleming (SF) Counter Fraud

Minutes produced by:

Joanne Lancaster (JL) Committee Services Manager

		Action
	The meeting commenced at 0900 hours.	
1.0	Introduction and Apologies BS welcomed everyone to the meeting. It was noted that it was the first meeting since the revised Terms of Reference which had altered the membership of the Audit Committee to BS, EM and RC. JN and PD attended the Committee to provide assurance from the	

	Action
<p>Finance and Investment Committee (JN) and Quality Committee (PD) and they would also contribute to discussions where it was appropriate for them to do so.</p> <p>BS welcomed MB to his first Audit Committee meeting.</p> <p>It was noted that SH and SK were in attendance for Item 3.2 and to respond to some of the outstanding actions in relation to Human Resources.</p> <p>Apologies were noted as above.</p>	
<p>2.0</p> <p>Declaration of Interests for any item on the agenda No declarations of interest were made relating to agenda items.</p>	
<p>3.0</p> <p>Minutes of the Audit Committee meeting on 12 January 2017, including Matters Arising The minutes of the Audit Committee meeting held on 12 January 2017 were reviewed and agreed as a true record subject to the following amendments:</p> <p>Page 10, paragraph 3, second sentence, should read, 'He added that elements of future Safeguarding Adults training might have to be delivered face to face.....'</p> <p>Page 10, paragraph 8, change to '<i>how was assurance provided for risks rated lower than 12.</i>'</p> <p>Page 18, paragraph 9, should read 'RDT confirmed to the Audit Committee that the preparation of the Annual Accounts received significant assurance for compliance from External Audit.'</p> <p>Page 23, paragraph 5, third sentence, should read 'The overall opinion is guided by the number of higher graded recommendations but informed on the basis of the overall review. The overall opinion is not an exact science and is based on professional judgement. More importantly are the actions delivered in respect of each of the recommendations.'</p> <p>Page 23, paragraph 13, should read 'BB explained that amendments made to the plan were detailed in the progress report. The Audit plan remained responsive to organisational needs.'</p> <p>Page 25, paragraph 3, should read 'BB explained that this built on previous work undertaken by Internal Audit. The report had been provided to Emma Bolton, Director of Estates and Facilities. The review provided significant assurance in terms of implementation of previous recommendations around the management of tenancies, estates cleaning and facilities management/repairs and maintenance.'</p>	

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	<p>Page 25, paragraph 4, second sentence, should read 'When the Diversity and inclusion agenda had developed further within the organisation further internal audit activity could be considered.'</p>	
<p>3.1</p>	<p>Action Log and Matters Arising The action log was reviewed and updated.</p> <p>Action 2016/037 – Actions to address fit for purpose HR systems and processes, workforce recruitment and management of risks and map against the limited assurance internal audit reports – SH explained that the new HR structure was not yet in place hence some of the delay with the actions being completed. Work was ongoing on the Vision and Values which would link to the leadership behavioural framework and competency based PDRs. The work in relation to Succession Planning and Capacity Building would follow on from this piece of work. Assurance from Internal Audit had been received in relation to 'Recruitment Checks'.</p> <p>BB explained that a detailed follow up on 'Recruitment Checks' had not been undertaken. Some elements had been considered as part of the work on Combined Financial Systems. There had not been a follow up internal audit of 'Recruitment Effectiveness', or planned work undertaken on 'ESR functionality' or the 'TRAC system' as these audits had been deferred at the request of the Trust.</p> <p>PD referred to Nurse re-validation and the importance of the ESR correctly recording and reporting on re-validation and the timeliness of recording new starters and leavers on the system.</p> <p>SH responded that the ESR system interfaced with the Nursing and Midwifery Council (NMC) and this ensured that those on the system were captured.</p> <p>SP added that Karen Warner, Deputy Director of Quality and Nursing, was working with SH to ensure that the re-validation process was robust.</p> <p>SH advised that the TRAC system was an excellent product and using this system as opposed to a manual process would be more efficient and effective.</p> <p>It was confirmed that in terms of Internal Audit reviews:</p> <ul style="list-style-type: none"> • re-location expenses had not been revisited; • Occupational Health had been followed up last year; • Disciplinary and Grievance processes had received significant assurance; • Temporary and Agency staff had received limited assurance; • The follow up activity in respect of MARS was still a work in progress. <p>BS remarked that HR had committed to a deadline of 30 April for</p>	

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<p>outstanding actions from Internal Audit reports to be resolved in respect of:</p> <ul style="list-style-type: none"> • Capacity building and management succession; • Recruitment effectiveness; • Recruitment checks; • Relocation expenses; • Occupational health; • Disciplinary and grievance processes. <p>As this timescale had slipped he was keen that a clear plan of action and firm deadlines be made available by 30 April 2017. He emphasised the importance that there should be clear and satisfactory progress made on all of the actions required as a result of these audits by the 13 July 2017 Audit Committee meeting.</p> <p>Action: For RBa/SH to produce an action plan in response to the outstanding actions from all Internal Audit findings and recommendations relating to HR matters to be provided by 30 April 2017. Detailing how the actions would be delivered with clear deadlines.</p> <p>PD asked for a detailed update to be brought to the next Quality Committee in June.</p> <p>Action: For RBa/SH to provide a detailed update on progress against the outstanding actions from the Internal Audit findings and recommendations relating to HR to be presented at the Quality Committee meeting on 15 June and Audit Committee meeting on 13 July.</p> <p>Action 2016/041 – BAF report to include information when a risk had been managed down and the revised risk rating – This would be discussed later in the agenda. Action closed.</p> <p>Action 2016/044 – IR35 (NI and Tax paid appropriately for agency/contracted personnel) – SH assured the Committee that there was no significant risk in this regard. All agencies had been written to in relation to this to ensure their arrangements were robust.</p> <p>PDU explained that individuals who were employed by the Trust through a ‘Limited Company’ were being contacted to ensure that the correct Tax and NI was being paid. Action closed.</p> <p>Action 2017/001 – Apprenticeship Levy/Holiday Pay - <u>Apprenticeship Levy</u> – SK explained that the Apprenticeship Levy was charged at a rate of 0.5% on an employer’s annual pay bill. As YAS had an annual pay bill of over £3m the Trust would have to pay the levy into a digital account and report on the levy. Payment of the</p>	<p>RBa/SH 2016/037</p> <p>RBa/SH 2016/037</p>

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<p>levy would be made in voucher form to a Skills Fund Agency (SFA) approved training provider.</p> <p>YAS was currently mapping apprenticeship opportunities which would feed into the Workforce Plan, Career Progression and Succession Planning work. YAS already employed 57 apprenticeships throughout the organisation and would need to employ 104 to reach the full amount of the apprenticeship levy which SK felt would be an achievable number for the Trust.</p> <p>The Trust was considering becoming an SFA Training Provider as this had the potential to provide opportunities to generate external funding.</p> <p>BS asked whether the Trust had certainty on the definition of an apprentice.</p> <p>SK responded that the Government had relaxed the criteria in this regard and apprenticeships now encompassed a wide range of vocational and professional roles.</p> <p>SK explained that she was in the process of developing a YAS Steering Group to identify what apprenticeship programmes would add value to the organisation and attract good quality people to the Trust.</p> <p>PD asked that she would like a report to be presented to the Quality Committee on the short-long term plan and future cost implications aligned against the Workforce Strategy Plan. BS added that this should go to the Finance and Investment Committee too.</p> <p>Action: For RBa/SK to provide a report for the Quality Committee and Finance and Investment Committee meetings on 15 June on the short-long term plan and future cost implications of the apprenticeship levy aligned against the Workforce Strategy Plan.</p> <p><u>Holiday Pay</u></p> <p>SH provided an update in relation to holiday pay. She referred to the outcome of the Bear Scotland vs Fulton (2014) Employment Tribunal (ET) case and that it had found that:</p> <ul style="list-style-type: none"> • Workers should have any payments they regularly receive taken into account when their pay for annual leave is being calculated; • Only the 4 weeks' (20 days) annual leave entitlement under the original Working Time Directive were covered by this judgment, rather than the full 5.6 weeks' leave provided by NHS terms and conditions of employment; 	<p>RBa/SK 2017/008</p>

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<ul style="list-style-type: none"> At this time the Employment Tribunal outcome did not refer to overtime as a regular payment only commission and bonus payments. <p>Trade unions within ambulance services felt that overtime (compulsory (over-runs) and voluntary overtime) should be included in these calculations. The Trust have worked with the National Ambulance Service Partnership Forum (NASPF) which includes ambulance employers, trade unions and system stakeholders, to look at the issues relating to this across the NHS Ambulance Services.</p> <p>Trade Unions and Employers agreed a process which staff could be paid a proportion of shift over-run overtime during annual leave applied to the first 20 days of leave in any leave year. Staff would be required to complete their timesheets in line with process and employers would need to record shift over-run overtime separately to voluntary overtime. Currently voluntary and planned overtime were not within the scope of the agreement. However, the Trust is awaiting the outcome of employment tribunals which will decide whether calculations should include all overtime and whether this is based on just statutory annual leave or whether it must also be paid on contractual annual leave i.e. that provided for under NHS terms and conditions.</p> <p>SH provided details of the cost risks associated with the current ET claims against the Trust in this regard and future associated cost risks going forward. She outlined the work being undertaken with the other NHS Ambulance Trusts to ensure that the approach was consistent.</p> <p>MB confirmed that provision had been made within the 2016/17 budget. Within 2017/18 budget the risk was identified but not at the forecasted level outlined by SH. Action closed.</p> <p>Action 2017/007 – Professional Body notification when fraud had taken place – SH advised that all cases of fraud by a professional were reported to the relevant Professional Body irrespective of whether the employee subsequently resigned. If the employee was a trainee Paramedic they would not be registered with the relevant Body and therefore could not be reported. Action closed.</p> <p>SH and SK left the meeting at 0935 hours.</p> <p>Action 2016/051/52/53 – Single Tender Waivers – It was agreed to close these actions and open a new action when this item was discussed later in the meeting. Actions closed.</p> <p>Action 2017/005 – Manager decision making and impact on financial health of the organisation – This was on the agenda at item 3.3. Action closed.</p>	

	Action
	Action 2017/006 – Collaboration Strategy – this was on the agenda for July.
3.2	<p>Action Log 2017/001 – Apprenticeship Levy and Holiday Pay This item was discussed extensively under the action log.</p>
3.3	<p>Action Log 2017/005– Additional Assurances on Accounting Procedures The paper provided an update on the work being undertaken to ensure that managers understood the importance of their decisions on the financial health of the organisation to support the plan for improved financial control.</p> <p>MB advised that TEG had discussed a multi-year approach to financial planning and CIPs and this had been relayed at TMG.</p> <p>BS referred to a comment that JN had provided which asked how the Trust would achieve the significant challenge of changing the culture of the organisation to line up with the fundamental changes to policies, processes and procedures.</p> <p>PDu responded that the paper went some way to address the issues on how the Trust would manage the changes and ensure that robust controls were in place. It was imperative that budget holders knew and understood their financial responsibilities and how to use the accounting system correctly. This required articulate communications and support to managers. There would be an element of re-training budget holders alongside ensuring they were aware of their responsibilities in discharging Standing Financial Instructions. This was planned and needed to be approved by TEG prior to rolling out. It was anticipated that this would be rolled out by the end of October 2017.</p> <p>The escalation process for financial control included the implementation of revised financial management meetings. The frequency and level of escalation was dependent on a number of key financial indicators.</p> <p>BS asked whether the 2017/18 budget had been based on the new approach to financial management as outlined in the report.</p> <p>PDu explained that the 2017/18 budget was not assumed on the new approach, he emphasised that the new approach would help deliver the budget by underpinning effective financial control.</p> <p>BS asked whether the 5% retention had been communicated to budget holders.</p> <p>MB responded that the information had been to Board and therefore TEG members were aware. This would be communicated more widely.</p>

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	<p>BS asked whether the Purchase to Pay project had been rolled out.</p> <p>PDU advised that the pilot areas were running successfully and issues were being resolved at this stage. There was a provisional roll-out plan and draft process documentation had been developed. It was expected that with the support of the Board the project should be fully rolled out by the end of October 2017. Going forward if there was no Purchase Order there would be no payment although the Trust would operate an intelligent approach in this regard. He explained that the system would ensure the person authorising had the right authorisation levels to do so.</p> <p>BS thanked PDU for the useful update and emphasised the need to ensure that managers received the right support to help them with the new approach and responsibilities.</p> <p>Approval: The Audit Committee noted the update and gained assurance that the Trust was developing an approach which would ensure that managers understood their responsibilities under SFIs.</p>	
4.0	<p>For Approval: Audit Committee Workplan The Audit Committee noted the Audit Committee Workplan for 2017/18.</p> <p>It was noted that the item 'Review of Members Expenses (full year 2017/18)' should read '... (full year 2016/17).' It was agreed that this item be brought forward to the Audit Committee meeting scheduled for 30 May 2017.</p> <p>Action: Amend the item under 13 July meeting 'Review of Members Expenses (full year 2017/18)' should read '... (full year 2016/17).' It was agreed that this item be brought forward to the Audit Committee meeting scheduled for 13 July 2017.</p> <p>It was agreed that the Annual Internal Audit Report and the Head of Internal Audit Opinion should be considered at the Audit Committee meeting scheduled for 30 May 2017.</p> <p>Action: Annual Internal Audit Report and the Head of Internal Audit Opinion should be considered at the Audit Committee meeting scheduled for 30 May 2017.</p> <p>Approval: Subject to the amendments above the Audit Committee approved the workplan for 2017/18.</p>	<p>BS/MB 2016/009</p> <p>BS/MB 2016/010</p>

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5.0	<p>For Approval: Annual Review of Accounting Policies The paper sought approval of the Trust's Accounting Policies for the financial year 2016/17.</p> <p>The Audit Committee noted that no significant changes were required or planned and approved the Trust's Accounting Policies for the financial year 2016/17.</p> <p>Approval: The Audit Committee noted the update and approved the Trust's Accounting Policies for the financial year 2016/17 contained at Appendix 1 of the report.</p>	
6.0	<p>For Approval: Annual Governance Statement 2016/17 The paper provided the first draft of the Annual Governance Statement.</p> <p>SP confirmed that the Annual Governance Statement had been developed in-line with national guidelines. He confirmed that the Trust was working towards the earlier deadline for submission to NHSI.</p> <p>He advised that changes from the previous year had been annotated in red text. The Committee noted page by page the additions and amendments in the text.</p> <p>There were a number of minor amendments and points of clarification which were required in the Statement and these would be passed to SP outside of the meeting. Particular amendments noted in the meeting included:</p> <p>Action: SP to confirm the publication date of the CQC report (Page 17 of the Statement) and confirm the correct job title for Roberta Barker, Director of Workforce and Organisational Development.</p> <p>EM questioned whether there should be reference to the Freedom to Speak Up process and appointment of the Trust's Freedom to Speak Up Guardian. SP would consider where this might go in the Statement.</p> <p>EM asked whether there should be reference to the Hillsborough disaster. SP would consider where this might be appropriate to reference.</p> <p>EM referred to the gap between the interim and substantive Executive Director of Finance appointment. SP to clarify this in the Statement.</p> <p>It was agreed that any other comments should be forwarded to SP for consideration particularly in relation to Section 6.</p>	SP 2017/011

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<p>BB explained she had drafted the Head of Internal Audit Opinion and this would be finalised following comments from today and should be available by the end of April. She advised that the Opinion would reflect any work in progress.</p> <p>HRo questioned whether risks in relation to HR and Workforce should be included with section 6. SP would consider this.</p> <p>Approval: The Audit Committee reviewed and commented on the Draft Annual Governance Statement to inform development of the final version for publication.</p>	
<p>7.0</p> <p>For Approval: Risk Assurance Reporting including Board Assurance Framework and Corporate Risk Register (including Datix Progress Update)</p> <p>The Committee noted the risks recorded on the BAF and Corporate Risk Register (CRR) and the related assurance regarding effective management of corporate risks. The report further provided an overview of quarterly projections against the BAF and factors that had influenced achievement of progress. The report provided details on the development of the Assurance Map.</p> <p>It was noted that the BAF and CRR had been considered by the Quality Committee and Finance and Investment Committee relative to their respective terms of reference.</p> <p>SP advised that it was planned to take the revised BAF 2017/18 to the May Board meeting.</p> <p>He explained that the Assurance mapping exercise had now been completed. The Assurance Map had the capacity to record by quarter when assurance was received and reviewed during 2016/17. The Assurance Map would clearly describe where assurances were from, how they were provided and when, and their level of significance. The Assurance Map also had the capacity to record when a form of assurance was anticipated, such as an external regulator report, survey results, monitoring or progress reports.</p> <p>SP confirmed that work was taking place with the HR and Workforce team to ensure that risks in this area were captured and recorded at the right level.</p> <p>BS asked how the Assurance map would be used.</p> <p>SP advised that currently it was a baseline position and going forward a template would be produced and managed through the Risk Team. It would provide further assurance that the Trust had assurance on the key issues. It would be cross referenced to the BAF and CRR and issues highlighted would be discussed by the Risk Assurance Group and TMG.</p>	

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<p>BS asked whether YAS was confident that it had sight of all risks and assurance regarding the effective management thereof. SP responded that he was confident that the Trust had a good handle on risk across the organisation and the governance and assurance processes were robust. He advised it was the intention to produce the Assurance Map on a quarterly basis in an easily accessible form.</p> <p>Discussion took place in relation to papers presented to the Quality Committee and Finance and Investment Committee and it was confirmed that papers and discussions reflected risks and appropriate assurance was provided. Where this was not the case the relevant Chair of the Committee would seek further assurance.</p> <p>SP added that the reports from the Committees to the Audit Committee provided further assurance that risks were being managed. The triangulation between the Board and Committees also strengthened the assurance process.</p> <p>BB remarked that risk needed to be embedded across the whole organisation including middle managers.</p> <p>SP responded that this was an improving picture and work was on-going in this regard to further embed risk across the Trust.</p> <p>Approval: Audit Committee noted the key risks and developments as 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>8.0</p> <p>For Assurance: Quality Committee Risk Assurance Report PD provided assurance to the Audit Committee on the management of risks within the remit of the QC. PD advised that the Committee had discussed the CQC Inspection and the action plan that had been developed to follow up the issues. As the Chair of the Quality Committee PD had been invited to the CQC Quality Summit.</p> <p>Clinical Audit reports had been discussed including what would happen with the information and the next steps when the Clinical Audits had been concluded.</p> <p>A paper had been requested in relation to Education and Training to provide assurance on the governance process in this regard.</p> <p>It had been noted that A&E Operations still had issues in relation to demand and capacity although it was an improved picture.</p> <p>PTS Transformation had been paused whilst the outcome of the PTS bids for the East Riding of Yorkshire and South Yorkshire were</p>	

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<p>known.</p> <p>Violence and aggression towards staff had been discussed and whether there were trends identified.</p> <p>The quality impact on the financial pressures had been discussed and mitigations noted. Quality Impact Assessments were in place and were monitored and assessed appropriately.</p> <p>SP added that the Committee had discussed the independent review of the West Yorkshire Urgent Care service and the on-going risk in this regard following the Serious Incident of Easter 2016. The report from the independent review was expected imminently.</p> <p>BS thanked PD for an excellent report.</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>9.0</p> <p>For Assurance: Charitable Funds Committee Risk Assurance Report</p> <p>EM provided a brief summary of the Charitable Funds Committee' activities advising that the Committee now met twice yearly and that a new Fundraising Manager had been appointed.</p> <p>Approval: The Audit Committee noted the update on the Charitable Funds Committee.</p>	
<p>10.0</p> <p>For Assurance: Finance & Investment Committee Risk Assurance Report</p> <p>The paper provided assurance on the management of risks within the remit of the Finance and Investment Committee (F&IC).</p> <p>PD provided the update in the absence of JN.</p> <p>The F&IC had noted the updated outturn position for 2016/17 which had been reported to the Board in February 2017 and to NHSI at a surplus position of £2.7m.</p> <p>It had been noted that contract negotiations had been challenging in all areas particularly in relation to the A&E contract.</p> <p>The budget for 2017/18 would be a challenge particularly if A&E demand and the wider system pressures continued.</p> <p>Concerns had been raised in relation to the achievement of CIPs. There had been 84% of CIPs achieved in 2016/17 by month 10 but</p>	

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<p>only 51% of these were recurrent. The F&IC had felt that this would result in significant challenges for 2017/18. It had been noted that the A&E operation rotas had the potential to alter this position.</p> <p>BS referred to the frequency of F&IC meetings which were now held quarterly and he requested that MB email significant issues in relation to finance/budgets to the Chairman and NEDs in between the meetings so that they were appraised appropriately.</p> <p>Action: MB to email significant issues in relation to finance/budgets to the Chairman and NEDs in between the meetings so that they were appraised appropriately.</p> <p>PD suggested that, in addition to 'one off' matters, a finance update could be provided in the weekly Chief Executive briefing once a month.</p> <p>Action: MB to provide a finance update in the weekly Chief Executive briefing at least once per month.</p> <p>MB advised that he would be looking to change the culture 'thinking' in terms of fixed financial years and move towards a short/medium/long term financial cycle. A CIP workshop had been planned in August to identify CIPs for 2018/19 and beyond. There would be slippage in the CIP programme this year but there would be a robust plan to mitigate this. He was also looking at effective cost control across the organisation.</p> <p>PD asked what the plans were for the Capital Plan.</p> <p>MB responded that to enable the Trust to deliver its plans for Hub and Spoke and Fleet then the Trust would need to deliver a financial surplus.</p> <p>The outcomes of the PTS bids in East Riding of Yorkshire and South Yorkshire were noted.</p> <p>BS emphasised that PTS, as previously agreed, needed to achieve breakeven on an on-going basis by the end of 2017/18.</p> <p>Discussion took place in relation to STP funding. MB advised that he was meeting with the relevant partners in this regard including the Contract Management Board and Lead Commissioner.</p> <p>MB referred to the decision by North Yorkshire CCG to go out to tender for PTS within that area. There were implications on STPs in regard to these decisions.</p>	<p>MB 2017/012</p> <p>MB 2017/013</p>

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	<p>Approval: The Audit Committee noted the update on Finance & Investment Committee discussions in relation to key risks and gained appropriate assurance that risks were being suitably managed.</p>	
11.0	<p>For Assurance: Review Annual Account and Annual Report Timetables 2016/17 The Audit Committee noted the 2016/17 timetable for the Annual Account and Annual Report.</p> <p>Approval: The Audit Committee noted and accepted the Annual Report and Accounts timetable.</p>	
12.0	<p>For Assurance: Review of YAS Quality Account 2016/17 The paper asked the Audit Committee to provide feedback on the draft Quality Account.</p> <p>BS suggested that SP email the draft Quality Account to all the NEDs and specify a deadline for receipt of comments.</p> <p>Action: SP to email NEDs the draft Quality Account and specify a deadline for receipt of comments.</p> <p>SP advised that this was the version that had gone out for the 30 day consultation period. It was not yet in its correct format and this would be done prior to final publication. An accessible version was being developed.</p> <p>Approval: The Audit Committee noted the draft Quality Account and NEDs would provide comments by 28 April 2017.</p>	<p>SP 2017/014</p>
13.0	<p>For Assurance: External Audit Update and Audit Plan The paper presented the Ernst and Young Audit Plan and the Health Sector Update.</p> <p><u>Ernst and Young Audit Plan</u> HRo referred to page 2 of the Audit Plan and the two significant risks listed (presumed risks):</p> <ul style="list-style-type: none"> • Risk of fraud in revenue and expenditure recognition; • Risk of management override. <p>He outlined what the audit approach was to these two presumed risks.</p> <p>BS asked whether this would be a desktop exercise.</p> <p>MB responded that there had been a full review undertaken last year</p>	

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<p>so it would seem an appropriate way forward.</p> <p>BS referred to page 3 and asked how fraud risks would be reported. HRo advised this would be reported by exception.</p> <p>HRo explained the two significant risks listed under 'Value for Money Risks' and how the audit for these would be approached:</p> <ul style="list-style-type: none"> • Financial Resilience and sustainability; • Delivery against workforce plan. <p>HRo explained the 'Delivery against workforce plan' had been listed following concerns regarding HR matters raised in discussions by the Audit Committee in relation to the progress made against the Internal Audit recommendations. The external audit would look at the plans in place to take these actions forward in addition to speaking with YAS management.</p> <p>BS, in the light of this potential concern from External Audit, re-emphasised the importance of the progress report to be produced by SH (discussed under Action 2016/037 earlier in the meeting).</p> <p>MB remarked that he would be meeting with RBa on this issue.</p> <p>BS referred to the level of non-recurrent CIPs and MB remarked that the Trust would be focusing on both cost management and cost improvement and would this be reflected in the risk level reported.</p> <p>CM explained there would be narrative, including the key messages, in relation to the significant risks.</p> <p>BS referred to page 7, paragraph 4.3 where the report referenced 'entity-wide controls' and asked what was considered within this.</p> <p>HRo advised he would provide the information to BS.</p> <p>Action: HRo to provide BS with what was considered within the 'entity-wide controls'.</p> <p>BS referred to the level of materiality and at what level audit findings would be reported.</p> <p>CM explained that the overall amount of materiality would be £245k based on 2% of forecast expenditure for the year. This may change at the end of the audit as a final opinion by reference to all matters that would be significant would be made.</p> <p>BS asked whether sampling methods would be used.</p> <p>CM responded that they would focus on risk areas across the organisation.</p>	<p>HRo 2017/015</p>

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<p>HRO referenced paragraph 5.2 at page 10 and advised that, whereas Ernst & Young had previously undertaken VAT work for the Trust, as from 1 April 2017 this was now prohibited for the External Auditor to undertake such work so Ernst and Young would not be doing VAT work for YAS going forward.</p> <p>Approval: The Audit Committee received and accepted the External Audit Plan.</p> <p><u>Health Sector Audit Committee Briefing</u> BS suggested this would be a useful to circulate to a wider audience.</p> <p>Action: It was agreed that MB would circulate the Health Sector Audit Committee Briefing provided by Ernst and Young to the Trust Board.</p> <p>The Audit Committee noted the briefing.</p> <p>Approval: The Audit Committee noted the Health Sector Audit Committee briefing.</p>	<p>MB 2017/016</p>
<p>14.0 For Assurance: Compliance with Audit Recommendations The paper provided an update on the status of outstanding Internal Audit recommendations and updated on the revised process for follow up of Internal Audit recommended actions.</p> <p>BS referred to a comment received from JN which questioned the number of recommendations appearing to have significantly decreased in 2016/17.</p> <p>BB agreed she would look at the difference to ascertain whether there was a specific reason for this difference. This analysis would be presented in the Annual Internal Audit Report.</p> <p>Action: BB to consider the decrease in the number of recommendations in 2016/17 by comparison with prior years and include the analysis in the Annual Internal Audit Report.</p> <p>BS asked what controls were required to ensure that actions were acted upon by action owners.</p> <p>SP responded that this area was being given more focus in TMG in addition to the Risk Team following up actions with the relevant manager directly. In terms of deadlines no unjustified changes would be accepted.</p>	<p>BB 2017/017</p>

		Action
	<p>He advised that TMG members had been asked to provide a response in respect of overdue recommendations to the Risk Team.</p> <p>Approval: The Audit Committee received and accepted the latest Compliance with Audit Recommendations Report.</p>	
15.0	<p>For Assurance: Internal Audit and Counter-Fraud Progress Report</p> <p>The paper provided an update on progress with, and outcomes from, Internal Audit and Anti-Crime (Counter Fraud and Security Management) activity.</p> <p>BB explained that the table at 2.4 of the report had aimed to provide an overview of key themes emerging from Internal Audits. This was difficult without generalising although a comparison with last year highlighted similarities, especially in relation to procedural compliance.</p> <p>SP remarked that this played into the wider organisational and management development scenario and it would form part of YAS' strategy discussions.</p> <p>BB advised that she hoped that the information she provided aided the organisation to address issues with consistency and accountability in addition to providing information from which to learn. Ultimately the recommendations within each audit review should be addressed and actioned.</p> <p>BB explained the Internal Audits which had no recommendations:</p> <ul style="list-style-type: none"> • Diversity and Inclusion (2015/16 plan) – the assurance Audit had been deferred in the light of significant internal developments and a maturity matrix had been developed; • Risk Management – The Trust had sustained its maturity level assessed in 2014 of 'Risk Defined'; • IGT Part 1 – There had been a combined opinion expressed in the subsequent IGT Part 2 Internal Audit report. <p>BB advised which audits were complete or on-going at Table 3 of the report. It was noted that the Clinical Governance audit had commenced.</p> <p>In terms of Table 5 of the report, BB explained that:</p> <ul style="list-style-type: none"> • Resource Management – Deferred to allow embedding of new management structure and various management processes. Progress with end of shift overtime was being monitored for reporting to Audit Committee; • HR Systems and Processes – there had been some limited testing alongside payroll testing as part of the Combined Financial systems. 	

	Action
<p>BB explained that Internal Audits would only be deferred following meeting with MB, SP and individual directors and assessed on a case by case basis.</p> <p>BS asked whether there was check and balance to ensure that an audit could not be deferred where it was not appropriate to do so.</p> <p>SP responded that there was a greater visibility of this at TEG and TMG.</p> <p>BB referred to 'Workforce Capacity and Planning' and advised that some of this had been covered including Temporary Staff and MARS applications. These would be reflected in the Opinion Statement.</p> <p>The Audit Committee reviewed the extracts of each of the finalised reports:</p> <p><u>Nursing Staff Revalidation</u> PD referred to Nursing Staff Revalidation and explained that it was an individual's responsibility to revalidate. She expressed concerns that the Internal Audit had measured the wrong outcome.</p> <p>SP responded that YAS accepted the recommendations of the Internal Audit in this regard although the Internal Audit had focused on the software the Trust had procured to aid nurses with their revalidation rather than the validation process itself. He explained the process the Trust used to ensure that staff were appropriately registered with the relevant professional body and he felt confident that the Trust had a good oversight of this. He explained that further work was underway to ensure that the Trust's system and process was robust in this regard.</p> <p><u>Fleet Management</u> PDU suggested that the comments in regard to Fleet Management had some inaccuracies.</p> <p>BB expressed concern that this was being raised in this forum when the reports had been finalised.</p> <p>Discussion took place in relation to the limited assurance of the Fleet Management review. It was noted that Fleet services were looking to procure a new software system that would improve efficiency. A new Head of Fleet had been appointed and was due to join the Trust at the end of May.</p> <p>BS expressed concern regarding the lack of assurance provided by this audit report and requested that a reassuring progress report on Fleet Management be presented to Audit Committee in July 2017.</p>	

	Action
<p>Action: MB to provide a progress report on actions to address identified shortfalls in Fleet Management processes and controls be presented to Audit Committee in July 2017.</p> <p>PD raised a request from JN that the Salary Sacrifice Car Scheme report be taken to Finance and Investment Committee.</p>	<p>MB 2017/018</p>
<p>Action: PDu to present the Salary Sacrifice Car Scheme report at the Finance and Investment Committee.</p> <p><u>Risk Management</u> SP advised that the Trust had undertaken various actions to raise awareness and embed risk management across the organisation. The management restructure would help further with this process. This would be discussed at TEG.</p> <p>BS asked about where the Trust felt it was in terms of the Risk Vision Statement.</p> <p>SP would consider how best to define this and report back at the next Audit Committee.</p>	<p>PDu 2017/019</p>
<p>Action: SP to report to the next Audit Committee where the Trust felt it was in terms of the Risk Vision Statement and plans to improve the embedding of effective risk management below senior management.</p> <p><u>IGT – Part 1 & Part 2</u> SP explained that some of these areas were reset each year and that assurance levels had to be rebuilt back up. Standards also changed between years. The Trust had taken these factors into account and completed a gap analysis. There had been a slight improvement against the IG workplan this year. A new IG Manager had been appointed and would be starting with the Trust shortly.</p> <p><u>RESWEB- Follow up</u> The Audit Committee noted the internal audit findings and that alternative and/or additional recommendations had been made to address areas where the original recommendations had not been fully implemented.</p> <p><u>Combined Financial Systems</u> It was noted that the Purchase Ledger had not been planned to be reviewed in this internal audit. This was a draft report.</p> <p>BS referred to the finding that the use of the PLICS system was not being optimised by the Trust.</p>	<p>SP 2017/020</p>

	Action
<p>SP advised that there had been a lot of recent activity with regard to PLICS, particularly in preparation with the PTS bids. The Trust would review where PLICS fitted into the wider Trust data intelligence agenda.</p> <p>BB referred to appendix 6 of the report which included 'follow up activity since the last Audit Committee' and advised that follow up action was underway in respect of temporary staffing and consultant recruitment and the MAR scheme. She advised that the draft report indicated a number of significant recommendations in relation to temporary staffing and consultant recruitment. These mainly centred on process, responsibilities and accountability arrangements which relied upon the adequacy and completeness of management information, business cases and outcome monitoring. Early indications from the MARS review were that it would highlight continued process issues.</p> <p>BB advised that further details on follow-up activity as part of the Trust's processes and through more detailed reviews of particular areas would be provided to the Committee in the forthcoming Internal Audit Annual Report. Issues in respect of end of shift overtime and temporary resourcing had been reflected in the Trust's Head of Internal Audit Opinion Statement.</p> <p>HRo questioned whether reference to the results of various HR internal audits and follow up reviews should be included in the Head of Internal Audit Opinion 16/17.</p> <p>BB confirmed that they would be included as these were areas of limited progress.</p> <p>Action: BB to include the results of various HR internal audits and follow up when forming the Head of Audit Opinion 16/17.</p> <p>Approval: The Audit Committee received and accepted the latest Internal Audit Progress Report.</p>	<p>BB 2017/021</p>
<p>15.1</p> <p>For Approval: Internal Audit and Counter Fraud Plan 2017/18 The report provided a proposed Internal Audit and Counter Fraud Plan for 2017/18 following executive consultation and review.</p> <p>BB explained that the plan described how it was proposed to deliver the internal audit and counter fraud services for the period April 2017 to March 2018 which was drawn from the three year strategic plan commencing 2016/17 with appropriate adjustment for in-year developments.</p> <p>BS referred to the proposed internal audit plan coverage and asked whether this covered everything it should.</p>	

	Action
<p>Discussion took place in relation to the level of risk management and subsequent assurance across the organisation. It was noted that BB liaised with Rachel Monaghan, Associate Director of Risk and Performance to sense check the planned internal audits against the known risks across the Trust.</p> <p>BB advised that, when an area was scoped for internal audit, discussions took place with Directors and Managers to ensure that the audit focused on the right areas.</p> <p>BB informed the Audit Committee that ECAC would transfer to Audit One shortly and that she was leaving the organisation from 1 June 2017, after the next meeting of the Audit Committee.</p> <p>Approval: The Audit Committee approved the proposed Internal Audit and Counter Fraud Plan</p>	
<p>16.0 For Assurance: Review of Losses and Special Payments The paper provided information in relation to incidences of Losses and Special Payments for 2016/17.</p> <p>BS referred to the £525k of Losses and Special Payments incurred for 2016/17 which was a 50% increase on the previous year and he asked why this was.</p> <p>SP responded that much of this had been settlements for the blue bag claims and tail lift claims. The number of new claims in this regard was reducing so this figure should reduce going forward. He advised that a number of actions had been put in place in relation to reducing the incidents of musculoskeletal issues. There was also a delay from the initial claim to the settlement which would explain the increase. He remarked that this was a risk area for the Trust.</p> <p>BS asked for analysis of the non-clinical settlements.</p> <p>Action: PDu to include Analysis in relation to non-clinical settlements in future reports.</p> <p><u>Salary Sacrifice Process Initial Review</u> The report provided information about the issues with the original design and past administration of the Salary Sacrifice Scheme for Cars.</p> <p>The Audit Committee noted that TEG had agreed to the actions contained within the report.</p> <p>Approval: The Audit Committee noted the reported incidence of Losses and Special Payments made for 2016/17.</p>	<p>PDu 2017/022</p>

		Action
<p>17.0</p>	<p>For Assurance: SFI Waivers and Contract Award Activity over £100,000 The paper sought to provide assurance to the Audit Committee on the approved contracts that have been let and purchase orders raised for goods and services above £100k and Single Tender Waivers (STW) signed since the previous Audit Committee.</p> <p>MB advised that he was in the process of understanding what the process had been historically to determine how it might be managed going forward.</p> <p>BS referred to there being two different SFI waiver forms in use in the papers circulated. He went on to question the adequacy of authorisation levels of individuals who had signed off certain forms circulated. MB to investigate.</p> <p>Action: MB to investigate the adequacy of authorisation levels of individuals who had signed off the forms circulated.</p> <p>MB advised that the new form which had been developed highlighted delegated limits so it was easily identifiable to those authorising the limits that they were allowed to authorise to.</p> <p>BS asked for an assurance/progress report in relation to the SFI Waivers processes and controls at the next Audit Committee meeting.</p> <p>Action: MB/MF to provide an assurance/progress report to be brought to the next Audit Committee meeting on SFI Waivers.</p> <p>Approval: The Audit Committee noted the update but was not suitably assured on the contracts let and purchase orders raised for goods and services above £100,000 and Single Tender Waivers (STW).</p>	<p>MB 2017/023</p> <p>MB/MF 2017/024</p>
<p>17.1</p>	<p>For Assurance: Review of Suspension of Standing Orders It was confirmed that there had been no suspension of Standing Orders since the Audit Committee meeting on 12 January 2017.</p> <p>Approval: The Audit Committee noted the update.</p>	
<p>18.0</p>	<p>For Assurance: Raising Concerns at Work/Freedom to Speak Up SP advised there was nothing to report in this regard. He advised that there was a review of the process which would be presented to TEG.</p>	

		Action
	Approval: The Audit Committee noted the update.	
19.0	<p>For Assurance: Review of Meeting Actions and Quality Review of Papers</p> <p>BS referred to the discussions which had taken place on key issues. He asked that TEG retain a focus on HR related matters and potential implications.</p> <p>He thanked those present for their attendance and contributions to the meeting.</p> <p>The meeting finished at 1300 hours.</p>	
20.0	<p>Date and Location of Next Meeting:</p> <p>30 May 2017 – 0845-0945 (Additional Audit Committee discussion prior to signing off the Annual Accounts), Kirkstall and Fountains, YAS HQ</p> <p>13 July 2017 0900 – 1300 – Kirkstall and Fountains, Springhill 1, YAS HQ</p>	

CERTIFIED AS A TRUE RECORD OF PROCEEDINGS

_____ **CHAIRMAN**

_____ **DATE**