

# **YORKSHIRE AMBULANCE SERVICE NHS TRUST**

## **AUDIT COMMITTEE ANNUAL REPORT 2015 / 2016**

### **1. Purpose of report**

This report is designed to summarise, for the Trust Board, the activities of the Trust Board's Audit Committee ('the Committee') both during and subsequently in respect of the financial year 2015/2016.

### **2. Constitution of the Committee**

The Committee membership consists of all of the Trust's Non-Executive Directors, excluding the Trust Chairman.

The following Non-Executive Directors were members of the Committee during the financial year 2015/16:

Barrie Senior (Committee Chairman)

Elaine Bond (completed term 4 June 2015)

Patricia Drake

Erfana Mahmood

John Nutton (appointed 5 June 2015)

Mary Wareing

### **3. Duties of the Committee**

#### **3.1** The duties of the Committee are:

- To review of the Trust's establishment and maintenance of an effective system of integrated governance, risk management and internal control across the whole of the Trust's activities (both clinical and non-clinical) that supports the achievement of its objectives
- To ensure that there is an effective Internal Audit function that meets the mandatory NHS Internal Audit Standards and provides appropriate independent assurance to the Chief Executive, Audit Committee and Board
- To review the work and findings of the External Auditors and consider the implications of, and management's responses to, their work
- To review the work of the Trust Board's other committees that provides relevant assurance to the Committee's own scope of work
- To review the findings of other significant assurance functions, both internal and external to the Trust, and consider the implications for the governance of the Trust
- To satisfy itself that the Trust has adequate arrangements in place for countering fraud and review the outcomes of counter fraud work

- To monitor the integrity of the financial statements of the Trust and any formal announcements relating to the Trust's financial performance
- To ensure that the systems for financial reporting to the Trust Board, including those relating to budgetary control, are subject to review as to the completeness and accuracy of the information provided to the Board

and to report in an appropriate and timely manner on all such matters to the Trust Board.

### **3.2 Discharge of the Committee's duties during the financial year 2015 / 2016**

#### **3.2.1 Review of the system of governance, risk management and internal control**

The Committee reviewed and assessed the Trust's Board Assurance Framework at all of its meetings during the year except the May meeting (which was focused on year end reporting), ensuring that changes both in recognised key risks and in risk mitigation actions were appropriate.

The Committee received and challenged assurances provided by other Board committees, by the Internal Audit function and by executive management.

The Committee performed its annual review of the Trust's Standing Financial Instructions (SFIs) and Standing Orders (SOs) at the October 2015 meeting.

At the May 2015 meeting, the Committee received, considered and approved the Annual Governance Statement for 2014/2015. The Annual Governance Statement for 2015/16 was received, considered and approved at the May 2016 meeting.

#### **3.2.2 Ensure effective Internal Audit function**

During the year, the Committee:

- Reviewed and challenged Internal Audit progress reports at each of its meetings and individual Internal Audit reports as presented
- Monitored compliance with and adoption of audit recommendations
- Reviewed, challenged and accepted a review of internal audit effectiveness
- Monitored the development of the 2015/16 Internal Audit Plan.

At the May 2015 Committee meeting, the Committee received the 2014/15 Internal Audit Annual Report and Head of Internal Audit Opinion, which provided significant assurance regarding a generally sound system of internal control designed to meet the Trust's objectives.

At the May 2016 Committee meeting, the Committee received the 2015/16 Head of Internal Audit Opinion which again provided significant assurance regarding a generally sound system of internal control designed to meet the

Trust's objectives. The 2015/16 Internal Audit Annual Report will be received at the July 2016 meeting.

### **3.2.3 Review the work and findings of the External Auditors**

During the year, the Committee:

- Received and considered the External Auditors' opinion, feedback and assurances regarding the 2014/2015 Annual Report and Accounts, Annual Governance Statement and Quality Account
- Considered and satisfied itself regarding the effectiveness of the External Auditors during 2014/15
- Reviewed and satisfied itself regarding the External Audit Plan for the audit of the 31 March 2016 financial statements, and for a review of the 2015/16 Quality Account.

At the May 2016 Committee meeting the External Auditors provided their opinion, feedback and assurances regarding the 2015/2016 Annual Report and Accounts, the Annual Governance Statement and the Quality Account.

### **3.2.4 Review the work of other committees for relevant assurance**

During the year the Committee received reports and assurances from the Quality Committee, Finance & Investment Committee and the Charitable Funds Committee relevant to the Committee's duties and concerns.

### **3.2.5 Review the findings of other significant assurance functions**

The Committee reviewed and considered the findings of other significant assurance functions during its regular reviews of the Board Assurance Framework.

### **3.2.6 Adequate arrangements for countering fraud**

During the year the Committee:

- Received, reviewed and was assured by the Counter Fraud Annual Report 2014/15 submitted by the Trust's Local Counter Fraud Specialist (LCFS).
- Received, considered and accepted a report on the adequacy of the Trust's fraud prevention controls
- Reviewed and approved the Trust's Anti-Fraud, Bribery and Corruption Policy
- Received and considered progress reports at each Committee meeting.

At the 7 July 2016 Audit Committee meeting, the Committee received, reviewed and was assured by the Counter Fraud Annual Report 2015/16 submitted by the Trust's LCFS.

### 3.2.7 Monitor the integrity of the financial statements, and review the systems for financial reporting

During the year the Committee received assurances from:

- The Finance Directorate
- Internal Audit
- External Audit
- The Finance & Investment Committee

regarding the integrity of the Trust's financial statements for the year ending 31 March 2015, including the appropriateness of the accounting policies employed.

At its meeting in May 2016, the Committee received appropriate assurances regarding the financial statements for the year ending 31 March 2016, enabling it to recommend the approval thereof to the Trust Board.

## 4 Committee meetings

The Committee recognises that, in order to be effective, good attendance at its meetings is vital.

The Committee met five times during the financial year 2015/16. The members of the Committee recorded the following levels of attendance:

	<b>Barrie Senior</b>	<b>Elaine Bond</b>	<b>Pat Drake</b>	<b>Erfana Mahmood</b>	<b>John Nutton</b>	<b>Mary Wareing</b>
<b>2.4.15</b>	√	√	√	√	observed	√
<b>2.6.15</b>	√			√	observed	√
<b>2.7.15</b>	√	-	√	√	√	√
<b>1.10.15</b>	√	-		√	√	√
<b>7.1.16</b>	√	-	√	√	√	√
	<b>5/5</b>	<b>1/2</b>	<b>3/5</b>	<b>5/5</b>	<b>3/3</b>	<b>5/5</b>

The Executive Director of Standards and Compliance attended all but one meeting in the year, when his deputy attended, reporting in particular on the Corporate Risk Register and the Board Assurance Framework.

The Interim Executive Directors of Finance and Performance attended all but one meeting in the year, when his deputy attended, reporting on finance and performance matters, and on his meetings with the Internal and External Auditors.

The Committee invited the Trust's internal and external auditors to its meetings and at least one representative of each function attended every meeting.

## **5 Committee integration with the Trust Board**

The Committee Chairman reported significant matters arising during the year to each Trust Board meeting in public on behalf of the Committee.

Duly approved minutes of the Committee meetings were presented to the Trust Board by the Committee Chairman, where they were formally discussed and received by the Board of Directors.

## **6 Terms of reference**

The Committee constantly monitors its terms of reference, their continued suitability and the Committee's continuing compliance therewith. This is supplemented by a formal annual reappraisal. Such a reappraisal within this year occurred at the July 2015 meeting.

## **7 Committee performance appraisal**

The Committee's annual self assessment exercise was delayed this year pending the completion and relevant results of a Committee Effectiveness Review undertaken for the Trust by our Internal Auditors utilising Monitor's 'Well Led' framework. An annual self assessment was undertaken by the Committee on 28 June 2016 utilising the relevant results of the Committee Effectiveness Review and a framework provided by the Healthcare Financial Management Association. This exercise reaffirmed the suitability of the Committee's processes, and the Committee's effectiveness.

The self assessment exercise highlighted opportunities to enhance the Committee's processes and its effectiveness in the following areas:

- Enhancing the Committee's annual appraisal of the external auditors
- Enhancing the assurance considered by the Committee in respect of clinical governance, including clinical audit
- Utilising improved assurance mapping to identify additional sources of external assurance, and to derive enhanced assurance in respect of:
  - Regulatory, legal and code of conduct policies and compliance
  - Risks associated with service delivery on behalf of the Trust by third parties.

## 8 Report on the work undertaken by Internal Audit

Internal Audit (provided by East Coast Audit Consortium) provided their Annual Report for 2015/16 to the Audit Committee at its May 2016 meeting. This summarised their work undertaken during the year and incorporated the Head of Internal Audit's opinion to support the Annual Governance Statement.

Based upon the internal audit work performed and the results obtained, the Head of Internal Audit Opinion for 2015/16 was:

**“Significant Assurance** can be given that there is a generally sound system of internal control designed to meet the organisation's objectives, and that controls are generally being applied consistently. However, some weaknesses in the design or inconsistent application of controls put the achievement of particular objectives at risk most notably in the areas of end of shift overtime management, partnership (including clinical pathways) governance, temporary staffing and consultant recruitment processes, HR policy compliance (relocation expenses and MARS[Mutually Agreed Resignation Scheme]), NHS 111 recruitment and performance management, estates cleaning and community and commercial education.”

Internal Audit and Counter Fraud met regularly with the Audit Committee Chairman during the year to discuss issues and developments.

The Audit Committee meets with the Head of Internal Audit in private at least annually.

## 9 Report on the work undertaken by External Audit

Ernst & Young were External Auditors of the Trust for the financial year ended 31 March 2016. Under the Code of Audit Practice, the appointed auditors' main responsibilities are:

- to issue an opinion on the Trust's financial statements; and
- to conclude on whether, in all significant respects, the Trust has put in place proper arrangements to secure economy, efficiency and effectiveness in the use of its resources.

The outcomes of the External Auditors' work in respect of 2015/16 were as follows:

- Opinion on the Trust's 2015/16 Annual Report and Accounts

The audit of the accounts was completed according to plan. The External Auditor concluded that the financial statements give a true and fair view of the financial position of the Trust as at 31 March 2016 and of its income and expenditure for the year then ended in accordance with the accounting policies of the Trust. The External Auditor issued an unqualified opinion and certificate on the accounts.

The External Auditor confirmed having found no significant deficiencies in the Trust's financial reporting systems.

- Arrangements for efficiency, economy and effectiveness

The External Auditor concluded that the Trust had made appropriate arrangements for the use of its resources.

- Additional non-audit services

The External Auditor may undertake additional work for the Trust outwith the work specified in the Code of Audit Practice, subject to certain safeguards to ensure the auditor's independence.

During the year Ernst & Young provided advice to the Trust with regard to Value Added Tax.

The Committee was satisfied as to the independence of the External Auditors.

The Audit Committee meets with External Audit in private at least annually.

Barrie A Senior FCA  
Chairman, Audit Committee – Yorkshire Ambulance Service NHS Trust

11 July 2016