



Audit Committee

Venue: Kirkstall & Fountains, Springhill 1

Date: Tuesday 19 April 2012

Time: 1000-1300

Chair:

Richard Roxburgh (RR) Non-Executive Director (Chair)

Attendees (members):

Roger Holmes (RH) Non-Executive Director

Patricia Drake (PD) Non-Executive Director

Elaine Bond (EB) Non-Executive Director

In Attendance:

Rod Barnes (RBa) Executive Director of Finance & Performance

Steve Page (SP) Executive Director of Standards & Compliance

Richard Ford (RF) Financial Controller

Anna Rispin (AR) Interim Associate Director, Finance

Paul Thomson (PT) External Audit

Hayley Wardle (HW) External Audit

Shaun Fleming (SF) Counter Fraud

Sue Kendall-Lansall (SK-L) Internal Audit

Benita Jones (BJ) Internal Audit

Apologies:

Anne Allen (AA) Director of Corporate Affairs & Trust Secretary

Minutes produced by:

Jo Wilson, Executive PA

		Action
	The meeting commenced at 10.00am.	
1.	Introduction & Apologies Apologies were noted as above.	
2.	Minutes of last meeting 21 February 2012 The minutes were accepted as a true and fair representation of the meeting with the following amendments: Page 2 – Action Log 2011/59 The wording to be amended to ‘While the action is now closed Audit Committee members still felt that they should continue to be challenging’.	JW

		Action
	<p>Page 4 – Board Assurance Framework The wording of paragraph two needs to reflect that procedures are in place to ensure maintenance levels for all defibrillators and not for all clinical items.</p> <p>Page 12 – Draft Internal Audit & Counter Fraud Plan The wording of paragraph one need to reflect that the ‘further review’ should read Internal Audit Opinion is ongoing and nationally driven’.</p>	<p>JW</p> <p>JW</p>
3.	<p>Action Log and Matters Arising The action log was noted and updated.</p> <p><u>Action 2011/45, 2011/56, 2011/66</u> All actions relating to training plans will be covered in August when Stephen Moir will be invited to attend.</p> <p><u>Action 2011/65</u> The training plan has been presented to TEG for review. The amendments are being made and this will be re-presented to a future TEG meeting. This will also be an item on the next Quality Committee agenda. This action is now closed.</p> <p><u>Action 2012/10</u> Fuel cards have been registered to each vehicle and procedures are in place to monitor all cards. Within the Internal Audit plan, 15 days have been allocated to Fleet and the work will include auditing the application of the Fuel Card Policy. This action is now closed.</p> <p><u>Action 2012/11</u> The updated Standing Financial Instructions gives clearer guidance in terms of delegated authority. As part of fraud awareness, RB and SF will ensure that this guidance is incorporated in the Counter Fraud Plan and highlighted to first and second line management. This action is now closed.</p>	
4.	<p>Review of Members Interests No interests were declared relating to the items on the agenda.</p>	
5.	<p>Board Assurance Framework SP presented the closure position of the Board Assurance Framework (BAF) for 2011/2012 and the new BAF for 2012/12.</p> <p>The new BAF has been completely re-written, re-framing the strategic goals statement and strategic objectives aligned to the annual business plan.</p> <p>This document has taken into consideration the input from Audit Committee, support from Internal Audit and the Audit Committee handbook, and is designed to provide a much greater level of detail on the actions taken by the Trust to mitigate the risk identified.</p>	

	Action
<p>The summary pages have been removed and will be replaced with three reports to the Board for review at the July, November and March meetings to ensure that the Board are more sighted on all risks. The risks presented on the BAF are replicated on the Risk Register.</p> <p>A piece of work is ongoing to ensure that the content of the BAF and the IPR are consistent.</p> <p>SP talked the Committee through the key to the new format of the document, including the direction of travel arrow against each risk which indicates whether the risk has increased or deteriorated.</p> <p>The BAF had been populated by Kevin Wynn and Sue Kendall-Lansell whilst working closely with individual Directors and this was presented to the Trust Executive Group on 13 April 2012.</p> <p>Discussion took place and the following was questioned or commented:</p> <ul style="list-style-type: none"> • It is helpful that the document builds in assurance mapping • It would be useful for the completion dates for the actions be included to enable these to be measured • Whether all the risks included in the document are relevant? • Is the size of the document too large? • Whilst the Audit Committee will review the new red risks on the BAF, it was noted that as the BAF stands, 30 red risks is a high number of risks to discuss. SP confirmed that the large number is how these risks have surfaced through the Trusts escalation process. • The BAF should be used as the basis for presentation and discussion when Executive Directors attend Audit Committee to deliver their committee assurance. 	
<p>Action Audit Committee members are to share any specific comments by e-mail back to SP, albeit SP would review covering document for accuracy concerning dates.</p> <p>SP to speak to Anne Allen to schedule a reasonable level of detailed discussion time with the Trust Board to discuss the BAF. The timing of this discussion would need to be pre-HDD.</p>	<p>ALL</p> <p>SP</p>
<p>The Committee agreed that this was a huge improvement and a more definitive document.</p>	
<p>6. Updated Final Accounts Timetable/Plan RB presented this timetable advising that this was on track for the accounts to be posted tomorrow, Friday 20 April 2012. The only area of concern is the extra contractual referrals income. £139K has been provided as doubtful debts in the accounts.</p>	

	Action
<p>The Annual Accounts and Annual Report will be reviewed by Non-Executive Directors, Senior Finance team and the Auditors on 31 May.</p> <p>Following discussion the following points were questioned or noted:</p> <ul style="list-style-type: none"> • The dates shown on the timetable relating to Audit were questioned and RF advised that these are part of the process following the sign-off of the Annual Accounts • PT confirmed that there were no concerns with regard to the Annual Accounts • RB advised that the SHA had facilitated a conference call for the Trust with PCTs on 20 April 2012 to resolve any items of disagreement regarding inter organisational balances. <p>The Committee noted this update.</p>	
<p>7. Updated Annual Report Timetable/Plan RB confirmed that a draft copy of the Annual Report had been included in Trust Board papers for discussion at the meeting on 24 April 2012.</p>	
<p>8. Review of Standing Financial Instructions/Standing Orders RB presented this report and updated document.</p> <p>Following review and discussion the following was noted, questioned or suggested for amendment:</p> <ul style="list-style-type: none"> • Following legal advice sought during the Foundation Trust process, it was recommended that the authorisation limit for joint sign off by both the Chairman and Chief Executive should be £0.5m • Page 21 – the second paragraph relating to Finance & Investment Committee should be removed • Page 37 and 38 – track changes should be updated • Page 65 – it was questioned why the text relating to procurement was being removed. This was due to this text being duplicated later in the document • Paper 87 – If the paragraph in square brackets does not apply to the Trust then this should be removed <p>The Committee thanked the Finance team for their hard work in reviewing and revising this document and agreed that they would be recommending to the Trust Board that this revised document is accepted when this is presented by RB.</p>	
<p>9. Members Expenses RB presented this document for information, highlighted that some responses are still awaited.</p>	

	Action
<p>EB advised that her expenses were incorrect and that this was being queried with Payroll.</p> <p>(A subsequent query has been raised by Della Cannings, Trust Chairman)</p> <p>Following review the Committee highlighted exceptional expenses for further investigation:</p> <ul style="list-style-type: none"> • The amount for conferences booked by the Chairman appeared to be high. It was advised that this has already been queried by the Chairman and may be due to a number of Non-Executives Director's conference/training course attendances being booked through the Chairman's name and therefore costed against her name. • Ian Walton's mileage expenses appeared to be high. It was advised that this was due to his work on national resilience and as he has been on secondment during this time his work has not wholly been office based. • Stephen Moir's expenses appear high. It was advised that this was due to relocation expenses. • Alison Walker's expenses do not include any mileage claims. It was advised that this was due to her expenses being paid by Mid Yorkshire and reclaimed through the Trust. 	
<p>Action Commentary explaining the above expenses is required from Finance together with assurance from RB confirming these details are accurate, before they are included in any external document</p>	RF/RB
<p>10. Annual Governance Statement SP presented the draft Annual Governance Statement (formally Statement of Internal Control), advising that this had been prepared in accordance with the new guidance.</p> <p>This document refers to the Board's committee structure, the Board's performance, including an assessment of its own effectiveness and how the Board ensures that required standards have been achieved.</p> <p>Following review and discussion it was noted or questioned:</p> <ul style="list-style-type: none"> • Paragraph 3.7 should read 2011/2012 • Section 6 is new to the guidance • This document will be sent to the Strategic Health Authority in draft form, recognising that this has not yet been signed off by the Trust Board • The Chief Executive will attend the Audit Committee in June to present this document prior to this being presented to the 	

		Action
	<p>Trust Board</p> <ul style="list-style-type: none"> • Paragraph 2.14 should refer to Service Transformation Programme Manager • Paragraph 2.18 – It was questioned whether the Clinical Governance Committee should be given the new committee name. It was agreed that this was acceptable to stay as this was the name of the committee during this period • Paragraph 5.7 – all detail within the brackets starting ‘Statement of Internal Control’ should be removed • Paragraph 6.1 –Second sentence starting “The risk has ...” should be removed. • Paragraph 1.4 – It was questioned whether we should make reference to the Strategic Health Authority-should it be NHS North of England • Paragraph 2.10 – As the Senior Management Group had been set up part way through the year, it was questioned whether reference should be made to this • PT noted that the document showed a balanced approach to quality governance within the organisation but was maybe slightly light in the details. It was suggested that the strengthening of quality governance should make a cross-reference to the Board memo on board governance • PT also noted that with regard to the issues around Computer Aided Dispatch and issues on Key Performance Indicators there does not appear to be anything that pulls these issues together. SP advised that this is due to the layout of the new template and feel that this is cover in paragraph 5.12. <p>Action HW to send some anonymised items detailing best practise with regard to this document.</p> <p>Action A copy of the amended document should be circulated to the Audit Committee in advance of the next meeting.</p> <p>Agreement The Audit Committee noted this report, agreeing that this draft document, subject to the changes highlighted should be sent to the SHA.</p>	<p></p> <p>HW</p> <p>SP</p> <p>SP</p>
11.	<p>Finance Department – Committee Assurance</p> <p>RB presented this committee assurance, expanding upon the actions contained within the Board Assurance Framework (BAF) and the development of controls going forward during 2012/2013.</p> <p>There are three key strategic objectives within the BAF which have the Director of Finance & Performance as the executive lead:</p> <ul style="list-style-type: none"> • Strategic Objective 14: To develop rigorous performance management processes within a service line management framework. 	

- Strategic Objective 17: To provide value for money services within planned financial targets.
- Strategic Objective 18: To contribute to the wider health economy efficiency programme

Strategic Objective 14 is the largest area of risk relating to the management capacity and capability not being developed sufficiently. RB talked the Committee through this paper, highlighting that the following actions have been taken to address this:

- A new annual planning process was introduced for the 2012/2013 Annual Plan which included workshop sessions for service line and functional management teams to present clear plans for the year ahead together with risk assurances.
- The outcome from these workshops was that some of the plans were found to be lacking sufficient detail and therefore highlighted a need to ensure that we have adequate management skills in place prior to obtaining Foundation Trust status.
- Sue Hilliard is working within A&E operations to further develop their financial and operational plans.
- Price Waterhouse Cooper has been commissioned to support delivery of the Foundation Trust process and to sense check the Long Term Financial Model and Integrated Business Plan. This company have previously been involved in FT assessment processes and can give the experience and challenge that will enable the Trust to identify any gaps in assurance and ways to overcome these. Updates will go through the Trust Executive Group, Finance & Investment Committee and the Trust Board.
- Two interim roles have been created whilst the Trusts Service Transformation team structure is finalised and recruited to on a permanent basis.
- Finance and HR are the first directorates to go through restructure to ensure that the correct skills are in place to manage the challenges ahead.

Following discussion it was noted or questioned:

- It was noted that whilst plugging capability gaps with solutions was fine, the Trust need to ensure that this is sustained moving forward.
- It was highlighted that the issue of capacity and capability was the Trust's major risk and that this had been discussed over a long period of time and therefore needs to be addressed. SP advised that there is a short term pressure for the FT process to sure up our capacity and capability and then plans going forward are a combination of the management structure and service transformation programme to develop the Trust's leadership and capability.
- There is a need to employ substantively and not use the large amount of temporary agency staff.

Strategic Objective 17a relates to failure to achieve cost improvement targets leading to an adverse impact on the level of operational surplus and delays. RB talked through the improvements made to address this risk:

- Regular Cost Improvement Programme (CIP) meetings are held with the executive team and lead senior managers to monitor progress in developing CIP business cases and implementing savings.
- Sound business case documents underpin the schemes.
- Reports presented give assurance as to whether these schemes will be delivered.
- The next CIP meeting will focus on the group running through the business case template for CIPs in more detail so educating lead managers in best practise for completion.
- Sue Hilliard is helping to develop the operational CIPs.
- A large amount of resource is going into underpinning these schemes and this has a high priority within the Executive Team.
- Business cases will be taken to the Finance & Investment and Quality Committees for challenge in the first half of the year.
- The Service Transformation Manager will start in a month's time and her experience in this area will be invaluable to assist in this area.

Following discussion it was noted or questioned:

- It was noted that CIP schemes need integration between other arms of the service in terms of operational and quality impact. RB gave assurance that the information is being shared around the table at each CIP meeting with each arm of the Trust. The impact assessment template also helps shape questions around operational and quality impact.
- RH advised that challenge and debate of business cases at Finance & Investment Committee had significantly increased. It was questioned whether senior managers have the correct skills to write the business cases and develop the action plans. It was advised that within Finance and Business Development the Trust have senior management who support managers undertaking this role.
- It was questioned if schemes are not delivering, how much effort is put into the delivery of this and at what point is the decision taken to stop this scheme before further monies are lost. RB advised that this is been discussed in CIP meetings and managers are encouraged to focus efforts on areas most likely to be delivered.
- It was suggested that when schemes are signed off, senior managers should sign up to the delivery of these. This sign off should also include a formal contingency plan for their savings rather than an overall Trust CIP contingency. This will then reinforce service line management.
- It was questioned as to what contingency is in place for when CIPs do not deliver. RB advised that there will be a list of

	Action
<p>replacement contingency schemes. The mechanism will be tabled via the CIP group and will be a standing item on the agenda.</p> <ul style="list-style-type: none"> • The issue of reference costs and other benchmarking data will be reviewed at Finance & Investment Committee. <p>Strategic Objective 18 relates to the loss of income due to protracted commissioning and failure to agree contracts due to loss of key personnel during the transition period dissolving PCT, SHA and local authority infrastructure; the adverse impact on financial and service delivery due to competitive tendering and loss of associated business: adverse financial impact, as a consequence of failing to contribute to the wider healthcare economy. RB talked through the implementations put in place to address these risks:</p> <ul style="list-style-type: none"> • The Trust have regular meetings with commissioners for A&E, PTS and Out of Hours working closely with them to try and help both sides understand the issues and recognise that they have a vested interest in both organisations to agree contracts and deliver performance. Comments received back have been positive in working together. A Strategic Commissioning Group is to be set up, the Terms of Reference for which are being written at the moment. • Unipart have been commissioned to support major PTS service transformation. In the short term, action plans are in place in the East of the region to bolster PTS performance and the KPIs for March indicate that there are signs of an improvement. However it is recognised that that there is still further work to undertake. • A key message coming through from the recently completed market assessment is that the Trust needs to develop a more co-ordinated strategy to engage in the wider health economy. • Agilitise have been commissioned to help inform the development of a commercial function. EB is to assist with guidance through this process. • It was suggested that PTS business needs to be structured so that if the Trust lose an element of this business it will not be a huge impact. RB advised that Management Accountants are working closely with Operational managers to ensure cost and pricing structures and staffing structures are adequately detailed to mitigate these risks. • The standard tariff was discussed and it was agreed that there is a need to identify and understand the different level of tariffs. • It was noted that Alison Walker, Medical Director is working closely with her contacts in Urgent Care to develop an Urgent Care Strategy <p>Concern was shown that 111 does not get a mention and that if the Trust do not win the tender then this will impact on all three of these strategic objectives. It was confirmed that there will be an opportunity for discussion on this matter at the Board Development Meeting on 24 April 2012.</p>	

		Action
	<p>The Committee agreed that this was a very useful debate and helpful to highlight these risks.</p>	
12.	<p>Finance & Investment Committee Report RH presented this report drawing attention to:</p> <ul style="list-style-type: none"> • It was noted that year to date cash surpluses against plan reflected slippage in capital spend, this is being mitigated by bringing forward the purchase of PTS vehicles from next year's programme • The progress on CIPs was highlighted, but added that following the Committee Assurance from RB a large number of queries and concerns had been answered and actions implemented • The action plan arising from HDD1 was discussed at the 7 February meeting and the Committee recognised the large amount of work that had been undertaken. 	
13.	<p>Quality Committee Report PD presented this report detailing the first meeting of the Quality Committee since its establishment following the recent review of governance arrangements highlighting:</p> <ul style="list-style-type: none"> • The Terms of Reference were agreed • The draft work programme will be developed through time but the workplan has captured all the issues arising • It was noted that whilst CBUs might not attend the Quality Committee there is an expectation that there are action plans in place to deliver these <p>The Committee noted this report.</p>	
14.	<p>External Audit Update including 2011/2012 Financial Statements Audit HW presented this update and report.</p> <p>The risk assessment in relation to the unchanged Value for Money conclusion criteria has been completed. Work is continuing in accordance with the Audit Plan for 2012 with key areas of focus:</p> <ul style="list-style-type: none"> • Securing financial resilience • Governance arrangements • Review of 111 Financial Due Diligence • Follow up of prior year recommendations <p>HW presented the Planning Report, highlighting key risks and how these are tested. The Audit Committee will be given the opportunity to give their input into this report.</p>	

		Action
	<p>The audit fees covering the period up to 31 March 2012 for work undertaken on the Financial Statements and Value for Money Conclusion was highlighted, and a breakdown of the Value for Money fees was circulated.</p> <p>It was confirmed that there are no known major issues that will impact on the Annual Accounts.</p> <p>The Committee noted this update and report.</p>	
15.	<p>Compliance with Audit Recommendations RF presented this report.</p> <p>This report continues to be presented to the Trust Executive Group and Senior Management Group and the benefits of engagement across the directorates has helped to reduce the outstanding recommendations.</p> <p>Following review the following was questioned or noted:</p> <ul style="list-style-type: none"> • The command and control system completion date has been brought forward • The Safeguarding Policy will be taken to the Trust Executive Team for approval and not the Joint Steering Group • The PDR Policy will be taken to the Trust Executive Group for approval • Concern was shown that there may be a risk of slippage of the April 2012 dates <hr/> <p>Action SP will discuss with Stephen Moir his recommendation outside of the meeting.</p> <hr/> <p>The Committee noted this report commenting that this was significantly improved with 87.5% of agreed actions cleared.</p>	SP
16a	<p>Internal Audit & Counter Fraud Progress Report</p> <p><u>Internal Audit</u> SK-L advised that all work on the audit plan for 2011/2012 will be completed by end April 2012.</p> <p>Five reports have been finalised since the last Audit Committee:</p> <ul style="list-style-type: none"> • Main Accounting System • Budgetary Monitoring & Reporting • Charitable Funds • Cost Improvement Programme • Corporate Records 	

	Action
<p>Four reports were given significant assurance whilst the Cost Improvement Programme was given limited assurance. However it was noted that since this audit, a large amount of work had been undertaken in terms of the recommendations and issues on this programme.</p> <p>It was confirmed that within the audits still outstanding there is nothing that will affect the Head of Internal Audit Opinion.</p> <p><u>Counter Fraud</u> SR presented the Counter Fraud Control Schedule for 2011/12 as at the end of March 2012.</p> <p>The 2012/2013 Workplan will be detailed at the next Audit Committee meeting.</p> <p>The National Fraud Initiative Report confirmed that no fraud had been identified and that the Trust's Fraud Team will continue to include Register of Interests and Secondary Employment issues within Induction presentations to staff.</p> <p>The Investigation Control Sheet provided an overview of four investigations, one with closure pending and the other three still ongoing.</p> <p>With regard to the allegation that a Manager has had undue influence in the contracting process, no evidence to prove or disprove has been found. RB and Mark Squires have taken on board the comments but there is no evidence of fraud.</p> <p>The Committee noted this report.</p>	
<p>16b</p> <p>Internal Audit & Counter Fraud Plan RB presented this plan.</p> <p>This has previously been presented to the Trust Executive Group and Senior Management Group with no feedback given so no changes have been made.</p> <hr/> <p>Agreement The Committee agreed that this plan is a reasonable audit plan to take forward and that any amendments, if necessary, can be made during the year.</p>	
<p>16c</p> <p>Annual Internal Audit Opinion BJ presented this document.</p> <p>The overall opinion provided significant assurance that there is a generally sound system of internal control designed to meet the organisations objectives.</p> <p>While some weaknesses were identified in relation to evidencing</p>	

		Action
	<p>CQC standards within CBU's, PDR's and the efficiency savings programme, action plans were in hand</p> <p>The Committee noted this report.</p>	
17	<p>Contract Award Activity & SFI Waivers RB presented this report.</p> <p>TSG Associates It was commented that it was disappointing that timing was the only reason this tender was necessary, albeit the cost was significantly below equivalent HART products.</p> <p>The Committee noted this report.</p>	
18	<p>Contracts Review – A&E, PTS & Other RB presented this report highlighting:</p> <ul style="list-style-type: none"> • PTS contracts with all four consortia for 2012/2013 have been signed off. • Following robust discussion regarding GP Out of Hours commissioners have agreed to additional funding where income does not currently meet costs and there is an agreement to sign this off by 30 April 2012. • Penalty charges were discussed. <p>The Committee accepted this report, noted the good work that had produced the early signing of contracts.</p>	
19	<p>Any Other Business There was no further business to discuss.</p>	
21.	<p>Review of meeting actions quality review of papers Thanks were noted for the quality and timely delivery of the Audit Committee pack of papers.</p> <p>The meeting closed at 12.55pm</p>	
22.	<p>Date and Time of Next Meeting 31 May – NEDS, Senior Finance team and Auditors to review the Annual Accounts and Annual Report</p> <p>7 June - Audit Committee</p>	

CERTIFIED AS A TRUE RECORD OF PROCEEDINGS
 _____ **CHAIRMAN**
 _____ **DATE**