

**YORKSHIRE AMBULANCE SERVICE NHS TRUST**

**AUDIT COMMITTEE REPORT FOR 2011 – 2012**

**1. Purpose of report**

This report is designed to inform the Trust Board of the activities of the Trust Board's Audit Committee ('the Committee') during the financial year 2011/2012, in compliance with its duties.

**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 2011/12:

Richard Roxburgh (Committee Chairman)

Nina Wrightson

Roger Holmes

Patricia Drake

Elaine Bond (as from the 7 June 2011 Committee meeting)

**3. Duties of the Committee**

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

- To review of the Trust's establishment and maintenance of effective systems of integrated governance, risk management and internal control across the whole of the Trust's activities that support the achievement of its objectives
- To ensure that there is an effective Internal Audit function
- To review the work and findings of the External Auditors
- To review the work of the Trust Board's other committees whose work can provide relevant assurance to the Committee
- To review the findings of other significant assurance functions, both internal and external to the Trust
- To satisfy itself that the Trust has adequate arrangements in place for countering (albeit not eliminating) fraud
- To monitor the integrity of the financial statements of the Trust, and

- To ensure the adequacy of the systems for financial reporting to the Trust Board.

### **3.2 Discharge of the Committee's duties during the financial year 2011/2012**

#### **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 each of its meetings during the year, monitoring the significant improvements in format and content, and ensuring that changes both in recognised key risks and in risk mitigation actions were appropriate.

The Committee received assurance regarding governance, risk management and internal control in respect of each of the Trust's directorates through a cyclical programme of presentations by the relevant Executive Directors.

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

At the June 2011 Committee meeting the Committee received, considered and approved the Statement on Internal Control for 2010/2011. At the June 2012 meeting the Committee received, considered and approved the (renamed) Annual Governance Statement for 2011/2012.

The Committee performed its annual review of the Trust's Standing Financial Instructions and Standing Orders at the February and April 2012 meetings.

In November 2011, the Committee members undertook a review of the Committee's terms of reference and a self-assessment of the Committee's performance utilising the checklist provided in the HFMA Audit Committee Handbook. These reviews reaffirmed the Audit Committee's fitness for purpose.

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

During the year, the Committee:

- Received and reviewed the Head of Internal Audit's 2010/2011 Annual Internal Audit Opinion Statement
- Reviewed and approved the Internal Audit Charter
- Reviewed and approved the Annual Internal Audit Plan
- 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 approved the 2010/2011 Internal Audit Annual Report

- Reviewed, challenged and accepted a review of internal audit effectiveness
- Reviewed and accepted the 2012/2013 Internal Audit Plan.

At the April 2012 Committee meeting, the Committee received the 2011/2012 Annual Internal Audit Opinion, which provided significant assurance regarding a generally sound system of internal control designed to meet the Trust's objectives.

At the June 2012 Committee meeting, the Committee reviewed, challenged and approved the 2011/2012 Internal Audit Annual Report

### **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 2010/2011 Annual Report and Accounts, Quality Accounts and Statement on Internal Control
- Received and considered the External Auditors' Annual Audit Letter in respect of 2010/11
- Received from the External Auditors and considered their Auditors' Local evaluation 2010/11
- Considered and satisfied itself regarding the effectiveness of the External Auditors
- Reviewed and satisfied itself regarding the External Audit Plan for the audit of the 31 March 2012 financial statements, Annual Report and Accounts and the Quality Accounts

On two occasions during the year the Committee met with representatives of the External Auditors without any Executive Directors present. These meetings did not reveal any matters of note.

During the year the External Auditors performed the following non-statutory audit tasks:

- A review of the Trust's Integrated Performance Report
- A Finance Function Effectiveness Review
- An independent review of the Governance of Quality
- A review of Financial Reporting Procedures

The Committee received written reports on each of these and considered, challenged and received assurances regarding all matters arising.

At the June 2012 Committee meeting the External Auditors provided their opinion, feedback and assurances regarding the 2011/2012 Annual Report and Accounts, Quality Accounts and Annual Governance Statement.

At the November 2012 Committee meeting the Committee received and considered the External Auditors' Annual Audit Letter in respect of 2011/12.

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

During the year the Committee:

- Received assurance from the Integrated Governance Committee and the Business Delivery Committee
- Monitored the close-down of the two above-mentioned Committees and the formation of the Quality Committee (QC) and the Finance & Investment Committee (F&IC).
- Reviewed and commented upon the terms of reference of the newly formed QC and F&IC, and upon those committee's respective annual workplans.
- Received reports and assurances from the QC and F&IC 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 and reviewed the Counter Fraud Annual Report 2010/11, and the Counter Fraud Survey Report 2010/11
- Received and considered progress reports at each Committee meeting
- Received guidance regarding the Bribery Act 2010 and the Trust's compliance therewith

The Committee reviewed and accepted the Counter Fraud Annual Report 2011/12 at its June 2012 meeting.

#### **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 Auditors' audit and special reviews
- The Finance & Investment Committee

regarding the integrity of the Trust's financial statements, including the appropriateness of the accounting policies employed.

#### **4 Committee meetings**

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

The Committee met six times during the financial year 2011/12. The members of the Committee recorded the following levels of attendance:

Richard Roxburgh (Chairman)	6/6
Nina Wrightson	5/6
Roger Holmes	6/6
Patricia Drake	6/6
Elaine Bond	4/5

The Director of Standards and Compliance attended all meetings in the year, reporting in particular on the Corporate Risk Register and the Board Assurance Framework.

The present Director of Finance and Performance attended all meetings following his appointment, reporting on finance and performance matters, and on his meetings with the Internal and External Auditors.

Other Executive Directors attended as invited to contribute to the cyclical programme of assurance presentations to the Committee.

The Committee invited the Trust's internal and external auditors to its meetings and a good level of attendance occurred.

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

The Committee Chairmen reported significant matters arising during the year to the Trust Board on behalf of the Committee on an exception basis.

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

#### **6 Committee performance appraisal**

The Committee undertook a formal self-appraisal of its performance during 2011/12. A number of actions were identified which were incorporated into its workplan.

## **7 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.

## **8 Report on the work undertaken by Internal Audit**

Internal Audit (provided by East Coast Audit Consortium) provided their Annual Report for 2011/12 to the Audit Committee at its June 2012 meeting. This summarised their work undertaken during the year and incorporated the Head of Internal Audit's opinion to the support the Annual Governance Statement.

Based upon the internal audit work performed and the results obtained, the Head of Internal Audit Opinion for 2011/12 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 and/or inconsistent application of controls put the achievement of particular objectives at risk, most notably in relation to evidencing CQC standards within CBU's, PDR's and the efficiency savings programme." (These weaknesses have subsequently been rectified.)

The Head of Internal Audit's commentary, to provide context for the above opinion, was as follows: "

- Our assessment of the design and operation of the Trust's Assurance Framework was intended to ascertain compliance with current Department of Health advice and guidance. Our review has confirmed that the Framework is compliant, however we have made a number of recommendations for consideration for the 2012/2013 BAF (Business Assurance Framework).
- Our audit work for 2011/12 was drawn from the Operational Audit Plan approved by the Audit Committee in April 2011. This was a risk based plan which incorporated mandatory audit topics and set aside sufficient days to undertake the required levels of financial systems work as well as a range of operational audits. Regular reports have been presented to the Audit Committee concerning achievement of the plans and any in year changes.
- During the year, a range of audit assignments have been performed to complete the plan including areas of mandatory coverage (e.g. BAF and CQC requirements) and core financial systems work (e.g. Main Accounting System, Payroll, Charitable Funds and Budgetary Control). In addition, we have covered areas that were considered to be of medium to

high risk for the Trust, e.g. Command and Control System, Infection Control, PDR's, Efficiency Savings Programme and Health and Safety. Of the 13 pieces of work completed to date, 12 provided significant assurance and 3 provided limited assurance.

- We have a vigorous follow up process and the overall results of this post audit review work reflect an 84% implementation of previous recommendations made. We are confident that, where recommendations have been implemented, this has improved the overall control environment operating within the organisation.”

East Coast Audit Consortium also provides the Trust with a Local Counter Fraud Service (LCFS). A separate annual report was presented to the Committee detailing their work for the year in accordance with the Secretary of State's instructions.

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

The Annual Internal Audit Plan for 2012/2013 has been approved by the Committee and progress against this plan is being reported to the Committee at each of its meetings.

## **9 Report on the work undertaken by External Audit**

Deloitte were External Auditors of the Trust for the financial year ended 31 March 2012. Under the Audit Code, the appointed auditors' main responsibilities are:

- to give an opinion on whether the Trust's accounts give a true and fair picture of its financial position; and
- to assess whether the Trust has made appropriate arrangements to secure economy, efficiency and effectiveness in the use of its resources.

The auditor must also consider whether there are matters that he should raise either in a public interest report or in a report to the Secretary of State for Health.

The outcomes of the External Auditors' work in respect of 2011/12 were as follows:

- **Opinion on the Trust's 2011/12 Annual Accounts**

The audit of the accounts was completed according to plan. The auditor concluded that the financial statements give a true and fair view of the state of affairs of the Trust as at 31 March 2012 and of its income and expenditure for the year in accordance with the accounting policies of the Trust. The auditor issued an unqualified opinion and certificate on the accounts.

- Arrangements for efficiency, economy and effectiveness

The auditor concluded that the Trust made appropriate arrangements for the use of its resources.

- Other responsibilities under the Audit Code

The auditor confirmed that he had no reason to make a report in the public interest or to the Secretary of State.

- Additional non-audit services

The External Auditor may undertake additional work for the Trust outwith the work specified in the Audit Code, subject to certain safeguards to ensure the auditor's independence. During the year Deloitte provided additional services as listed at 3.2.3 above.

**Barrie A Senior FCA**  
**Chairman of the Audit Committee**

**21 January 2013**