

YORKSHIRE AMBULANCE SERVICE NHS TRUST

AUDIT COMMITTEE REPORT FOR 2012 / 2013

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') during the financial year 2012/2013 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 2012/13:

Richard Roxburgh (Committee Chairman) (resigned 31 July 2012)

Roger Holmes (resigned 30 September 2012)

Patricia Drake

Elaine Bond

Erfana Mahmood (appointed 14 May 2012)

Barrie Senior (Committee Chairman) (appointed 16 August 2012)

Mary Wareing (appointed 1 October 2012)

3. Purpose of the Committee

3.1 The purpose of the Committee, according to its Terms of Reference, is:

- 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 2012 / 2013

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 Committee self-assessment meeting, ensuring that both changes 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.

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

At the June 2012 meeting, the Committee received, considered and approved the Annual Governance Statement for 2011/2012. The Annual Governance Statement for 2012/13 was received, considered and approved at the June 2013 meeting.

In December 2012, 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. This assessment reaffirmed the Committee's fitness for purpose.

3.2.2 Ensure effective Internal Audit function

During the year, the Committee:

- Reviewed and approved the 2012/13 Annual Internal Audit Plan

- Received and reviewed the Head of Internal Audit's 2011/2012 Annual Internal Audit Report and Opinion Statement
- Reviewed and approved the Internal Audit Charter
- Reviewed and challenged Internal Audit progress reports at each of its meetings, except the Committee self-assessment meeting, 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 2013/14 Internal Audit Plan.

At the April 2013 Committee meeting, the Committee received the 2012/2013 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 2013 Committee meeting, the Committee reviewed, challenged and approved the 2012/2013 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 2011/2012 Annual Report and Accounts and Annual Governance Statement
- 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 2013 financial statements, and a 'dry run' audit of the 2012/13 Quality Accounts (in preparation for the formal audit of Quality Accounts once a Foundation Trust)

During 2012/13 the External Auditors performed the following non-statutory audit tasks:

- A review of the preparation of the Trust's Quality Accounts
- A review of the Trust's Quality Governance Framework.

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

At the June 2013 Committee meeting the External Auditors provided their opinion, feedback and assurances regarding the 2012/2013 Annual Report and Accounts, the Annual Governance Statement and the Quality Accounts.

3.2.4 Review the work of other committees for relevant assurance

During the year the Committee:

- Reviewed and commented upon the terms of reference of the Quality Committee (QC) and the Finance & Investment Committee (F&IC), and upon those committees' 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 2011/12
- Received assurances regarding the Trust's compliance with the Bribery Act 2010
- Received and considered progress reports at each Committee meeting, except the Committee self-assessment 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 Audit
- 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 2012/13. The members of the Committee recorded the following levels of attendance:

Richard Roxburgh (Chairman)	2/2
Roger Holmes	3/3
Patricia Drake	4/6
Elaine Bond	4/6
Erfana Mahmood	5/5
Barrie Senior	3/3
Mary Wareing	4/5, including 2 whilst NED Designate

The Executive Director of Standards and Compliance attended all meetings in the year, except the Committee self-assessment meeting, reporting in particular on the Corporate Risk Register and the Board Assurance Framework.

The Executive Director of Finance and Performance attended all meetings, except the Committee self-assessment meeting, 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, except the Committee self-assessment meeting, 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 2012/13 workplan, and into its revised terms of reference.

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, which resulted in a small number of enhancements.

8 Report on the work undertaken by Internal Audit

Internal Audit (provided by East Coast Audit Consortium) provided their Annual Report for 2012/13 to the Audit Committee at its June 2013 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 2012/13 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 clinical audit arrangements, the management of fuel cards, the management of medical devices and the accounts payable system.” (Work has been performed or is in progress to rectify these weaknesses.)

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 and fit for purpose.
- Our audit work for 2012/13 was drawn from the Operational Audit Plan approved by the Audit Committee in April 2012. This was a risk based plan which 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. Board Assurance Framework, Information Governance Toolkit and core financial systems work, i.e. Main Accounting System, Accounts Payable, Budgetary Control and Fixed Assets). In addition, we have covered areas the Trust considered to be of significant risk including clinical audit, statutory and mandatory training, staff recruitment, lessons learned from SUIs, clinical record management, CQC requirements, capital management, facilities management, management of medical devices and business continuity/disaster

recovery arrangements. Of the 20 reviews completed to date, 13 provided significant assurance, 6 provided limited assurance (Clinical Audit, Fuel Cards, Adastra System General Controls, Management of Medical Devices, Asset Register and Accounts Payable) and one review (Business Continuity Gap Analysis) did not require an overall assurance level. Our Internal Audit activity provides reasonable but not absolute assurance around the organisation's control environment based upon work undertaken.

- We have a vigorous follow up process and the overall results of this post audit review work reflect that 77% of recommendations followed up have been implemented fully and on time. 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. A separate annual report is presented to the Committee detailing their work for each financial 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.

9 Report on the work undertaken by External Audit

Deloitte were External Auditors of the Trust for the financial year ended 31 March 2013. Under the Audit Code, the appointed auditors' main responsibilities are:

- to give an opinion on the truth and fairness of the Trust's financial statements; and
- to assess whether the Trust has made appropriate arrangements to secure economy, efficiency and effectiveness in the use of its resources.

The External 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 2012/13 were as follows:

- Opinion on the Trust's 2012/13 Annual 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 state of affairs of the Trust as at 31 March 2013 and of its income and expenditure for the year 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.

- Other responsibilities under the Audit Code

The External 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**

16 July 2013