



<b>MEETING TITLE</b> Audit Committee		<b>MEETING DATE</b> 01/10/2015	
<b>TITLE of PAPER</b>	For Assurance: Audit Committee Annual Report	<b>PAPER REF</b>	7.2b
<b>STRATEGIC OBJECTIVE</b>	Develop culture, systems and processes to support continuous improvement and innovation		
<b>PURPOSE OF THE PAPER</b>	This report is designed to summarise, for the Trust Board, the activities of the Trust Board's Audit Committee ('the Committee') during and in respect of the financial year 2014/2015 in compliance with its duties.		
<b>For Approval</b>	<input checked="" type="checkbox"/>	<b>For Assurance</b>	<input type="checkbox"/>
<b>For Decision</b>	<input type="checkbox"/>	<b>Discussion/Information</b>	<input type="checkbox"/>
<b>AUTHOR / LEAD</b>	Barrie Senior, Audit Committee Chairman and Non-Executive Director	<b>ACCOUNTABLE DIRECTOR</b>	
<b>DISCUSSED AT / INFORMED BY – include date(s) as appropriate (free text – i.e. please provide an audit trail of the development(s)/proposal(s) subject of this paper):</b>			
<b>PREVIOUSLY AGREED AT:</b>	<b>Committee/Group:</b>	<b>Date:</b>	
<b>RECOMMENDATION</b>	It is recommended that the Audit Committee approve this report, subject to any amendments as a result of considering within the Audit Committee meeting		
<b>RISK ASSESSMENT</b>	<b>Yes</b>	<b>No</b>	
Corporate Risk Register and/or Board Assurance Framework amended	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
Resource Implications (Financial, Workforce, other - specify)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
Legal implications/Regulatory requirements	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
Equality and Diversity Implications	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
<b>ASSURANCE/COMPLIANCE</b>			

<b>Care Quality Commission</b> <b>Choose a DOMAIN</b>	5: Well led Choose an item.
<b>Monitor Quality Governance Framework</b> <b>Choose a DOMAIN</b>	1: Ensuring required standards are achieved

# **YORKSHIRE AMBULANCE SERVICE NHS TRUST**

## **AUDIT COMMITTEE ANNUAL REPORT 2014 / 2015**

### **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 and in respect of the financial year 2014/2015 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 2014/15:

Barrie Senior (Committee Chairman)

Elaine Bond

Patricia Drake

Erfana Mahmood

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 2014 / 2015**

#### **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 June meeting (which was focused on year end reporting), ensuring that both changes 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 July 2014 meeting.

At the June 2014 meeting, the Committee received, considered and approved the Annual Governance Statement for 2013/2014. The Annual Governance Statement for 2014/15 was received, considered and approved at the June 2015 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 2014/15 Internal Audit Plan.

At the June 2014 Committee meeting, the Committee received the 2013/14 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 June 2015 Committee meeting, the Committee received the 2014/15 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 2014/15 Internal Audit Annual Report was received at the July 2015 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 2013/2014 Annual Report and Accounts and Annual Governance Statement
- Considered and satisfied itself regarding the effectiveness of the External Auditors during 2013/14
- Reviewed and satisfied itself regarding the External Audit Plan for the audit of the 31 March 2015 financial statements, and for a review of the 2014/15 Quality Accounts

At the June 2015 Committee meeting the External Auditors provided their opinion, feedback and assurances regarding the 2014/2015 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 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 and reviewed the Counter Fraud Annual Report 2013/14

- 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.

**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 2014, including the appropriateness of the accounting policies employed.

At its meeting in June 2015, the Committee received appropriate assurances regarding the financial statements for the year ending 31 March 2015, 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 2014/15. 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>Mary Wareing</b>
<b>3.6.14</b>	√	√	√	√	√
<b>3.7.14</b>	√	√			
<b>9.10.14</b>	√	√	√	√	√
<b>8.1.15</b>	√	√	√	√	
<b>5.3.15</b>	√	√		√	√
	<b>5/5</b>	<b>5/5</b>	<b>3/5</b>	<b>4/5</b>	<b>3/5</b>

The Executive 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 Executive Director of Finance and Performance attended all meetings, 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, except the Committee self-assessment meeting, and a good level of attendance occurred.

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

The Committee Chairman reported significant matters arising during the year to the Trust Board 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.

## **7 Committee performance appraisal**

In March 2015, the Committee members undertook a self-assessment of the Committee's performance utilising a framework provided by the Healthcare Financial Management Association. This assessment reaffirmed the Committee's fitness for purpose and the continuing suitability of the Committee's terms of reference.

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

Internal Audit (provided by East Coast Audit Consortium) provided their Annual Report for 2014/15 to the Audit Committee at its July 2015 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 2014/15 was:

*“Head of Internal Audit Opinion*

*Introduction*

*In accordance with Public Sector Internal Audit Standards, the Head of Internal Audit (HoIA) is required to provide an annual opinion, based upon and limited to the work performed, on the overall adequacy and effectiveness of the organisation's risk management, control and governance processes (i.e. the organisation's system of internal control). This is achieved through a risk-based plan of work, agreed with management and approved by the Audit Committee, which should provide a reasonable level of assurance subject to the inherent limitations described below. The purpose of this Head of Internal Audit Opinion is to contribute to the assurances available to the Accountable Officer and the Board which underpin the assessment of the effectiveness of the organisation's system of internal control. This Opinion will assist in the completion of the Annual Governance Statement.*

### *Overall Opinion*

*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 Contract/SLA management, new IT system implementation, Estates Management (tenancies/ facilities /R&M), vehicle safety and cleaning, PTS criteria application and recruitment effectiveness.*

*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. The executive summary within that report states:*

#### *"Executive summary of organisational compliance*

*...the provider has met the requirements of the NHS Standard Contract and the requirements of NHS Protect's Standards for Providers: Fraud, Bribery and Corruption. In particular the organisation has:*

- Demonstrated strategic support for anti-fraud, bribery and corruption work with the establishment of a risk based counter fraud plan and provision of Local Counter Fraud services accountable to key officers and Audit Committee.*
- Demonstrated a risk based approach to anti-fraud, bribery and corruption provision via a risk register, maintenance of*



*investigations log, local knowledge and skills and application of NHS Protect guidance and intelligence.*

- *Ensured that appropriate resources are allocated to anti-fraud, bribery and corruption work accordingly.*
- *Conducted activities during the year to counter fraud, bribery and corruption – particularly in respect of fraud awareness, publicity of anti-fraud work, specific proactive exercises, fraud prevention work in high risk areas and dissemination of local and national intelligence on fraud risk areas.*
- *Participated in NHS Protect activities (e.g. those set out in Fraud Prevention Instructions) where appropriate.*
- *Ensured that all appropriate information to support the management and progression of fraud, bribery and corruption cases is recorded appropriately on the NHS Protect case management system, FIRST, and been acted upon appropriately and in liaison with Trust and NHS Protect officers.”*

Internal Audit and Counter Fraud met 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 2015. 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 2014/15 were as follows:

- Opinion on the Trust's 2014/15 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 2015 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.

- 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 Deloitte:

- Undertook an independent examination of the Trust's charitable fund, and
- Performed a review of the Trust's draft Quality Accounts for the year ending 31 March 2015.

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

## **10 RECOMMENDATION**

- 10.1** It is recommended that the Audit Committee approve this report, subject to any amendments as a result of considering within the Audit Committee meeting

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

2 October 2015