



## Audit Committee

**Venue:** Kirkstall/Fountains, Springhill 1, Wakefield, WF2 0XQ

**Date:** Tuesday 2 June 2015

**Time:** 0845 hours

### Chairman:

Barrie Senior (BS) Non-Executive Director

### Attendees (members):

Erfana Mahmood (EM) Non-Executive Director

Mary Wareing (MW) Non-Executive Director

### In Attendance:

John Nutton (JN) Non-Executive Director (Designate) (Observer)

Steve Page (SP) Executive Director of Standards & Compliance

Alex Crickmar (AC) Interim Executive Director of Finance & Performance

Alistair Ross (AR) External Audit (EA)

Benita Jones (BJ) Internal Audit (IA)

Neil Cook (NC) Interim Associate Director of Finance

### In Attendance (Part Time):

Rod Barnes (RB) Chief Executive (*For items 3.7 & 3.8*)

### Apologies:

Pat Drake (PD) Non-Executive Director & Deputy Chairman

Elaine Bond (EB) Non-Executive Director

Paul Thomson (PT) External Audit (EA)

Anne Allen (AA) Trust Secretary

### Minutes produced by: (MG)

Mel Gatecliff, Committee Services Manager

		Action
	The meeting commenced at 0850 hours.	
<b>1.0</b>	<b>Introduction and Apologies</b> BS welcomed everyone to the meeting and apologies were noted as above.  BS stated that, in order to maximise the time available for discussion, he would work on the presumption that all papers had been read.	
<b>2.0</b>	<b>Declaration of Interests for any item on the agenda</b> No declarations of interest were made relating to items on the agenda.	

		Action
3.0	<p><b>Head of Internal Audit Opinion</b></p> <p>BJ presented the Head of Internal Audit (IA) Opinion Statement for 2014/15 which provided an overall opinion on work completed in the period and which informed the Trust's Annual Governance Statement.</p> <p>BJ read out the overall Internal Audit Opinion:</p> <p><i>'Significant Assurance can be given that 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&amp;M), vehicle safety and cleaning, PTS criteria application and recruitment effectiveness.'</i></p> <p>BJ stated that the audits for 2014/15 were drawn from year 2 of the enlarged 3 year strategic plan previously approved by the Audit Committee, adding that the components of the risk-based plan were set out in the table on page 3 of the report.</p> <p>BS stated that, at the last meeting, reference had made to the table giving the impression that the plan was heavily weighted in favour of Finance and Performance. As a number of the items were IT audits, he asked whether they could sit apart under a separate heading.</p> <p>MW stated that some operational items had also been included under the Finance and Performance heading.</p> <p>The Committee noted that several audits overlapped into more than one area.</p> <p>BJ stated that the information in the table fed the Annual Governance Statement (AGS) which would not be amended. However, she would sub-divide the information and extend some of the themes in the Annual Report to make operational work, etc more explicit.</p> <p><b>Action:</b>  <b>BJ to revisit the information contained in the table on page 3 of the report extending the themes contained therein to ensure areas of operational work, etc were made more explicit.</b></p> <p>BJ confirmed that the penultimate page of the report highlighted reviews that remained in progress with an asterix. These had therefore been excluded from the Opinion as they were not complete at that point in time. However, the Annual Report would include the missing information.</p>	<p><b>BJ</b>  <b>2015/55</b></p>

	<b>Action</b>
<p>BJ stated that there were no problems envisaged in relation to the outstanding reviews. She confirmed that all of the work had been within the 2014/15 plan with nothing carried over from the 2013/14 Plan and nothing brought forward from the 2015/16 Plan.</p> <p>BJ further stated that information to be brought to the July meeting would include the 2014/15 Annual Report, the outstanding 2014/15 reports and a progress update on 2015/16.</p> <p>BS asked whether the strategic challenges outlined by IA at the end of Appendix B had been considered when the Trust's AGS had been drafted.</p> <p>SP confirmed that they had, adding that the draft AGS had been shared with BJ and appropriate changes made following receipt of her feedback.</p> <p>BS stated his belief that the Head of IA Opinion Statement provided a strong level of assurance from which the Audit Committee could draw assurance and see the flow through to the Annual Governance Statement.</p> <p>BS thanked BJ for the excellent work she and her team had carried out.</p> <p><b>Approval:</b>  <b>The Audit Committee received and accepted the Head of Internal Audit Opinion Statement for 2014/15.</b></p>	
<p><b>3.1</b>      <b>Assessment of Post Balance Sheet Events</b>  AC confirmed that there were no Post Balance Sheet events for consideration that could or would result in adjustments to the Annual Disclosure Statements.</p> <p><b>Approval:</b>  <b>Subject to final completion of the Annual Accounts, the Audit Committee was satisfied that no adjusting events had occurred.</b></p>	
<p><b>3.2</b>      <b>Going Concern Status</b>  AC presented an update to provide assurance that the Trust remained a Going Concern for the foreseeable future.</p> <p>BS asked what was deemed to be an 'acceptable future'.</p> <p>AG replied that this would be 12 months within the signing of the Audit Opinion ie one year from the current week.</p> <p>BS stated his belief that the Audit Committee had positive assurance as to the validity of continuing to treat YAS as a growing concern to 31 March 2016 with no negative indications beyond that point.</p>	

	<b>Action</b>
<p>JN agreed with BS, adding that, although this had been addressed in section 2.2 of the report, it was his belief that the paper did not bring the information out in enough depth.</p> <p>AG stated that, after making enquiries, EA believed there was a reasonable expectation that the Trust had adequate resources to continue in operational existence for the foreseeable future.</p> <p><b>Approval:</b>  <b>The Audit Committee was assured that the Trust was and would remain a going concern for the foreseeable future and approved that the Accounts were prepared on this basis.</b></p>	
<p><b>3.3 Annual Accounts (and associated statutory returns)</b>  AC presented details of the 2014/15 Annual Accounts, confirming that all statutory duties had been met for the year.</p> <p>BS stated that the previous week’s pre-meet with EA, during which in depth discussions had taken place, had provided the NEDs with a good level of assurance and insight into the Annual Accounts.</p> <p>BS raised the issue of the training and education charge in the expenditure account which implied that there had been a drop in expenditure from around £800k to £300k. This concerned BS considerably and was arguably a material error in the accounts which affected the income line and reported spend on developing YAS’ staff.</p> <p>BS asked why this mistake had occurred and why it had not been flagged up in the ISA260.</p> <p>AG replied that EA would not consider the value material to the Accounts.</p> <p>BS stated that EA had reported significantly lower numbers in the past.</p> <p>AG replied that, as the audit was not designed to identify all non-material values, it had not picked up that particular item.</p> <p>AC stated that the proposal was to adjust for the value, adding that the ISA260 would therefore need to be changed.</p> <p>BS stated his belief that if the income and expenditure issue was not dealt with it significantly under-reported the Trust’s training and education expenditure and could, for example, lead to difficult questions at the AGM.</p> <p>JN stated his belief that any perceived cut backs in staff training was a quality issue, which could be viewed as material from a public perspective.</p>	

	<b>Action</b>
<p>BS asked whether there were any other errors.</p> <p>AC replied that there was nothing material although the audit would not pick up every error in the Annual Accounts. In addition, the Finance team and he had again gone through the figures in significant detail to check that there were no similar errors.</p> <p>BS stated his belief that the training and education error, given its significance, was not the type of issue that an Audit Committee should find.</p> <p>EM asked why an amount of almost £1/2m would not be picked up.</p> <p>AG replied that materiality related to a percentage of gross income, which in YAS' case was around £2.3m.</p> <p>BS stated his belief that, regardless of materiality, he would have expected the issue to have been picked up earlier in the process.</p> <p>AC replied that PT had confirmed that it had been picked up. He had stated that it was a presentational issue and had asked whether the Trust should adjust for it or not.</p> <p>It had been agreed that it should be adjusted because of potential reputational issues.</p> <p>AC confirmed that the Finance team had also spotted the error but had chosen not to correct it.</p> <p>MW asked whether the error would have been evident to budget holders during the course of the year.</p> <p>NC replied that it had become apparent during the course of the year-end accounting process. It would not have been apparent as part of the monthly management accounts.</p> <p>AC stated that the error was linked to the journals. The learning was being taken very seriously and would be picked up in detail with both the individual concerned and the team as a whole.</p> <p>JN stated his belief that it was essential to rectify the error as it currently looked as if the Trust had cut its training budget from £800k to £300k which could lead to patient safety issues. He added that nothing else had stood out following his analysis of the Accounts.</p> <p>BS asked whether other subsidiary documents would need to be checked as a result of the amendment.</p> <p>AC replied that nothing else would need to be changed. He confirmed that the Finance team was already working on the amendments, which would then be checked by AG and his team.</p>	

	<b>Action</b>
<p>AC confirmed that the wording in the note relating to the Deputy Chairman and her former relationship with Bradford CCG had been changed to reflect the date of her resignation therefrom</p> <p>BS asked whether NED colleagues were satisfied with the wording around the disclosure. They confirmed that they were.</p> <p>BS thanked all those involved in the preparation of the Annual Accounts for their hard work.</p> <p><b>Approval:</b>  <b>Subject to the above amendments, the Audit Committee was sufficiently assured of the accuracy and completeness of the 2014/15 Annual Accounts to recommend that they be approved and signed by the Trust Board.</b></p>	
<p><b>3.4 Letter of Representation to External Audit</b></p> <p>AC presented the Letter of Representation, to be submitted to the External Auditors with respect to the 2014/15 Annual Accounts, adding that AG would take questions from those present.</p> <p>EM asked whether the Letter was in a standard format.</p> <p>AG confirmed that a standard format was used for all external assurance engagement.</p> <p>The following amendments were agreed:</p> <ul style="list-style-type: none"> <li>• Page one, line two – ‘consolidated’ to be deleted.</li> <li>• All reference to ‘the company’ to be changed to ‘the trust’.</li> <li>• Blank appendices to be attached to the letter, rather than changing the wording of paragraphs 5 and 15.</li> </ul> <p><b>Action:</b>  <b>Amendments to be made to the Letter as listed in the main body of the minutes.</b></p> <p>BS asked whether AC had checked that RB was comfortable with signing the Letter.</p> <p>AC confirmed that RB was happy with the contents of the Letter and was happy to sign it.</p> <p><b>Approval:</b>  <b>Subject to the above amendments, the Audit Committee provides support for Trust Board approval of the content of the Letter of Representation, to be issued to the Auditors on 2 June 2015.</b></p>	<p><b>AC 2015/56</b></p>

		<b>Action</b>
<b>3.5</b>	<p><b>Annual Governance Report to Those Charged with Governance (ISA260)</b>  BS introduced the Final External Audit Report to the Audit Committee on the audit for the year ended 31 March 2015. He stated that the meeting the previous week had gone through the report page by page and asked whether there were any questions that had not been dealt with during that meeting.</p> <p>There were no further questions.</p> <p><b>Approval:</b>  <b>The Audit Committee was assured by the report and recommended that it go forward to the Trust Board for approval.</b></p>	
<b>3.6</b>	<p><b>Chief Executive's Statement on Quality (Quality Account)</b>  SP presented the draft 2014/15 Quality Account for review prior to it being presented for approval by the Trust Board.</p> <p>He stated that the final draft included comments and feedback from Commissioners, Scrutiny Committees and associated Healthwatch organisations. In addition, comments and amendments from YAS' external auditors Deloitte had also been incorporated.</p> <p>BS stated that he had a number of comments, the majority of which were presentational by nature and passed his copy of the document on to SP for changes to be made as appropriate.</p> <p>SP stated that the document had been through a robust review process, adding that, presentationally, the final version of the Quality Account would look different to the current final draft.</p> <p>JN asked whether, as Quality Committee Chairman, PD had seen the document. SP confirmed that she had.</p> <p>SP further confirmed that the Accounts figures on pages 68, 69 and 70 had been checked by YAS' Finance team and External Audit as part of the Quality Account review.</p> <p>BS asked whether the Trust had looked for common themes in the feedback received from stakeholders.</p> <p>SP replied that it had done to some extent and explained the current process followed in terms of feedback.</p> <p>AG stated that there was always a fine balancing act between the inclusion of too much and too little feedback.</p> <p>A long discussion took place about the consultation process and input from stakeholders.</p>	

	<b>Action</b>
<p>As there were no further questions, the meeting moved on to consider the Deloitte review report page by page.</p> <p>BS stated that the accuracy of data returns in relation to the Paramedic Pathfinder indicator was an issue for him.</p> <p>SP stated that this had been a developmental indicator, the main challenge around which related to the systems used for data collection which had been paper rather than IT-based.</p> <p>AG stated that, as the forms tested had been manually completed, there had been data entry risks including contradictory options being ticked on some forms. He further stated that the majority of problems should be solved following the introduction of electronic systems which, for example, prevented the choice of contradictory options.</p> <p>He stressed that only manual data that fed the published indicator had been checked.</p> <p>AG stated that, as work had been carried out in preparation for Foundation Trust status, the Deloitte report would remain internal to YAS. Once the Trust became an FT, however, equivalent reports would go to the Council of Governors and a third indicator would be chosen for assessment.</p> <p>SP stated that the electronic roll out would be completed by the end of the current calendar year but there currently remained a substantial proportion of manual recording. The roll out of the new 'App' had helped as the system was no longer entirely paper-based but the full benefit would not be realised until the following year.</p> <p>BS stated that the information contained under the Data Quality responsibilities heading was an updated version of information already shared by Deloitte several months earlier and served as a useful reminder.</p> <p>In relation to the key questions for Trust Boards to consider, BS stated it would be helpful to see a formal YAS answer to each of the questions. It was agreed that AC and SP would liaise and provide a response to each question for presentation at the July meeting.</p> <p><b>Action:</b>  <b>AC/SP to present a response to each of the Deloitte Data Quality responsibilities' key questions for Trust Boards at July meeting.</b></p> <p>SP stated that some of the questions were touched on in the AGS, adding his belief that it might be useful to use them in future as the basis for a more direct cross-response.</p>	<p><b>AC/SP 2015/57</b></p>



		<b>Action</b>
	<p>BS asked whether it would be worth expanding the process to include the key considerations under the heading of Data Quality Framework on page 16, as they also impinged on the IA work.</p> <p>It was agreed that SP and BJ would discuss the various options outside the meeting. For example, the creation of a checklist could inform future IA work.</p> <p><b>Action:</b>  <b>SP and BJ to discuss the options for utilising the key considerations listed under the Data Quality Framework outside the meeting.</b></p> <p>AC stated his belief that a lot of the key considerations would be picked up as part of the work on the Quality Account.</p> <p>AG added that Deloitte also considered the key considerations to a certain extent.</p> <p><b>Approval:</b>  <b>The Audit Committee received and accepted the final draft of the 2014/15 Quality Account for the Quality Account to be amended and progress through the Quality Assurance Process.</b></p>	<p><b>SP/BJ</b>  <b>2015/58</b></p>
<p><b>3.7</b></p>	<p><b>Annual Governance Statement</b></p> <p>BS introduced the Annual Governance Statement (AGS) for financial year 2014/15 which the meeting considered page by page.</p> <p>It was noted that the Executive Director of Operations was a member of both the Quality and Finance &amp; Investment Committees and that section 2.19 should therefore be amended accordingly.</p> <p><b>Action:</b>  <b>Executive Director of Operations to be added to membership of the Quality Committee in section 2.19</b></p> <p>BS stated his belief that the additional Audit Committee self-assessment, which took place in March 2015, should be added to section 2.22.</p> <p><b>Action:</b>  <b>Audit Committee March 2015 self-assessment to be added to section 2.22.</b></p> <p>BS requested an update about the Trust's progress in relation to a definition of risk appetite.</p> <p>SP stated that a BDM session had been planned towards the end of the year. He further stated that it was an interesting topic about which a lot of good practice and guidance was currently available.</p>	<p><b>SP</b>  <b>2015/59</b></p> <p><b>SP</b>  <b>2015/60</b></p>

	Action
<p>BJ stated that the Institute of Risk Management (IRM) had produced a useful document about risk appetite which she would share with SP.</p>	
<p><b>Action:</b> <b>BJ to share IRM document about risk management with SP.</b></p>	<p><b>BJ</b> <b>2015/61</b></p>
<p>BS questioned the wording of the second sentence in section 3.6. It was agreed that SP would amend the wording to state: 'The Trust identifies the risk to the delivery of its objectives and achievement of its annual business plan.'</p>	
<p><b>Action:</b> <b>SP to amend wording of section 3.6 to state: 'The Trust identifies the risk to the delivery of its objectives and achievement of its annual business plan.'</b></p>	<p><b>SP</b> <b>2015/62</b></p>
<p>BS stated that the risks listed in section 3.7 did not include the risk of the Trust failing to deliver performance targets and quality standards. It was agreed that SP would add the risk to the list.</p>	
<p><b>Action:</b> <b>SP to add risk of the Trust failing to deliver its performance targets and quality standards to section 3.7.</b></p>	<p><b>SP</b> <b>2015/63</b></p>
<p>It was noted that 'May 2015' in the final bullet point of section 3.9 (and in section 6.2) should be amended to state 'June 2015' and that the final paragraph of 3.9 should be moved to the end of 3.7.</p>	
<p><b>Action:</b> <b>SP to amend 'May 2015' to state 'June 2015' in the final bullet point of 3.9 (and 6.2) and to move the final paragraph of 3.9 to the end of 3.7.</b></p>	<p><b>SP</b> <b>2015/64</b></p>
<p>BS asked whether the numbers recorded for the total IA reports itemised in 3.11 were correct.</p>	
<p>BJ replied that the numbers should be 44 and 34 rather than 43 and 33 as currently stated.</p>	
<p><b>Action:</b> <b>SP to amend section 3.11 to state 44 and 34 IA reports.</b></p>	<p><b>SP</b> <b>2015/65</b></p>
<p>RB entered the meeting at 1015 hours and BS provided a summary of the discussion to date. He asked whether there was anything that RB wished to expand upon or say in respect of the Statement.</p>	
<p>RB stated that the AGS drew out and clearly identified the main risks of the previous year; the recruitment to A&amp;E and the potential implementation of penalties being the two main risks.</p>	

	<b>Action</b>
<p>The mitigations had worked well in relation to penalties. However, the A&amp;E recruitment risk was tested more, as the Trust had struggled with resilience resourcing.</p> <p>RB further stated that, in terms of Red demand around the winter period, the Trust had very good resilience and command processes in place to ensure its ability to continue to provide a safe service. SP and JMs' teams did an excellent piece of work introducing a process which was subsequently adopted by other organisations.</p> <p>RB confirmed that a review of the Executive Directors' roles and their portfolios was currently under way.</p> <p>RB thanked SP for co-ordinating the compilation of the document.</p> <p><b>Approval:</b>  <b>Subject to the above amendments, the Audit Committee received, accepted and supported the Annual Governance Statement 2014/15, prior to its endorsement by the Trust Board.</b></p>	
<p><b>3.8 Annual Report 2014/15</b>  BS presented the final draft of the 2014/15 Annual Report and Financial Summary to the Audit Committee for comment.</p> <p>BS stated that, in terms of the production of the Annual Report, the timetable had slipped once more and it was his belief that the Trust Chairman would pick up on this during that day's Trust Board Meeting in Public.</p> <p>According to the timetable, Trust Board comments were due w/c 4 May but BS had only received his copy of the draft at the Board meeting on 26 May.</p> <p>It was BS' belief that the organisation needed to work smarter in this respect. For example a thorough proof reading process should be introduced to ensure that a detailed review took place prior to the Report being circulated to Board members for comment, as the current final draft still contained many typographical errors which are a distraction when reviewing the substance of the Report..</p> <p>RB agreed with BS' comments, adding that he had taken the comments on board and would seek to address them. It was RB's belief that further clarity was required in terms of the management of the process, etc.</p> <p>BS stated that he had made a number of comments, the vast majority of which were presentational, on a hard copy of the draft, which he passed to RB for him to consider and share with the Communications team as appropriate.</p>	

	<b>Action</b>
<p>BS asked whether the financial figures in the report had been checked for accuracy and consistency.</p> <p>AC confirmed that they had, adding that Deloitte would also ensure that the figures were consistent.</p> <p>EM stated her belief that the replacement vehicle figures on page 22 of the document were different to the numbers that the Board had actually approved for purchase and lease.</p> <p>AC replied that this was due to a timing issue, as several of the vehicles were not purchased until after the year end. However, he would ensure that the numbers in the final report were correct.</p>	
<p><b>Action:</b>  <b>AC to liaise with Mark Squires re accuracy of Fleet figures on page 22 of Annual Report to ensure that the correct figures were included in the document.</b></p>	<p><b>AC 2015/66</b></p>
<p>BS stated he was aware that a summary version of the Quality Account was already produced and asked whether it would also be possible for the Trust to produce (say) an A5 abridged summary of the Annual Report. It was his belief that such a document would be of interest to those who did not have time to read the more detailed version.</p> <p>RB agreed to look into the suggestion.</p>	
<p><b>Action:</b>  <b>RB to discuss possibility of producing an A5 abridged version of the Annual Report with IB and the Communications team.</b></p>	<p><b>RB 2015/67</b></p>
<p>JN asked whether the Annual Report and Quality Account were published electronically.</p> <p>SP confirmed that they were.</p> <p>RB agreed to pass feedback received back to IB and the Communications team.</p>	
<p>BS stated his belief that 'Caring for our Patients' should be the top item under 'Strategic Report' on the contents page.</p> <p><b>Action:</b>  <b>Contents page to be amended so that 'Caring for Patients' was the top item under 'Strategic Report'.</b></p>	<p><b>RB 2015/68</b></p>
<p>JN asked whether the words 'crowned' and 'exemplary' could be replaced with more appropriate wording in paragraphs three and four of the Emergency Operations Centre section.</p>	

	Action
<p><b>Action:</b>  <b>Emergency Operations Centre – ‘crowned’ and ‘exemplary’ to be replaced in paragraphs 3 and 4 with more appropriate words.</b></p> <p>MW suggested that the wording in paragraph 3, sentence 2, on page 28 should be amended to state: ‘Our decision to set out a pathway to re-recognition’.</p>	<p><b>RB</b>  <b>2015/69</b></p>
<p><b>Action:</b>  <b>Wording in paragraph 3, sentence 2, on page 28 should be amended to state: ‘Our decision to set out a pathway to re-recognition’.</b></p> <p>SP stated it had been agreed at TEG that further work was required on page 47, the Directors’ Report.</p> <p>He further stated that the draft currently referred to the Trade Union re-recognition taking place in May 2015, so this would need to be amended to ‘June 2015’.</p>	<p><b>RB</b>  <b>2015/70</b></p>
<p><b>Action:</b>  <b>Trade Union re-recognition date to be amended to ‘June 2015’ throughout the document.</b></p> <p><b>Approval:</b>  <b>The Audit Committee reviewed the content and approved the final draft of the Annual Report 2014/15 to go forward to Trust Board for final approval subject to the insertion of outstanding figures when they became available and any amendments to the narrative requested by members of the Audit Committee and Trust Board.</b></p> <p>BS asked AG to accept the Audit Committee’s thanks to Deloitte for their hard work during the preparation of the 2014/15 Annual Accounts, which had gone very smoothly and asked him to pass the thanks on to the members of his team.</p> <p>He thanked AC and his team for their efforts and hard work over the past 12 months, asking AC to pass on the Audit Committee’s thanks to his team.</p> <p>He also thanked SP and his team for their hard work on the Quality Account, again asking SP to pass on the Audit Committee’s thanks to his team.</p> <p>BS thanked everyone for their attendance and the hard work that had gone into the production of the documents presented that day.</p> <p>The meeting closed at 1025 hours.</p>	<p><b>RB</b>  <b>2015/71</b></p>

		Action
4	<b>Date and Location of Next Meeting: 2 July 2015</b> Kirkstall and Fountains, Springhill 1, WF2 0XQ.	

**CERTIFIED AS A TRUE RECORD OF PROCEEDINGS**

\_\_\_\_\_ **CHAIRMAN**

\_\_\_\_\_ **DATE**