

Committee Terms of Reference

Audit Committee Terms of Reference

Purpose - The Committee is established to seek assurance for the Trust Board that the Trust is operating an effective process of internal control, including:

- management of the Trust's activities is in accordance with statute and regulations
- the establishment and maintenance of a system of internal control gives reasonable assurance that assets are safeguarded; waste and inefficiency is avoided; reliable financial information is produced; and value for money is continuously sought

The Audit Committee will provide the Board with a means of independent and objective review of financial and corporate governance, assurance processes and risk management across the whole of the Trust's activities (clinical and non-clinical). In addition the Audit Committee will:

- seek assurance of the independence of external and internal audit
- ensure that appropriate standards are set and compliance with them is monitored
- monitor the delivery of corporate governance (e.g. compliance with terms of authorisation, constitution, codes of conduct, standing orders, standing financial instructions, maintenance of registers of interests).

Date Adopted	26 October 2017
Review Frequency	Annual
Core Accountabilities	
Terms of reference drafting	Trust Secretary
Review and approval	Audit Committee
Adoption and ratification	Trust Board

Core Accountabilities

1. Authority

- 1.1. The Board hereby resolves to establish a committee of the Board to be known as the Audit Committee ("the Committee").
- 1.2. The Committee is constituted as a standing committee of the Trust Board. Its constitution and terms of reference shall be as set out below; and will be subject to amendments approved by the Trust Board. The Audit Committee shall not have executive powers in addition to those delegated in these terms of reference.
- 1.3. The Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any member of staff and all members of staff are directed to co-operate with any request made by the Committee.
- 1.4. The Committee is authorised by the Board to obtain outside legal or other independent professional advice. The Committee is authorised by the Board to request the attendance of individuals and authorities from outside the Trust with relevant expertise if it considers this necessary or expedient to the carrying out of its functions.

2. Membership and attendance at meetings

Membership

- 2.1. The Committee will be appointed by the Board from amongst the non-executive directors of the Trust and will consist of not less than three members. One of the members will be appointed Chairman of the Committee by the Board.
- 2.2. At least one of the members of the Committee will have recent and relevant financial experience.
- 2.3. The Chairman of the Trust will not be a member of the Committee.

Quorum

- 2.4. Quorum will be achieved through the presence of two members of the Committee.

Attendance

- 2.5. On invitation from the Chairman of the Committee, meetings will normally be attended by the:
 - Director of Finance
 - Head of Financial Services
 - Head of Internal Audit
 - Senior management representatives from the appointed external auditors
 - Local Counter Fraud Specialist
 - Trust Secretary
 - Corporate Services Manager
- 2.6. Deputies may be nominated to attend.
- 2.7. Other executive directors and staff may be invited to attend a meeting of the Committee by the Chairman, particularly when the Committee is considering issues that are within the scope of these individuals' responsibilities.
- 2.8. At least once a year the Audit Committee will meet privately with the external and internal auditors.
- 2.9. The Trust Chairman may be invited to attend meetings of the Committee, but will have no voting rights.

3. Roles and responsibilities

Governance, risk management and internal control

- 3.1. The Committee will have primary responsibility for reviewing the 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 the Trust's objectives.

- 3.2. In particular, the Committee will review the adequacy of:
- all risk and control related disclosure statements, in particular the Annual Governance Statement attached to the Annual Report and Accounts, together with any accompanying Head of Internal Audit Statement, external audit opinion or other appropriate independent assurances, prior to endorsement by the Board
 - the underlying assurance processes that indicate the degree of the achievement of corporate objectives, the effectiveness of the management of principal risks and the appropriateness of the above disclosure statements
 - the policies for ensuring compliance with relevant regulatory, legal and code of conduct requirements and related reporting and self-certification
 - the policies and procedures for all work related to fraud and corruption as set out in the NHS Standard Contract and as indicated by NHS Protect.
- 3.3. In carrying out this work the Committee will primarily make use of the work of internal audit, external audit and other assurance functions, but will not be limited to these audit functions. The Committee will also seek reports and assurances from directors and managers as appropriate, concentrating on the over-arching systems of integrated governance, risk management and internal control, together with indicators of their effectiveness.
- 3.4. This will be evidenced through the Committee's use of an effective assurance framework to guide its work and that of the audit and assurance functions that report to it.

Internal Audit

- 3.5. The Committee will ensure that there is an effective

internal audit function that meets the requirements of the NHS Internal Audit Standards, 2011 and provides appropriate independent assurance to the Committee, Chief Executive and the Trust Board. This will be achieved through:

- consideration of the provision of the internal audit service, the cost of the service and any questions of resignation and removal (of the service)
- review and approval of the internal audit strategy, operational plan and more detailed programme of work, ensuring that this is consistent with the audit needs of the Trust as identified in the assurance framework
- considering the major findings of internal audit work; and management's response to recommendations made;
- ensuring co-operation and co-ordination between the internal and external auditors to optimise audit resources
- ensuring that the internal audit function is adequately resourced and has appropriate standing within the organisation
- an annual review of the effectiveness of internal audit
- regular monitoring of key performance metrics aligned to the delivery of the service

External Audit

- 3.6. The Committee will review the work and findings of the external auditor service and consider the implications of recommendations made; and management's responses to them. This will be achieved through:
- consideration of the appointment and performance of the external auditor, as far as the rules governing that

appointment permit

- discussion and agreement with the external auditor, before the audit commences, of the nature and scope of the audit as set out in the annual plan; and ensuring coordination, as appropriate, with other external auditors in the local health economy
- discussion with the external auditor of their local evaluation of audit risks and assessment of the Trust and associated impact on the audit fee
- review of all external audit reports, including the report to those charged with governance, agreement of the annual audit letter before submission to the Trust Board and any work undertaken outside the annual audit plan, together with the appropriateness of management responses.
- regular monitoring of key performance metrics aligned to the delivery of the service

Counter fraud

- 3.7. The Committee will satisfy itself that the Trust has adequate arrangements in place for countering fraud and will review the outcomes of counter fraud work.

Auditor Panel

- 3.8. The Local Audit and Accountability Act (2014) states that NHS Trusts must each identify an auditor panel to appoint their own external auditors. The Audit Committee acts as the auditor panel.
- 3.9. The duties of the Panel are set out below:
- Advise the organisation's board/ governing body on the selection and appointment of the external auditor. This

includes:

- agreeing and overseeing a robust process for selecting the external auditors in line with the organisation's normal procurement rules
 - making a recommendation to the board/ governing body as to who should be appointed
 - ensuring that any conflicts of interest are dealt with effectively
 - Advise the organisation's board/ governing body on the maintenance of an independent relationship with the appointed external auditor
 - Advise (if asked) the organisation's board/ governing body on whether or not any proposal from the external auditor to enter into a liability limitation agreement as part of the procurement process is fair and reasonable
 - Advise on (and approve) the contents of the organisation's policy on the purchase of non-audit services from the appointed external auditor
 - Advise the organisation's board/ governing body on any decision about the removal or resignation of the external auditor
- 3.10. The must discharge its duties separately from the audit committee.

Other Assurance Functions

- 3.11. The Committee will review the findings of other significant assurance functions, both internal and external to the Trust; and consider the implications to the governance of the Trust.
- 3.12. These will include, but will not be limited to:
- any reviews by Department of Health arm's length bodies, regulators and inspectors, including the Care Quality Commission, NHS Litigation Authority;

- professional bodies with responsibility for the performance of staff or functions, including the Royal Colleges and professional and specialist accreditation bodies.

- 3.13. The Committee will review the work of other committees within the Trust, where their work can provide relevant assurance to the Audit Committee's own scope of work. Particular note will be made of the work of the Quality and Risk Management Committee.
- 3.14. In reviewing the work of the Quality and Risk Management Committee, and issues around clinical risk management, the Audit Committee will wish to satisfy itself on the assurance that can be gained from the clinical audit function.
- 3.15. The Committee will review and make recommendations to the Trust Board for any changes to the Standing Orders, Standing Financial Instructions Scheme of Delegations.
- 3.16. The Committee will examine the circumstances associated with each occasion when Standing Orders are waived.

Management

- 3.17. The Committee will request and review reports and positive assurances from directors and managers on the overall arrangements for governance, risk management and internal control.
- 3.18. The Committee may also request specific reports from individual functions within the Trust, for example, clinical audit, as may be appropriate to the understanding of the overall arrangements.

Financial Reporting

- 3.19. The Committee will review the integrity of the financial statements of the Trust and any formal announcements relating to the Trust's financial performance.
- 3.20. The Committee will seek assurance that the systems for financial reporting to the Board, including those of budgetary control, are subject to review for completeness and accuracy of the information provided to the Board.
- 3.21. The Committee will review the Trust Annual Report and financial statements before submission to the Board. It will focus on:
 - 3.22. the wording in the Annual Governance Statement and other disclosures relevant to the terms of reference of the Committee
 - 3.23. changes in, and compliance with, accounting policies, practices and estimation techniques
 - 3.24. unadjusted mis-statements in the financial statements
 - 3.25. significant judgements in preparation of the financial statements
 - 3.26. significant adjustments resulting from the audit
 - 3.27. the Chief Executive's Letter of Representation to the external auditor
 - 3.28. qualitative aspects of financial reporting.

4. Conduct of business

- 4.1. The Trust Secretary will provide the administrative support to the Committee and will be the secretary to the Committee. The Trust Secretary will:
- provide timely notice of meetings
 - liaise with the Chairman to agree meeting agendas and attendees
 - collect and forward agendas and supporting documents to members and attendees in advance of the meetings
 - attend to take minutes of the meeting
- 4.2. The Trust Secretary will also:
- maintain a record of matters arising and issues to be carried forward
 - advise the Committee on issues pertinent to it
 - enable the development and training of Committee members

Frequency

- 4.3. Meetings will be held at least four times per year. The Chairman may announce additional meetings where these are deemed to be necessary.
- 4.4. The external auditor and the Head of Internal Audit may request a meeting, if they consider that one is necessary.

Notice of meetings

- 4.5. An agenda of items to be discussed will be forwarded to each member of the Committee and any other person required to attend, no later than five working days before the date of the meeting. Supporting papers will be sent to Committee

members and to other attendees as appropriate, at the same time

- 4.6. In normal circumstances, a minimum notice period of two weeks must be given for any other meetings of the Committee. Emergency meetings can be arranged, at shorter notice, if this is approved and evidenced as such, by the majority of the members of the Committee.

5. Reporting

- 5.1. Formal minutes of Committee meetings will be recorded; and will normally be confirmed as accurate at the next meeting of the Committee.
- 5.2. The Chairman of the Committee will present a report to the next meeting of the Trust Board, summarising the decisions of the Committee
- 5.3. The Chairman of the Committee will report to the Board annually on its work in support of the Annual Governance Statement (or equivalent), specifically commenting on the fitness for purpose of the Trust's assurance framework, the completeness and 'embeddedness' of risk management in the Trust, the adequacy of the governance arrangements and the robustness of the processes behind the quality accounts.
- 5.4. The Trust's annual report will include a section describing the work of the Audit Committee in discharging its responsibilities.

6. Review

- 6.1. The Committee will review these terms of reference annually. This review will include a self-assessment of its effectiveness in discharging its responsibilities as set out; and in delivering against the needs of the Trust.
- 6.2. As part of this assessment, the Committee will consider whether or not it receives adequate and appropriate support in fulfilment of its role and whether or not its current workload is manageable.