

Committee Terms of Reference

Audit Committee

Purpose

To provide a central means by which the Trust Board ensures effective internal control arrangements are in place. The committee also provides a form of independent check upon the executive arm of the Trust board. It is the job of Executive Directors and the Accountable Officer to establish and maintain processes for governance. The Committee independently monitors, reviews and reports to the Trust Board on the process of governance, and where appropriate, facilitates and supports, through its independence, the attainment of effective processes.

Date Adopted

6th September 2017

Review Frequency

Annual

Core Accountabilities

Terms of reference drafting	
Review and approval	Audit Committee
Adoption and ratification	Trust Board

1. Authority

- 1.1** The Trust Board hereby resolves to establish a Committee of the Board to be known as the Audit Committee (“the Committee”).
- 1.2** The Committee is a standing committee of the Trust’s Board of Directors (“the Board”). Its constitution and terms of reference shall be set out below and will be subject to amendments approved by the Board.
- 1.3** The Committee is authorised by the Board to act and 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 to obtain such internal information as is necessary and expedient to the fulfilment of its functions.
- 1.5** The Committee is authorised to instruct professional advisers and request the attendance of individuals and authorities from outside the Trust with relevant experience and expertise if it considers it necessary or expedient to the exercise of its functions.

2. Membership and attendance at meetings

Membership

- 2.1** The Committee shall be appointed by the Board and shall consist of:
- Three Non-Executive Directors
- 2.2** One of the members shall be appointed Chair of the Committee.
- 2.3** At least one of the members of the Committee will have recent and relevant financial experience.
- 2.4** The Chair of the Trust will not be a member of the Committee.

Quorum

- 2.3** The quorum necessary for the transaction of business will be:
- Two Non-Executive Directors

Attendance

- 2.4** Meetings of the Committee shall normally be attended by:
- Finance Director
 - Director of Nursing and Quality
 - Assistant Director of Finance
 - Internal Audit
 - External Audit
 - Trust Secretary
 - A Public Governor
- 2.5** The Chief Executive will be invited to attend when required to provide assurance or explanation on issues of control in the Trust. It is expected that the Chief Executive will attend when the Committee discusses the Annual Governance Statement and the Internal Audit Plan.
- 2.6** The Chair of the Trust may be invited to attend meetings of the Committee, but will have no voting rights.
- 2.7** The Committee may invite other persons to attend a meeting so as to assist in deliberations (other Executive and Non-Executive Directors can attend meetings as desired but will not form part of the permanent membership of this committee). The Chair shall be notified of any additional attendees prior to the meeting.
- 2.8** At least once a year the Audit Committee will meet privately with the external and internal auditors.
- 2.9** Members will attend at least 75% of meetings.
- 2.10** If needed, meetings by conference telephone call are acceptable with the approval of the Committee Chair.

3. Roles and responsibilities

- 3.1** The Board will delegate delivery of Strategic Plan actions to the appropriate Committee in conjunction with any relevant sections of the Board Assurance Framework.
- 3.2** The Committee will act on any delegated responsibilities allocated by the Board.
- 3.3** The Committee will delegate actions to appropriate sub-groups as and when required.

Integrated Governance, Risk Management and Internal Control

- 3.4** The Committee shall review the establishment and maintenance of an effective system of integrated governance, risk management and internal control, across the whole of the organisation's activities (both clinical and non-clinical), that supports the achievement of the organisation's objectives.
- 3.5** It shall monitor the integrity of the financial statements of the trust, and any formal announcements relating to the trust's financial performance, reviewing significant financial reporting judgements contained in them.
- 3.6** In particular, the Committee will review the adequacy and effectiveness of:
- All risk and control related disclosure statements (in particular the Annual Governance Statement) other than those that require approval by the Trust Board and declarations of compliance with the Care Quality Commission (CQC) registration requirements, 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.
 - The policies and procedures for all work related to counter fraud and security required by NHS Protect.
- 3.7** In carrying out this work the Committee will primarily utilise the work of Internal Audit, External Audit and other assurance functions, but will not be limited to these sources. It 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.
- 3.8** 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.
- 3.9** The Committee shall meet privately with the External and Internal Auditors at least once a year.

Internal Audit

3.10 The Committee shall ensure that there is an effective internal audit function established by management that meets mandatory Government Internal Audit Standards in an F.T. and provides appropriate independent assurance to the Audit committee, Chief Executive and Board. This will be achieved by:

- Consideration of the provision of the Internal Audit service, the cost of the audit and any questions of resignation and dismissal.
- 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 organisation as identified in the Assurance Framework.
- Consideration of the major findings of internal audit work (and management's response) and ensure 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.
- Annual review of the effectiveness of internal audit.

External Audit

3.11 The Committee shall review the independence, objectivity and findings of the External Auditor and consider the implications and management's responses to their work. This will be achieved by:

- Consideration of the appointment and performance of the External Auditor, as far as the rules governing 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 ensure co-ordination, as appropriate, with other External Auditors in the local health economy.
- Discussion with the External Auditors of their local evaluation of audit risks and assessment of the Authority/Trust/PCT 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 Board and any work carried outside the annual audit plan, together with the appropriateness of management responses.
- Development and implementation of a policy on the engagement of the External Auditor to supply non-audit services.

Other Assurance Functions

3.12 The Audit Committee shall review the findings of other significant assurance functions, both internal and external to the organisation, and consider the implications to the governance of the organisation.

3.13 These will include, but will not be limited to, any reviews by Department of Health Arm's Length Bodies or Regulators/ Inspectors (e.g. Care Quality Commission, Monitor, NHS Litigation Authority, etc.), professional bodies with responsibility for the performance of staff or functions (e.g. Royal Colleges, accreditation bodies, etc.).

3.14 In addition, the Committee will review the work of other committees within the organisation, whose work can provide relevant assurance to the Audit Committee's own scope of work. This will particularly include any Risk Management committees that are established.

3.15 In reviewing the work of the Quality Committee, and issues around clinical risk management, the Audit Committee will wish to satisfy themselves on the assurance that can be gained from the clinical audit function.

Counter Fraud

3.16 The Committee shall satisfy itself that the organisation has adequate arrangements in place for counter fraud and security that meet NHS Protect's standards and shall review the outcomes of work in these areas.

Financial Reporting

3.17 The Committee should ensure that the systems for financial reporting to the Board, including those of budgetary control, are subject to review as to the completeness and accuracy of the information provided.

3.18 The Committee shall, review the Trust's annual report and financial statements before submission to the Board, focussing particularly on:

- The wording in the annual governance statement and other disclosures relevant to the terms of reference of the Committee
- Changes in, and compliance with, accounting policies, practices and estimation techniques
- Unadjusted mis-statements in the financial statements
- Significant judgments in preparation of the financial statements
- Significant adjustments resulting from the audit
- Letters of representation
- Explanations for significant variances

3.19 The Audit Committee will also receive copies of the Annual reports and financial statements for the Trust's subsidiary companies.

Raising Concern

3.20 The Committee shall review the effectiveness of the arrangements in place for allowing staff to raise (in confidence) concerns about possible improprieties in financial, clinical or safety matters and ensure that any such concerns are investigated proportionately and independently.

4. Conduct of business

4.1 A nominated individual from the Executive Secretariat shall be Secretary to the Committee and shall attend to take minutes of the meeting and provide appropriate support to the Chair and Committee members.

4.2 The Committee Secretary will:

- Provide timely notice of meetings
- Liaise with the Chair and Deputy Chief Executive/Finance Director 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
- Maintain a record of matters arising and issues to be carried forward.

Frequency

4.3 The Committee will meet for at least four scheduled meetings per year.

4.4 Additional meetings may be called by the Chair of the Committee or, in the absence of the Chair, by two Non-Executive Directors.

4.5 The External Auditor, Head of Internal Audit or Head of Counter Fraud may make a request to the Chair of the Committee to convene an additional meeting if they consider that one is necessary.

4.6 Meetings will normally last no longer than two hours.

Notice of meetings

4.7 An agenda of items to be discussed will be forwarded to each member of the Committee and other attendees as appropriate no later than four 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.

4.8 Extraordinary meetings can be arranged at short notice, if this is approved and evidenced as such, by the majority of 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 Chair of the Committee will present a report to the next meeting of the Board, summarising the decisions of the Committee.

5.3 The Chair of the Committee shall draw to the attention of the Board any issues that require disclosure to any regulatory authority eg CQC, NHS Improvement, the Council of Governors, or require executive action and raise any significant concerns in relation to the business undertaken directly with the Board in a timely manner.

- 5.4** On an annual basis the Committee will review and report to the Board on:
- the performance of its duties as reflected within its Terms of Reference
 - an annual work plan of activity
 - output of the Committee's self assessment
 - attendance of Committee members
 - make a recommendation as to whether the Committee continues.
- 5.5** Provide assurance as required on its activities to the Board.
- 5.6** The Committee will report to the Board at least annually on its work in support of the annual governance statement, specifically commenting on:
- The fitness for purpose of the assurance framework
 - The completeness and 'embeddedness' of risk management in the organisation
 - The integration of governance arrangements
 - The appropriateness of the evidence that shows the organisation is fulfilling regulatory requirements relating to its existence as a functioning business
 - The robustness of the processes behind the quality accounts
- 5.7** The Trust's annual report will include a section describing the work of the Audit Committee in discharging its responsibilities, give details of any significant issues that the Committee considered in relation to the financial statements and how they were addressed and report attendance of members.
- 5.8** The Committee shall report to the Council of Governors, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken.

6. Review

- 6.1** These Terms of Reference will be subject to an annual review. This review will include a self-assessment on performance of its duties as set out within the Terms of Reference and delivering against the needs of the Trust. Any conclusions and recommendations for change are to be reported to the Board.
- 6.2** As part of this assessment, the Committee shall consider whether or not it receives adequate and appropriate support in fulfilment of its role and whether or not its current workload is manageable.