

Audit Committee Terms of Reference

26 March 2018

Agenda Item No: 11.2

Trust Board Report

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| Meeting Date: | 26 th March 2018 |
| Title: | Audit Committee Terms of Reference |
| Executive Summary: | The Audit Committee at its February meeting reviewed its Terms of Reference, made no significant changes and approved them for consideration by the Trust Board. |
| Report of: | The Audit Committee |
| Action Requested: | Approve the Terms of Reference. |
| For the attention of the Board | |
| Assure | <ul style="list-style-type: none"> The Audit Committee have reviewed the Terms of Reference with regard to the work-plan and business transacted in the last 12 months and confirm that they are consistent. External Audit and Internal Audit were present at the Committee and confirmed that the Terms of Reference were appropriate. |
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| Links to Trust Strategic Objectives | <ol style="list-style-type: none"> Create a culture of compassion, safety and quality To have an effective and well integrated local health and care system that operates efficiently Maintain financial health – Appropriate investment to patient services Be in the top 25% of all key performance indicators |
| Resource Implications: | Revenue: None Capital: None Workforce: None Funding Source: None |
| CQC Domains | Identify which of the 5 Domains this item contributes toward: Safe: patients, staff and the public are protected from abuse and avoidable harm. Well-led: the leadership, management and governance of the organisation make sure it's providing high-quality care that's based around individual needs, that it encourages learning and innovation, and that it promotes an open and fair culture. |
| Equality and Diversity Impact | There is no adverse impact on equality and diversity. |
| Risks: BAF/ TRR | None. |
| Risk: Appetite | None. |
| Public or Private: | PUBLIC |
| Other formal bodies involved: | None |
| References | The Audit Committee is established as part of the Trust's Standing Orders. |
| NHS Constitution: | In determining this matter, the Board should have regard to the Core principles contained in the Constitution of: <ul style="list-style-type: none"> Equality of treatment and access to services High standards of excellence and professionalism Service user preferences Cross community working Best Value Accountability through local influence and scrutiny |
| Appendices | |
| 1 | Terms of Reference for the Audit Committee |

| AUDIT COMMITTEE | |
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| TERMS OF REFERENCE | |
| Trust Strategic Objectives | <ol style="list-style-type: none"> 1. To provide patients and staff with a safe environment. 6. Deliver services within financial allocations. 10. To consolidate our position as a leading Healthcare provider in a commercial environment. |
| Meeting Purpose/Remit | <p>The Audit Committee provides the Board with a means to undertake and obtain independent and objective reviews of financial systems / financial information and help ensure compliance with relevant law, guidance and codes of conduct. The Audit Committee's role has been enhanced to take a wider view over internal controls across the whole of the Trust's activities.</p> |
| Responsibilities | <ol style="list-style-type: none"> 1. Internal Control The Committee shall review the establishment and maintenance of an effective system of internal control. In particular, the Committee will review:- <ul style="list-style-type: none"> • The Annual Governance Statement, and the related Head of Internal Audit Opinion, prior to the endorsement of the Annual Accounts by the Trust Board. In order to undertake such a review, the Audit Committee will need to seek assurance from the activities of the Quality Governance Assurance Committee, not least to ensure that, between the Audit Committee and the Quality Governance Assurance Committee, full coverage is achieved. To support this process, the Audit Committee will meet annually with the Quality Governance Assurance Committee. • the policies for ensuring compliance with relevant regulatory, legal and code of conduct requirements, and the operational effectiveness of such policies and related procedures • the policies and procedures for all work related to fraud and corruption as set out in Secretary of State Directions and as required by the NHS Protect • the timeliness of the implementation of agreed action plans arising from all audit reports within the purview of the Committee • the policies and procedures for security within the Trust 2. Internal Audit The Committee shall ensure that there is an effective internal audit function that meets mandatory NHS Internal Audit Standards and provides appropriate independent assurance to the Audit Committee and Board. This will be achieved by: <ul style="list-style-type: none"> • The consideration of the provision of the Internal Audit service, the audit fee and any questions of resignation and dismissal • The review and approval of the Internal Audit strategy and annual plans, ensuring that these are consistent with the audit needs of the Trust, including the needs of the Quality Governance Assurance Committee • The review of progress against the agreed annual internal audit plan • The consideration of the major findings of internal audit reviews [and management's response] • Ensuring that the quality of the Internal Audit service is maintained and that the service has appropriate standing within the Trust |

- Ensuring co-ordination between the Internal and External Auditors to optimise audit resources
- The review of an Annual Report, provided by the Head of Internal Audit, summarising audit activities during the year
- Note: for the purposes of the above section, references to Internal Audit are deemed to include Counter Fraud work.

3. External Audit

The Committee shall review the work and findings of the External Auditor and consider the implications of, and management response to, their work. This shall be achieved by:

- The consideration of the appointment and performance of the External Auditor
- The discussion with the External Auditor, before the audit commences, of the nature and scope of the audit as set out in the Audit Plan, and ensure co-ordination, as appropriate, with other External Auditors in the local health economy
- Reviewing External Audit reports, including the agreement of the annual audit letter before its submission to the Trust Board, together with the appropriateness of management responses. This requirement does not extend to value for money / performance related reports, which will be reviewed by the Trust Board.
- Reviewing and agreeing any additional work beyond the review of the accounts and Annual Report/Annual Quality reports

4. Financial Reporting

The Audit Committee shall review the Annual Accounts before submission to the Board, focusing particularly on:

- The Annual Governance Statement and other disclosures relevant to the Terms of Reference of the Committee
- Changes in, and compliance with, accounting policies and practices;
- Unadjusted mis-statements in the Annual Accounts
- Major judgmental areas
- Significant adjustments resulting from the audit.

The Committee should also 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 to the Board.

5. Counter Fraud

The Committee shall satisfy itself that the organisation has adequate arrangements in place for countering fraud and shall review the outcomes of counter fraud work.

6. Other

The Committee shall review proposed changes to Standing Orders, the Scheme of Reservation and Delegation, and Standing Financial Instructions, and advise the Board accordingly.

The Committee shall examine the circumstances associated with each occasion when Standing Orders are waived.

The Committee shall approve all Losses and Compensations.

The Committee should review arrangements by which staff of the Trust may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The Audit Committee's objective should be to ensure that arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow-up action.

Where requested by the Board, the Committee should review the content of

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| | <p>the Annual Report/ Quality Account and Accounts and advise the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for stakeholders to assess the Trust's performance and strategy</p> <p>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. In particular, this should include the Quality Governance and Assurance Governance Committee and any risk management committees that are established.</p> |
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| Authority & Accountabilities | <p>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 employee and all employees are directed to co-operate with any request made by the Committee.</p> <p>The Committee is authorised by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.</p> <p>The Committee shall transact all business in accordance with the policy of the Trust on openness and conformity with the principles and values of the Public Services.</p> <p>The Committee shall transact its business in accordance with national/local policy and in conformity with the principles and values of public service (GP01).</p> |
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| Reporting Arrangements | <p>The minutes of Audit Committee meetings shall be formally recorded and submitted to the Board. The Chair of the Committee shall draw to the attention of the Board any issues of significance or that require disclosure to the full Board.</p> <p>The minutes of the Audit Committee meetings shall also be copied to the Trust Quality Governance Assurance Committee.</p> <p>The Chair of the Audit Committee shall provide to the Board an Annual Report of the activities of the Committee.</p> |
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| Membership | <p>The Committee shall be appointed by the Board from amongst the Non-Executive Directors of the Trust and shall consist of not less than 3 members. The Chairman of the Trust Board shall not be a member of the Audit Committee.</p> <p>The Chairman of the Audit Committee shall be appointed by the Chairman and Non-Executive Directors of the Trust.</p> |
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| Attendance | <p>The Chief Financial Officer and appropriate representatives from internal and external audit shall normally attend meetings, and the Audit Committee can require the attendance of any officer of the Trust relevant to the discussion of a specific issue.</p> <p>At least once a year the Committee may wish to meet with the External and Internal Auditors without any Executive Board Director present.</p> <p>The Chief Executive should be invited to attend and should discuss at least annually with the Audit Committee the process for assurance that supports the Annual Governance Statement. He or she should also attend when the Committee considers the draft Internal Audit Plan and the Annual Accounts.</p> <p>All other executive directors may be invited to attend, particularly when the Committee is discussing areas of risk or operation that are the responsibility of that director.</p> |
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| Chair | NED Chair |

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| Quorum | A quorum shall be 2 members. |
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| Frequency of meetings | Meetings shall be held not less than four times a year. The External Auditor or Head of Internal Audit may request a meeting if either considers that one is necessary. At least annually the members of the Committee will meet with the Trusts' Auditors without any other Committee attendees being present. |
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| Administrative support | The Finance and Information Department will provide administrative support. Agenda and papers will be circulated one week prior to the meeting. |
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| Standards | Monitor's Code of Governance Monitor's Risk Assessment Framework Monitor's Annual Planning guidance The Health NHS Board – Principles of good governance Corporate Governance – Principles of Public Life (GP01) Guidance on Audit Committees – FRC (Sept 2012) NHS Audit Committee Handbook |
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| Standard Agenda | Agendas will be built around the annual Committee workplan, and most of the following will appear on each agenda, while some will appear only once or twice each year: Declarations of interest, minutes of previous meeting, Action list, Security report, Counter Fraud and LCFS report, Internal Audit reports, External Audit Plan and progress reports, Annual Audit letter, External Auditor's report to those charged with Governance, Losses and Compensations, Breaches of SO/SFI, Recommendation Tracker, annual report/quality account, Annual Governance Statement, Internal Audit Strategy and Annual Plan, review of SO/SFIs, self-assessment of Committee's effectiveness, review of the Committee's terms of reference, Annual Report of Audit Committee. |
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| Subgroups | As instigated or identified by the Committee |
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| Date Approved | March 2018 |
| Date Review | March 2019 |