

## **Audit Committee Terms of Reference**

### **1. Authority**

The Audit Committee is authorised by the Board to investigate any activity within its Terms of Reference and to seek any information it requires from any employee, and all employees are directed to co-operate with any requests made by the committee. The committee is authorised by the Board to obtain external legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

### **2. Reporting Arrangements**

The Audit Committee will be accountable to the board of Directors.

The minutes of Committee meetings shall be formally recorded by the Secretary and submitted to the Board. The Chair of the Committee shall draw to the attention of the Board any issues that require disclosure to the full Board, or require executive action.

The Committee will refer to the other two Board governance Committees (the Quality Assurance Committee and the Finance and Investment Committee) matters considered by the Committee deemed relevant for their attention. The Committee will consider matters referred to it by those two governance Committees.

### **3. Frequency of meetings**

A minimum of five meetings per year at appropriate times in the reporting and audit cycle

Prior to each meeting the Audit Committee will have a short meeting in private with the auditors.

### **4. Membership**

Three Non-Executive Directors (may not be the Trust Chair or the Chair of the Finance Committee)

In attendance

Director of Finance

External Auditors

Internal Auditors

Trust Secretary

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. The Chief Executive should also attend when the Committee considers the draft internal audit plan and the annual accounts. Other executive directors will be invited to attend when the committee is discussing areas of risk or operation that are the responsibility of that director

5 **Chair**

The Committee shall be chaired by a Non Executive Director with recent and relevant financial experience. In the absence of the Chair, a decision will be taken in advance of the meeting with regard to who will chair that particular meeting.

6. **Quorum**

Two Non Executives

7. **Attendance**

If a member fails to attend two consecutive meetings the Chair of the Committee will speak to the individual. The Chair will also be required to bring to the attention of the Chairman or Chief Executive if they feel that lack of attendance has not enabled adequate discussion or decision making.

8. **Main Duties and Responsibilities**

The committee will:

provide the third line of assurance focusing on reviewing assurance and gaps in the control and scrutiny provided by other committees.

review 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.

Review the Board Assurance Framework at least twice a year

use Monitor's quarterly risk rating to monitor and review the Trust's financial performance and any formal announcements relating to the Trust's financial performance, reviewing significant financial reports and the judgments contained in them.

In particular, the committee will review the adequacy of:-

All risk and control related disclosure statements 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.

Review and seek assurances on the work of other committees.

In carrying out this work the committee will primarily utilise the work of internal audit, external audit and other assurance functions, but will also seek reports and assurance from directors and managers as appropriate, concentrating on the

overarching systems of integrated governance, risk management and internal control, together with indicators of their effectiveness.

### **Internal Audit**

The committee shall ensure that there is an effective internal audit function established by management, that meets mandatory Government audit standards 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 approve 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 managements response) and ensuring co-ordination between external and internal auditors to optimise audit resources.

Ensuring that the internal audit function is adequately resourced and has appropriate standing within the Trust.

Annual review of the effectiveness of internal audit.

### **External Audit**

The committee shall review the work and findings of the external auditor appointed by the Governors 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 auditors, as far as the rules governing the appointment permit.

Liaison with the Council of Governors regarding the appointment and performance of the external auditor.

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.

Review 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 out outside the annual audit plan, together with the appropriateness of management responses.

### **NHS Protect**

The Audit Committee shall satisfy itself that the organisation has adequate arrangements in place for countering fraud and shall review the outcomes of counter fraud work including but not limited to:-

The policies and procedures for all work related to fraud and corruption as set out in Secretary of State Directions and as required by NHS Protect and Security Management Service.

regular reports from the CFMS (Counter Fraud Management Specialist)

The Trust has identified a Non Executive to undertake the whistleblowing role in line with the Trust's policy and will review any issues raised in the Audit Committee.

### **Financial Reporting**

The Audit Committee shall monitor the integrity of the financial statements of the Trust and any formal announcements relating to the Trust's financial performance.

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

The Audit Committee shall review the Annual Report and financial statements before submission to the Board, focusing primarily on:-

The wording in the Statement on Internal Control 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 judgements in preparation of the financial statements.

Significant adjustments resulting from the audit.

Letter of representation

Qualitative aspects of financial reporting.

### **Other Responsibilities**

The audit committee will also be responsible for:-

Scrutinising waivers approved by CE and DOF and approving waivers of £250,000 - £1m

Approving changes to the Trust's standing financial instructions.

Receiving regular reports on losses and compensations and review the appropriateness thereof.

Receiving regular reports on variations to terms and conditions of service and review the appropriateness thereof.

## **9. Decisions**

The Audit Committee is a decision-making committee. Decisions by the Committee must accord with the requirements of the Standing Orders and the Scheme of

Delegation – General Principles and be reported to the next available Board of Directors.

10. **Agenda & Papers**

An agenda for each meeting, together with relevant papers, will be forwarded to committee members to arrive no later than 4 working days before the meeting.

12. **Organisation**

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 compiled to demonstrate fitness to register with the CQC and the robustness of the processes behind the quality accounts

The Committee will be supported by the Trust Secretary, whose duties in this respect will include:

Agreement of the agenda with Chairman and attendees and collation of papers

Taking the minutes and keeping a record of matters arising and issues to be carried forwards

Advising the committee on pertinent areas

Minutes of the meeting will be approved by the committee members.

13. **Monitoring Effectiveness**

The Committee will undertake an annual review of its performance against its annual work plan, in order to evaluate the achievement of its duties.

14 **Review of Terms of Reference**

These Terms of Reference will be reviewed at least annually

July 2015