

Terms of Reference	
Committee Name:	Audit Committee
Chairperson	Geoff Bean – Non Executive
Date:	July 2014
Version:	FTv12
Reports to:	The Full Trust Board, through minutes and Chairs report of key outcomes.
Receives reports/ minutes from:	<ol style="list-style-type: none"> 1. Finance & Investment Committee 2. Quality & Safety Committee 3. HR Committee 4. Charitable Trust Board 5. Engagement Committee 6. Information Governance Committee 7. Corporate Communications Committee 8. Clinical Audit & Effectiveness Committee 9. IM&T Strategy Committee
Constitution	The committee is a non-executive sub-committee of the Board and has no executive powers other than those specifically delegated in these Terms of Reference.
Meeting and Attendance Frequency:	Minimum of 5 meetings per annum, more frequently if deemed necessary by the Committee, Internal or External Auditors on an ad hoc basis as agreed with the Chairperson. Audit NEDs must attend at least 3 meetings a year
Definition of Quorum:	No business shall be transacted unless Three Non Executive Directors of the committee are present.
Membership	The Committee shall be appointed by the Board from amongst the Non-Executive Directors of the Trust and shall consist of not less than four members. The Chairman of the Trust cannot be a member.
Core Membership:	All Non Executive Directors are eligible to attend the Audit Committee with the exclusion of the Chairman. There is a core membership of 4 NEDs (GB/RA//RC/NT). Membership should include a NED with recent and relevant financial experience.
Attendance	<p>Appropriate representatives from the Executive Management Team and appropriate representation from Internal and External Audit and Counter Fraud.</p> <p>At least once per year the Committee may meet privately with the Internal and External Auditors without any Executive Board members 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. All other executive directors should be invited to attend, particularly when the Committee is discussing areas of risk or operation that are the responsibility of that director.</p> <p>The Trust Secretary/Corporate Services Administrator shall attend to take minutes of the meeting and provide appropriate support to the Chairman and Committee Members.</p>

<p>In Attendance: (to support the committee)</p>	<p>Two Executive Directors, (one of which must be the Director of Finance or his/her deputy and a Director with a clinical background or his/her deputy) and appropriate representatives from External, Internal Audit, the Counter Fraud Team and the Trust Board Secretary (or his/her representative).</p>
<p>Authority</p>	<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 cooperate with any request made by the Committee. The committee is authorised by the Trust 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 Audit committee will escalate matters of concern to the Trust Board using the approved escalation template. Where a red risk score has remained unchanged for 3 consecutive months, this should be considered for escalation to the Trust Board or Amber for 6 months this should be considered for escalated to the Trust Board.</p> <p>Time will be set aside at the start of Audit Committee meetings to consider any aspects of audit relating to the Charitable Trust as required.</p>

**Scope of
Responsibility
(Duties):**

Governance, Risk Management and Internal Control

The Committee shall review the establishment and maintenance of an effective system of integrated governance, internal control and risk management, across the whole of the organisation's activities (both clinical and non-clinical), that supports the achievement of the organisation's objectives.

In particular, the Committee shall:

1. Critically review all risk and control related disclosure statements (in particular the Annual Governance Statement and declarations of compliance with the Care Quality Commission & Monitor), together with any accompanying Head of Internal Audit statement, external audit opinion or other appropriate independent assurances, prior to endorsement by the Board
2. Review the Trust's process of corporate governance to ensure that due consideration is being given to the Assurance Framework.
3. Ensure a procedure is in place to identify, manage and measure key risks facing the Trust.
4. Ensure that the Trust has an appropriate frame work in place to review all policies including compliance with relevant regulatory, statutory, legal and code of conduct requirements and guidance relevant to the operation of the Trust.
5. Establish a procedure to monitor the operational effectiveness and procedures and policies including the policy on the supply of non-audit services including non-audit services provided by the External Auditor to the Trust as reported in the annual report.
6. Consider the adequacy of policies and procedures covering fraud and corruption as set out by the Department of Health and as required by the Counter Fraud and Security Management Services.
7. Consider the Annual Report, Quality Accounts and Financial Statement before recommending acceptance to the Board, focusing particularly on the wording in the Annual Governance Statement and other disclosures relevant to the ToR of the Committee.
8. Advise the Board on any issues, which might have material effect on the Organisation.
9. Review or consider the Trust Strategy and any issues that may arise in relation to anti-fraud and corruption.
10. Conduct an Annual Review of all aspects of the Board Assurance Framework to ensure that the principles are embedded in the organisation.
11. Review the Trust's processes for monitoring Information Governance and Clinical Audit
12. Conduct a Bi-annual review of the Corporate Risk Register to ensure that the processes for escalation of risks are operating appropriately.

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 audit functions. 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. 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, as well as reference to the Trust's Risk Register.

INTERNAL AUDIT

The Committee shall ensure that there is an effective internal audit function established by management that meets mandatory NHS Internal 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 (including involvement in the selection process when/if a provider is changed).
- Review and approval of the Internal Audit strategy, operational plan, reporting system, 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, including monitoring of progress on the implementation of IA recommendations), and ensure co-ordination between the Internal and External Auditors to optimise resources.
- Ensuring that the Internal Audit function is suitably qualified adequately resourced and has appropriate standing within the organisation.
- Annual review of the effectiveness of the Internal audit

EXTERNAL AUDIT

The Committee shall review the work and findings of the External Auditor appointed by the Council of Governors having taken account of the recommendations of the Audit Committee and consider the implications and management's responses to their work. This will be achieved by:

- Consideration of the appointment, costs and performance of the External Auditor, to be overseen by an external audit task and finish sub committee of the COG, chaired by the Audit Committee Chair.
- 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 coordination, as appropriate, with the other External Auditors in the local health economy
- Discussion with the External Auditors of their local evaluation of audit risks and assessment of the Trust and associated impact on the audit fee
- In addition the committee will monitor progress against the implementation of External Auditor recommendations.

Review all External Audit reports, including agreement of the annual audit letter before submission to the Board and any work undertaken outside the annual audit plan, together with the appropriateness of management responses

OTHER ASSURANCE FUNCTIONS

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.

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

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 the Quality and Safety Committee and other sub committees of the Board that are established.

In reviewing the work of the Quality & Safety Committee, and issues around clinical risk management, the Audit Committee will wish to satisfy themselves on a biannual arrangement of the assurance that can be gained from the CRR and BAF.

Review the work of the Legal Services Department by receiving bi-annual reports of activity, to provide assurance on effectiveness of service delivery.

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.

MANAGEMENT

The Committee shall request and review reports and positive assurances from directors and managers on the overall arrangements for governance, risk management and internal control, including regular updates on the Trust's Assurance Framework and Risk Register as described above. They may also request specific reports from individual functions within the organisation (e.g. clinical audit) as they may be appropriate to the overall arrangements.

The committee will after each meeting consider the effectiveness of the discussion and assurances received.

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 should 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 the information provided to the Board.

The Audit Committee shall review the annual report and financial statements before submission to the Board, focusing 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 judgements in preparation of the financial statements
- Significant adjustments resulting from the audit
- Letter of representation
- Qualitative aspects of financial reporting.

Other Matters	<p>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 (including quality 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.</p> <p>The Committee shall be supported administratively by the Trust/Company Secretary, whose duties in this respect will include:</p> <ul style="list-style-type: none"> • Agreement of agendas with Chair and attendees and collation of papers • Ensuring accurate minutes are recorded • Keeping a record of matters arising and issues to be carried forward • Advising the Committee on pertinent issues/areas • Enabling the development and training of Committee members.
Review Date:	August 2015 (minor changes can be adopted on an ongoing basis i.e. job titles and attendees)
Monitoring ToR	On an annual basis, the Committee will review its own effectiveness by reference to the self assessment checklist provided at appendix B of the NHS Audit Committee Handbook 2011.