

TRUST BOARD
28th July 2016

AGENDA ITEM NUMBER	
TITLE OF PAPER	Audit Committee Terms of Reference
Confidential	
Suitable for public access	√
PLEASE DETAIL BELOW THE OTHER SUB-COMMITTEE(S), MEETINGS THIS PAPER HAS BEEN VIEWED	
These Terms of Reference were reviewed at the Audit Committee meeting held on 21 st July 2016 and approval was recommended to the Trust Board.	
STRATEGIC OBJECTIVE(S):	
Best outcomes	√
Excellent experience	√
Skilled & motivated teams	√
Top productivity	√
EXECUTIVE SUMMARY	<p>The Audit Committee last reviewed and approved its Terms of Reference at its meeting held on 9th July 2014. These were then approved at the Trust Board meeting held on 31st July 2014. The review has been delayed due to the recent merger discussions with RSCH.</p> <p>The Terms of Reference were reviewed at the Audit Committee meeting held on 21st July 2016 and approval was recommended to the Trust Board.</p> <p>The only changes made relate to updated names for Committees, organisations and standards.</p>
RECOMMENDATION	Receive and approve the paper
SPECIFIC ISSUES CHECKLIST:	
Quality and safety	
Patient impact	
Employee	
Other stakeholder	The Terms of Reference reflect input from external stakeholders.
Equality & diversity	
Finance	
Legal	
Link to relevant Board Assurance Framework Principle Risk	The Audit Committee provides assurance to the Trust Board on the Trust's risks and controls and the effectiveness of audit and counter fraud functions. To carry this out effectively it needs to regularly review and update its Terms of Reference and ensure that they are

	followed.
AUTHOR NAME/ROLE	Paul Doyle, Deputy Director of Finance Terry Price, Non-Executive Director and Committee Chair Please approach for any further information required.
PRESENTED BY DIRECTOR NAME/ROLE	Terry Price, Non-Executive Director and Committee Chair
DATE	21 st July 2016
TRUST BOARD ACTION	Approve

TRUST BOARD
28th July 2016**Audit Committee Terms of Reference****Constitution**

The Trust Board hereby resolves to establish a sub-Committee of the Board to be known as the Audit Committee. The Committee is a non-executive committee of the Board and has no executive powers, other than those specifically delegated in these Terms of Reference.

Authority

The Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to request any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee. The Committee is authorised by the Board to obtain legal or other independent professional advice and to secure the attendance of experts and external representatives or persons with relevant experience/expertise if it considers this necessary.

Limits to authority

- It is not the duty of the Audit Committee to carry out any function that properly belongs to the Trust Board

Membership

The Committee will be appointed by the Board from amongst the non-executive directors of the Trust and shall consist of no less than 3 members

1. Non-Executive Director (Chair)
2. Non-Executive Director
3. Non-Executive Director

Additional staff will be invited as required by invitation. These could include:-

4. Director of Finance and Information
5. Deputy Director of Finance (Secretary)
6. Chief Executive
7. Internal Auditors
8. External Auditors
9. Local Counter Fraud Specialist

Attendance

- The Director of Finance and appropriate Internal and External Audit representatives will normally attend meetings. The Committee will meet privately with the External and Internal Auditors at least once a year.
- The Chief Executive and other Executive Directors will be invited to attend, particularly when the Committee is discussing areas of risk or operation that are the responsibility of that Director.

- The Chief Executive will be invited to attend, at least annually, to discuss with the Audit Committee the process for assurance that supports the Annual Governance Statement.
- The Deputy Director of Finance will attend as Secretary to the Committee.

Quorum

The quorum necessary for transaction of business will be two members. One of the members will be appointed the Chair of the Committee by the Board. The Chairman of the organisation shall not be a member of the Committee.

Frequency and Conduct

Meetings will be held not less than 4 times a year. The External Auditor or Head Internal Audit may request a meeting if they consider that one is necessary.

Chair

The nominated Non-Executive Director will act as Chair of the Committee. In their absence, the deputy Non-Executive Director will act as Chair.

Secretary

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

- Agreement of the agenda with the chairman and attendees and the collation of the papers
- Taking the minutes and keeping a record of matters arising and issues to be carried forward
- Advising the Committee on pertinent areas.

Papers to be circulated 1 week in advance of meetings

Duties

- to that there is 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 organisations objectives. To include oversight of the work of the Quality and Performance Committee (QPC) to ensure that QPC appropriately manages the organisations risks, and reports to the Board any concerns identified
- to review the work programme of QPC to ensure that QPC oversee the behaviours, and the systems and processes in place, to ensure robust and cohesive risk management, clinical governance, and internal control
- to review the adequacy of risk and control related to disclosure statements, in particular the Annual Governance Statement, together with any accompanying Head of Internal Auditor statement, external audit opinion or other appropriate independent assurance

- to review the findings of other significant internal assurance functions, both internal and external to the organisation, and consider the implications to the governance of the organisation. These will include, but not limited to, any reviews by the Department of Health or Regulators/inspectors (e.g. Care Quality Commission, NHS Improvement, NHS Litigation Authority etc.).
- to review the adequacy of the policies for ensuring compliance with relevant regulatory, legal and code of conduct requirements
- to review the adequacy of the policies and procedures for all work related to fraud and corruption as set the Secretary of State department and as required by NHS Protect
- to review the adequacy of the arrangements for reviewing and approving the policy in relation to Whistleblowing, for ensuring that reporting lines for cases are clear and that monitoring arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow-up action.
- to utilise Internal and External Audit, any other relevant assurance functions, and to actively request reports and positive assurances from Directors and Managers, in order to carry out the Committee's duties
- to report to the Trust Board through the provision of an Annual Report and minutes of the meetings
- to report periodically 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
- to report periodically to the Council of Governors on the performance of the external auditor, and to make a recommendation to the Council of Governors with respect to the reappointment or removal of the external auditor

Internal Audit

- to ensure that there is an effective Internal Audit function established by management that meets mandatory Public Sector Internal Audit Standards and provides appropriate independent assurance to the Audit Committee, Chief Executive and Board.

This will be achieved by

- consideration of provision of the internal audit service, the fees and any questions regarding resignation or dismissal
- review and approval of the Internal Audit strategy, operational plan and more detailed programme of work, ensuring this is consistent with the audit needs of the organisation
- consideration of major findings of internal audit investigations (and management's responses) and ensuring co-ordination between Internal and External Auditors to optimise resources
- ensuring the Internal Audit function is adequately resourced and has appropriate standing within the organisation

External Audit

- to review the work and findings of the External Auditors appointed by the Council of Governors and consider the implications and management's responses to their work.

This will be achieved by

- consideration of appointment and performance of the External Auditor as far as the Trust Constitution permits
- 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 Auditors of their evaluation of audit risks and assessment of the Trust and associated impact on the audit fee
- review all External Audit reports, including 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
- agreement of any non-audit work to be carried out by the External Auditor

Local Counter Fraud Service (LCFS)

- to ensure that there is an effective LCFS established by management that meets mandatory requirements and provides appropriate independent assurance to the Audit Committee, Chief Executive and Board
- to input into the review of the Trust's Whistleblowing Policy

This will be achieved by

- consideration of provision of the LCFS, the fees and any questions regarding resignation or dismissal
- review and approval of the strategy, operational plan and more detailed programme of work, ensuring this is consistent with the audit needs of the organisation
- consideration of fraud and whistleblowing policies and arrangements
- consideration of major findings of LCFS investigations (and management's responses) and the final outcome of individual cases
- ensuring the LCFS is adequately resourced and has appropriate standing within the organisation

Financial Reporting and Annual Accounts/Reports

- to review the Annual Accounts before submission to the Board, focussing particularly on
 - Wording in the Annual Governance Statement and other disclosures relevant to the Terms of Reference of the Committee
 - Approval/review, and compliance with, accounting policies and practices
 - Unadjusted mis-statements in the financial statements
 - Major judgemental areas; and

- Significant adjustments resulting from the audit
- oversight of the timetables for the process of production of the Annual Accounts, Annual Report and Quality Accounts and then review of them once produced prior to Board approval
- to ensure that systems for financial planning are robust and that the key assumptions and risks within the Trust financial plans are appropriate
- to ensure that the systems for financial reporting to the Board, including those of budgetary control, are reviewed in relation to completeness and accuracy of the information provided to the Board.
- to review schedules of losses and compensations, making recommendations to the Trust Board as appropriate, taking account of delegated limits.

Key Responsibilities

- to satisfy the Committee on the assurance that can be gained from the clinical audit function.
- to ensure annual review of the effectiveness of internal audit and LCFS is carried out
- to ensure Internal and External Audit and LCFS functions are cost effective

Reporting Lines

The Chair will report to the Board, quarterly on the proceedings of the Committee since the previous meeting. The Chair of the Committee will draw to the attention of the Board any issues that require disclosure or require executive action.

The Chair of the Committee will report 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 and the appropriateness of the self-assessment against the Essential Standards.

Monitoring

The effectiveness of the Audit Committee will be monitored by the Trust Board via the receipt and discussion of minutes and the Annual Report.

Approved by Audit Committee 21st July 2016
Approved by Trust Board 2016