

**TRUST BOARD**  
**31<sup>st</sup> July 2014**

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| <b>TITLE</b>  | <b>Audit Committee Terms of Reference</b>   |
| <b>EXECUTIVE SUMMARY</b>  | <p>The Audit Committee reviewed its Terms of Reference at its meeting held on 9<sup>th</sup> July 2014 and attached are revised terms for Trust Board approval.</p> <p>At the meeting the Committee considered a self-assessment checklist from the 2014 NHS Audit Committee Handbook</p> <p>The only changes proposed to the Terms of Reference are highlighted and relate to whistleblowing under Duties and LCFS.</p> <p>The Board are asked to approve these changes.</p> |
| <b>BOARD ASSURANCE (Risk) / IMPLICATIONS</b>                                    | The Board looks to the Audit Committee to obtain assurance on the Trust's risks and controls and the effectiveness of audit and counter fraud functions.  |
| <b>LINK TO STRATEGIC OBJECTIVE / BAF STAKEHOLDER / PATIENT IMPACT AND VIEWS</b> | <p>Audit Committee remit covers all objectives.</p> <p>The Terms of Reference sets out the stakeholders that the Committee will engage with in discharging its duties..</p>   |
| <b>EQUALITY AND DIVERSITY ISSUES</b>  | None that I am aware of.  |
| <b>LEGAL ISSUES</b>   | None that I am aware of.  |
| <b>The Trust Board is asked to:</b>   | Approve the revised Terms of Reference for the Audit Committee.   |
| <b>Submitted by:</b>  | Terry Price, Non-Executive Director & Audit Committee Chair   |
| <b>Date:</b>  | 24 <sup>th</sup> July 2014  |
| <b>Decision:</b>  | For Approval  |

## 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 Integrated Governance Assurance Committee (IGAC) to ensure that IGAC appropriately manages the organisations risks, and reports to the Board any concerns identified
- to review the work programme of IGAC to ensure that IGAC 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, Monitor, NHS Litigation Authority, Audit Commission 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 NHS 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 Trust Board**

**Approved by Audit Committee**      9<sup>th</sup> July 2014