



**Sheffield Health
and Social Care**
NHS Foundation Trust

AUDIT COMMITTEE
26 May 2017

Open BoD 14 06 17
Item 14i(b)

OPEN BOARD OF DIRECTORS' MEETING
14 June 2017

TITLE OF PAPER	Annual Report of the Audit Committee to the Board for the period 1 April 2016 – 31 March 2017
TO BE PRESENTED BY:	Mr. Phillip Easthope, Executive Director of Finance Mrs. Ann Stanley, Non-Executive Director (Chair, Audit Committee)
ACTION REQUIRED	The attached report is provided to give the necessary assurances to the Board of Directors that the Audit Committee has satisfied its terms of reference. It seeks to provide the Board with evidence relevant to its responsibilities for the Annual Governance Statement for the period 1 April 2016 – 31 March 2017.
OUTCOME	To note assurance. The attached report was received and approved by the Audit Committee at its meeting on the 18 th April 2017 for presentation to the Board of Directors.
TIMETABLE FOR DECISION	18 April 2017 – Audit Committee 14 June 2017 – Board of Directors
LINKS TO OTHER KEY REPORTS / DECISIONS	Annual Governance Statement 2016/2017; Committee's self-assessment process; Work undertaken by External Audit and Internal Audit Services during the year 2016/2017.
LINKS TO OTHER RELEVANT FRAMEWORKS BAF, RISK, OUTCOMES ETC	The key link is the Committee's terms of reference to objectively review and monitor the delivery of the Board Assurance Framework (BAF) document which identifies where risks are managed effectively and provides a structure for the evidence to support the Statement on Internal Control.
IMPLICATIONS FOR SERVICE DELIVERY	As above.

AND FINANCIAL IMPACT	
CONSIDERATION OF LEGAL ISSUES	Not applicable.

Author of Report	Ann Stanley
Designation	Non-Executive Director – Chair, Audit Committee
Date of Report	May 2017



Audit Committee

Annual Report of the Committee for the period 1st April 2016 – 31st March 2017

1. Background

Good practice states that the Trust Board should review the performance of its Committees annually to determine if they have been effective, and whether further development work is required.

This Annual Report summarises the activities of the Trust's Audit Committee (the Committee) for the financial year 2016/2017 setting out how it has met its Terms of Reference and key priorities.

The report of the committee is timed to support the preparation of the Annual Governance Statement.

The purpose of the Committee is laid down in its Terms of Reference. In summary, it oversees the establishment and maintenance of an effective system of internal control throughout the organisation. It ensures that there are effective internal audit arrangements in place, reviews the work and findings of External Audit, reviews the Trust's annual statutory accounts before they are presented to the Trust Board and maintains oversight of the Trust's Counter Fraud arrangements.

2. Scope of Review of Effectiveness

The Annual Report should summarise the Committee's work for the year past, and present the committee's opinion about:

- the significant issues that the Committee considered in relation to the integrity of financial statements, and how these issues were addressed;
- the effectiveness of governance, risk management and internal control
- matters relating to the external and internal Audit functions
- the comprehensiveness of assurances in meeting the Board and Accounting Officer's needs
- the reliability and integrity of these assurances. whether the assurance available is sufficient to support the Board and Accounting Officer in their decision taking and their accountability obligations
- the implications of these assurances for the overall management of risk
- any issues the Committee considers pertinent to the Governance Statement and any long term issues the Committee thinks the Board and/or Accounting Officer should give attention to reporting for the year
- the Committee's view of its own effectiveness, including advice on ways in which it considers it needs to be strengthened or developed.

The review undertaken by the Director of Finance for review by the committee focused on a review of the papers presented to the Committee in comparison to the agreed Terms of Reference and the Cycle of Business. The review has been broken down into the following subsections:

- Responsibilities;
- Membership and Attendance Record;
- Reporting Arrangements;
- Terms of reference;
- Cycle of Business;

Responsibilities

During 2016/2017, the Committee has delivered the key responsibilities as set out in the Terms of Reference. Compliance with a number of the key responsibilities is evidenced by the following actions:

- Regular review of the Board Assurance Framework and Corporate Risk Register.
The committee has provided significant challenge to ensure the appropriate level of risk has been identified, reviewed the effectiveness of the controls in place and challenged the strength of the assurances provided. The committee takes assurance from other Board subcommittees in relation to the oversight and scrutiny of risks specifically delegated to them; (either via provision of reporting to Board or annual reports provided to Audit Committee)
- Reviewed the Trust Risk Management Policy
- Agreed the internal audit and local counter fraud annual work plans;
- Received reports on progress against local counter fraud, internal and external audit plans and issues by exception;
- Reviewed Internal Audit Reports with the relevant Executive Director present and overseen improvements to the process of action tracking to continue to improve delivery against action plans for 2017/18;
- Reviewed the performance and value for money of the internal Audit function;
- Reviewed the effectiveness of Internal Audit, External Audit and the Local Counter Fraud Service.
- Received assurance from Quality Assurance Committee on Clinical Audit arrangements and progress on clinical guidelines audit recommendations and compliance with clinical policies and procedures.
- Review of the draft Annual Governance Statement;
- Reviewed, on behalf of the Trust Board, changes to the Trust's Standing orders, Standing Financial Instructions, Scheme of Reservation and Delegation;
- Agreed the external audit annual fee and work plan;
- In relation to the risks and areas of emphasis in the External Audit Plan, KPMG consider the key areas of accounting process, valuation, judgement and disclosure. For each of these areas, the Committee critically reviews and assesses the judgements that have been applied, the consistency of application from year to year and the appropriateness of the relevant disclosures made, together with the compliance with applicable accounting standards. The key areas of the financial statements audit approach, considered by KPMG are in relation to valuation, the verification of land and building assets and recognition of NHS and non-NHS income alongside the mandated risks of Fraud risk from Income recognition and management override of controls. How this was assessed by the Committee is set out in the audit plan paper received at the January committee.
- In relation to the Trust's income the Committee has been able to place reliance on work undertaken by the external auditors as part of the work that they have undertaken to enable them to develop their Audit Opinion.
- Reviewed in relation to the Accounts; Accounting Policies review and reporting manual changes for inclusion in the Financial Statements and Annual Report, including the appropriate treatment for Charitable Funds and segmental review and consideration

- The Going Concern status of the Trust. The committee agreed that the 2016/2017 Annual Accounts be prepared on a “going concern” basis;
- Material Estimates pertinent to the financial statements, including Assets’ valuation endorsing the methodology and accounting treatment;
- Due consideration of the organisation’s risks and controls, particularly the Board Assurance Framework and Corporate Risk register;
- Due consideration of the annual Internal Audit report and opinion, and, elements of risk and audit emphasis identified in the External Audit plan, such as the Trust’s income; and
- Statutory Financial Statements and Annual Report and Accounts (including the Quality Report and the Annual Governance Statement) received and approved by the Committee prior to being submitted to the Board of Directors for final approval prior to submission to NHS Improvement.
- The committee self-assesses its compliance with the provisions of the Audit Committee Handbook taking action as appropriate to further enhance its compliance. The assessment for 2016/2017 concluded the committee was working well and undertaking its role in accordance with the criteria as set out within the handbook.

Membership and Attendance Record

During 2016/2017, the Committee met five times with attendance recorded in the table below. This demonstrates that every meeting of the Committee during the year was quorate.

Name	Position	Attendance
Ann Stanley	Committee Chair and Non-Executive Director	5/5
Mervyn Thomas	Committee Member and Non-Executive Director	5/5
Cllr Leigh Bramall	Committee Member and Non-Executive Director	5/5

Reporting Requirements

The Committee reported to the Trust Board after each meeting during the year, implementing the new significant issues report as part of the committee governance review action plan. Reports included a description of the business conducted, risks identified and key actions agreed. Key risks identified by the Committee and escalated to the Trust Board for information included:

- The Board Assurance Framework at 6th July was not timely for thorough review and AC identified some out of date comments. Consequently the BAF was not approved for Board receipt until further work had taken place as agreed by the committee.
- The internal audit reporting, sharing reports with other committees; detailed report on outstanding actions; Executive Directors Group oversight and management tracker to assure the committee follow up management action are being implemented in a timely manner.
- Noted assurance from Quality Assurance Committee that detailed reports are received around serious incidents following a specific issue being raised around serious incident report whilst reviewing the Draft Risk Management Strategy.
- Provided positive assurance around a range of issues to Board of Directors, including Accounting policies, compliance with Standing orders, NHS Protect Annual Security Reports, Progress against Audit plans, off payroll arrangements.

The reports consistently identified areas to be raised to the Trust Board or referred to other sub-committees of the Trust Board.

Terms of Reference

The Terms of Reference were last reviewed by the committee in May 2016 and approved by the Board in July 2016. As part of the response to the committee governance review the committee made significant changes to the terms of reference, suggesting changes to purpose, membership and reporting arrangements for 2016/2017. The updated Terms of Reference are presented in Appendix 1.

Cycle of Business

A revised cycle of business was approved in July 2016 (see Appendix 2). The items on the cycle of business were delivered as planned with the exception the review of arrangements for Whistleblowing which is deferred to April meeting and the review of compliance with terms of Licence, constitution and code.

In addition to the internal audit plan, the Trust asked 360 Assurance to conduct a review of compliance with the terms of its Provider Licence. This review concluded that the Trust has effective arrangements in place for assuring itself of compliance with the 6 Conditions requiring regular reporting to NHS Improvement (NHSI) but will need to consider further monitoring to ensure that adequate and effective system are in place for assuring itself of compliance against the remaining 22 Conditions, which are currently not required to be reported to NHSI. With the introduction of the Single Oversight Framework and the introduction of a combined Well-Led framework between Care Quality Commission (CQC) and NHSI the Trust is currently discussing with NHSI the most effective and appropriate way to report on these requirements. Once this position is clarified a report will be brought to Audit Committee for scrutiny prior to a discussion at the Trust Board.

The Trust has also been through a comprehensive CQC inspection (report published March 2017) which ranked the Trust as “Good” overall and “Good” for the “well-led” domain. This supported the conclusions in a summary report of Trust services in June 2016 which found that services were well-led, with a few areas for improvement including mandatory training and policy review and implementation. A progress report has been developed to ensure compliance with recommendations in the report. This report is monitored by the Executive Directors Group, and appropriate elements of this plan discussed and agreed with Audit Committee prior to being presented to the Trust Board.

With the change in management portfolios the Trust has also reviewed the management responsibilities for updating the Constitution, Standing Orders, Standing Financial Instructions and Scheme of Reservation and Delegation. A further paper on this will be shared with Audit Committee for discussion in 2017-18.

3. Key Outcomes

In discharging the Terms of Reference as described in the preceding paragraphs the Committee has also delivered the following key outcomes:

- The risk maturity of the organisation was reviewed in line with the annual review of the Risk Management Strategy and this demonstrated that maturity had been consolidated and maintained during the financial year.
- Review of the level of risk to be discussed by Board and each of the Committees was undertaken. This included frequency of presentation of the Board Assurance Framework and the Corporate Risk Register.
- Implementation of a significant issues report to ensure timely reporting to Board of any issues discussed and confirmation of key assurances received. This is now prepared and presented by each Board Sub Committee to the following Board meeting.

- There have been no significant breaches in relation to internal control systems during the year;
- The Head of Internal Audit's [360 Assurance] opinion provided moderate assurance (Expected) with minor improvements on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

4. Conclusion

The review has identified that the Committee has delivered the responsibilities as set out in the Terms of Reference. Attendance at meetings has been good, and the cycle of business has been completed, subject only to the items noted.

Areas for action during 2017/18 will include the on-going development of committee governance ensuring improvements achieved throughout 2016/2017 are embedded. The committee in particular will look to ensure the design and operation of the Board Assurance Framework and the arrangements for risk management, are improved to deliver significant assurance, linking actions from internal Audit reports and risk registers and their desired outcomes more systematically to changes in assurance, gaps in assurance and risk levels.

The Committee will also focus to ensure that the follow up of actions improvements continue and embed to ensure the current Limited assurance in that area improves.

Ann Stanley
Chair, Audit Committee

Phillip Easthope
Executive Director of Finance
Lead Executive for Audit Committee

May 2017



Sheffield Health and Social Care



NHS Foundation Trust

Terms of Reference

Name of Committee/Group	Audit Committee
Type of Committee/Group i.e. Committee of Board, Group reporting to EDG, Time limited working group	Committee of Trust Board

1. Purpose of Committee/Group	<p>The Audit Committee (“the Committee”) has primary responsibility for monitoring the integrity of the financial statements, assisting the board of directors in its oversight of risk management and the effectiveness of internal control, oversight of compliance with corporate governance standards and matters relating to the external and internal audit functions. The Audit Committee shall provide the Board of Directors with a means of independent and objective review of financial and corporate governance, assurance processes and risk management across the whole of the Foundation Trust’s activities both generally and in support of the annual governance statement. The Board of Directors is responsible for ensuring effective financial decision-making, management and internal control including:</p> <ul style="list-style-type: none"> • Management of the Foundation Trust’s activities in accordance with statute and regulations; • The establishment and maintenance of a system of internal control to give reasonable assurance that assets are safeguarded, waste or inefficiency avoided and reliable financial information produced, and that value for money is continuously sought. <p>In carrying out this function, the Committee will primarily use the work of internal audit and other assurance functions, but will not be limited to these functions. It will also seek reports and assurances from directors and managers as appropriate.</p> <p>The Committee may request and review reports and positive assurances from directors and managers on the overall arrangements for quality governance and risk management.</p>
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2. Authority / Accountability	<p>The Committee is constituted as a standing committee of the Trust’s Board of Directors. Its constitution and terms of reference shall be as set out below, and amended as required at future Board of Directors’ meetings. The Committee shall not have executive powers in addition to those delegated in these terms of reference.</p> <p>The Committee is authorised to establish and delegate powers to sub-committee(s) from its membership and oversee the work of those sub-committee(s). Any Sub-committee can comprise officer and experts (both internal and external) in attendance to assist in its work. Sub-committee terms of reference in the approved standard format must be ratified by the Board of Directors.</p> <p>The Committee is authorised by the board of directors to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any member of staff and all members of staff are directed to cooperate with any request made by the Committee.</p> <p>The Committee is authorised by the Board of Directors to obtain outside legal or other independent professional advice. The Committee is authorised by the board of directors to request the attendance of individuals and authorities from outside the Foundation Trust with relevant experience and expertise if it considers this necessary or expedient to the carrying out of its functions.</p>
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3. Objectives of the Committee

Financial statements and the annual report

Monitor the integrity of the financial statements of the Foundation Trust, any other normal announcements relating to the Trust's financial performance, reviewing the significant financial reporting judgements contained in them.

Review the Annual Statutory Accounts, before they are presented to the Board of Directors, in order to determine their completeness, objectivity, integrity and accuracy. This review will cover but is not limited to:

- the meaning and significance of the figures, notes and significant changes;
- areas where judgment has been exercised;
- adherence to accounting policies and practices;
- explanation of estimates or provisions having material effect;
- the schedule of losses and special payments;
- any unadjusted statements; and
- any reservations and disagreements between the external auditors and management which have not been satisfactorily resolved.

Review the Annual Report and Annual Governance Statement before they are submitted to the Board of Directors to determine completeness, objectivity, integrity and accuracy.

Review each year the accounting policies of the Trust and make appropriate recommendations to the Board of Directors.

Review all accounting and reporting systems for reporting to the Board of Directors, including in respect of budgetary control.

The Committee will be notified of and scrutinise losses, write-offs and compensation including special payments, ex-gratia payments and extra statutory or extra regulatory payments.

Internal Control and Risk Management

Review the Foundation Trust's internal financial controls to ensure the provision and maintenance of an effective system of financial risk identification and associated controls, reporting and governance.

Review and maintain an oversight of the Foundation Trust's general internal controls and risk management systems.

Review processes to ensure appropriate information flows to the Committee from executive management and other Board committees in relation to the Trust's overall internal control and risk management position.

Review the adequacy of the policies and procedures in respect of all counter-fraud work.

To review the adequacy of underlying assurance processes that indicate the degree of achievement of corporate objectives and the effectiveness of the management of principal risks, including the Board Assurance Framework.

Develop and use an effective assurance framework to guide the Audit Committee's work. This will include utilising and reviewing the work of the internal audit, external audit and other assurance functions as well as reports and assurances sought from directors, managers, committee's and other investigatory outcomes so as to fulfil its functions in connection with these terms of reference.

To review the adequacy of policies and procedures for ensuring compliance with relevant regulatory, legal and conduct requirements.

Whistleblowing

Review arrangements that allow staff and other individuals where relevant, to raise, in confidence, concerns about possible improprieties in matters of financial reporting and control, clinical quality, patient safety and other matters.

Ensure that arrangements are in place for the proportionate and independent investigation of such matters, and for appropriate follow-up action, and ensure safeguards are in place for those who raise concerns.

Corporate Governance

Monitor corporate governance compliance (e.g. compliance with terms of the Licence, Constitution, Codes of Conduct, Standing Orders, Standing Financial Instructions, maintenance of Registers of Interests).

Consider the outcomes of significant reviews carried out by other bodies which include but are not limited to regulators and inspectors within the health and social care sector and professional bodies with responsibilities that relate to staff performance and functions.

Internal Audit

At least annually, monitor and review the effectiveness of the Foundation Trust's internal audit function, taking into consideration relevant UK professional and regulatory requirements.

Review and approve the internal audit strategy and programme, ensuring that it is consistent with the needs of the organisation.

Oversee on an ongoing basis the effective operation of internal audit in respect of:

- adequate resourcing;
- its co-ordination with external audit;
- meeting relevant internal audit standards;
- providing adequate independence assurances;
- it having appropriate standing within the Foundation Trust; and

Consider the major findings of internal audit investigations and management's response and their implications and monitor progress on the implementation of recommendations.

Consider the provision of the internal audit service, the cost of the audit and any questions of resignation and dismissal of internal audit staff.

Where an audit report is critical or has been given limited or no assurance, the lead Executive Director shall attend the Committee meeting to provide an update on actions taken to address the recommendations in that report.

Where an audit report has been given full or significant assurance, the Executive Director shall be advised that the item will be discussed at the Committee meeting and shall be given the option to attend that meeting.

Where an audit report relates to a follow-up audit and high risk recommendations are still outstanding, the Executive Director shall attend the Committee meeting to provide an update on actions taken to address these recommendations.

An audit recommendations self-assessment report, which includes a log of audit reports submitted to the Committee and any outstanding actions, shall be submitted to each meeting of the Committee for review.

Directors are responsible for providing an update at the Committee meetings on any outstanding actions that fall within their remit.

Assuring itself that the management of the Trust have implemented the agreed recommendations of internal audit reports in a timely and effective way.

External Audit

Review and monitor the effectiveness of the external audit process, taking into consideration relevant UK professional and regulatory requirements.

Assess the external auditor's work and fees each year and based on this assessment, to make the recommendation to the Council of Governors with respect to the re-appointment or removal of the auditor. This assessment should include the review and monitoring of the external auditor's independence and objectivity and effectiveness of the audit process in light of relevant professional and regulatory standards.

Oversee the conduct of a market testing exercise for the appointment of an auditor at least once every five years and, based on the outcome, make a recommendation to the Council of Governors with respect to the appointment of the auditor.

The Council of Governors should take the lead in agreeing with the Committee the criteria for appointing, re-appointing and removing external auditors. To support them in this task, the Audit Committee should:

- provide information on the external auditor's performance, including details such as the quality and value of the work, the timeliness of reporting and fees.
- make recommendations to the council of governors in respect of the appointment, re-appointment and removal of an external auditor and related fees as applicable. To the extent that a recommendation is not adopted by the council of governors, this shall be included in the annual report, along with the reasons that the recommendation was not adopted.

Discuss with the external auditor, before the audit commences, the nature and scope of the audit, and ensure coordination, as appropriate, with other external auditors in the local health economy.

Review external audit reports, including the Annual Audit Letter, together with the management response, and to monitor progress on the implementation of recommendations.

To develop and implement a policy on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance.

Standing Orders, Standing Financial Instructions and Standards Of Business Conduct

Review on behalf of the Board of Directors the operation of, and proposed changes to the Standing Orders and Standing Financial Instructions, the Constitution, Codes of Conduct and Standards of Business Conduct; including maintenance of Registers of Interests.

Examine the circumstances of any significant departure from the requirements of any of the foregoing, and whether those departures relate to a failing, an overruling or a suspension.

Where it is decided that competitive tendering is not applicable and should be waived the fact of the waiver and the reasons should be documented and reported by the Lead Executive to the Trust in a formal meeting. Such reports shall be received by the Committee.

Review the Scheme of Delegation.

The Committee shall review every decision to suspend Standing Orders.

Other

Review performance indicators relevant to the remit of the Committee.

Examine any other matter referred to the Committee by the Board of Directors and initiate investigation as determined by the Committee.

The Chief Executive shall demonstrate that the use of private finance represents value for money and genuinely transfers risk to the private sector. Reports shall be received by the Committee.

The Committee shall raise matters at the Trust Board meeting where the Committee considers there is evidence of ultra vires transactions or improper acts.

4. Membership

Note: Members should be referred to by title not name. Chair of Committee/Group should be stated. Minute taker should be stated either as member or in attendance.

The committee shall be composed of:

- Three Non-Executive Directors (one of which, with recent and relevant financial experience, will be appointed by the Trust Board to chair the meetings)
- The chair of the committee should not be the vice chair of the Trust.
- The committee shall have sufficient skills to discharge its responsibilities

Executive Directors should not be appointed to the Committee. The role of the Executive is to attend, to provide information, and to participate in discussions, either for the whole duration of a meeting or for particular items.

5	<p>Attendees</p> <p>Only members of the Committee have the right to attend meetings.</p> <ul style="list-style-type: none"> • The Chief Executive, Director of Finance and Head of Corporate Governance shall generally be invited to attend routine meetings of the Audit Committee. • A representative of the external auditors and a representative of the internal auditors may normally also be invited to attend meetings of the Audit Committee. • Trust directors and/or staff shall be invited to attend those meetings in which the Audit Committee will consider areas of risk or operation that are their responsibility. • The Trust Chair may be invited to attend meetings of the Audit Committee as required. • A representative of the local counter fraud service may be invited to attend meetings of the Audit Committee. • Governors may be invited to attend meetings of the Audit Committee.
6.	<p>Quorum</p> <p>The Committee will not be deemed quorate unless at least two members are present.</p> <p>Attendance will be reported in the Annual Report of the Committee and the Annual Report of the Trust.</p>
7.	<p>Frequency and notice of Meetings</p> <p>Meetings shall be held at least 4 times per year, with additional meetings where necessary.</p> <p>The external and internal auditor shall be afforded the opportunity at least once per year and separately, to meet with the Audit Committee without Executive Directors present.</p> <p>Agendas will be generated by the Board Secretary, in consultation with the Director of Finance, and shared with the Committee Chair for approval. A formal agenda and supporting papers will be forwarded to all members, and those in attendance where appropriate, three working days prior to the date of the meeting.</p> <p>The committee will agree objectives and an annual work programme and plan how this will be discharged throughout the year. The delivery of this plan will be built into a forward planner and meeting agendas.</p>
8.	<p>Minutes and reporting arrangements</p> <p>Note: Detail Board/Committee/Group/Individual reporting to. Also state which of minutes/action points/assurance to be given to which Board/Committee/Group.</p> <p>The Board Secretary shall be the secretary to the Audit Committee and will provide administrative support and advice. The duties of the Board Secretary in this regard include but are not limited to:</p> <ul style="list-style-type: none"> • agreement of the agenda with the Chair of the Audit Committee and attendees together with the collation of connected papers; • taking the minutes; • keeping a record of matters arising and issues to be carried forward; • maintaining an action log; • advising the Audit Committee as appropriate; and • provision of a Significant Issues Report of the key business undertaken to the Board following each meeting, in the public session where possible. This will include details of any evidence of potentially ultra vires, otherwise unlawful or improper transactions, acts, omissions or practices or any other important matters. <p>The minutes shall be approved at the following meeting and matters arising and action log shall be discussed at each meeting.</p> <p>Assurance will be provided to the Board by the Chair using the standard format Significant Issues Report. The Report to the Board of Directors shall include details of any matters in respect of which actions or improvements are needed. To the extent that such matters arise, the Chair of the Committee shall present details to a meeting of the Board of Directors in addition to submission of the minutes.</p> <p>The following reports will also be made by the committee:</p> <p>The Committee should provide an Annual Report, timed to support the preparation of the Governance Statement. This internal report needs to be open and honest in presenting the committee's views if it is to be</p>

of real benefit to the Board and Accounting Officer. This report is likely to be used by the board in preparing its own report for publication in fulfilment of the reporting requirements of the Code.

The Annual Report should summarise the Committee's work for the year past, and present the committee's opinion about:

- the significant issues that the Committee considered in relation to financial statements, operations and compliance, and how these issues were addressed;
- an explanation of how the Committee has assessed the effectiveness of the external audit process and the approach taken to the appointment or re-appointment of the external auditor, the value of external audit services and information on the length of tenure of the current audit firm and when a tender was last conducted; and
- if the external auditor provides non-audit services, the value of the non-audit services provided and an explanation of how auditor objectivity and independence are safeguarded.
- the effectiveness of governance, risk management and control
- the comprehensiveness of assurances in meeting the Board and Accounting Officer's needs
- the reliability and integrity of these assurances. whether the assurance available is sufficient to support the Board and Accounting Officer in their decision taking and their accountability obligations
- the implications of these assurances for the overall management of risk
- any issues the Committee considers pertinent to the Governance Statement and any long term issues the Committee thinks the Board and/or Accounting Officer should give attention to financial reporting for the year
- the quality of Internal Audit and their approach to their responsibilities; and
- the Committee's view of its own effectiveness, including advice on ways in which it considers it needs to be strengthened or developed.

The following committees shall report to the Committee:

- The Committee will receive the annual reports of relevant committees.

The following sub-committees shall report to the Committee:

None

The following operational groups will provide reports to the Committee:

None

9. Meeting effectiveness review

The Committee shall conduct an annual self-assessment on the performance of its duties as reflected within these terms of reference and report any conclusions and recommendations for change to the Board. As part of this assessment, the Committee shall consider whether or not it receives adequate and appropriate support in fulfilment of its role and whether or not its current workload is manageable.

The purpose of the review is to provide assurance to the Board of Directors on all areas within the remit of the committee.

10. Review to be conducted by Committee/Group Chair

Date Committee/Group established	
Terms of Reference to be reviewed e.g. Annually	The terms of reference of the Audit Committee shall be reviewed by the Board of Directors at least annually.
Date of last review	March 2016
Date of next review	March 2017

Appendix 2 (Agenda Planner/Cycle of Business)

JULY 2016	
Financial Statements & Annual Report	Audit Committee Annual Report/Significant Issues Report
Internal Control & Risk Management	Board Assurance Framework Risk Register Annual Letter from Chair of Audit Committee
Whistleblowing	
Corporate Governance	
Internal Audit	Internal Audit Outstanding Actions Follow Up Report Internal Audit Annual Report (Deferred from May) Internal Audit Progress Report LCFS Progress Report LCFS Staff Awareness Survey Outcome Bi-Annual Report from 360 Assurance Consortium Board & Review of Internal Audit Services
External Audit	External Audit Progress Report
Standing Orders; SFIs; Standards of Business Conduct	
Other	Audit Committee Objectives Review future meeting agenda Meeting Evaluation & Round Up Informal Private Discussion with Audit Representatives

OCTOBER 2016	
Financial Statements & Annual Report	
Internal Control & Risk Management	Board Assurance Framework Risk Register
Whistleblowing	Review arrangements for Whistleblowing
Corporate Governance	Review Audit Committee Timetable/Agenda Planner – Prep for 2017/18
Internal Audit	Internal Audit Outstanding Actions Follow Up Report Internal Audit Progress Report LCFS Progress Report 2017/2018 Internal Audit Plan – determine process for agreement
External Audit	External Audit Progress Report Review of External Audit Services
Standing Orders; SFIs; Standards of Business Conduct	Review Compliance with Terms of Licence, Constitution and Code of Conduct
Other	Review future meeting agenda Meeting Evaluation & Round Up Informal Private Discussion with Audit Representatives

JANUARY 2017	
Financial Statements & Annual Report	Annual Report & Accounts Production Timetable FT Annual Reporting Manual Changes Accounting Policies Review Initial Draft Annual Governance Statement Preparation of Accounts – Going Concern Report Material Estimates Paper (Property, Plant & Equipment)
Internal Control & Risk Management	Board Assurance Framework Risk Register
Whistleblowing	
Corporate Governance	Review Audit Committee Terms of Reference Audit Committee Self-Assessment Questionnaire
Internal Audit	Internal Audit Outstanding Actions Follow Up Report Internal Audit Progress Report LCFS Progress Report Bi-Annual Report from 360 Assurance Consortium Board
External Audit	External Audit Progress Report External Audit Plan
Standing Orders; SFIs; Standards of Business Conduct	Standing Orders, SFIs & Scheme of Delegation Breaches Report
Other	Review future meeting agenda Meeting Evaluation & Round Up Informal Private Discussion with Audit Representatives

APRIL 2017	
Financial Statements & Annual Report	Draft Accounts & Related Issues Draft Annual Report & Related Issues Draft Quality Account Losses & Special Payments Full Year Report Audit Committee Review of Duties/Significant Issues Paper
Internal Control & Risk Management	Board Assurance Framework Risk Register Risk Management Strategy - Review
Whistleblowing	Review arrangements for Whistleblowing – <i>deferred from January</i>
Corporate Governance	
Internal Audit	Internal Audit Outstanding Actions Follow Up Report Internal Audit Progress Report LCFS Progress Report LCFS Plan Final Internal Audit Plan 2017/18 for approval Internal Audit Annual Report (including HolA Opinion Statement)
External Audit	External Audit Progress Report
Standing Orders; SFIs; Standards of Business Conduct	
Other	Review future meeting agenda Meeting Evaluation & Round Up Informal Private Discussion with Audit Representatives

MAY 2017	
Financial Statements & Annual Report	Final Accounts Final Annual Report Final Annual Governance Statement Final Quality Account
Internal Control & Risk Management	
Whistleblowing	
Corporate Governance	Confirmation of Declaration of Interests Exercise
Internal Audit	Internal Audit Annual Report Internal Audit Final Audit Plan Counter Fraud Annual Report
External Audit	External Audit ISA 260 Report Draft Letter of Representation Draft Quality Account Letter of Representation
Standing Orders; SFIs; Standards of Business Conduct	
Other	Review future meeting agenda Meeting Evaluation & Round Up