

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 (clinical and non-clinical) 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</p>
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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.

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. This includes ensuring the programme covers the breadth of the internal control environment ensuring relevant coverage of Clinical Quality, Governance, Risk Management and Legislation, performance and Data Quality, Workforce and Finance.

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 Attendees

Only members of the Committee have the right to attend meetings.

- 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.

Other Non-Executive Directors and Executive Directors can attend as desired.

6. Quorum

The Committee will not be deemed quorate unless at least two members are present.

Attendance will be reported in the Annual Report of the Committee and the Annual Report of the

Trust.

7. Frequency and notice of Meetings

Meetings shall be held at least 4 times per year, with additional meetings where necessary.

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.

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.

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.

8. Minutes and reporting arrangements

Note: Detail Board/Committee/Group/Individual reporting to. Also state which of minutes/action points/assurance to be given to which Board/Committee/Group.

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:

- the collation of papers;
- taking the minutes;
- keeping a record of matters arising and issues to be carried forward;
- maintaining an action log;
- maintaining a cycle of business;
- 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.

The minutes shall be approved at the following meeting and matters arising and action log shall be discussed at each meeting.

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.

The following reports will also be made by the committee:

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 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	June 2017
Date of next review	June 2018