

AUDIT COMMITTEE

Terms of Reference

(Ratified by the Board of Directors - 28 July 2018)

1 NAME OF COMMITTEE

The name of this committee is the Audit Committee.

2 COMPOSITION OF THE GROUP / COMMITTEE

The members of the committee and those who are required to attend are shown below together with their role in the operation of the committee.

Members

Title	Role in the committee
Non-executive director	Committee chair and responsible for evaluating the assurance given and identifying if further consideration / action is needed.
2 non-executive directors	Responsible for evaluating the assurance given and identifying if further consideration / action is needed. Either of the routine non-executive members may chair if the chair of the committee is absent.

While specified non-executive directors will be regular members of the Audit Committee any other non-executive can attend the meeting on an ad-hoc basis if they wish and will be recognised as a member for that particular meeting and if necessary will count towards the quoracy.

In attendance

Title	Role in the committee	Attendance guide
Chief Financial Officer	Key responsibilities regarding audit and reporting	Every meeting
Internal Audit representation	Independent assurance providers	Every meeting
External Audit representation	Independent assurance providers	Every meeting

Title	Role in the committee	Attendance guide
Local Counter Fraud representation	Independent assurance providers	Dependant on the agenda
Associate Director for Corporate Governance	Committee support and advice	Every meeting

The chair of the Audit Committee shall be seen as independent and therefore must not chair any other governance committee either of the Board of Directors or wider within the Trust.

Executive directors and other members of staff may attend by invitation in order to present or support the presentation of agenda items / papers to the committee. In particular, executive directors will be invited to attend a meeting where a limited assurance report has been issued by Internal Audit and is on the agenda to be discussed.

The Chair of the Trust and the Chief Executive will be invited to attend the Audit Committee once per year.

3 QUORACY

Number: The minimum number of members for a meeting to be quorate is 2. Attendees do not count towards this number. If the chair of the committee is unable to attend the meeting, and if otherwise quorate, the meeting will be chaired by another non-executive director.

Deputies: Non-executive directors do not have deputies. Non-core non-executive directors may be asked to attend if there is a risk to the meeting not being quorate.

Attendees should nominate a deputy to attend in their absence. A schedule of deputies, attached at appendix 1, this should be reviewed at least annually to ensure adequate cover exists.

Non-quorate meeting: Non-quorate meetings may go forward unless the chair decides otherwise. Any decisions made by the non-quorate meeting must be reviewed at the next quorate meeting.

Alternate chair: If the Chair of the Audit Committee is not available the meeting shall be chaired by one of the other non-executive directors.

4 MEETINGS OF THE COMMITTEE

Frequency: The Audit Committee will normally meet as required but will in any case meet no fewer than four times per year.

Urgent meeting: Any of the committee members may, in writing to the chair, request an urgent meeting. The chair will normally agree to call an urgent meeting to discuss the

specific matter unless the opportunity exists to discuss the matter in a more expedient manner (for example at a Board meeting).

Minutes: The Associate Director for Corporate Governance will ensure there are minutes of the meeting and that appropriate support for the meeting is provided. The minutes will be provided to the Chair of the committee for checking.

The chair will give a verbal update to the Board of Directors which may be in advance of the Audit Committee formally approving the minutes of the prior meeting. This is to ensure any urgent information is reported promptly to the Board of Directors.

Private Sessions of the Committee

At least once a year the committee will meet privately with representatives from internal audit and external audit.

At the discretion of the chair of the committee, it may also choose to meet privately with the Director of Finance and any other key senior officer in the Trust as may be required.

Members of the committee will also meet together in private at a frequency determined by the Chair.

5 AUTHORITY

Establishment: In accordance with the NHS Act 2006 and the Code of Governance the Board of Directors is required to establish an Audit Committee as one of its sub-committees.

Powers: The committee is a non-executive committee of the Board of Directors and has no executive powers. The committee is authorised by the Board of Directors to seek assurance on any activity. It is authorised to seek any information or reports it requires from any employee, function, group or committee; and all employees are directed to co-operate with any request made by the committee.

The committee is authorised by the Board of Directors to obtain outside legal or other independent professional advice and to secure the attendance of persons outside the Trust with relevant experience and expertise if it considers this necessary.

Cessation: The Audit Committee is a standing committee in that its responsibilities and purpose are not time limited. While the functions of the Audit Committee are required by statute the exact format may be changed as a result of its annual review of its effectiveness.

In addition, the Trust should periodically review its governance structure for continuing effectiveness and as a result of such a review the Board may seek to alter the format or the number of non-executive director core members of the Audit Committee.

6 ROLE OF THE COMMITTEE

6.1 Purpose of the Committee

The purpose of the Audit Committee is to provide the Board of Directors with assurance that:

- Clinical, financial reporting, compliance, risk management, and internal control principles and standards are being appropriately applied and are effective, reliable and robust
- An effective governance framework is in place for monitoring and continually improving the quality of health care provided to service users to enable the Trust's strategic objectives to be achieved.

Objective	How the group / committee will meet this objective
We deliver great care that is high quality and improves lives	The Audit Committee has a core responsibility to scrutinise the Trust's governance arrangements to determine that these are operating effectively and that the Trust is able to provide high quality care through these arrangements.
We use our resources to deliver effective sustainable care	The Audit Committee exercises scrutiny of the annual financial reporting of the organisation; on-going financial health; and controls designed to deliver efficiency, effectiveness and economy for all Trust functions

6.2 Guiding principles for members (and attendees) when carrying out the duties of the group / committee

In carrying out their duties members of the group / committee and any attendees of the group / committee must ensure that they act in accordance with the values of the Trust, which are:

- We have integrity
- We are caring
- We keep it simple.

6.3 Duties of the group / committee

Notwithstanding any area of business on which the committee wishes to receive assurance the following shall be those items on which the committee shall receive assurance:

Board Assurance Framework

- Be assured that the organisation has in place an effective Board Assurance Framework
- Be presented with the Board Assurance Framework and receive assurance that this presents the up to date position in respect of controls, assurances and that gaps are being addressed, and be assured as to the completeness of the information included in the Framework
- Use the Board Assurance Framework to inform the committee's forward work plan, in particular focussing on those gaps that pose a major risk to the organisation.

Quality Report

- Be assured in respect of the process for delivering the Quality Report
- Be presented with the final version of the Quality Report before being presented to the Board
- Be presented with the audit opinion on the Quality Report and be advised as to the findings and be assured that the recommendations are being addressed by management and be assured that there are no (or otherwise) significant findings.

Risk Management

- Receive assurance as to the Risk Management Process (including structures processes and responsibilities for managing key risks), including the process for capturing and reviewing high and extreme risks.

Health and Safety

- Receive an annual report on health and safety management within the Trust.

Compliance and Disclosure Statements

- Be assured of the action taken by officers who have operated outside of the tender and quotation procedures
- Be presented with notification of any waivers of the Standing Financial Instructions and Standing Orders (for the Board of Directors and Board of Governors) and be assured of their appropriateness.

Annual Accounts and Annual Report

- Be presented with and review the main items / contentious items in the Annual Accounts, taking advice from the Chief Accounting Officer and the External

Auditors as to accuracy, prior to advising the Board if the Accounts can be adopted

- Be presented with the ISA260 Report on the Annual Accounts and be assured as to the findings and the management actions agreed, also be assured that either there were no (or otherwise) significant findings
- Be presented with a periodic report setting out the progress against the recommendations made in the ISA 260 reports (pertaining to the last set of annual accounts), and be assured as to progress against recommendations / action plans.

Annual Governance Statement and Head of Internal Audit Opinion

- Be presented with the draft Annual Governance Statement and have an opportunity to input to the content
- Be presented with the final version of the Annual Governance Statement and be assured that it provides an accurate picture of the processes of internal control within the organisation
- Be presented with the Head of Internal Audit Opinion and be assured that this is an accurate assessment of the Trust and also be assured that the opinion is in accordance with the Annual Governance Statement.

Registers

- Be presented with the Losses and Special Payments Report to be assured as to the appropriateness of payments made and that control weaknesses have been addressed
- Be presented with the Sponsorship Register to be assured that it is complete and that sponsorship received by the organisation / individuals is appropriate and has been applied for according to the procedure
- Be presented with the Hospitality Register to be assured that it is complete and that hospitality received by individuals is appropriate, proportionate, and unable to be considered an inducement and has been recorded according to the procedure
- Be presented with the register of Management Consultants to be assured that it is complete and that consultants have been appointed appropriately, and according to the procedure.

Internal Audit

- The committee shall ensure 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 of Directors. This will be achieved by:

- Consideration of the provision of the Internal Audit service, the cost of the audit function and (where the service is provided in-house) any questions of resignation and dismissal
- Review and approval of the Internal Audit strategy, operational plan and more detailed programme of work, ensuring that this is consistent with the audit needs of the organisation
- Consideration of the major findings of Internal Audit work (and management's response), and ensure co-ordination between the Internal and External Auditors to optimise audit resources
- Ensuring that the Internal Audit function is adequately resourced and has appropriate standing with the organisation.

External Audit

- The committee shall review the work and findings of the External Auditor. In addition to this the committee will:
 - Make recommendations to the Council of Governors as to the appointment, reappointment, termination of appointment and fees of the External Auditor, and if the Council of Governors rejects the Audit Committee's recommendations, it will prepare an appropriate statement for the Board of Directors to be included in the Trust's Annual Report
 - Review the audit program of work and fees and discuss with the External Auditor, before audit work commences, the nature and scope thereof
 - Review External Audit reports together with the management response, and the annual governance report (or equivalent)
 - Consider whether it is appropriate and beneficial to the Trust for the External Auditor to undertake investigative and advisory work for the Trust.

Counter Fraud

- The committee's responsibilities regarding counter fraud are governed by Section 47 of the Base Model Contract between Foundation Trusts and PCTs and Schedule 13 of this contract and the duties of the Audit Committee are set out in this contract specifically that:
 - The committee shall allow the Local Counter Fraud Specialist service (LCFSS) to attend Audit Committee meetings
 - The committee shall receive a summary report of all fraud cases from the LCFSS
 - The committee shall receive reports from the LCFSS regarding weaknesses in fraud related systems

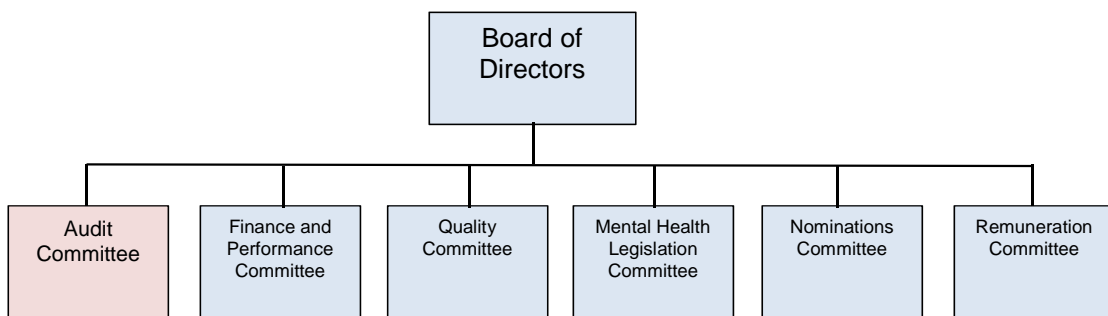
- The committee shall receive and review the LCFSSs' Annual Report of Counter Fraud Work
- The committee shall receive the LCFSSs' annual work plan for comment.

7 RELATIONSHIP WITH OTHER GROUPS AND COMMITTEES

The Audit Committee is the primary governance committee providing an overarching governance role, having a direct relationship with other Board sub-committees.

The Board sub-committees will provide one of the main sources of assurance to the Audit Committee. However, this assurance will be validated by the work of, and reports from other sources of assurance including, but not exclusively, Internal Audit, External Audit, Counter Fraud Services,.

The following is a diagram setting out the governance structure in respect of assurance:



8 DUTIES OF THE CHAIRPERSON

The chair of the group / committee shall be responsible for:

- Agreeing the agenda
- Directing the meeting ensuring it operates in accordance with the Trust's values
- Giving direction to the minute taker
- Ensuring everyone at the meeting has a reasonable chance to contribute to the discussion
- Ensuring discussions are productive, and when they are not productive they are efficiently brought to a conclusion
- Deciding when it is beneficial to vote on a motion or decision
- Checking the minutes
- Ensuring sufficient information is presented to the Board in respect of the work of the group / committee
- Ensuring the Chair's report is submitted to the Board as soon as possible.

It will be the responsibility of the chair of the Audit Committee to ensure that the committee carries out an assessment of the committee's effectiveness annually, and

ensure the outcome is reported to the Board of Directors along with any remedial action to address weaknesses. The chair will also be responsible for ensuring that the actions to address any areas of weakness are completed.

In the event of there being a dispute between any groups in the hierarchy it will be for the chairs of those groups to ensure there is an agreed process for resolution; that the dispute is reported to the groups concerned and brought to the attention of the “parent group”; and that when a resolution is proposed that the outcome is reported back to the all groups concerned for agreement.

9 REVIEW OF THE TERMS OF REFERENCE AND EFFECTIVENESS

The terms of reference shall be reviewed by the committee at least annually, and then presented to the Board of Directors for ratification, where there has been a change.

In addition to this the chair must ensure the committee carries out an annual assessment of how effectively it is carrying out its duties and make a report to the Board of Directors including any recommendations for improvement.

Schedule of deputies

It may not be necessary or appropriate for all members (or attendees) to have a deputy attend in their absence. If this is the case please state below "no deputy required".

Full member (by job title)	Deputy (by job title)
Not applicable as non-executive directors do not have deputies	

Attendee (by job title)	Deputy (by job title)
Chief Financial Officer	Deputy Director of Finance
Chief Operating Officer	Deputy Chief Operating Officer
Associate Director for Corporate Governance	Governance Officer