

# Audit Committee

## Purpose

A central means by which the Board of Directors ensures effective internal control arrangements are in place. The Committee also provides a form of independent check upon the executive arm of the Board of Directors. It is the job of Executive Directors and the Accountable Officer to establish and maintain processes for governance. The Committee independently monitors, reviews and reports to the Board of Directors on the process of governance, and where appropriate, facilitates and supports, through its independence, the attainment of effective processes.

## Membership

- Chair (Non Executive Director)
- 2 x Other Non Executive Directors

[Note the Trust Chairman may not be a member and one member must have recent and relevant finance experience]

## In attendance

- Director of Finance
- Director of Performance & Assurance
- Board Secretary

(No. of staff 6)

When required – the CE, other EDs and staff. In particular the CE should attend meetings to discuss the process for assurance that supports the governance statement. The CE should also attend when considering the draft Annual Governance Statement and the annual report and accounts.

Non staff in attendance:

- External Auditor representative(s)
- Internal Auditor representative(s)
- Local Counter Fraud Specialist(s)
- Governor Representative as observer

## Quorum

- 2 members

## Deputies

No deputies for members  
Deputies may be required for attendees

## Key Outputs

As per appendix A

## Time, Frequency & Duration

- Minimum requirement of 5 times per year
- If needed, meetings by conference telephone call are acceptable with the approval of the Committee Chair.
- 7 meetings scheduled around known events and the Board cycle (April, May, July, September, November, February and March)
- At least annually, the Committee should meet privately with the external and internal auditor
- The Trust, Chief Executive, external auditors or Head of Internal Audit may request an additional meeting if they consider that one is necessary.

## Support Arrangements

Venue: Board Room, SNH  
Secretary: Board Secretary  
Minutes: Draft within 1 week  
Agreed by Com Chair within 2 weeks  
Agenda: At least 3 weeks prior to meeting  
Papers: Received 9 days prior to meeting  
Circulated no later than 5 days prior to meeting  
Date of Assessment against ToR: July

## Linkages to other meetings & groups

- Trust Board
- Other sub-committees
- Corporate Decisions Team
- Council of Governors

## Governance, rules and behaviours

- The Committee is authorised by the Board of Directors to:
  - investigate any activity within its terms of reference
  - seek any information it requires from any employee (who are directed to co-operate)
  - obtain outside legal or other independent professional advice and secure the attendance of outsiders with relevant experience and expertise if it considers this necessary
- The Head of Internal Audit, representative of External Audit and counter fraud specialist have a right of access to the Chair of the Committee.
- The Committee has delegated authority from the Council of Governors to activate the policy for the engagement of the external auditor to undertake additional services
- Compliance with Monitor's Code of Governance and the NHS Audit Committee Handbook (unless inappropriate)
- Collective responsibility / decision-making, arbitrated by the Chair of the Committee
- Members to speak through the Chair, addressing the Chair of the Committee
- Meetings to start on time and end on time.
- Agenda timings may be prioritised to accommodate outside speakers
- Papers to be presented should be concise with the purpose clearly stated
- Authority to cancel meeting: Chair of the Audit Committee

## Standing agenda

- 1 Chair's introduction (including "Declarations of interest" and "Apologies")
- 2 Previous meeting(s) (including "Draft minutes" and "Matters arising")
- 3 External Audit
- 4 Internal Audit
- 5 Local Counter Fraud Specialist
- 6 Management reports
- 7 Any other business
- 8 Date, time and place of next meeting
- 9 Private discussions with Internal Auditor
- 10 Private discussions with External Auditor

## Appendix A – Key Outputs

The Committee independently reviews subjects within its terms of reference, primarily by receiving reports from the external auditor, internal auditor, local counter fraud specialist, management and any other appropriate assurances. Depending on the purpose of the report, the Committee may:

- note and/or accept issues, the position, progress or assurance
- approve / agree arrangements
- require further information or monitoring / actions
- recommend approval to the Board of Directors
- highlight key issues to the Board of Directors

### Arrangements

- Annual review of its terms of reference, taking into account governance developments and the remit of other committees within the organisation.
- Adoption of a timetable for its work across the year.
- Self-assessment of its effectiveness.
- Annual report on how it has met its terms of reference (including specific issues required by Monitor's Code of Governance) submitted to the Board of Directors.

### Integrated Governance, Risk Management and Internal Control

Review the establishment and maintenance of 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 organisation's objectives. In particular, the Committee will review the adequacy and effectiveness of:

- All risk and control related disclosure statements (in particular the Annual Governance Statement), together with any accompanying Head of Internal Audit opinion, external audit opinion or other appropriate independent assurances, prior to submission to the Board of Directors.
- The underlying assurance processes that indicate the degree of achievement of the organisation's objectives, the effectiveness of the management of principal risks and the appropriateness of the above disclosure statements.
- The policies for ensuring compliance with relevant regulatory, legal and code of conduct requirements and any related reporting and self-certification.
- The policies and procedures for all work related to fraud as required by NHS Protect.

In carrying out this work the Committee will primarily utilise the work of internal audit, external audit, local counter fraud specialists and other assurance functions, but will not be limited to these sources. It will also seek reports and assurances from directors and managers as appropriate, concentrating on the overarching systems of integrated governance, risk management and internal control, together with indicators of their effectiveness.

This will be evidenced through the Committee's use of an effective Assurance Framework to guide its work and that of the audit and assurance functions that report to it.

As part of its integrated approach, the Committee will have effective relationships with other key committees so that it understands processes and linkages. However these other committees must not usurp the Committee's role.

### Internal audit

Ensure an effective internal audit function that meets the Public Sector 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 function and the costs involved.
- Review and approval of the internal audit plan and more detailed programme of work, ensuring that this is consistent with the audit needs of the organisation as identified in the Assurance Framework.
- Consideration of the major findings of internal audit work (and management's response), and ensuring co-ordination between the internal and external auditors to optimise audit resources.
- Ensuring that the function is adequately resourced and has appropriate standing within the organisation.
- Monitoring the effectiveness of internal audit and carrying out an annual review.

### Counter fraud

Satisfy itself that the organisation has adequate arrangements in place for countering fraud and shall review the outcomes of counter fraud work. This will be achieved by:

- Consideration of the provision of the counter fraud function and the costs involved.
- Review and approval of the counter fraud strategy, annual work plan and the three year risk based local pro-active work plan.
- Consideration of the major findings of counter fraud pro-active work (and management's response), review of progress against plans and the annual report on arrangements.
- Ensuring that the function is adequately resourced and has appropriate standing within the organisation.
- Monitoring the effectiveness of the counter fraud function and carrying out an annual review, taking into account the outcome of the NHS Protect quality assessment of arrangements.

### External audit

The Committee shall review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process. In particular, review the work and findings of the external auditors and consider the implications and management's responses to their work. This will be achieved by:

- Discussion and agreement with the external auditors, before the audit commences, of the nature and scope of the audit as set out in the annual plan.
- Discussion with the external auditors of their evaluation of audit risks and assessment of the Trust and impact on the audit fee.
- Review all reports, including the report to those charged with governance agreement, including the annual management letter before submission to the Board of Directors and any work undertaken outside the annual audit plan, together with the appropriateness of management responses.
- Support the Council of Governors with their duty to appoint, re-appoint and remove the external auditors as stipulated in Monitor's Code of Governance.
- Develop and implement a policy, after obtaining the Council of Governors approval of the policy, on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm.

### Other assurance functions

- Review the findings of other significant assurance functions, both internal and external to the organisation, and consider the implications for the governance of the organisation.
- These will include, but will not be limited to, any reviews by Department of Health arms length bodies or regulators / inspectors (e.g. CQC, NHSLA, etc.) and professional bodies with responsibility for the performance of staff or functions (e.g. Royal Colleges, accreditation bodies, etc.).
- Review the work of other committees within the organisation, whose work can provide relevant assurance to the Audit Committee's own areas of responsibility. In particular, this will include the committee with the remit for clinical governance, risk management and quality.
- In reviewing the work of the aforementioned committees, and issues around clinical risk management, the Audit Committee will wish to satisfy itself on the assurance that can be gained from the clinical audit function.

### Management

- Request and review reports, evidence and assurances from directors and managers on the overall arrangements for governance, risk management and internal control.
- Request specific reports from individual functions within the organisation (e.g. clinical audit).

### Financial reporting

- Monitor the integrity of the financial statements of the Trust and any formal announcements relating to the Trust's financial performance.
- The Committee should also ensure that the systems for financial reporting to the Board of Directors, including those of budgetary control, are subject to review as to completeness and accuracy of the information provided to the Board of Directors.
- Review the Trust's internal financial controls.
- Review the annual report (auditable/review elements only) and financial statements before submission to the Board of Directors, focusing particularly on:
  - The wording in the Annual Governance Statement and other disclosures relevant to the terms of reference of the Committee.
  - Changes in, and compliance with, accounting policies, practices and estimation techniques.
  - Unadjusted miss-statements in the financial statements.
  - Significant judgments in preparation of the financial statements.
  - Significant adjustments resulting from the audit.
  - Letter of representation
  - Explanations for significant variances.

### Quality Accounts

Review the draft Quality Accounts before submission to the Board of Directors for approval, specifically commenting on:

- the robustness of the processes behind the quality accounts.
- compliance with the requirements of the NHS Foundation Trust Annual Reporting Manual
- the findings and conclusion of the limited assurance report from the external auditor.
- the content of the governors' report to Monitor and the Council of Governors.
- supporting controls, e.g. data quality, if appropriate.

### Whistleblowing

The Committee shall review the effectiveness of the arrangements in place for allowing staff to raise (in confidence) concerns about possible improprieties in financial, clinical or safety matters and ensure that any such concerns are investigated proportionately and independently. This will include specific processes quoted in Monitor's Code of Governance.

### Reporting

In addition to reporting to the Board of Directors on how the Committee discharges its duties after every meeting, the Committee will report to:

- the Board of Directors 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 organization
  - the integration of governance arrangements
  - the appropriateness of the evidence that shows the organisation is fulfilling regulatory requirements relating to its existence as a functioning business, and
  - the robustness of the processes behind the quality accounts.
- 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.
- the Council of Governors annually on:
  - the engagement letter and fees
  - the Annual Management Letter
  - an assessment of the external auditor's work and fees commenting on whether the work is of a sufficiently high standard and the fees are reasonable and including a recommendation with respect to the retention of the auditor.

The Audit Committee annual report should also describe how the Committee has fulfilled its terms of reference and give details of any significant issues that the Committee considered in relation to the financial statements and how they were addressed along with other responsibilities specified in Monitor's Code of Governance. This report forms an entry in the Trust's annual report (see Financial Reporting).

### Monitoring

The committee will review its performance annually against its Terms of Reference. Date terms of reference reviewed by Audit Committee: 15 July 2015.

### **Date Trust Board approved: 23 September 2015**

Annual assessment against Terms of Reference: As per schedule of Audit Committee meetings (May 2015)