

AUDIT COMMITTEE TERMS OF REFERENCE

1. Constitution

The Board hereby resolves to establish a Committee of the Board to be known as the Audit Committee. The Committee is a non-executive Committee of the Board and has no executive powers other than those specifically delegated in these Terms of Reference.

2. Purpose and Objectives

(a) Governance

The Committee shall review the establishment and maintenance of an effective system of internal control and probity across the whole of the organisation's activities that supports the achievement of the organisation's objectives.

In particular, the Committee will review the adequacy of:

- All risk and control related disclosure statements (in particular, the Annual Governance Statement Control and Value for Money assessment), together with any accompanying Head of Internal Audit statement, external audit opinion or other appropriate independent assurances, prior to endorsement by the Board;
- The underlying assurance processes that indicate the degree of the achievement of corporate objectives, the effectiveness of the management of principal risks and the appropriateness of the above disclosure statements;
- The process surrounding the Trust's Corporate risk register and assurance framework relating to the Trust's financial activities;
- The policies for ensuring compliance with relevant regulatory, legal and code of conduct requirements; and
- The policies and procedures for all work related to fraud and corruption as set out in the Secretary of State Directions and as required by the Directorate of Counter Fraud Services.

In carrying out this work the Committee will primarily utilise the work of Internal Audit, External Audit and other assurance functions, but will not be limited to these audit functions. It will also seek reports and assurances from directors and managers as appropriate, concentrating on the overarching systems of governance, probity 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.

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(b) Internal Audit

The Committee shall ensure that there is an effective internal audit function established by management that meets mandatory Government Internal Audit Standards and provides appropriate independent assurance to the Audit Committee, Chief Executive and Board. This will be achieved by:

- consideration of the provision of a value for money Internal Audit service;
- 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 as identified in the Assurance Framework; and
- 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 within the organisation; and
- periodic review of the efficiency and effectiveness of internal audit.

(c) External Audit

The Committee shall review the work and findings of the External Auditor appointed by the Council of Governors and consider the implications and management's responses to their work. This will be achieved by:

- consideration of the appointment and performance of the External Auditor;
- discussion and agreement with the External Auditor, before the audit commences, of the nature and scope of the audit as set out in the Annual Plan, and ensure coordination, as appropriate, with other External Auditors in the local health economy;
- discussion with the External Auditors of their local evaluation of audit risks and assessment of the Trust and associated impact on the audit fee; and
- review all External Audit reports, including agreement of the annual audit letter before submission to the Board and any work carried outside the annual audit plan, together with the appropriateness of management responses

(d) Local Counter Fraud Specialist

The Committee shall ensure that there is an effective counter fraud function established by management that meets NHS Counter Fraud standards and provides independent assurance to the Audit Committee, Chief Executive and Board. This will be achieved by:

- Consideration on the appointment of a Counter Fraud Service, the fee and Terms and Conditions of engagement;
- Oversee the effective operation of Counter Fraud and to ensure that the Counter Fraud Service is appropriately resourced and has appropriate standing within the Trust;
- Review the Counter Fraud Policies, Strategies/Plans and to consider major findings of Counter Fraud Reports, management's response and subsequent action; and

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- Ensure compliance with Section 24 of the NHS National Contract on Counter Fraud.

(e) Other Assurance Functions

The Audit Committee shall review the findings, or ensure that they are reviewed by a relevant body, of other significant assurance functions, both internal and external to the organisation, and consider the implications to the governance of the organisation.

These will include, but will not be limited to reviews by relevant Department of Health Arm's Length Bodies or Regulators/Inspectors.

The Committee may rely upon the work of other committees within the organisation, whose work can provide relevant assurance to the Audit Committee's own scope of work. This will particularly include the Non Clinical Governance Committee and the Clinical Governance Committee.

In reviewing associated work of those Governance Committees, the Audit Committee will need to satisfy themselves on the assurance that can be gained from these Committees.

The Committee shall also ensure that the requirements set out in the Trust's Standing Financial Instructions and Standing Orders are addressed, which also include:

- Monitoring compliance with Standing Orders and Standing Financial Instructions;
- Reviewing schedules of losses, compensations and settlements with staff, and making recommendations to the Board; and
- Reviewing schedules of debtors/creditors balances over 6 months old and over a de-minimus limit as defined by the Audit Committee and related explanations/action plans.

(f) Management

The Committee shall request and review reports and positive assurances from directors and managers on the overall arrangements for governance, probity and internal control.

They may also request specific reports from individual functions within the organisation as they may be appropriate to the overall arrangements.

(g) Financial Reporting

The Audit Committee shall review the Annual Financial statements before submission to the Board, 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 and practices
- Un adjusted mis-statements in the financial statements
- Major judgemental areas
- Significant adjustments resulting from the audit

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4. Accountability and Reporting Arrangements

The Committee will be accountable to the Trust Board. A report of the meeting will be submitted and presented to the Board by the Chair who shall draw to the attention of the Board issues that require disclosure to the full Board, or require executive action.

The Committee shall refer to the other Board Assurance Committees (the Non Clinical Governance Committee and the Clinical Governance Committee) matters considered by the Committee deemed relevant for their attention. The Committee will consider matters referred to it by those two Assurance Committees.

The annual work plan of the Committee may be reviewed by the Committee at any given time.

5. Frequency

The Committee will meet no less than four times a year.

Additional meetings may be arranged when required to support the effective functioning of the Trust. Internal and External Audit may request a meeting if required.

6. Authority

The Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee.

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

7. Monitoring Effectiveness

The Committee will undertake an annual review of its performance against its work plan in order to evaluate the achievement of its duties. This review will inform the Committee's annual report to the Board.

8. Other Matters

The Committee shall be supported administratively by the members of the Finance department whose duties in this respect will include:

- Director of Finance to agree the agenda with Chairman
- PA to Director of Finance to collate the papers
- Director of Finance and Head of Financial Services to advise the Committee on pertinent areas

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9. Review

These terms of reference will be reviewed at least annually as part of the monitoring effectiveness process.

Current version: September 2017

Next review date: September 2018

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