

Meeting / Committee	Board of Directors	Meeting Date	29 April 2014		
This paper is for	Action/Decision X	Assurance X	Information X		
Title	Audit Committee Terms of Reference and Business Plan				
Purpose	For the Board to agree the Audit Committee's terms of reference.				
Summary	<p>The attached terms of reference were prepared in accordance with Monitor's guidance on "The NHS Foundation Trust Code of Governance", and were approved for a further year by the Audit Committee on 24 April 2014.</p> <p>Following a workshop exercise facilitated by Internal Audit and supported by the Deputy Director of Quality Assurance. The terms of reference have been translated into meaningful business plan for 2014/15 including a number of new or revised actions as shaded.</p> <p>The Board is requested to indicate any further assurances that it wishes the Audit Committee to seek, not currently provided in the attached business plan.</p>				
Prepared by	David Kirby	Presented by	David Kirby		
Recommendation	<p>The Board is requested to:-</p> <ul style="list-style-type: none"> i Agree the attached terms of reference for a further year. ii Indicate any assurances that it wishes the Audit Committee to seek, not currently provided in the attached business plan. 				
Implications	Legal	Financial X	Safety & Quality	Strategic	Risk & Assurance X

1	Name of committee / group	Audit Committee
2	Purpose	<ul style="list-style-type: none"> • The purpose of the audit committee is to assist the Board to deliver its responsibilities for the conduct of public business and the stewardship of funds under its control. In particular, the committee will review systems of governance, risk management and internal control to enable the Board to gain assurance that appropriate systems are in place. • The audit committee is a non-executive committee of the Board and has no executive powers, other than those specifically delegated in these terms of reference.
3	Connectivity – reports to and rationale	<ul style="list-style-type: none"> • Board of Directors
4	Connectivity – reports from	<ul style="list-style-type: none"> • Internal audit • External audit • Individual corporate directors
5	Chair	<ul style="list-style-type: none"> • David Kirby
6	Vice chair	
7	Management lead	<ul style="list-style-type: none"> • Caroline Parnell

<p>8 Membership</p> <ul style="list-style-type: none"> • The Committee shall be appointed by the chairman of the Board from amongst the non executive directors of the trust and shall consist of not less than three members. • One of the members will be appointed chair of the committee by the chair of the Board. • The Board should satisfy itself that at least one member of the audit committee has recent and relevant financial experience. • The chair of the trust shall not be a member of the committee. • The chair of the trust may be invited to attend meetings as appropriate. • The audit committee can require the attendance of any director or staff member of the trust at its meetings. • The chief executive, director of finance and appropriate internal and external audit representatives shall normally attend meetings. 	<ul style="list-style-type: none"> • David Kirby • Hugh Lang • Henrietta Wallace • Non executive director vacancy
<p>9 Quorum</p>	<ul style="list-style-type: none"> • A quorum shall be two members. This to consist of the Committee chair and one other member.
<p>10 Frequency of meetings</p>	<ul style="list-style-type: none"> • Not less than three times a year. The external auditor or head of internal audit may request a meeting if they consider that one is necessary. • At least once a year the committee will meet privately with the external and internal auditors without executive board members present.

11	Secretary servicing committee	<p>The company secretary shall:-</p> <ul style="list-style-type: none"> • act as secretary to the committee, • ensure that appropriate support is provided to the chair and members of the committee, and that minutes of the proceedings are taken. • ensure appropriate development and training of committee members.
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12	Review date for terms of reference and membership	<ul style="list-style-type: none"> • Annually
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13	Aims, objectives and duties	
13.1	Financial reporting	
	<p>The audit committee will monitor the integrity of the financial statements of the trust and any formal announcements relating to the trust's financial performance.</p> <p>13.1.1 The committee shall review the annual report and financial statements before submission to the Board, focussing particularly on:</p> <ul style="list-style-type: none"> a The wording in the Annual Governance Report and any other disclosures relevant to the terms of reference of the committee. b Changes in and compliance with accounting policies, practices and estimation techniques. c Unadjusted misstatements in the financial statements. d Significant judgements in preparation of the financial statements. e Significant adjustments resulting from the audit. f Letter of representation. g Qualitative aspects of financial reporting. <p>13.1.2 The committee should ensure that the systems for financial reporting to the Board, including those of budgetary control are subject to review as to the completeness, accuracy and effectiveness of the information provided to the Board.</p>	

13.2 **Governance, risk management and internal control**

The committee shall review the establishment and maintenance of an effective system of integrated governance, risk management and internal control, across the whole of the trust's activities (both clinical and non clinical) that supports the achievement of the trust's objectives, in particular:

13.2.1 Prior to endorsement by the Board the committee will review the adequacy and effectiveness of:

- a The annual governance report and any other risk or disclosure statements together with any Head of Internal Audit statement, external audit opinion and /or other independent assurances.
- b Any proposed changes to standing orders, SFIs and scheme of delegation
- c Schedules of losses and compensation

13.2.2 The Committee will review the adequacy and effectiveness of:

- a The underlying assurance processes that indicate the degree of the achievement of corporate objectives and the effective management of principal risks.
- b The policies and processes for ensuring compliance with relevant regulatory, legal and code of conduct requirements and related reporting and self certification.
- c The policies and procedures for all work related to fraud and corruption as set out in the Secretary of States Directions and as required by the NHS Counter Fraud and Security Management Service (CFSMS).
- d The arrangements for countering fraud and review of the outcomes of counter fraud work.

13.3 **Internal audit**

The Committee shall ensure that there is an effective internal audit function, which meets government internal audit standards and provides appropriate independent assurance to the audit committee, chief executive and the Board of Directors. This will be achieved by:

13.3.1 An annual review of internal audit which will consider:

- a The effectiveness of internal audit
- b Ensuring that the internal audit function is adequately resourced and has appropriate standing within the trust
- c The cost of the audit
- d Any questions of resignation and dismissal

13.3.2 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 trust as identified in the assurance framework.

	<p>13.3.3 Consideration of the major findings of internal audit work, their recommendations, management's response and implementation.</p> <p>13.3.4 Ensuring co-ordination between the internal and external auditors to optimise audit resources.</p>
<p>13.4</p>	<p>External audit</p> <p>The audit committee will review the work and findings of external audit and consider the implications of and management responses to their work. To be achieved by:</p> <p>13.4.1 Discussion and agreement with the external auditor before the audit commences, of the nature and scope of the audit in the annual plan, and ensuring co-ordination as appropriate with other external auditors in the local health economy.</p> <p>13.4.2 Review of all external audit reports, together with the appropriateness of management responses to audit findings and recommendations.</p> <p>13.4.3 Agreement of the annual audit letter before submission to the Board and any work carried outside the annual audit plan.</p> <p>13.4.4 The annual review by the committee of the performance of the external auditor.</p> <p>13.4.5 The committee will also develop and implement 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.</p> <p>13.4.6 The committee will make recommendations to the board of governors, in relation to the appointment, re-appointment and removal of the external auditor and approve the remuneration and terms of engagement of the external auditor.</p>
<p>13.5</p>	<p>Arrangements by which staff raise concerns</p> <p>13.5.1 The audit committee will review arrangements by which staff of the trust may raise, in confidence, concerns regarding health and safety, malpractice or wrongdoing where the interests of others or of the organisation itself are at risk.</p>
<p>13.6</p>	<p>Other assurance functions</p> <p>13.6.1 The audit committee will review the findings of any other relevant significant assurance functions, both internal and external to the trust and consider the implications to the governance of the trust.</p> <p>13.6.2 The committee will review the work of other committees within the trust whose work can provide relevant assurance to the audit committee's</p> <p>13.6.3 The committee will wish to satisfy themselves on the assurance that can be gained from the clinical audit function.</p>

13.7 Reporting

13.7.1 The committee will report to the Board annually on its work in support of the statement of internal control, specifically commenting on the fitness for purpose of the assurance framework, the completeness and embeddedness of risk management in the trust, the integration of governance arrangements and the appropriateness of the evidence compiled to demonstrate fitness to register with the CQC and the robustness of the processes behind the quality accounts.

14 Delegated authority and decision making powers

- The committee is authorised by the Board to investigate any activity within its terms of reference.
- It is authorised to seek any information and documentation it requires from any employee of the trust 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 and expertise if it considers this necessary on any matter.

15 Work programme

To be agreed annually by the committee.

Signed _____ **Dated** _____