Agenda Item 16

The Queen Elizabeth Hospital King's Lynn
NHS Foundation Trust

Audit Committee

Terms of Reference – May 2017

1. OVERALL PURPOSE:

The purpose of an Audit Committee is to provide independent assurance of the adequacy of the Board Assurance Framework and associated control environment, independent scrutiny of the Trust's financial, non-financial and quality performance to the extent that it affects the Trust's exposure to risk and weakens the control environment and to oversee the financial reporting process. The work of the committee will facilitate the completion of the Annual Governance Statement by the Accounting Officer.

The Board of Directors hereby resolves to establish a committee of the Board to be known as the Audit Committee (The 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. RESPONSIBILITIES:

The duties of the committee can be categorised as follows:

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 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 of:

- All risk and control related disclosure statements, in particular the Annual Governance Statement and declarations of compliance with the Care Quality Commission Fundamental Standards, together with any accompanying Head of Internal Audit opinion, 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 policies for ensuring compliance with relevant regulatory and legal requirements;
- The policies and procedures for all work related to fraud, bribery and corruption as set out in Secretary of State directions and as required by NHS Protect; and

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 over-arching 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 Board Assurance Framework to guide its work and that of the audit and assurance functions that report to it.

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 the internal audit service, the costs of the audit and 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 as identified in the Board Assurance Framework and Risk Register;
- 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
- Annual review of the effectiveness of internal audit.

External Audit

The committee shall review the work and findings of the external auditor and consider the implications of management's responses to their work. This will be achieved by:

- Working with the Governors' Council as set out in Monitor's guide for NHSFT Governors regarding their statutory duties in respect 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 ensuring coordination, as appropriate, with other external auditors in the local health economy; 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.

Other Assurance Functions

The Audit Committee shall review the findings of other significant assurance functions, both internal and external to the organisation, and consider the implications to the governance of the organisation.

In addition, the committee will review 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 any committee established to review Risk Management.

In reviewing issues concerning clinical risk management, the Audit Committee will wish to satisfy itself on the assurance that can be gained from the clinical audit function.

Counter Fraud

The committee shall satisfy itself that the organisation has adequate arrangements in place for countering fraud and bribery and shall review the outcomes of counter fraud work.

Management

The committee shall request and review reports and assurances from directors and managers on the overall arrangements for governance, risk management and internal control.

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

Financial and Quality Reporting

The Audit Committee shall review the Annual Report including the Quality Report 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 and practices;
- Unadjusted mis-statements in the financial statements;
- Major judgemental areas;
- Significant adjustments resulting from the audit; and
- External Audit's assurance on the Quality Report.

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.

3. REPORTING

The minutes of Audit Committee meetings shall be formally recorded. The Chair of the committee shall draw to the attention of the Board any issues that require disclosure to the full Board, or require executive action through the Chair's Key Issues log.

The committee will report to the Board annually on its work in support of the Annual Governance Statement, specifically commenting on the fitness for purpose of the Board Assurance Framework, the completeness and embeddedness of risk management in the organisation and the appropriateness of the process for legal and regulatory self-assessment e.g. against the CQC Fundamental Standards.

4. OTHER MATTERS

The committee shall be supported administratively by the Trust Secretary and the Corporate Governance Officer, whose duties in this respect will include:

- Agreement of agenda with Chair and attendees and collation of papers;
- Taking the minutes and keeping a record of matters arising and issues to be carried forward; and
- Advising the committee on pertinent areas.

Audit Committee Members who are unable to attend a meeting of the Audit Committee shall

appoint a non-executive substitute (other than the Chair of the Board of Directors), who shall be fully briefed in respect of the meeting's agenda and business. The substitute shall contribute to the quorum for the meeting and shall have full voting rights.

Accountability:

The Audit Committee is accountable to the Board of Directors.

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 and expertise if it considers this necessary.

The Audit Committee shall produce an annual report to the Board of Directors that sets out how the committee has met its terms of reference.

The committee will report to the Board at least annually on its work in support of the Annual Governance Statement, specifically commenting on the fitness for purpose of the Board Assurance Framework, the completeness and 'embeddedness' of risk management in the organisation and the appropriateness of the process for legal and regulatory self-assessment e.g. against the CQC Fundamental Standards.

In addition, the report should highlight to the Board the main areas that the committee has reviewed and any particular concerns or issues that it has addressed. These could include:

- The financial position and financial reporting systems of the organisation;
- Any major break-down in internal control that has led to a significant loss; and
- Any major weakness in the governance systems that has exposed, or continues to expose, the organisation to unacceptable risk.

Relationships:
- Board of Directors
- Governors' Council
- Board Committees
- Internal Audit
- External Auditors

Membership:
- Chair – Non-Executive Director
- Two Non-Executive Directors

The Chair of the Trust may not serve on the Audit Committee.

Attendance:
- Chief Executive Officer
- Director of Finance
- Deputy Director of Finance
- Internal Auditors
- Local Counter Fraud Specialist
- External Auditors
- Trust Secretary

Attendance by invitation:

- Trust Chair

- Executive Directors, as appropriate
- Other Officers of the Trust as appropriate

Rules:

The Audit Committee will meet not less than four times a year. The External Auditor or Head of Internal Audit may request a meeting if they consider one is necessary.

Quorum - at least 2 of the non-executive members of the committee

Distribution of Terms of Reference: - Members of the Audit Committee

Author: Ian Pinches, Chair Audit Committee
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Ratified by: Board of Directors
Date:
Review Date: May 2018