

AUDIT COMMITTEE TERMS OF REFERENCE

Accountable: to the Board of Directors

Reporting: to the Board of Directors

Constitution

The Board 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.

Membership

The Committee shall be appointed by the Board from amongst the non-executive directors of the Trust and shall consist of not less than three members. One member of the Committee should have recent and relevant experience (e.g. audit/financial accounting/financial management) and one member of the Committee should also be a member of the Quality Committee. One of the members will be appointed Chair of the Committee by the Board. The Chairman of the organisation shall not be a member of the Committee.

Quorum

A quorum shall be two members.

Attendance

The Finance Director, members of the Senior Finance Team, the Deputy Director of Governance, the Company Secretary and appropriate internal and external audit representatives shall normally attend meetings. The Local Counter Fraud representative shall also attend twice per year and the Local Security Management Specialist on an annual basis. At least once a year the Committee should meet privately with the external and internal auditors.

The Chief Executive should be invited to attend and should discuss at least annually with the Audit Committee the process for assurance that supports the Annual Governance Statement. He or she should also attend when the Committee considers the annual accounts. All other executive directors should be invited to attend, particularly when the Committee is discussing areas of risk or operation that are the responsibility of that director.

Governors are also invited to attend the Audit Committee meetings in an observational capacity.

A secretary appointed to the Committee shall attend to take minutes of the meeting and provide appropriate support to the Chair and Committee members.

Frequency

Each Committee must consider the frequency and timing of meetings needed to allow it to discharge all of its responsibilities. A benchmark of six meetings per annum at appropriate times in the reporting and audit cycle is suggested. The External Auditor or Head of Internal Audit may request a meeting if they consider that one is necessary.

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 and expertise if it considers this necessary. Details of the estimated cost of such advice should be advised to the Finance Director for budgetary, cash flow and control purposes.

Duties

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 and effectiveness of:

- All risk and control related disclosure statements (in particular the Annual Governance Statement), 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 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, legal and code of conduct requirements and related reporting and self-certification
- The policies and procedures for all work related to fraud and corruption as set out in the NHS Protect Counter Fraud Standards for Providers and as required by the Counter Fraud and Security Management Service
- The procedures for detecting fraud and whistle blowing (HDFT's Whistle Blowing Policy) and ensure that arrangements are in place by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting, financial control or any other matters.

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 sources. 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 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 that meets mandatory NHS 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 cost 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 Assurance Framework
- Considering 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 internal audit function is independent; adequately resourced and has appropriate standing within the organisation
- Annual review of the quality and effectiveness of internal audit.

External Audit

The Committee shall review the work and findings of the external auditors 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 auditors, and reporting annually to the Council of Governors by way of an evaluation of the external auditors' performance and whether they should be reappointed
- Recommendation of the audit fee to the Board (and Governors if a new appointment) and pre-approve any fees in respect of non-audit services provided by the external auditors and to ensure that the provision of non-audit services does not impair the independence or objectivity 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 co-ordination, 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
- Review of all external audit reports, including the report to those charged with governance, agreement of the annual audit letter before submission to the

Board and any work undertaken outside the annual audit plan, together with the appropriateness of management responses

- Annual review of the quality and effectiveness of external audit.

The External Auditor or Head of Internal Audit may, at any time, request a meeting if they consider it necessary.

Clinical Assurance

The Audit Committee shall 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 (for example, the Care Quality Commission, NHS Resolution, etc.) and professional bodies with responsibility for the performance of staff or functions (for example, Royal Colleges, accreditation bodies, etc.)

The Quality Committee will provide assurance from the clinical audit function. The Audit Committee will review the work of the Quality Committee by receiving minutes, and exception reports from the non-executive director who is a member of both committees. In addition, the Company Secretary also attends both committees.

The Audit Committee will receive minutes and regular reports from the Corporate Risk Review Group.

Counter Fraud

The Committee shall satisfy itself that the organisation has adequate arrangements in place for countering fraud and shall review the outcomes of counter fraud work and receive the counter fraud annual report.

Security Management Service

The Committee shall satisfy itself that the organisation has adequate arrangements in place for Security Management Services and that the Committee will receive from the Local Security Management Specialist an annual report on its activities and plan for the following year.

Management

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

The Committee may also request specific reports from individual functions within the organisation (for example, clinical audit) as they may be appropriate to the overall arrangements.

Financial Reporting

The Audit Committee shall monitor the integrity of the financial statements of the Trust and any formal announcements relating to the Trust's financial performance.

The Committee should ensure that the systems for financial reporting to the Board, including those of budgetary control, are subject to review as to completeness and accuracy of the information provided to the Board.

The Audit Committee shall review the annual report and 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, practices and estimation techniques
- Unadjusted miss-statements in the financial statements
- Significant judgements in preparation of the financial statements
- Significant adjustments resulting from the audit
- Schedule of losses and special payments
- Letter of representation
- Qualitative aspects of financial reporting
- The going concern assumption
- The extent to which the financial statements are affected by any unusual transactions in the year and how they are disclosed
- Any reservations and disagreements between the external auditors and management which had not been satisfactorily resolved.

Standing Orders, Standing Financial Instructions and Standards of Business Conduct

The Committee will review, on behalf of the Board, the operation of and proposed changes to the Standing Orders, Standing Financial Instructions, and HDFT's Code of Business Conduct, including Staff Registers of Interest.

Quality Account

The Quality Committee will approve the Quality Account and present it to the Audit Committee. The Audit Committee will review the Quality Account and submit it to the Board.

Other Matters

The minutes of Audit Committee meetings shall be formally recorded by the Secretary and submitted to the Board. 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.

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 Assurance Framework, the completeness and 'embeddedness' of risk management in the organisation, the integration of governance arrangements and the appropriateness of the self-assessment against external regulations including the Care Quality Commission.

The Committee shall also:

- Review third party assurances (both clinical and relating to financial management)
- Review Post Project Evaluations and Single Tender Actions
- Receive an annual report on procurement activity and savings
- Review the Treasury Management Policy, on behalf of the Board, and receive the annual report on treasury activity.

The Committee shall be supported administratively by the Secretary, whose duties in this respect will include:

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

Where disagreements between the Audit Committee and the Board cannot be resolved, the Audit Committee shall report the issue to the Governors. If the issue still cannot be resolved the Audit Committee shall report the issue as part of the report on its activities in the Annual report and Financial Statements.

As agreed with the Governors, the Audit Committee Chairman shall be available to attend the AGM and shall answer questions through the Chairman of the Board of Governors on the Audit Committee's activities and responsibilities.

Review

These Terms of Reference will be reviewed annually, in conjunction with a review of the effectiveness of the Committee.

January 2018