

Audit Committee (Assurance)

Terms of Reference

1. Constitution

The Audit Committee is formally established as a sub-committee of the Board of Directors of Frimley Health NHS Foundation Trust (the Trust).

The Audit Committee will review these Terms of Reference on an annual basis as part of a self-assessment of its own effectiveness. Any recommended changes brought about as a result of the yearly review, including changes to the Terms of Reference, will require Board of Directors approval.

2. Authority

The Audit Committee is directly accountable to the Board of Directors. All minutes of committee meetings will be reported directly to the Board of Directors.

The Audit Committee is authorised by the Board of Directors 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 cooperate with any request made by the Committee. The Audit Committee is authorised by the Board to obtain external legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

3. Aim

The aim of the Audit Committee is to:

- Review the adequacy of the governance, risk management and internal control processes within the Trust, reporting any concerns and issues to the Board, with significant risks being drawn to the attention of the Council of Governors.
- Monitor the integrity of the Trust's financial statements and the significant financial reporting judgements contained in them.
- Review the Trust's internal financial controls.
- Monitor and review the effectiveness of the internal audit process.
- Review and monitor the effectiveness of the external audit process and the External Auditors' independence and objectivity.
- Review the Trust's processes to monitor the effectiveness of clinical audit
- Review arrangements by which staff of the Trust may raise, in confidence, concerns about possible improprieties in matters of financial reporting and control, clinical quality, patient safety or other matters.
- Provide an annual review of the Trust's systems for ensuring compliance with CQC standards as reported in the Trust's Quality Report.

4. Objectives

Specific duties of the Audit Committee include:

4.1 Governance, Risk Management and Internal Control

Review the establishment and maintenance of an effective system of 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, the Audit Committee will:

- Keep under review the effectiveness of the Trust's internal management controls;
- Review the adequacy of the processes supporting all risk and control related disclosure statements (in particular the Annual Governance Statement, the Quality Report and declarations of compliance with the Care Quality Commission's Core Standards), together with any accompanying Head of Internal Audit opinion, external audit opinion or other appropriate independent assurances;
- Review the Trust-wide Risk Assurance Framework document for the purpose of receiving assurance that the totality of Trust risk is being managed appropriately;
- Review and approve the statements to be included in the annual report concerning internal financial controls and risk management (the Annual Governance Statement);
- Review the adequacy of 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;
- Review the adequacy of the policies for ensuring compliance with relevant regulatory, legal and code of conduct requirements;
- Review the adequacy of the policies and procedures for all work related to fraud and corruption as set out by NHS CFA and as required by the Counter Fraud Service.

In carrying out this work, the Audit Committee will primarily utilise the work of Internal Audit, External Audit, Local Counter Fraud 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, risk management and internal control, together with indicators of their effectiveness. This will be evidenced through the Committee's use of an effective Risk Assurance Framework to guide its work and that of the audit and assurance functions that report to it.

4.2 Internal Audit

Ensure that there is an effective internal audit function established by management that meets mandatory 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:

- Prompt review of all reports on the Trust from the Internal Auditors;
- Review and monitor management's responsiveness to the findings and recommendations of the Internal Auditors;
- 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;
- Consideration of the major findings of internal audit work (and management's response), and ensure coordination 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;
- Annual review of the effectiveness of internal audit.

4.3 External Audit

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 the following:

- Consideration of the appointment and performance of the External Auditor, as far as the Trust constitution permits;

- 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 on their evaluation of audit risks and assessment of the Trust and associated impact on the audit fee;
- Review of all External Audit reports together with the appropriateness of management responses;
- Developing and implementing policy on the engagement of the External Auditors to supply non-audit services. Detailed guidance is set out in a separate Non-Audit Policy.
- Meet regularly with the External Auditors, including once at the planning stage before the audit and once after the audit at the reporting stage;
- Review any representation letter(s) requested by the External Auditors before they are signed by management;
- Review the ISA260 Communication with those Charged with Governance, the limited assurance report on the Quality Report and management's response to the auditor's findings and recommendations;
- Oversee the relationship with the External Auditors.

4.4 Review Meetings with Auditors

Meet at least once a year in private with each of the internal and external auditors and with both sets of auditors, to review if there are any issues which need to be discussed or addressed with the Trust.

4.5 Other Assurance Functions

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. These will include, but will not be limited to, any reviews by NHS Improvement, Department of Health Arm's Length Bodies or Regulators / Inspectors (e.g. Care Quality Commission, NHS Litigation Authority, etc.), and professional bodies with responsibility for the performance of staff or functions (e.g. Royal Colleges, accreditation bodies, etc.). The Board will decide where external reviews will be considered on a case by case basis, as some matters may be of more relevance to another committee.

In addition, the Audit Committee will refer to the work of other committees within the organisation, whose work can provide relevant assurance to the Audit Committee's own scope of work. In particular, the Audit Committee will refer to the work of the Quality Assurance Committee and Finance Assurance Committee. The Quality Assurance Committee coordinates and implements all the responsive actions being taken by the organisation in relation to quality and provides assurance to the Board of Directors that the quality agenda is being embedded in line with the Quality Strategy, and that performance is measured and monitored. The Financial Assurance Committee provides an objective view of the financial performance, and financial strategy of the Trust, together with an understanding of the risks and assumptions within the Trust financial plans and projections.

4.6 Management

Request and review reports and positive assurances from directors and managers on the overall arrangements for governance, risk management and internal control. It can also request specific reports from individual functions within the organisation as it may be appropriate to the overall arrangements.

4.7 Financial Reporting

Monitor the integrity of the financial statements of the Trust, including its operating and financial review and significant financial returns to regulators, before clearance by the auditors and before submission to and approval by the Board, and shall review significant financial reporting issues and judgements which they contain. Additionally, the Audit Committee will review the Annual Report and Accounts 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 Audit Committee;

- Changes in, and compliance with, accounting policies and practices;
- Unadjusted misstatements in the financial statements;
- Major judgemental areas; and
- Significant adjustments resulting from the audit.

The Audit Committee will 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.

The Audit Committee will review schedules of losses and compensations, making recommendations to the Trust Board as appropriate, taking account of delegated limits. The Audit Committee shall review and challenge where necessary:

- The consistency of, and any changes to, accounting policies on a year-on-year basis and across the Trust;
- The methods used to account for significant or unusual transactions where different approaches are possible;
- Whether the Trust has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the External Auditors;
- The clarity of disclosure in the Trust's financial reports and the context in which statements are made;
- All material information presented with the financial statements, such as the operating and financial review and the governance report.

4.8 Whistleblowing and Fraud

- Review the Trust's arrangements for its staff to raise concerns, in confidence, about possible improprieties in matters of financial reporting and control, clinical quality, patient safety and other matters.
- Ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action.

4.9 Counter Fraud

The Committee shall:

- consider the appointment of the counter fraud service provider
- obtain assurances that the counter fraud service provider is appropriately resourced and performs its duties in accordance with the NHS CFA Provider Standards
- review the fraud risk assessment in the context of the Trust's overall risk management system,
- consider and approve the annual counter fraud plan
- receive and consider all proactive counter fraud reports, progress reports including those related to investigations
- consider if the counter fraud has an appropriate standing within the organisation
- receive the counter fraud annual self-assessment submission (the SRT) prepared by the Trust
- receive and review the annual counter fraud report
- review annually the effectiveness of the counter fraud service

5. Method of working

A standard agenda as follows will be used by the Audit Committee:

1. Apologies for absence
2. Declarations of Interest
3. Minutes of the previous meeting
4. Action Log
5. Internal audit reports
6. Quality Assurance Committee report (by exception)
7. Finance Assurance Committee report (by exception)
8. People Committee report (by exception)
9. External audit reports
10. Counter-fraud report
11. Trust-wide Risk Assurance Framework
12. Reference costs (as necessary)
13. Losses and write-offs report (Quarterly)
14. Council of Governors – any items to draw to their attention
15. Any other business
16. Date of next meeting

All minutes of the Committee will be presented in a standard format, as set out in Appendix A.

All meetings will receive an action log (detailing progress against actions agreed at the previous meeting) for the purposes of review and follow-up. The action log template is attached at Appendix B.

6. Membership

6.1 Committee Membership

The members of the Audit Committee shall comprise at least three Non-Executive Directors of the Trust, of which at least one will have relevant financial experience. The Chairman of the Trust and Chief Executive shall not be a member of the Committee.

6.2 Committee Chair

The Board of Directors will appoint one of the members to Chair the Committee. In the absence of the Chair, the remaining members present shall elect one of the NEDs to Chair the meeting.

6.3 Disclosure and Discussions

Each Committee member shall disclose to the Committee:

- Any conflict of interest;
- Any personal financial interest in any matter to be decided to the Committee.

Any such member shall refrain from discussions concerning such matters and, if requested by the Committee Chair, will leave the meeting for the duration of the discussion.

6.4 Attendees

Only members of the Audit Committee have the right to attend Committee meetings. However, other individuals, including external advisors, may be invited to attend all or part of any meeting, as and when appropriate.

The Director of Finance and appropriate Internal and External Audit representatives shall normally attend meetings. However, the Audit Committee should meet privately with the External and Internal Auditors at

least once a year. Other Executive Directors should be invited to attend, particularly when the Audit Committee is discussing areas of risk or operation that are the responsibility of that director.

The Chief Executive should be invited to attend, at least annually, to discuss with the Audit Committee the process for assurance that supports the Annual Governance Statement.

6.5 Review of Membership

The membership will be reviewed annually by the Audit Committee and the Board of Directors to ensure it is still appropriate. Attendance records will be kept and published in the Trust's Annual Report.

7. Quorum

The quorum shall be a minimum of two Non-Executive Directors present in person or by telephone. A duly convened meeting of the Audit Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by, the Committee.

8. Frequency of Meetings

The Audit Committee will hold a minimum of four meetings a year. Meetings will be arranged as appropriate, but generally every two months. Members of the Committee will be notified of each meeting confirming the venue, the time, date and duration no later than one month before the meeting. Extraordinary meetings of the Audit Committee may be called at short notice with the agreement of the Committee Chair.

In addition, an extraordinary Audit Committee meeting will be held for the purpose of the signing of the Annual Report and Accounts. The Agenda for this will purely focus on these items and standard agenda items will not apply.

Committee members are expected to attend a minimum of 75% of the Committee meetings held each financial year.

The Audit Committee will conduct its business as it sees fit. Decisions of the Committee will be a majority decision. In the case of equality of votes, the Chair of the Committee will have a second or casting vote or can decide to refer the matter to the Board for its consideration.

9. Secretariat

An agenda and all supporting papers will be sent (electronically or as a hardcopy) to each Audit Committee member, and any other person required to attend, usually no later than five working days before the date of the meeting. Where an external adviser has been retained, the adviser may circulate the papers to the members of the Audit Committee.

Minutes and agenda will be circulated by the Company Secretary.

10. Reporting lines

The minutes of each Audit Committee meeting will be reported to the private Board of Directors.

Additionally, the Audit 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 Corporate Assurance Framework, the completeness and embeddedness of risk management in the organisation and the integration of governance arrangements.

The Chair of the Committee will report to the Council of Governors in relation to the performance of the external auditor in order to enable the Council of Governors to consider whether or not to re-appoint the

external audit firm. In addition, the Chair of the Committee will report any other significant issues to the Council of Governors.

Where a significant risk emerges either through a report or from discussion at a Committee meeting, this will be reported to the Board by the Chair of the Committee.

11. Openness

Agenda, papers and minutes considered confidential. A summary of the minutes of each meeting will be included in the next public board agenda.

Reviewed by: Audit Committee

Date: 13th September 2018

Approved by: Board

Date: 7th December 2018

Review date: December 2019

MINUTES OF THE AUDIT COMMITTEE
DD/MM/YYYY at HH:MM in the VENUE

Present: Core Members
Other Invitees
In Attendance:
(Minutes)

1.	Apologies for Absence Apologies were received from (list)	
2.	Declarations of Interest	
3.	Minutes The Minutes of the Meeting held on XXX were approved as a correct record with the following amendments-	
4.	Action Log	Initials of action owner
5.	XXXX	
6.	XXXX	
7.	XXXX	
8.	Any Other Business	
9.	Date of Next Meeting	

Appendix B

Committed To Excellence Working Together Facing The Future



Audit Committee

Agreed Action	Lead	End Date
ACTIONS COMPLETE		
ACTIONS IN PROGRESS		
ACTIONS OVERDUE		