



<b>Time Required</b>	<b>5 minutes</b>	<b>Paper No.</b>	<b>PB/12/38</b>
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**Report to:** PUBLIC BOARD OF DIRECTORS' MEETING

**Date:** 19 March 2012

<b>Subject:</b>	Audit Committee -Terms of Reference
<b>Report by:</b>	Karen Sullivan, Trust Secretary

### Purpose of Report

At the Trust Board meeting on 23 January 2012 the attached terms of reference were presented for approval. As part of the discussion on that item the Board considered whether clinical audit should be included within the remit of the committee and requested further information on best practice in this area to determine an appropriate forum for the management of clinical audit recommendations before approving the terms of reference. Investigations have revealed that other Ambulance Trusts monitor clinical audit through the Quality Committee, however an internal audit carried out on the clinical audit process is usually undertaken and presented to the Audit Committee. It is therefore proposed that clinical audit recommendations are considered by the Trust's Quality and Governance Committee rather than the Audit Committee.

The NHS Audit Committee Handbook stresses that an audit committee should review the healthcare aspects of an organisation as this is the core business of NHS organisations. In particular it states that the committee should satisfy itself that there is the same level of scrutiny and independent audit over the controls and assurances relating to the risks to all strategic objectives, including clinical objectives. The committee's role across the whole of the organisation's activities both clinical and non-clinical is stated in the attached terms of reference and therefore further amendments to the terms of reference are not proposed.

To meet the requirements of the handbook the Audit Committee will need to obtain assurance regarding clinical governance, including the arrangements for clinical audit but it is important to avoid duplication of work with that of the Quality and Governance Committee. The handbook does recognise that an audit committee will use the work of other committees in the organisation to obtain assurance. The following are proposed as options for the Audit Committee to consider in ensuring it obtains the assurance it needs in relation to clinical governance:

- ensure that reviews relating to clinical risk are included in the annual internal audit programme and consider the findings of those audit reviews;
- request regular updates from the non executive director who is a member of both the Audit Committee and the Quality and Governance Committee;
- request assurance reports from the Quality and Governance Committee;
- review the minutes of the Quality and Governance Committee;
- invite senior managers responsible for clinical governance or clinical audit to attend the committee meeting to address specific concerns;
- meet with members of the Quality and Governance Committee to understand current issues and assurance obtained by the committee.

### Implications:

<b>Quality (including Patient Safety, Staff Safety, Dignity and Patient Experience)</b>	<ul style="list-style-type: none"> <li>• Reviewing assurance relating to clinical risk would identify quality issues.</li> </ul>
<b>Human Resources including Equality</b>	<ul style="list-style-type: none"> <li>• None</li> </ul>
<b>Legal</b>	<ul style="list-style-type: none"> <li>• None</li> </ul>



<b>Policy</b>
<ul style="list-style-type: none"> <li>None</li> </ul>
<b>Financial (including any funding requirements)</b>
<ul style="list-style-type: none"> <li>None</li> </ul>
<b>Media/Communications</b>
<ul style="list-style-type: none"> <li>None</li> </ul>

Details of any identified risk(s):	Risk Assessment		
	Consequence (A)	Likelihood (B)	Score (A x B)
Failure of the Audit Committee to fulfil its role if it is unable to obtain sufficient assurance relating to clinical risk.	<b>3</b>	<b>3</b>	<b>9</b>
<b>Details of mitigation of identified risk(s):</b>	Obtains for obtaining assurance as identified in the report.		
<b>This paper links to the following Trust Strategies:</b>	Not applicable		
<b>This paper links to the following Strategic Objectives:</b>	Not applicable		

**Recommendation(s)**

The Trust Board is asked to approve the Audit Committee Terms of Reference.		
<b>Management of Item</b> <i>(delete tick boxes as appropriate)</i>	PMO: Level 1 Level 2	Function <input checked="" type="checkbox"/>



## Terms of Reference

<b>Title:</b>	Audit Committee	
<b>Date approved, and approving body:</b>	September 2010 Trust Board	
<b>Date reviewed:</b>	December 2011	
<b>Next review date:</b>	February 2012	
<b>Purpose:</b>	<p>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.</p> <p>The Audit Committee is a Committee of the Trust Board responsible for monitoring risks identified through internal and external audit processes and for ensuring the Trust conducts its financial affairs in accordance with legislation and good practice guidance.</p>	
<b>Membership:</b>	<b>Membership</b> The Committee shall be appointed by the Trust 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 Board. The Chairman of the Trust shall not be a member of the Committee One of the committee members shall also serve as a member of the Trust's Quality and Governance Committee. One of the committee members shall also serve as a member of the Information Governance Group.	<b>Nominated Deputy</b>  N/A
<b>Deputies:</b>	N/A	
<b>Chair:</b>	Non-Executive Director	
<b>Deputy Chair:</b>	Any of the other members of the committee	
<b>Director Lead</b>	Director of Finance and Performance	
<b>Quorum</b>	A quorum shall be two members.	
<b>Secretary:</b>	The Trust Secretary shall be Secretary to the Committee and shall attend and ensure that the minutes of the meeting are taken and provide appropriate support to the Chair and Committee members.	
<b>Frequency of Meetings:</b>	The committee will meet not less than 4 times a year. The External Auditor or Head of Internal Audit may request a meeting if they consider that one is necessary.	
<b>Rules as to Meetings &amp; Proceedings:</b>	Agenda and supporting papers will be circulated to members at least five working days prior to any meeting.	

	<p>Standing agenda items will be collated in the Annual Business Cycle.</p> <p>Minutes shall be prepared and distributed in unapproved format within 10 working days of the meeting.</p> <p>All papers/minutes should be read prior to the meeting and the meeting will be conducted on this basis with papers not being introduced.</p> <p>Standing Orders and Standing Financial Instructions of the Trust as appropriate apply to formally established committees. As such, members of this committee may requisition a meeting in writing in line with Standing Orders.</p> <p>The Audit Committee will receive the Terms of Reference of its sub-groups for approval annually. The Committee will also receive a terms of Reference Monitoring Report for each of its sub-groups.</p>
<p><b>Attendance at meetings:</b></p>	<p>The Director of Finance and Performance, the Trust Secretary and appropriate External Audit, Internal Audit and Local Counter Fraud Service representatives shall normally attend meetings.</p> <p>At least once a year the committee should meet privately with the External and Internal Auditors.</p> <p>The Chief Executive should be invited to attend and should discuss, at least annually the process for assurance that supports the Statement on Internal Control. He or she should also attend when the Committee considers the draft internal audit plan and the annual accounts.</p> <p>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.</p> <p>The Audit Committee may require any member of staff to attend any Audit Committee meeting in order to provide information and explanations as necessary.</p>
<p><b>Authority/Tolerances:</b></p>	<p>The committee is authorised by the Trust Board to:</p> <p>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.</p> <p>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.</p>
<p><b>Duties</b></p>	<p>The duties of the Committee can be categorised as follows:</p> <p><b>Governance, Risk Management and Internal Control</b></p> <p>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.</p> <p>In particular, the Committee will review the adequacy and effectiveness of:</p> <ul style="list-style-type: none"> <li>• All risk and control related disclosure statements (in particular the Statement on Internal Control), together with any accompanying Head of Internal Audit statement, external audit opinion or other appropriate</li> </ul>

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 Secretary of State Directions and as required by the Counter Fraud and Security Management Service.

In carrying out this work the Committee will primarily utilise the work of internal audit, external audit, local counter fraud service 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 adequately resourced and has appropriate standing within the organisation
- Annual review of the effectiveness of internal audit.

#### **External audit**

The Committee shall review the work and findings of the external auditors 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, as far as the rules governing the appointment permit

- 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
- 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.

#### **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 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 Litigation Authority, etc.) and professional bodies with responsibility for the performance of staff or functions (for example, Royal Colleges, accreditation bodies, etc.)

In addition, the Committee will take into account the work of the Quality and Governance Committee and other groups within the organisation, whose work can provide relevant assurance to the Audit Committee's own scope of work. This will particularly include any risk management groups that are established.

#### **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.

#### **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.

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

Receive the minutes of the Information Governance Group.

Receive the Corporate Risk Register.

Receive the Information Governance Group Risk Register.

#### **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

	<p>performance.</p> <p>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.</p> <p>The Audit Committee shall review the annual report and financial statements before submission to the Board, focussing particularly on:</p> <ul style="list-style-type: none"> <li>• The wording in the Statement on Internal Control and other disclosures relevant to the terms of reference of the Committee</li> <li>• Changes in, and compliance with, accounting policies, practices and estimation techniques</li> <li>• Unadjusted mis-statements in the financial statements</li> <li>• Significant judgements in preparation of the financial statements</li> <li>• Significant adjustments resulting from the audit</li> <li>• Letter of representation</li> <li>• Qualitative aspects of financial reporting.</li> <li>• Approve the annual report and financial statements for adoption by the board in accordance with delegated authority.</li> </ul>
<b>Sub-groups:</b>	Information Governance Group
<b>Accountability:</b>	EMAS Trust Board
<b>Other Matters</b>	<p>The Trust Secretary will ensure that the minutes of Audit Committee meetings shall be formally recorded and submitted to the Trust Board. The Chair of the Committee shall draw to the attention of the Chairman any issues that require disclosure to the full Board or require executive action.</p> <p>The Committee will report to the Board at least annually on its work in support of the Statement on Internal Control, 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 the Care Quality Commission essential standards.</p> <p>The Committee shall be supported administratively by the Trust Secretary, whose duties in this respect will ensure the following:</p> <ul style="list-style-type: none"> <li>• Agreement of agenda with Chair and attendees and collation of papers</li> <li>• Taking the minutes</li> <li>• Keeping a record of matters arising and issues to be carried forward</li> <li>• Advising the Committee on pertinent areas.</li> <li>• Provide a copy of each policy or procedure endorsed or approved by</li> </ul>

	<p>the committee to the Governance Manager, for the purpose of ensuring the Trust's central document management database is current and up to date.</p> <ul style="list-style-type: none"> <li>• Notify the Governance Manager of any policy or procedure, which have been discontinued, and the effective date.</li> <li>• The minutes of committee meetings are submitted to the Quality and Governance Committee for information.</li> <li>• The committee will receive the minutes of the Quality and Governance Committee for information.</li> </ul>
<p><b>Self Assessment &amp; Monitoring:</b></p>	<p>The Trust Secretary will, on behalf of the Audit Committee, ensure the following are monitored:</p> <ol style="list-style-type: none"> <li>1. The attendance of members in line with the quorum.</li> <li>2. Alignment of the meeting dates to the Trust Board.</li> <li>3. Monitor the objectives and duties of the Audit Committee as outlined in the above Terms of Reference.</li> </ol> <p>The above monitoring will take place on an annual basis and the report will be submitted to the Audit Committee and subsequently the Trust Board.</p>