

## Audit Committee

### Role

The role of the Audit Committee is to support the Board of Directors and the Accounting Officer by reviewing the comprehensiveness, reliability and integrity of assurances to meet the Board and the Accounting Officer's requirements. To support this, the Audit Committee will have particular engagement with the work of Internal and External Audit and with Financial Reporting issues.

### Alignment with Trust Strategic Priorities

Strategy Implementation	Implement strategic priorities of integration and place
Quality	Maintain and improve the quality of services delivered by CLCH
Finance	Deliver the 2018/19 financial plan
Operations	Deliver all NHS constitutional and contractual standards
Workforce	Make CLCH a great place to work for everyone

### Definitions

"the Trust" means Central London Community Healthcare NHS Trust

"the Committee" means the Audit Committee

"the Directors" means the Trust's Board of Directors.

### 1 Membership

- 1.1 Members of the Committee shall be appointed by the Board of Directors. The Committee shall be made up of three Non-executive Directors. The Chairman of the Trust must not be a member of the Committee. Members may appoint an appropriate Deputy which must be another Non-executive Director to represent them at a Committee meeting.
- 1.2 Only members of the Committee have the right to attend and vote at Committee meetings. The Committee may require other officers of the Trust and other individuals to attend all or any part of its meetings.
- 1.3 The Chair of the Committee will be an Independent Non-executive Director. In the absence of the Committee Chair and/or an appointed Deputy, the remaining members present shall elect another member to Chair the meeting.
- 1.4 In addition to the Members the following are required to attend meetings of the Committee. Those in attendance may appoint a Deputy to attend on their behalf but should aim to attend in person a minimum of three scheduled meetings during the year.
  - 1.4.1 Those in attendance will be:
    - Executive Director of Finance, Contracting and Performance
    - Trust Secretary
    - Representative from Counter Fraud
  - 1.4.2 Internal and External Audit representatives will normally attend meetings at least once a year the Committee shall meet privately with the Internal and External Auditors.
  - 1.4.3 The Chief Executive shall be invited to attend any meeting, and should attend at least annually to discuss with the Committee the process for assurance that supports the Annual Governance Statement.

## **2 Secretary**

- 2.1 The Trust Secretary or their nominee shall act as the Secretary of the Committee.

## **3 Quorum**

- 3.1 The quorum necessary for the transaction of business shall be two. A duly convened meeting of the 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.

## **4 Frequency of meetings and attendance requirements**

- 4.1 The Committee will normally meet at least four times a year at appropriate times in the reporting cycle and otherwise as required;
- 4.2 Committee members should aim to attend all scheduled meetings but must attend a minimum of three meetings. The Secretary of the Committee shall maintain a register of attendance which will be published in the Trust's Annual Report.

## **5 Notice of meetings**

- 5.1 Meetings of the Committee may be called by the Secretary of the Committee at the request of any of its members or where necessary.
- 5.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the Committee, any other person required to attend and all other Non-executive Directors, no later than five working days before the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time.

## **6 Minutes of meetings**

- 6.1 The Secretary shall minute the proceedings of all meetings of the Committee, including recording the names of those present and in attendance.
- 6.2 Members and those present should state any conflicts of interest and the Secretary should minute them accordingly.
- 6.3 Minutes of Committee meetings should be circulated promptly to all members of the Committee and, once agreed, to all members of the Board of Directors unless a conflict of interest exists.

## **7 Annual General meeting**

- 7.1 The Chair of the Committee will normally attend the Annual General Meeting prepared to respond to any questions on the Committee's activities.

## **8 Duties**

The Committee should carry out the following duties for the Trust:

### **8.1 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.

- 8.2 In particular, the Committee will review the adequacy and effectiveness of:

- 8.2.1 all risk and control related disclosure statements (in particular the Annual Governance Statement<sup>1</sup>), together with any accompanying Head of Internal Audit statement, External Audit opinion or other appropriate independent assurances, prior to endorsement by the Board of Directors;
  - 8.2.2 the system of management of performance and finance across the whole of the organisation's activities (both clinical and non-clinical), that supports the achievement of the organisation's objectives<sup>2</sup>.
  - 8.2.3 the Board Assurance Framework and the underlying integrated 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;
  - 8.2.4 the system of management for the development, approval and regular review of all trust policies, including those for ensuring compliance with relevant regulatory, legal and code of conduct requirements; and
- 8.3 In relation to the management of risk, the Committee will:
- 8.3.1 Maintain an oversight of the Trust's risk management structures, processes and responsibilities, including the production and issue of any risk and control related disclosure statements
  - 8.3.2 Review processes to ensure appropriate information flows to the Committee from executive management and other board committees in relation to the Trust's overall control and risk management position
  - 8.3.3 Specifically monitor progress in reducing high rated risks in the following categories: events and reputational risks.
  - 8.3.4 Receive reports from other Committees highlighting control risks identified during the course of their work which require further review action and outlining the action to be taken.
  - 8.3.5 Review the effectiveness and timeliness of actions to mitigate critical risks including receiving exception reports on overdue actions.
  - 8.3.6 Review the statements to be included in the Annual Report concerning risk management.
- 8.4 The Committee will seek assurance on behalf of the Board of Directors that the design and application of the control environment in core financial processes are fit for purpose and reflect both public and commercial sector best practice.
- 8.5 The Committee will, at least once a year, review on behalf of the Board of Directors the operation of, and proposed changes to, the standing orders, standing financial instructions and scheme of delegation.

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<sup>1</sup> The role of the Quality Committee is to monitor compliance against CQC standards and obtain assurance that standards are being met and that improvement reviews are implemented.

<sup>2</sup> The role of FRIC is to monitor progress against delivery of the strategic priorities through achievement of key performance indicators; to monitor key non-financial performance metrics and to seek assurance from the executive directors that, if necessary, appropriate management action has been taken to return Trust performance to plan.

- 8.6 The Committee will monitor the effectiveness of the processes and procedures used in undertaking due diligence
- 8.7 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.
- 8.8 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.

## **9 Internal Audit**

- 9.1 The Committee shall ensure that there is an effective Internal Audit function established by management, which meets mandatory UK public sector internal audit standards (PSIAS) and provides appropriate independent assurance to the Chief Executive and Board of Directors. This will be achieved by:
- 9.1.1 consideration of the provision of the Internal Audit service, the cost of the audit and any questions of resignation and dismissal;
  - 9.1.2 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 organisation as identified in the Assurance Framework;
  - 9.1.3 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;
  - 9.1.4 ensuring that the Internal Audit function is adequately resourced and has appropriate standing within the organisation; and
  - 9.1.5 annual review of the effectiveness of Internal Audit.

## **10 External Audit**

- 10.1 The Committee shall review the work and findings of the External Auditor and consider the implications and management's responses to their work. This will be achieved by:
- 10.1.1 consideration of the performance of the External Auditor<sup>3</sup>;
  - 10.1.2 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 co-ordination, as appropriate, with other External Auditors in the local health economy;
  - 10.1.3 discussion with the External Auditors of their local evaluation of audit risks and assessment of the Organisation and associated impact on the audit fee; and

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<sup>3</sup> Note appointment of the external auditor will be undertaken by the Auditor Panel for commencement of audit contracts for 2017/18 financial year

10.1.4 review all External Audit reports, including agreement of the annual audit letter (note this will cease after May 2017) before submission to the Board of Directors and any work carried outside the annual audit plan, together with the appropriateness of management responses.

10.1.5 Approval of the annual audit fee.

10.1.6 Confirming the independence of the external auditor, including approval of any non-audit work and fees.

## **11 Counter fraud**

11.1 The Committee will review the adequacy of the Trust's arrangements by which staff may, in confidence raise concerns about possible improprieties in matters of financial reporting and control and related matters.

11.2 In particular the Committee will:

11.2.1 review the adequacy of the policies and procedures for all work related to fraud and corruption as required by NHS Counter Fraud Authority.

11.2.2 approve and monitor progress against the operational counter fraud plan.

11.2.3 receive regular reports and ensure appropriate action in significant matters of fraudulent conduct and financial irregularity

11.2.4 monitor progress on the implementation of recommendations in support of counter fraud.

11.2.5 receive the annual report of the local counter fraud specialist.

## **12 Other Assurance Functions**

12.1 The Committee will 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.

12.2 These will include, but will not be limited to, any reviews by Department of Health Arm's Length Bodies or Regulators/Inspectors (for example the NHS Litigation Authority), professional bodies with responsibility for the performance of staff or functions (for example Royal Colleges and accreditation bodies).

12.3 To consider the severance process<sup>4</sup> for payments which require NHS Improvement approval (ie those over £100k).

12.4 The work of the Committee will be informed by reports from other Committees of the Board.

12.5 The Committee will wish to satisfy themselves on the assurance that can be gained from the clinical audit function at least annually.

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<sup>4</sup> Approval is subject to remuneration committee consideration.

### **13 Management**

- 13.1 The Committee will request and review reports and positive assurances from directors and managers on the overall arrangements for governance, risk management and internal control.
- 13.2 It may also request specific reports from individual functions within the organisation (eg clinical audit) as they may be appropriate to the overall arrangements.

### **14 Financial Reporting**

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

The 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, integrity and accuracy of the information provided to the Board of Directors.

The Committee will review the Annual 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 judgmental areas; and
- significant adjustments resulting from the audit.

### **15 Reporting responsibilities**

- 15.1 The Committee will report to the Board of Directors on its proceedings after each meeting.
- 15.2 The Committee will make whatever recommendations to the Board of Directors it deems appropriate on any area within its remit where action or improvement is needed.
- 15.3 The Committee will produce an annual report to the Board of Directors.

### **16 Other matters**

The Committee should:

- 16.1 have access to sufficient resources in order to carry out its duties, including access to the Trust secretariat for assistance as required;
- 16.2 be provided with appropriate and timely training, both in the form of an induction programme for new members and on an on-going basis for all members;
- 16.3 give due consideration to laws and regulations;
- 16.4 at least once a year, review its own performance and terms of reference to ensure it is operating at maximum effectiveness and recommend to the Board of Directors for approval, any changes it considers necessary;
- 16.5 set annual objectives and report on the achievement of these objectives in the Annual Audit Report.

### **17 Authority**

- 17.1 The Committee is a non-executive committee of the Board of Directors and has no powers, other than those specifically delegated in these Terms of Reference. The Committee is authorised:

- 17.1.1 to seek any information it requires from any employee of the Trust in order to perform its duties
- 17.1.2 to obtain, outside legal or other professional advice on any matter within its terms of reference via the Trust Secretary
- 17.1.3 to call any employee to be questioned at a meeting of the Committee as and when required.

**18 Monitoring and Review:**

- 18.1 The Board of Directors will monitor the effectiveness of the Committee through receipt of the Committee's minutes and such written or verbal reports that the Chair of the Committee might provide.
- 18.2 The Secretary will assess agenda items to ensure they comply with the Committee's responsibilities.
- 18.3 The Secretary will monitor the frequency of the Committee meetings and the attendance records to ensure minimum attendance figures are complied with. The attendance of members of the Committee will be reported in the Annual Report.
- 18.4 Terms of reference agreed at Audit Committee on 15.03.18
- 18.5 Terms of reference to approved by Board of Directors on 29.03.18.

To be reviewed at least annually.