

# NORTH WEST AMBULANCE SERVICE NHS TRUST

## TERMS OF REFERENCE – AUDIT COMMITTEE

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### 1. ROLE AND PURPOSE

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 within these terms of reference.

The Committee is established to advise the Board of Directors on the effectiveness of the Trust’s strategic processes for risk management, internal control and governance; to advise on the appropriateness and effectiveness of internal and external audit activities and ensure that accounting policies applied within the Trust comply with relevant requirements.

The Committee will consider the appointment of internal and external auditors and the internal and external audit plans. The Committee will consider auditors’ recommendations and make recommendations for action to the Board of Directors as appropriate.

The Chair of the Committee will report in writing to the Board of Directors a summary of the business that has been transacted and basis for any recommendations made. The Board will use that report as the basis for their decisions, but would remain accountable for taking the decision. Minutes of the meetings of the Board of Directors will record such decisions.

### 2. MEMBERSHIP

The Committee shall be appointed by the Board of Directors from amongst its independent Non-Executive Directors of the Trust and shall consist of not less than four members. One of the members shall be appointed as Chair of the Committee by the Board of Directors. The Chairman of the Board of Directors shall not be a member of the Committee.

There is an expectation that members will attend a minimum of three out of six Committee meetings during each financial year.

In the event that the Chair of the Committee is unable to attend a meeting, the members present shall decide upon a Deputy Chair to conduct the meeting.

The Director of Finance, Director of Corporate Affairs, Local Counter Fraud Specialist, appropriate internal and external audit representatives shall normally attend meetings. In addition, either the Quality Director or the Medical Director will attend for clinical governance agenda items. However, at least once a year, the Committee should meet privately with the internal and external auditors without the presence of the Executives.

The Chief Executive should be invited to attend at least annually to present the process for assurance that supports the Annual Governance Statement. The Chief Executive should also attend when the Committee considers the draft Annual Governance Statement and the Annual Report and Accounts.

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. Deputies may attend in the absence of any of the Executive Directors.

Other Officers of the Trust may attend at the request of the Committee in order to present and provide clarification on issues which require a decision from the Committee.

No business shall be transacted unless at least three members are present. .

### **3. ACCOUNTABILITY**

The Audit Committee authority is as set out in the NWS Scheme of Delegation.

### **4. RELATIONSHIP WITH THE BOARD OF DIRECTORS AND ITS COMMITTEES**

The Committee will report in writing to the Board of Directors the basis for its recommendations. The Board will use that report as the basis for their decisions, but would remain accountable for taking the decision. Minutes of the meetings of the Board of Directors will record such decisions.

The 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 Assurance Framework, the completeness and embeddedness of risk management in the organisation, the integration of governance arrangements and the appropriateness of the evidence that shows the organisation is fulfilling regulatory requirements relating to its existence as a functioning business. This annual report should also describe how the Committee has fulfilled its terms of reference and give details of any significant issues that the Committee considered in relation to the financial statements and how they were addressed.

### **5. REVIEW ARRANGEMENTS**

The Committee will identify annual objectives, produce an annual work plan in the agreed Trust format, measure performance at the end of the year and produce an annual report. This will also include an assessment of compliance with the Committee's terms of reference and a review of the effectiveness of the committee. Any changes of to the Terms of Reference must be recommended to the Board of Directors for approval.

Compliance with the Terms of Reference will be monitored on an ongoing basis by a senior

member of the Corporate Governance Team providing administrative support to the Committee. Any concerns in relation to compliance will be reported to the Chair of the Committee and the Director of Corporate Affairs. In addition, the annual review will include a summary on compliance with the Terms of Reference.

## **6. WORKING METHODOLOGY**

Before each meeting, a notice of the meeting specifying the business proposed to be transacted shall be sent by post or electronic mail to the usual place of business or residence of each member, so as to be available at least three clear days before the meeting.

The Committee will normally meet at least six times per year. The Chair may, however, call a meeting at any time provided that notice of the meeting is given. The appropriate internal or external audit representatives may request a meeting if they consider that one is necessary.

The minutes of meetings shall be formally recorded by a senior member of the Corporate Governance Team, checked by the Chair and submitted for agreement at the next ensuing meeting, whereupon they will be signed by the person presiding at it. The Chair of the Committee shall draw to the attention of the Board any issues that require disclosure or require executive action.

The Chair and one other Non-Executive Director may, in an emergency, exercise the functions of the Committee jointly. A full report shall be prepared as for the Committee and a signed authorisation appended. The exercise of such powers, together with the report, shall be submitted to the next formal meeting for ratification.

The Committee shall be supported administratively by a senior member of the Corporate Governance Team, who shall:

- agree agendas with the Chair and attendees
- prepare, collate and circulate papers in good time
- ensure that those invited to each meeting attend
- take the minutes and help the Chair to prepare reports as required
- keep a record of matters arising and issues to be carried forward
- ensuring that action points are taken forward between meetings
- ensure that Committee members receive the development and training they need

## **7. DUTIES AND INTERRELATIONS**

The main functions of the Committee are:

### **Internal audit**

The Committee shall ensure that there is an effective internal audit function that meets the Public Sector Internal Audit Standards 2017 and provides appropriate independent assurance to the Committee, Chief Executive and Board of Directors. This will be achieved by:

- i. consideration of the provision of the internal audit service and the costs involved

- ii. reviewing and approving the annual internal audit 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
- iii. consideration of the major findings of internal audit work (and management's response)
- iv. ensuring co-ordination between the internal and external auditors to optimise audit resources
- v. ensuring that the internal audit function is adequately resourced and has appropriate standing within the organisation; and
- vi. completing an annual review of the effectiveness of internal audit

### **External Audit**

The Committee shall review and monitor the external auditors' independence and objectivity of the audit process. In particular, the Committee will 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:

- i. consideration of the appointment and performance of the external auditor (via the Audit Panel), as far as the rules governing the appointment permit (and make recommendations to the Board of Directors when appropriate)
- ii. 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.
- iii. discussion with the external auditors of their evaluation of audit risks and assessment of the Trust and associated impact on the audit fee
- iv. review of all external audit reports, including the report to those charged with governance (before its submission to the Board of Directors) and any work carried out outside the annual audit plan, together with the appropriateness of management responses
- v. ensuring co-ordination between the internal and external auditors to optimise audit resources

### **Financial reporting**

The 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 of Directors, including those of budgetary control, are subject to review as to the completeness and accuracy of the information provided to the Board of Directors.

The Committee shall review and recommend the annual report and financial statements under delegated authority to the Board of Directors, focusing particularly on:

- i. the wording in the Annual Governance Statement and other disclosures relevant to the terms of reference of the Committee
- ii. changes in, and compliance with, accounting policies, practices and estimation techniques
- iii. unadjusted mis-statements in the financial statements
- iv. significant judgements in preparation of the financial statements
- v. significant adjustment resulting from the audit
- vi. Letter of Representation
- vii. Explanations for significant variances

## **Integrated 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 (clinical and non-clinical), that supports the achievement of the organisation's objectives. In particular, the Committee will review the adequacy and effectiveness of:

- i. all risk and control-related disclosure statements, and in particular the Annual Governance Statement, together with any accompanying Head of Internal Audit opinion, external audit opinion or other appropriate independent assurances, prior to submission to the Board
- ii. 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
- iii. the policies for ensuring compliance with relevant regulatory, legal and code of conduct requirements and related reporting and self-certification
- iv. the policies and procedures for all work related to counter fraud and security as required by the NHS Counter Fraud Authority.

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 overarching 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.

### **Other assurance functions.**

The 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:

- i. Any reviews by the Department of Health and Social Care arm's length bodies or regulators/inspectors, such as Care Quality Commission, NHS Resolution, NHS Counter Fraud Authority etc.
- ii. Professional bodies with responsibility for the performance of staff or functions, such as Royal Colleges, Health Professions Council,

As part of its integrated approach, the Committee will have effective relationships with other key committees (Quality and Performance Committee the Resources Committee and Information Governance sub committee), whose work can provide relevant assurance to the Committee's own scope of work.

## **Clinical Governance**

In reviewing clinical governance arrangements, the Committee will wish to satisfy itself that controls are adequate and that assurances are sound and sufficient. After each meeting of the Quality and Performance Committee the chair compiles an assurance report which are reported through to the Audit Committee. The committee also seeks assurance from the clinical audit function

### **Counter Fraud**

The Committee shall satisfy itself that the organisation has adequate arrangements in place to counter fraud, bribery and corruption in accordance with the NHS Counter Fraud Authority's (NHS CFA) Standards for Providers, and shall review the outcomes of counter fraud work carried out.

In accordance with the Government Functional Standard: GovS 013 Counter Fraud the Trust will provide assurance that the appropriate counter fraud arrangements are in place and ensure a coordinated approach to protecting public services against the risk of fraud, bribery and corruption.

The Committee will refer any suspicions of fraud, bribery and corruption to the NHS CFA.

### **Management**

The Committee shall request and review reports, evidence and 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 Trust such as clinical audit, as may be appropriate to the understanding of the overall arrangements.

The Committee has a specific role to receive assurance and scrutinise the arrangements relating to information governance, including specifically data quality and cyber security.

### **Other duties**

Other duties of the Committee are:

- i. to review proposed changes to Standing Orders and Standing Financial Instructions
- ii. to examine the circumstances associated with each occasion that Standing Orders are waived; and
- iii. to review losses and compensation payments and make recommendations to the Board of Directors

## **8. DELEGATED AUTHORITY**

The Committee is authorised by the Board to:

- i. investigate any activity within its terms of reference
- ii. seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee
- iii. obtain independent professional advice, having due regard to recognised Trust procedures, and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

## **9. INWARD REPORTING ARRANGEMENTS**

The Committee shall receive Chair Assurance Reports from:

- Quality and Performance Committee
- Resources Committee
- Information Governance Sub-Committee