

**GREAT ORMOND STREET HOSPITAL FOR CHILDREN NHS FOUNDATION
TRUST**

AUDIT COMMITTEE

TERMS OF REFERENCE

1. Authority

1.1. The Audit Committee is a non-executive committee of the Board of Great Ormond Street Hospital for Children NHS Foundation Trust (the Board), established in accordance with paragraph 36 of the Trust's Constitution and section 27 of the Trust Board's Standing Orders.

2. Remit

2.1. The Committee shall review the establishment and maintenance of an effective system of integrated governance, risk management and financial and non-financial internal controls that supports the achievement of the organisation's objectives.

3. Authority

3.1. The Committee is authorised by the Trust Board to:

- a) investigate any activity arising within its terms of reference;
- b) to seek any information it requires from any member of staff and all members of staff must co-operate with any request made by the Committee;
- c) to request specific reports from individual functions within the Trust.
- d) to obtain independent legal or professional advice; and
- e) to request the attendance of individuals and authorities outside the Trust with relevant experience and expertise if it considers this necessary.

4. Membership

- 4.1. The Audit Committee shall be composed of at least three independent non-executive directors. The Chairman of the Trust shall not be a member of the Committee.
- 4.2. At least one of the committee members shall have recent and relevant financial experience. Two members shall constitute a quorum.
- 4.3. The Board may appoint an independent member of the committee in addition to the non-executive director members to bring in additional experience and expertise.

- 4.4. One of the non-executive members will be appointed as Chair of the Committee by the Board.
- 4.5. The independent member of the Audit Committee shall also sit as an independent member of the Quality and Safety Assurance Committee.

5. Attendance at meetings

- 5.1. The Chief Executive, Chief Finance Officer, Deputy Chief Executive, Head of Quality and Safety; representative of the external auditors; and the Head of Internal Audit and Counterfraud representative shall normally be invited to attend meetings.
- 5.2. The external auditors and internal auditors shall meet annually with the Committee without executive directors present, or at the Auditor's or Committee's request.
- 5.3. The Company Secretary shall be the Secretary to the Committee.
- 5.4. The Committee may invite any member of GOSH staff or directors to attend a meeting of the Committee, should it be considered necessary.
- 5.5. Two members' councillors will be invited to observe at every committee meeting.

6. Frequency of meetings

- 6.1. Meetings shall be held a minimum of four times a year at dates agreed to coincide with key stages in the accounting and audit cycle. The external auditors or Head of Internal Audit may request a meeting if they consider one is necessary.
- 6.2. Members are expected to attend a minimum of 3 meetings per year.

7. Duties

- 7.1. To discharge the Trust's duties for Audit, the Committee shall ensure that the business of the Trust is conducted fully in accordance with the principles of accountability and probity by undertaking the following duties:

8. Governance, risk management and internal control

- 8.1. 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 Trust's activities (both clinical and non-clinical), that supports the achievement of the Trust's objectives.
- 8.2. In particular, the Committee shall review the adequacy and effectiveness of:
 - 8.2.1. 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 the endorsements by the Board.

8.2.2. The underlying processes that indicate the degree of achievement of corporate objectives, the effectiveness of the management of the principal risks and the appropriateness of the above disclosure statements.

8.2.3. The policies and strategies for ensuring compliance with relevant regulatory, legal and code of conduct requirements and related reporting and self-certification.

8.2.4. The policies and procedures for all work related to fraud and corruption as set out in the Secretary of State Directions and as required by the Counter Fraud Service.

8.3. The Committee shall advise the chief executive on the effectiveness of the system of internal control.

8.4. The Assurance Framework will be used to guide the Committee's work and that of the audit and assurance functions that report to it.

8.5. The Committee shall review and make recommendations to the Board on the management of risk, and the resources required including the annual business plan.

9. Internal Audit

9.1. The Committee shall appoint the internal auditors and ensure that there is an effective internal audit function that meets mandatory Audit Standards in a Foundation Trust and provides appropriate independent assurance to the Audit Committee, Chief Executive and Trust Board. This will be achieved by:

9.1.1. consideration of the provision of the internal audit service, resourcing of the 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 it 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 monitoring of the implementation of audit recommendations by management;

9.1.4. ensuring coordination between the internal and external auditors to optimise audit resources;

9.1.5. an annual review of the effectiveness of internal audit.

10. External Audit

10.1. The Committee shall review the work and findings of the external auditors and consider the implications and management's responses to their work.

10.2. Consideration of the appointment and performance of the external auditors will be conducted as outlined below:

10.2.1.1. The Committee will assess the external auditor's quality and value of work and the timeliness and reporting and fees on an annual basis and, based on this assessment, make a recommendation to the Members' Council with respect to the re-appointment or removal of the auditor. This assessment should include the review and monitoring of the external auditor's independence and objectivity and effectiveness of the audit process in light of relevant professional and regulatory standards. To the extent that that recommendation is not adopted by the Members' Council, this shall be included in the annual report, along with the reasons that the recommendation was not adopted.

10.2.1.2. The Committee will make recommendation to the Members' Council about the remuneration and terms of engagement of the external auditor.

10.2.1.3. The Committee will oversee the conduct of a market testing exercise for the appointment of an auditor at least once every five years. It will agree with the Members' Council, the criteria for appointing, re-appointing and removing external auditors. The committee shall make a recommendation to the Members' Council with respect to the appointment of the auditor.

10.2.1.4. The Committee will develop, implement and monitor the policy on the engagement of the external auditor to supply non-audit services.

10.2.1.5. The Committee will consider the provision of the external audit service, the cost of the audit and any questions of resignation and dismissal. Where the Members' Council puts forward a proposal to consider removing the auditor, the Audit Committee will investigate the issue, including allegations made against the auditor and report the findings to the Council.

10.1.2 Discussion and agreement with the external auditors, 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

10.1.3 Discussion with the external auditors of their local evaluation of audit risks and assessment of the Trust and associated impact on the audit fee;

10.1.4 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 and progress on implementation of the recommendations.

11 Other assurance functions

- 11.1 The Committee shall review the findings of other significant assurance functions, both internal and external to the Trust and consider the implications for the governance of the Trust.
- 11.2 The Committee will review the work of other committees in the Trust whose work can provide relevant assurance to the Audit Committee's scope of work. In particular, this will include the Quality and Safety Committee but may also include the Patient, Safety and Outcomes Committee and specific Risk Action Groups (RAGs).
- 11.3 The Committee will review the framework in place for managing, governing and monitoring data quality and information governance.

12 Counter Fraud

- 12.1 The Committee shall satisfy itself that the Trust has adequate arrangements in place for countering fraud and bribery and shall review the outcomes of counter fraud work.

13 Raising concerns

- 13.1 The Audit Committee should 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.
- 13.2 The Audit Committee will monitor the arrangements in place for the proportionate and independent investigation of such matters and for appropriate follow-up action. Through this work, the Audit Committee will ensure that:
 - 13.2.2 safeguards for those who raise concerns are in place and operating effectively;
 - 13.2.3 individuals or groups are enabled to draw formal attention to practices that are unethical or violate internal or external policies, rules or regulations
 - 13.2.4 valid concerns are promptly addressed
 - 13.2.5 processes reassure individuals raising concerns that they will be protected from potential negative repercussions.

14 Financial reporting

- 14.1 The Committee shall monitor the integrity of the financial statements of the Trust and any formal announcements relating to the Trust's performance.
- 14.2 The Committee shall ensure that the systems for 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.

14.3 The Audit Committee shall review the content of the Annual Report and Financial Statements before submission to the Board, and advise the board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for stakeholders to assess the Trust's performance, business model and strategy, focusing particularly on:

14.3.2 the wording in the Annual Governance Statement and other disclosures relevant to the terms of reference of the Committee;

14.3.3 changes in, and compliance with, accounting policies, practices and estimation techniques;

14.3.4 unadjusted mis-statements in the financial statements;

14.3.5 significant adjustments in preparation of the financial statements;

14.3.6 significant adjustments resulting from the audit.

14.3.7 letter of representation

14.3.8 qualitative aspects of financial reporting.

15 Standing Orders, Standing Financial Instructions and Standards of Business Conduct

15.1 On behalf of the Board, the Committee shall:

15.1.1 review the operation of, and proposed changes to, the standing financial instructions,

15.1.2 review the scheme of delegation.

15.1.3 report to the Board on its findings and recommended amendments for approval.

16 Administration of the Committee

16.1 The Committee shall undertake an annual review of its effectiveness, which will be reported to the Board.

16.2 The Committee shall be supported administratively by the Company Secretary, whose duties shall include:

16.2.2 Agreement of the agendas with the Chair and collation of the papers;

16.2.3 Taking the minutes;

16.2.4 Keeping a record of matters arising and issues to be carried forward;

16.2.5 Advising the Committee on pertinent issues/ areas;

16.2.6 Enabling the development and training of Committee members.

16.3 The Committee shall review its terms of reference and work-plan on an annual basis and consult with the Members' Council on any revisions.

- 16.4 The Committee shall receive a summary of the minutes of the Risk, Assurance and Compliance Group and Quality and Safety Assurance Committee.

17 Reporting

- 17.1 A summary of the reports received by the Audit Committee is outlined in the work-plan attached at annex 1.
- 17.2 A summary of the minutes of the Audit Committee shall be submitted to a meeting of the Board.
- 17.3 The Chair of the Committee shall draw to the attention of the Board and the Members' Council any issue that requires disclosure to the full Board or requires action, making recommendations as to the steps to be taken.
- 17.4 The Committee will report to the Board at least annually on
- 17.4.2 its work in support of the Annual Governance Statement, specifically commenting on the fitness for purpose of the Assurance Framework;
 - 17.4.3 the completeness and extent to which the risk management framework is embedded across the Trust;
 - 17.4.4 the completeness and extent to which the data quality framework is embedded;
 - 17.4.5 the completeness and extent to which the information governance framework is embedded;

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