

**AUDIT COMMITTEE**  
**TERMS OF REFERENCE**

**CONSTITUTION**

The Board hereby resolves to establish a Committee of the Board to be known as the Audit Committee (The Committee). The Committee comprises solely of the Non-Executive Directors of the Board and they will have the full delegated authority to act on behalf of the Board in exercising the remit and functions described in the paragraphs below.

**MEMBERSHIP**

The Committee shall be appointed by the Board and shall comprise all the Non-Executive Directors of the Trust with the exception of the Chairman of the organisation who shall not be a member of the Committee. One of the members will be appointed Chair of the Committee by the Board and, in his/her absence, one of the remaining Non-Executive Directors may deputise.

**ATTENDANCE**

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

The Chief Executive should be invited to attend, at least annually, to discuss with the Audit Committee 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.**

**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.

The PA to the Deputy Chief Executive, or whoever covers these duties, shall be Secretary to the Committee and shall attend to take minutes of the meeting and provide appropriate support to the Chairman and Committee members.

**DEPUTY ATTENDANCE**

All Non-Executive Directors are members of the Audit Committee; therefore it is not appropriate for a deputy to be nominated.

**FREQUENCY OF ATTENDANCE BY MEMBERS**

The Committee requires a minimum attendance of four out of six meetings per annum by the individual committee member unless he/she has been given specific leave of absence.

**QUORUM**

A quorum shall be three members. Where a quorum cannot be established the Committee will continue to meet but will be unable to approve any documentation.

**FREQUENCY OF MEETINGS**

Meetings shall be held not less than six times a year. The External Auditor or Head of Internal Audit may request a meeting if they consider that one is necessary.

**AUTHORITY**

The Committee is authorised by the Board 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 co-operate with any request made by the Committee. The Committee is authorised by the Board to 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.

## **DUTIES**

The duties of the Committee can be categorised as follows:-

### 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.

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

All risk and control related disclosure statements (in particular the Statement on Internal Control and declarations of compliance with the Care Quality Commission Quality and Risk Standards), together with any accompanying Head of Internal Audit statement, external audit opinion or other appropriate independent assurances, prior to endorsement by the Board.

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.

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 and other assurance functions, but will not be limited to these **services.** 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 established by management 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;

Reviewing and approving 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.

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.

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, appointed by the Council of Governors, 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 permits** and recommendations to the Council of Governors.

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.

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 all External Audit reports, including agreement of the annual audit letter before submission to the Board and the Council of Governors 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 to 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 (e.g. Care Quality Commission, NHS Litigation Authority, etc) professional bodies with responsibility for the performance of staff or functions, e.g. Royal Colleges, accreditation bodies, etc).

In addition, the Committee will review 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, this will include the Clinical Governance Committee and any Healthcare Governance Committees that are established.

In reviewing the work of the Clinical Governance Committee, and issues around clinical risk management, the Audit Committee will wish to satisfy itself on the assurance that can be gained from the clinical audit function.

#### **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.

The Committee may also request specific reports from individual functions within the organisation (e.g. clinical audit), as they may be appropriate to the overall arrangements.

#### 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 performance.**

The Committee should ensure that the system 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.

The Audit Committee shall review the Annual Report and Financial Statements before submission to the Board, focusing particularly on:-

- The wording in the Statement on Internal Control and other disclosures relevant to the Terms of Reference of the Committee.
- Changes in, and compliance with, accounting policies, practices **and estimation techniques**.
- Unadjusted miss-statements in the financial statements.
- **Significant judgements in preparation of the financial statements**
- Significant adjustments resulting from the audit.
- **Letter of representation**
- **Qualitative aspects of financial reporting**
- **Major judgemental areas.**

## **AGENDA ITEMS**

An annual timetable will be provided with dates for agenda items to be submitted. Items for the agenda should be submitted to the Secretary to the Committee a minimum of two weeks prior to the meeting. Members wishing to discuss an item on the agenda must attend the meeting. Members will be expected to provide reports as required by the agreed dates.

## **MINUTES RECEIVED**

- Healthcare Governance Committee
- **Clinical Governance** Committee

## **DISTRIBUTION OF MINUTES**

The minutes of Audit Committee meetings shall be formally recorded by the PA to the Deputy Chief Executive and will be forwarded to all members of the Committee and submitted to **the Healthcare Governance Committee and** the Board.

## **REPORTING RESPONSIBILITIES**

The Chair of the Committee will be responsible for ensuring the Committee adheres to its Annual Work Plan and Annual Measurable Objectives.

The Chair of the Committee will be responsible for reporting to the Board of Directors and shall draw to the attention of the Board of Directors any issues that require disclosure to the full Board, or require executive action.

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, the appropriateness of the **evidence compiled to demonstrate fitness to register with the Care Quality Commission Quality Commission and the robustness of the processes behind the Quality Accounts.**

## **REVIEW AND EVALUATION**

The membership of the group and terms of reference will be reviewed **annually** or as requested.

## **OTHER MATTERS**

The Committee shall be supported administratively by the PA to the Deputy Chief Executive, whose duties in this respect will include:-

Agreement of agenda with Chairman and attendees and collation of papers.

Taking the minutes and keeping a record of matters arising and issues to be carried forward.

Advising the Committee on pertinent areas.

**Approved by the Board**

**Date:** 30<sup>th</sup> July 2010

**For Review by:** July 2011