

Committee Terms of Reference

AUDIT COMMITTEE

Terms of Reference

Status:	Sub-committee of the Trust Board
Chair:	Non-Executive Director
Membership:	Three Non-Executive Directors
Clerk:	Trust Secretary
Frequency of Meetings:	6 times a year <i>The External Auditor or Head of Internal Audit may request a meeting if they consider this to be necessary</i>
Quorum:	Two

1. Context

- 1.1 The terms of reference of the Trust's Audit Committee reflect the requirements of the Trust's Constitution, the NHS FT Code of Governance and the NHS Audit Committee Handbook 2011.

2. Remit

- 2.1 The Committee has delegated authority from the Board of Directors [not yet] to investigate any activity within its terms of reference. In undertaking such activities, the Committee will help discharge the responsibility of the Trust's Accounting Officer, who under the terms of the National Health Service Act 2006 is held responsible to Parliament, by the Public Accounts Committee, for the overall stewardship of the organisation and the use of its resources

3. Membership

- 3.1 The membership of the Committee will consist of two [?] non-executive directors. The Chairman of the organisation shall not be a member of the Committee.

3.2. Chairman of the Audit Committee

The chairman of the Committee will be appointed by the Board of Directors, and will be a non-executive director (NED). In the absence of the Chairman, another member will be delegated the responsibility of Deputy Chairman.

3.3 Secretary of the Audit Committee

The secretary of the Committee will be the Company Secretary, supported by a senior member of the Finance Department

4. Attendance at meetings of the Audit Committee

4.1 The following individuals will regularly attend the meetings of the Committee:

- Director of Finance
- Deputy Director of Finance
- Financial Controller
- Head of Internal Audit
- Local Counter Fraud Specialist
- External Auditor
- Director of Patient Safety/Medical Director
- Assistant Director of Clinical Governance and Risk
- Board Secretary [Company Secretary?]

4.2 The Chief Executive will be invited to attend to discuss the process for assurance that supports the Statement on Internal Control, the draft annual accounts and SIC, and the draft Internal Audit Plan. The Chief Executive and other executive directors/senior managers will be invited to attend any meetings of the Committee when issues relevant to their area of responsibility are to be discussed.

5. Accountability and Reporting Arrangements

5.1 The Committee will be directly accountable to the Board.

5.2 The chairman of the Committee will report on the proceedings of each meeting to the next meeting of the Board.

5.3 Although no committee / group reports into the Audit Committee, the Audit Committee has the jurisdiction to request formally recorded minutes of any committee and group within the Trust that may provide assurance to the Audit Committee of a safe system of internal control. The Committee is authorised to seek information and advice either within the Trust or externally on any matters within its terms of reference.

6. Responsibilities

6.1 Governance, Risk Management and Internal Control

The Committee will 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 that supports the achievement of the organisation's objectives.

The Committee will review the adequacy of:

- 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 independent assurances, prior to endorsement by the Board.

- The processes leading to the declarations of compliance with Care Quality Commission registration requirements for quality and safety [the revised Handbook doesn't mention this, and these reports also go to the Board, so do we still need this?]
- 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.
- 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 particular, the committee will

- Ensure the Trust has adequate plans, processes and systems for managing risk.
- Take a strategic overview of the Assurance Framework and approve reports provided to the Board.
- Provide assurance of effectiveness of the wider risk management programme within the Trust.
- Review and monitor Internal and External Audit work plans.
- Receive a Risk Management Annual Report.

In carrying out this work, the Committee will primarily utilise the work of Internal Audit, External Audit, Local Counter Fraud Service, Clinical Audit and other assurance functions, but will not be limited to these Audit functions. It will also seek reports and assurances from executive 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.

6.2 Internal Audit

The Committee will 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 and appointment 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.
- Consideration of the major findings of internal Audit work (and management's response and follow-up and implementation of all recommendations),
- 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.

6.3 External Audit

The Committee will review the work and findings of the External Auditor and will consider the implications and management responses to their work. This will be achieved by:

- Consideration of the performance of the External Auditor.

- 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 and any work carried outside the annual Audit plan, together with the appropriateness of management responses.

6.4 Other Assurance Functions

The Audit Committee will 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. This includes, but is not limited to, CQC and NHSLA.

In addition, the Committee will review the minutes/action plans, as necessary, of any other committees within the organisation, whose work can provide relevant assurance to the Audit Committee's own scope of work, for example CQuAC and IRGC.

6.5 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 [have moved clinical audit to the list of major assurances, above] as may be appropriate to the overall arrangements.

6.6 Financial Reporting

The Audit Committee will 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 mis-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.

The Committee will review:

- the entries recorded in the Register of Interests
- the entries recorded in the Hospitality Register
- the entries recorded in The Trust Seal Register [do we actually do this?]
- the entries recorded in the Tender/Quotation Waiver Register
- [should the Losses & Compensation schedule be included in this list? We do review it, and it's included in the Scheme of Delegation at p8]

The Committee will also 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.

7. Notice of Meetings

- 7.1 Meetings of the Committee will be called at the request of the chairman.
- 7.2 Details of each meeting, including agenda and supporting papers will be forwarded to each member of the Committee before the date of the meeting.

8. Minutes of Meetings

- 8.1 Minutes of the meetings will be circulated promptly to all members of the Committee and those in attendance as soon as reasonably practical. They will be submitted to the Board, together with a report from the Chair drawing to the Board's attention any issues which require disclosure to the full Board or require Executive action.

9. Monitoring of Effectiveness

- 9.1 The Committee will review its own performance and terms of reference at least once a year to ensure it is operating at maximum effectiveness. Any proposed changes will be submitted to the Board for approval.
- 9.2 These terms of reference will be approved by the Board and formally reviewed at intervals not exceeding two years.

David McNeil
Trust Secretary
September 2011

Terms of Reference ratified by:	Public Board
Date of Ratification:	30 September 2010
Date of Review:	15 September 2011 by Audit Committee
Date of next Review:	14 September 2013 (or as a Foundation Trust)