

Terms of Reference for the Audit Committee

Constitution

The Board of Directors hereby resolves to establish a committee of the Board of Directors to be known as the Audit Committee (the committee). The committee has no executive powers other than those delegated in these terms of reference.

Membership

The committee will be appointed from amongst the non-executive directors of the Trust and shall consist of not less than three members. One of the members will be appointed Chair of the committee by the Board of Directors. The Chair of the Trust shall not be a member of the committee.

Attendance

The Director of Finance and appropriate Internal and External Audit representatives shall normally attend meetings. At least once a year the external and internal auditors shall be offered an opportunity to report to the Committee any concerns they may have in the absence of all Executive Directors and officers.

The Chief Executive and other executive directors should be invited to attend, but particularly when the committee is discussing areas of risk or operation that are the responsibility of that director.

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.

The Local Counter Fraud Specialist shall attend to agree a work programme and report on their work as required.

The Trust Secretary shall act as secretary to the committee

Quorum

This shall be two members.

Frequency

Not less than three times per year.

Agenda and Papers

Meetings of the committee will be called by the committee chair. The agenda will be drafted by the secretary and approved by the committee chair prior to circulation.

Notification of the meeting, location, time and agenda will be forwarded to committee members, and others called to attend, at least five working days before the meeting. Supporting papers will also be sent out at this time. If draft minutes from the previous meeting have not been circulated in advance then they will be forwarded to committee members at the same time as the agenda.

Minutes of the Meeting

The secretary will minute proceedings and resolutions of all meetings of the committee, including recording names of those present and in attendance.

Approved minutes will be forwarded to the Board of Directors for information.

Authority

The committee is authorised by the Board of Directors to investigate any activity within its terms of reference. It is authorised to seek 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 to obtain outside legal advice or other professional advice and to secure the attendance of outsiders with relevant experience if it considers this necessary.

Duties

The duties of the committee can be categorised as follows:

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.

In particular, the committee will review the adequacy of:

- all risk and control related disclosure statements (in particular the Statement on Internal Control and declarations of compliance with the Standards for Better Health), 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
- 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 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 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.

2. 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 of Directors. 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
- 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 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

3. External Audit

The committee shall review the work and findings of the External Auditor appointed by the Board of Governors and consider the

implications and management's responses to their work. This will be achieved by:

- consideration of recommendations to the Board of Governors relating to the appointment and 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 before submission to the Board of Directors and any work carried outside the annual audit plan, together with the appropriateness of management responses

4. 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 Monitor, Department of Health Arms Length Bodies or Regulators/Inspectors (e.g. Healthcare 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. This will particularly include the Clinical Governance Committee and the Risk Management Committees.

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.

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 (e.g. clinical audit) as they may be appropriate to the overall arrangements.

6. Financial Reporting

The Audit Committee shall review the Annual Report and Financial Statements before submission to the Board of Directors, 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 and practices
- unadjusted mis-statements in the financial statements
- major judgemental areas
- significant adjustments resulting from the audit

The committee should 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 and accuracy of the information provided to the Board of Directors.

7. Appointment, reappointment, and removal of external auditors.

The audit committee shall make recommendations to the Board of Governors, in relation to the setting of criteria for appointing external auditors.

The audit committee shall make recommendations to the Board of Governors, in relation to the appointment, reappointment, and removal of the external auditors.

Other Matters

At least once a year the committee will review its own performance, constitution and terms of reference to ensure that it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board of Directors for approval.

Sources of Information

The committee will receive and consider minutes from the Risk Management and Clinical Governance Committees. The committee will receive and consider other sources of information from the Director of Finance

Reporting

The minutes of Audit Committee meetings shall be formally recorded by the Trust Secretary and submitted to the Board of Directors. The Chair of the committee shall draw to the attention of the Board of Directors any issues that require disclosure to the full Board of Directors, or require executive action.

The committee will report to the Board of Directors 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 integration of risk management in the organisation, the integration of governance arrangements and the appropriateness of the self-assessment against the Standards for Better Health.

The chair will give an account of the committee's work in the annual report.

The chair of the committee shall attend the Annual General Meeting (AGM) prepared to respond to any member's questions on the committee's activities.

Terms of reference approved by the Board of Directors 24th July 2007.