

Audit Committee Terms of Reference

Constitution

The Trust Board hereby resolves to establish a Committee of the Board to be known as the Audit Committee. The Committee is a non-executive sub committee of the Board and has no executive powers, other than those specifically delegated in these Terms of Reference.

Purpose

The purpose of the Audit Committee is to provide the Trust Board with an independent and objective review of internal control.

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 Trust's activities (both clinical and non-clinical), which supports the achievement of the Trust's objectives. In particular the Committee will review the adequacy of:

- All risk and control related disclosure statements (in particular the Statement of Internal Control and declarations of compliance with the Standards for Better Health).
- The underlying assurance processes that indicate the degree of the achievement of strategic objectives and the effectiveness of the management of the principal risks.
- The implementation of the Assurance Framework Protocol.
- The Head of Internal Audit Opinion, external audit opinion or other appropriate independent assurances, prior to endorsement by the Trust Board.
- The effectiveness of the management of principal risks via the Assurance Framework prior to endorsement by the Trust Board.
- The policies for ensuring that there is compliance with relevant regulatory, legal and code of conduct requirements.
- The policies and procedures for all work related to fraud and corruption and Security Management as set out in the Secretary of State directives and as required by the NHS Counter Fraud and Security Management Services.

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 over-arching systems of integrated governance, risk management and internal control. This will be evidenced through the Committee's use of an effective Assurance Framework to guide its work.

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 Trust Board. This will be achieved by: -

- Considering the provision of the Internal Audit service and the cost 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 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 Auditor appointed by the Trust Board and consider the implications and management responses to their work. This will be achieved by: -

- Consideration of the provision of the External Audit service, the cost of the audit and any questions of resignation and dismissal
- 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 overall assessment of the Trust and associated impact on the audit fee.
- Reviewing all External Auditor reports, including agreement of the annual audit letter before submission to Trust Board and any work carried outside the annual audit plan, together with the appropriateness of management responses.

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 to the governance of the Trust.

This will include, but will not be limited to: any reviews by the 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 Trust, whose work can provide relevant assurance to the Audit Committee's own scope of work. This will particularly include the Governance & Quality Committee and its sub-committees and the agreement of the Committee annual plans as set out in the Assurance Framework Protocol.

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

Financial Reporting

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

- The wording in the Statement of 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 shall receive reports in respect of its control function incorporated into the Standing Financial Instructions, namely regular reports on: -

- Losses and compensation payments
- Waiver of tendering process and competitive quotations
- Any allegation or suspected fraud notified to the Trust and an Annual Report on the use of days regarding the approved Fraud and Corruption plan.

Authority

The Committee is authorised by the Trust Board to investigate or approve 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 Trust 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.

Reporting

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

The Committee will report to the Trust Board annually on its work in support of the Statement of Internal Control, commenting on the fitness for purpose of the Assurance Framework, the completeness and integration of risk management arrangements, the integration of governance arrangements and the appropriateness of the self-assessment against the Standards for Better Health.

The Chair of the Committee will report on the adequacy of systems for internal control to the Trust Board at least every six months.

The Committee will: -

- Receive a report from the Governance & Quality Committee on the number of gaps in Control and Assurance identified in the Assurance Framework and outline the progress made towards closing these gaps.
- Consider on a quarterly basis the extent to which the key committees are fulfilling their functions in providing assurance to the Trust Board.

Membership

The Committee shall be appointed by the Trust Board from amongst the Non-Executive Directors of the Trust and shall consist of not less than three members. The Trust Board will appoint one of the members to be Chair of the Committee. The Chairman of the organisation shall not be a member of the Committee.

The Committee shall consist of:

Voting Membership

3 Non-Executive Directors

In Attendance

Director of Finance
 External Audit
 Financial Controller
 Head of Governance
 Head of Internal Audit
 Local Counter Fraud Specialist

Attendance

Attendance is required at all meetings. Members unable to attend should indicate in writing to the Committee Secretary 7 days in advance of the meeting (except in extenuating circumstances of absence).

The Director of Finance, the Financial Controller, Head of Governance and appropriate Internal Audit 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.

Executive Directors and Senior Managers shall be invited to attend, but particularly where the Committee is discussing areas of risk or operation that are the responsibility of that Director or Senior Manager.

The Chief Executive should be invited to attend, at least annually to discuss the Audit Committee process for the assurance that supports the Statement of Internal control.

The Director of Finance PA shall be Secretary to the Committee and shall attend to take minutes of the meeting and provide appropriate support to the Chair and committee members.

Meetings

- Meetings will be held on at least a bi-monthly basis.
- Meetings will be for a minimum length of 1.5 hours and a maximum length of 2 hours.
- The meeting will have a predetermined agenda that will be sent out to the Committee members one week before the scheduled meeting date.
- Items for the agenda must be sent to the Committee Secretary 2 weeks prior to the meeting, urgent items may be raised under any other business.
- The External Auditor or Head of Internal Audit may request the Chair to call a special meeting if this is considered necessary.

Quorum

The meeting will be quorate with two members in attendance.

Other Matters

The Chair of the Committee will take advice on the content of the agenda and will be responsible for ensuring actions are taken forward through appropriate dissemination of the minutes. The Chair of the Committee may also invite or co-opt other members as appropriate.

The Committee shall be supported administratively by the Secretary, whose duties in this respect will include;

- Drafting of the agenda for the agreement of the Chair and collation of papers.
- Taking the minutes and keeping a record of matters arising and issues to be carried forward.
- Advising the Committee on scheduled agenda items.
- Drafting of the annual plan for agreement of the Chair.

Review

The Terms of Reference will be reviewed on an annual basis and ratified by the Trust Board.

Review History:	
Audit Committee	19.6.07
Audit Committee	25.9.07
Trust Board	25.10.07
Review Date:	March 2008