



TERMS OF REFERENCE

AUDIT COMMITTEE

1. Purpose

- 1.1 The purpose of the Audit Committee is to seek assurance and provide advice to the Board on the adequacy and effective operation of the Trust's internal systems of control and risk management across all areas of Trust business.
- 1.2 The committee will apply independent and objective scrutiny and challenge to review the framework of risks, controls and related assurances that underpin the delivery of the Trust's objectives.
- 1.3 The committee will review the disclosure statements that flow from Trust assurance processes ahead of their presentation to the Board.
- 1.4 The Committee will also approve any quarterly financial and self-certification returns on behalf of the Board.

2. Constitution

- 2.1 The Committee is a non-executive committee of the Board and has no executive powers, other than those specifically delegated in these Terms of Reference.

3 Relationships

- 3.1 The Audit Committee will seek the views of Executive Committees to gain assurance on Trust systems.
- 3.2 The Committee will oversee the relationship of the Trust with External and Internal Audit functions. It will seek their views on the Trust's systems of control and will consider the Executives' response to the auditors' work.

4 Membership

- 4.1 The Committee shall be appointed by the Board and consists of all the Non-Executive Directors, excluding the Chairman of YAS who shall not be a member.

- 4.2 One of the members will be appointed Chair of the Committee by the Board. A nominated deputy will be identified from the Non-Executive group, if the chair is unable to attend any meeting.
- 4.3 The Director of Finance and Performance, Director of Standards & Compliance, the Head of Internal Audit and a representative of the External Auditors shall normally attend meetings.
- 4.4 The committee is quorate in the presence of two members.

5 Authority

- 5.1 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.
- 5.2 The Committee is authorised by the Board to obtain outside legal or other professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

6 Responsibilities

Governance, Risk Management and Internal Control

- 6.1 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 organisations activities (both clinical and non clinical) that supports the achievement of the organisations objectives.

In particular, the Committee will review the adequacy of:-

- All risk and control related disclosure statements (in particular the Annual Governance Statement, Board memoranda and self certification statement to the Regulator, declarations of compliance with the Essential Standards of Quality and Safety), together with any accompanying Head of Internal Audit Opinion, external audit opinion and other appropriate independent assurance, prior to endorsement by the Board.
- The statements contained within the Quality Account, together with review of associated external audit assurance opinion as directed by Monitor.
- 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 the 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 NHS Protect.
 - 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, with the aim of ensuring that arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow up action.
- 6.2 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.

Internal Audit

- 6.3 The Committee shall ensure that there is an effective internal audit function established by management that meets the mandatory NHS Internal Audit Standards and provides appropriate independent assurance to the Audit Committee, Chief Executive and the Board. This will be achieved by:-
- Consideration of the provision of Internal Audit service, the tendering procedure for any change in audit provider, the cost of the audit and any questions of resignations 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 response thereto and ensure coordination between Internal and External auditors to optimise audit resource.
 - 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

- 6.4 The Committee shall review the work and findings of the External Auditor and consider the implications and management responses to their work, this will be achieved by:-
- Considering the appointment and performance of the External Auditor, as far as the Audit Commission rules permit.
 - Discussion and agreement with the External Auditor, before audit commences, of the nature and scope of the audit as set out in the Annual Plan, and ensure coordination as appropriate, with other External Auditors in the local health economy.
 - Discussion with External Auditors of their local evaluation of audit risks and assessment of the Trust and associated impact on the audit fee.
 - Review all external audits reports, including agreement of the annual audit letter before submission to the Board and any work carried outside the Audit Plan, together with the appropriateness of the management response.
 - Making recommendations to the Council of Governors when this is established, regarding the appointment, re-appointment and removal of the External Auditor, including tender procedures.
 - Development and implementation of a policy on the engagement of the External Auditor to supply non-audit services, taking into account relevant ethical guidance.

Other assurance functions

- 6.5 The Audit Committee shall review the findings of other significant assurance functions, these will include but are not limited to:-
- Any reviews by the Department of Health Arms Length Bodies or Regulators/Inspectors (e.g. the Care Quality Commission, NHS Litigation Authority, Monitor).
 - Professional Bodies with the responsibility for the performance of staff e.g. Royal Colleges, accreditation bodies etc.
- 6.6 The Committee will review the work of other committees in the organisation, whose work can provide relevant assurance to the Audit Committee's own scope of work, including the Finance & Investment Committee and Quality Committee.

Management

- 6.7 The Committee shall request and review reports and assurances from directors and managers on the overall arrangements for governance, risk management and internal control.
- 6.8 It may also request specific reports from individual functions within the organisation as they may deem to be appropriate to the overall arrangements.

Financial reporting

- 6.9 Review the Annual Report and Financial Statements before submission to the Board, focusing particularly on:
- The wording in the Annual Governance Statement and other disclosures relevant to the terms of reference of the Committee.
 - Changes in, and compliance with, accounting policies and practices.
 - Major judgemental areas.
 - Significant adjustments resulting from the audit.
- 6.10 Standing Orders and Standing Financial Instructions
- Ensure compliance with Standing Orders and Standing Financial Instructions.
 - Consider any proposed changes to Standing Orders and Standing Financial Instructions, prior to presentation to the Board.
- 6.11 Review schedules of losses and special payments and make recommendations to the Board
- 6.12 Review every decision to suspend Standing Orders.
- 6.13 At least once every 12 months, review the Register of Members Interests maintained by the Chief Executive.
- 6.14 If so directed by the Board, conduct a detailed review of annual or period budgets including proformas prepared for the DH, but these are to be returned to the Board for approval.
- 6.15 Receive reports at each meeting from the Charities Committee and minutes of their meetings.
- 6.17 Consider any other matters of financial accountability, probity, compliance and/or value for money as required.
- 6.18 Other general matters may be considered when directed to do so by the Board.

7. Attendance

- 7.1 The members of the Committee are expected to attend each meeting unless prior approval of absence is obtained from the Chair of the Committee.
- 7.2 The Chief Executive and 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.
- 7.3 The Chief Executive must be invited to attend at least annually, to discuss with the Audit Committee the process for assurance that supports the Statement on Internal Control.
- 7.4 At least once a year the Committee will meet with the External and/or Internal Auditors without any Executive Board Director present.

8. Reporting

- 8.1 The Minutes of the Audit Committee meetings shall be formally recorded and submitted to the Board. The chair of the Committee shall draw the attention of the Board to issues that require disclosure to the full Board or require Executive action.
- 8.2 The committee shall report to the Board by means of an Annual Report on its work in support of the Annual Governance Statement, specifically commenting on the fitness for purpose of the assurance framework, completeness of risk management systems in the organisation, the integration of governance arrangements, and the appropriateness of the self assessment against the Essential Standards of Quality and Safety and any other assurance matters identified by the Committee or the Board. The Annual Report will be accompanied by a schedule of attendance at the meetings held during the year.
- 8.3 Where the Audit Committee feel there is evidence of ultra vires transactions, evidence of improper acts, or if there are other important matters that the Committee wish to raise, the Chairman of the Audit Committee should raise the matter at a full meeting of the Board. Exceptionally, the matter may need to be referred to the Strategic Health Authority, or successor body (via the Director of Finance and Performance in the first instance).
- 8.4 The Committee will report to the Council of Governors when this is established, identifying any matters in respect of which it considers that action or improvement is needed, making recommendations on the steps to be taken.

9. Administration

9.1 The Finance PA will support the administrative function of the Committee, including:-

- Agreement of the Agenda with the Chair and attendees and collation of papers.
- Ensuring support for minute taking and for tracking of actions and issues to be taken forward.
- Advising the committee on pertinent areas.

10. Frequency

10.1 Meetings shall be held every 2 months. The Chair and the External Auditor or Head of Internal Audit may request an additional meeting if they consider this necessary.

11. Monitoring and review

11.1 The Committee will monitor compliance with these Terms of Reference through its Annual Report to the Board and through its Annual Self-Evaluation workshop.

11.2 The terms of reference will be reviewed annually, or as requested by the Chair.

Author: Director of Finance and Performance & Director of Standards and Compliance

Date: 16 July 2011

Date approved at Board meeting:

Date of next review: