

<b>Terms of Reference</b>	Audit Committee
<b>Accountability arrangements</b>	Accountable to the Trust Board
<b>Frequency</b>	The Committee shall normally meet 5 times a year.. The Chairman may call an additional or special purposes meeting if considered necessary.
<b>Membership</b>	The Board will appoint an Audit Committee of Non Executive Directors consisting of four members, including the Chairman of the Committee, from amongst its non-executive directors. One member shall be the Chairman of the Governance Committee
<b>Quorum</b>	Two Members.
<b>In attendance</b>	<p>In regular attendance:</p> <p>Finance Director (Lead Officer) Trust Board Secretary Head of Internal Audit Engagement Lead, Audit Commission Representative Local Counter Fraud Service</p> <p>The Chairman of the Trust is invited to attend the meetings.</p> <p>Other Officers may be invited to attend by the Chair, particularly when the committee is discussing an issue, which is their responsibility.</p> <p>When one of the Director members cannot attend they are expected to send a manager empowered to represent them.</p>
<b>Date Agreed</b>	February 2009
<b>Review Date</b>	February 2010

# **AUDIT COMMITTEE TERMS OF REFERENCE**

## **1. Purpose**

- 1.1 In accordance with Standing Orders (and as set out in the Audit Code for NHS Foundation Trusts and the Code of Governance issued by Monitor, a Non Executive Director Audit Committee has to be established. The Committee's role is to review and report upon the adequacy and effective operation of the organisation's overall governance and internal control system, including risk management, financial, operational and compliance controls, together with the related assurances that underpin the delivery of the organisation's objectives contained within the Assurance Framework.

## **2. Attendance at Meetings**

- 2.1 The Trust Board Secretary, who provides administrative support to the Committee, will attend all Committee meetings as will the Finance Director.
- 2.2 The Head of Internal Audit and a representative of the Trust External Auditors will normally attend all Committee meetings.
- 2.3 Other Board of Directors and Trust staff attendance will be at the specific invitation of the Committee.

## **3. Frequency of Meetings**

- 3.1 There will be a minimum of five meetings held each year.
- 3.2 The Board of Directors or the Chairman of the Committee may convene special meetings.
- 3.3 The External Auditors or Internal Auditors may request a meeting if they consider that one is necessary.
- 3.4 The Committee can meet with the External and Internal Auditors, without any other Board Director present at the end of each Committee meeting.

## **4. Authority**

- 4.1 The Board of Directors authorise the Committee to investigate any activity within its duty (as detailed below) and grants to the Committee complete freedom of access to the Trusts records, documentation and employees. This authority does not extend, other than in exceptional circumstances, to confidential patient information.
- 4.2 The Committee may seek any information or explanation it requires from the Trust employees who are directed to cooperate with any requests made by the Committee.
- 4.3 The Board of Directors authorise the Committee to obtain any external professional advice or expertise if the Committee considers this necessary.

## **5. Duties and Responsibilities**

The duties and responsibilities of the Committee are as follows:

## **5.1 Governance and Assurance**

- 5.1.1. The Audit Committee has responsibility for overseeing the Trust's governance and assurance process, including finance, and for reviewing, prior to submission to the Board, the Annual Statement on Internal Control (SIC). Governance Committee had responsibility for assuring the Board on the matter of Clinical, Corporate, Information and Research Governance.
- 5.1.2. In particular, the Committee shall independently monitor and review:
- (a) Oversee internal and external audit services.
  - (b) reviewing financial information systems and monitoring the integrity of the financial statements and reviewing significant financial reporting judgements;
  - (c) review the establishment and maintenance of an effective system of 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.
  - (d) Monitoring compliance with Standing Orders and Standing Financial Instructions;
  - (e) Reviewing schedules of losses and compensations and making recommendations to the Board;
  - (f) Reviewing schedules of debtors/creditors balances over 6 months and £5,000 and explanations/actions plans;
  - (g) Reviewing the arrangements in place to support the Assurance Framework process prepared on behalf of the Board and advising the Board accordingly.
  - (h) Report to the Council of Members, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken.
- 5.1.3. The Committee will receive the minutes of the Governance Committee for the purpose of ensuring: that there is no duplication of effort between the two Committees; that no area of assurance is missed and; as part of its responsibility for reviewing the SIC prior to submission to the board.
- 5.1.4. Where the Audit Committee considers there is evidence of ultra vires transactions, evidence of improper acts, or if there are other important matters that the Committee wishes to raise, the Chairman of the Audit Committee should raise the matter at a full meeting of the Board

## **5.2 Internal Audit**

- 5.2.1 It is the responsibility of the Finance Director to ensure an adequate Internal Audit service is provided and the Audit Committee shall be involved in the selection process when/if an Internal Audit service provider is changed.
- 5.2.2 To review the Internal Audit programme, consider the major findings of Internal Audit investigations and the managements response and ensure coordination between the internal and External Auditors.

5.2.3 To ensure that the Internal Audit function is adequately resourced and has appropriate standing within the Trust and fulfils its function efficiently and effectively.

### **5.3 External Audit**

5.3.1 To make recommendations to the Board regarding the appointment, reappointment, termination of appointed and fees of the External Auditor.

5.3.2 To ensure that External Auditor remains independent in its relationship and dealings with the Trust.

5.3.3 To review the annual audit program and to discuss with the External Auditor, before the audit commences the nature and scope of the audit.

5.3.4 To review External Audit reports, including value for money reports and management letters, together with management response.

5.3.5 To consider where the External Auditors might profitably undertake investigative and advisory work.

5.3.6 To assess the quality of External Audit work on an annual basis.

### **5.4 Financial Reporting and Performance**

5.4.1 The Committee will

- i. Receive quarterly performance reports to satisfy it that the Trusts' performance against key objectives and risks is adequate.
- ii. Review the annual financial statements for both the Trust's Final Accounts and the Charitable Funds, before submission to the Board of Directors for approval.
- iii. Review and approve the Trust accounting policies each year.

### **5.5 Key Trust Documents**

5.5.1 Review any proposed changes to Standing Orders and Standing Financial Instructions for approval by the Board.

## **6. Reporting and Accountability**

6.1. The Minutes of Committee meetings shall be formally recorded and submitted to the Board.

6.2. The Committee shall review its terms of reference annually.

6.3. The Committee shall carry out an annual self-assessment in relation to its own performance.

6.4. An annual report of the activities of the Committee shall be presented to the Board of Directors.