



**Trust Board Report**

<b>Meeting Date:</b>	23 May 2011
<b>Title:</b>	Terms of Reference – Audit Committee
<b>Executive Summary:</b>	See below
<b>Action Requested:</b>	To approve the Terms of Reference for the Audit Committee
<b>Report of:</b>	Director of Finance and Information
<b>Author: Contact Details:</b>	Kevin Stringer, Director of Finance and Information 01902 695954 Email: <a href="mailto:kevin.stringer@nhs.net">kevin.stringer@nhs.net</a>
<b>Resource Implications:</b>	None
<b>Public or Private: (with reasons if private)</b>	Public
<b>References: (eg from/to other committees)</b>	N/A
<b>Appendices/References Background Reading</b>	The Board are asked to approve the Terms of Reference as presented
<b>NHS Constitution: (How it impacts on any decision-making)</b>	In determining this matter, the Board should have regard to the Core principles contained in the Constitution of: <ul style="list-style-type: none"> <li>✚ Equality of treatment and access to services</li> <li>✚ High standards of excellence and professionalism</li> <li>✚ Service user preferences</li> <li>✚ Cross community working</li> <li>✚ Best Value</li> <li>✚ Accountability through local influence and scrutiny</li> </ul>

**Background Details**

<b>1</b>	Attached as Appendix 1 to this paper are the Terms of Reference for the Audit Committee, which have been reviewed and considered at the recent Joint Board Assurance and Audit Committee meeting to ensure full coverage of assurance activities. No changes are proposed.
<b>2</b>	The Board is asked to approve the attached Terms of Reference for Audit Committee.

**APPENDIX 1**

**AUDIT COMMITTEE -TERMS OF REFERENCE**

**1 Introduction**

- 1.1 The Board has responsibility for ensuring effective internal financial control, including the management of Trust activities in accordance with Statutory Regulations and for the establishment and maintenance of a system of internal control designed to give reasonable assurance that assets are safeguarded, waste or inefficiency avoided; reliable financial information produced; and that best value for money is continuously sought.
- 1.2 The Audit Committee provides the Board with a means to undertake and obtain independent and objective reviews of financial systems/financial information and help ensure compliance with relevant law, guidance and codes of conduct.
- 1.3 Moreover, with the development of integrated governance, the Audit Committee's role has been enhanced to take a wider view over internal controls across the whole of the Trust's activities – in particular so that it can advise the Board as to the nature of the Statement on Internal Control that is currently included within the Trust's Annual Accounts.
- 1.4 The Committee will reduce the risk of illegal or improper acts by reinforcing the importance and independence of internal and external audit thus increasing confidence in the objectivity and fairness of financial reporting and financial control systems.

**2 Constitution**

- 2.1 The Board has resolved to establish a Committee of the Board to be known as the Audit Committee (The Committee). 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 Membership**

- 3.1 The Committee shall be appointed by the Board from amongst the Non-Executive Directors of the Trust and shall consist of not less than 3 members. A quorum shall be 2 members. The Chairman of the Trust Board shall not be a member of the Audit Committee.
- 3.2 The Chairman of the Audit Committee shall be appointed by the Chairman and Non-Executive Directors of the Trust.

#### **4 Attendance**

- 4.1 The Director of Finance and Information and appropriate representatives from internal and external audit shall normally attend meetings, and the Audit Committee can require the attendance of any officer of the Trust relevant to the discussion of a specific issue.
- 4.2 At least once a year the Committee may wish to meet with the External and Internal Auditors without any Executive Board Director present.

#### **5 Frequency**

- 5.1 Meetings shall be held not less than four times a year. The External Auditor or Head of Internal Audit may request a meeting if either considers that one is necessary.

#### **6 Authority**

- 6.1 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.
- 6.2 The Committee is authorised by the 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.
- 6.3 The Committee shall transact all business in accordance with the policy of the Trust on openness and conformity with the principles and values of the Public Services.

#### **7 Duties**

The duties of the Committee can be categorised as follows: -

##### **7.1 Internal Control**

The Committee shall review the establishment and maintenance of an effective system of internal control. In particular, the Committee will review:-

The Statement on Internal Control, and the related Head of Internal Audit Opinion, prior to the endorsement of the Annual Accounts by the Trust Board. In order to undertake such a review, the Audit Committee will need to seek assurance from the activities of the Board Assurance Committee, not least to ensure that, between the Audit Committee and the Board Assurance Committee, full coverage is achieved. To support this process, the Audit Committee will meet annually with the Board Assurance Committee.

- the policies for ensuring compliance with relevant regulatory, legal and code of conduct requirements, and the operational effectiveness of such policies and related procedures
- 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
- the timeliness of the implementation of agreed action plans arising from all audit reports within the purview of the Committee

## 7.2 Internal Audit

The Committee shall ensure that there is an effective internal audit function that meets mandatory NHS Internal Audit Standards and provides appropriate independent assurance to the Audit Committee and Board. This will be achieved by:

- The consideration of the provision of the Internal Audit service, the audit fee and any questions of resignation and dismissal
- The review and approval of the Internal Audit strategy and annual plans, ensuring that these are consistent with the audit needs of the Trust
- The review of progress against the agreed annual internal audit plan
- The consideration of the major findings of internal audit reviews (and management's response)
- Ensuring that the quality of the Internal Audit service is maintained and that the service has appropriate standing within the Trust
- Ensuring co-ordination between the Internal and External Auditors to optimise audit resources
- The review of an Annual Report, provided by the Head of Internal Audit, summarising audit activities during the year

**Note: for the purposes of the above section, references to Internal Audit are deemed to include Counter Fraud work.**

## 7.3 External Audit

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

- The consideration of the appointment and performance of the External Auditor
- The discussion with the External Auditor, before the audit commences, of the nature and scope of the audit as set out in the Audit Plan, and ensure co-ordination, as appropriate, with other External Auditors in the local health economy
- Reviewing External Audit reports, including the agreement of the annual audit letter before its submission to the Trust Board, together with the appropriateness of management responses. This requirement does not extend to value for money/performance related reports, which will be reviewed by the Trust Board.

#### 7.4 Financial Reporting

The Audit Committee shall review the Annual Accounts before submission to the Board, focusing particularly on:

- 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 Annual Accounts
- Major judgmental areas
- Significant adjustments resulting from the audit.

The Committee should also ensure that the systems for financial reporting to the Board, including those of budgetary control, are subject to review as to the completeness and accuracy of the information provided to the Board.

#### 7.5 Other

7.5.1 The Committee shall review proposed changes to Standing Orders, the Scheme of Reservation and Delegation, and Standing Financial Instructions, and advise the Board accordingly.

7.5.2 The Committee shall examine the circumstances associated with each occasion when Standing Orders are waived.

## **8**     **Reporting**

- 8.1     The minutes of Audit Committee meetings shall be formally recorded and submitted to the Board. The Chair of the Committee shall draw to the attention of the Board any issues of significance or that require disclosure to the full Board.
  
- 8.2     The minutes of the Audit Committee meetings shall also be copied to the Trust's Board Assurance Committee.
  
- 8.3     The Chair of the Audit Committee shall provide to the Board an Annual Report of the activities of the Committee.

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