

Audit Committee

Draft Terms of Reference

1. AUTHORITY

- 1.1 The Audit Committee is constituted as a Standing Committee of the Trust Board. Its constitution and terms of reference shall be as set out below, subject to amendment at future Trust Board meetings.
- 1.2 The Committee is authorised by the Trust Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any member of staff, and all members of staff are directed to co-operate with any request made by the Committee.
- 1.3 The Committee is authorised by the Trust Board to obtain outside legal or other independent professional advice and to secure the attendance of individuals and authorities from outside the Trust with relevant experience and expertise if it considers this necessary.

2. PURPOSE

2.1 Audit

The Board of Directors is responsible for ensuring effective internal control including:

- the management of the Trust's activities in accordance with laws and regulations;
- the establishment and maintenance of a system of internal control to give reasonable assurance that assets are safeguarded, and waste or inefficiency avoided;
- the provision of reliable financial information;
- the maintenance of systems to ensure that value for money is continuously sought.

The Audit Committee shall provide the Board of Directors with a means of independent and objective review of financial and corporate governance and risk management. In addition the Committee shall provide assurance of the independence of both external and internal audit.

2.2 Assurance

The Committee shall monitor and review the risk management, control and governance processes which have been established in the organisation, and the associated assurance processes. This will be in order to help the Trust Board to be fully assured that the most efficient, effective and economic risk management, control and governance processes are in place, and that the associated assurance processes are optimal.

The Board Assurance Framework (BAF) will be central to the Committee achieving its purpose. The Committee will be responsible for providing the Board with assurance in relation to:

- Corporate Governance (e.g. Standing Orders, Standing Financial Instructions, Codes of Conduct and Accountability)
- Information Governance
- Clinical Governance
- Research and Development Governance
- Management of clinical, financial and non financial risk
- Legislative and regulatory compliance
- Accreditation and assessment (e.g. the Standards for Better Health, CNST, IWL)

3. DUTIES

3.1 Assurance

3.1.1 Review the adequacy of all risk and control related disclosure statements, together with any accompanying Head of Internal Audit statement, prior to endorsement by the Board. This will include:

- the Statement on Internal Control and
- the Statement of Compliance with core Standards for Better Health

3.1.2 Monitor and review the Board Assurance Framework and significant risks on the Risk Register.

3.1.3 Co-ordinate and oversee the work of the following Committees and receive regular reports from:

- the Clinical Governance Committee
- the Health & Safety Committee

3.2 Internal Control and Risk Management

3.2.1 Ensure the provision and maintenance of an effective system of financial risk identification and associated controls, reporting and governance.

3.2.2 Maintain an oversight of the Trust's general risk management structures, processes and responsibilities, including the production and issue of any risk and control related disclosure statements.

3.2.3 Review the adequacy of the policies and procedures for all counter fraud work.

3.2.4 Receive and approve the annual Counter Fraud plan and review the Local Counter Fraud Specialist's reports on pro-active and reactive investigations.

3.2.4 Review the adequacy of the Trust's arrangements by which Trust staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting and control, or related matters.

3.3 Internal Audit

3.3.1 Oversee the effective operation of Internal Audit and ensure its coordination with External Audit.

3.3.2 Approve the annual Internal Audit plan

3.3.3 Review the Internal Audit programme, consider the major findings of Internal Audit investigations and management's response, and monitor progress on the implementation of recommendations.

3.3.4 Receive and review the Internal Audit Annual Report and the Head of Internal Audit Opinion.

3.4 External Audit

3.4.1 Assess the External Auditor's work and fees on an annual basis and, based on this assessment, make a recommendation to the Trust Board on the reappointment of the Auditor.

3.4.2 Approve the annual External Audit plan

3.4.3 Discuss with the External Auditor, before the audit commences, the nature and scope of the audit, and ensure coordination, as appropriate, with other External Auditors in the local health economy.

3.4.4 Review External Audit reports, including the Annual Audit Letter, together with the management response, and monitor progress on the implementation of recommendations.

3.4.5 Develop and implement a policy on the engagement of the external auditor to supply non-audit services.

3.5 Annual Accounts Review

Review the annual statutory accounts, before they are presented to the Trust Board, to determine their objectivity, integrity and accuracy. This review will cover:

- the meaning and significance of the figures, notes and significant changes;
- accounting policies and practices followed and significant changes;
- explanation of estimates or provisions having material effect;
- the schedule of losses and special payments;
- any reservations and disagreements between the External Auditors and
- management not satisfactorily resolved.

3.6 Standing Orders, Standing Financial Instructions and Standards of Business Conduct

3.6.1 Review on behalf of the Board proposed changes to the SOs and SFIs.

3.6.2 Examine the circumstances of any significant departure from the requirements of SOs, SFIs or Standards of Business Conduct.

3.6.3 Review the Scheme of Delegation and the Reservation of Powers to the Trust Board.

3.7 Other

3.7.1 Review performance indicators relevant to the remit of the Committee.

3.7.2 Review the trust's Treasury Management policy and the policy for the investment of charitable funds.

3.7.3 Examine any other matter referred to the Committee by the Board of Directors and to initiate investigation as determined by the Committee.

4. MEMBERSHIP

4.1 The Audit Committee shall comprise all non-executive members of the Trust Board, with the exception of the Chairman of the Trust Board.

4.2 The chairman of the Audit Committee shall be appointed by the chairman of the Trust Board and shall have recent and relevant financial experience.

5. MEETINGS

5.1 The Audit Committee will meet six times a year.

5.2 The meeting shall be quorate if a minimum of two members are present.

4.2 Audit Committee meetings will normally be attended by the Finance Director, the Head of Internal Audit, the Local Counter Fraud Specialist and a representative of External Audit, the Director of Nursing and Clinical Development and/or the Medical Director, the Director of Facilities, the Director of Planning and Performance and the Trust Secretary.

4.3 The Committee will be serviced by the Trust Secretariat.

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

4.5 The Audit Committee may ask any other officials of the organisation to attend to assist it with its discussions on any particular matter.

4.6 The Audit Committee may ask any or all of those who normally attend but who are not members to withdraw to facilitate open and frank discussion of particular matters.

4.7 The Accountable Officer or Trust Board may ask the Audit Committee to convene further meetings to discuss particular issues on which they want the Committee's advice.

- 4.8 The External and Internal Auditors shall be afforded the opportunity at least once per year to meet with the Committee without Executive Directors present.

5. REPORTING

- 5.1 The minutes of all meetings shall be formally recorded and submitted, together with commentary and recommendations where appropriate, to the Trust Board.
- 5.2 The Committee will report to the Board annually on its work in support of the Statement of Internal Control, specifically commenting on:
- the fitness for purpose of the Assurance Framework
 - the completeness and embedding of risk management in the organisation;
 - the integration of governance arrangements;
 - the appropriateness of the self-assessment process for Standards for Better Health, the NHS London performance management framework and the Foundation Trust application.
- 5.3 The Trust's annual report should include a section describing the work of the Committee in discharging its responsibilities.

6. REVIEW

The terms of reference of the Committee shall be reviewed by the Board of Directors at least annually and will be amended to comply with the Foundation Trust regime on authorisation.