

# **THE WHITTINGTON HOSPITAL NHS TRUST**

## **AUDIT COMMITTEE**

### **Terms of Reference**

#### **Contents**

- 1. Objectives of the Audit Committee**
- 2. Executive Summary**
- 3. Establishment**
- 4. Authority**
- 5. Membership**
- 6. Meetings**
- 7. Duties**
- 8. Reporting Arrangements**

#### **Appendices**

- A. Timetable of Main Events**

## THE WHITTINGTON HOSPITAL NHS TRUST AUDIT COMMITTEE

### Draft Terms of Reference

#### 1. Objectives of the Audit Committee

The main objectives of the Audit Committee are

- ❖ To provide assurance to the Trust Board that risk management systems are in place
- ❖ to ensure that the Trust's financial transactions are within the law and regulations governing the NHS
- ❖ To ensure that an effective internal financial control system is maintained throughout the Trust
- ❖ To provide independent and objective assurance to the Board that the Trust's financial transactions and reports are legal, accurate and transparent.
- ❖ To provide independent and objective assurance to the Board that the Trust's internal **financial** control statements are accurate.

#### 2. Executive Summary

The key duties of the Audit Committee are therefore to –

- ❖ Review the establishment and maintenance of an effective system of internal control and risk management, both financial and non-financial
- ❖ Ensure effective communication between the Audit Committee and the Assurance Committee
- ❖ Oversee Internal and External audit services
- ❖ Provide an independent and objective review of the Trust's financial systems and statements
- ❖ Monitor compliance with the Trust's system of internal financial control (i.e. Compendium of Financial Policies and Procedures)
- ❖ Provide an independent and objective review of fraud investigations
- ❖ Review schedule of losses and compensations and make recommendations to the Trust Board

To enable the Audit Committee to carry out its key tasks, the parties shown below will provide the following information to the Audit Committee –

<b>Internal Auditors</b>	Internal audit plans, reports, recommendations, follow up reports and audit opinions
<b>External Auditors</b>	External audit plans, reports, recommendations, follow up reports and audit opinions
<b>Local Counter Fraud Service</b>	Fraud investigation findings, recommendations and opinions
<b>Director of Finance and auditors</b>	Final accounts and audit opinions
<b>Director of Finance and auditors</b>	Internal financial control statements and audit opinions
<b>Director of Finance</b>	Annual review of Compendium of Financial Policies and Procedures
<b>Director of Finance</b>	Regular reports on losses and compensations
<b>Director of Finance</b>	Regular reports on NHS Debt
<b>Director of Finance</b>	Regular report on tender waivers

In planning meetings, consideration will be given to the main areas of interest and their priority. The table in Appendix A lists some of the main events that will influence the timing of meetings.

### **3. Establishment of the Audit Committee**

- ❖ The Audit Committee is established in accordance with Standing Financial Instruction Section 2 and guidance set out by the NHS Executive. Please see SFI Section 2 and Standing Orders Section 5 for full details. As such, these terms of reference shall have effect as if incorporated into the Standing Orders of the Trust.

### **4. Powers/Authority of Audit Committee**

- ❖ The Committee shall have no executive power but shall report to the Trust Board directly.
- ❖ The Committee is authorised by the Trust Board to investigate any activity within its terms of reference i.e. internal financial controls. Such issues may encompass either financial or general management probity, value for money or quality. 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 to obtain independent legal or professional advice and to secure the attendance of any other persons with relevant experience and expertise if it considers this necessary.

### **5. Membership of the Audit Committee**

- ❖ The Audit Committee is appointed by Trust Board and recorded in Trust Board minutes.
- ❖ The Audit Committee will comprise a Chairman appointed by the Trust Board and at least two other non-executive directors. At least one member of the Audit Committee will also be appointed to the Assurance Committee.
- ❖ The Chairman of the Trust Board is excluded from membership of the Audit Committee.
- ❖ A quorum shall consist of two members.
- ❖ Members shall be appointed initially for a two-year term after which they shall be eligible for reappointment as the Board may determine.
- ❖ The Chairman of the Audit Committee shall appoint the secretary.

### **6. Meetings**

- ❖ Officers who may be invited to attend meetings at the Chairman's discretion include Chief Executive, Director of Finance, Deputy Director of Finance, District Auditor and Head of Internal Audit. Other persons may attend at the invitation of the Chairman.
- ❖ The Committee shall meet at least three times a year.
- ❖ Internal and External auditors may request a meeting if they consider it necessary. The Auditors may request that the meeting be held without Executive Directors being present.
- ❖ A minimum notice period of five working days is required for each meeting.
- ❖ The agenda and supporting papers shall be distributed not later than the Friday of the week preceding the week during which the meeting is held.
- ❖ Appendix A lists some of the main events which will influence the timing of meetings.

## 7. Duties

### To review the establishment and maintenance of an effective system of internal control and risk management, both financial and non-financial

- ❖ To review the structures, processes and responsibilities for identifying and managing key risks facing the Trust
- ❖ To review the adequacy of all risk and control related statements including the Trust's risk register and Assurance framework
- ❖ To review the annual audit report on internal financial controls and report to Trust Board on adequacy of the internal financial control system.
- ❖ To ensure that the Trusts Compendium of Financial Policies and Procedures is comprehensive and therefore provides sufficient framework of internal financial controls.
- ❖ To monitor compliance with the Trust's Compendium of Financial Policies and Procedures (please see below).

### To ensure effective communication between the Audit Committee and the Assurance Committee

- ❖ To promote the continuity of attendance and feedback of members of both committees
- ❖ To exchange minutes and relevant papers e.g. VfM audit reports and follow-ups

### To oversee Internal and External Audit Services

- ❖ To appoint and agree remuneration of the Trust's Internal and External Auditors.
- ❖ To agree the annual work programme and any revisions with Internal and External Auditors
- ❖ To review the External Auditors management letter and management's response.
- ❖ To review the External Auditors value for money reports and management's response.
- ❖ To review findings of Internal Audit investigations and management's response.
- ❖ To review all follow up action resulting from internal audit investigations.
- ❖ To review the effectiveness of the Internal Audit function and its relationship with External Audit.

### To provide independent and objective review of the Trust financial systems and statements

- ❖ To review scope of the internal audit function and to approve the annual internal audit plan
- ❖ To review scope of the external audit function and to approve the annual external audit plan
- ❖ To receive reports from the internal auditor and to assess the significance of the internal audit recommendations.
- ❖ To monitor the effectiveness of management action in response to internal audit recommendations
- ❖ To report to the Board on the operation and effectiveness of the internal audit function.
- ❖ To review annual financial statements focusing particularly on any changes in accounting policies and compliance with accounting standards and legal requirements. With advice from external audit, the Committee shall assess any areas where management judgement and estimates may have a material impact on the Trust's results.

### To monitor compliance with the Trusts Compendium of Financial Policies and Procedures

- ❖ To undertake an annual review of the Compendium of Financial Policies and Procedures and to make recommendations to the Board.
- ❖ To review with the internal and external auditors the adequacy of the Trusts system of internal control.
- ❖ To ensure that internal and external audits provide sufficient data to assess the level of compliance with the system of internal control.
- ❖ To ensure that any risk of financial loss is properly managed and effectively communicated to the Trust Board.

- ❖ To examine circumstances associated with occasions on which the regulations in the Compendium have been waived.

To Provide an independent and objective review of Trust Fraud investigations

- ❖ To review findings of Local Counter Fraud Service investigations and management's response.
- ❖ To ensure that significant risks are reported to the Board.

To Review Schedule of Losses and Compensations and make recommendations to the Board

- ❖ Review schedules of bad debts to be written off.
- ❖ Review Schedule of Losses and Compensations and make recommendations to the Board.

**8. Reporting Arrangements**

- ❖ Minutes for the Committee meetings shall be formally recorded and submitted to the Trust Board at their next meeting
- ❖ Where the Audit Committee feels there is evidence of *ultra vires* transactions or the commission of improper acts, the chairman of the Audit Committee should raise this at the next full meeting of the Board.

**Appendix A – Main events affecting the timetabling of meetings**

<b>Date of Meeting</b>	<b>Events</b>	<b>Comment</b>
<b>March</b>	Internal Audit Annual Plan	To consider the plan before the start of the audit programme
	External Audit Annual Plan	To consider the plan before the start of the audit programme
<b>June</b>	Draft Annual Accounts	To review draft accounts before they are sent to the NHS Executive
	Internal Audit Annual Report	To review assurance gained from previous years audits
	Internal Audit Quarterly report	To review progress
<b>November</b>	Management Letter from External Auditors	Before the deadline for issue
	Review internal control procedures	To review progress
	Internal Audit Quarterly report	To review progress