

TERMS OF REFERENCE

AUDIT COMMITTEE

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<i>Document History</i>		
Version	Date	Comments
V. 1.0	August 2009	Review of existing terms of reference
1.1	01.09.2009	Review comments from Chair of Audit Committee
1.2	19.01.2011	Annual review following annual committee effectiveness review
1.3	18.01.2012	Annual review following annual committee effectiveness review and changes to the trust management structure

Terms of Reference

AUDIT COMMITTEE

The Trust Board hereby resolves to establish a sub-committee to be known as the **Audit Committee ('the Committee')**.

AIMS

1.0 Aims

1.1 The Committee has been established to:

- review and independently scrutinise the St George's Healthcare NHS Trust systems of clinical governance, internal control and risk management thereby ensuring, through proper process and challenge, that integrated governance principles are embedded and practised across all St George's activities and that they support the achievement of the Trust's objectives.
 - review key internal and external financial, clinical, fraud and corruption and other policies, reports and assurance functions thereby providing independent assurance on them to the Board of St George's.
 - to review the integrity of financial statements prepared on the Trust's behalf.
 - undertake all other statutory duties of an NHS Audit Committee.
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CONSTITUTION

2.0 Membership

2.1 Members of the Committee shall be appointed by the Trust Board. The Committee shall consist of not less than three non-executive directors of the Board, at least one of whom will have recent and relevant financial experience. The Board shall appoint the Chair of the Committee from amongst the non-executive directors appointed to the Committee. The chair of the Quality & Risk Committee will, ex officio, be a member of the Committee.

2.2 The Chair of the Trust shall not be a member of the Committee, but shall have the right to attend committee meetings.

2.3 Committee meetings shall normally be attended by the Director of Finance, Chief Nurse/Director of Operations and Trust Secretary; other executive directors may be asked to attend when the Committee is discussing areas of risk or operation that are the responsibility of that director.

2.4 The Corporate Office will provide secretarial support to the Committee, assisted by Internal Audit, providing appropriate support to the Chairman and committee members, and shall attend meetings.

2.5 The Heads of Internal and External Audit shall also normally attend. The Committee will meet privately with each of the External and Internal Auditors at least once a year.

3.0 Quorum

3.1 The quorum for meetings of the Committee shall be two members.

4.0 Frequency of meetings

4.1 The Committee will meet at least four times per year. Additional meetings may be called by the Chair of the Committee.

5.0 Declaration of interests

5.1 All Committee members must declare any conflict of interests, should they arise, and exclude themselves from the meeting for the duration of that specific item.

DUTIES AND RESPONSIBILITIES

6.0 Duties and responsibilities

6.1 In fulfilling this purpose, the Committee will seek the assurances it considers necessary from management and other, independent sources and will assess the reliability of those assurances prior to advising the Board of its findings.

Without limitation, the Committee will carry out its duties as follows:

Integrated Governance, Risk Management and Internal Control

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 organisation's activities (both clinical and non-clinical and operational, corporate and support systems), that supports the achievement of the organisation's objectives.

In particular, the Committee will review the adequacy of:

- risk and control related disclosure statements (in particular the Statement on Internal Control and declarations of compliance with the Standards for Better Health), together with any accompanying Head of Internal Audit statement, external audit opinion or other appropriate independent assurances, prior to endorsement by the Board
- 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 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 the Counter Fraud and Security Management Service
- the application of the Policy for Standards of Business Conduct thus offering assurance to the Board of probity.

Financial reporting

The Audit Committee shall review the Annual Report and Financial Statements before submission to the Board, focusing particularly on:

- the wording in 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 financial statements
- major judgemental areas
- significant adjustments resulting from the audit
- reviewing schedules of losses and special payments including the approval for case write offs, and making recommendations to the Board.

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 completeness and accuracy of the information provided to the Board.

Corporate Governance

The Trust's Standing Orders and Standing Financial Instructions also place certain obligations upon the Committee. In particular, the Committee will provide assurance to the Board of probity in the conduct of Trust business, by:

- reviewing annually the continuing appropriateness of the Trust's Standing Orders, Standing Financial Instructions and Scheme of Delegation;
- monitoring the implementation of policy on standards of business conduct for staff
- receiving and considering information on any waivers to Standing Orders;
- reviewing schedules of losses and special payments including the case for write-offs.

Whistleblowing

The committee shall review the effectiveness of the Trust's Whistleblowing Policy and arrangements by which staff may raise concerns about possible improprieties in financial or other matters.

7.0 Approaches to obtaining relevant assurances

7.1 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 over-arching systems of integrated governance, risk management and internal control, together with indicators of their effectiveness as set out below:

Internal Audit

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

- consideration of the provision of the Internal Audit service, the cost of the audit and any questions of resignation 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's response), and ensure co-ordination between the Internal and External Auditors to optimise audit resources
- 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

The Committee will review the work and findings of the External Auditor appointed by the Audit Commission and consider the implications and management's responses to their work. This will be achieved by:

- consideration of the appointment and performance of the External Auditor, as far as the Audit Commission's rules permit
- discussion and agreement with the External Auditor, before the audit commences, of the nature and scope of the audit as set out in the Annual Plan, and ensure co-ordination, as appropriate, with other External Auditors in the local health economy

- discussion with the External Auditors of their local evaluation of audit risks and assessment of the Authority/Trust/PCT and associated impact on the audit fee
- review all External Audit reports, including agreement of the annual audit letter before submission to the Board and any work carried outside the annual audit plan, together with the appropriateness of management responses

Counter Fraud

The Committee will ensure that there is an effective local counter fraud function established by management that meets mandatory NHS Counter Fraud Standards and provides adequate arrangements to counter fraud. This will be achieved by:

- consideration of the provision of the Local Counter Fraud Service (LCFS), the cost of the service and any questions of resignation and dismissal
- review and approval of the LCFS strategy and annual plan, ensuring that this is consistent with the needs of the organisation and gives adequate assurances on all areas of the NHS Counter Fraud Strategy
- consideration of LCFS reports
- ensuring that the LCFS function is adequately resourced and has appropriate standing within the organisation
- annual review of the effectiveness of Counter Fraud via the LCFS annual report

Other Assurance Functions

The Audit Committee shall review the findings of other significant assurance functions, both internal and external to the organisation, and consider the implications to the governance of the organisation.

These may include, but not be limited to, any reviews by Department of Health Arms Length Bodies or Regulators/Inspectors (e.g. Healthcare Commission, NHS Litigation Authority, etc.), professional bodies with responsibility for the performance of staff or functions (e.g. Royal Colleges, accreditation bodies, etc.)

In addition, the Audit Committee will review the work of other relevant Committees within the organisation, whose work can provide relevant assurance to the Audit Committee's own scope of work, in particular, those Committees with a remit for clinical governance and risk. The Audit Committee will wish to satisfy themselves on the assurances that can be gained from those functions which audit clinical outcome and performance.

Management

The committee may request and review reports and positive assurance from directors and managers on the overall arrangements for governance, risk management and internal control.

They may also request specific reports from individual functions within the organisation (e.g. clinical audit) as they may be appropriate to the overall arrangements.

The committee will establish a formal system of following up recommendations arising from reports by:

- establishing and recording the resultant actions, the date by which they should be completed and which Executive Director is responsible for them
- reviewing and updating this list at each meeting

AUTHORITY AND ACCOUNTABILITY

8.0 Accountability

8.1 The Committee is established as a permanent sub-committee of the Trust Board and is accountable to the Trust Board.

9.0 Authority

9.1 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.

9.2 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.

9.3 The Committee has no executive responsibilities except insofar as explicitly stated in these Terms of Reference.

10.0 Reporting

10.1 The minutes of the Committee will be formally recorded and submitted to the Board. In addition the chair of the Committee shall present a report to the Board after each meeting, drawing to the attention of the Board any issues that require disclosure to the full Board, or require executive action.

10.2 The Committee will also submit a written report to the Board annually on its activities in support of the Statement on Internal Control.

MONITORING EFFECTIVENESS

11.1 In order to support the continual improvement of governance standards, sub-committees of the Trust Board and executive committees are required to annually:

- complete a self-assessment of the effectiveness of the committee;
- present an annual written report to the Board or committee from which the committee derives its delegated authority;
- review the terms of reference for the Committee, reaffirming the purpose and objectives;
- prepare a work plan, for approval by the Board on an annual basis.

11.2 This Committee will report the results of the assessment of its effectiveness and its annual report to the Trust Board.