

BURTON HOSPITALS NHS FOUNDATION TRUST

AUDIT COMMITTEE

TERMS OF REFERENCE

1. Constitution

- 1.1 The Board of Directors resolves to establish a Committee of the Board of Directors to be known as the Audit Committee. The Committee is a non-executive committee of the Board of Directors and has no executive powers, other than those specifically delegated in these Terms of Reference. The Audit Committee in its workings will be required to adhere to the Constitution of Burton Hospitals NHS Foundation Trust, the Terms of Authorisation and Code of Governance issued by the Independent Regulator for NHS Foundation Trusts. As a committee of the Board of Directors, the Standing Orders of the Trust shall apply to the conduct of the working of the Audit Committee.

2. Membership

- 2.1 Membership is open to all Non Executive Directors and shall consist of not less than three Non Executive Directors, one of whom must have recent and relevant financial experience. One of the members will be appointed Chair of the Committee by the Board. The Chairman of the Foundation Trust shall not be a member of the Committee.

3. Attendance

- 3.1 The Director of Finance and Contracting and appropriate Internal and External Audit representatives shall normally attend meetings. At least once a year the Committee should meet privately with the External and Internal Auditors.
- 3.2 The Chief Executive and other Executive / Associate Directors or nominated deputies, should be invited to attend, but particularly when the Committee is discussing areas of risk or operation that are the responsibility of that director.
- 3.3 The Chief Executive should be invited to attend, at least annually, to discuss with the Audit Committee the process for assurance that supports the Statement on Internal Control.
- 3.4 The Trust Secretary will ensure that an efficient secretariat service is provided to the Committee.

4. Quorum

- 4.1 A quorum shall be three members.

5. Frequency of meetings

- 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.

6. Authority

- 6.1 The Committee is authorised by the Board of Directors to investigate any activity within its terms of reference and 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 to obtain outside legal or other independent professional advice and to secure that attendance of outsiders with relevant experience and expertise if it considers this necessary.

7. Duties

7.1 Governance, Risk Management and Internal Control

7.1.1 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), that supports the achievement of the organisation's objectives.

In particular, the Committee will review the adequacy of:

- All 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 opinions or other appropriate independent assurances, prior to endorsement by the Board of Directors.
- 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 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.
- 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.
- This will be evidenced through the Committee's use of an effective Assurance Framework to guide its work and that of the audit and assurance functions that report to it.

7.2 Internal Audit

7.2.1 The Committee shall ensure that there is an effective internal audit function that meets mandatory Internal Audit Standards and provides appropriate independent assurance to the Audit Committee, Chief Executive and Board of Directors. 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 with the organisation.
- Annual review of the effectiveness of internal audit.

7.3 External Audit

7.3.1 The Committee shall review the work and findings of the External Auditor appointed by the Council of Governors 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.
- 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 and audit risks and assessment of the Trust and associated impact on the audit fee.
- Review all External Audit reports, including agreement of the annual audit letter before submission to the Board of Directors and Council of Governors any work carried outside the annual audit plan together with the appropriateness of management responses.

7.4 Other Assurance Functions

7.4.1 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.

7.4.3 In addition, the Committee will review the work of other committees within the organisation, whose work can provide relevant assurance to the Audit Committee's own scope of work. This will particularly include the Risk Committee.

7.4.4 In reviewing the work of the Risk Committee and issues around clinical risk management, the Audit Committee will wish to satisfy themselves on the assurance that can be gained from the clinical audit function.

7.5 Management

7.5.1 The Committee shall request and review reports and positive assurances from directors and managers on the overall arrangements for governance, risk management and internal control.

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

7.6 Financial Reporting

7.6.1 The Audit Committee shall review the Annual Report and Financial Statements before submission to the Board of Directors and Council of Governors 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 procedures.
- Unadjusted mis-statements in the financial statements.
- Major judgmental areas.
- Significant adjustments resulting from the audit.

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

8. Reporting

8.1 The minutes of the Audit Committee meetings shall be formally recorded and submitted to the members of the Board of Directors. The Chair of the Committee shall draw to the attention of the Board of Directors any issues that require disclosure to the full Board of Directors, or require executive action.

8.2 The Committee will report to the Board of Directors annually on its work in support of the Statement on Internal Control, specifically commenting on the fitness for purpose of the Assurance Framework, the completeness and embeddedness of risk management in the organisation, the integration of governance arrangements and the appropriateness of the self-assessment against the Standards for Better Health.

8.3 The following sub committees will report to the Audit Committee

- Audit and Quality Group (bi monthly)
- Information Governance Steering Group (quarterly)

and any other appropriate sub committees identified by, or at the request of the Audit Committee.

8.4 Minutes of the Risk Committee will be submitted to the Audit Committee.

9. Other matters

9.1 The Committee shall be supported administratively by the Trust Secretary, whose duties in this respect will include:

- Agreement of agenda with Chairman and attendees and collation of papers.
- Ensuring appropriate minutes are taken and a record of matters arising and issues to be carried forward is maintained
- Advising the Committee on pertinent areas.

10. Review

10.1 The Terms of Reference of the Committee shall be reviewed by the Board of Directors at least annually.

Date Revised: November 2009
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