

**TRUST BOARD**

<b>Date of Meeting:</b> 27/11/2012	<b>Agenda Item No:</b> 10.1	<b>Enclosure:</b> 12
<b>Intended Outcome:</b>		
<b>For noting</b>	<b>For information</b>	<b>For decision</b> ✓
<b>Title of Report:</b> Revised Audit Committee Terms of Reference		
<b>Aims:</b> To seek approval from the Trust Board for the revised Terms of Reference for the Audit Committee.		
<b>Executive Summary:</b>  The Terms of Reference for the Audit Committee have been revised, particularly in relation to the membership of the Committee and quorum arrangements and the Trust Board's approval is requested.		
<b>Specific implications and links to the Trust's Strategic Aims:</b>		
Ensure we provide high quality, safe and effective care for all our patients including meeting essential standards of safety and quality as set out by the CQC		✓
Develop a viable integrated clinical strategy for secondary care services which is sustainable and affordable		
Develop a new healthcare facility in West Cumbria that is fit for the 21st century		
Achieve sustainable financial balance through the delivery of the Trust's internal Cost Improvement Programme, securing a viable contract income from our GP commissioners and contributing to the system wide cost reductions		
To develop and implement a successful merger or acquisition plan that enables the Trust to become part of an existing NHS Foundation Trust		
<b>Recommendations:</b> The Board is requested to approve the revised Terms of Reference of the Audit Committee.		
<b>Prepared by:</b> Jacky Stockdale Head of Corporate Affairs/Acting Company Secretary	<b>Presented by:</b> Mark Evens Chairman of the Audit Committee	

**AUDIT COMMITTEE  
TERMS OF REFERENCE**

**1. ACCOUNTABILITY**

The Audit Committee is accountable to the Trust Board.

**2. PURPOSE**

The duties of the Committee are detailed below:

**Governance, Risk Management and Internal Control**

To 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) in support of the achievement of the Trusts objectives

The Committee will achieve this by reviewing the adequacy of:

- All risk and control related disclosure statements, in particular the Annual Governance Statement, 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.
- arrangements by which staff of the trust may raise, in confidence, concerns about possible improprieties in matters of financial reporting and control, clinical quality, patient safety or other matters. This is to ensure that arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow-up action.
- 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 Local and Regional Counter Fraud Specialists 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 overarching systems of integrated

governance, risk management and internal control, together with indicators of their effectiveness.

The activities of the Committee will be demonstrated through the use of an effective Assurance Framework to guide its work and that of the audit and assurance functions that report to it.

### **Internal Audit**

The Committee shall 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 organization 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 organization.
- Ensure that internal audit is adequately resourced and has appropriate standing within the organisation
- annual review of the effectiveness of internal audit

### **External Audit**

The Committee shall 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 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 coordination, 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 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 and any work carried outside the annual audit plan, together with the appropriateness of management responses.
- review and monitor the External Auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements.

### **Other Assurance Functions**

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

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 Governance Committee and the Risk Management Committee.

In reviewing the work of the Governance 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

### **Management**

To request and review reports and positive assurances from directors and managers on the overall arrangements for governance, risk management and internal control, including requesting specific reports from individual functions within the organisation (e.g. clinical audit) as they may be appropriate to the overall arrangements.

### **Financial Reporting**

The Audit Committee will monitor the integrity of the published financial statements of the Trust, and any formal announcements relating to the trust's financial performance, reviewing significant financial reporting judgements contained in them. This will include but not be limited to budgetary control, accuracy and completeness of information. In doing this, the Committee will consider the assurance provided by the Finance Committee.

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

- the wording in the Annual Governance Statement 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 judgmental areas.
- significant adjustments resulting from the audit

### 3. MEMBERSHIP

<b>Chairman</b>	Non- Executive Director
<b>Vice Chairman</b>	N/A
<b>Management Lead</b>	Director of Governance/Company Secretary

The Committee shall be appointed by the Board from amongst the non-executive directors of the Trust and shall consist of not less than three Members. A quorum shall be two Members. One of the Members will be appointed Chair of the Committee by the Board. The Chair of the Trust shall not be a member of the Committee.

The following shall normally attend meetings:

- Director of Finance
- Director of Governance/Company Secretary (Management Lead)
- Deputy Director of Finance
- Chief Internal Auditor
- External Audit Representatives

As with other Executive Directors, the Chief Executive will attend whenever he/she is invited by the Committee Chair and, in particular, to provide assurances and explanations to the committee when it is discussing audit reports or other matters within their areas of responsibility.

3.1 Nominated members of the Committee are expected to attend all meetings. If a nominated member is unable to attend a meeting then another Non-Executive Director (excluding the Chairman of the Trust) will be asked to attend by the Chairman of the Committee.

3.2 Attendees are expected to attend or send a nominated deputy in their absence.

3.3 Failure to attend or be represented at 2 or more meetings in the year will result in a review of the membership.

3.4 Voting at meetings; decisions must be made by a majority of the Members present and voting on the question. The Member chairing the meeting shall have a casting vote whether or not he or she has voted previously on the same question but no member in any other circumstances shall have more than one vote.

3.5 The Committee will report to the Board annually on its work in support of the Annual Governance Statement, 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 evidence compiled to demonstrate fitness to register with the CQC and the robustness of the processes behind the quality accounts.

#### **4. CONNECTIVITY**

The Audit Committee reports directly to the Trust Board.  
There are no committees reporting to the Audit Committee

#### **5. FREQUENCY OF MEETINGS**

- 5.1 Meetings will normally be held bi monthly, although it is noted that there may be meetings held more frequently should they be required
- 5.2 The Audit Committee may require the attendance of any director, or member of staff, to discuss and review any area it considers relevant to the role of the Committee.

#### **6. OTHER MATTERS**

- 6.1 At the start of each meeting the Chair of the meeting will confirm that the meeting is quorate.
- 6.2 The attendance of members will be reviewed on an annual basis by the Chair of the Committee and the Management Lead and reported to Trust Board
- 6.3 The committee will ensure a robust annual programme of work is developed and monitored to deliver the duties and responsibilities set out in the terms of reference.
- 6.4 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 that require disclosure to the full Board, or require Executive action.

ISSUE DATE	November 2012
REVIEW DATE	