Northumbria Healthcare NHS Foundation Trust

Audit Committee

Terms of Reference

1. Introduction

1.1 The Audit Committee is established as a committee of the Board of Directors. Its purpose is to consider, and advise the Board upon, the application by the Trust of the principles of financial reporting, internal control, corporate governance, risk management and issues identified by the Trust’s auditors.

1.2 The Committee shall have no executive powers other than those set out in these terms of reference.

2. Membership

2.1 The Committee shall be appointed by the Board and shall comprise of not less than three non-executive directors of the Trust. At least one member of the Committee shall have recent and relevant financial experience and, ideally, be a CCAB qualified accountant.

2.2 The Board shall appoint the chairman of the Committee from among the members.

2.3 The Trust Chairman shall not be a member of the committee.

3. Attendance

3.1 Only members of the Committee shall be entitled to attend meetings.

3.2 The record of attendance of members will be included in the annual report of the Trust.

3.3 The Executive Director of Finance and appropriate representatives from the Trust’s auditor and internal audit shall normally attend all meetings of the Committee at the invitation of the chairman of the Committee.

3.4 The Chief Executive shall be invited to attend the meeting of the Committee that considers the Annual Governance Statement and other meetings as appropriate.

3.5 The Chairman of the Trust, other executive directors and individuals who are deemed appropriate by the Committee shall be invited to attend meetings or part of meetings as the chairman of the Committee sees fit.
4. **Secretary**

4.1 The Trust Secretary or their nominee shall act as secretary to the committee.

5. **Quorum**

5.1 No business shall be transacted at meetings of the Committee unless at least two members are present. A duly convened committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers or discretions vested in or exercisable by the committee.

6. **Frequency of Meeting**

6.1 The committee shall meet at least four times each year at a location that the committee may determine. Meetings will take place otherwise as required.

7. **Notice of Meetings**

7.1 Meetings of the committee shall be called by the secretary in accordance with the annual schedule of business agreed by members or as determined by the chairman.

7.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the committee and any other person required to attend no later than five working days before the date of the meeting. Other than in exceptional circumstances, supporting papers shall be sent to committee members and other attendees as appropriate at the same time.

8. **Minutes of Meetings**

8.1 The secretary shall minute the proceedings and resolutions of all meetings of the committee, including the names of those present and in attendance.

8.2 The secretary shall keep a separate record of all points of action arising from the committee and all issues carried forward.

8.3 The secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.

8.4 The secretary shall arrange for the minutes of the Committee to be included on the agenda of the next available meeting of the Board of Directors.
9. Duties

The duties of the Committee shall be to:

9.1 Governance, Risk Management and Internal Control

9.1.1 Keep under review the establishment and maintenance of an effective system of integrated governance, risk management and internal control, across the whole of the Trust’s activities (both clinical and non-clinical), that supports the achievement of the Trust’s objectives.

9.1.2 Ensure that the Assurance Committee maintains oversight of the management of strategic and operational risk.

9.1.3 Review all risk and control related disclosure statements (in particular the Annual Governance Statement and declarations of compliance with the requirements of the Care Quality Commission), together with any accompanying Head of Internal Audit statement, external audit opinion or other appropriate independent assurances, prior to endorsement by the Board.

9.1.4 Review the underlying assurance processes that underpin the achievement of corporate objectives, the effectiveness of the management of principal risks and the appropriateness of the above disclosure statements.

9.1.5 Review and if appropriate direct amendments to the policies for ensuring compliance with relevant regulatory, legal and code of conduct requirements.

9.1.6 Approve and keep under review 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.

9.1.7 Review all statements of assurance on the overall arrangements for governance, risk management and internal control.

9.1.8 Review all decisions of the Board or the Governors’ Body to suspend Standing Orders.

9.2 Internal Audit

9.2.1 Ensure that there is an effective internal audit function that meets the requirements of the Audit Code for NHS Foundation Trusts and provides appropriate independent assurance to the Audit Committee, Chief Executive and Board.

9.2.2 Make recommendations to the Board regarding the provision of the Internal Audit service, the cost of the audit and any questions of resignation or dismissal of the Internal Auditor.
9.2.3 Approve and keep under review the Internal Audit strategy, operational plan and detailed programme of work, ensuring that this is consistent with the audit needs of the organization as identified in the Assurance Framework.

9.2.4 Consider issues raised by Internal Audit work together with the appropriateness of the management response.

9.2.5 Ensure co-ordination between the Internal and External Auditors to optimise audit resources.

9.2.6 Ensure that the Internal Audit function is adequately resourced and has appropriate standing within the Trust.

9.2.7 Conduct an annual review of the effectiveness of internal audit.

9.3 External Audit

9.3.1 Consider issues raised by the Trust’s Auditor and make recommendations to the Board as appropriate.

9.3.2 Advise the Governors Audit Panel on issues relating specifically to the appointment of the External Auditor; ongoing work of the External Auditor; and provide updates on the activity of the audit function by holding meetings of the panel on a regular basis.

9.3.3 Advise the Council of Governors, via the Governors Audit Panel on issues relating to the retention of the Auditor and the recommendation for appointment.

9.3.4 Approve the Auditors plan for the nature and scope of the annual audit and ensure coordination, as appropriate, with other External Auditors in the local health economy.

9.3.5 Review all External Audit reports, including 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.

9.3.6 Review all proposals for the Trust to employ the External Auditor for non-audit work.

9.4 Other Assurance Functions

9.4.1 Review the findings of other significant assurance functions, both internal and external to the Trust, and consider the implications for the governance of the Trust.
9.4.2 Ensure that processes are in place for the findings of external reviews to be considered by the appropriate Board committee. Such reviews will include those by Department of Health Arm’s Length Bodies or Regulators (e.g. Monitor, Care Quality Commission, NHS Litigation Authority, etc.) and professional bodies with responsibility for the performance of staff or functions (e.g. Royal Colleges, accreditation bodies, etc.). The effectiveness of these processes should be tested in the audit of the Trust’s assurance framework.

9.4.3 Review the work of other committees within the Trust, whose work can provide relevant assurance to the Audit Committee’s own scope of work. This will particularly include the Assurance Committee.

9.4.4 Consider and, if appropriate, make recommendations regarding the effectiveness of clinical audit.

9.5 Financial Reporting

9.5.1 Review the Annual Report and Financial Statements and the External Auditors management letter, to safeguard the quality and integrity of reporting before submission to the Board, focusing particularly 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

9.5.2 Ensure that the systems for financial reporting to the Board, including those of budgetary control, are fit for purpose.

10. Authority

10.1 The committee is authorized by the Board to act within its terms of reference and:

10.1.1 To investigate any activity within its terms of reference.

10.1.2 To seek any information that it requires from an employee of the Trust in order to perform its duties.

10.1.3 To require any employee to attend a meeting of the committee to present information or answer questions on a matter under discussion.

10.1.4 To take advice from external advisors wherever it is appropriate to do so.

11. Reporting
11.1 The Chair of the Committee shall report on the minutes of the Committee to the next meeting of the Board and draw to its attention any issues that require disclosure, Board decision or executive action.

11.2 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 of the arrangements for risk management in the Trust and the degree to which those arrangements are embedded, the integration of governance arrangements and the appropriateness of the self-assessment against the requirements of the Care Quality Commission.

11.3 The Committee will receive a report from the Assurance Committee each quarter on the operation of the Assurance Framework, the identification and management of strategic risks and the management of the Trust’s risk registers. The chairman of the Committee will attend the Assurance Committee once each year.

12. Review of Effectiveness

12.1 The Committee will conduct an annual review of its effectiveness and report on the outcome to the Board.

13. Review and Revision

13.1.1 These terms of reference will be reviewed annually. Proposed variations will require the approval of the Board of Directors.

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