

**ROYAL SURREY COUNTY HOSPITAL, GUILDFORD
AUDIT COMMITTEE – TERMS OF REFERENCE**

1. Constitution/ Purpose

The Committee is an operating committee of the Board to be known as the Audit Committee (the Committee). The Committee has the powers either specifically delegated in these terms of reference or the Trust's scheme of delegation.

The Audit Committee is responsible for providing assurance to the Trust Board on the Trust's system of internal control by means of independent and objective review of financial and corporate governance, and risk management arrangements, including compliance with law, guidance, and regulations governing the NHS.

2. Membership, Chairmanship and Quorum

(a) Membership

The Committee shall be appointed by the Board and shall consist of not less than 3 members from the Non-Executive Directors of the Trust, at least one of whom will have substantial financial expertise.
The Chairman of the Trust shall not be a member of the Committee.

(b) Chairmanship

A Non-Executive Director shall be appointed Chairman of the Committee (Audit Chair) by the Board.

(c) Quorum

A quorum shall be 2 members. In the absence of a Non-Executive Director (excluding the Chairman) another Non-Executive Director will be asked to deputise.

(d) Right of Access

The internal and external audit leaders have a right of access to the Audit Chair.

3. Frequency of meetings, attendance and monitoring of attendance

(a) Frequency of meetings

Meetings shall be held at least quarterly and members must attend at least 75 % of all meetings but should aim to attend all scheduled meetings.

(b) Attendance and Process

The Chief Executive, the Director of Finance and appropriate internal and external audit representatives shall normally attend meetings. However, at least once a year the Committee should meet privately with the external and internal auditors.

The External or Internal auditor may request a meeting if they consider it to be necessary.

Executive Directors should be invited to attend if the Committee is discussing areas of risk or operation that are the responsibility of the Executive Director.

(c) Minutes

Minutes in draft to be circulated within one week of the meeting. Final minutes to be approved by Audit Chair within two weeks of the meeting.

(d) Agenda and Papers

Agenda to be published no later than 3 days prior to meeting. Papers to be distributed no less than 3 days prior to meeting.

(e) Form

Members to address the committee through the Audit Chair. Audit Chair to facilitate discussion and collective decision making.

(f) Audit Plans and Action Log

The committee shall publish the annual audit plans and the action log with the agenda.

(g) Monitoring of attendance

If a member fails to attend 2 consecutive meetings the Audit Chair will speak to the individual. The Audit Chair will also be required to bring to the attention of the Trust's Chairman or Chief Executive if they feel lack of attendance has not enabled adequate discussion or decision making.

4. Terms of authority

The Committee is authorised by the Board to investigate any activity within its Terms of Reference and to seek any information it requires from any employee and all employees are directed to cooperate with any requests made by the Committee.

The Committee is authorised by the Board to obtain legal or other independent advice and to secure attendance of outsiders with relevant experience and expertise it considers necessary.

Duties

The Committee shall review the establishment and maintenance of an effective system of internal control across the whole of the Trust's activities that supports the achievement of the organisations' objectives.

This will be achieved by

Internal Control and Risk Management

- Ensuring the provision and maintenance of an effective system of financial risk identification and associated controls, reporting and governance.
- Maintaining an oversight of the Trust's general risk management structures, processes and responsibilities, including the production of the risk register and the Board Assurance Framework

In particular the Committee shall regularly review the adequacy of:

- The Statement of Internal Control and, where relevant, 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.
- Material items on the risk register at least annually or as the Board determines.
- Monitor and review the Board Assurance Framework, and ensure its presentation to the Board of Directors at intervals that the Board determine
- 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.
- Arrangements for the Trust's employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or any other matters

The Committee shall review summary schedules of losses and special payments making any recommendations to the Board.

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 internal control, together with indicators of their effectiveness.

The committee receives and reviews papers that have been presented. When the Audit Chair is satisfied that all in attendance have had the opportunity to challenge, the committee will take one of the following actions:

- Note the report/discussion, issues, progress, report
- Require additional information (to be supplied prior to the next committee meeting)
- Approve/accept an idea or action
- Recommend a course of action to the Board
- Highlight an issue to the Board

Internal Audit

The Committee shall ensure that there is an effective internal audit function that meets mandatory NHS Internal Audit Standards and provides appropriate independent assurance to the Committee, Chief Executive and the Board.

This will be achieved by:

- Consideration of the provision of the Internal Audit service, the cost of the audit and any questions of appointment, resignation or dismissal.
- Review and approval of the Internal Audit strategy, operational plan and more detailed programme of work, ensuring that it 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.
- Following up on recommendations.

External Audit

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:

- Considering with the governor's Audit Working Committee 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 audits 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 of 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.

Financial reporting

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

- The wording in the Statement of Internal Control and other disclosures relevant to the Terms of Reference of the Committee.
- Changes in and compliance with, accounting policies and procedures.
- Unadjusted misstatements in the financial statements.
- Significant adjustments resulting from the audit.

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 information provided to the Board.

Counter Fraud

The Committee shall ensure that there is an effective counter fraud service that meets standards as directed by the Secretary of State in terms of quality and operation of the local counter fraud service. This will be achieved by:

- Consideration of the provision of the local counter fraud service, the cost of the service and any questions of appointment, resignation or dismissal.
- Overseeing 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.
- Receiving regular reports from the Counter Fraud Management Service.

5. Accountability

The Committee's meetings will be formally recorded and submitted to the Board. The Audit Chair shall draw the attention of the Board to any issues that require full disclosure to the Board or require executive action.

The Committee will report to the Board 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, and the appropriateness of the self-assessment against the Standards for Better Health.

6. Other matters

The Company Secretary is responsible for advising the Committee appropriate structure, process and reporting requirements.

The Committee shall review its effectiveness on an annual basis.

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