



# **TERMS OF REFERENCE**

## **AUDIT COMMITTEE**

### **1.0 CONSTITUTION**

- 1.1 The Board hereby resolves to establish a Committee of the Board to be known as the Audit Committee (The Committee).
- 1.2 The Committee is a non-executive Committee of the Board and has no executive powers, other than those specifically delegated in these Terms of Reference.
- 1.3 All procedural matters in respect of the conduct of the meetings of the Committee shall be in accordance with the Trust's Standing Orders.
- 1.4 The Committee will regularly review and reflect on best practice and adopt new learning as part of a commitment to continuous improvement.

### **2.0 MEMBERSHIP OF THE COMMITTEE**

- 2.1 The Audit 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 Non-Executive Director members.
- 2.2 A non-executive member of the Audit Committee will be appointed Chair of the Committee by the Board.
- 2.3 The Chairman of the Trust Board shall not be a member of the Audit Committee.
- 2.4 Any non-executive who is a member of the Remuneration Committee shall not be a member of the Audit Committee.
- 2.5 One member of the Audit Committee shall be the Chair of the Assurance Committee.
- 2.6 One member of the Audit Committee should have a financial background.

### **3.0 ATTENDANCE AT MEETINGS**

- 3.1 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.
- 3.2 The Chairman, Chief Executive, Executive Directors and other Officers of the Trust may be invited to attend, particularly when the Committee is discussing areas of risk or operation that are the responsibility of that Director or Officer.
- 3.3 The Chief Executive should be invited to attend at least annually to discuss with Audit Committee the process for assurance that supports the Governance Statement.
- 3.4 A representative from the sponsoring body (Department of Health DoH) will be invited and may attend meetings of the Audit Committee.
- 3.5 The Assistant Director of Finance shall attend to the Minutes of the meeting and provide appropriate support to the Chairman and Committee members.

### **4.0 FREQUENCY OF MEETINGS**

- 4.1 Meetings shall be held not less than three times a year. The External Auditor or Head of Internal Audit may request a meeting if they consider that one is necessary.

### **5.0 AUTHORITY**

- 5.1 The Audit Committee's primary role is to independently contribute to the Trust Board's overall process for ensuring that an effective internal financial control system is maintained.
- 5.2 The Board will always retain responsibility for such control and will act after taking account of the recommendations and assurances of the Committee. The Committee, therefore, does not have the executive authority of the Board, but does have sufficient membership, authority and resources to perform its role independently and effectively.
- 5.3 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.
- 5.4 The Committee is authorised by the Board to obtain outside legal or other independent professional advice as and when necessary.

## **6.0 DUTIES**

The duties of the Committee can be categorised as follows:

### **6.1 Governance, Risk Management and Internal Control**

The Committee shall contribute to the establishment, review 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.

6.1.1 In particular the Committee will review:

- The adequacy of all risk and control related disclosure statements (in particular the 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 adequacy of 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 adequacy of the policies for ensuring compliance with relevant regulatory, legal and code of conduct requirements, including the Trust's Standing Orders and Standing Financial Instructions.
- The adequacy of the policies and procedures for all work related to fraud and corruption as required by the Department of Health (DoH) or the Business Services Organisation (BSO) Counter Fraud and Probity Services (CFPS).
- The annual schedule of losses and compensation payments and will make recommendations to the Board regarding their approval.
- The register of Single Tender Actions (Direct Award Contracts).

6.1.2 In carrying out its work, the Committee will utilise the work of Internal Audit, External Audit, and other assurance functions where appropriate, but will not be limited to these functions. It will also seek reports and assurances from other Trust Committees through their respective Chairs, Directors and managers as appropriate, concentrating on the overarching systems of integrated governance, risk management and internal control, together with indicators of their effectiveness.

6.1.3 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.

## **6.2 Internal Audit**

The Internal Audit function must meet the Public Sector Internal Audit Standards and provide appropriate independent assurance to the Audit Committee, Chief Executive and Board. The Committee shall review the effectiveness of the Internal Audit function as established by management. 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 Head of Internal Audit's annual report, 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.

## **6.3 External Audit**

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

- Consideration of the 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 Audit Strategy;
- Discussion with the External Auditors of their local evaluation of audit risks and assessment of the Trust;
- Review of all External Audit reports, including consideration of the annual Report to Those Charged with Governance before submission to the Board and any work carried out outside the annual audit plan, together with the appropriateness of management responses.

## **6.4 Other Assurance Functions**

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

These may include, but will not be limited to, any reports issued by the Comptroller and Auditor General or Public Accounts Committee, reviews by DoH commissioned bodies, the Regulation and Quality Improvement Authority (RQIA) or professional and regulatory bodies with responsibility for the performance of staff or functions (e.g. Joint Royal Colleges Ambulance Liaison Committee (JRCALC), Health Care Professions Council (HCPC), Royal Colleges, accreditation bodies, etc.).

## **6.5 Financial Reporting**

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

- The wording in the 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 judgemental areas
- 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 the information provided to the Board.

## **6.6 Value for Money**

The Audit Committee shall oversee the adequacy of the Trust's arrangements for ensuring that Value for Money (VFM) is obtained in the expenditure of all public funds entrusted to its care. This will include a review of the findings from, and management's response to, all value for money audit reports issued to the Trust as part of the regional VFM programme sponsored by DoH.

## **7.0 REPORTING**

7.1 The Minutes of 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.

7.2 The Committee will report to the Board annually on its work in support of the 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 self-assessment against the Quality Standards and Controls Assurance Standards.

## **8.0 OTHER MATTERS**

- 8.1 The Agenda will be sent to members at least five working days before the meeting and supporting papers, wherever possible, shall accompany the agenda, but will be dispatched no later than three working days before the meeting, save in an emergency.

**DATE OF ISSUE:            June 2017**

**DATE OF REVIEW:         July 2018**