

**BIRMINGHAM AND SOLIHULL MENTAL HEALTH FOUNDATION TRUST**

# **AUDIT COMMITTEE**

## **TERMS OF REFERENCE**

### **1 Authority**

- 1.1 The Audit Committee is constituted as a Standing Committee of the Trust Board of Directors. Its constitution and terms of reference shall be as set out below, subject to amendment at future Board of Directors meetings.
- 1.2 The Committee is authorised by the Trust Board to request the attendance of individuals and authorities from outside the Trust with relevant experience and expertise if it considers this necessary.

### **2 Purpose**

- 2.1 The Committee is authorised by Trust Board to carry out any function within its terms of reference.
- 2.2 The Committee is delegated and authorised by the Board to:
- Investigate any activity within its terms of reference.
  - Seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee.
  - Obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.
  - Approved the annual report and accounts.
- 2.3 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.
- 2.4 They may also request specific reports from individual functions within the organisation (e.g. clinical audit) as they may be appropriate to the overall arrangements.

### **3. Duties**

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

- 3.1.1 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.
- 3.1.2 In particular, the Committee will review the adequacy of:

- All risk and control related disclosure statements (in particular the Annual Governance Statement and declarations of compliance with CQC regulations), together with any accompanying Head of Internal Audit statement, external audit opinion or other appropriate independent assurances, prior to endorsement by the Board
- Annual Report and Accounts
- 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
- 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

3.1.3 That the Committee will review the top risks identified from risk registers to recommend to Trust Board risks for inclusion within the Trust Board Assurance Framework.

3.1.4 In carrying out its 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 overarching 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

3.1.5 The committee will have delegated authority from the Board to receive and approve changes to the Standing Orders, Standing Financial Instructions and Scheme of Delegation.

## **2 Internal Audit**

3.2.1 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
- Annual review of the effectiveness of internal audit

### **3.3 External Audit**

3.3.1 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. This will be achieved by:

- Consideration of the appointment and performance of the External Auditor, in order for a recommendation to go to the Council of Governors, whose role it is to appoint the external auditors
- 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

### **3.4 Other Assurance Functions**

3.4.1 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. These will include, but will not be limited to, any reviews by Department of Health arms-length Bodies or appropriate regulators/inspectors.

3.4.2 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 Clinical Governance Committee, and any Risk Management committees that are established, as well as receiving or seeking assurances as appropriate, from the other board sub committees.

3.4.3 In reviewing the work of the Clinical 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.

## **4. Membership**

4.1 The membership of the committee will be:

- Chair – Non-Executive Director
- Deputy Chair – Non-Executive Director
- Non-Executive Director

- Associate Non-Executive Director

4.2 Others required to attend the committee will be:

- Executive Director of Resources
- Company Secretary

4.3 Invitations for attendance of others will be issued by the Chair of the committee in line with the requirements of the agenda.

4.4 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 and the Chair of the Board will have an open invitation to attend.

4.5 All members will have one vote. In the event of votes being equal the Chair of the committee will have the casting vote.

4.6 Appropriate Internal and External Audit representatives shall normally attend meetings, although are not entitled to vote. However at least once a year the Committee should meet privately with the External and Internal Auditors.

## **5. Quoracy**

5.1 A quorum shall be two members of the committee.

## **6. Declaration of interests**

6.1 All members and attending officers must declare any actual or potential conflicts of interest in advance. These must be recorded in the minutes. Members must exclude themselves from any part of the meeting where a potential or actual conflict of interest may occur.

## **7. Meetings**

7.1 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. The Board will appoint one of the members Chair of the Committee. The Chair of the organisation shall not be a member of the Committee but will have an open invitation to attend.

7.2 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.

7.3 Meeting dates will be agreed annually in advance by the members of the committee.

7.4 To include as a standing item on every agenda the Committee should review how effectively it has discharged its business.

## **8. Administration**

- 8.1 The meeting will be closed and not open to the public.
- 8.2 The Company Secretary will ensure there is appropriate secretarial and administrative support to the committee.
- 8.3 An Action List and minutes will be compiled during the meeting and circulated within 7 calendar days of the end of the meeting.
- 8.4 Any issues with the Action List or minutes will be raised within 7 calendar days of issue.
- 8.5 The Company Secretary will agree a draft agenda with the committee chair and it will be circulated 7 calendar days before the meeting.
- 8.6 Any issues with the agenda must be raised with the committee chair within 4 working days.
- 8.7 All final committee reports must be submitted 7 calendar days before the meeting.
- 8.8 The agenda, minutes and all reports will be issued 6 calendar days before the meetings.

## **9. Reporting**

- 9.1 The committee will report to Trust Board at the next meeting reporting on any significant issues.
- 9.2 The committee will review their effectiveness on an annual basis, reporting the outcome of the review to Trust Board.
- 9.3 The committee Chair will present to the Council of Governors annually a report on the work of the committee

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