

## AUDIT COMMITTEE

### TERMS OF REFERENCE

#### 1. Constitution

- 1.1 The Governing Board (“the Board”) has resolved to establish an Audit Committee to advise the Board on matters relating to the Trust’s audit arrangements and systems of internal control and to aid the Board’s responsibility to ensure sound management of the Trust’s finances and resources, including proper planning, monitoring and probity.
- 1.2 The Audit Committee is responsible to the Board.
- 1.3 The Committee’s Terms of Reference are adopted by the Board and may only be amended with the approval of the Board.

#### 2. Authority

- 2.1 The Audit Committee is authorised to investigate any activity within its terms of reference or specifically delegated to it by the Board. It is authorised to request any information it requires from any governor, employee, external audit, internal auditor or other assurance provider.
- 2.2 The Audit Committee is authorised to obtain any outside legal or independent professional advice it considers necessary, normally in consultation with the Accounting Officer and/or Chair of the Board.

#### 3. Duties

The duties of the Audit Committee are to:

- a. Advise the Board and Accounting Officer on the adequacy and effectiveness of the Trust’s governance, risk management, internal control and value for money systems and frameworks.
- b. Produce an annual report in respect of the above
- c. Advise the Board on the appointment, re-appointment, dismissal and remuneration of the external auditor.
- d. Advise the Board on the need for and then, where appropriate, the appointment, re-appointment, dismissal and remuneration of an internal auditor or other assurance provider.
- e. Advise the Board on an appropriate programme of work to be delivered by independent assurance providers. This programme of work should be to be derived from the Audit Committee’s regard of the key risks faced by the Trust, the assurance framework in place and its duty to report to the Board, as detailed in point a above.
- f. Ensure that where a full internal audit service is commissioned the service provider complies with the standards set by the Chartered Institute of Internal Auditors. This will mean the internal audit provider must conform to the Public Sector Internal Audit Standards.
- g. Review the external auditor’s annual planning document and approve the planned audit approach.

- h. Receive reports (assignment reports, annual reports, management letters etc) from the external auditor, internal auditor and other bodies (for example the EFA) and consider any issues raised, the associated management response and action plans. Where deemed appropriate, reports should be referred to the Board or other committee for information or action.
- i. Regularly monitor outstanding audit recommendations from whatever source and ensure any delays to agreed implementation dates are reasonable.
- j. Establish and monitor KPIs with regard to the performance of the external auditor, internal auditor or other assurance provider.
- k. Review the Trust's fraud response plan and ensure that all allegations of fraud or irregularity are managed and investigated appropriately.
- l. Consider any additional services delivered by the external auditor, internal auditor or other assurance provider and ensure appropriate independence is maintained.
- m. Ensure appropriate co-operation and co-ordination of the work of the external auditor and internal auditor.
- n. Meet with the external auditor and internal auditor or other assurance provider, without management present, at least annually.

#### **4 Administration**

- 4.1 The Audit Committee will meet at least once per term. The Chair or any two members may call an additional meeting.
- 4.2 The Audit Committee will consist of at least **three** members of the Board. Members of the Committee are appointed annually. Additionally, up to two external co-opted members with particular expertise may also be appointed who are not members of the Board. At least one of the members should have relevant financial experience.
- 4.3 The Chair of the Board and the CEO cannot be members of the Audit Committee, though may be invited to attend meetings of the Audit Committee at the Chair's discretion.
- 4.4 The Chair of the Audit Committee will be appointed by the Board and will not be a member of any other committee. If the Chair is absent from a meeting, the members shall choose another member, who is also a member of the Board, to act as Chair for that meeting.
- 4.5 Staff employed by the Trust should not be members of the Audit Committee.
- 4.6 The Audit Committee will be quorate if **two** members are present (or at least one third if greater) of those members eligible to vote are present. In addition, at least 50% of those members present are required to be Board members.
- 4.7 The Accounting Officer, Finance Director and other members of the Trust's staff may be invited to attend but will have no voting rights.
- 4.8 Administrative support will be provided by the Clerk to the Board/Governing Body or his/her deputy.
- 4.9 The agenda for meetings will be agreed in advance by the Chair of the Audit Committee (based on, but not limited to, a pre-agreed annual schedule of activity) and papers will be circulated to members and attendees at least 5 working days in advance of the meeting.

- 4.10 Minutes of meetings will be taken and will be submitted in the next scheduled meeting of the Board once approved in draft by the Chair of the Audit Committee.
- 4.11 Decisions made at meetings of the Committee shall be determined by a majority of votes of eligible members+ present and voting. Where there is an equal division of votes the Chair shall have a second or casting vote.
- 4.12 The Audit Committee will self-assess its performance against these Terms of Reference on an annual basis and will also review the Terms of Reference, submitting any proposed changes to the Board for approval.
- 4.13 The members of the Committee shall hold office from the date of their appointment until the resignation or their omission from membership of the Committee on subsequent consideration by the Board (whichever shall happen first).
- 4.14 The Board must not add to these Terms of Reference responsibilities that require the Audit Committee to adopt an executive role, or its members to offer professional advice to the Board. The Audit Committee should seek formal professional opinions from the internal audit service, financial statements auditor or other professional advisers to the Board. Advice should only be given in Committee members' capacity as Directors and co-optees and only within their terms of reference.

+ if a member of the Committee withdraws from the meeting due to a conflict (or potential conflict) of interests, the meeting must still be quorate in order for a vote to be conducted.