

James Paget University Hospitals   
NHS Foundation Trust

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**Report to:** Board of Directors

**Date:** 27<sup>th</sup> October, 2006

**Title:** **Terms of Reference – Audit Committee and  
Healthcare Governance Committee**

**Report of:** Chairmen of Audit and Healthcare Governance Committees

**Report for:** Approval

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**SUMMARY:**

The joint annual review of the Terms of Reference for the Audit Committee and the Healthcare Governance Committee has taken place and are before the Board for approval.

Both of these documents follow a similar design and pattern as suggested within the Integrated Governance Handbook and also reflect the requirements as indicated within the NHS Foundation Trust Code of Governance, Compliance Framework and NHS Foundation Trusts: Clinical Quality and Service Performance documents as issued by Monitor.

Whilst membership of the Audit Committee has always been specific to Non-Executive Directors of the Board, the revised terms of reference of the Healthcare Governance Committee has been amended to reflect membership being confined to only Non-Executive and Executive Directors.

The other main change to both terms of reference has been to reflect the joint nature of each Committee's responsibilities in the provision of assurance to the Board.

**RECOMMENDATION:**

For approval.

## AUDIT COMMITTEE

### TERMS OF REFERENCE

#### **Constitution**

The Board hereby resolves to establish a Committee of the Board to be known as the Audit Committee (The Committee).

#### **Membership**

The Committee shall be appointed by the Board from amongst the Non-Executive Directors of the Trust and shall consist of not less than 3 members, one of whom should be appropriately qualified i.e. accountant, and one of whom will also be a member of the Healthcare Governance Committee. A quorum shall be 2 members. One of the members will be appointed Chair of the Committee by the Board.

#### **Attendance**

The Director of Finance and Performance, the Head of Internal Audit, and a representative of the External Auditors shall normally attend meetings. Trust Chairman and Chief Executive attend by invitation. The Committee may meet with the External and/or Internal Auditors without any Executive Board Director present.

The Director of Finance and Performance will arrange for the taking of minutes of the meetings and appropriate support to the Chairman and committee members.

#### **Frequency**

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.

At least one meeting a year will be held with the Healthcare Governance Committee.

#### **Authority**

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.

The Committee is authorised by the Board to 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.

#### **Duties**

The duties of the Committee can be categorised as follows:

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

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 Trust's activities (both clinical and non-clinical), that supports the achievement of the Trust's objectives.

In particular, the Committee, in conjunction with the Healthcare Governance Committee, will review the adequacy of:

- all risk and control related disclosure statements (in particular the Statement on Internal Control and declarations of compliance with the Standards for Better Health), together with any accompanying Head of Internal Audit statement, prior to endorsement by the Board;

- the underlying assurance processes that indicate the degree of achievement of corporate objectives, the effectiveness of the management of principal risks and the appropriateness of the above disclosure notices;
- 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.

In carrying out this work the Committees' will primarily utilise the work of Internal Audit, External Audit and other assurance functions but will not be limited to these audit functions. They will seek assurance through the directors and managers as appropriate, concentrating on the over-arching systems of integrated governance, risk management and internal control, together with indicators of their effectiveness.

This will be evidenced through the use of an effective Assurance Framework to guide its work and that of the audit and assurance functions that report to it.

### ***Internal Audit***

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.

- Consideration of the provision of the Internal Audit service, the cost of the audit services 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 Trust as identified in the Assurance Framework;
- Considerations of the major findings of internal audit work (and management's response) and ensure co-ordination between the Internal and External Auditors to optimise resources;
- Ensure that the Internal Audit function is adequately resourced and has appropriate standing within the Trust;
- annual review of the effectiveness of internal audit.

### ***External Audit***

The Committee should make recommendations in relation to the appointment, reappointment and removal of the external auditor for approval by the Governors Council. This will be achieved by:

- Consider the appointment and performance of the External Auditor;
- Discuss 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 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.

## ***Other Assurance Functions***

The Audit Committee, with Healthcare Governance Committee shall review the findings of other significant assurance functions, both internal and external to the Trust, and consider the implications to the governance of the Trust. These will include, but will not be limited to, any reviews by Department of Health Arms Length Bodies or Regulators/Inspectors (e.g. Healthcare Commission, NHS Litigation Authority, etc.), professional bodies with responsibility for the performance of staff or functions (e.g. Royal Colleges, accreditation bodies, etc.)

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 Healthcare Governance Committee and any Action Groups and associated committees that are established.

## **Management**

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. 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.

## ***Financial Reporting***

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

- the wording in the Statement on Internal Control and other disclosures relevant to the Terms of Reference of the Committee
- changes in, and compliance with, accounting policies and practices
- unadjusted miss-statements in the financial statements
- losses and compensations
- 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.

## **Reporting**

The minutes of Audit Committee meetings shall be formally recorded and submitted to the Board and shared with the Healthcare Governance Committee. 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.

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 Trust, the integration of governance arrangements and the appropriateness of the self-assessment against the Standards for Better Health.

## **Review**

These Terms of Reference will be reviewed jointly by the Chair of both the Audit Committee and the Healthcare Governance Committee on an annual basis for approval by the Board.

**Key Reference:** Integrated Governance Handbook February 2006

## HEALTHCARE GOVERNANCE COMMITTEE

### TERMS OF REFERENCE

#### **Constitution**

The Board hereby resolves to establish a Committee of the Board to be known as the Healthcare Governance Committee (The Committee).

#### **Membership**

The Committee shall be appointed by the Board and will comprise of three Non-Executive Directors (one of which will also be a member of the Audit Committee), Chief Executive, Medical Director, Director of Nursing and Patient Services, Director of Finance & Performance, Director of Human Resources.

A quorum will be five members of the Committee of which there should be 1 Non-Executive Director and 2 Executive Directors (one of which must be either the Medical Director or Director of Nursing and Patient Care).

One of the Non-Executive Director members will be appointed Chair of the Committee by the Board.

#### **Attendance**

The Divisional Manager representative, Head of Risk Management and Governance, a representative from the PCT and a Patient representative shall normally attend meetings.

Other members may be invited as necessary to attend Committee meetings where broader consultation of particular issues is considered desirable.

The Head of Risk Management and Governance will arrange for the taking of minutes of the meetings and appropriate support to the Chairman and committee members.

#### **Frequency**

Meetings shall be held not less than four times a year.

At least one meeting a year will be held with the Audit Committee.

#### **Authority**

The Committee has a responsibility to advise Board of any perceived or actual deviation from the Trust terms of Authorisation.

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.

#### **Duties**

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

The Committee, in conjunction with the Audit Committee, shall 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.

In particular, the Committee, in conjunction with the Audit Committee, will review the adequacy of:

- all risk and control related disclosure statements (in particular the declarations of compliance with the Standards for Better Health, NSF's and NHS Litigation Schemes, H&S and Fire), together with any accompanying statements;
- the underlying assurance processes that indicate the degree of achievement of corporate objectives, the effectiveness of the management of principal risks and the appropriateness of the disclosure notices;
- the review of strategies and policies for ensuring compliance with relevant regulatory, legal and code of conduct requirements (clinical and non-clinical);

In carrying out this work the Committees' will primarily utilise the work of Internal Audit, External Audit, Clinical Audit and other assurance functions but will not be limited to these audit functions. They will seek assurance through the directors, managers, Action Groups and other committees / working groups as appropriate, concentrating on the over-arching systems of integrated governance, risk management and internal control, together with indicators of their effectiveness.

This will be evidenced through the use of an effective Assurance Framework and Risk Register to guide its work and that assurance functions that report to it.

### ***Strategies, Policies and Procedures***

With the exception of those required to be directly approved by the Board, to monitor, review and approve corporate strategies, policies and procedures on behalf of the Board.

### ***Risk Register***

The Committee will review the Risk Register in respect of high and significant risks and monitor their trends, controls and action plans and subsequent learning.

### ***PALS, Complaints, Incidents and Litigation***

The Committee will, at least three times per year, review trends, analysis and learning in respect of PALS, complaints, incidents and litigation cases.

### ***Patient Care***

To review and monitor corporate and divisional performance objectives and plans and consider the implications to the governance and objectives of the Trust.

### ***Other Assurance Functions***

The Healthcare Governance Committee with the Audit Committee, shall review the findings of other significant assurance functions, both internal and external to the Trust, and consider the implications to the governance of the Trust. These will include, but will not be limited to, any reviews by Department of Health Arms Length Bodies or Regulators/Inspectors (e.g. Healthcare Commission, NHS Litigation Authority, etc.), professional bodies with responsibility for the performance of staff or functions (e.g. Royal Colleges, accreditation bodies, etc.)

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 Healthcare Governance Committee and any Action Groups and associated committees that are established.

In reviewing this work of 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.

**Management**

The Committee shall request and review reports and positive assurances from directors and managers on the overall arrangements for governance and risk management. 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.

**Reporting**

The minutes of Healthcare Governance Committee meetings shall be formally recorded and submitted to the Board and shared with the Audit Committee. 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.

**Review**

These Terms of Reference will be reviewed jointly by the Chair of both the Audit Committee and the Healthcare Governance Committee on an annual basis for approval by the Board.

**Key Reference:** Integrated Governance Handbook February 2006