

**UNIVERSITY HOSPITALS BIRMINGHAM NHS FOUNDATION TRUST
COUNCIL OF GOVERNORS
THURSDAY 13 NOVEMBER 2014**

Title:	AUDIT COMMITTEE'S TERMS OF REFERENCE
Responsible Officer:	David Burbridge, Director of Corporate Affairs
Contact:	David Burbridge, Director of Corporate Affairs, Ext 14317

Purpose:	To recommend changes to the Audit Committee's Terms of Reference.
Confidentiality Level & Reason:	NONE
Key Issues Summary:	Under section C.3.2 of Monitor's new Code of Governance for Foundation Trusts, the Council of Governors should be consulted on the Audit Committee's terms of reference, which should be reviewed and refreshed regularly.
Recommendations:	The Council of Governors is asked to consider this paper and the accompanying revised Audit Committee's Terms of Reference.

Signed: D Burbridge	Date: November 2014
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DIRECTOR OF CORPORATE AFFAIRS

1. Introduction

Under Monitor's new Code of Governance for Foundation Trusts (the Code), which has come into force on 1 January 2014, the Audit Committee's terms of reference should be reviewed and refreshed in regular intervals and the Council of Governors be consulted as part of the review process.

2. Review

2.1. Under section C.3.2 of the new Code, the main role and responsibilities of the Audit Committee should be set out in publicly available, written terms of reference. The terms of reference should include details of how it will:

- monitor the integrity of the financial statements of the NHS foundation trust, and any formal announcements relating to the trust's financial performance, reviewing significant financial reporting judgements contained in them;
- review the NHS foundation trust's internal financial controls and, unless expressly addressed by a separate board risk committee composed of independent directors, or by the board itself, review the trust's internal control and risk management systems;
- monitor and review the effectiveness of the NHS foundation trust's internal audit function, taking into consideration relevant UK professional and regulatory requirements;
- review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements;
- develop and implement policy on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm; and

- report to the council of governors, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken.
- 2.2. The Audit Committee's terms of reference were last reviewed in March 2013. Recent changes in legislation and terminology have required a small number of amendments, including the following:
- 2.2.1. The 'Statement of Internal Control' (SIC) has been re-named 'Annual Governance Statement' (AGS);
 - 2.2.2. Removal of reference to the 'Standards of Better Health';
 - 2.2.3. Replacement of the 'Healthcare Commission' with 'Clinical Commissioning Groups' (CCGs);
 - 2.2.4. Renaming of the 'Board of Governors' as 'Council of Governors';
 - 2.2.5. Reference to the newly introduced 'declarations of compliance' under the new Code;
 - 2.2.6. Renaming of the Trust's 'Compliance Unit' as 'Corporate and Clinical Governance Team';
 - 2.2.7. Reference to the Board Assurance Framework.
- 2.3. The revised terms of reference were discussed and approved at the last Audit Committee meeting on 18 September 2014.

3. Recommendations

- 3.1. The proposed amendments are set out in Appendix A.
- 3.2. The Council of Governors is asked to consider this paper and the accompanying revised terms of reference.

D J Burbridge
Director of Corporate Affairs

November 2014