



AUDIT COMMITTEE TERMS OF REFERENCE

1. Formation of this committee

The board has established a committee, known as the audit committee, (the committee) reporting to the board, in accordance with standing order 6 for the practice and procedure of the board of directors (annex 8 of the constitution).

The committee shall have terms of reference and powers and be subject to such conditions, such as reporting back to the board, as the board shall decide and shall act in accordance with any legislation and regulation or direction issued by the regulator.

The committee shall be a non-executive committee of the board comprised of independent non-executive directors and has no executive powers, other than those specifically delegated in these terms of reference.

2. Role

The role of the committee is to provide assurance to the board, along with the quality assurance committee, that The Christie and Christie Charitable Fund are properly governed and well managed across the full range of activities, including investment, and to provide internal and external assurance by reviewing the establishment and maintenance of effective systems of governance, risk management and internal control.

3. Membership of the committee

The committee shall be comprised of non-executive directors and should include at least three independent non-executive directors. The chairman of The Christie shall not be a member.

The board should satisfy itself that at least one member of the audit committee has recent or relevant financial experience. (Monitor Code F 3.1)

4. Chair of the Committee

The chair of the committee shall be one of the non-executive directors selected by the board. In their absence their place shall normally be taken by chair of the quality assurance committee, or in their absence by another non-executive director.

5. Quorum

The quorum shall be any three members of the committee.

6. Meetings

The audit committee shall meet at least four times per year. The chair may at any time convene additional meetings of the committee to consider business that requires urgent attention. At least once a year the committee shall meet privately with the external audit internal audit and counter fraud service providers and the senior representatives of these organisations may request a meeting if they consider that one is necessary.

Members may participate in meetings by telephone, video or computer link and participation in this manner shall be deemed to constitute presence in person at the meeting.

7. Attendance at meetings

The following individuals shall normally be in attendance:

- Director of finance and business development
- Director of Nursing and Governance
- Director of finance and business development secretary
- Appointed representatives of the DoF&BD, normally the financial services manager and or deputy director of finance
- Representative(s) of the external audit service provider
- Representative(s) of internal audit service provider
- Representative(s) of counter fraud service provider

The chairman, chief executive and other directors may be invited to attend, particularly when the committee is discussing areas of risk or operation that are the responsibility of that director.

The chief executive should be invited to attend at least annually, to discuss the process of assurance that supports the statement of internal control.

8. Notice of meetings

Meetings of the audit committee shall be called at the request of the chair. Notice of each meeting, including an agenda and supporting papers shall be forwarded to each member of the audit committee not less than five working days before the date of the meeting.

9. Responsibilities

The Committee has a shared responsibility with the quality assurance committee, to provide assurances to the board of directors that The Christie and Christie Charitable Fund are properly governed and well managed across the full range of their activities.

In broad terms, the audit committee is responsible for all matters relating to corporate, financial and investment governance and risk management, whilst the quality assurance committee is responsible for clinical and research governance and risk management, with the audit committee reviewing any significant clinical or research risks, as identified by the quality assurance] committee.

9.1 Governance, risk management and internal control

The committee will provide internal assurance by reviewing the establishment and maintenance of effective systems of governance, risk management and internal control, particularly in relation to the corporate, financial and investment activities that support the achievement of the objectives of The Christie and Christie Charitable Fund. In particular, the committee will review the adequacy and effectiveness of:

- All risk and control related disclosure statements (in particular the statement on internal control, and the relevant elements of the standards for better health and disclosure statements required under charity legislation), together with any accompanying head of internal audit

statement, external audit opinion or other appropriate independent assurances, prior to endorsement by the board of directors.

- The underlying assurance processes that indicate the degree of achievement of the corporate objectives, the effectiveness of the management of principal risks and the appropriateness of the above disclosure statements
- The policies for ensuring compliance with regulatory, legal and code of conduct requirements, as they relate to corporate, financial and investment issues and, for the Christie Charitable Fund, with the terms of its declaration of trust and appropriate legislation
- The policy on data quality particularly as it relates to the data which forms the basis of self assessments or disclosures to Monitor
- The policies and procedures for all work related to fraud and corruption, as set out in the secretary of state directions and as required by the counter fraud and security management service. This will include receipt of the counter fraud annual report and counter fraud work plan , to ensure that the committee is satisfied with action taken under the annual report and that significant losses have been properly investigated and reported to the internal and external auditors and relevant external bodies.
- Review arrangements by which staff of The Christie may raise, in confidence, concerns about possible improprieties in matters of financial reporting and control, clinical quality, patient safety or other matters.
- Compliance with The Christie's Equality and Diversity policy

In carrying out this function, 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 over-arching systems of integrated governance, risk management and internal control, together with indicators of their effectiveness.

The committee may request and review reports and positive assurances from directors and managers on the overall arrangements for governance, risk management and internal control. The committee may also request specific reports from individual functions within the organisation, as they may be appropriate to the overall arrangements.

In addition, the committee will review the work of other committees within The Christie, whose work can provide relevant assurance to the committee's own scope of work. This will particularly include the risk committee, the management board and the charitable funds committee.

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.

9.2 Internal Audit

The committee will provide internal assurance by ensuring that there is an effective Internal Audit function, which meets mandatory NHS internal audit standards and provides appropriate independent assurances to this committee, the quality assurance committee, the chief executive and the board. This will be achieved by:

- Leading the consideration of any questions regarding the appointment of the internal audit service or revisions to/termination of the internal audit service contract.
- Ensuring that adequate internal audit capacity is identified and purchased, and that the function has appropriate standing within The Christie.
- Reviewing and approving the internal audit strategy, operational plan and more detailed programme of work, ensuring that these are consistent with the audit and governance needs of The Christie, as identified in the assurance framework.
- Consideration of the major findings of internal audit reports, and management's response, ensuring co-ordination between internal and external audit in order to optimise audit resources and between the audit and quality assurance committees.
- Leading an annual review of the performance and effectiveness of the internal audit service.

9.3 External Audit

The committee will review the work and findings of the external auditor and consider the implications and management's responses to their work. This will be achieved by:

- Consideration of the appointment, effectiveness and performance of the external auditor, as far as any applicable rules permit,
- Consideration of the independence and objectivity of the external auditor
- the provision and cost of the external audit service.
- Discussion and agreement with the external auditor, before an 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 Christie, and the associated impact on the audit fee.
- Review of all external audit reports, including agreement of the annual audit letter before submission to the board, and any work carried out outside the annual audit plan, together with the appropriateness of management responses.

The committee will make recommendations to the Council of Governors, in relation to the appointment and removal of the external auditor of The Christie and approve the remuneration and terms of engagement of the external auditor of The Christie. For the avoidance of doubt the Council of Governors has no responsibility in relation to the external auditor of the Christie Charitable Fund.

The committee will develop and implement a 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.

9.4 Reporting to the board

The proceedings of each meeting of the audit committee shall be reported to the next meeting of the board of directors. The chair shall draw to the attention of the board of directors any issues that require disclosure to the board or require executive action.

The committee will report annually to the board of directors on its work in support of the statement on internal control, specifically commenting on the fitness for purpose of the assurance framework, and the completeness and the effectiveness of risk management in the organisation, together with the adequacy and effectiveness of The Christie's arrangements for economy and efficiency.

9.5 Reporting to/working with the council of governors and members

The committee will 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.

The committee will ensure that appropriate arrangements are made when appointing or re-appointing the external auditor to involve governors in the process and present a recommendation to the council of governors.

The committee will ensure that the annual report and financial statements, the report of the auditor and forward planning information for the next financial year are presented to the council of governors at appropriate times in the annual reporting cycle.

The committee will ensure that the annual report and financial statements, the report of the auditor and forward planning information for the next financial year are presented to the members at the annual members' meeting.

9.6 Annual report and financial statements

The committee shall review the annual report and financial statements for The Christie and for the Christie Charitable Fund, before submission to the board of directors, 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 mis-statements in the financial statements.
- Major judgmental areas.
- Significant adjustments resulting from the audit.

The committee shall employ appropriate measures such as internal audit reports to ensure that

- the systems for financial reporting to the board, including those of budgetary control, are subject to review as to the completeness and accuracy of the information provided to the board of directors, and
- they monitor the integrity of the financial statements of The Christie and the Christie Charitable Fund, and any formal announcements relating to the financial performance, reviewing significant financial reporting judgements contained in them.

9.7 The committee must review and update these terms of reference not less than annually recommending any changes to the board of directors and publish them on the Christie website;

9.8 The committee must evaluate its own membership and performance on a regular basis.

10. Authority

The committee is authorised by the board of directors 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 of directors to obtain reasonable external legal or other independent professional advice and to secure the attendance of outsiders with relevant experience or expertise, if it considers this to be necessary.

The committee is authorised by the board of directors to incur expenditure up to £5,000 in line with the Scheme of Reservation and Delegation of Powers.

11. Relationships with other committees

This committee and the quality assurance committee have a shared responsibility to provide assurances to the board of directors. As such, both committees need to work collaboratively, to ensure that all aspects of governance are covered and that the board receives comprehensive assurances on The Christie's and Christie Charitable Fund's business and activities. The chair of each committee shall attend both committees, shall arrange joint meetings to review assurances supporting the statement of internal control and shall agree the specific responsibilities relating to each element of the Assurance Framework.

12. Administration

The committee shall be supported administratively by the secretary to the director of finance and business development, who will agree the agenda with the chair, produce all necessary papers, attend meetings to take minutes, keep a record of matters arising and issues to be carried forward and generally provide support to the chair and members of the committee.

Minutes of all meetings of the committee shall be taken and kept by the executive secretary to the board or an appropriate alternative.

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