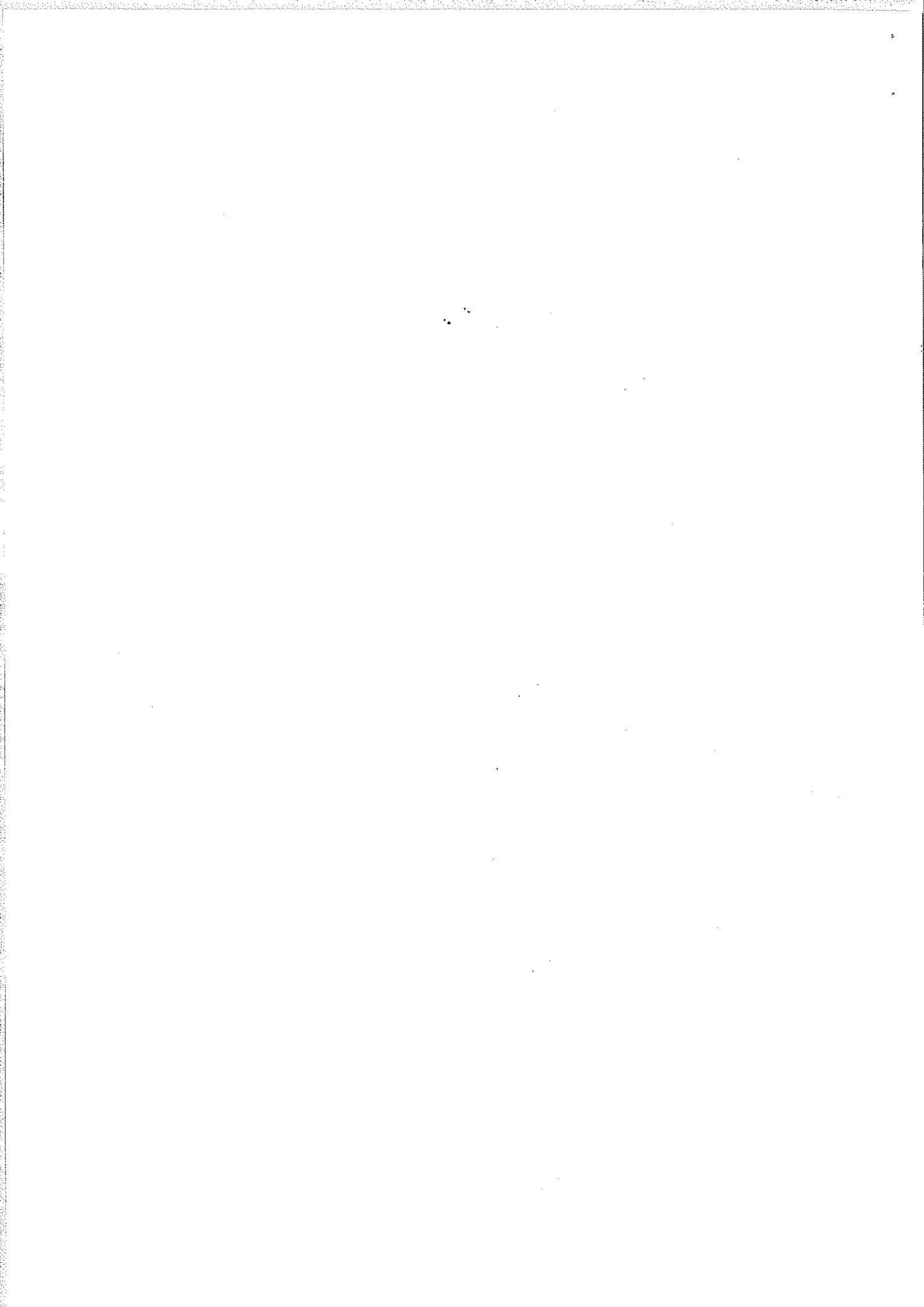


**UNIVERSITY HOSPITALS BIRMINGHAM NHS FOUNDATION TRUST
BOARD OF DIRECTORS
THURSDAY 25 APRIL 2013**

Title:	Audit Committee and Investment Committee TOR
Responsible Director:	David Burbridge, Director of Corporate Affairs
Contact:	Berit Reglar, Senior Manager Corporate Affairs, ext 14324

Purpose:	To ask the Board of Directors to authorise the revised Terms of Reference of the Audit Committee and Investment Committee.
Confidentiality Level & Reason:	
Medium Term Plan Ref:	
Key Issues Summary:	The Terms of Reference of the Audit Committee and Investment Committee have been reviewed following the Governance review undertaken by the Good Governance Institute. It is proposed that the Board of Directors will receive regular formal reports from the Audit Committee and Investment Committee about their actions following each meeting.
Recommendations:	The Board is asked to: Approve the revised Terms of Reference of the Audit Committee Investment Committee.

Signed: 	Date: 16 April 2013
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Board of Directors

Audit Committee

Terms of Reference

(As adopted on 22 February 2007 and amended in December 2011 and April 2013)

(v3 – 25/04/2013)

Reference to "the Committee" shall mean the Audit Committee.

Reference to "the Trust" shall mean the University Hospital Birmingham NHS Foundation Trust.

1. Constitution

The Board of Directors hereby resolves to establish a Committee of the Board of Directors to be known as the Audit Committee. The Committee has the executive powers delegated to it by these Terms of Reference.

2. Role

The role of the Committee is to:

- 2.1. Provide an independent and objective review of the Trust's systems of internal control, including financial systems, financial information, governance arrangements, approach to risk management and compliance with legislation and other regulatory requirements.
- 2.2. Monitor the integrity of the financial statements of the Trust.
- 2.3. Review the probity of all Trust communications relating to these systems.
- 2.4. Notify the Board of Directors should any irregularity be identified.

3. Membership

The Committee shall be appointed by the Board of Directors from amongst the Non-Executive directors of the Trust and shall consist of not less than three members. One of the members will be appointed Chair of the Committee by the Board of Directors. The Chairman of the Trust shall not be a member of the Committee.

4. Attendance

- 4.1. The Director of Finance, other appropriate management representatives, the Local Counter Fraud Specialist and appropriate Internal and External Audit representatives shall normally attend meetings. However, at least once a year the Committee should meet privately with the External and Internal Auditors.

4.2. The Chairman and Chief Executive shall be invited to attend the Committee at least once a year, to discuss with the Committee the process for assurance that supports the Statement on Internal Control. Other Executive Directors may be invited to attend to discuss particular items on the Agenda.

4.3. The Foundation Secretary, or his/her nominee, shall be Secretary to the Committee and shall attend to provide appropriate support to the Chairman and committee members.

5. Frequency

Meetings shall be held not less than four times a year. The External Auditor or Head of Internal Audit may request a meeting if they consider that one is necessary.

6. Quorum

The Committee shall be deemed quorate if there is representation of a minimum of two Non-Executive Directors. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and duties vested in or exercised by the Committee.

7. Authority

7.1 The Committee is invested with the delegated authority to act on behalf of the Board of Directors. The limit of such delegated authority is restricted to the areas outlined in the Duties of the Committee contained within these Terms of Reference and subject to the rules on Reporting, as defined below. The Committee is authorised to investigate any activity within its Terms of Reference, and to seek any information it requires from staff, who are requested to co-operate with the Committee in the conduct of its inquiries.

7.2 The Committee is authorised by the Board of Directors to obtain independent legal and professional advice and to secure the attendance of external personnel with relevant experience and expertise, should it consider this necessary. All such advice is to be arranged in consultation with the Foundation Secretary. The Committee is authorised to review the establishment and maintenance of an effective system of internal control and risk management.

8. Duties

8.1. Governance, Risk Management and Internal Control

8.1.1. 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.

8.1.2. In particular, the Committee will review the adequacy of:

- 8.1.2.1. 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, external audit opinion or other appropriate independent assurances, prior to endorsement by the Board of Directors;
- 8.1.2.2. 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 statements;
- 8.1.2.3. the structures, processes and responsibilities for identifying and managing key risks facing the organisation;
- 8.1.2.4. the structures, processes and responsibilities for preparing financial statements;
- 8.1.2.5. the policies and systems for ensuring that there is compliance with relevant regulatory, legal and code of conduct requirements;
- 8.1.2.6. the operational effectiveness of controls, policies and procedures; and
- 8.1.2.7. the policies and procedures for all work related to fraud and corruption as set out in Secretary of State Directions and as required by Counter Fraud Services.
- 8.1.3. In carrying out this work the Committee will primarily utilise the work of Internal Audit, External Audit, the Compliance Unit, Clinical Quality 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.
- 8.1.4. 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.

8.2. Financial Reporting

- 8.2.1. The Committee shall review the Annual Report and Financial Statements before submission to the Board of Directors, focusing particularly on:
 - 8.2.1.1. the wording in the Statement on Internal Control and other disclosures relevant to the Terms of Reference of the Committee;
 - 8.2.1.2. changes in, and compliance with, accounting policies and practices;
 - 8.2.1.3. unadjusted mis-statements in the financial statements;
 - 8.2.1.4. major judgemental areas; and
 - 8.2.1.5. significant adjustments resulting from the audit.

- 8.2.2. The Committee should also ensure that the systems for financial reporting to the Board of Directors, including those of budgetary control, are subject to review as to completeness and accuracy of the information provided to the Board of Directors.

8.3. Internal Audit

- 8.3.1. 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 Committee, Chief Executive and Board of Directors. This will be achieved by:

- 8.3.1.1. consideration of the provision of the Internal Audit service, the cost of the audit and any questions of resignation and dismissal;
- 8.3.1.2. 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;
- 8.3.1.3. consideration of the major findings of internal audit work (and management's response), and ensuring co-ordination between the Internal and External Auditors to optimise audit resources
- 8.3.1.4. ensuring that the Internal Audit function is adequately resourced and has appropriate standing within the organisation; and
- 8.3.1.5. annual review of the effectiveness of internal audit.

8.4. External Audit

- 8.4.1. The Committee shall review the work and findings of the External Auditor appointed by the Board of Governors and consider the implications and management's responses to their work. This will be achieved by:
- 8.4.1.1. 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;
 - 8.4.1.2. discussion with the External Auditor of their local evaluation of audit risks and assessment of the Trust and associated impact on the audit fee;
 - 8.4.1.3. receiving and reviewing all External Audit reports, including agreement of the annual audit letter before submission to the Board of Directors and any work carried outside the annual audit plan, together with the appropriateness of management responses;
 - 8.4.1.4. annually reviewing the effectiveness of the External Auditor.

8.5. Other Assurance Functions

- 8.5.1. The 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.
- 8.5.2. These will include, but will not be limited to, any reviews by Department of Health Arms Length Bodies or Regulators/Inspectors (e.g. Monitor, Healthcare Commission, NHS Litigation Authority, etc.), professional bodies with responsibility for the performance of staff or functions (e.g. Royal Colleges, accreditation bodies, etc.)
- 8.5.3. In addition, the Committee will review the work of other units within the organisation, whose work can provide relevant assurance to the Committee's own scope of work. This will particularly include any Risk Management systems that are established.
- 8.5.4. In reviewing the work of the Clinical Governance system, and issues around clinical risk management, the Committee will wish to satisfy themselves on the assurance that can be gained from the clinical audit function.

8.6. 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 Trust (e.g. clinical audit) as they may be appropriate to the overall arrangements.

9. Agendas and Reporting

- 9.1. Agendas and briefing papers should be prepared and circulated in sufficient time for Committee Members to give them due consideration. A full set of Agenda papers will be sent to the Chair of the Trust, the Chief Executive, and all Executive Directors.
- 9.2. Minutes of Committee meetings should be formally recorded and distributed to Committee Members within 10 working days of the meetings. Subject to the approval of the Chair, the Minutes will be submitted to the Board of Directors at its next meeting and may be presented by the Committee Chair.
- 9.3. The Committee shall provide a report to the Board of Directors, giving assurance on the processes it considered, and highlighting any areas of concern. This report is to be submitted to the next Board of Directors meeting following the Committee meeting.
- 9.3.9.4. An annual report from the Committee to the Board of Directors should be produced to demonstrate the Committee's effective discharge of its duties. This report should be produced at the first possible Board of Directors meeting of each financial year, following receipt of the draft Internal and External Auditors' opinions. The report should include comment on the Committee's 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 organisation, the integration of governance arrangements and the appropriateness of the Trust's self-assessment against the Healthcare Commission's Standards for Better Health.

9.4.9.5. The Committee should also report to the Board of Directors as appropriate, to inform the Board of Directors of any issues that require resolution by the Board of Directors.

10. Other Matters

10.1. The Committee shall be supported administratively by the Foundation Secretary, or his/her nominee, whose duties in this respect will include:

- 10.1.1. Agreement of agenda with Chairman and attendees and collation of papers;
- 10.1.2. Arranging for the taking the minutes & keeping a record of matters arising and issues to be carried forward;
- 10.1.3. Advising the Committee on pertinent areas; and
- 10.1.4. Arranging for the Committee to receive independent legal and professional advice, if required.

11. Conduct of Business

The conduct of business will conform to guidance set out in the Board of Directors' Standing Orders, unless alternative arrangements are defined in these Terms of Reference.

Board of Directors

Investment Committee

Terms of Reference

(v3 ~~2~~ 25/04/2013)

Reference to "the Committee" shall mean the Investment Committee.

Reference to "the Trust" shall mean the University Hospitals Birmingham NHS Foundation Trust.

1 Constitution

The Board of Directors hereby resolves to establish a Committee of the Board of Directors to be known as the Investment Committee. The Committee has the executive powers delegated to it by the Board of Directors.

2 Role & Scope

2.1 The role of the Committee is to provide an independent and objective overview of:

2.1.1 commercial opportunities and subsequent performance;
and

2.1.2 the investment of cash

2.2 The Committee shall be concerned with commercial opportunities and investments as set out in the Trust's Investment Policy, namely, all major medium to long-term investments, including proposed investments, of the Trust relating to NHS Healthcare income over and above that of the NHS core contract and other NHS income, including significant capital expenditure, acquisitions, joint ventures, partnerships, equity stakes and major property transactions.

3 Membership

3.1 The Board of Directors shall appoint the Committee from amongst the Directors of the Trust and it shall consist of not less than five members, of which:

3.1.1 at least three members shall be non-executive directors of the Trust;

3.1.2 one member shall be the Director of Finance who shall be the executive lead for the Committee; and

3.1.3 one member shall be the Executive Director with responsibility for Information Technology.

- 3.2 The Board of Directors shall appoint one of the non-executive director members to be Chair of the Committee.

4 Attendance

- 4.1 The Director of Corporate Affairs, the Commercial Director and the Executive Director with responsibility for research shall normally be in attendance at meetings of the Committee.
- 4.2 The Committee may invite other members of the Board of Directors, members of the Board of Governors, trust staff and external personnel with relevant experience and expertise to attend its meetings where appropriate.
- 4.3 The Director of Corporate Affairs, or his/her nominee, shall act as Secretary to the Committee and shall provide appropriate support to the Chair and Committee members.

5 Frequency

Meetings shall be held on an as required basis. A meeting may be called by the Chair of the Committee or by the Director of Corporate Affairs at the request of a member of the Committee.

6 Quorum

The Committee shall be deemed quorate if there is representation of a minimum of three members, two of whom are non-executive Directors. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and duties vested in or exercised by the Committee.

7 Advice

The Committee is authorised by the Board of Directors to obtain independent legal and professional advice, should it consider this necessary. All such advice is to be arranged in consultation with the Director of Corporate Affairs.

8 Duties

- 8.1 To promote an entrepreneurial attitude and innovative culture consistent with the underlying values of the NHS throughout the Trust;
- 8.2 To oversee the framework for the identification and evaluation of potential commercial opportunities;
- 8.3 To keep under review the Trust's investment policy;
- 8.4 To evaluate and monitor investment decisions and commercial opportunities;
- 8.5 To ensure all investment decisions are made in line with Monitor's guidance Risk Evaluation for Investment Decisions by NHS Foundation Trusts, the Trust's investment policy, Standing Orders and Standing Financial Instructions; and

- 8.6 To examine any other matter referred to the Committee by the Board of Directors.

9 Agendas and Reporting

- 9.1 Agendas and briefing papers should be prepared and circulated in sufficient time for Committee Members to give them due consideration.
- 9.2 Actions agreed at Committee meetings shall be recorded and distributed to Committee Members within 10 working days of the meetings. Minutes of Committee meetings shall be recorded and distributed to members in advance of the next meeting of the Committee. Subject to the approval of the Chair, the draft Minutes will be submitted to the Board of Directors at its next meeting.
- 9.3 An annual formal report from the Committee to the Board of Directors should be produced to demonstrate the Committee's effective discharge of its duties. This report is to be submitted following each Committee meeting.
- 9.4 The Committee should also report to the Board of Directors as appropriate, any issues that require resolution by the Board of Directors. Individual business cases (Investment Decisions) shall be submitted to the Board of Directors in accordance with the Trust's Scheme of Delegation.

10 Conduct of Business

The conduct of business will conform to guidance set out in the Trust's Standing Orders, unless alternative arrangements are defined in these Terms of Reference.

11 Review

The terms of reference of the Committee shall be reviewed by the Board of Directors at least every three years.

