



TERMS OF REFERENCE

AUDIT COMMITTEE

1. PURPOSE

The Audit Committee has overall responsibility for 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.

2. DUTIES/RESPONSIBILITIES

The Audit Committee is established as a Committee of the Board of Directors. The Committee is a non-executive committee and has no executive powers, other than those specifically delegated in these terms of reference. It is authorised to seek any information it requires from any member of staff and all members of staff are directed to co-operate with any request made by the Audit Committee. The Committee is authorised by the Board of Directors 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.

The duties of the Audit Committee can be categorised as follows:

2.1 Integrated Governance, Risk Management and Internal Control

2.1.1 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.

2.1.2 In particular, the Audit Committee will review the adequacy of:

- all risk and control related disclosure statements (in particular the Annual Governance Statement, Quality Report and Board Statements including the Annual Governance Statement) and declarations of compliance with the Care Quality Commission's standards for all regulated activities across all registered locations, together with any accompanying Head of Internal Audit Opinion, 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 the achievement of corporate objectives, the effectiveness of the management of principal risks as reported in the Integrated Risk and Assurance Report, and the

appropriateness of the above disclosure statements.

- The policies for ensuring compliance with relevant regulatory, legal and code of conduct requirements and related reporting and self-certification.
- The policies and procedures for all work related to fraud, bribery and corruption as required by NHS Counter Fraud Authority.

2.1.3 In carrying out this work the Audit 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 overarching systems of integrated governance, risk management and internal control, together with indicators of their effectiveness.

2.1.4 This will be evidenced through the Audit Committee's use of an effective Integrated Risk and Assurance Report to guide its work, and that of the audit and assurance functions that report to it.

2.1.5 As part of its integrated approach, the Committee will have effective relationships with other key committees so that it understands processes and linkages.

2.2 Internal Audit

2.2.1 The Audit Committee shall ensure that there is an effective internal audit function established by management that meets mandatory *Public Sector Internal Audit Standards 2017* and provides appropriate independent assurance to the Audit Committee, Chief Executive and the Board of Directors. This will be achieved by:

- consideration of the provision of the Internal Audit service, the cost of the audit and any questions of resignation and dismissal;
- review and approval of the Internal Audit 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. The Audit Committee shall formally involve the Healthcare Governance Committee, the Finance and Performance Committee and the Human Resources and Organisational Development Committee in the review and approval process;
- consideration of the major findings and recommendations of Internal Audit work, (including monitoring management's responsiveness), and ensure co-ordination between the Internal and External Auditors to optimise audit resources;
- ensuring that the Internal Audit function is adequately resourced and has appropriate standing within the organisation; and

- annual review of the effectiveness of Internal Audit.

2.3 External Audit

The Committee shall review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process. In particular, the Committee will review the work and findings of the external auditors and consider the implication and management's response to their work.

2.3.1 The Audit Committee shall review the work and findings of the External Auditor appointed by the Trust's Council of Governors and consider the implications and management's responses to their work. This will be achieved by:

- consideration of the appointment and performance of the External Auditor, in accordance with the Trust specification for an external audit service, informed by *Code of Audit Practice* published by the National Audit Office;
- 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;
- discussion with the External Auditors of their local evaluation of audit risk and assessment of the Trust and associated impact on the audit fee: and
- review of all External Audit reports, (including the ISA 260 Report and the Auditor's Annual Report before submission to the Board of Directors and the External Assurance on the Trust's Quality Report before submission to the Council of Governors) and any work conducted outside the annual audit plan, together with the appropriateness of management responses.

2.4 Other Assurance Functions

2.4.1 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 the Department of Health and Social Care arm's length bodies or regulators/inspectors (e.g. NHS England / Improvement , Care Quality Commission and NHS Resolution), professional bodies with responsibility for the performance of staff or functions (e.g. Royal Colleges, accreditation bodies, etc.).

2.4.2 In addition, the Audit Committee will review the work of other committees within the Trust, whose work can provide relevant assurance, or highlight risks, to the Committee's own scope of work. This will particularly include the Healthcare Governance, Finance and

Performance and the Human Resources and Organisational Development Committees.

- 2.4.3 In reviewing the work of the Healthcare Governance Committee, and issues around clinical risk management, members of the Audit Committee will wish to satisfy themselves on the assurance that can be gained from the clinical audit function.
- 2.4.4 The Audit Committee shall receive details of Single Tender Waivers as approved by the Chief Executive.
- 2.4.5 The Audit Committee shall receive a schedule of losses and compensations and approve appropriate write-offs.
- 2.4.6 The Audit Committee shall satisfy itself that there are adequate arrangements in place to manage the Trust's Register of Interests in line with the Trust's Standards of Business Conduct Policy and consider any breaches and action taken.
- 2.4.7 The Audit Committee shall review every decision by the Council of Governors or the Board of Directors to suspend their respective Standing Orders.
- 2.4.8 The Committee shall review the effectiveness of arrangements in place for allowing staff to raise concerns (in confidence) about possible improprieties in financial, clinical or safety matters and ensure that such concerns are investigated proportionately and independently.

2.5 Management

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

2.5.2 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.

2.6 Financial Reporting

The Committee shall monitor the integrity of the financial statements of the organisation and any formal announcements relating to its financial position.

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

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

- the wording in the Annual Governance Statement 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;
- Letter of representation; and
- Explanations of significant variances.

The Audit 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.

2.7 Counter Fraud

The Committee shall satisfy itself that the organisation has adequate arrangements in place for counter fraud, bribery and corruption that meets the NHS Counter Fraud Authority's (NHS CFA) standards and shall review the outcomes of work in these areas.

The Committee will refer any suspicious of fraud, bribery and corruption to the NHS CFA.

2.8 Special Assignments

The Audit Committee shall commission and review the findings of any special assignments required by the Board of Directors.

3. **ACCOUNTABLE TO**

The Audit Committee is a non-executive committee established by and accountable to the Board of Directors. It has no executive powers other than those specifically delegated in these Terms of Reference.

4. **REPORTS AND METHOD (INCLUDING MINUTES CIRCULATION)**

- 4.1 The minutes of Audit Committee meetings shall be formally recorded by the Assistant Chief Executive and submitted to the Private Board of Directors. The Chair of the Committee shall draw to the attention of the Board any issues that require disclosure to the full Board of Directors, or require executive action.
- 4.2 The Audit Committee will present a written report to the Board of Directors annually on its work in support of the Annual Governance Statement, specifically commenting on the fitness for purpose of the Integrated Risk and Assurance Report, the completeness and embeddedness of

risk management in the organisation, the integration of governance arrangements and ongoing compliance with the Care Quality Commission's standards for all regulated activities across all registered locations, fulfilling regulatory requirements and robustness of the process behind the quality accounts.

Circulation of Minutes:-

Minutes will be circulated to all members of the Audit Committee, those in attendance and members of the Board of Directors.

5. MEMBERSHIP

The Audit Committee will have at least four Non-Executive Directors who will form the membership of the Committee. The Chair of the Trust shall not chair or be a member of the Audit Committee, but may attend meetings by invitation as appropriate.

One of the Non-Executive Directors, with relevant financial and governance experience, will act as Chair and a second will act as Vice Chair.

The Vice Chair will chair the meeting in the absence of the Chair or if the Chair has to absent him/ herself as a result of any conflict of interest in the business of the Committee.

In attendance

The following shall normally attend meetings:

Assistant Chief Executive
Corporate Governance Manager
Business Manager, Board of Directors
Director of Finance
Deputy Director of Finance – Financial Accounting
Head of Internal Audit
Internal Audit Associate Director (Audit Manager)
Internal Audit Client Manager
Counter Fraud Specialist
External Audit Manager
External Audit Engagement Lead

At least once a year, the Audit Committee may wish to meet privately with the External and Internal Auditors without any Executive Directors or Trust managers being present.

➤ Standing Invitation

Non-Executive Directors, who Chair the other Board Committees, but who are not members of the Audit Committee will have a standing invitation to attend the Committee meetings if they so choose or if they are invited to present any reports from the Committee that they chair.

The Chief Executive and other Executive Directors should be invited to attend particularly when the Audit Committee is discussing areas of risk or operation that are the responsibility of that director.

The Chief Executive and Chair should be invited to attend, at least annually, to discuss with the Audit Committee the process for assurance that supports the Annual Report, including the Financial Reports and Annual Governance Statement.

➤ Administrative Support

The Committee shall be supported by the Assistant Chief Executive, who in turn will be supported by the Business Manager, Board of Directors, who will:

- Agree agendas with the Chair;
- Prepare, collect and circulate papers in the required timeframe;
- Take the minutes and help the Chair to prepare reports to the Board of Directors;
- Keep a record of matters arising and issues to be carried forward;
- Maintain records of committee members' appointments and renewal dates;
- Advise the committee on pertinent issues / areas of interest / policy development;
- Ensure that action points are taken forward between meetings; and
- Ensure that Committee members receive the development and training they need.

6. QUORUM

Two of the four members of the Audit Committee.

At the discretion of the Chair, business may be transacted through a teleconference or videoconference provided that all Board members present are able to hear all other parties and where an Agenda has been issued in advance. Participation in a meeting via electronic means shall constitute presence in person at the meeting.

7. MEETING FREQUENCY (MINIMUM APPLICABLE)

- 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.
- It is expected that members of the Audit Committee shall attend at least fifty percent of scheduled meetings in a financial year.

8. DATE TERMS OF REFERENCE WERE APPROVED

May 2021

9. REVIEW DATE

May 2022

10. PROCESS FOR REVIEWING EFFECTIVENESS

The effectiveness of the Audit Committee will be monitored on an annual basis via the following:

- Review of the Terms of Reference;
- Annual report to the Board of Directors regarding progress with work programme;
- Review of attendance rate of members; and
- Meeting of the chairs of the Audit Committee, the Healthcare Governance Committee, the Finance and Performance Committee, the Human Resources and Organisational Development Committee and the Assistant Chief Executive to review their respective roles in terms of risk and assurance.

As a committee of the Board of Directors, the Audit Committee will be included in the external and independent review of Board governance which will be undertaken at least every three years.

11. REPORTING STRUCTURE

Members of the Audit Committee will receive the minutes of the Healthcare Governance Committee, Finance and Performance Committee and Human Resources and Organisational Development Committee.

The Audit Committee will receive the annual report and annual work plans of the Healthcare Governance Committee, the Finance and Performance Committee and Human Resources and Organisational Development Committee.