

Audit Committee Terms of Reference

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 and 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 external individuals 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 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 Strategic Risks as reported in the Board Assurance Report (BAF), 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.
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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 Board Assurance Report (BAF) 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

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 Board Assurance Framework. The Audit Committee shall formally involve the Quality Committee, the Finance and Performance Committee, the Digital Committee, the Research and Innovation Committee and the People 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.

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 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, 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, by receipt of the committee annual reports / workplans, 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 include the Quality, Finance and Performance, Digital, Research and Innovation and the People Committee.

- 2.4.3 In reviewing the work of the Quality 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 Finance Officer.
- 2.4.5 The Audit Committee shall receive a schedule of losses and compensations to provide oversight and scrutiny of 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.
- 2.4.9 The Audit Committee shall satisfy itself that there are adequate arrangements in place to manage clinical and non-clinical Data Quality in line with the Trust's Data Quality Policy and other related policies.

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;
- whether the annual report and accounts, taken as a whole, is fair, balanced and understandable, and provides the information necessary for stakeholders to assess the trust's position and performance, business model and strategy; 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.

Accountable to

The Audit Committee is accountable to the Board of Directors.

3 Reporting

Group reports to	Reporting methods (e.g. minutes, progress report, assurance report)	Frequency
Board of Directors	A regular Meeting Assurance Report outlining key areas of discussion and outcomes from the Committee meeting will be presented to the next Board of Directors meeting held in public.	After each meeting
	Minutes will be submitted to the Board of Directors held in private.	After each meeting

4 Reporting structure – receives Meeting Assurance Reports from

The following groups report to the Audit Committee:

Data Quality Steering Group

Risk Management Executive Committee

5 Membership and attendance

Membership

Designation
Four Non-Executive Directors

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 Deputy Chair.

The Chair of the Audit Committee, ideally, should not be the Vice Chair or Senior Independent Director.

The Deputy Chair will chair the meeting in the absence of the Chair or if the Chair has to absent themselves as a result of any conflict of interest in the business of the Committee.

In attendance

The following shall normally attend meetings:

Designation
Assistant Chief Executive
Head of Corporate Governance
Chief Finance Officer
Deputy Chief Finance Officer – 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 invitations

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.

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 attendees 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

- 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 Process for reviewing effectiveness (tick all that apply)

Annual review of terms of reference	<input checked="" type="checkbox"/>
Annual report including review of work plan delivery and attendance	<input checked="" type="checkbox"/>
Effectiveness questionnaire completed by members	<input checked="" type="checkbox"/>
Internal / external audit review	<input checked="" type="checkbox"/>

9 Document control

Status	Current
Lead officer	Sandi Carman, Assistant Chief Executive
Author	Judith Green, Head of Corporate Governance
Approval body	Audit Committee
Date agreed	20/06/2023
Ratification body	Board of Directors
Date approved	23 July 2024
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