

## AUDIT COMMITTEE

### TERMS OF REFERENCE<sup>1</sup>

#### 1. CONSTITUTION AND PURPOSE

In accordance with the Constitution of the Trust, a Non-Executive Committee is established, to be known as the Audit Committee (“the Committee”). The Terms of Reference of the Committee shall reflect the requirements of the NHSE Code of Governance for NHS Provider Trusts (April 2023).

The **Purpose** of the Committee is to maintain oversight of and provide assurance to the Board with regard to:

- the integrity of the Trust’s financial statements and reporting of financial performance;
- the relevance and robustness of governance structures; and
- the effectiveness of the Trust’s systems of risk management and internal control.

#### 2. AUTHORITY

The Committee has no executive powers, other than those specified in these Terms of Reference or otherwise requested by the Trust Board or in its Scheme of Delegation.

The Committee is authorised by the Board 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 to obtain legal or other independent professional advice and to secure the attendance of persons with relevant experience and expertise from within or without the Trust as it considers necessary.

#### 3. MEMBERSHIP

The Committee shall consist of not less than three Non-Executive members, appointed by the Board from amongst the independent Non-Executive Directors of the Trust. The Chair of the Trust shall not be a member of the Committee.

One of the members will be appointed Chair of the Committee by the Board. The Committee Chair may nominate one of the remaining members to act as deputy in his/her absence, failing which, in the absence of the Committee Chair the remaining members shall elect one of themselves to chair the meeting. Members will be required to attend at least half of the meetings of the Committee each year. At least one member of the Committee should have recent and relevant financial experience as determined by the Trust Board.

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<sup>1</sup> These Terms of Reference are based on the model contained in the NHS Audit Committee Handbook 2011, updated to reflect the HFMA NHS Audit Committee Handbook 2024, but also reflect the UK Corporate Governance Code (2024) and ICSA Guidance on Terms of Reference for Audit Committees (2020). They are informed by NHSI: Audit and assurance: a guide to governance for providers and commissioners (2019)

#### **4. MEETINGS, ATTENDANCE, QUORUM, BEHAVIOURS AND CONDUCT**

- 4.1 The Committee must consider the frequency and timing of meetings necessary to allow it to discharge all its responsibilities. A benchmark of four to five meetings per annum (with a possible additional meeting to specifically review the annual report and accounts) at appropriate times in the reporting and audit cycle is suggested. The Chair of the Committee, Board, Chief Executive, External Auditor or Head of Internal Audit may request that a meeting be held if they consider that one is necessary.
- 4.2 A quorum for the Committee shall be two members. Attendance at the meeting may be by teleconference or videoconferencing at the discretion of the Committee Chair. 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 discretions invested in or exercised by the Committee.
- 4.3 At least once a year the Committee shall meet privately with the External Auditors, Internal Auditors, and LCFS either separately or together. The Head of Internal Audit, LCFS and representative of External Audit have direct access to the Chair of the Committee.
- 4.4 Attendance at meetings of the Committee shall be as follows:
- Chief Finance Officer, Deputy Director of Finance and appropriate Internal and External Audit representatives shall normally attend meetings of the Committee;
  - Counter fraud specialist will attend a minimum of two committee meetings a year;
  - Company Secretary may attend meetings (and shall do so normally) with an assistant nominated to take minutes;
  - Chief Executive should be invited to attend meetings and is expected to attend at least one Committee meeting annually, to discuss the process for assurance that supports the Annual Governance Statement (AGS). They should attend when the Committee considers the draft AGS and the annual report and accounts;
  - Medical Director shall attend two meetings per annum, timed to coincide with discussion and review of Clinical Audit in the Trust;
  - Chief Nurse shall attend two meetings per annum, timed to coincide with discussion and review of matters relating to Risk Management in the Trust.
- 4.5 Other executive directors/managers may be invited to attend any meeting of the Committee, particularly when the Committee is discussing areas of risk or operation that are the responsibility of that director. The Executive responsible for Risk Management, or a deputy of appropriate seniority, will also be expected to attend meetings of the Committee that are considering matters relating to Risk Management.
- 4.6 The Committee may ask any or all of those who normally attend Committee meetings but who are not members to withdraw to facilitate discussion of any particular matters at the discretion of the Chair.
- 4.7 In exceptional circumstances when an executive member cannot attend Committee meetings, they must arrange for a fully briefed deputy of sufficient seniority to attend on their behalf with agreement of the Committee Chair. Representatives from other organisations (for example, the NHS Counter Fraud Authority (NHSCFA)) and other individuals may be invited to attend on occasion, by invitation.
- 4.8 Members will be expected to conduct business in line with the Trust values, vision and strategic objectives. Members of the Committee, and those attending its meetings, shall behave in accordance with the Trust's Standing Orders, Code of Conduct for Directors and

Governors and Standards of Business Conduct policy. Committee Members must demonstrably consider the equality and diversity implications of decisions they make.

## **5. SUPPORT ARRANGEMENTS**

The Board Secretary will be responsible for ensuring secretarial support to the Committee and appropriate support to the Chair and committee members.

The Committee shall operate as follows:

- i) The Committee will establish an annual Work Programme, summarising those items that it expects to consider at forthcoming meetings.
- ii) Agendas for forthcoming meetings will be based on the Work Programme, reviewed by the Committee and agreed with the Committee Chair.
- iii) Papers for the meeting should be submitted to the Committee secretary a minimum of 6 working days prior to the meeting. Papers on other matters will be put on the agenda only at the request of or with the prior agreement of the Chair.
- iv) Papers will be sent out by the Committee secretary at least 4 working days before each meeting.
- v) To facilitate oversight by the Board of Directors, papers for meetings of the Committee will be circulated for information to those members of the Board who are not members of the Committee.
- vi) Minutes will be prepared after each meeting of this Committee within 14 days and circulated to members of the Committee and others as necessary once confirmed by the Chair of the Committee. A record of action points arising from meetings of the Committee shall be made and circulated to its members with the minutes.
- vii) Following each meeting of the Committee, the Chair of the Committee shall make a report to the next meeting of the Board of Directors highlighting any issues that require its particular attention, or require it to take action.
- viii) The Terms of Reference of the Committee will be reviewed annually and will only be changed with the approval of the Trust Board.

## **6. DECLARATIONS OF INTERESTS**

All members must declare any actual or potential conflicts of interest relevant to the work of the Committee, which shall be recorded in the Minutes accordingly. Members should exclude themselves from any part of a meeting in which they have a material conflict of interest. The Chair will decide whether a declared interest represents a material conflict.

## **7. DUTIES**

In furtherance of achievement of its Purpose, particular duties of the Committee are as follows:

### **7.1 Integrated Governance, Risk Management and Internal Control**

The Committee shall review the implementation and ongoing quality and effectiveness of integrated governance, risk management and internal control, across the whole of the Trust's activities (clinical and non-clinical), that supports the achievement of the Trust's objectives.

In particular, the Committee will review the adequacy and effectiveness of:

- 7.1.1 the structures, processes and responsibilities within the Trust for identifying and managing key risks;
- 7.1.2 all risk and control related disclosure statements, (in particular the Annual Governance Statement), together with any accompanying Head of Internal Audit Statement, External Audit Opinion or other appropriate independent assurances, prior to submission to the Board;
- 7.1.3 the underlying assurance processes that indicate the degree of the achievement of corporate objectives, the effectiveness of the management of principal risks, the fitness for purpose of the Board Assurance Framework and the appropriateness of the disclosure statements identified at 7.1.2;
- 7.1.4 the operational effectiveness of relevant policies and procedures for ensuring compliance with relevant regulatory, legal and code of conduct requirements and any related reporting and self-certifications, including the NHS Code of Governance and NHS Provider licence;
- 7.1.5 the policies and procedures for all work relating to counter fraud, bribery and corruption as required by the NHSCFA;
- 7.1.6 the Trust's 'Speak-Up' procedures (FTSU) to ensure that arrangements are in place for staff (and contractors) to raise concern (in confidence) about possible improprieties in any area of the organisation (financial reporting and control, clinical quality, patient safety or workforce matters) and for the proportionate and appropriate investigation and follow-up of allegations in line with the relevant policies. In the Trust's governance structure, FTSU reports into the Board's People and Culture Committee and the Audit Committee may take assurance from the People & Culture Committee, in accordance with 7.5 below;
- 7.1.7 the structures, processes and responsibilities within the Trust with regard to Emergency Preparedness, Resilience and Response & Business Continuity (EPRR). In the Trust's governance structure, EPRR reports into the Board's Finance, Investments & Performance Committee (FIPC) and the Audit Committee may take assurance from the FIPC, in accordance with 7.5 below;
- 7.1.8 In carrying out this work the Committee will primarily utilise the work of Internal Audit, External Audit and other assurance functions, but will not be limited to these sources and it may also seek reports and assurances from directors and managers as appropriate concentrating on the over-arching systems of governance, risk management and internal control, together with indicators of their effectiveness.
- 7.1.9 As part of its integrated approach, the Committee will have effective relationships with other key committees (for example, the Quality and Safety Committee) so that it understands processes and linkages. However, these other committees must not usurp the Audit Committee's role. The Audit Committee's oversight of the Trust's governance and assurance structure will be evidenced through its review and approval of the Organisational Framework for Governance.

- 7.1.10 The Committee shall request and review reports, evidence and 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 (for example, compliance reviews or accreditation reports).
- 7.1.11 The Committee shall review the organisation's reporting on compliance with the NHS Provider Licence, NHS Code of Governance and the Fit and Proper Persons Test.
- 7.1.12 The Committee shall satisfy itself that the organisation's policy, systems and processes for the management of conflicts, (including gifts and hospitality and bribery) are effective including receiving reports relating to non-compliance with the policy and procedures relating to conflicts of interest.

## **7.2 Internal Audit**

The Committee shall ensure that there is an effective Internal Audit function that meets the Public Sector Internal Audit Standards (2017) and provides appropriate independent assurance to the Audit Committee, Chief Executive and Board. This will be achieved by:

- 7.2.1 monitoring the effectiveness of Internal Audit and carrying out an annual review, ensuring that the Internal Audit function has adequate resources, access to information and appropriate standing within the Trust;
- 7.2.2 reviewing and approving the Internal Audit strategy and programme of work, ensuring that this is consistent with the audit needs of the Trust and there is co-ordination between the Internal and External Auditors to optimise audit resources. The Audit Committee shall take into account any recommendations made by other Committees of the Board in relation to matters falling within their Terms of Reference;
- 7.2.3 reviewing the major findings of Internal Audit work (and management response);
- 7.2.4 approving the audit fee and the appointment or dismissal of the Internal Auditors;

## **7.3 External Audit**

The Committee shall review and monitor the independence and objectivity of the External Auditors (as appointed by the Council of Governors) and the effectiveness of the audit process. In particular, the Committee shall review the work and findings of the External Auditor and shall consider the implications of the External Auditor's work and the responses of Trust managers to it. This will be achieved by:

- 7.3.1 agreeing with the Council of Governors the criteria for appointment, reappointing and removing External Auditors, considering the performance of the External Auditor including agreement of the audit fees, making appropriate recommendations to the Council of Governors on appointment and reappointment of the External Auditor for the Trust<sup>2</sup>;

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<sup>2</sup> See also section 7.7 with regard to appointment of Auditors regarding the N&N Hospitals Charity.



- 7.3.2 discussion and agreement with the External Auditor, before the audit commences, concerning the nature and scope of the audit;
- 7.3.3 discussing with the external auditors their evaluation of audit risks and assessment of the Trust and the impact on the audit fee;
- 7.3.4 ensuring that there is in place a clear policy for the engagement of external auditors to supply non-audit services;
- 7.3.5 review of all External Audit reports, including the report to those charged with governance (before its submission to the Board) and any work performed outside the annual audit plan, together with the appropriateness of management responses;
- 7.3.6 review and monitor the external auditor's independence and objectivity and effectiveness of the audit process, including the provision of any non-audit services, taking into consideration relevant UK professional and regulatory requirements;
- 7.3.7 in the event of the external auditors resigning, making appropriate recommendations to the Council of Governors as required. It is for the Chairman of the Board to inform NHSI of the reasons for ceasing an auditor's appointment;
- 7.3.8 developing and implementing a policy regarding the supply of non-audit services by the External Auditor, taking account of relevant ethical guidance, and monitoring that service, in accordance with the agreement of the Council of Governors.

The Committee shall also assess the effectiveness of the audit process by:

- 7.3.9 reviewing any representation letters requested by the external auditor before they are signed by management,
- 7.3.10 review and agree management's response to the auditor's findings and recommendations.

#### **7.4 Counter Fraud**

The Committee will satisfy itself that the Trust has adequate arrangements in place for counter fraud, bribery and corruption that meet the NHS Counter Fraud Authority's standards and will review the outcomes of work in these areas.

##### **7.4.1 Specifically, it will:**

- review and approve the Trust's Counter Fraud strategy and Local Counter Fraud Specialist annual work plan, including the resources allocated for the delivery of the strategy and work plan;
- receive and review progress reports of the Local Counter Fraud Specialist against the four principles of the overall NHS Counter Fraud Strategy;
- monitor the implementation of management actions arising from counter fraud reports;
- receive and discuss NHS Counter Fraud Authority (NHSCFA) quality assessment reports;
- make recommendations to the Trust Board as appropriate in respect of Counter Fraud at the Trust;
- receive, review and approve the annual report of the Local Counter Fraud Specialist.

## **7.5 Other Assurance Functions**

- 7.5.1 Where appropriate the Audit Committee shall review the findings of other significant assurance sources both internal and external to the organisation, where relevant to the governance, risk management and assurance of the organisation.
- 7.5.2 These will include, but will not be limited to, any reviews by Department of Health and Social Care arm's length bodies or regulation/inspectors – for example the CQC, NHS Resolution etc and professional bodies with responsibility for the performance of staff or functions – for example, Royal Colleges, accreditation bodies etc.
- 7.5.3 In addition, as part of its approach to providing assurance to the Board, the Committee will consider the work of other committees within the organisation (in particular the other Board Assurance Committees), whose work can provide relevant assurance to the Audit Committee's overview of the systems and processes of integrated governance. In particular, this will include the work of any committees covering safety/quality, for which assurance from clinical audit can be assessed, and risk management.
- 7.5.4 In reviewing issues around clinical risk management, the Committee will wish to satisfy itself on the assurance that can be gained from the clinical audit function.

## **7.6 Financial Reporting**

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

The 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.

The Audit Committee shall review the Annual Report and Financial Statements before submission to the Board, or on behalf of the Board where appropriate delegated authority is in place, focusing particularly on:

- 7.6.1 the wording in the Annual Governance Statement and other disclosures relevant to the Terms of Reference of the Committee;
  - 7.6.2 changes in, and compliance with, accounting policies and practices and estimation techniques;
  - 7.6.3 unadjusted mis-statements in the financial statements;
  - 7.6.4 any unusual transactions and know they have been accounted for;
  - 7.6.5 significant judgements in preparation of the financial statements;
  - 7.6.6 significant adjustments resulting from the audit
- 7.6.7 explanations for significant variances.

## 7.7 **N&N Hospitals Charity<sup>3</sup>**

- 7.7.1 With respect to the N&N Hospitals Charity, the Committee will report to the Trust Board of Directors (in its capacity as Corporate Trustee). With the support of Internal Audit and External Audit, the Committee will provide assurance with respect to the governance of the Charity including expenditure from charitable funds in accordance with the relevant objects.
- 7.7.2 The Committee will review the Annual Report and Accounts of the Trustee prior to its consideration and approval by the Corporate Trustee.
- 7.7.3 In accordance with guidance from the Charity Commission<sup>4</sup> and the Charity Code of Governance<sup>5</sup>, when considering matters and making decisions relating to the Charity, the Committee must do so in the interests of the Charity and should recognise that in doing so it is acting on behalf of the Corporate Trustee.
- 7.7.4 The Committee will apply the duties detailed at section 7.3 concerning External Audit but with regard to the N&N Hospitals Charity, making appropriate recommendations on appointment to the Corporate Trustee, in accordance with relevant guidance.<sup>6</sup>

## 8. **PROCESS FOR MONITORING AND REPORTING COMMITTEE EFFECTIVENESS**

- 8.1 The Minutes of the Committee's meetings shall be formally recorded by the Secretary and made available to the Board. The Chair of the Committee shall draw to the attention of the Board any issues that require disclosure to the Board or require executive action.
- 8.2 An annual evaluation of Committee effectiveness will be undertaken and reported to the Committee and the Board.
- 8.3 The Committee shall submit an Annual Report to the Board reporting on the work of the Committee in support of the Annual Governance Statement, specifically commenting on the:
- fitness for purpose of the assurance framework
  - completeness and 'embeddedness' of risk management in the organisation
  - effectiveness of governance arrangements
  - appropriateness of the evidence that shows that the organisation is fulfilling regulatory requirements relating to its existence as a functioning business.

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<sup>3</sup> Relevant guidance is found in Charity Commission document NHS charities guidance (October 2022) [NHS charities guidance - GOV.UK \(www.gov.uk\)](#) and [Charity boards and governance - GOV.UK](#)

<sup>4</sup> The Charity Commission is explicit: "Trustees have a legal duty to act only in the interests of their Charity. If you are a Trustee appointed by [another] organisation, remember that you must make decisions only in the best interests of the Charity. You cannot represent the interests of the non-charity." <https://www.gov.uk/guidance/guidance-for-charities-with-a-connection-to-a-non-charity>.

<sup>5</sup> [Home — Charity Governance Code](#)

<sup>6</sup> HFMA - [accounting-and-auditing-for-nhs-charities-the-legal-requirements.pdf](#) "Provision for the audit of NHS charities is made in s149 of the Charities Act 2011. The corporate trustee of an NHS charity must appoint the auditor or independent examiner. **This means that the board of the NHS body must meet in its capacity as corporate trustee to make the appointment. The appointment of an auditor/ independent examiner to the NHS charity is a separate appointment to the auditor appointment to the corporate trustee NHS body. The same auditor does not have to be used for both appointments**".



- 8.4 This annual report should also describe how the Committee has discharged its responsibilities and give details of any significant issues that the Committee considered in relation to the financial statements and how they were addressed.
- 8.5 The Committee will review these Terms of Reference at least annually and more frequently if required and as part of the annual Committee effectiveness review. Any proposed amendments to the Terms of Reference will be submitted to the Board for approval.
- 8.6 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.
- 8.7 A separate section of the Trust's Annual Report should describe the work of the Audit Committee in discharging its responsibilities.

**Approved by the Board of Directors on: 26 November 2024**

**Annual Review date: December 2025**

## Foundation Trust Board Reporting Structure

- i. Leadership of the Foundation Trust is provided by its Board of Directors (a unitary Board with a majority of Non-Executive Directors (8) and 6 Executive Directors).
- ii. The Board has established a structure of Board Committees with responsibility to seek assurance on behalf of the Board and/or to exercise specific delegated authority.
- iii. That Committee structure is detailed below:



As at October 2024