

AUDIT COMMITTEE

TERMS OF REFERENCE¹

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 NHSI documents - NHS Foundation Trust Code of Governance (July 2014) and ‘Governance over audit, assurance and accountability: guidance for foundation trusts’ (March 2015)

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 Chairman 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 Chairman may nominate one of the remaining members to act as deputy in his/her absence, failing which, in the absence of the Committee Chairman 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.

¹ 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 2018, but also reflect the UK Corporate Governance Code (2018) 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 (December 2019)

4. MEETINGS, ATTENDANCE AND QUORUM

The Committee must consider the frequency and timing of meetings necessary to allow it to discharge all its responsibilities. Meetings shall however be held not less than four times a year at appropriate times in the reporting and audit cycle. The External Auditor or Head of Internal Audit may request that a meeting be held if they consider that one is necessary.

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.

At least once a year the Committee shall meet privately with the External and Internal Auditors. The Head of Internal Audit and representative of External Audit have a right of direct access to the Chair of the Committee.

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;
- Chief Executive is expected to attend at least one Committee meeting annually, to discuss the process for assurance that supports the Annual Governance Statement (AGS) and 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.

The Chairman of the Trust, Chief Executive and other executive directors 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.

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.

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.

5. SUPPORT ARRANGEMENTS

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

The Committee shall operate as follows:

- The Committee will establish an annual Work Programme, summarising those items that it expects to consider at forthcoming meetings.
- Agendas for forthcoming meetings will be based on the Work Programme, reviewed by the Committee and agreed with the Committee Chair.
- 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.
- Papers will be sent out by the Committee secretary at least 4 working days before each meeting.
- 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.
- 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.
- 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.
- 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 Quality Report and Annual Governance Statement), together with any accompanying Head of Internal Audit Statement, External Audit Opinion or other appropriate independent assurances, prior to endorsement by 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 that there is compliance with relevant regulatory, legal and code of conduct requirements and any related reporting and self-certifications;
- 7.1.5 the policies and procedures relating to counter fraud, bribery and corruption;
- 7.1.6 the Trust's 'Speak-Up' procedures (FTSU) to ensure that arrangements are in place for Trust employees to raise concern (in confidence) about possible improprieties in matters of financial reporting and control, clinical quality, patient safety or other matters and for the proportionate and appropriate investigation and follow-up of allegations. 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.

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 and may also seek reports and assurances from directors and managers as appropriate.

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 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;
- 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 review of all External Audit reports, including agreement of the annual audit letter before its submission to the Board, and any work performed outside the annual audit plan, together with management responses;
- 7.3.5 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;
- 7.3.6 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;
- 7.3.7 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:

- 7.3.8 reviewing any representation letters requested by the external auditor before they are signed by management,
- 7.3.9 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.

Specifically, it will:

- 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 reports arising from quality inspections by the counter fraud service;
- 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

Where appropriate the Audit Committee shall review the findings of other significant assurance sources and shall consider any implications for the governance of the Trust.

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

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 three 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 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, focusing particularly on:

- 7.6.1 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 Charitable Funds²

7.7.1 With respect to the Trust's Charitable Funds, 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 charitable funds 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 Trustees prior to its consideration and approval by the Corporate Trustee.

8. PROCESS FOR MONITORING COMMITTEE EFFECTIVENESS

8.1 The Committee shall submit an Annual Report to the Trust Board reporting on the work of the Committee in support of the Annual Governance Statement, specifically commenting on the completeness and embeddedness of risk management in the organisation and the integration of governance arrangements.

8.2 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.

8.3 A separate section of the Annual Report should describe the work of the Audit Committee in discharging its responsibilities.

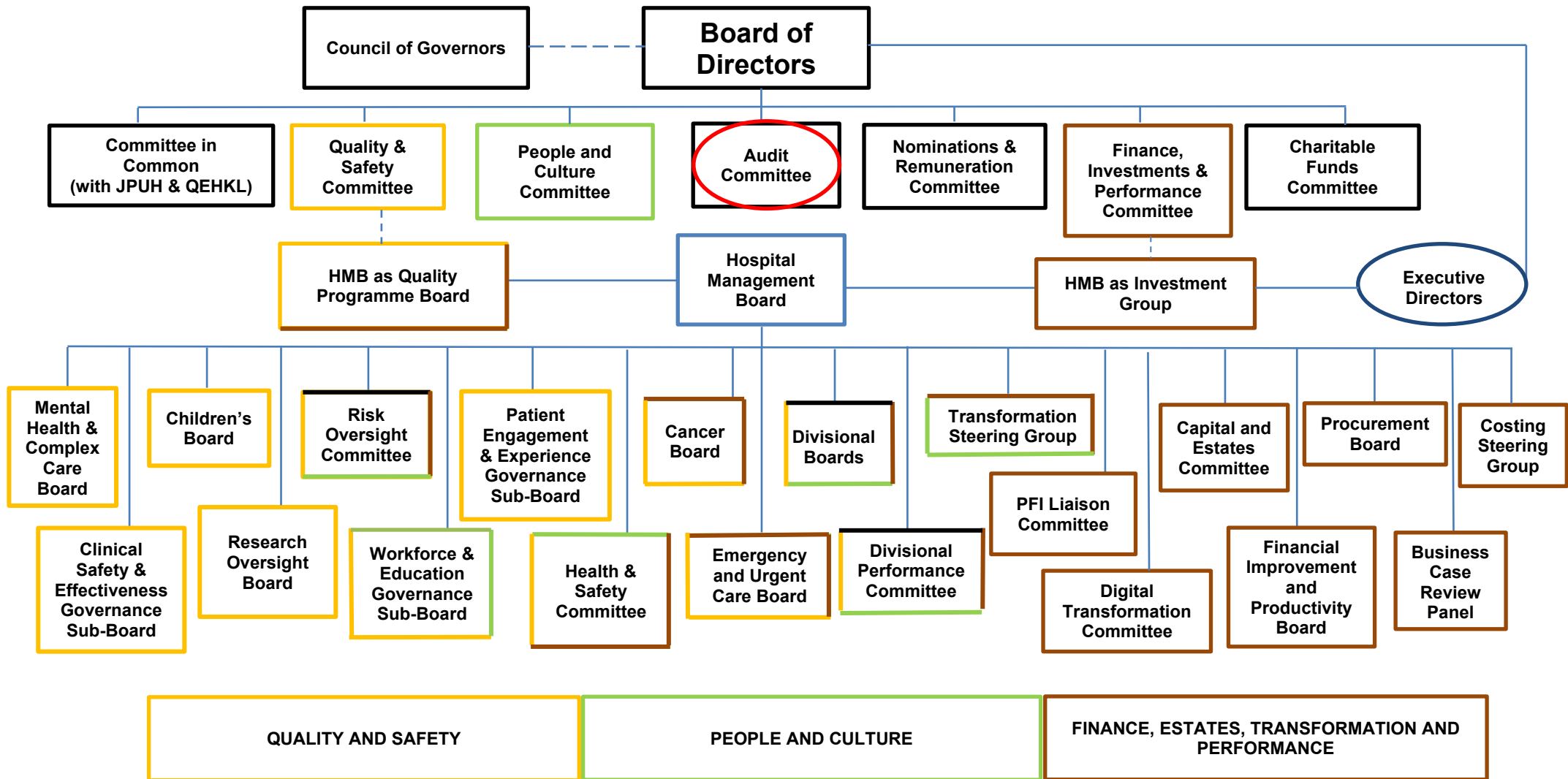
Approved by the Board of Directors on: 6 April 2022

Annual Review date: April 2023

² Relevant guidance is found in

- Charity Commission document CC14 "Investment of Charitable Funds (2004);
- Charity Commission document CC10 "the Hallmarks of an Effective Charity (2008);
- National Audit Office – Charitable Funds Associated with NHS bodies (June 2000).

Board of Directors and Management Board Reporting and Accountability Structure



As at November 2021

