

TERMS OF REFERENCE



AUDIT COMMITTEE

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1. COMPOSITION

Role and purpose

The Board of Directors hereby resolves to establish a Committee of the Board, to be known as the Audit Committee ('the Committee'). The Committee is a non-executive Committee of the Board and has no executive powers, other than those specifically delegated within these terms of reference.

The Committee is established to advise the Board of Directors on the effectiveness of the Trust's strategic processes for risk management, internal control, and governance; to advise on the appropriateness and effectiveness of internal and external audit activities and ensure that accounting policies applied within the Trust comply with relevant requirements.

The Committee will consider the appointment of internal and external auditors and the internal and external audit plans. The Committee will consider auditors' recommendations and make recommendations for action to the Board of Directors as appropriate.

The Chair of the Committee will provide an assurance report to the Board of Directors based on the 3A model. The Board will use that report as the basis for their decisions but would remain accountable for taking the decision. Minutes of the meetings of the Board of Directors will record such decisions.

Membership

The Committee shall be appointed by the Board of Directors from amongst its independent Non-Executive Directors of the Trust and shall consist of not less than four members. One of the members shall be appointed as Chair of the Committee by the Board of Directors. The Chair of the Board of Directors shall not be a member of the Committee.

There is an expectation that members will attend a minimum of three out of six Committee meetings during each financial year.



In the event that the Chair of the Committee is unable to attend a meeting, the members present shall decide upon a Deputy Chair to conduct the meeting.

The Director of Finance, Director of Corporate Affairs, Local Counter Fraud Specialist, appropriate internal and external audit representatives shall normally attend meetings.

At least once a year, the Committee should meet privately with the internal and external auditors and the Local Counter Fraud Specialist without the presence of the Executives. Additional meetings may be scheduled to discuss specific issues if required.

The Chief Executive should be invited to attend at least annually to present the process for assurance that supports the Annual Governance Statement. The Chief Executive should also attend when the Committee considers the draft Annual Governance Statement and the Annual Report and Accounts.

Other Executive Directors should be invited to attend, particularly when the Committee is discussing areas of risk or operation that are the responsibility of that director. Deputies may attend in the absence of any of the Executive Directors.

Access

The Head of Internal Audit and representative for External Audit have a right of direct access to the chair of the committee, this also extends to the local counter fraud specialist.

Quoracy

No business shall be transacted unless at least three members are present.

The Chair and one other Non-Executive Director may, in an emergency, exercise the functions of the Committee jointly. A full report shall be prepared as for the Committee and a signed authorisation appended. The exercise of such powers, together with the report, shall be submitted to the next formal meeting for ratification.

Meeting frequency

The Committee will meet on a quarterly basis and will hold a minimum of six meetings per year in order to allow it to discharge all of its responsibilities to review the draft Annual Accounts, Annual Governance Statement and Annual Report.

To assist in the management of business over the year an annual work plan will be maintained, capturing the main items of business at each scheduled meeting.

Meeting Support

The Committee shall be supported administratively by a senior member of the Corporate Governance Team, who shall:



- agree agendas with the Chair and attendees
- prepare, collate and circulate papers in good time
- ensure that those invited to each meeting attend
- take the minutes and help the Chair to prepare reports as required
- keep a record of matters arising and issues to be carried forward
- ensuring that action points are taken forward between meetings
- ensure that Committee members receive the development and training they need

2. REMIT OF THE GROUP

The remit of the Committee is as follows:

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

- ❖ considering the provision of the internal audit service and the costs involved
- ❖ reviewing and approving the annual internal audit plan and more detailed programme of work; ensuring that this is consistent with the audit needs of the organisation as identified in the assurance framework
- ❖ considering 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.
- ❖ ensuring that the internal audit function is adequately resourced and has appropriate standing within the organisation; and
- ❖ completing an annual review of the effectiveness of internal audit and monitoring their effectiveness

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 implications and management’s responses to their work. This will be achieved by:

- ❖ considering the appointment and performance of the external auditor (via the Audit Panel), as far as the rules governing the appointment permit (and make recommendations to the Board of Directors when appropriate)
- ❖ 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.
- ❖ discussion with the external auditors of their evaluation of audit risks and assessment of the Trust and associated impact on the audit fee
- ❖ review of all external audit reports, including the report to those charged with governance (before its submission to the Board of Directors) and any work carried out outside the annual audit plan, together with the appropriateness of management responses



Financial reporting

The Committee shall monitor the integrity of the financial statements of the Trust and any formal announcements relating to the Trust's financial performance.

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 to the Board of Directors.

The Committee shall review and recommend the annual report and financial statements under delegated authority to the Board of Directors, 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, practices, and estimation techniques
- ❖ unadjusted mis-statements in the financial statements
- ❖ significant judgements in preparation of the financial statements
- ❖ significant adjustments resulting from the audit
- ❖ Letters of Representation
- ❖ Explanations for significant variances

Integrated Governance, risk management and internal control

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

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

- ❖ all risk and control-related disclosure statements, and in particular the Annual Governance Statement, together with any accompanying Head of Internal Audit opinion, external audit opinion or other appropriate independent assurances, prior to submission to the Board
- ❖ the underlying assurance processes that indicate the degree of the achievement of strategic objectives, the effectiveness of the management of principal risks and the appropriateness of the above disclosure statements
- ❖ the policies for ensuring compliance with relevant regulatory, legal and code of conduct requirements and any related reporting and self-certifications, include the NHS Code of Governance and NHS Provider Licence
- ❖ the policies and procedures for all work related to counter fraud, bribery and corruption as required by the NHS Counter Fraud Authority.

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. 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. 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.

Other assurance functions.



The Committee shall review the findings of other significant assurance functions, both internal and external to the organisation, where relevant to the governance, risk management and assurance of the organisation. These may include, but will not be limited to:

- ❖ Any reviews by the Department of Health and Social Care arm's length bodies or regulators/inspectors, such as Care Quality Commission, NHS Resolution, NHS Counter Fraud Authority etc.
- ❖ Professional bodies with responsibility for the performance of staff or functions, such as Royal Colleges, Health Professions Council, NHS Counter Fraud Authority.

As part of its integrated approach, the Committee will have effective relationships with other key committees (Quality and Performance Committee and Resources Committee) to understand processes and to provide relevant assurance to the Committee's own scope of work.

Clinical Governance

In reviewing clinical governance arrangements, the Committee will wish to satisfy itself that controls are adequate and that assurances are sound and sufficient. After each meeting of the Quality and Performance Committee the chair compiles an assurance report which are reported through to the Audit Committee. The committee also seeks assurance from the clinical audit function.

Counter Fraud

The Committee shall satisfy itself that the organisation has adequate arrangements in place to counter fraud, bribery and corruption in accordance with the NHS Counter Fraud Authority's (NHS CFA) Standards for Providers and shall review the outcomes of counter fraud work carried out.

With regards to the local counter fraud specialist it will review, approve and monitor counter fraud work plans, receiving regular updates on counter fraud activity, monitor the implementation of action plans and discuss NHSCFA quality assessment reports.

Management

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 Trust (for example compliance reviews or accreditation reports), as may be appropriate to the understanding of the overall arrangements.

Other duties

Other duties of the Committee are:

- ❖ to review proposed changes to Standing Orders and Standing Financial Instructions
- ❖ to examine the circumstances associated with each occasion that Standing Orders are waived; and
- ❖ to review losses and compensation payments and make recommendations to the Board of Directors

System for raising concerns

Audit Committee Terms of Reference

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The committee shall review the effectiveness of the arrangements in place for allowing staff (and contractors) to raise (in confidence) concerns about possible improprieties in any area of the organisation (financial, clinical, safety or workforce matters) and ensure that any such concerns are investigated proportionately and independently, and in line with the relevant policies.

Governance regulatory compliance

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 process.

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.

Behaviours and conduct – Trust Values

Members will be expected to conduct business in line with the trust values and objectives.

Members of, and those attending, the committee shall behave in accordance with the trust's constitution, standing orders, and standards of business conduct policy.

Equality and diversity

Members must demonstrably consider the equality and diversity implications of decisions they make.

Accountability and reporting

The committee will report to the board at least annually on its work 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.

The annual report should also describe how the committee has fulfilled its terms of reference and provide details of any significant issues considered by the Committee in relation to the financial statements and how they were addressed.

An annual committee effectiveness evaluation will be undertaken and reported to the Committee and Board of Directors. The Audit Committee will review these terms of reference on an annual basis and recommend any changes to the board.