

## Terms of Reference

### Audit Committee

<p><b>Constitution and Authority</b></p>	<p>The Audit Committee is constituted as a standing committee of the trust's board of directors. Its constitution and terms of reference shall be as set out below, subject to amendment at future board of directors meetings.</p> <p>The Audit Committee Terms of Reference are based on recommendations and guidance from the Cadbury Committee, the Combined Code, the NHS Audit Committee Handbook, the NHS Integrated Governance Handbook and subsequent guidance including Monitor's Audit Code, Code of Governance and Compliance Framework.</p> <p><b>Delegated Authority</b> Section 4.8.1 of the Trust's Standing Orders, and Standing Financial Instructions sets out the modus operandi of the Audit Committee. The Terms of Reference of this Committee shall be reviewed by the Trust Board on an annual basis.</p> <p>As a Committee of the Trust Board, it will:</p> <ul style="list-style-type: none"> <li>• be accountable and report to the Trust Board.</li> <li>• advise and make recommendations to the Trust Board on areas which fall within its remit and responsibilities.</li> <li>• review and approve policy where relevant and judged appropriate by the Committee for the discharge of its functions.</li> <li>• Monitor, review and advise on the effectiveness of the systems of integrated governance, risk management, and internal controls, and further to hold to account directors responsible for ensuring that these matters are effective and robust.</li> <li>• scrutinise any activity listed in its Terms of Reference and cycle of business</li> <li>• investigate any activity within the Terms of Reference and to seek any information it requires from any employee.</li> </ul>
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	<ul style="list-style-type: none"> <li>• Any other measures deemed appropriate, relevant and proportionate by the Committee for the discharge of its functions.</li> </ul>
<p><b>Role / Purpose</b></p>	<p>The purpose of the Audit Committee is to scrutinise and review the Trust's systems, risk management, and internal control. It reports to the Trust Board on its work in support of the Annual Report, Quality Report, Annual Governance Statement, specifically commenting on the fitness for purpose of the Board Assurance Framework, the completeness of risk management arrangements, and the robustness of the self-assessment against Care Quality Commission (CQC) regulations.</p> <p><b>Key Responsibilities</b></p> <p>The Audit Committee is a Non Executive Committee of the Board and has no executive powers, other than those specifically delegated in these Terms of Reference. Its key responsibilities are to:</p> <ul style="list-style-type: none"> <li>• keep an overview of the key elements of the Trust's governance and finance.</li> <li>• monitor the integrity of the financial statements of the Trust, and any formal announcements relating to the Trust's financial performance, reviewing significant financial reporting judgements contained in them;</li> <li>• review the Trust's internal controls;</li> <li>• review and monitor the external auditor's independence and objectivity and the effectiveness of the external audit process, including approval of annual plans, taking into consideration relevant UK professional and regulatory requirements;</li> <li>• monitor risks that are identified by the systems of internal control;</li> <li>• make recommendations to the Council of Governors regarding the appointment, reappointment of the External Auditor and removal of the external auditor , -, including tender procedures;</li> <li>• develop and implement policy on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm;</li> <li>• monitor and review the effectiveness of the Trust's internal audit function and counter-fraud arrangements, including approval and review of related annual plans;</li> <li>• approve the appointment and/or removal of the internal auditors;</li> </ul>

	<ul style="list-style-type: none"> <li>• report to the Board, identifying any matters in respect of which it considers that action or improvement is needed, making recommendations as to the steps to be taken;</li> <li>• produce an annual report for the Trust Board</li> <li>• review arrangements by which staff within the Trust may raise confidentially concerns over financial control and reporting, clinical quality and patient safety and other matters.</li> </ul>
<p><b>Scope and Duties</b></p>	<p>The Audit Committee's duties are detailed below under the following headings:</p> <ul style="list-style-type: none"> <li>• The Chair</li> <li>• The Audit Committee <ul style="list-style-type: none"> <li>○ Governance, Risk Management and Internal Control</li> <li>○ External Audit</li> <li>○ Internal Audit</li> <li>○ Other Assurance Functions</li> <li>○ Counter Fraud Management</li> <li>○ Financial Reporting</li> </ul> </li> <li>• Administrative Support</li> </ul> <p><b><u>The Chair</u></b>  The Chair is responsible for the following:</p> <ul style="list-style-type: none"> <li>• Approving agendas for meetings</li> <li>• Chairing pre meetings with the auditors and counter fraud specialists</li> <li>• Chairing meetings</li> <li>• Reporting to the Trust Board (highlighting any issues requiring further disclosure or executive action);</li> <li>• Reporting immediately those items of a significant nature regarding the Board Assurance Framework and the Risk Register;</li> <li>• Providing an executive summary report following each Committee meeting for the Trust Board meeting;</li> <li>• Notifying the Chair(s) of any other Committee(s) of specific actions arising from the Audit Committee that affect the other Committee(s) and ensuring these actions are detailed in the minutes;</li> <li>• Approving the minutes of the Audit Committee before they are submitted to the Trust Board;</li> </ul>

- Ensuring there is unhindered access to the Heads of External and Internal Audit for any matters of internal control or risk requiring urgent advice or action.

### **The Audit Committee**

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

The Audit Committee shall review the establishment and maintenance of an effective system of integrated governance, risk management, internal control (clinical and non-clinical) across the whole of the organisation activities that supports the achievement of the Trust's objectives.

In particular, the Committee will review the adequacy of:

- all risk and control related disclosure statements (in particular the Annual Governance Statement, regular reports on the activities of the Risk Management and Governance, self-certification statements to the Regulator, and Care Quality Commission declarations), together with any accompanying Head of Internal Audit statement, External Auditor opinion or other appropriate independent assurances, prior to endorsement by the Trust Board.
- underlying assurance processes that indicate the degree of the achievement of corporate objectives, the effectiveness of the management of principal risks and the appropriateness of the above disclosure statements. The Audit Committee will undertake periodic reviews of progress against the Board Assurance Framework and Corporate Risk Register, with significant changes highlighted. Where these items are of such a significant nature, 4 refers, the Chair of the Audit Committee will bring them to the immediate attention of the Trust Chair. A full copy of these key documents will be made available to the Audit Committee in accordance with the timetable agreed by the Trust Board and will normally be reviewed in full prior to the production of the Annual Report and Accounts and the Annual Governance Statement and as part of the Trust's mid year review process.
- policies for ensuring compliance with relevant regulatory, legal and code of conduct requirements and any related reporting and self-certifications, and consider any training requirements to ensure Committee members are kept up to date with emerging requirements, policies and procedures for all work related to counter fraud and security as required by NHS Counter Fraud Authority.
- arrangements by which staff of the Trust may raise, in confidence, concerns about possible improprieties in matters of financial reporting and control, with the aim of ensuring that arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow-up action.

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 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.

This will be evidenced through the Committee's use of an effective Board Assurance Framework to guide its work and that of the audit and assurance functions that report to it.

As part of its integrated approach, the Committee will have effective relationships with other key committees so that it understands processes and linkages. However, these other Committee's must not usurp the Committee's role.

### **External Audit**

The Council of Governors will take the lead in agreeing with the Audit Committee the criteria for appointing, reappointing and removing auditors. The Audit Committee will make recommendations to the Council of Governors via the Finance and Audit Governor Group who will then make recommendations to the full Council on these matters, and approve the remuneration and terms of engagement of the External Auditor. In accordance with its Standing Orders, the Council of Governors will appoint the external auditor following recommendation from the Audit Committee.

The Audit Committee shall develop and implement policy, in collaboration with the Finance Directorate, regarding the engagement of the External Auditor to supply non-audit services, taking into account relevant ethical guidance. All requests for the supply of non-audit services must be presented to the Audit Committee for noting.

The Audit Committee shall review and monitor the External Auditor's independence and objectivity, and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements.

The Audit Committee shall review the work and findings of the External Auditor 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, as far as the rules governing the appointment permit.
- review and agreement, before the audit commences, the nature and scope of the audit as set out in the annual external audit plan
- discussion with the External Auditors of their local evaluation of audit

risks and assessment of the Trust and associated impact on the audit fee

- review of all audit reports that are specifically drawn to the attention of the Audit Committee by the auditors which will include the annual audit letter before submission to the Board and any work carried outside the annual audit plan, together with the appropriateness of management responses.
- Ensuring that there is in place a clear policy for the engagement of external auditors to supply non audit services.

The Head of External Audit will have unhindered and confidential access to the Chair of the Audit Committee.

### **Internal Audit**

The Audit Committee shall ensure that there is an effective Internal Audit function established by management that meets the Public Sector Internal Audit Standards, 2013 and provides appropriate independent assurance to the Audit Committee, Chief Executive and Board.

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 strategy, operational plan and more detailed programme of work, ensuring that this is consistent with the audit needs of the organisation as identified in the Board Assurance Framework;
- where there is a requirement to undertake work outside of the approved annual work plan, all such requests must be presented to the Audit Committee for approval;
- consideration of the major findings of internal audit work (and management's response), 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;
- annual review of the effectiveness of internal audit in such manner as is appropriate and agreed by the Audit Committee, including a review of the successful operation of the contract between the Trust and Internal Audit.

The Head of Internal Audit will have unhindered and confidential access to the Chair of the Audit Committee.

## **Other Assurance Functions**

The Audit Committee shall review the findings of other significant assurance functions, both internal and external to the Trust, and consider the implications for the governance of the organisation. These will include, but not be limited to, any review by Department of Health arms-length bodies or Regulators/Inspectors (e.g. Care Quality Commission, NHS Litigation Authority, Monitor etc.), and professional bodies with responsibility for the performance of staff or functions (e.g. Royal Colleges, accreditation bodies etc.).

In addition, the Audit Committee will review the work of other Committees within the Trust, whose work can provide relevant assurance to the Audit Committee's own scope of work.

## **Counter Fraud**

*The Audit Committee shall satisfy itself that the organisation has adequate arrangements in place for counter fraud and bribery, in accordance with Service Condition 24 of NHS Standard Contract. The Audit Committee will review the outcomes of work in these areas against the standards set by NHS Counter Fraud Authority (as referenced in Standard Condition 24).*

## **Management**

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

They may also request reports from individual functions within the Trust (e.g. clinical audit) as they may be appropriate to the overall arrangements.

## **Financial Reporting**

The Audit Committee will monitor the integrity of the financial statements of the Trust, and any formal announcements relating to the Trust's financial performance, reviewing significant financial reporting judgements contained in them.

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

- changes in, and compliance with, accounting policies and practices and estimation techniques;

- major judgemental areas;
- significant judgements in the preparation of the financial statements;
- significant adjustments resulting from the audit;
- the wording in the Annual Governance Statement and other disclosures relevant to the terms of reference of the Audit Committee;
- letters of representation;
- explanations for significant variances;
- unadjusted mis-statements in the financial statements.

Providing mandatory issues (as detailed in paragraph 1) are reserved for the attention of the full Committee in session, other matters including review of the Annual Report and Summary Financial Statements may be dealt with as the Audit Committee deems appropriate through a process co-ordinated by the Audit Committee Chair.

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

### **Administrative Support**

The Audit Committee shall be supported administratively by the Finance Directorate Administrator whose duties in this respect will include:

- agreement of the agenda with the Chair and attendees and collation and circulation of papers in good time
- ensuring that those invited to each meeting attend
- minute-taking and keeping a record of matters arising and issues to be carried forward
- helping the Chair to prepare reports to the Board
- arranging meetings for the Chair – for example, with the internal/external auditors or local counter fraud specialists
- maintaining records of members' appointments and renewal dates etc
- advising the Audit Committee on pertinent issues/areas of interest/policy developments



	<ul style="list-style-type: none"> <li>• ensuring that action points are taken forward between meetings</li> <li>• supporting any ongoing training requirements for Non-Executive Directors as appropriate for their membership of the Audit Committee.</li> </ul> <p>Reference should be made, as appropriate to the Trust's Standing Orders, Reservations and Delegation of Powers and Standing Financial Instructions</p>
<p><b>Membership</b></p>	<p>The Audit Committee shall be composed of not less than 3 Non-Executive Directors of the Trust.</p> <ul style="list-style-type: none"> <li>• There will be appropriate cross-membership with other Board committees.</li> <li>• One member of the Audit Committee should have significant, recent and relevant financial experience as outlined in the Combined Code.</li> <li>• Members are required to attend at least 50% of meetings. Named substitutes may attend with the agreement of the Committee Chair.</li> </ul> <p><b>Attendance by others at Meetings</b></p> <p>External and Internal Auditors, and a representative of the Counter Fraud specialists are required to make themselves available when required for a private meeting with the Audit Committee Chair as required .</p> <p>The Director of Finance is the Executive lead for this Committee. The Director of Finance, Trust Secretary and Internal and External Audit and Counter Fraud representatives shall normally attend Audit Committee meetings.</p> <p>Other Executive Directors may be invited to attend, particularly when the Audit Committee is discussing areas of risk or operation that are the responsibility of that Director.</p> <p>The Chief Executive will have a standing invitation to attend Audit Committee meetings. The Chief Executive will usually attend the Audit Committee meeting where the end of year reporting, auditor's opinions, the Annual Governance Statement, the Annual Report and Annual Accounts are delivered.</p> <p>The Finance Directorate Administrator shall be Secretary to the Audit Committee and shall attend to take minutes of the meeting and provide appropriate support to the Chair and Committee members.</p> <p>Representatives from other organisations (for example, NHS Counter Fraud Authority) and other individuals may be invited to attend on occasion.</p>

	<i>The Trust Chair shall not be a member of the Audit Committee.</i>
<b>Quorum</b>	A quorum shall be 2 members.
<b>Chair</b>	<p>One of the Non-Executive Directors will be appointed as Chair of the Audit Committee by the Trust Chair.</p> <p>If the Chair is absent from the meeting, another Non-Executive Director, shall preside.</p>
<b>Frequency of Meetings</b>	Meetings shall be held quarterly as a minimum. One meeting will receive and review the annual submissions.
<b>Agenda and Papers</b>	<p>An agenda for each meeting, together with relevant papers, will be forwarded to committee members to arrive 1 week before the meeting.</p> <p>Unapproved minutes will be circulated to the membership.</p>
<b>Minutes and Reporting</b>	<p>A written assurance report will be provided to the Board following each meeting.</p> <p>Formal minutes will be taken of the meeting and presented to the Board with the assurance report. The Chair of the committee will provide a verbal summary/exception report to the Board in respect of meetings held for which minutes have not yet been approved.</p> <p>The Audit Committee minutes are deemed confidential, and not for publication. Confidential minutes shall be maintained, where necessary, for considerations of confidentiality, including commercial confidentiality. Matters specifically agreed to be confidential by the Audit Committee must be treated as entirely confidential. They must be minuted and reported to the Trust Board separately. In addition, all Committee business must be kept confidential until reported to the Trust Board or otherwise concluded, unless the Audit Committee agrees otherwise.</p> <p><b>Servicing and Reporting Arrangements</b></p> <p>The Audit Committee will maintain a rolling annual work plan that will inform its agendas and seek to ensure that all duties are covered over the annual cycle.</p> <p>Reporting arrangements into the high level Committee with overarching responsibility for risk, the Audit Committee, will be as described in the rolling annual work plan together with anything extra agreed for a particular meeting.</p> <p>Agendas and papers shall be distributed one week prior to the meeting.</p>

	<p>The minutes of Audit Committee meetings shall be formally recorded by the Finance Directorate Administrator and submitted to the members of the Audit Committee. The Chair of the Audit Committee shall provide an executive summary report for the next Trust Board meeting that highlights substantive issues and recommendations. Minutes of the meeting will also be reported to the Trust Board in the part II session.</p> <p>The Audit Committee Chair shall draw to the attention of the Trust Board any issues that require disclosure to the full Trust Board, or require executive action. Specific actions arising from one committee affecting the work of another Committee will be detailed in the minutes and notified to the Chair of the other Committee.</p> <p>The Audit Committee will report to the Trust Board annually on its work in support of the Annual Governance Statement, specifically commenting on the fitness for purpose of the Board Assurance Framework, the extent to which risk management is fully embedded in the organisation, the integration of governance arrangements and the appropriateness of the evidence that shows the organisation is fulfilling regulatory requirements relating to its existence as a functioning business and the robustness of the processes behind the quality accounts.</p> <p>An annual review of effectiveness will be undertaken and included in the annual report. The annual report should also describe how the Committee has fulfilled its terms of reference and give details of any significant issues that the Committee considered in relation to the financial statements and how they were addressed.</p>
<p><b>Monitoring and Review</b></p>	<p>An annual effectiveness review will be undertaken which will include a review of attendance and a review of the Committee’s Terms of Reference.</p> <p>This will cover the following duties:-</p> <ul style="list-style-type: none"> <li>• Accountability including reporting arrangements to the Trust Board</li> <li>• Membership, including nominated deputy where appropriate</li> <li>• Frequency of meetings</li> <li>• Requirements for a quorum</li> <li>• Required frequency of attendance by members</li> <li>• Process for monitoring compliance with all of the above</li> <li>• The work and achievements of the Audit Committee</li> <li>• Outcome of the Audit Committee’s annual self-assessment</li> <li>• An action plan, if appropriate, to rectify any deficiencies (to be monitored by the Board).</li> </ul> <p>The Audit Committee shall report to the Board, identifying any matters within its remit in respect of which it considers that action or improvement is needed, and making recommendations as to the steps to be taken.</p>
<p><b>Agreed by Committee</b></p>	<p>14 May 2024</p>

<b>Board Approved</b>	29 May 2024
<b>Review Date</b>	May 2025

## AUDIT COMMITTEE REPORTING STRUCTURE

