

## AUDIT COMMITTEE TERMS OF REFERENCE

<b>Committee Status</b>	<p><del>The Audit Committee is a</del> sub-committee of the Board of Directors. <del>The Committee is an 'Assurance Committee'.</del></p> <p>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.</p> <p>The Committee is <del>further authorised by the Board</del><u>empowered</u> to obtain outside independent professional advice and to secure the attendance of specialists with relevant experience and expertise if it considers this necessary.</p> <p><u>The Committee will work closely with the Quality Assurance Committee to obtain assurance on clinical activity.</u></p>
<b>Reporting to</b>	<p>The Committee Chair will report to the Board of Directors at the Board's next meeting.</p> <p>The minutes of Committee meetings shall be formally recorded and made available to the Board of Directors.</p> <p><del>The terms of reference and minutes of meetings will be shared with the Quality Assurance Committee and vice versa.</del></p>
<b>Purpose</b>	<p>The <del>Audit</del> Committee advises the Board of Directors and provides <u>assurance through</u><del>an</del> independent and objective reviews on the adequacy of Trust's system of internal control, including audit arrangements (internal and external), financial systems, financial information, assurance arrangements including governance, risk management and compliance with legislation.</p>
<b>Membership</b>	<p>The Committee shall be appointed by the Board of Directors <u>and shall consist of four non-executive directors.</u></p> <ul style="list-style-type: none"> <li>▪ One of the non-executive directors will chair the meeting. A further non-executive director will act as Deputy Chair. <u>The Chair of the Finance and Resources Committee cannot chair the Committee</u></li> <li>▪ The Chair of the Audit Committee will be a member of the Quality Assurance Committee and the Chair of that committee will be a member of the Audit Committee. This will ensure consistency between the two committees.</li> <li>▪ Members will be expected to attend at least <del>75%</del><u>two-thirds</u> of meetings per annum. No deputies will be allowed for Committee members</li> </ul>
<b>Attendees</b>	<p>The Chief Financial Officer, the Head of Internal Audit and a representative from the external auditors shall normally attend meetings. However, at least once a year the Committee should meet in separate sessions with the external and</p>

	<p>internal auditors without any executive board director present.</p> <p>The Chief Executive and executive directors, along with any other appropriate attendee, will be invited to attend by the Committee Chair, especially when the Committee is discussing areas of risk or operation that are the direct responsibility of the executive director.</p> <p>The Chief Executive shall be invited to attend, at least annually, to discuss the process for assurance that supports the Annual Governance Statement.</p> <p>The Company Secretary or deputy will attend all meetings to ensure coordination of Board committees.</p> <p>Meetings are not open to the public. However, members of the Council of Governors may attend at the Chair's invitation and in an observation capacity only.</p>
<b>Quorum</b>	A quorum <u>shall be</u> three members.
<b>Frequency of Meetings</b>	<p>The Committee will meet at least 4 times a year to ensure it is able to discharge all its responsibilities.</p> <p>The External Auditor or Head of Internal Audit may request a meeting if they consider that one is necessary.</p>
<b>To receive reports from</b>	<p>The Committee has no sub-committees, but will receive a variety of reports in relation to its stated duties.</p> <p>In accordance with their terms of reference, which are written to ensure close co-operation, the Audit Committee and the Quality Assurance Committee work together and share information with each other. <del>The minutes of each Committee are received by the other and each may refer issues to the other for investigation</del></p>
<b>Annual work programme</b>	<p>The Committee will develop an annual work programme as designated by the Trust Board.</p> <p>The work programme will be reviewed by the members of the Committee at each meeting.</p>
<b>Meeting administration</b>	<p>The agenda will be prepared <u>by the Company Secretary in conjunction with</u> the Committee Chair with input from Committee members and other regular attendees who may propose items for inclusion on the agenda;</p> <p>Items for inclusion on the agenda should be notified to the Company Secretary a minimum of three weeks prior to the meeting.</p> <p>The agenda will be distributed to members of the Committee one week prior to the meeting with the associated meeting papers.</p> <p>Draft minutes of the meetings will be distributed to all members within 2 weeks of the meeting.</p>
<b>Committee's Duties / Objectives</b>	<p>The duties of the Committee can be categorised as follows:</p> <ol style="list-style-type: none"> <li><b>1. Governance, Risk Management and Internal Control</b> <ul style="list-style-type: none"> <li>▪ The Committee shall review the establishment and maintenance of an effective system of integrated risk management and internal control, across the whole organisation's activities that support the achievement of</li> </ul> </li> </ol>

the organisation's objectives. The Committee will be supported in this duty by the Quality Assurance Committee, which will have responsibility for providing assurance that there is an effective system of risk management and internal control across the clinical activities of the organisation that support the organisation's objectives and the Trust's ability to provide ~~excellent care by excellent people~~ high quality care for every patient every time.

- Matters referred to the Quality Assurance Committee will be dealt with by that Committee. However, through the close relationship with the Quality Assurance Committee, the Audit Committee will rely on the assurances provided by the Quality Assurance Committee in determining the effectiveness of the overall processes of risk management and internal control across the organisation.
- This will be evidenced through the Committee's use of the Board Assurance Framework (BAF), to guide its work and that of the audit and assurance functions that report to it.
- In particular, the Committee, will review the adequacy of:
  - all risk and control related disclosure statements, (in particular, the Annual Governance Statement) together with any accompanying Head of Internal Audit statement, prior to approval by the Board;
  - the risk management strategy, structures, processes and responsibilities for identifying and managing key risks facing the organisation, Board Assurance Framework (BAF) methodology and all supporting documents;
  - the policies and procedures for all work related to fraud and corruption as set out by NHS Protect;
  - the work of counter-fraud services; to ensure that there is an effective Local Counter Fraud Service (LCFS) established by management that meets mandatory requirements and provides appropriate independent assurance to the Audit Committee, the Chief Executive and the Board
  - the policies for ensuring that there is compliance with relevant regulatory, legal and code of conduct requirements as set out in the Care Quality Commission (and successor bodies) and other regulators' standards and guidance;
  - the operational policies and procedures; and
  - the financial control systems.

## **2. Internal Audit**

- The Committee shall ensure that there is an effective internal audit function established by management that utilises an appropriate risk based approach. In addition, the Committee will:
  - consider the appointment of the internal auditor, the internal audit fee and any questions of resignation or dismissal and make appropriate recommendations to the Board;
  - approve the internal audit programme, consider the major findings of internal audit investigations (and management's response) and report progress on material matters to the Board;
  - ensure co-ordination and co-operation between the internal and

external auditors;

- ensure that the internal audit function is adequately resourced and has appropriate standing within the organisation;
- review annually the effectiveness of internal audit; and
- as required, meet in private with the internal auditor to discuss issues or matters arising.

### **3. External Audit**

- The Committee should make a report to the Council of Governors in relation to the performance of the external auditors (including details such as the quality and value of the work, and the timeliness of reports and fees) to enable the Council of Governors to consider whether or not to re-appoint them. The Committee should also make recommendations to the Council of Governors about the appointment, re-appointment and removal of the external auditor and approve the remuneration and terms of engagement of the external auditor.
- The Committee shall review the work and findings of the external auditor appointed by the Council of Governors and consider the implications of and management responses to their work. This will be achieved by:
  - discussion with the external auditor, before the audit commences, about the nature and scope of the audit, and ensuring co-ordination, as appropriate, with other external auditors in the local health economy;
  - reviewing external audit reports, including value for money reports and annual audit letters, together with the management response and report progress on material matters to the Board of Directors;
  - reviewing and monitoring external auditor's independence, objectivity and effectiveness, particularly with regard to non-audit services that may be provided to the Trust;
  - in accordance with the Financial Reporting Council code, meeting as required in private with the external auditor to discuss issues or matters arising.

### **4. Other assurance functions**

- The Audit Committee shall review the findings of other significant non-clinical assurance functions, both internal and external to the organisation, and consider the implications to the governance of the organisation. These could include any reviews undertaken by regulators (such as NHS Improvement and the Care Quality Commission), the NHS Litigation Authority and professional bodies with responsibility for the performance of staff or functions (such as Royal Colleges and accreditation bodies).
- In addition, the Committee will review the work of other committees within the organisation whose work can provide relevant assurance to the Audit Committee's own scope of work and in relation to matters of quality affecting the Board Assurance Framework.
- The Audit Committee will review the BAF risks allocated to it on a quarterly basis prior to submission to the Board.

### **5. Financial Reporting**

- The Audit Committee shall monitor the integrity of the financial statements of the Trust and any formal announcements relating to the

	<p>Trust's financial performance.</p> <ul style="list-style-type: none"> <li>▪ The Audit Committee should 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.</li> <li>▪ The Audit Committee shall review the Annual Report and Financial Statements before submission to the Board, focusing particularly on; <ul style="list-style-type: none"> <li>○ the wording in the Annual Governance Statement and other disclosures relevant to the terms of reference of the Committee,</li> <li>○ changes in, and compliance with, accounting policies, practices and estimation techniques,</li> <li>○ unadjusted mis-statements in the financial statements,</li> <li>○ significant adjustments in the preparation of the financial statements,</li> <li>○ significant or proposed adjustments resulting from the audit,</li> <li>○ letters of representation,</li> <li>○ qualitative aspects of financial reporting, and</li> <li>○ the rigour with which the auditor has undertaken the audit.</li> </ul> </li> </ul> <p><b>6. Raising Concerns at Work (Whistleblowing)</b></p> <ul style="list-style-type: none"> <li>▪ The Committee shall review the Trust's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting and control, clinical quality, patient safety or other matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action, and reassure individuals raising concerns that they will be protected from potential negative repercussions.</li> </ul> <p><b>7. Standing Orders/Standing Financial Instructions</b></p> <ul style="list-style-type: none"> <li>▪ The Committee shall monitor compliance, and review changes prior to approval by the Board.</li> </ul> <p><b><u>8. Approval</u></b></p> <ul style="list-style-type: none"> <li>▪ <u>The Committee is authorised under the Scheme of Delegation to approve certain write-offs and extra-contractual payments</u></li> </ul> <p><b><u>8.9. Other matters</u></b></p> <ul style="list-style-type: none"> <li>▪ The Committee shall: <ul style="list-style-type: none"> <li>○ have access to sufficient resources in order to carry out its duties, including access to the Trust secretariat for assistance as required;</li> <li>○ give due consideration to laws and regulations, and the provisions of the NHS Foundation Trust Code of Governance.</li> </ul> </li> </ul>
<b>Training</b>	Training needs will be assessed on an on-going basis and a training plan devised as required.
<b>Monitoring and</b>	The Committee's terms of reference will be subject to annual review by the

<b>review</b>	<p>Board.</p> <p>The Committee will undertake an annual review of its performance, via self-assessment by its members and this will be reported, together with any agreed actions, to the Board of Directors.</p> <p><u>At the end of each meeting, the Board will carry out a review of the meeting's effectiveness, using a standard template</u></p>
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