

AUDIT COMMITTEE

Terms of Reference

1 AIM

The Audit Committee is responsible for oversight and assurance that the processes undertaken by the Trust and other Committees are operating. In fulfilling this role it will seek evidence that risks have been considered. It may well consider that risks require review which do not immediately fit within the subject matter of an existing Committee and therefore take on the role of considering them itself.

2 OBJECTIVES

Internal Control and Risk Management

2.1 To review the adequacy of:

2.1.1 All risk and control related disclosure statements (in particular, the Statement on Internal Control and declarations of compliance with the CQC Registration process), together with any accompanying Head of Internal Audit statement, external audit opinion or other appropriate independent assurances, prior to endorsement by the Board.

2.1.2 The 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.

2.1.3 Reports on External Agency reviews identifying risks together with management responses.

2.1.4 The policies for ensuring compliance with relevant regulatory, legal and code of conduct requirements.

2.1.5 The policies and procedures for all work related to fraud and corruption as set out in Secretary of State Directions and as required by the NHS Counter Fraud Authority (NHSCFA). The Committee shall ensure that the Trust provides an effective Counter Fraud culture by ensuring that the policies and procedures for all work related to fraud and corruption as set out in Secretary of State Directions and as required by the NHSCFA are implemented. This includes the appointment of the Local Counter Fraud Specialist ("LCFS"), consideration of the LCFS annual report and the annual appraisal of the performance of the LCFS.

2.2 In carrying out this work the Committee will primarily utilise the work of Internal Audit, External Audit and any 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. The Committee shall review the Trust's procedures for detecting fraud and whistle blowing and ensure that arrangements are in place by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting, financial control or any other matters.

2.3 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. This will particularly include the Quality Assurance Committee and issues around clinical risk management. The Audit Committee will wish to be satisfied that assurance can be gained from the clinical audit function.

2.4 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.

- 2.5 Receive and review on an annual basis the Trust's Risk Management Strategy and Policy and to make recommendations as appropriate for approval by the Board of Directors.
- 2.6 Receive and consider the Trust's Annual Risk Management report.
- 2.7 Ratification of the Policy on Trust Wide Procedural Documents.

Internal Audit

The Committee shall ensure that there is an effective internal audit function established by management that meets mandatory NHS Internal Audit Standards and provides appropriate independent assurance to the Audit Committee, Chief Executive and Board. In order to achieve this objective, the Committee will:

- 2.8 Consider the appointment of the internal audit service, the audit fee and any questions of resignation and dismissal.
- 2.9 Ensure internal audit strategy, operational plans and programme of work are formulated on basis on management assessment of risk and the auditor's view on reasonableness of the assessment.
- 2.10 Review the internal audit programme, consider the major findings of internal audit investigations (and management's response), and ensure co-ordination between the Internal and External Auditors. The Committee shall monitor the implementation of actions to address all recommendations arising from internal audit reports through the use of an overall Audit and Assurance Outstanding Recommendation Tracker to be reported to each meeting.
- 2.11 Ensure that the Internal Audit function is adequately resourced and has appropriate standing within the organisation.
- 2.12 Annually appraise the performance of the Internal Auditors.

The Head of Internal Audit has a right of access to the Audit Committee Chairman at any time.

External Audit

The Committee shall review the work and findings of the External Auditor appointed by the Audit Commission and consider the implications and management responses to their work. In order to achieve this objective the Committee will:

- 2.13 Consider the appointment of the External Auditor and advise the Council of Governors regarding the appointment.
- 2.14 Discuss with the External Auditor, before the audit commences, the nature and scope of the audit as set out in the Annual Plan, and ensure coordination, as appropriate, with other External Auditors in the local health economy. The Committee shall discuss with the External Auditors their evaluation of audit risks and assessment of the Trust and associated impact on the audit fee.
- 2.15 Review all External Audit reports, including value for money / performance management reports and the annual audit letter, together with the management response.
- 2.16 Annually appraise the performance of the External Auditors.
- 2.17 Review and monitor the protocol on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance on the provision of non-audit services by the external audit firm.
- 2.18 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 appointed External Auditor has a right of access to the Audit Committee Chairman at any time.

Financial Reporting and Quality Account/Report

The role of the Audit Committee is to review annual financial statements, the audit findings and the final Quality Account/Report before submission to the Board, focusing particularly on:

- 2.19 The Annual Governance Statement and other disclosures relevant to the Terms of Reference of the Committee.
- 2.20 Changes in, and compliance with, accounting policies and practices, including the Monitor Annual Reporting Manual
- 2.21 Major judgmental areas.
- 2.22 Significant adjustments resulting from the audit.
- 2.23 Unadjusted misstatements in the financial statements.
- 2.24 The clarity of disclosures.
- 2.25 The application of critical accounting policies and practices, and any changes in them.

The Committee shall ensure that the systems for financial reporting to the Board of Directors, including those of budgetary control, are reviewed in relation to completeness and accuracy of the information provided to the Board.

The Committee shall review schedules of losses and compensations, making recommendations to the Board of Directors as appropriate, taking account of delegated limits.

The Committee shall monitor compliance with the Trust's Standing Orders and Standing Financial Instructions through receipt of waivers for all variations.

The Committee shall monitor and review the Trust's Data Security and Protection Toolkit through consideration of reports from the Information Governance Committee.

Other Assurance Functions

The Committee is to review the findings of other significant assurance functions, both internal and external to the Trust and consider the implications to the governance of the organisation. These will include, but will not be limited to, any reviews by Department of Health, arm's length bodies, regulators or inspectors and professional bodies responsible for staff performance or functions.

Reporting Arrangements

The following items will be considered at each meeting of the Committee:

- update from External Auditor
- update from Head of Internal Audit
- review of Risk Management across the Trust through review of the Risk Register
- summary of business of other Board Committees
- Report from the Quality Assurance Committee and the Finance and Investment Committee
- audit and Assurance Outstanding Recommendation Tracker

The following items will be considered every six months:

- report from NHS Local Counter-Fraud Service

The following items will be considered annually:

- external Audit annual plan for following financial year
- internal Audit plan for following financial year
- counter Fraud plan for following financial year
- final Accounts
- Accounts of the Trust Charitable Fund
- Board Assurance Framework
- Annual Governance Statement
- Head of Internal Audit's opinion on internal controls & Annual Report.
- External Auditor's audit opinion, ISA (UK&I) 260 Report, audit certificate and findings
- review of External Auditor's work and fees
- Counter Fraud Annual Report
- review of governance aspects not covered above.
- management assessment of Internal Audit

3 COMMUNICATION

Trust Board, with a formal report, highlighting the key issues discussed, to the next Board after every Committee meeting.

4 PERMANENCY

Permanent

5 MEMBERSHIP

The Committee shall be appointed by the Board from amongst the Non-Executive Directors (NEDs) of the Trust and shall consist of not less than three members. Deputies may be appointed in accordance with the Trust's Standing Orders, except that the Chairman of the Finance & Investment Committee may not deputise for a member of the Committee.

5.1 Chair

A NED (appointed by the Board to be Chairman). A Deputy Chairman will be appointed from one of the other two designated NEDs.

5.2 Other Members

2 designated NEDs

5.3 By Invitation, with no voting rights

Chief Finance Officer (Internal Executive Lead)

Director of Corporate Affairs

Chief Executive

Any senior Trust Managers, as invited by the Committee

A representative of the External Auditors and of the Internal Auditors shall normally attend meetings.

At least once a year the Committee may wish to meet with the External and Internal Auditors without any Executive Board Director or other person present.

The Chief Executive should be invited to attend, at least annually, to discuss with the Audit Committee the Assurance process that supports the Statement on Internal Control.

The minutes of Committee meetings shall be formally recorded and made available to the Board of Directors on request. A report shall be made following each Committee meeting by the Committee Chairman to the next Board meeting on issues which need to be considered by the Board of Directors.

6 QUORUM

Two NEDs from the Chairman and the two designated NEDs

7 ATTENDANCE

Members to aim to attend 100% of meetings

8 FREQUENCY OF MEETINGS

Not less than quarterly.

The External Auditor or Head of Internal Audit may request a meeting if they consider one is necessary.

9 REPORTING LINES

Trust Board

10 ACCOUNTABLE TO

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. Requests for work, and reports received, from internal audit will be channeled through the Director of Finance and Information, who reports to the Accounting Officer.

The Committee is authorised by the Board to obtain legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

The Committee has the authority to require any member of staff to attend its meetings.

12 SECRETARIAT

Director of Corporate Affairs

13 OPENNESS

Reports to the Board are published.

14 EFFECTIVENESS

Completion of annual self-assessment in accordance with the best practice recommendations of the Audit Committee Handbook 2005 (or subsequent editions).

15 REVIEW OF TERMS OF REFERENCE

These terms of reference will be reviewed annually or sooner if required and approved by the Board

16 MONITORING

The annual self-assessment process will include monitoring of compliance with the Audit Committee's Terms of Reference, the Department of Health's Audit Committee handbook, the NHS Foundation Trust Code of Governance and other best practice material including the Audit Committee Institute's Assessment of Audit Committee Effectiveness. This may be facilitated by independent advisors if the Committee considers that this appropriate or necessary.

The outcome will be reported to the Board as part of the Audit Committee's regular report.

Date approved by: Audit Committee, 17 June 2022

Ratified by: Trust Board, 28 July 2022

Next Review Due: June 2023