



## **AUDIT COMMITTEE**

### **TERMS OF REFERENCE**

#### **1. VALUES**

1.1 The Committee will role model the Trust values:

##### **Compassionate**

- Supporting recovery for all and maintaining hope for the future
- Being kind to others and myself
- Showing empathy for others and appreciating vulnerability in each of us.

##### **Inclusive**

- Treating people fairly, with dignity and respect
- Challenging all forms of discrimination
- Listening with care and valuing all voices.

##### **Committed**

- Striving to deliver the best work and keeping patients at the heart
- Taking responsibility for my work and doing what I say I will
- Courage to question to help us learn, improve, and grow together.

#### **2. AUTHORITY**

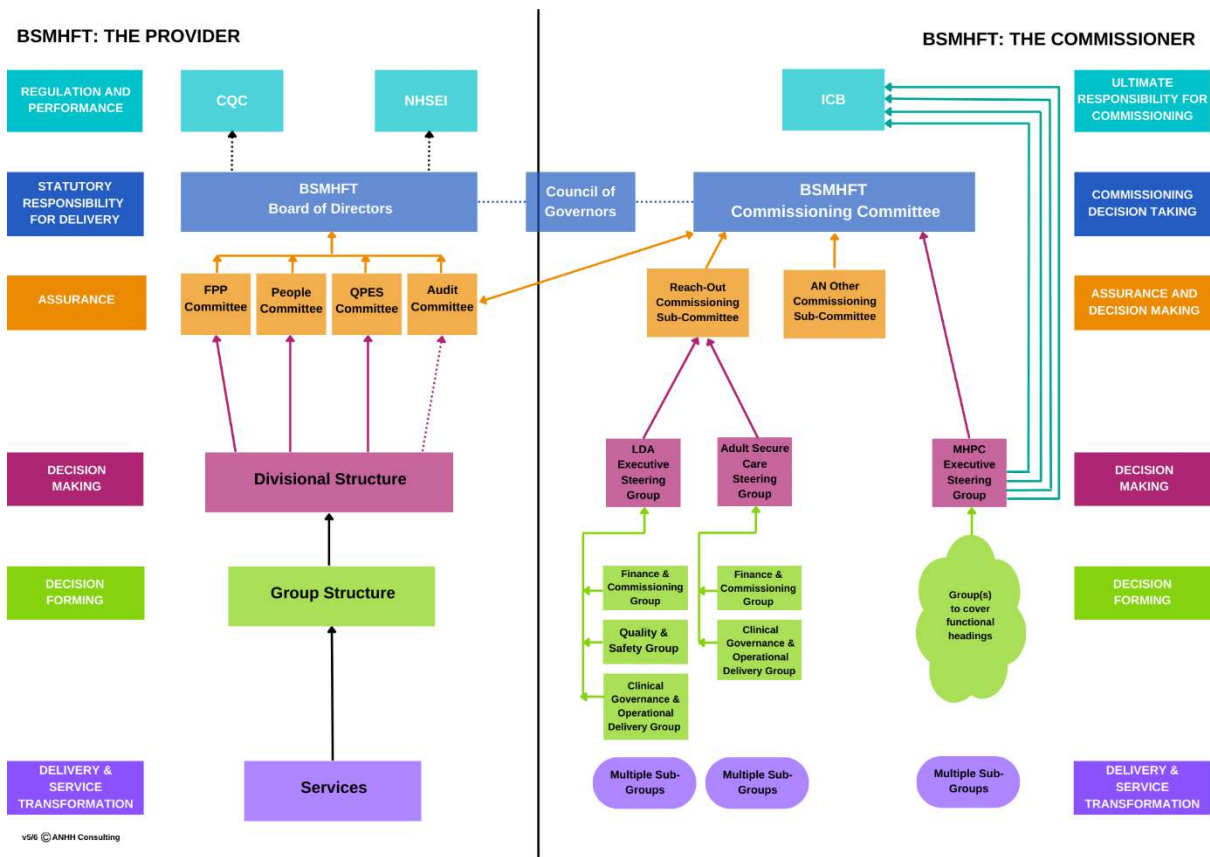
2.1 The Audit Committee is constituted as a Standing Committee of the Board. Its constitution and terms of reference shall be as set out below, subject to amendment by the Board. This will include the responsibilities of the Trust in being a provider and commissioner of services.

2.2 The Committee is authorised by the Board to request the attendance of individuals and authorities from within or outside the Trust with relevant experience and expertise if it considers this necessary.

2.3 The Committee is a Non-Executive Committee of the Board of Directors, with no executive powers, other than those specifically delegated in the Terms of Reference.

2.4 The Audit Committee is responsible for oversight of processes and systems for commissioning, and interfaces with the Commissioning Committee (“**CoCo**” – Board in Committee) for this responsibility.

2.5 The Audit Committee’s remit across both provider and commissioner responsibilities is shown in the diagram below.



### 3. PURPOSE

- 3.1 The Committee is authorised by Board to carry out any function within its terms of reference.
- 3.2 The Committee shall request and review reports and positive assurances from directors and managers, on the overall arrangements for governance, risk management and internal control and will provide assurance on these to the Board.
- 3.3 The Committee is delegated and authorised by the Board to:
  - Investigate any activity within its terms of reference
  - Seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee
  - Obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.
  - Recommend the consolidated “group” Annual Accounts and Report (including the Quality Account and Charitable Funds Account) to the Board for approval. These will incorporate the SSL Accounts, and both provider and commissioner Trust Accounts.
- 3.4 The Committee may also request specific reports from individual functions within the organisation as it may deem appropriate to provide assurance on overall governance arrangements.
- 3.5 The Committee will review all matters relevant to both the commissioning and provider functions within the overall group.

## 4. DUTIES

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

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

4.1.2 The Audit Committee will scrutinise the provider arm's Board Assurance Framework ("BAF") to provide the Board with assurance that the BAF is valid and suitable for the Trust's requirements. Specifically, the Audit Committee will:

- Ensure that there is an appropriate spread of strategic risks. This should be done once a year.
- Assure itself that the process undertaken by management to populate the BAF is appropriate. This could be carried out on the Committee's behalf by the Internal Auditors to terms of reference agreed by the Committee
- Monitor the implementation of action plans that have been drawn up to cover gaps in controls, assurances, and reports to management
- Consider the audit needs of the organisation in terms of sources of assurance, and that there is a plan for these assurances to be received
- Review the results of assurances and the implications these have on the achievement of the Trust's strategic objectives.

4.1.3 The Audit Committee will scrutinise the commissioning arm's Board Assurance Framework to provide the CoCo with assurance that the BAF is valid and suitable for the Trust's requirements. The Audit Committee will discharge the same functions as described in 4.1.2 above, but with a particular focus on the Trust's management of strategic risks associated with Lead Provider and partnership activities.

4.1.4 The Committee will review the adequacy of:

- All risks and controls related to disclosure statements (in particular the declarations of compliance with the CQC regulations and requirements for the Annual Report and Accounts and the Annual Governance Statement), together with any accompanying Head of Internal Audit statement, external audit opinion or other appropriate independent assurances, prior to approval by the Board
- The policies for ensuring compliance with relevant regulatory, legal, and code of conduct requirements
- 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 NHSE Counter Fraud Authority.

4.1.5 The Committee will ensure and assure on behalf of the Board that:

- The Trust has an appropriate and up-to-date Risk Policy.
- The Risk Policy is being adhered to, in that risks are being identified, described, scored, managed, and addressed appropriately.
- There is a transparent and effective method for the escalation of risks upwards within the Trust.
- The higher scoring risks as collated into a single Corporate Risk Register, which is visible to the Board.
- The Board Assurance Frameworks are live documents that reflect the controls and assurances needed to ensure and assure management of the risks associated with delivery of the Trust's Strategy and its responsibilities as a Lead Provider.

4.1.6 In carrying out its work the Committee will primarily utilise the work of Internal Audit, External Audit, and other independent 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 Assurance Framework to guide its work and that of the audit and assurance functions that report to it.

4.1.7 The Committee will have delegated authority from the Board to receive and recommend for approval changes to the Standing Orders, Standing Financial Instructions and Reservation of Powers to the Board and Delegation of Powers ("**Scheme of Delegation**"). It will also consider any breaches of these arrangements.

## 4.2 Financial Reporting

4.2.1 The Committee will monitor the integrity of the financial statements of the Trust and any formal instructions by the Regulator regarding financial performance.

4.2.2 The Committee will ensure that the systems for financial reporting to the Board, including those of budgetary control, are subject to review both as to the completeness, accuracy, and fitness for purpose of the information and with regard to the effectiveness of the Board's consideration of this information.

4.2.3 The Committee will review the consolidated annual reports and accounts of the Trust before their submission to the Board, 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 misstatements in the financial statements;
- Significant judgments in preparation of the financial statements;
- Significant adjustments resulting from the audit;
- Letter of representation; and
- Qualitative aspects of financial reporting.

#### 4.3 Internal Audit

4.3.1 The Committee shall ensure that there is an effective internal audit function appointed in line with the scheme of delegation and that it meets mandatory NHS Internal Audit Standards 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 dismissal; as well as agreeing the adequacy of the procurement process.
- 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 including those identified in the Assurance Framework
- 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.

#### 4.4 Counter Fraud

4.4.1 The Committee shall satisfy itself that the organisation has adequate arrangements in place for counter fraud and security that meet NHS Counter Fraud Authority's standards and shall review the outcomes of work in these areas.

#### 4.5 External Audit

4.5.1 The 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 in order for a recommendation to go to the Council of Governors, whose role it is to appoint the External Auditors.
- 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, and ensure coordination, as appropriate, with other External Auditors in the local health economy.
- 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 External Audit reports, including receipt of 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
- Consideration of any non-audit work to ensure external audit retain independence.

#### 4.6 Other Assurance Functions

4.6.1 The Audit Committee shall review the findings of other significant assurance functions, both internal and external to the organisation, 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 arms-length Bodies or appropriate regulators/inspectors.

- 4.6.2 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 Clinical Governance Committee, and any Risk Management committees that are established, as well as receiving or seeking assurances as appropriate, from the other board sub committees.
- 4.6.3 In reviewing the work of the Clinical Governance Committee, and issues around clinical risk management, the Audit Committee will wish to satisfy themselves on the assurance that can be gained from the clinical audit function.

## **5. MEMBERSHIP AND ATTENDANCE**

- 5.1 All members of the Committee will be independent Non-Executive Directors. At least one member will have a formally recognised accountancy qualification.
- 5.2 The membership of the Committee will be:
- Chair – Non-Executive Director
  - Deputy Chair – Non-Executive Director
  - At least two other Non-Executive Directors.

The membership will comprise representation (Member or Chair) from the Trust committees leading on quality, finance, and people.

- 5.3 The following will be standing attendees of the Committee:
- Executive Director of Finance
  - Company Secretary.
- 5.4 Invitations for attendance of others will be issued by the Chair of the Committee in line with the requirements of the agenda.
- 5.5 The Chief Executive should be invited to attend, at least annually, to discuss with the Audit Committee the process for assurance that supports the Statement on Internal Control. Other Non-Executive Directors who are not members of the Committee may attend with the agreement of the Chair of the Committee. The Chair of the Board will not be a member of the Committee but may be in attendance at the discretion of the Committee Chair.
- 5.6 All members will have one vote. In the event of votes being equal the Chair of the Committee (or the Deputy Chair if presiding) will have the casting vote.
- 5.7 Appropriate Internal and External Audit representatives shall normally attend meetings, although are not entitled to vote. At least once a year the Committee should meet privately with the External and Internal Auditors.

## **6. QUORACY**

- 6.1 A quorum shall be two Non-Executive Directors of the Committee.

## **7. DECLARATION OF INTERESTS**

- 7.1 All members and attending officers must declare any actual or potential conflicts of interest in advance. These must be recorded in the minutes. The Chair will decide if any Member must exclude themselves from any part of the meeting where a potential or actual conflict of interest may occur.

## **8. MEETINGS**

- 8.1 Meetings shall be held not less than three times a year. The External Auditor or Head of Internal Audit may ask the Committee Chair for a meeting if they consider that one is necessary.
- 8.2 Meeting dates will be agreed annually in advance by the members of the Committee.
- 8.3 To include as a standing item on every agenda the Committee should review how effectively it has discharged its business.

## **9. ADMINISTRATION**

- 9.1 The meeting will be closed and not open to the public.
- 9.2 The Company Secretary will ensure there is appropriate secretarial and administrative support to the Committee.
- 9.3 An Action List and minutes will be compiled during the meeting and circulated within 7 calendar days of the end of the meeting.
- 9.4 Any issues with the Action List or minutes will be raised within 7 calendar days of issue.
- 9.5 The Company Secretary will agree a draft agenda with the Committee Chair, and it will be circulated 7 calendar days before the meeting.
- 9.6 Any issues with the agenda must be raised with the Committee Chair within 4 working days.
- 9.7 All final Committee reports must be submitted 7 calendar days before the meeting.
- 9.8 The agenda, minutes and all reports will be issued 6 calendar days before the meetings.

## **10. REPORTING AND RELATIONSHIP WITH OTHER COMMITTEES**

- 10.1 The Committee Chair will provide a Committee Assurance Report for the next meeting of the Board and the CoCo when required. This will describe the major issues that were discussed by the Committee, and the level of assurance that was received through papers and oral testimony.
- 10.2 The Committee will review its effectiveness on an annual basis, reporting the outcome of the review to the Board of Directors.
- 10.3 The Committee Chair will present to the Council of Governors annually a report on the work of the Committee.

Approved: April 2023

Renewal: April 2024

Amended: March 2023 (to reflect the new Commissioning Committee)