

Audit Committee
DRAFT Terms of Reference

1. Purpose
The purpose of the Committee is to lead on behalf of the Board of Directors the acquisition and scrutiny of assurances concerning the effective design and operation of internal control, and financial reporting and disclosure.
2. Objective
The focus of the Committee will be driven by the Trust's objectives and the associated risks. An annual programme of business will be agreed each financial year; however, this will be flexible to new and emerging priorities and risks.
3. Authority
<p>The Committee is constituted as a standing Committee of the Board of Directors.</p> <p>The Committee is authorised by the Trust Board to investigate any activity within its Terms of Reference, with adherence to the Trust's scheme of delegation and standing financial instructions (SFIs). The Committee can request information, reports, and assurances from any employee in relation to those areas within these Terms of Reference and all employees are directed to cooperate with any request made by the Committee.</p> <p>The Committee may invite any Director, Executive, external or internal auditor, or other persons to attend any meetings of the Committee if this is considered beneficial to assist the Committee in the attainment of its objectives.</p> <p>In consultation with the Board of Directors, the Committee can access independent professional advice and secure the attendance of persons outside the Trust with relevant experience and expertise if it considers this necessary.</p> <p>The Audit Committee is a standing Committee in that its responsibilities and purpose are not time limited.</p>
4. Membership and Quoracy
<p>The Committee Membership shall be disclosed in the Annual Report and shall be a minimum of three independent Non-Executive Directors of the Board (excluding the Trust Chair). At least one of the members shall have recent and relevant financial experience. There shall be no deputies allowed in the absence of a member attending. In the event that the Committee chair is absent, one of the other independent Non-Executive Directors will preside as Chair.</p> <p>The Director of Finance and Director of Corporate Affairs shall be in attendance at all meetings except in relation to reserved business. They may send deputies to represent them in their absence or invite specific colleagues to address the Committee where appropriate and agreed with the Committee Chair.</p> <p>The following persons shall regularly be invited to attend at the discretion of the Committee, either for a particular item or for the whole meeting: External Audit Lead, Chief Medical Officer, Director of Quality, Associate Director or Finance, Director of Quality, Chief Internal</p>

Audit and Local Counter Fraud Specialist. The Chief Executive will be invited to attend meetings in relation to the publication of the Annual Accounts and Annual Governance Statement,

A quorum shall be two members, comprising of two Non-Executive Directors.

5. Attendance and Secretariat

Members should make every effort to attend all meetings of the Committee and will be required to provide an explanation to the Chair of the Committee if they fail to attend more than two meetings in a financial year. If a member fails to attend more than three meetings in a financial year, the Chair of the Committee will consider with the Chair of the Trust the appropriate action to be taken. The Committee Secretary will monitor attendance by members and report this to the Chair of the Committee on an annual basis.

Other Executive Directors and other Trust staff will be invited to attend for specific agenda items with the agreement of the Chair of the Committee and particularly when the Committee is discussing areas of risk or operation that are the responsibility of that Director.

The Director of Corporate Affairs will ensure that the Trust Secretariat Team provides a Secretary to the Committee and appropriate administrative support to the Chair and Committee members. This will include agreement of the agenda with the Chair and Executive leads, collation and circulation of papers, producing the minutes of the meetings, keeping a record of agreed actions and follow up, and advising the Chair and members of the Committee as appropriate.

6. Frequency of meetings

The Committee shall meet with such frequency and at such times as it may determine, and the Chair may convene additional meetings of the Committee if necessary to consider business that requires urgent attention.

It is expected that the Committee shall meet a minimum of four times per year with normal practice of meetings held quarterly with an additional meeting held to review the Annual Accounts in line with the External Audit cycle.

Committee members will meet alone with the external auditor, the Head of Internal Audit and the Counter Fraud Lead at least once each year to ensure that there are no unresolved issues or concerns, and they are not being subjected to any undue influence by Executive Directors.

7. Duties of the Committee

The primary duties of the Committee will be (but not limited to):

Integrated governance, risk management and internal control

To review the adequacy and effectiveness of the system of 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 (including 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 achievement of the organisation's objectives, the effectiveness of the management of principal risks and the appropriateness of disclosure statements.
- the policies for ensuring compliance with relevant regulatory, legal and code of conduct requirements and any related reporting and self-certifications.
- all self-assessment submissions completed by the organisation and assurance of the evidence supplied to external bodies (including the NHSE Provider Capability Assessment and Maternity Incentive Scheme).
- The policies and procedures to support compliance in completing the External Visits Register and maintaining accurate and up-to-date records of visits from external bodies.
- the policies and procedures for all work related to counter fraud, bribery and corruption as required by the NHS Counter Fraud Authority.

Internal Audit

- To monitor and review the effectiveness of the internal audit function, consider the major findings of internal investigations and management's response, and to be satisfied that the internal audit function is adequately resourced, has appropriate standing within the Trust and operates with independence.
- To advise and approve the appointment and removal of the Chief Internal Auditor.
- To approve in advance the internal audit and counter-fraud work plans and be satisfied that the breadth and depth of internal work is sufficient to meet the Board's assurance needs, and that there is sufficient resource, capacity, and capability to deliver the internal audit plan.
- To ensure that the material issues arising from the work of internal audit which relate to matters which fall within the scope of the respective objectives and responsibilities of Board Committees shall be communicated to such Committees and considered within their agendas.
- To satisfy itself that there is appropriate co-ordination between the internal and external auditors.

External Audit

- To make recommendations to the Board to establish an Auditor Panel in relation to the appointment, re-appointment and removal of the external auditor and be directly responsible for the approval of the remuneration and terms of engagement (including use of non-audit services) of the external auditor.
- To review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant professional and regulatory requirements and reports from the external auditors on their own policies and procedures regarding independence and quality control and to oversee the appropriate rotation of audit partners with the external auditor.
- To approve and oversee policy on the engagement of the external audit to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the audit firm; and to approve in advance any non-audit services provided by external audit and the fees for any such services; to report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken.
- To review the external auditor's annual report on the progress of the audit, its management letter, any material queries raised by the external auditor to

management in respect of the accounting records, financial accounts or systems of control and, in each case, responses from management. Any material issues arising which relate to the management of risk or internal controls shall also be referred to the Risk Management Committee or Board of Directors as appropriately by the Director of Corporate Affairs.

- To ensure a timely response is provided to the financial reporting and related control issues raised in the external auditor's management letter.
- To discuss with the external auditor their general approach, nature and scope of their audit and reporting obligations before the audit commences including, in particular, the nature of any significant unresolved accounting and auditing problems and reservations arising from their interim reviews and final audits, major judgmental areas (including all critical accounting policies and practices used by the Trust and changes thereto), all alternative accounting treatments that have been discussed with management together with the potential ramifications of using those alternatives, the nature of any significant adjustments, the going concern assumption, compliance with accounting standards and legal requirements, reclassifications or additional disclosures proposed by the external auditor which are significant or which may in the future become material, the nature and impact of any material changes in accounting policies and practices, any written communications provided by the external auditor to management and any other matters the external auditor may wish to discuss (in the absence of management where necessary).
- To consider any findings of major investigations of internal control over financial reporting matters as delegated by the Board or identified by the Committee.

Counter fraud, bribery and declarations

- To satisfy itself that the organisation has adequate arrangements in place for counter fraud, bribery and corruption that meet NHSCFA's standards and to review the outcomes of work in these areas.
- To 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.
- To review, in conjunction with the Chief Executive, and report to the Board an opinion on the Declarations of Independence made by Non-Executive Directors.

Financial reporting

- To review the Trust's financial and accounting policies and practices.
- To monitor the integrity of the financial statements of the Trust, and any formal announcements relating to the Trust's financial performance or supplementary regulatory information, reviewing significant financial reporting judgements contained in them. In reviewing the Trust's financial statements before submission to the Board, the Committee shall focus 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 judgements in preparation of the financial statements*
 - *significant adjustments resulting from the audit*
 - *letters of representation*

- *explanations for significant variances.*
- *System for raising concerns.*

In the regard to the above:

- *members of the Committee shall consult with the Board, members of senior management and the external auditor, Chief internal Auditor; and*
- *the Committee shall consider any significant or unusual items that are, or may need to be, highlighted in the annual report and accounts, and shall consider any such matters raised by the staff responsible for the accounting and financial reporting function.*
- To provide advice to the Board on whether the annual report and accounts (and declarations contained therein), taken as a whole, is fair, balanced, and understandable and provides the information necessary for stakeholders to assess the Trust's performance, business model and strategy.
- To provide to the Board such assurances as it may reasonably require regarding compliance by the Trust with all supervisory and other regulations or legal obligations to which they are subject.
- To review and discuss with management the effectiveness of the Trust's internal control systems and financial reporting, and to endorse the content of the statement relating to internal controls over financial reporting in the annual report and accounts for submission to the Board.

Other assurance functions

- To 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) that supports the achievement of the Trust's objectives.
- To be satisfied that procedures for the receipt, retention and confidential treatment of concerns raised by employees or contractors, whilst at work in accordance with the Public Interest Disclosure Act (commonly known as 'Whistleblowing'/ Freedom to Speak Up) are embedded, used by staff, responded to appropriately and effective.
- To seek assurance on behalf of the Board on the use, scrutiny, frequency, and application of Single Tender Waiver actions, with the Director of Procurement in attendance.
- To seek assurance on behalf of the Board on the application if the Single Site Evaluation and make a recommendation to the Board for approval.
- To satisfy itself that the organisation has adequate arrangements in place to support cyber security and data protection which will include an annual review of the Data Protection Security Toolkit (DSPT).
- To review the work of other Committees within the organisation, whose work can provide relevant assurance to the Audit Committee's own areas of responsibility. In particular, this will include any Committees covering safety/ quality, for which assurance from clinical audit can be assessed, and risk management.

8. Reporting and Assurance

The Committee will receive a regular report from the Director of Finance covering issues escalated from relevant the executive groups.

The minutes of the Committee's meetings will be provided to the Trust Board alongside a written Committee Chair's Summary Report highlighting any areas of exception, providing a

summary of key assurances, and drawing attention to any matters that require disclosure or escalation to the Board, specifically where there is a lack of assurance in any aspect of the internal audit programme.

The Committee will provide an annual report to the Board of Directors on the effectiveness of its work and findings, including its review of relevant Board Assurance Framework entries and regulatory compliance. This will be based on an annual effectiveness review to be undertaken by the Committee (with contributions from regular attendees and report authors) which will inform its forward work plan.

The Committee will review and endorse the information contained within the Annual Report and Annual Accounts submission to the Board.

9. Links to other Board Committees

The Trust's Audit Committee will retain overall responsibility for monitoring, reviewing, and reporting to the Board of Directors on all aspects of governance, risk management and internal control. It will do so having regard to the assurance provided by the Trust's Finance & Performance Committee, People & Culture Committee, Quality Assurance Committee, Perinatal Improvement Assurance Committee and Risk Management Committee in their undertaking of their work programmes.

10. Monitoring and Review

These Terms of Reference will be reviewed by the Committee and approved by the Board of Directors annually or as any significant amendments to the Committees primary duties arise.

The Committee will commit to undertaking an annual review of the effectiveness of the Committee to inform the Committee's annual report to the Board of Directors and the following year's work programme. This review will take account of the latest Audit Committee best practice guidance.

Version Control	Date of Board Approval	Comments
V1 Draft		New template and amendments to wording