

GROUP AUDIT COMMITTEE

TERMS OF REFERENCE

Constitution

The Foundation Trust Board of Directors' Audit Committee ("Committee") is formally constituted under paragraph 5.9 of Standing Orders for the practice and procedure of the Board of Directors. The Committee is a non-executive committee of the Board of Directors and has no executive powers other than those specifically delegated in these terms of reference.

Delegated Powers

Under Standing Orders paragraph 4.3, the Board of Directors has delegated powers to be exercised by the Audit Committee.

Board committees exist to support the Board in fulfilling its responsibilities for corporate and clinical governance.

The primary role of each committee is to give assurance to the Board for its individual remit.

The Committee must satisfy itself that:

- Adequate and effective systems of risk management, internal control and governance (including regulatory compliance) are in place within the Trust and subsidiaries within the wider CDDFT group;
- Internal and external audit arrangements are effective;
- Adequate and effective systems are in place for financial management and reporting; and
- Appropriate levels of assurance are being sought on controls over significant risks, to support the requirements for the Annual Governance Statement.

The Committee will:

- Be responsible for a work programme determined by the Board on an annual basis in accordance with strategic objectives and the annual plan;
- Have delegated authority to review progress and take decisions within a framework approved by the Board and linked firmly to the annual business cycle; and
- Ensure Terms of Reference recognise key inter-relationships to ensure focus and minimize duplication.

Role/Duties of the Committee

The duties and responsibilities of the Committee can be categorised as follows:

1. Internal Control, Governance and Risk Management

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

In particular, the Committee will review the adequacy (and effectiveness) of:

- (i) all risk and control related disclosure statements, together with any accompanying Head of Internal Audit statement, external audit opinion or other appropriate independent assurances, prior to endorsement by the Trust Board;
- (ii) the underlying assurance processes that indicate the degree of achievement of group objectives, the effectiveness of the management of principal risks and the appropriateness of the above disclosure statements;
- (iii) policies for ensuring that there is compliance with relevant regulatory, legal and code of conduct requirements and related reporting self-certification;
- (iv) 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;
- (v) the effectiveness of the Trust's arrangements to promote high standards of conduct (including arrangements with respect to gifts and hospitality) and its speaking up / whistleblowing procedures.

1.2 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 sources. It will also seek reports and assurances from directors and managers as appropriate, concentrating on the over-arching systems of integrated governance, risk management and internal control, together with indicators of their effectiveness.

This will be evidenced through the use of an effective Board Assurance Framework, and underlying processes, to guide the work of Board Committees, including the work of the Audit Committee and that of the audit and assurance functions that report to it.

The Committee may also request specific reports from individual functions within the Trust (for example, the Assurance, Risk and Compliance directorate) as they may be appropriate to the overall arrangements for governance, risk management and internal control. This will include satisfying itself that the scope of the annual clinical audit plan, and progress of work are sufficient to support the Group's assurance needs.

1.3 In addition, the Committee will work with the other Trust Board Committees where they can provide relevant assurance to the Committee's own scope of work; in particular the Integrated Quality and Assurance Committee and Operational Performance Assurance Committee. A systematic approach will be taken involving a joint review of work plans and key outcomes.

2. Internal Audit

The Committee will ensure that there is an effective internal audit service that meets the requirements of professional standards (currently the Public Sector Internal Audit Standards) and provides independent assurance to the Audit Committee, Chief Executive and Board. This will be achieved by:

- (i) consideration of the provision of the Internal Audit service, the costs of the internal audit service and any questions of resignation and dismissal;

- (ii) 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;
- (iii) considering the major findings of Internal Audit assignments (and management's response), and ensuring co-ordination between the internal and external auditors to optimise audit resources;
- (iv) ensuring that the internal audit service is adequately resourced and has appropriate standing within the organisation;
- (v) receiving a report at each routine business meeting from the Head of Internal Audit on progress against plans, completed audit reports and management's response to these reports; and
- (vi) completing an annual review of the effectiveness of internal audit.

The Committee will report to the Board on any significant matters arising from any internal audit reports or investigations.

3. External Audit

- 3.1 The Committee will review and monitor the External Auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant United Kingdom professional and regulatory requirements.
- 3.2 The Committee will 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 Auditor.
- 3.3 The Committee will report to the Council of Governors ("Council") 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. The Council will take the lead in agreeing with the Committee the criteria for appointing, reappointing and removing auditors. However, the Committee will make recommendations to the Council in relation to the appointment, re-appointment and removal of the External Auditor and approve the remuneration and terms of engagement of the External Auditor. In the event that the Council does not accept the Committee's recommendation, the Trust Board will include in the Annual Report a statement from the Committee explaining the recommendation and setting out the reasons for the Council rejecting the Committee's recommendation. In the event that the Council ends an auditor's appointment in disputed circumstances, the Trust Chairman will inform NHS England and Improvement of the reasons for the decision.
- 3.4 The Committee will discuss with the External Auditor, before an audit commences, the nature and scope of the audit, as set out in the annual plan, and ensure co-ordination, as appropriate, with other external auditors in the local health economy. In doing so, the Committee will discuss with the external auditors their evaluation of audit risks, their assessment of the Trust and the impact on the audit fee.
- 3.5 The Committee will review all External Audit reports, including the annual report to those charged with governance and any work undertaken outside of the annual audit plan, together with the appropriateness of management responses.
- 3.6 The Committee will report to the Trust Board on any significant matters requiring their attention arising from an External Audit report or investigation.

4. Financial Reporting and Management (including Annual Reporting)

- 4.1 The Committee will monitor the integrity of the financial statements of the Trust and the CDDFT Group before submission to the Trust Board, and any formal announcements relating to the Trust's / Group's financial performance, reviewing significant financial reporting judgements contained in them focusing particularly on:
- (i) changes in, and compliance with, accounting policies and practices;
 - (ii) significant judgements in the preparation of the financial statements;
 - (iii) unadjusted misstatements in the financial statements
 - (iv) significant adjustments resulting from the audit;
 - (v) the letter of representation;
 - (vi) the qualitative aspects of financial reporting; and
 - (vii) ensuring there is an adequate process in place to provide assurance on the risks facing the Trust.

The Committee will review the annual accounts of Synchronicity Care Limited (SCL), with reference to the above criteria and make recommendations as it considers appropriate to the Board of SCL on any matter appropriate to the Committee's remit.

- 4.2 The Committee will receive regular reports on the Board Assurance Framework.
- 4.3 The Committee will review the Annual Governance Statement before submission to the Trust Board.
- 4.4 The Committee will review annually the Standing Financial Instructions (SFIs) and the Schemes of Decision and Delegation. The Committee will also seek assurance, periodically, on the processes for, and circumstances in which, they are waived.
- 4.5 The Committee will review quarterly the schedules of losses and compensation payments and make recommendations to the Trust Board.
- 4.6 The Committee will consider the content of any report involving the Trust, issued by the Public Accounts Committee or the Comptroller and Auditor General and will review management's proposed response before presentation to the Trust Board for agreement.
- 4.7 The Committee will seek assurance that strong financial management is embedded within the organisation, including arrangements to secure economy, efficiency and effectiveness in the use of resources.
- 4.8 The Committee will review the annual financial statements of the Trust's charitable funds and receive assurance that controls are operating effectively for the management of charitable funds.

Committee Chairman and Membership

The Committee shall be appointed by the Trust Board from amongst the Non Executive Directors of the Trust and shall consist of at least **three independent non executive directors**, at least one of whom will have recent and relevant financial experience.

The Trust Chairman may not be a member of the Committee.

To maintain the independence of the Committee, members may not nominate representatives to attend on their behalf.

A Committee Chairman will be appointed by the Trust Chairman from amongst the Committee members. One of the other Committee members will chair meetings of the Committee in the absence of the Committee Chairman, provided that the Committee is quorate.

In the event that the Committee Chairman is absent from a meeting, or any part of a meeting, the Committee will be chaired by another member of the Committee.

Accountability and Reporting Arrangements

The Committee Chairman will be accountable for routine reporting to the Board and ensuring that the Committee delivers its objectives and fulfils its responsibilities for assurance.

Frequency of Committee Meetings

The Committee will meet a minimum of five times a year.

Attendance at meetings by non Committee members

The Committee Chairman shall have the power to call for the attendance of any individual employed by the Trust, as considered necessary to fulfil these terms of reference and may invite other non-Committee members as required. The same power shall extend to officers of any subsidiary companies in which the Trust is the sole or majority shareholder, where the Chairman considers it necessary to discharge Committee business.

The Director of Finance, Senior Associate Director of Assurance and Compliance, Head of Internal Audit and a representative of the External Auditors will normally be invited to attend meetings. However, at least once a year the Committee will meet with the External and Internal Auditors without any executive director being present.

The Chief Executive and other members of the executive management team may be invited to attend Committee meetings, particularly when the Committee is discussing areas of risk or operation that are the responsibility of that director or manager, or when the Committee is reviewing the work plans for, and apprising itself of the outcomes of, the assurance activities of relevant Board Sub-Committees.

The Chief Executive (or an appropriate representative) should be invited to attend, at least annually, to discuss with the Audit Committee the process for assurance that supports the Annual Governance Statement.

Support will be provided to the Committee by the Trust Secretariat.

Voting

Decisions of the meeting will require to be approved by a majority of the committee members. The Committee Chairman, or the member who is chairing the meeting in the Committee Chairman's absence, will have a second or casting vote in the event of a tied vote.

Committee Quorum

The quorum is **two** Committee members. The Committee Chairman will count towards the quorum. Members are required to attend a minimum of three meetings a year.

Fraud, Bribery and Corruption

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

In support of the above, the Committee shall approve the work programme for, and receive periodic reports from, the Trust's Counter Fraud Service on the adequacy of the Trust's anti-fraud arrangements and on the progress of, and significant matters arising from, counter fraud work including investigations.

The Committee will refer any suspicions of fraud, bribery or corruption to the NHS CFA, with – as required – the assistance of the Trust's Counter Fraud Service.

Other matters

The Committee will review relevant disclosures within the Trust's annual report for consistency with the evidence presented to the Committee during the year and as part of the year end closedown process.

The Committee will review arrangements by which Trust staff may raise, in confidence, concerns about possible improprieties in matters of financial reporting and control, clinical quality, patient safety or other matters. The Committee will seek assurance that arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow-up action.

The Committee will also monitor the implementation of the policy on standards of business conduct for members and staff (the codes of conduct and accountability) to provide assurance to the Trust Board of probity in the conduct of business.

The minutes of the Audit Committee will be formally recorded by the Trust Secretariat. Minutes will be received by the Board of Directors. The Chair of the Committee shall also draw to the attention of the Board any issues that require disclosure to the full Board, or require executive action, by means of a report to be submitted to the next Board meeting after the Committee has met.

The Committee will report to the Board at least annually on its work in support of the Annual Governance Statement, specifically commenting on the fitness for purpose of the Assurance Framework, the completeness and embeddedness of risk management within the organisation, the integration of governance arrangements and the robustness of the processes behind the Quality Accounts.

The Committee will conduct an annual self-assessment of its effectiveness.

The Committee will meet jointly with the Council of Governors' Audit and Governance Committee annually to consider the year end accounts, annual report, annual governance statement and supporting evidence. The Committee may hold seminars jointly with the Governors to receive briefings on relevant matters. In addition, the Chair of the Committee, or the Committee as a whole, may from time to time attend meetings of, or meet with, the Governors' Audit and Governance Committee.

The Committee shall be supported administratively by the Trust Secretariat, such support to include:

- Agreement of agenda with the Chair and collation of papers;
- Minute-taking;
- Maintaining the action log;
- Advising the Committee on pertinent issues; and
- Supporting the development and training of Committee members.

Conflicts of Interest

Any potential conflict of interest arising in the course of conducting Committee business shall be handled in accordance with the Protocol set out in Appendix 1.

Review of Terms of Reference

These Terms of Reference to be reviewed annually.

Date ToR implemented: July 2011
Date ToR Revised: April 2023
Date ToR to be reviewed: April 2024

APPENDIX 1 – PROTOCOL FOR THE MANAGEMENT OF CONFLICTS OF INTEREST

Conflicts of Interest relating to Associate Directors or Directors of Subsidiary Companies

1. Any Director of the Trust who is also a Director of a subsidiary company will be required to declare the latter directorship for inclusion in the Trust's register of interests and at the outset of any meeting where business of relevance to the subsidiary may be discussed by the Board or a Board Committee.
2. Any Associate Director or Director of a subsidiary company (being an “**Authorised Representative**”) attending a Board or Board Committee meeting, for purposes associated with the delivery of services due to the Trust, should declare their interest in the subsidiary at the outset of the meeting or when any relevant business arises for discussion.
3. Where Authorised Representatives attend a Board or Board Committee it is acknowledged and accepted that they are attending such Board or Board Committee in their capacity as an authorised representative of the relevant subsidiary.
4. If during the course of the Board or Board Committee the Authorised Representative identifies a conflict of interest between the interests of the subsidiary and those of the Trust, the Authorised Representative shall declare such an interest to the meeting.
5. If the conflict identified requires approval of the subsidiary board of directors the Board or Board Committee shall confirm that no decision will be made on the relevant matter until confirmation of approval is received from that subsidiary board of directors. Where the subsidiary board of directors do not approve the conflict of interest the matter shall be escalated for resolution between the subsidiary board of directors and the Trust Board.
6. The Board or Board Committee should determine the action required in response to any other declaration of interest, which may include exclusion of the relevant individual from the meeting, whilst the matter is under discussion and / or exclusion from voting. No Trust Board Director who is a Chair of a Board Committee, and also a Director of a subsidiary company, should chair that part of the Committee meeting when the performance of that subsidiary is under discussion.
7. The terms of reference of Board Committees shall include requirements for the formal declarations and actions set out above.
8. The Trust Secretary shall agree the work plans and agendas for meetings of the Trust Board, and any Board Committee in which one of the Committee members is also a subsidiary company director. The Trust Secretary shall agree with the Committee Chair (or should the subsidiary company director in question occupy that position, the Trust Chairman), in advance of the papers being issued, any safeguards required with respect to that individual's access to the relevant papers and participation in discussions within the meeting.
9. All actions taken to manage a conflict of interest arising in a meeting shall be recorded in the minutes of that meeting.

Protocol for the management of personal conflicts of interest

10. Any Committee Member, or attendee, with a personal conflict of interest will be required to declare that interest at the outset of any meeting where business of relevance to the subsidiary may be discussed by the Board or a Board Committee.

11. The Board or Board Committee should determine the action required in response to any declaration of interest, which may include exclusion of the relevant individual from the meeting, whilst the matter is under discussion and / or exclusion from voting. No Committee Member who is a Chair of a Board Committee, should chair that part of the Committee meeting when the matter to which their declared interest is relevant is under discussion.
12. All actions taken to manage a conflict of interest arising in a meeting shall be recorded in the minutes of that meeting.