

# **TERMS OF REFERENCE**

**for the**


**University Hospitals Dorset NHS Foundation  
Trust**

**Audit Committee**

**September 2023**

## DOCUMENT DETAILS

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Date of Issue	Version No:	Next Review Date:	Date Approved:	Director responsible for Change	Nature of Change
October 2020	1	October 2021	July 2020	Company Secretary	New Document
October 2021	1.1	October 2022		Company Secretary	Deleted 9.1 Requirement for Committee minutes to be reported to the Trust Board  Added 9.1 These minutes will be available to the Board for Directors  Remove a phrase at 11.4 i)  Amend 11.6,
January 2023	2	January 2024	25 January 2023	Associate Director of Corporate Governance	Alignment of formatting with other Committee ToR; full review and update.

September 2023	2.1	July 2024	27 September 2023	Associate Director of Corporate Governance	Amended 3.3 to remove Senior Independent Director from those ineligible to be Committee Chair.
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<b>INDIVIDUAL APPROVAL</b>			
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<b>BOARD OF DIRECTORS / COMMITTEE APPROVAL</b>			
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Print Name	Rob Whiteman	Signature of Chair	

## UNIVERSITY HOSPITALS DORSET NHS FOUNDATION TRUST

### AUDIT COMMITTEE

#### TERMS OF REFERENCE

#### 1. PURPOSE

- 1.1 The Board of Directors (Board) has resolved to establish a Committee of the Board to be known as the Audit Committee (the Committee"). The Committee is comprised of Non-Executive Directors and accounts to the Board.

The Committee will provide an independent and objective view of internal control by:

- Overseeing internal and external audit services;
- Reviewing financial and information systems, monitoring the integrity of the financial statements and reviewing significant financial reporting judgments;
- Reviewing the establishment and maintenance of an effective system of integrated governance, risk management and internal control;
- Monitoring compliance with Standing Orders and Standing Financial Instructions;
- Reviewing schedule of losses and compensations and making recommendations to the Board;
- Reviewing the arrangements in place to support the board assurance framework process prepared on behalf of the Board and advising the Board accordingly on:
  - Integrated Governance;
  - Risk Management;
  - Internal Audit;
  - Board Assurance;
  - Production of the Annual Report;
  - Schedule of Losses and Compensations;
  - Freedom to Speak Up – Whistleblowing;
  - Clinical Audit;
  - Counter-Fraud;

in order to provide the Board with a means of independent and objective review of financial and corporate governance, assurance processes and risk management across the whole of the organisation's activities (clinical and non-clinical), both generally and in support of the Annual Governance Statement (including letters of representation).

- 1.2 The Committee will seek the view of the Trust's external auditors and consider the Executives' response to the auditors' work.
- 1.3 The Committee is a committee of the Board and has no executive powers other than those specifically delegated in these terms of reference.

#### 2. RESPONSIBILITIES

##### **Governance, risk management and internal control**

- 2.1 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 (clinical and non-clinical) that supports the achievement of the organisations' objectives. In particular, the Committee will review the adequacy and effectiveness of:

- All risk and control related disclosure statements (in particular the annual governance statement, annual report, quality accounts, annual financial statements, annual draft licence compliance, annual draft code of governance compliance, assurance process for licence condition compliance, assurance process for corporate governance statement together with any accompanying internal audit statement, external audit opinion or other appropriate independent assurances), prior to submission to the Board;
- The underlying assurance processes that indicate the degree of the achievement of the organisation's objectives, the effectiveness of the management of principal risks and the appropriateness of the above disclosure statements;
- The policies for ensuring compliance with relevant regulatory, legal and code of conduct requirements and any related reporting and self-certifications;
- The wording in the annual governance statement and other disclosures relevant to the Terms of Reference of the Committee;
- The clinical audit system plan to ensure that it is robust, reflecting both national and local priorities, comprehensive and embedded across all clinical teams with the outcomes used to drive improvement and enhance the overall quality of clinical care.

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.

### **Counter-fraud**

- 2.2.1 To review the adequacy and effectiveness of policies and procedures for all work related to counter-fraud, anti-bribery and corruption to ensure that these meet the NHS Counter Fraud Authority's standards and the outcomes of work in these areas, including reports and updates on the investigation of cases from the local counter fraud service;
- 2.2.2 To ensure that the counter fraud function has appropriate standing within the organisation.
- 2.2.3 To review the counter fraud programme, consider major findings of investigations (and management's response), and ensure co-ordination between the internal auditors and counter fraud.

### **Internal Audit**

- 2.3 To ensure that there is an effective internal audit function that meets the Public Sector Internal Audit Standards and provides independent assurance to the Committee, Chief Executive and Board. This will be achieved by:
- 2.3.1 Considering the provision of the internal audit service, the cost of the audit and any questions of resignation and dismissal;
- 2.3.2 Reviewing and approving the annual internal audit plan and more detailed programme of work, ensuring that this is consistent with the audit needs of the Trust as identified in the assurance framework;
- 2.3.3 Considering the major findings of internal audit work (and the appropriateness and implementation of management responses) and ensuring coordination between the internal and external auditors to optimise audit resources;
- 2.3.4 Ensuring the internal audit function is adequately resourced and has appropriate standing within the Trust; and
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- 2.3.5 Monitoring the effectiveness of internal audit and carrying out an annual review.

### **External Audit**

- 2.4 To review and monitor the external auditors' integrity, independence and objectivity and the effectiveness of the external audit process, more particularly, reviewing the work and findings of the external auditors and considering the implications and management's response to their work. This will be achieved by:
- 2.4.1 Considering the appointment and performance of the external auditors, including providing information and recommendations to the Council of Governors in connection with the appointment, reappointment and removal of the external auditors in line with criteria agreed by the Council of Governors and the Committee;
- 2.4.2 Discussing and agreeing with the external auditors, before the external audit commences, the nature and scope of the audit as set out in the annual external audit plan;
- 2.4.3 Discussing with the external auditors their evaluation of audit risks and assessment of the Trust and associated impact on the audit fee;
- 2.4.4 Reviewing all external audit reports, including reports to the Board and the Council of Governors, and any work undertaken outside the annual external audit plan together with any significant findings and the appropriateness and implementation of management responses;
- 2.4.5 Ensuring that there is in place a clear policy for the engagement of external auditors to supply non-audit services taking into account relevant ethical guidance.

### **Financial reporting**

- 2.5.1 To monitor the integrity of the financial statements of the Trust and any formal announcements relating to the Trust's financial performance.
- 2.5.2 To ensure that the systems for financial reporting to the Board, including those of budgetary control, are subject to review as to the completeness and accuracy of the information provided to the Board.
- 2.5.3 To review the annual report, annual governance statement and annual financial statements before these are presented to the Board to determine their completeness, objectivity, integrity and accuracy and the letter of representation addressed to the external auditors from the Board including:
- 2.5.3.1 The annual governance statement and other disclosures relevant to the work of the Committee;
- 2.5.3.2 Areas where judgment has been exercised;
- 2.5.3.3 Appropriateness and adherence to accounting policies and practices;
- 2.5.3.4 Explanation of estimates or provisions having material effect and significant variances;
- 2.5.3.5 The schedule of losses and special payments, which will also be reported on separately during the financial year;
- 2.5.3.6 Any significant adjustments resulting from the audit and unadjusted audit differences; and
- 2.5.3.7 Any reservation and disagreements between the external auditors and management which have not been satisfactorily resolved.

### **Freedom to speak up**

- 2.6 To review the effectiveness of the arrangements in place for allowing staff to raise (in confidence) concerns about possible improprieties in matters of financial reporting and control, fraud, bribery and corruption, clinical quality, patient safety or other matters.

### **Emergency Preparedness, Resilience and Response (EPRR)**

- 2.7 To receive assurance that the Trust is complying with EPRR legal and policy requirements, including sufficient experience and qualified resource having been allocated prior to this being presented to the Board.

## **3. MEMBERSHIP & ATTENDANCE**

- 3.1 Membership of the Committee comprises of four independent Non-Executive Directors (other than the Trust Chair), one of whom will be a qualified accountant and one of whom will also be a member of the Quality Committee.
- 3.2 The following will be invited to attend meetings of the Committee to provide information and advice with prior agreement of the Committee Chair on a regular basis:
- Representative(s) from the external auditor;
  - Representative(s) from the internal auditor;
  - Representative(s) from the local counter fraud service;
  - Chief Finance Officer;
  - Chief Nursing Officer; and
  - Associate Director of Corporate Governance/Company Secretary;
- and others will attend as invited by the Committee Chair.
- 3.3 The Committee will be chaired by a Non-Executive Director of the Trust (not the Trust Chair or Trust Vice-Chair), appointed by the Board. A Non-Executive Deputy Chair should be nominated (not the Trust Chair). In the absence of the Committee Chair and/or any appointed Deputy, the remaining members shall elect one of the Non-Executive Directors present to chair the meeting.
- 3.4 Subject to paragraphs 3.2 above and 3.6 below, only members of the Committee have the right to attend Committee meetings.
- 3.5 Committee members should aim to attend all scheduled meetings but must attend a minimum of two thirds of meetings. The Company Secretary (or their nominee) will maintain a register of members' attendance.
- 3.6 Other individuals may be invited to attend for all or part of any meeting, as and when appropriate and necessary, particularly when the Committee is considering areas of risk or operation that are the responsibility of a particular executive director. The Chief Executive Officer will be invited to attend meetings of the Committee, at least annually, to discuss with the Committee the process for assurance supporting the annual governance statement.
- 3.7 There may be up to two governors attending each meeting as observer(s). Observers are not members of the Committee. These governor(s) will have been nominated to attend by the Council of Governors.

## **4. AUTHORITY**

- 4.1 The Committee is authorised by the Board to investigate/review any activity within its Terms of Reference.
- 4.2 The Committee is authorised to approve its own governance cycle

- 4.3 The Committee is authorised by the Board to obtain any external advice it requires to discharge its duties and to request the attendance of individuals and authorities from outside the Trust with relevant experience and expertise if it considers this necessary for or expedient to the exercise of its functions.
- 4.4 The Committee is authorised to obtain such internal information as is necessary and expedient to the fulfilment of its functions.
- 4.5 The Committee is authorised to approve policies in accordance with the Document Control Policy.

## **5. CONDUCT OF BUSINESS**

- 5.1 The Standing Orders of the Trust, as far as they are applicable, shall apply to the Committee and any of its meetings.
- 5.2 The Committee will meet at least four times in each financial year and at such other times as the Committee Chair shall require.
- 5.3 Meetings of the Committee shall be quorate if the Committee Chair (or their nominated deputy) and one other Non-Executive Director member are present.
- 5.4 If a meeting of the Committee is inquorate, then the meeting can progress if those present determine. However no business shall be transacted; items requiring approval may be submitted to the next meeting of the Board as an urgent item.
- 5.5 Meetings of the Committee shall be called by the Company Secretary at the request of the Committee Chair or any of the Committee's members, or, if they consider it necessary, external or internal auditors.
- 5.6 The Company Secretary (or their nominee) is responsible for preparing the agenda for agreement by the Chair. The Company Secretary (or their nominee) shall collate and circulate papers to Committee members. Unless otherwise agreed by the Committee Chair, papers should be provided not less than seven working days before the meeting and the agenda and papers should be circulated not less than five working days before the meeting.
- 5.7 The agenda and papers shall be made available upon request to members of the Board.
- 5.8 Under exceptional circumstances, in the case of emergency or urgency, items of business may be conducted outside of formal meetings. This should normally be agreed by the Committee in advance and carried out either by: Chair's action, calling an extraordinary meeting or reaching consensus on a decision by e-mail. Any decisions made in this manner must be formally ratified by the Committee and/or Board at the next meeting.
- 5.9 Committee business may be transacted through virtual media (including, but not limited to video conferencing). At the start of each meeting taking place without all parties physically present, the Chair shall be responsible for determining that the meeting is quorate.



- 5.10 Proceedings and decisions made will be formally recorded by the Company Secretary team in the form of minutes, which will be submitted to the next meeting of the Committee for approval. Once approved by the Committee, minutes of the meetings of the Committee shall be circulated to all other members of the Board, unless the Committee Chair is of the opinion that it would be inappropriate to do so.
- 5.11 At each meeting, there will be an opportunity for the Committee to meet with representatives of external and internal auditors without management being present to discuss their remit and any issues arising from their audits.
- 5.12 Outside of the formal meeting programme, the Committee Chair will maintain a dialogue with key individuals involved in the Trust's governance, including external and internal audit.

## **6. RELATIONSHIPS & REPORTING**

- 6.1 The Committee shall be accountable to the Board.
- 6.2 Where the Committee considers there is evidence of ultra vires transactions, evidence of improper acts, or if there are other important matters that the Committee wishes to raise, the Committee Chair should raise the matter at a full meeting of the Board. The matter may be referred to the Chief Finance Officer in the first instance.
- 6.3 The Committee Chair shall present a report summarising the proceedings of each Committee meeting at the next meeting of the Board. For the avoidance of doubt, where practicable, this shall be a written report, with a verbal update being presented as necessary.
- 6.4 The Committee shall refer to the Finance & Performance Committee, Quality Committee, People & Culture Committee and/or Population Health & System Committee any matters requiring review or decision in such forum(s).
- 6.5 The Committee shall receive reports from sub-groups of the Trust Management Group and/or Board Committees that specify matters requiring escalation to the Committee. The Committee shall also receive, from time to time, such reports from such sub-groups as it may require to provide it with assurance relating to matters within the scope of the Committee's responsibilities.

## **7. MONITORING**

- 7.1 Attendance will be monitored at each committee meeting. A matrix (see example at Appendix A) of membership attendees will be used for monitoring purposes.
  - 7.2 The Trust's Annual Report will include a section describing the work of the Committee in discharging its responsibilities including:
    - 7.2.1 The significant issues that the Committee considered in relation to financial statements, operations and compliance, and how these issues were addressed;
    - 7.2.2 An explanation of how the Committee has assessed the effectiveness of the external audit process and the approach taken to the appointment or
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reappointment of the external auditor, the value of external audit services and information on the length of tenure of the current audit firm, when a tender was last conducted and advanced notice of any retendering plans; and

7.2.3 If the external auditor provides non-audit services, the value of the non-audit services provided and an explanation of how auditor objectivity and independence are safeguarded.

7.3 On an annual basis, the Committee will provide a self-assessment report to the Board detailing how the Committee has discharged its obligations as set out within its terms of reference, specifically incorporating an assessment of its effectiveness and making recommendations for improvement, where appropriate.

## **8. REVIEW**

8.1 These Terms of Reference will be reviewed annually or sooner if appropriate.

8.2 The position of the Chair of the Committee will be reviewed at least every three years.

## APPENDIX A

### ATTENDANCE AT AUDIT COMMITTEE MEETINGS

<b>NAME OF COMMITTEE:</b>	Finance and Performance Committee											
<b>Present (including names of members present at the meeting)</b>	<b>Meeting Dates</b>											
Was the meeting quorate? Y/N  (Please refer to Terms of Reference)												