

## Board of Directors

**30 January 2020**

<b>Paper title:</b>	Audit Committee Terms of Reference	<b>Agenda item</b>  <b>8.1</b>
<b>Presented by:</b>	Andrew Chang, Non Executive Director and Chair of the Audit Committee	
<b>Prepared by:</b>	Fran Limbert, Corporate Governance Manager and Deputy Trust Board Secretary	

Purpose of the report		
Presentation of the refreshed terms of reference for the Audit Committee. The terms of reference was approved by the Audit Committee on the 25 November 2019, and are now being presented to the Board of Directors for ratification.	For approval	✓
	For discussion	
	For information	

Executive summary
<p>Good governance stipulates that there will be an annual review of the terms of reference that support group and committees. In-line with this, the terms of reference for the Audit Committee have been reviewed by the Corporate Governance Team. The document has also been updated to use the template within the Care Trust Integrated Governance Guide.</p> <p>The proposed amendments to the Committee terms of reference are:</p> <ul style="list-style-type: none"> <li>• Governor observers – this section has been added to outline the purpose of governors observing Board sub-committee meetings;</li> <li>• Deputies – only Board members are members of Board sub-committees, information on member deputies has been added to strengthen understanding in this area;</li> <li>• Assurance and escalation reporting – to support good practice outlined in the Care Trust Integrated Governance Guide a section on assurance and escalation reporting has been included;</li> <li>• Guiding principles – has been added to support all attendees acting in accordance with the Trust values;</li> <li>• Relationship with other groups and committees – has been added that articulates visually the formal reporting arrangements in the Trust’s meeting structure;</li> <li>• Duties of the Chair – has been expanded to make it clearer;</li> <li>• Review of terms of reference and effectiveness; to support good practice outlined in the Care Trust Integrated Governance Guide this section has been added to set out the expectations within this area to uphold good governance practices; and</li> <li>• Schedule of deputies – included.</li> </ul>

These proposed amendments are highlighted in red below and were approved by the Audit Committee on the 25 November 2019. The document is now being presented to the Board of Directors to be ratified. The Board is asked to note that at the time of production the inception of the Workforce and Equality Committee had not been agreed by the Board. If the Board is agreeable, the reporting diagram in the terms of reference will now be updated to include this additional Board sub-committee.

Do the recommendations in this paper have any impact upon the requirements of the protected groups identified by the Equality Act?	<b>State below 'Yes' or 'No'</b>	If yes please set out what action has been taken to address this in your paper
	<b>No</b>	

<b>Recommendation</b>
<p>The Board of Directors is asked to:</p> <ul style="list-style-type: none"> <li>Note the proposed revisions to the terms of reference that have been approved by the Audit Committee; and</li> <li>Ratify the terms of reference.</li> </ul>

<b>Strategic vision</b>				
Please mark those that apply with an X				
<b>Providing excellent quality services and seamless access</b>	<b>Creating the best place to work</b>	<b>Supporting people to live to their fullest potential</b>	<b>Financial sustainability growth and innovation</b>	<b>Governance and well-led</b>
				X
<b>Care Quality Commission domains</b>				
Please mark those that apply with an X				
<b>Safe</b>	<b>Effective</b>	<b>Responsive</b>	<b>Caring</b>	<b>Well Led</b>
				X
<b>Relationship to the Board Assurance Framework (BAF)</b>	The work contained with this report links to the following strategic risk(s) as identified in the BAF: <ul style="list-style-type: none"> <li>Not applicable.</li> </ul>			
<b>Links to the Corporate Risk Register (CRR)</b>	The work contained with this report links to the following corporate risk(s) as identified in the CRR: <ul style="list-style-type: none"> <li>Not applicable.</li> </ul>			
<b>Compliance and regulatory implications</b>	The following compliance and regulatory implications have been identified as a result of the work outlined in this report: <ul style="list-style-type: none"> <li>Not applicable.</li> </ul>			

## Audit Committee

### Terms of Reference

<b>Version:</b>	8
<b>Approved by:</b>	Audit Committee
<b>Ratified by:</b>	To be ratified by the Board of Directors on 30 January 2020
<b>Date approved:</b>	25 November 2019
<b>Date ratified:</b>	30 January 2020
<b>Job title of author:</b>	Corporate Governance Manager and Deputy Trust Board Secretary
<b>Job title of responsible Director:</b>	Non-executive Director and Chair of the Audit Committee
<b>Date issued:</b>	1 February 2020
<b>Review date:</b>	24 November 2020
<b>Frequency of review:</b>	Annual
<b>Amendment Summary:</b>	
<p>1: Terms of Reference transferred onto the new Trust terms of reference template as supported by the Care Trust Integrated Governance Guide</p> <p>2: Section 2, expanded to recognise regular attendees and their role in the Committee, and that governors are invited to attend to observe the Committee meetings</p> <p>3: Section 3, expanded to include guidance on deputies, and action as a result of a non-quorate meeting</p> <p>4: Section 4, to include the Committee's responsibility to provide assurance and escalation to the Board of Directors</p> <p>5: Section 5, expanded in the powers, establishment and cessation for the Committee</p> <p>6: Section 6, to include the Trust's new values</p> <p>7: Section 7, diagram that shows the Board of Directors meeting structure</p> <p>8: Section 8, expanded to include the duties of the Chair</p> <p>9: Section 9, expanded to include the requirement of an annual effectiveness review</p> <p>10: Scheduled of deputies now include inline with the good practice articulated in the Care Trust Integrated Governance Guide.</p>	

**1 Name of Committee**

Audit Committee.

**2 Composition of the Audit Committee**

**Members: full rights**

Title	Role in the group / committee
Non-executive Director	Independent Chair
Non-executive Director	Deputy Chair and member
Non-executive Director	Member

It should be noted that any Bradford District Care NHS Foundation Trust non-executive director, other than the Chair of the Trust, is recognised as a member of the Audit Committee. Should they attend the meetings, they would count towards the quoracy.

**In attendance: in an advisory capacity**

Title	Role in the group / committee
Director of Finance, Contracting and Facilities	Executive lead for financial resources within the Trust. Assurance and escalation provider to the Finance and Business and Investment Committee.
Director of Corporate Affairs	Trust Board Secretary, provides independent advisory support to the Audit Committee.
External Audit Representative	Independent assurance providers.
Internal Audit Representative	Independent assurance providers.
Local Counter Fraud Specialist	Independent assurance providers.

The Deputy Director of Finance will attend all meetings. In addition to anyone listed above, the Chair of the Committee may also request individuals to attend on an ad-hoc basis to provide advice and support for specific items from its work plan when these are discussed in the meetings. Executive directors may attend by invitation in order to present agenda items, in particular when a limited assurance report has been issued by Internal Audit and is on the agenda to be discussed.

The Chief Executive should attend when the Committee considers the draft Internal Audit Plan and the draft Annual Report, Accounts and Quality Report. The Chief Executive should have a standing invitation to attend the meeting and as a minimum will need to attend the meeting annually, to discuss the process for assurance that supports the Annual Governance Statement.

**2.1 Governor Observers**

The Committee welcomes and encourages governors to attend its meetings. The role of a governor at Board sub-committee meetings is to observe the work of the Committee. The governor observes Board sub-committee meetings in order to get a better understanding of the work of the Trust and to observe non-executive directors appropriately challenging the executive directors for the operational performance of the Trust. At the meeting the governor observer(s) will be required to declare any interest they may have in respect of any of the items to be discussed.

### 3 Quoracy

**Number:** The minimum number of members for a meeting to be quorate is two. Attendees do not count towards quoracy. If the Chair is unable to attend the meeting, and if otherwise quorate, the meeting will be chaired by one of the other non-executive directors.

**Deputies:** Non-executive directors do not have deputies. Non-core non-executive directors may be asked to attend if there is a risk to the meeting not being quorate.

It may also be appropriate for attendees to nominate a deputy to attend in their absence. A schedule of deputies, attached at appendix 1a, should be reviewed at least annually to ensure adequate cover exists.

**Non-quorate meeting:** Non-quorate meetings may go ahead unless the Chair decides not to proceed. Any decisions made by the non-quorate meeting must be reviewed at the next quorate meeting.

### 4 Meetings of the Committee

**Frequency:** The Committee will meet as a minimum four times a year. The External Auditor or Head of Internal Audit may request a meeting if they consider that one is necessary. At least once a year the Committee should meet privately with the External and Internal Auditors.

**Urgent meeting:** Any member of the Committee may request an urgent meeting.

**Minutes:** The Committee Secretariat will be provided by the Executive Support Team.

**Assurance and Escalation Reporting:** The Chair of the Committee will provide an update of key issues arising from the meeting to the next Board of Directors meeting.

### 5 Authority

**Establishment:** In accordance with the NHS Act 2006 and the Foundation Trust Code of Governance the Board of Directors is required to establish and Audit Committee as one of its sub-committees.

The Audit Committee is accountable to the Board and will report to the Board 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 in the organisation and the integration of governance arrangements.

**Powers:** The Committee is a non-executive sub-committee of the Board and as no executive powers. The Committee is authorised by the Board to seek assurance on

any activity. It is authorised to seek information or reports it requires from any Trust colleagues, function, group or committee.

**Cessation:** The Committee is a standing sub-committee of the Board and is a statutory requirement.

## 6 Role of the Committee

### 6.1 Purpose of the Committee

The Committee shall provide the Board with a means of independent and objective review of financial and corporate governance, and risk management. In addition, the Committee shall provide assurance of independence for external and internal audit.

### 6.2 Guiding principles for members (and attendees) when carrying out the duties of the Committee

In carrying out their duties members and attendees of the Committee must ensure that they act in accordance with the values of the Trust, which are:

- we care
- we listen
- we deliver.

### 6.2 Duties of the Committee

The duties of the Audit Committee can be categorised as follows:

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

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), that supports the achievement of the organisation's objectives. In particular, the Audit Committee will review the adequacy of:

- all risk and control related disclosure statements (in particular the Annual Governance statement and declarations of compliance with Care Quality Commission registration (the latter led through the Quality and Safety Committee)), together with any accompanying Head of Internal Audit statement, external audit opinion or other appropriate independent assurances, prior to endorsement by the Board

- 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
- the policies for ensuring compliance with relevant regulatory, legal and code of conduct requirements and related reporting and self-certification
- the Trust's arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action
- how cyber security arrangements are being managed including appropriate risk mitigation strategies.

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 audit functions. It will also seek reports and assurances from executive 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.

### **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. This will be achieved by:

- consideration of the provision of the Internal Audit service, the cost of the audit and any questions of resignation and dismissal
- 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 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.

### **External Audit**

The Committee shall review the work and findings of the External Auditor appointed by the Council of Governors 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 line with the Trust's Constitution and the statutory guide for Foundation Trust Governors
- 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 all External Audit reports, including agreement of the annual audit letter before submission to the Trust Board and any work carried outside the annual audit plan, together with the appropriateness of management responses.

### **Counter fraud**

The Committee shall satisfy itself that the organisation has adequate arrangements in place for countering fraud and shall review outcomes of counter fraud work. The Committee shall review the adequacy of 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.

### **Other Assurance Functions**

The 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 Regulators/Inspectors (e.g. Care Quality Commission, NHS Improvement, NHS Resolution, etc.), professional bodies with responsibility for the performance of staff or functions (e.g. Royal Colleges, accreditation bodies, etc.)

### **Management**

The Committee shall request and review reports and positive assurances from executive directors and managers on the overall arrangements for governance, risk management and internal control.

They may also request specific reports from individual functions within the organisation (e.g. clinical audit) as they may be appropriate to the overall arrangements.

### **Financial Reporting**

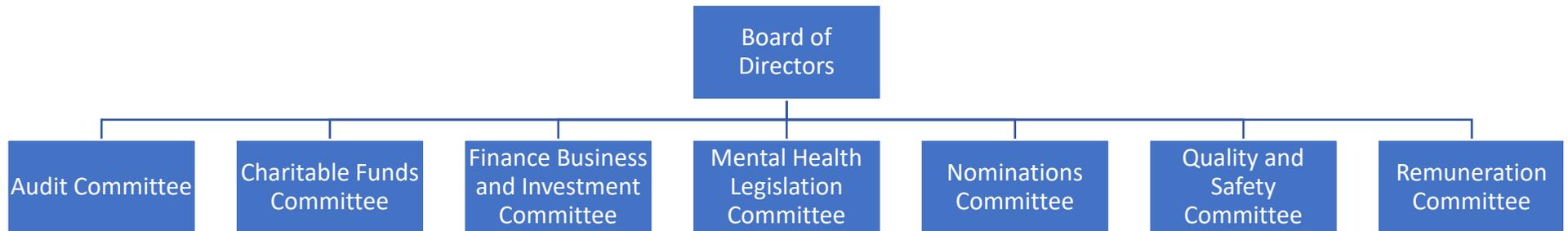
The Committee shall monitor the integrity of the financial statements of the Trust and any formal announcements relating to the Trust's financial performance.

The Committee shall review the Annual Report and Financial Statements before submission to the Trust 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 and practices unadjusted mis-statements in the financial statements
- major judgemental areas
- significant adjustments resulting from the audit
- qualitative aspects of financial reporting
- letters of representation from Directors.

The Committee should also ensure that the systems for financial reporting to the Board, including those of budgetary control, are subject to review as to completeness and accuracy of the information provided to the Board.

**7 Relationships with other groups and committees**



The Committee does not have any sub-committees. It is linked to the Trust’s operational groups as an assurance receiver and provides a route of escalation to the Board of Directors.

## 8 Duties of the Chair

The Chair of the Committee shall be responsible for:

- agreeing the agenda in partnership with the Director of Finance, Contracting and Facilities
- directing the meeting ensuring it operates in accordance with the Trust's values whilst ensuring all attendees have an opportunity to contribute to the discussion
- giving direction to the secretariat and checking the draft minutes
- ensuring the agenda is balanced and discussion is productive
- ensuring sufficient information is presented to the Board of Directors in respect of the work of the Committee.

## 9 Reviews of the terms of reference and **effectiveness**

All elements of the Audit Committee Terms of Reference will be monitored by the Director of Corporate Affairs, reviewed annually by the Committee and reported in its Annual Report to the Board. The Committee may choose to invite external organisations and individuals to present issues and reports from time to time.

It will be the responsibility of the Chair of the Committee to ensure that it carries out an assessment of effectiveness annually, and ensure the outcome is reported to the Board of Directors along with any remedial action to address weaknesses. The Chair will also be responsible for ensuring that the actions to address any areas of weakness are completed.

## Schedule of deputies

It may not be necessary or appropriate for all members (or attendees) to have a deputy attend in their absence. If this is the case please state below “no deputy required”.

Full member (by job title)	Deputy (by job title)
Not applicable as non-executive directors do not have deputies	

Attendee (by job title)	Deputy (by job title)
Chief Executive	Deputy Chief Executive
Director of Finance, Contracting and Facilities	Deputy Director of Finance
Deputy Director of Finance	Finance Manager
Director of Corporate Affairs	Corporate Governance Manager and Deputy Trust Board Secretary
Chief Operating Officer	General Manager
Director of Nursing, Professions and Care Standards	Deputy Director of Nursing
Director of Human Resources and Organisational Development	Deputy Director Human Resources
Medical Director	Associate Medical Director
Chief Information Officer	Head of Informatics