

**Dorset County Hospital NHS Foundation Trust
Audit Committee**

TERMS OF REFERENCE

1. Constitution	The board hereby resolves to establish a committee of the board to be known as the Audit Committee (the committee) . The committee is a non-executive committee of the board and has no executive powers, other than those specifically delegated in these terms of reference.
2. Authority	The committee is authorised by the board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee, and all employees are directed to cooperate with any request made by the committee. The committee is authorised by the board to 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.
3. Responsibilities	<p>A. Governance, risk management and internal control</p> <p>i. The committee shall 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.</p> <p>ii. In particular, the committee will review the adequacy and effectiveness of:</p> <ul style="list-style-type: none"> • all risk and control related disclosure statements (in particular 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 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, including the NHS Code of Governance and NHS Provider licence • the policies and procedures for all work related to counter fraud, bribery and corruption as required by the NHSCFA. • Approval of amendments to the Standing Order and Standing Financial Instructions and Scheme of Delegation. <p>iii. 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 governance, risk management and internal control, together with indicators of their effectiveness.</p> <p>iv. This will be evidenced through the committee's use of an effective assurance framework to guide its work and the audit and assurance functions that report to it.</p> <p>v. As part of its integrated approach, the committee will have effective relationships with other key committees so that it understands</p>

processes and linkages. However, these other committees must not usurp the committee's role.

B. Internal audit

i. The committee shall ensure that there is an effective internal audit function that meets the *Public sector internal audit standards, 2017* and provides appropriate independent assurance to the committee, accountable/ accounting officer and board. This will be achieved by:

- considering the provision of the internal audit service and the costs involved
- 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 organisation as identified in the assurance framework
- considering the major findings of internal audit work (and management's response), and ensuring coordination between the internal and external auditors to optimise the use of audit resources
- ensuring that the internal audit function is adequately resourced and has appropriate standing within the organisation
- monitoring the effectiveness of internal audit and carrying out an annual review.

C. External audit

i. The committee shall review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process. In particular, the committee will review the work and findings of the external auditors and consider the implications and management's responses to their work. This will be achieved by:

- considering the appointment and performance of the external auditors, as far as the rules governing the appointment permit (and make recommendations to the board when appropriate)
- discussing and agreeing with the external auditors, before the audit commences, the nature and scope of the audit as set out in the annual plan
- discussing with the external auditors their evaluation of audit risks and assessment of the organisation and the impact on the audit fee
- reviewing all external audit reports, including the report to those charged with governance (before its submission to the board) and any work undertaken outside the annual audit plan, together with the appropriateness of management responses
- ensuring that there is in place a clear policy for the engagement of external auditors to supply non-audit services.

ii. The Committee shall develop and agree with the Council of Governors the criteria for the appointment, re-appointment and removal of the External Auditors and make recommendations to the Council of Governors in relation to the appointment and re-appointment of External Auditors.

D. Other assurance functions

- i. The committee shall review the findings of other significant assurance functions, both internal and external to the organisation, where relevant to the governance, risk management and assurance of the organisation.
- ii. These may include, but will not be limited to, any reviews by Department of Health and Social Care arm's length bodies or regulators/ inspectors (for example, the Care Quality Commission, NHS Resolution) and professional bodies with responsibility for the performance of staff or functions (for example, Royal Colleges, accreditation bodies).
- iii. In addition, the committee will review the work of other committees within the organisation, whose work can provide relevant assurance to the 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.

E. Counter fraud

- i. The committee shall satisfy itself that the organisation has adequate arrangements in place for counter fraud, bribery and corruption that meet NHSCFA's standards and shall review the outcomes of work in these areas.
- ii. With regards to the local counter fraud specialist it will 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.

F. Management

- i. The committee shall request and review reports, evidence and assurances from directors and managers on the overall arrangements for governance, risk management and internal control.
- ii. The committee may also request specific reports from individual functions within the organisation (for example, compliance reviews or accreditation reports).

G. Financial reporting

- i. The committee shall monitor the integrity of the financial statements of the organisation and any formal announcements relating to its financial performance.
- ii. The committee should 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.
- iii. The committee shall approve retrospectively review losses and special payments.
- iv. The committee shall review the annual report and financial statements before submission to the board, or on behalf of the board where appropriate delegated authority is place, 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 judgements in preparation of the financial statements
 - significant adjustments resulting from the audit
 - letters of representation
 - explanations for significant variances.

	<p>H. System for raising concerns</p> <p>i. The committee shall annually review the effectiveness of the arrangements in place for allowing staff (and contractors) to raise (in confidence) concerns about possible improprieties in any area of the organisation (financial, clinical, safety or workforce matters) and ensure that any such concerns are investigated proportionately and independently, and in line with the relevant policies. Regular and ongoing review shall be the responsibility of the People and Culture Committee.</p> <p>I. Governance regulatory compliance</p> <p>i. The committee shall review the organisation's reporting on compliance with the <i>NHS Provider Licence</i>, <i>NHS code of governance</i> and the fit and proper persons test.</p> <p>ii. The committee shall satisfy itself that the organisation's policy, systems and processes for the management of conflicts, (including gifts and hospitality and bribery) are effective including receiving reports relating to non-compliance with the policy and procedures relating to conflicts of interest.</p> <p>iii. The committee shall satisfy itself that the organisation's policy, systems and processes for the management of Freedom of Information requests are effective including receiving reports relating to non-compliance with regulatory requirements.</p> <p>iv. The Committee will maintain annual oversight of Data Security and Protection compliance (receipt of annual submission).</p>
<p>4. Accountability Arrangements</p>	<p>The committee shall report to the board on how it discharges its responsibilities.</p> <p>The minutes of the committee's meetings shall be formally recorded by the secretary and available for the board, with an assurance report from then Committee provided to the Board. The chair of the committee shall draw to the attention of the board any issues that require disclosure to the full board, or require executive action.</p> <p>The committee will report to the board at least annually on its work in support of the annual governance statement, specifically commenting on the:</p> <ul style="list-style-type: none"> • fitness for purpose of the assurance framework • completeness and 'embeddedness' of risk management in the organisation • effectiveness of governance arrangements • appropriateness of the evidence that shows that the organisation is fulfilling regulatory requirements relating to its existence as a functioning business. <p>This annual report should also describe how the committee has fulfilled its terms of reference and give details of any significant issues that the committee considered in relation to the financial statements and how they were addressed.</p> <p>An annual committee effectiveness evaluation will be undertaken and reported to the committee and the board.</p>
<p>5. Membership / Attendance</p>	<p><u>Membership</u></p> <ul style="list-style-type: none"> • The committee shall be appointed by the board from amongst its independent, non-executive directors and shall consist of not less than three members one of whom shall possess recent, relevant financial experience.

	<ul style="list-style-type: none"> The Committee Chair will not be the senior independent director of the Trust or the deputy chair of the Board. <p><u>Attendance</u></p> <ul style="list-style-type: none"> The Joint Chief Finance Officer and appropriate internal and external audit representatives shall normally attend meetings. The counter fraud specialist (LCFS) will attend a minimum of two committee meetings a year. The Joint Executive Director of Corporate Affairs may attend meetings. The Accounting Officer should be invited to attend meetings and should discuss at least annually with the committee the process for assurance that supports the governance statement. They should also attend when the committee considers the draft annual governance statement and the annual report and accounts. Other executive directors/ managers should be invited to attend, particularly when the committee is discussing areas of risk or operation that are the responsibility of that director/ manager. Governors will be invited to attend meetings of the Committee, with a nominated Governor assigned to the Committee. Representatives from other organisations (for example, the NHS Counter Fraud Authority (NHSCFA)) and other individuals may be invited to attend on occasion, by invitation. A nominated person shall be secretary to the committee and shall attend to take minutes of the meeting and provide appropriate support to the chair and committee members. At least once a year the committee should meet privately with the internal auditors, external auditors and LCFS either separately or together. Additional meetings may be scheduled to discuss specific issues if required.
6. Quorum	<ul style="list-style-type: none"> A quorum shall be two of the three independent members. One of the members will be appointed chair of the committee by the board. The chair of the organisation itself shall not be a member of the committee.
7. Administrative Support	<p>The committee shall be supported administratively by its secretary. Their duties in this respect will include:</p> <ul style="list-style-type: none"> agreement of agendas with the chair and attendees preparation, collation and circulation of papers in good time inviting additional attendees to meetings as required taking the minutes and helping the chair to prepare reports to the board keeping a record of matters arising and issues to be carried forward arranging meetings for the chair: for example, with the internal/ external auditors or local counter fraud specialists
8. Frequency of Meeting	<p>The Committee will meet at least four times per annum, with a possible additional meeting to specifically review the annual report and accounts at appropriate times in the reporting and audit cycle. The chair of the committee, board, accounting officer, external auditors or head of internal audit may request an additional meeting if they consider that one is necessary.</p> <p>To assist in the management of business over the year an annual workplan will be maintained, capturing the main items of business at each scheduled meeting.</p>

9. Access	The head of internal audit and representative of external audit have a right of direct access to the chair of the committee. This also extends to the local counter fraud specialist, as well as the security management specialist.
10. Date Approved	<p>These terms of reference will be reviewed at least annually and more frequently if required. Any proposed amendments to the terms of reference will be submitted to the board for approval.</p> <ul style="list-style-type: none">• Approved by Audit Committee 2 June 2025• Approved by Dorset County Hospital Foundation Trust Board on 10 June 2025