

Terms of Reference

Integrated Audit Committee

1. Authority

- 1.1. The Integrated Audit Committee (the Committee) is a non-executive committee of the Trust Board of Medway NHS Foundation Trust (Trust Board), established in accordance with paragraph 38 of the Trust's Constitution.
- 1.2. The Committee is authorised by the Trust Board to:
 - a) Investigate any activity within its terms of reference.
 - b) Seek any information it requires from any employee, and all employees are directed to cooperate with any request made by the Committee.
 - c) Implement any activities which are in line with its terms of reference.
 - d) Obtain independent legal or professional advice.

2. Purpose

- 2.1 The Committee is responsible for providing assurance to the Trust Board on the Trust's system of internal control by means of independent and objective review of financial and corporate governance, and risk management arrangements, including compliance with law, guidance, and regulations governing the NHS.

3. Accountability and reporting arrangements

- 3.1 The Committee shall be directly accountable to the Trust Board.
- 3.2 The proceedings of each meeting of the Committee shall be reported to the next meeting of the Trust Board detailing the level of assurance received and shall refer to the Board any issues of concern it has regarding any lack of assurance in respect of any financial or operational aspect.
- 3.3 The Committee shall report to the Trust Board annually on its work, specifically on the fitness for purpose of the Board Assurance Framework, the completeness and embeddedness of risk management, and the operation of integrated governance within the Trust.
- 3.4 The Committee will provide a report to the Council of Governors periodically/as requested.

4. Membership

- 4.1 The Committee shall be composed of at least three Non-Executive Directors. The Chair of the Board of Directors shall not ordinarily be a member yet may step in from time to time to complete a quorum and may attend at their discretion. The Committee may co-opt an additional Non-Executive Director to complete a quorum if the need arises.
- 4.2 At least one of the Committee members shall have recent and relevant financial experience.
- 4.3 The Chair of the Committee shall be chosen and appointed by the Trust Board from among the NEDs; the Deputy Chair shall be one of the other NED members.
- 4.4 The following shall generally be in attendance to present papers or offer advice to the committee and are not formal members of the committee:
 - a) Chief Executive
 - b) Chief Financial Officer
 - c) Company Secretary or member of Company Secretariat
 - d) Chief Nursing and Quality Officer
 - e) Chief Medical Officer
 - f) Head of Integrated Governance and Legal
 - g) Internal and External Audit representatives
 - h) Counter Fraud representatives
 - i) Executive Directors and other managers may be invited to attend meetings
 - j) Other Non-Executive Directors and Executives can attend with the Chair's consent
 - k) Other staff may be requested to attend at the invitation of the Chair
 - l) Regional Chief Nurse

5. Quorum

- 5.1 Meetings will be quorate when at least two Non-Executive Directors are in attendance.

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6. Frequency

- 6.1 The meetings of the Committee shall be held quarterly, scheduled to support the business cycle of the Trust (coinciding with key stages in the accounting and audit cycle) and at such other times as the Chair of the Committee shall identify.
- 6.2 Members are expected to attend a minimum of three meetings per year.

7. Key responsibilities

7.1 Integrated governance, risk management and internal control

- 7.1.1 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 (clinical and non-clinical), that supports the achievement of the organisation's objectives.
- 7.1.2 In particular, the Committee will review the adequacy and effectiveness of:
 - a) All risk and control-related disclosure statements;
 - b) 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;
 - c) The policies for ensuring compliance with relevant regulatory, legal and code of conduct requirements and any reporting and self-certifications
 - d) The policies and procedures for all work related to counter fraud and security as required by NHS Counter Fraud Authority.
- 7.1.3 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 Committee's use of an effective assurance framework to guide its work and the audit and assurance functions that report to it.

7.2 Internal audit

- 7.2.1 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. This will be achieved by:
 - a) Considering the provision of the internal audit service and the costs involved
 - b) 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
 - c) Considering the major findings of internal audit work (and the management's response), and ensuring co-ordination between the internal and external auditors to optimise the use of audit resources
 - d) Monitoring the effectiveness of internal audit and carrying out an annual review.

7.3 External audit

- 7.3.1 The Committee shall review and monitor the external auditors' 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:
 - a) Considering the appointment and performance of the external auditors, as far as the rules governing the appointment permit and make a recommendation to the Council of Governors with respect to the appointment or removal of the auditor.
 - b) 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.
 - c) Discussing with the external auditors their evaluation of audit risks and assessment of the organisation and the impact on the audit fee.
 - d) 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.

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- e) Ensuing that there is in place a clear policy for the engagement of external auditors to supply non-audit services.

7.4 Other assurance functions

- 7.4.1 The Committee shall review the findings of other significant assurance functions, both internal and external to the organisation, and consider the implications for the governance of the organisation.
- 7.4.2 The Committee will review the work of other committees in the Trust whose work can provide relevant assurance to the Audit Committee's scope of work. In particular, this will include the Quality Assurance Committee.

7.5 Counter fraud

- 7.5.1 The Committee shall satisfy itself that the organisation has adequate arrangements in place for counter fraud and security that meet NHS Counter Fraud Authority's standards and shall review the outcomes of work in these areas.

7.6 Financial Reporting and Annual Report and Accounts Review

- 7.6.1 The Committee shall:
 - a) Monitor the integrity of the financial statements of the organisation and any formal announcements relating to its financial performance.
 - b) Ensure that the systems for financial reporting to the Trust Board, including those of budgetary control, are subject to review as to the completeness and accuracy of the information provided.
 - c) Review the annual report and financial statements before submission to the Board to determine their objectivity, integrity and accuracy. This review will cover:
 - 1) The wording in the annual governance statement and other disclosures relevant to the terms of reference of the Committee.
 - 2) Changes in, and compliance with, accounting policies, practices and estimation techniques.
 - 3) Unadjusted mis-statements in the financial statements.
 - 4) Significant judgements in preparation of the financial statements.
 - 5) Significant adjustments resulting from the audit.
 - 6) Letters of representation.
 - 7) Explanation for significant variances.

7.7 Compliance, fraud and whistleblowing

- 7.7.1 The Committee shall review the adequacy and effectiveness of the arrangements in place for allowing staff to raise (in confidence) concerns about possible improprieties in financial, clinical or safety matters and ensure that any such concerns are investigated proportionately and independently.
- 7.7.2 The Committee will monitor the arrangements in place for the proportionate and independent investigation of such matters and for appropriate follow-up action. Through this work, the Committee will ensure that:
 - a) Safeguards for those who raise concerns are in place and operating effectively.
 - b) Individuals or groups are enabled to draw formal attention to practices that are unethical or violate internal or external policies, rules or regulations.
 - c) Valid concerns are promptly addressed.
 - d) Processes reassure individuals raising concerns that they will be protected from potential negative repercussions.

8. Administration of the Committee

- 8.1 The Committee shall be supported by the Chief Financial Officer, as the nominated lead Executive Director and administratively supported by the Company Secretary or nominated person from the secretariat, whose duties shall include:
 - a) Agreement of the agendas with the Chief Financial Officer and Committee Chair, collation and distribution of the papers at least five working days before each meeting.
 - b) Taking the minutes and keeping a record of matters arising and issues to be carried forward.
 - c) Providing support to the Chair and members as required.
 - d) Enabling the development and training of Committee members.

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9. Monitoring effectiveness and compliance with Terms of Reference

- 9.1 The Committee will carry out an annual review of its effectiveness and provide an annual report to the Board on its work in discharging its responsibilities, delivering its objectives and complying with its terms of reference, specifically commenting on relevant aspects of the Board Assurance Framework and relevant regulatory frameworks.

10. Review of Terms of Reference

- 10.1 The Terms of Reference of the committee shall be reviewed at least annually by the Committee and approved by the Trust Board.

November 2020