

AUDIT COMMITTEE TERMS OF REFERENCE

Accountable: to the Board of Directors

Reporting: to the Board of Directors

1.0 Constitution

1.1 The Board hereby resolves to establish a Committee of the Board to be known as the Audit Committee (the Committee). The Committee is a committee of the Board and has no executive powers, other than those specifically delegated in these Terms of Reference.

2.0 Membership

2.1 The Committee shall be appointed by the Board from amongst the Non-Executive Directors of the Trust and shall consist of not fewer than three members.

2.2 One member of the Committee, who will be the Chairman of the Committee, is to have recent and relevant experience (e.g. audit/financial accounting/financial management) and one member of the Committee should also be a member of the Quality Committee concurrently.

2.3 One of the members will be appointed Chair of the Committee by the Board on the recommendation of the Chairman.

2.4 The Chairman of the Foundation Trust shall not be a member of the Committee.

3.0 Quorum

3.1 The quorum shall be two members (Non-executive Directors).

4.0 Attendance

4.1 The Director of Finance, members of the Senior Finance Team, a nominated Executive Director for Quality/Patient Safety, the Company Secretary, and internal and external audit representatives as appropriate, shall normally attend meetings.

4.2 The Local Counter Fraud representative shall also attend twice per year and the Local Security Management Specialist on an annual basis.

4.3 At least once a year the Committee members (Non-executive Directors) should meet privately with the external and internal auditors.

- 4.4 The Chief Executive should be invited to attend at least annually to discuss with the Committee the process for assurance that supports the Annual Governance Statement. The Chief Executive should normally attend when the Committee considers the Annual Report and Accounts.
- 4.5 All other Executive Directors shall be invited to attend, particularly when the Committee is discussing areas of risk or operation that are the responsibility of that Director.
- 4.6 Governors nominated to attend the Committee meetings shall do so as observers and may speak at the discretion of the Chairman of the Committee.

5.0 Administrative Support

- 5.1 The Committee will be supported by a secretary whose duties in this respect will include:
- Agreement of the agenda with the Finance Director and the Committee Chairman; collation and distribution of papers at least five working days before each meeting.
 - Taking minutes and keeping a record of matters arising and issues to be carried forward.
 - Providing support to the Committee Chairman and members of the Committee as appropriate.

6.0 Frequency

- 6.1 The Committee will meet at least six times per annum at appropriate times in the reporting and audit cycle.
- 6.2 The External Auditor or Head of Internal Audit may request a meeting if they consider that one is necessary.

7.0 Authority

- 7.1 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 Trust employee and all employees are directed to co-operate with any request made by the Committee.
- 7.2 The Committee is authorised by the Board to obtain outside legal or other independent professional advice and to secure the attendance of external experts with relevant experience and expertise if it considers this necessary. Details of the estimated cost of such advice should be advised to the Director of Finance in advance of commitment, for budgetary, cash flow and control purposes.

8.0 Duties

8.1 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 Trust's activities (both clinical and non-

clinical), that supports the achievement of the Trust's 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), 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 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, related reporting and self-certification.
- The policies and procedures for all work related to fraud and corruption as set out in the NHS Protect Counter Fraud Standards for Providers and as required by the NHS Counter Fraud and Security Management Service.
- The procedures for detecting fraud and whistle blowing (HDFT's Freedom to Speak Up Policy) and ensure that arrangements are in place by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting, financial control or any other matters.
- The Trust's Policy review management process.

8.1.1 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 overarching systems of integrated governance, risk management and internal control, together with indicators of their effectiveness.

8.1.2 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.

8.2 Internal Audit

8.2.1 The Committee shall ensure that there is an effective internal audit function that meets mandatory NHS Internal Audit Standards and provides appropriate independent assurance to the Committee, Chief Executive and Board. This will be achieved by:

- Consider 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.
- Consider the major findings of internal audit work (and management's response), and ensuring co-ordination between the internal and external auditors to optimise audit resources.
- Ensure that the internal audit function is independent; adequately resourced and has appropriate standing within the organisation.
- Review annually the quality and effectiveness of internal audit.

8.3 External Audit

8.3.1 The Committee shall review the work and findings of the external auditors appointed by the Council of Governors and consider the implications and management's responses to their work. This will be achieved by:

- Considering the performance of the external auditors, reporting annually to the Council of Governors following the evaluation of the external auditors' performance for consideration of reappointment.
- Recommending the audit fee to the Board (and the Council of Governors if a new appointment) and pre-approve any fees in respect of non-audit services provided by the external auditors and to ensure that the provision of non-audit services does not impair the independence or objectivity of the external auditor.
- Discussing and agreeing with the External Auditor, before the 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
- Discussing with the external auditors their local evaluation of audit risks and assessment of the Trust and associated impact on the audit fee.
- Reviewing all external audit reports, including the report to those charged with governance, agreement of the annual audit letter before submission to the Board and any work undertaken outside the annual audit plan, together with the appropriateness of management responses
- Review annually the quality and effectiveness of external audit.

8.3.2 The External Auditor or Head of Internal Audit may, at any time, request a meeting if they consider it necessary.

8.4 Clinical Assurance

8.4.1 The Audit 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. These will include, but will not be limited to:

- Any reviews by Department of Health and Social Care Arms-Length Bodies or Regulators/Inspectors (for example, the Care Quality Commission, NHS Improvement, NHS Resolution, etc.) and professional bodies with responsibility for the performance of staff or functions (for example, Royal Colleges, accreditation bodies, etc.)

8.4.2 The Quality Committee will provide assurance from the clinical audit function. The Committee will review the work of the Quality Committee by receiving minutes, and exception reports, from the Executive Director Lead and Non-executive Director who is a member of both Committees. In addition, the Company Secretary also attends both Committees.

8.4.3 The Committee will receive minutes and regular reports from the Corporate Risk Review Group.

8.5 Counter Fraud

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

8.6 Security Management Service

8.6.1 The Committee shall satisfy itself that the organisation has adequate arrangements in place for Security Management Services.

8.6.2 The Committee will receive from the Local Security Management Specialist an annual report on its activities and plan for the following year.

8.7 Management

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

8.7.2 The Committee may also request specific reports from individual functions within the organisation as required (for example, clinical audit).

8.8 Financial Reporting

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

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

8.8.3 The Committee shall review the annual report and financial statements before submission to the 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, practices and estimation techniques.
- Unadjusted mis-statements in the financial statements.
- Significant judgements in preparation of the financial statements.
- Significant adjustments resulting from the audit.
- Schedule of losses and special payments.
- Letters of representation.
- Qualitative aspects of financial reporting.
- The going concern assumption.
- The extent to which the financial statements are affected by any unusual transactions in the year and how they are disclosed.
- Any reservations and disagreements between the external auditors and management, which had not been satisfactorily resolved.

8.9 Standing Orders, Standing Financial Instructions and Standards of Business Conduct

8.9.1 The Committee will review, on behalf of the Board, the operation of and proposed changes to the Standing Orders, Standing Financial Instructions, and HDFT's Code of Business Conduct, including Registers of Interest.

8.10 Quality Report/Account

8.10.1 The Quality Committee will approve the Quality Report/Account and present it to the Committee. The Committee will review the Quality Report/Account prior to submission to the Board.

9.0 Other Matters

9.1 The Chairman of the Committee shall draw to the attention of the Board any issues that require disclosure to the full Board, or require executive action.

9.2 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 in the organisation, the integration of governance arrangements and the appropriateness of the self-assessment against external regulations including the Care Quality Commission.

9.3 The Committee shall also:

- Review third party assurances (both clinical and relating to financial management).
- Review Post Project Evaluations and Single Tender Actions.
- Receive an annual report on procurement activity and savings.
- Review the Treasury Management Policy, on behalf of the Board, and receive the annual report on treasury activity.

9.4 The Committee will examine any other matters referred to it by the Board and will initiate investigation as determined by the Committee.

9.5 Where disagreements between the Committee and the Board cannot be resolved, the Committee shall report the issue to the Council of Governors. If the issue still cannot be resolved the Committee shall report the issue as part of the report on its activities in the Annual Report and Financial Statements.

9.6 As agreed with the Council of Governors, the Committee Chairman shall be available to attend the Annual Members' Meeting and shall answer questions on the Committee's activities and responsibilities as appropriate.

10.0 Review

These Terms of Reference will be reviewed at least annually by the Committee and submitted to the Board for approval.

Approved by the Audit Committee: January 2021

Approved by the Board of Directors: 31 March 2021