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| Meeting title: | Trust Board – Public | Public Trust Board paper O1 | | | | |
| Date of the meeting: | 12 January 2023 | | | | | |
| Title: | Audit Committee Terms of Reference | | | | | |
| Report presented by: | Becky Cassidy, Director of Corporate and Legal Affairs | | | | | |
| Report written by: | Becky Cassidy, Director of Corporate and Legal Affairs | | | | | |
| Action – this paper is for: | Decision/Approval | x | Assurance | | Update | x |
| Where this report has been discussed previously | | | | | | |

Acronyms used:

Purpose of the Report

The report provides the Board with the reviewed terms of reference for the Audit Committee.

Recommendation

The Board is asked to:

- Approve the reviewed terms of reference as recommended by the Audit Committee

Summary

The terms of reference and annual work plan for the Audit Committee have been reviewed as part of its annual cycle. The terms of reference are aligned to the NHS Audit Committee Handbook in line with best practice. The only additional item included within the terms of reference include the Committees oversight of the statutory recommendations issued as part of the 2019/20 accounts audit.

Supporting documentation

Appendix 1 – reviewed terms of reference

AUDIT COMMITTEE

Terms of Reference

1. Constitution

The University Hospitals of Leicester NHS Trust hereby resolves to establish a Committee of the Board of Directors (hereafter referred to as “the Board”) to be known as the Audit Committee (hereafter referred to as “the Committee”).

The Committee is established as a Non-Executive Committee of the Board and has no executive powers other than those specifically delegated and set out within these Terms of Reference.

The Committee will meet in private.

2. Purpose

The prime purpose of the Committee is to provide assurance to the Board with regard to the continued effectiveness of the Trust’s system of integrated governance, risk management and internal control.

3. Membership:

The Committee shall be appointed by the Board from amongst the Non-Executive Directors of the Trust and comprise of at least 4 members (at least one of whom having recent and relevant financial experience holding a recognised financial and or accounting qualification) and including the Chairs of the Finance and Investment Committee, the Quality Committee and the People and Culture Committee.

The Trust’s Chairman will not be a member of the Committee.

One of the members of the Committee shall be appointed as its Chair. In the event of the absence of the Chair, another member of the Committee will take the Chair.

All members shall attend a minimum of 80% of meetings of the Committee on a rolling 12 monthly basis.

4. Quorum:

Quorum shall be any 2 members.

5. Attendance at Meetings:

Regular attendees at the meetings of the Committee shall be:

- Internal Audit representative(s)
- External Audit representative(s)
- Counter Fraud representative(s)
- Chief Financial Officer
- Director of Corporate and Legal Affairs
- Head of Risk and Assurance

The Committee shall as a matter of good practice meet privately with the Trust’s Internal and External Auditors at least once per year, without any executive officer or other employee of

the Trust present (other than the member of staff nominated by the Director of Corporate and Legal Affairs to act as Secretary to the Committee) at the Committee's discretion.

The Committee may direct the attendance of the Chief Executive, any Director or employee of the Trust to attend its meetings for the purpose of enabling the committee to fulfil its remit and responsibilities.

The Chief Executive shall be invited to attend at least annually to discuss with the Audit Committee the process for assurance that supports the Trust's Annual Governance Statement.

The Trust Chair will observe the Committee at least once per annum.

The Secretary and administrative support to the Committee shall be provided through the Corporate and Committee Services Team.

6. Meetings:

Meetings shall be held not less than 5 times a year. Additional ad hoc meetings may be convened as required.

The External Auditor or Head of Internal Audit may request a formal Audit Committee meeting if they consider that one is necessary, and the Committee Chair will consider such requests and decide whether to agree to that request.

7. 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 co-operate with any request made by the Committee.

The Committee is authorised by the Board to obtain outside legal and other independent professional advice/expertise if it considers this necessary or expedient to the undertaking of its functions.

The Committee shall work in liaison with the other Board Committees to ensure the provision of timely and appropriate assurance to the Board, recognising the interface between the roles and remits of these committees.

8. Duties:

The duties of the Committee shall be as follows:-

a. 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 Committee will review the adequacy of:

- all risks and control related disclosure statements, together with any accompanying Head of Internal Audit opinion, External Audit opinion or other appropriate independent assurances prior to endorsement by the Board.

- underlying assurance processes that indicate the degree of achievement of corporate objectives, the effectiveness of the management of principal risks and the appropriateness of associated disclosure statements with the support of other Board Committees.
- the Trust's Risk Management Strategy in defining the Trust's approach to risk management, risk appetite, control and mitigation and associated processes.
- the Trust's Board Assurance Framework as a robust process for the monitoring, assurance and mitigation of significant risks to the attainment of the Trust's strategic objectives.
- the Trust's arrangements for ensuring compliance with the Code of Governance for NHS Provider Trusts, including oversight of the Risk Assessment Framework and governance reviews under the Well-Led Framework.
- the Trust's arrangements for Information Governance.
- the policies for ensuring compliance with relevant regulatory, legal and code of conduct requirements including Standing Orders, Standing Financial Instructions, Scheme of Delegation and the maintenance of registers. This includes assurances regarding the number of Trust policies and review status.
- policies and procedures for all work related to fraud and corruption as set out in the Secretary of State's Directions as required by NHS Counter Fraud Authority.
- the Trust's Annual Report and Accounts, Annual Governance Statement, and (through the Quality Committee) the Quality Account to determine completeness, objectivity, integrity and accuracy prior to submission to the Board.

In undertaking its role, the Committee will primarily utilise the work of Internal Audit, External Audit and other assurance functions but will not be limited to these functions. 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. 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.

b. Internal Audit:

The Audit Committee shall ensure there is an effective internal audit function established by management that meets mandatory Public Sector Internal Audit standards and provides appropriate independent assurance to the Audit Committee, Chief Executive and the 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 Internal Audit strategy, operational plan and more detailed programme of work, ensuring that this is consistent with the organisation's needs as identified in the Board Assurance Framework.

- consideration of the major findings of Internal Audit work and management's response and ensure co-ordination between 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 and compliance with mandatory NHS internal audit standards.

c. External Audit:

The Committee shall:

- agree with the Board the criteria for appointing, re-appointing and removing the External Auditor.
- make recommendations to the Board in respect of the appointment, reappointment and the removal of the external auditor and related fees applicable.
- assess the external auditor's work and fees.

The Committee shall review the work and findings of the External Auditor appointed by the Board and consider the implications of management's response to their work.

This will be achieved by:

- consideration and performance of the external auditor.
- 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 co-ordination, as appropriate, with other external auditors in the local health economy.
- discussion with the external auditors of their local evaluation of audit risks and associated impact on the audit fee.
- review all external audit reports, including 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 the management responses and to monitor the progress of implementation of recommendations.

d. Counter Fraud and Security Management:

The Committee shall:

- review the policies and procedures for all work related to fraud and corruption as set out in the Secretary of State Directions as required by NHS Counter Fraud Authority.
- receive regular reports of the activity undertaken by and findings of the Local Counter Fraud Service.

e. Other Assurance Functions:

The Committee shall:

- maintain oversight of the Trust's progress against the statutory recommendations

- 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.
- review every decision to suspend Standing Orders (the power to suspend Standing Orders is reserved to the Board).
- receive regular reports on Sealings, Competitive Tenders and Waivers of Competitive Tenders; Gifts, Hospitality and Sponsorship; Losses and Special Payments in accordance with Standing Financial Instructions.
- Receive regular highlight reports from the Risk Committee
- examine any other matters referred to the Committee by the Board and to initiate investigation as determined appropriate.

f. Management:

The Committee shall request, receive and review reports and assurances from 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 eg clinical audit where they may be appropriate to the overall arrangements.

g. Financial Reporting:

The Committee shall review the Trust's annual report and financial statements prior to submission to the Board, focussing 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.

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

9. Reporting Procedures:

The Committee shall produce minutes of its meetings which will be formally ratified at the following meeting. A written summary of each meeting shall be submitted to the next scheduled meeting of the Board. The summary will focus on items of escalations, items which have been approved and specific items connected to strategic risks and strategic direction. The Chair of the Committee will present this report.

The Committee will report to the Board annually on its work in support of the Annual Governance Statement, specifically commenting on the fitness and purpose of the Assurance Framework, the completeness and embeddedness of risk management in the organisation and the integration of governance arrangements.

In addition, an annual report will be produced by the Director of Corporate and Legal Affairs setting out the Committee's compliance with its terms of reference, performance of its duties and strategic priorities for the next 12 months. The report will be informed by an annual self-assessment conducted by the Committee, ensuring its work and responsibilities are reflective of the changing environment within which the committee functions.

10. Review:

These terms of reference will be reviewed on an annual basis by the Committee to ensure they remain fit for purpose and be submitted to the Board for formal ratification.

11. Ratification:

Updated and reviewed by: Audit Committee

Date: 23 December 2022

Approved: Trust Board

Date: 12 January 2023