

CAMBRIDGE UNIVERSITY HOSPITALS NHS FOUNDATION TRUST

AUDIT COMMITTEE

TERMS OF REFERENCE

1. Authority

- 1.1 The Audit Committee is constituted as a standing committee of the Board of Directors and has no executive powers, other than those specifically delegated in these terms of reference. Its constitution and terms of reference are set out below and can only be amended with the approval of the Board of Directors.
- 1.2 The Committee is directly accountable to the Board of Directors and 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 or contractor of the Trust and all employees and contractors are directed to cooperate with any request made by the Committee.
- 1.3 The Committee is authorised by the Board of Directors to secure the attendance of individuals and authorities from outside the Trust with relevant experience and expertise if it considers this necessary for or expedient to the exercise of its functions.

2. Purpose

- 2.1 The Audit Committee is responsible for monitoring, reviewing and reporting to the Board of Directors on all aspects of integrated governance, risk management and internal control. It will do so having regard to the assurance provided by the Quality Committee and the Performance Committee in undertaking their respective work programmes.

3. Membership

- 3.1 The members of the Audit Committee shall be appointed by the Board of Directors and comprise three Non-Executive Directors. The Chair of the Trust shall not chair or be a member of the Audit Committee, but may attend meetings by invitation as appropriate.
- 3.2 One Non-Executive Director will be appointed as the Chair of the Audit Committee by the Board of Directors. At least one member of the Audit Committee must have recent and relevant financial experience.
- 3.3 At least one of the members should also be a member of the Quality Committee.
- 3.4 The Chief Executive will identify an Executive lead for the Committee.
- 3.5 A quorum shall be two Non-Executive Director members.
- 3.6 Members should make every effort to attend all meetings of the Committee and will be required to provide an explanation to the Chair of the Committee if they fail to attend more than two meetings in a financial year. If a member fails to attend

more than three meetings in a financial year, the Chair of the Committee will consider with the Chair of the Trust the appropriate action to be taken. The Committee Secretary will monitor attendance by members and report this to the Chair of the Committee on a regular basis.

4. Attendance and secretariat

- 4.1 The Chief Finance Officer will attend all meetings. In exceptional circumstances, an appropriate nominated deputy may attend in their place.
- 4.2 The Chief Executive will be invited to attend and should discuss at least annually with the Audit Committee the process for assurance that supports the Annual Governance Statement.
- 4.3 At least one Executive Director shall be in attendance at every meeting.
- 4.4 Other Trust staff will be invited to attend for specific agenda items with the agreement of the Chair of the Committee.
- 4.5 Audit Committee members will meet with the Internal Auditors, External Auditors and Counter Fraud Specialist, without any others present, before each Audit Committee meeting.
- 4.6 The Council of Governors may nominate up to two governors to attend each meeting of the Committee to observe proceedings. The observation of Board assurance committees by governors shall be subject to conditions agreed by the Board of Directors. The Chair of the Committee may in exceptional circumstances exclude governors from being present for specific items.
- 4.7 The Director of Corporate Affairs will ensure that the Trust Secretariat provides a Secretary to the Committee and appropriate administrative support to the Chair and committee members. This will include agreement of the agenda with the Chair and Executive leads, collation and circulation of papers, producing the minutes of the meetings, keeping a record of agreed actions and follow up, and advising the Chair and members of the Committee as appropriate.

5. Frequency of meetings

- 5.1 Meetings will normally be held four times a year.
- 5.2 The Chair may convene additional meetings of the Committee if necessary to consider business that requires urgent attention.
- 5.3 The Internal Auditors, External Auditors or Counter Fraud may request an additional meeting if they consider that one is necessary.

6. Reporting

- 6.1 An exception report will be presented to the next meeting of the Board of Directors following each Committee meeting to draw attention to any matters that require disclosure or escalation to the Board, specifically where there is a lack of assurance in any aspect of quality of care.
- 6.3 The Audit Committee will provide an annual report to the Board of Directors on the effectiveness of its work and findings, including its review of relevant Board Assurance Framework entries and regulatory compliance. This will be based on an

annual effectiveness review to be undertaken by the Committee which will inform its forward work plan.

7. Review

- 7.1 The terms of reference will be reviewed by the Committee and approved by the Board of Directors at least every two years.

8. Specific duties

- 8.1 The duties and responsibilities of the Committee are as follows:

Governance, Risk Management and Internal Control

- 8.2 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. The Audit Committee will look to the Quality Committee for assurance on matters of clinical governance.
- 8.3 In particular, the Committee will review the adequacy and effectiveness of:
- 8.3.1 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 endorsement by the Board of Directors.
 - 8.3.2 The underlying assurance processes that indicate the degree of achievement of corporate objectives and the appropriateness of the above disclosure statements.
 - 8.3.3 The effectiveness of systems and processes for risk management in the Trust, in accordance with the Risk Management Strategy and Policy, including arrangements for the development and review of the Board Assurance Framework and the Corporate Risk Register.
 - 8.3.4 The policies for ensuring compliance with relevant regulatory, legal and code of conduct requirements, including the NHS Constitution, and related reporting and self-certification.
 - 8.3.5 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.
 - 8.3.6 Arrangements by which staff may raise, in confidence, concerns about possible improprieties in matters of financial reporting and control, clinical quality, patient safety or other matters, ensuring that arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow-up action. The Committee will receive an annual report on the application of the Trust policy on raising concerns.
- 8.4 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.
- 8.5 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.
- 8.6 The Committee will have due regard to the proceedings of the Quality Committee for the purpose of ensuring that there is no duplication of effort between the two Committees, that no area of assurance is missed and as part of its responsibility for reviewing the Annual Governance Statement prior to submission to the Board of Directors.

Internal Audit

8.7 The Committee shall ensure that 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:

- 8.7.1 Considering the appointment of the Internal Audit service, the audit fee and any questions of resignation and dismissal.
- 8.7.2 The 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.
- 8.7.3 Consideration of the major findings of Internal Audit investigations and the management's response and ensuring co-ordination between the Internal and External Auditors.
- 8.7.4 Ensuring that the Internal Audit function is adequately resourced and has appropriate standing within the Trust.
- 8.7.5 An annual review of the effectiveness of Internal Audit.

External Audit

8.8 The Committee shall 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:

- 8.8.1 Overseeing the conduct of a market testing exercise for the appointment of an External Auditor at least once every three years and, based on the outcome, make recommendations to the Council of Governors of the Trust regarding the appointment, reappointment, termination of appointment and fees of the External Auditor.
- 8.8.2 Ensuring that the External Auditor remains independent in its relationship and dealings with the Trust and to review the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements.
- 8.8.3 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 ensuring co-ordination, as appropriate, with other external auditors in the local health economy.
- 8.8.4 Review of all External Audit reports, including the report to those charged with governance, agreement of the audit letter before submission to the Board and any work undertaken outside the annual audit plan, together with the management response.
- 8.8.5 Discussion with the External Auditors of their local evaluation of audit risks and assessment of the Trust and associated impact on the audit fee.
- 8.8.6 Developing and implementing policy on the engagement of the External Auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm.
- 8.8.7 An annual review of the effectiveness of External Audit, reporting to the Council of Governors, including details such as the quality and value of the work and the timeliness of reporting and fees, to enable the Council to consider whether or not to reappoint them.

Other assurance functions

- 8.9 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.
- 8.10 These will include, but will not be limited to, any reviews by the Department of Health arm's length bodies or regulators/inspectors (for example, NHS England and Improvement and the Care Quality Commission) and professional bodies with responsibility for the performance of staff or functions (for example, Royal Colleges, accreditation bodies, etc.)
- 8.11 In addition the Committee will review the work of other committees within the organisation, whose work can provide relevant assurance to the Audit Committee's own scope of work. This will include in particular the Quality Committee and any other risk, governance and assurance committees that are established.

- 8.12 In reviewing the work of the Quality Committee and issues around clinical risk management, the Audit Committee will wish to satisfy itself on the assurance that the Quality Committee gains from the Clinical Audit function.

Financial reporting

- 8.13 The Audit Committee will monitor the integrity of the financial statements of the Trust and any formal announcements relating to the Trust's financial performance.
- 8.14 The Committee should 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.
- 8.15 The Committee will review the Annual Report and Financial Statements before submission to the Board, focusing particularly on:
- 8.15.1 The wording in the Annual Governance Statement and other disclosures relevant to the Terms of Reference of the Committee.
 - 8.15.2 Changes in and compliance with accounting policies, practices and estimation techniques.
 - 8.15.3 Unadjusted mis-statements in the financial statements.
 - 8.15.4 Significant judgements in preparation of the financial statements and Letter of Representation.
 - 8.15.5 Qualitative aspects of financial reporting.
- 8.16 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.

Key Trust documents

- 8.17 Review, on behalf of the Board of Directors, the operation of and proposed changes to Standing Orders, Standing Financial Instructions, Scheme of Delegation, Matters Reserved to the Board and Standards of Business Conduct, including maintenance of registers.
- 8.18 Examine the circumstances of any significant departure from the requirements of any of the foregoing, and whether those departures relate to a failing, an overruling or a suspension.

Counter Fraud

- 8.19 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.

Management

- 8.20 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.
- 8.21 The Committee may also request specific reports from individual functions within the organisation (for example, clinical audit) as they may be appropriate to the overall arrangements.
- 8.22 Develop an annual work programme agreed by the Committee to discharge the duties as set out above.
- 8.23 Undertake an annual review of the effectiveness of the Committee to inform the Committee's annual report to the Board of Directors and the following year's work programme.
- 8.24 Undertake any other responsibilities as delegated by the Board of Directors.

Date approved: 11 November 2020
Approved by: Board of Directors
Next review date: November 2022