

Audit Committee

TERMS OF REFERENCE

Committee Status	<p>The Audit Committee (“the Committee”) is a standing committee of the Board of Directors (the Board) of The Rotherham NHS Foundation Trust (the Trust).</p> <p>It is authorised to consider any matter within its terms of reference and to be provided with the Trust resources to do so.</p> <p>It also has the right of access to all information that it deems relevant to fulfil its duties which may require any Trust colleague to attend a meeting of the Committee to present information or answer questions on a matter under discussion.</p> <p>The Committee is empowered to obtain external professional advice and to invite external consultants with relevant experience to attend if necessary.</p> <p>The Committee has no executive powers other than those set out in these Terms of Reference.</p>
Reporting to	<p>The Committee is accountable to the Board.</p> <p>The Committee shall report to the Board on how it discharges its responsibilities. The minutes of the Committee’s meetings shall be formally recorded and submitted to the Board, once approved by the Chair of the Committee. The Chair of the Committee will also provide the Board with a Chair’s Assurance Log at each meeting of the Board in the month following the Committee meeting. The Assurance Log will provide assurance or highlight risks to the Board or issues that require executive action.</p> <p>The Committee will report to the Board annually on its work in support of the annual governance statement, specifically commenting on:</p> <ul style="list-style-type: none">• the fitness for purpose of the assurance framework;• the completeness and extent to which risk management is embedded at the Trust;• the integration of governance arrangements;• the appropriateness of the evidence that shows the organisation is fulfilling regulatory requirements relating to its existence as a functioning business; and

	<ul style="list-style-type: none"> • the robustness of the processes behind the quality report. <p>This annual report will 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>In addition the Chair of the Committee will provide a quarterly report on the Committee’s activities to the Council of Governors.</p>
<p>Purpose and Duties</p>	<p>The Board has approved the establishment of the Committee for the purpose of advising the Board of Directors and providing an independent and objective review on the adequacy of Trust’s system of internal control, including audit arrangements (internal and external), financial systems, financial information, assurance arrangements including governance, risk management and compliance with legislation.</p> <p>The Committee will discharge this purpose through the following duties:</p> <p><u>1. Integrated Governance, Risk Management and Internal Control</u></p> <p>The Committee shall review the establishment and maintenance of an effective system of integrated risk management and internal control, across the whole of the Trust’s activities (including those of any subsidiary, either currently in existence or to be established) that support the achievement of the organisation’s strategic objectives.</p> <p>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, prior to endorsement by 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 risk management strategy, structures, processes and responsibilities for identifying and managing key risks facing the organisation; • the policies and procedures for all work related to anti-fraud, bribery and corruption as set out by the NHS Counter Fraud Authority; • the work of counter-fraud services; to ensure that there is an effective LCFS established by management that meets mandatory requirements and provides appropriate independent assurance to the Committee, Chief Executive and Board;

- the policies for ensuring that there is compliance with relevant regulatory, legal and code of conduct requirements as set out in regulators' standards and guidance;
- the operational effectiveness of policies and procedures; and
- the financial control systems.

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.

These 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.

2. Internal Audit

The Committee shall ensure that there is an effective Internal Audit function established by management that meet the Public Sector Internal Audit Accounting Standards 2017, that utilises an independent risk based approach.

In addition, the Committee will:

- consider the appointment of the internal audit service, the internal audit fee and any questions of resignation or dismissal and make appropriate recommendations to the Board;
- following consultation with all executive and Non-Executive Board members, approve the internal audit programme and more detailed programme of work, ensuring that this is consistent with the audit needs of the organisation as identified in the assurance framework;
- consider the major findings of internal audit investigations (and management's response) and report progress on material matters to the Board;
- ensure co-ordination and co-operation between the Internal and External Auditors to optimise the use of audit resources;
- ensure that the Internal Audit function is adequately resourced and has appropriate standing within the organisation;
- review annually the effectiveness of Internal Audit; and
- meet in private with the internal auditor to discuss issues or matters arising.

3. External Audit

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 report by the Committee to the Council of Governors in relation to the performance of the External Auditors, including details such as the quality and value of the work, and the timeliness of report and fees, to enable the Council of Governors to consider whether or not to re-appoint them. The Committee should also make recommendation to the Council of Governors about the appointment, re-appointment and removal of the External Auditor and approve the remuneration and terms of engagement of the External Auditor;
- discussion and agreement with the External Auditor, before the annual audit commences, of the nature and scope of the audit, as set out in the annual plan;
- reviewing with the external auditors their evaluation of audit risks and assessment of the organisation and the impact on the audit fee;
- review and monitoring of 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;
- review and monitor the External Auditor's independence, objectivity and effectiveness, particularly with regard to non-audit services that may be provided to the Trust;
- developing and recommend to the Board as required, the Trust's formal policy on the provision of non-audit services by the External Auditor, including approval of non-audit services by the Committee and specifying the types of non-audit service to be pre-approved, and assessment of whether non-audit services have a direct material effect on the audited financial statements ; and
- meet as required in private with the external auditor to discuss issues or matters arising.

4. Other assurance functions

The Committee shall 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.

These could include any reviews undertaken by regulators (such as NHSEI and the Care Quality Commission), NHS Resolution and professional bodies with responsibility for the performance of staff or functions (such as Royal Colleges and accreditation bodies).

The Audit Committee will also receive and review annual reports from the board's committees in support of the annual governance statement prior to them being submitted to the Board.

The Committee will provide assurance to the Board that the organisation is properly managing its cyber risk, including appropriate risk mitigation strategies.

The Committee will review the complete Board Assurance Framework (BAF) document on a quarterly basis prior to its submission to the Board.

5. Financial Reporting

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

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.

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 judgments in the preparation of the financial statements;
- significant or proposed adjustments resulting from the audit;
- letters of representation;
- explanations for significant variances;
- qualitative aspects of financial reporting; and
- the rigour with which the Auditor has undertaken the audit.

6. Counter Fraud

The Committee shall satisfy itself as to having adequate arrangements in place for counter fraud that meets the NHS Counter Fraud Authority's standards; fraud, bribery and corruption, and shall review the outcomes of work in this area.

In accordance with 1.2 of the NHSCFA's Fraud Standards for Providers, the Committee has '*stated its commitment to ensuring the Trust strive to achieve these standards and therefore requires assurance that they are being met via NHSFCA's self-review tool submission*'.

The Committee will refer any suspicions of fraud, bribery, and corruption to the Trust's Counter Fraud Specialist or the NHSCFA.

7. Annual Report

The annual report shall include a separate section to cover the work of the Committee in discharging the responsibilities outlined above.

The annual report should :

- explain the significant issues that the Committee considered in relation to the financial statements, operations and compliance, and how these issues were addressed;
- explain, if the auditor (internal / external) provides non-audit services and how auditor objectivity and independence is safeguarded;
- the value of external audit services and information on the length of tenure of the current audit firm and when a tender was last conducted; and
- include details of the full auditor (internal / external) appointment process where relevant.

8. Whistleblowing Policies

The Committee shall review the Trust's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting and control, clinical quality, patient safety or other matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action, and reassure individuals raising concerns that they will be protected from potential negative repercussions.

9. Other matters

The Committee shall:

- review the appropriateness of single tender actions which have been approved by the Executive;
- give due consideration to laws and regulations, and the provisions of The NHS Foundation Trust Code of Governance; and
- committee members shall receive the development and training that they need to fulfil their role on the Committee.

The Committee will also:

- Review the BAF risks delegated to the Committee for review, and make recommendations to the Board for any required changes of risk score or content.

Committee Membership	<p>The Committee shall be appointed by the Board of Directors and shall consist of four Non-Executive Directors, with at least one member having recent and relevant financial experience.</p> <p>The Board shall appoint the Chair and Vice Chair of the Committee from its Non-Executive Directors.</p> <p>The Trust Chair shall NOT be a member of the Committee.</p>
Quorum	<p>A quorum shall be made up of two members.</p> <p>No business shall be transacted by the Committee unless a quorum is present.</p> <p>Those in attendance or observing do not count towards the quorum.</p>
Attendees	<p>Attendees to include:</p> <ul style="list-style-type: none"> • Director of Finance (who will act as the Lead Executive); • Director of Corporate Affairs / Company Secretary, to ensure coordination of Board committees and to provide appropriate support to the Committee Chair and members; • Representatives from internal audit and external audit. <p>Attendance at, at least 2 meetings per annum (to be agreed with the Committee Chair), will be required by the Trust's counter fraud specialist.</p> <p>Other Executive Directors or their colleagues may be invited to attend for specific agenda items.</p>
Observers	<p>Meetings are not open to members of the public, however two Governors, representing the Council of Governors, may attend Committee meetings as observers, once confidentiality agreements have been signed on an annual basis. As observers Governors may not participate in the meeting unless specifically invited to do so by the Chair of the Committee.</p> <p>However, the Chair reserves the right to hold all, or part of the meeting in private without Governors observing if deemed appropriate.</p> <p>A copy of the agenda and papers will be provided on the day to Governors who are observing the meeting. All papers will be returned to the secretary of the meeting at the end of the meeting.</p>
Frequency of Meetings	<p>Meetings shall usually be held at least five times per financial year, but may be held more or less frequently should circumstances require (which will be determined by the Chair of the Committee).</p>

	<p>Meetings shall be scheduled, and endure, for no longer than three hours in length, unless exceptional circumstances demand an extended session.</p> <p>At least once a year, the Committee should meet privately with both the Internal Auditors and External Audit on a separate basis. In addition the Head of Internal Audit, representatives of external audits and counter-fraud specialists have the right of access to the Chair of the Committee at times, to be requested by them.</p>
Meeting administration	<p>Notice of meetings will be given at least seven working days in advance unless members agree otherwise.</p> <p>The Chair of the Committee and Lead Executive will meet to agree the agenda for each meeting. The agenda will be based on the Committee Annual Work Plan.</p> <p>The Lead Executive Director for the Committee will be the Director of Finance. The Director of Corporate Affairs / Company Secretary will support the Chair of the Committee and Lead Executive Director in the management of the Committee's business and for drawing the Committee's attention to best practice, national guidance and other relevant documents, as appropriate.</p> <p>Administrative support to the Committee will be provided by the secretary. The secretary will take minutes. Items for inclusion on the agenda shall be submitted to the secretary at least ten working days prior to the meeting. Agendas can then only be amended by agreement of the Committee Chair and Lead Executive Director.</p> <p>The agenda and papers will normally be circulated at least four working days prior to the meeting to Committee members and regular attendees.</p> <p>Draft minutes and action logs will be produced by the secretary within five working days, reviewed by the Lead Executive Director and then approved by the Committee Chair within ten working days of the meeting.</p>
Operational Groups which report into the Committee	<p>There are no operational groups which report into the Committee.</p>
Monitoring and review	<p>The Committee's Terms of Reference will be subject to annual review. Proposed variations will require approval of the Board.</p> <p>The Committee will undertake an annual review of its performance, via self-assessment by its members and any agreed actions, will be reported to the Board.</p>
Reviewed by Committee	<p>January 2021</p>

Approved by the Board of Directors	March 2021
Next Review date	January 2022

Based on Terms of Reference Template – February 2021 v4
Terms of Reference – Audit Committee – February 2021 v7 - FINAL