

Audit and Assurance Committee Terms of Reference

1. Introduction

- 1.1 These terms of reference reflect the requirements of the Constitution of The Hillingdon Hospitals NHS Foundation Trust ('the Trust'), the NHS Foundation Trust Code of Governance, the Audit Code for NHS Foundation Trusts and the NHS Audit Committee Handbook.

2. Constitution

- 2.1 The Board hereby resolves to establish a committee of the Board to be known as the Audit and Assurance Committee (The Committee).
- 2.2 The Committee is a non-executive committee of the Board and has no executive powers, other than those specifically delegated in these terms of reference or as the Board may delegate from time to time.

3. Membership

- 3.1 The Committee shall be appointed by the Board from the Non-Executive Directors of the Trust and shall consist of not less than three members. At least one member of the Committee shall have recent, relevant financial experience.
- 3.2 A quorum shall be two members. Given the Committee's status as a Committee of the Board, it is expected that members should make every effort to attend Committee meetings and will attend every meeting unless there are good reasons preventing attendance.
- 3.3 The Board will appoint one of the members Chair of the Committee.
- 3.4 The Chair of the Trust shall not be a member of the Committee.

4. Attendance

- 4.1 The Finance Director, the Executive Director with responsibility for governance, and internal and external audit representatives shall normally attend meetings. The Local Counter Fraud Specialist ('LCFS') will usually attend the Committee at least twice a year. No other party may attend any meeting without the Committee's invitation. The Committee may, as it sees fit, restrict attendance at any meeting. However, at least once a year the Committee should meet privately with the external and internal auditors, and with the LCFS. This is without prejudice to the auditors' unrestricted right of access to the Chair of the Committee.
- 4.2 The Chief Executive should be invited to attend, at least annually, to discuss with the Committee the process for assurance that supports the Statement on Internal Control.

- 4.3 The Trust Secretary shall be Secretary to the Committee and shall attend to take minutes of the meeting and provide appropriate support to the Chair of the Committee and committee members.

5. Frequency

- 5.1 Meetings shall be held not less than four times a year.
- 5.2 The External Auditor or Head of Internal Audit may request a meeting if they consider that one is necessary.

6. Authority

- 6.1 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 employee and all employees are directed to co-operate with any request made by the Committee. Subject to law and regulations, the Committee has unrestricted access to information and the Trust's records, except that access to confidential patient information is allowed only in exceptional circumstances.
- 6.2 The Committee is authorised by the Board to obtain outside legal or other independent professional advice and to secure the attendance of persons external to the Trust with relevant experience and expertise if it considers this necessary.

7. Duties

The duties of the Committee can be categorised as follows:

7.1 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 (both clinical and non-clinical), which supports the achievement of the organisation's objectives. In particular, the Committee will review the adequacy of:
- (a)** All risk and control related disclosure statements (in particular the Statement on Internal Control), together with any accompanying Head of Internal Audit statement, external audit opinion or other appropriate independent assurances, prior to endorsement by the Board;
 - (b)** The underlying assurance processes that indicate the degree of the achievement of corporate objectives, the effectiveness of the management of principal risks and the appropriateness of the above disclosure statements;
 - (c)** The policies and systems for ensuring compliance with relevant regulatory, legal and code of conduct requirements. In particular the

Committee will review proposed changes to Standing Orders and Standing Financial Instructions for approval by the Board;

- (d) The policies and procedures for all work related to fraud and corruption;
- (e) The performance management system to give assurance to the Board that this mechanism can support delivery of the Trust's objectives and provide effective management of risk;
- (f) Management's response to the findings of other significant assurance functions, both internal and external to the organisation, and the Committee will consider the implications to the governance of the organisation. These findings may include, but will not be limited to, findings derived from any reviews by Department of Health Arms Length Bodies or Regulators/Inspectors (for instance, the Care Quality Commission or the NHS Litigation Authority), professional bodies with responsibility for the performance of staff or functions (for instance the Royal Colleges and accreditation bodies), and reports by the Trust's local counter fraud specialist; and
- (g) The processes to produce the Trust's quality accounts.

7.1.2 In carrying out this work the Committee will primarily utilise the work of internal audit, external audit and other assurance functions (for example the Trust's clinical audit function), but will not be limited to these. 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.

7.2 Internal Audit

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

- (a) Consideration of the provision of the internal audit service and the cost of audit and any questions of resignation or dismissal of the internal audit provider. Note that formally it is the Director of Finance who appoints the internal audit provider;
- (b) Review and approval of the internal audit strategy, operational plan and the more detailed programme of work, ensuring this is consistent with the audit needs of the organisation as identified in its approved assurance framework;
- (c) Consideration of 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;
- (d) Ensuring the internal audit function is adequately resourced and has appropriate standing within the organisation; and

- (e) Annual assessment of the efficiency and effectiveness of internal audit.

7.2.2 The Head of Internal Audit reports to the Committee and is managed by the Finance Director. The Head of Internal Audit has a right of direct access to the Chair of the Committee and Committee members.

7.3 External Audit

7.3.1 The Committee shall review the work and findings of the External Auditor appointed by the Council of Governors and consider the implications of and management's responses to their work. The Committee will:

- (a) Agree with the Council of Governors the criteria for appointing, reappointing and removing the external auditors;
- (b) Report to the Council of Governors on the performance of the external auditor (such as the quality and value of work, and the timeliness of reporting and fees) to support recommendations to the Council of Governors on the appointment, re-appointment and removal of the external auditor;
- (c) (If the Council of Governors rejects the Committee's recommendations) prepare an appropriate statement for the Board to include in the Annual Report;
- (d) Approve the remuneration and terms of engagement of the external auditor;
- (e) Ensure that the Trust has arrangements in place which ensure that the External Auditor remains independent and objective in its relationship and dealings with the Trust;
- (f) Review the annual audit programme and discuss with the External Auditor, before audit work commences, the nature and scope thereof;
- (g) Review External Audit reports, including value for money reports and management letters, together with the management response, and the annual governance report (or equivalent);
- (h) Develop and implement 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 organisation; and
- (i) Annually review the efficiency, effectiveness, independence and objectivity of external audit.

7.4 Other Assurance Functions

7.4.1 The Committee will review relevant assurances available from other Board committees, working groups and senior responsible officers within the organisation to provide assurance relevant to the Committee's own scope of work. This will particularly include the

Clinical Quality and Standards Committee and the Integrated Risk Management Committee. In reviewing the work of the Clinical Quality and Standards Committee and issues around clinical risk management, the Committee will wish to satisfy itself on the assurance that can be gained from the clinical audit function and outcome measures from the Trust's clinical benchmarking systems.

7.4.2 The Committee shall satisfy itself that the Trust has adequate arrangements in place for countering fraud:

- (a) Annually the Committee will consider the annual plan of LCFS's work for the year ahead; consider the annual report on LCFS's work covering the previous year; and will assess the efficiency and effectiveness of the LCFS function; and
- (b) At least twice per year the Committee will review progress reports of LCFS's work.

7.5 Management

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

7.6 Financial Reporting

7.6.1 The Committee shall review the annual report and financial statements and any formal public announcements related to the Trust's financial performance before submission to the Board and Council of Governors, focusing particularly on:

- (a) The wording in the Statement on Internal Control and other disclosures relevant to the terms of reference of the Committee;
- (b) Changes in, and compliance with, accounting policies and practices;
- (c) Unadjusted mis-statements in the financial statements;
- (d) Major judgmental areas; and
- (e) Significant adjustments resulting from the audit.

7.6.2 The Committee should also ensure 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. **Reporting**

8.1 The minutes of the Committee's meetings shall be formally recorded by the Trust Secretary and reported to the Board by the Chair of the Committee. The Chair of the Committee shall draw to the attention of the Board any issues that require disclosure to the full Board, or require executive action.

- 8.2 The Committee will report to the Board annually on its work in support of the Statement on Internal Control, specifically commenting on the fitness for purpose of the assurance framework and the Trust's governance structures in place. The Committee shall annually assess its own performance and the fitness for purpose of its Terms of Reference and shall report thereon to the Board.
- 8.3 A separate section of the Trust's Annual Report shall describe the work of the Committee in discharging its responsibilities, and if the external auditor provides non-audit services, an explanation of how auditor objectivity and independence is safeguarded.

9. Other Matters

- 9.1 The Trust Secretary shall ensure that the Committee has appropriate administrative support, which will include:
- (a)** Agreement of agendas with the Chair of the Committee and attendees and collation of papers;
 - (b)** Organising the attendance of appropriate persons to meetings (other than those who would usually attend);
 - (c)** Taking the minutes and keeping a record of matters arising and issues/actions to be carried forward; and
 - (d)** Advising the Committee on pertinent matters.
- 9.2 The Committee shall review arrangements ('whistleblowing arrangements') by which Trust staff may raise, in confidence, concerns about possible improprieties in matters of: financial reporting and control; clinical quality; patient safety; or other matters. The Committee shall ensure that arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow-up action.
- 9.3 These terms of reference shall be made available to the public upon request and shall be included on the Trust's website.
- 9.4 The Committee will review its effectiveness and compliance with these terms of reference each year, and report the outcomes of this review to the Board.