

University Hospitals Sussex NHS Foundation Trust

AUDIT COMMITTEE

TERMS OF REFERENCE

1.00 PURPOSE

1.01 The purpose of the Audit Committee is to support the Board of Directors to:

- deliver the Trust's responsibilities for the conduct of public business and the stewardship of funds through actively promoting the Nolan Principles;
- provide assurance to the Board that appropriate systems of internal control and risk management are in place covering all corporate and clinical areas of the Trust through independent scrutiny and in close collaboration with internal and external auditors; and
- make recommendations to the Council of Governors on the appointment of external auditors.

1.02 The Audit Committee shall seek to ensure that:

- business is conducted in accordance with the law and proper standards;
- public money is safeguarded and properly accounted for;
- financial statements are prepared in a timely manner and give a true and fair view of the financial position of the Trust for the period in question;
- services are managed to secure economic, efficient and effective use of resources;
- reasonable steps are taken to prevent and detect fraud and other irregularities;
- financial policies are appropriately formulated and implemented; and
- regulator returns are submitted after appropriate challenge and scrutiny.

1.03 The Audit Committee shall ensure that it received appropriate confirmation regarding those matters within its remit where they are discharged by subsidiary entities to the Trust.

2.00 MEMBERSHIP AND ATTENDANCE AT MEETINGS

2.01 The membership of the Committee shall be:

- Chair: a nominated non-executive Director
- Chairs of the following committees; People, Sustainability, Quality, Patient and System and Partnerships.

2.02 The Trust Chair shall propose which non-executive Directors will be most suitable for nomination as Chair and members of the Committee. The Trust Board shall approve the appointment of the Committee Chair and members, based on the Chair's recommendations. The Foundation Trust Code of Governance requires that the

Committee should be composed of at least three independent non-executive Directors, at least one of whom has recent and relevant financial experience.

- 2.03 In the absence of the Committee Chair one of the remaining non-executive members present shall elect themselves to chair the meeting.
- 2.04 Committee members should aim to attend all scheduled meetings but must attend a minimum of two thirds of meetings. The Committee secretary will maintain a register of attendance which will be published in the Trust's annual report.
- 2.05 All members of the Committee shall receive training and development support before joining the Committee and on a continuing basis to ensure their effectiveness as members, supported by a performance assessment process, as agreed by the Board of Directors.
- 2.06 Core attendees are those normally in attendance at the Committee meetings but who are not members shall be:
 - Chief Financial Officer
 - Director of Finance
 - Chief Governance Officer
 - External Auditors
 - Internal Auditors
 - Local Counter Fraud Specialist (as appropriate)
 - Group Company Secretary
- 2.07 Any member of the Board of Directors shall have the right to attend any meeting of the Committee by prior agreement with the Chair.
- 2.08 The Chief Executive should be invited to attend at least annually to discuss with the Audit Committee the process for assurance that supports the Annual Governance Statement.
- 2.09 The Trust Chair shall not be a member of the Committee.
- 2.10 The executive members of the Committee may exceptionally send a deputy to the meeting, but the deputy will not have voting rights at the meeting.
- 2.11 Other Trust Executives, managers and clinicians may be invited to attend for particular items on the Agenda that relate to areas of risk or operation for which they are responsible.
- 2.12 The Company Secretary or their nominee shall act as Secretary to the Committee and shall attend to take minutes of the meeting and provide appropriate support to the Chair and Committee members.

3.00 ROLES AND RESPONSIBILITIES

DELEGATED AUTHORITY

- 3.01 The Committee shall have the delegated authority to act on behalf of the Board of Directors in accordance with the Constitution, Standing Orders, Standing Financial Instructions, and Scheme of Delegation. The limit of such delegated authority is restricted to the areas outlined in the Duties of the Committee and subject to the rules on reporting, both as defined below.
- 3.02 The Committee is empowered to investigate any activity within its Terms of Reference, and to seek any information it requires from staff, who are required to co-operate with the Committee in the conduct of its enquiries.
- 3.03 The Committee should challenge and ensure the robustness of information provided.
- 3.04 The Committee is authorised by the Board of Directors to obtain independent legal and professional advice and to secure the attendance of external personnel with relevant experience and expertise, should it consider this necessary. All such advice should be arranged in consultation with the Company Secretary.

RESPONSIBILITIES

Governance, risk management and internal control

- 3.05 To review regularly the Board Assurance Framework (including through in-depth reviews of specific risks which complement reviews being undertaken by other committees) and the High Level Operational Risks.
- 3.06 The Committee shall assure itself that the Trust has established and maintains an effective integrated system of governance, risk management and internal controls, across the whole of the Trust's activities (both clinical and non-clinical) that supports the achievement of the Trust's objectives. This includes the governance arrangements of the Trust's Patient First Improvement Programme and how projects and initiatives were identified and executed.
- 3.07 In relation to the management of risk, the Committee will:
- Review the process under which the trust sets its risk appetite;
 - Oversee and advise the Trust board on the current risk exposures of the Trust, and the effectiveness of the Trust's risk management systems;
 - Keep under review the effectiveness of the Trust's risk management and risk assessment processes ensuring the use of both qualitative and quantitative measures in assessment;
 - Refer to the Patient, Quality, People, Sustainability and Systems and Partnership Committees risks that require further scrutiny to determine the effectiveness and timeliness of actions to mitigate them; and
 - Review the statements to be included in the Annual Report concerning risk management.

- 3.08 In particular, the Committee shall assure itself (either directly or through the work of the Quality Committee) of the accuracy, adequacy and effectiveness of:
- All risk and control-related disclosure statements (in particular the Annual Governance Statement and relevant declarations of compliance with the requirements of relevant NHS regulators), together with any accompanying statement from the Head of Internal Audit, any external audit opinion or other appropriate independent assurances, prior to endorsement by the Board.
 - The underlying assurance processes that indicate the degree of the achievement of corporate objectives and the effectiveness of the management of principal corporate and clinical risks. These will include but will not be limited to; the Board Assurance Framework, the Risk Management Strategy and the Risk Register along with realistic prioritised action plans and targets to eliminate or minimise risk.
 - The policies and controls for ensuring compliance with relevant regulatory, legal and code of conduct requirements and related reporting and self-certification.
 - The policies and procedures for all work related to fraud and corruption as set out by NHS Protect Local Counter Fraud Specialist (as appropriate).
- 3.09 In carrying out this work the Committee will primarily utilise the work of Internal Audit, External Audit, Local Counter Fraud Service (LCFS), and other assurance functions, but will not be limited to these audit and assurance functions.

Internal audit and counter fraud

- 3.10 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 Board.
- 3.11 This will be achieved by:
- Approval of the appointment, remuneration and terms of engagement of the Internal Audit service provider including resignation, (reappointment) and dismissal.
 - Reviews 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 and Risk management Strategy.
 - Review all reports on the Trust from Internal Audit and consider all the major findings and the response of managers, ensuring that recommendations are followed-up and any lessons are learned within the Trust.
 - 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 of co-ordination between the Internal and External Auditors and LCFS to optimise audit resources.
- 3.12 The Committee shall also satisfy itself that the organisation has adequate arrangements in place for countering fraud.
- 3.13 This will be achieved by:
- review the adequacy of the policies, procedures and any investigations relating to counter-fraud, anticorruption activities and the prevention of bribery to ensure they are in line with the requirements of the NHS Counter Fraud Authority;
 - approve and monitor progress against the operational counter fraud plan;
 - receive regular reports and ensure appropriate action in significant matters of fraudulent conduct and financial irregularity;
 - monitor progress on the implementation of recommendations in support of counter fraud;
 - oversee and scrutinise the effectiveness of local counter-fraud provisions and seek assurance of any issues being dealt with effectively; and
 - receive the annual report of the local counter fraud specialist; and
 - Annual review of the effectiveness of LCFS and of co-ordination between the Internal and External Auditors and LCFS to optimise audit resources.

External audit

- 3.14 The Committee shall support the Council of Governors with their duty to appoint, re-appoint, or remove the external auditor. The Committee shall:
- agree the criteria for appointment or removal with the Council of Governors, and advise on the external audit terms and conditions including fees;
 - agree terms of engagement, including any engagement letter issued at the start of each audit;
 - report to the Council of Governors annually on the performance of the external auditor; and
 - agree with the Council of Governors a policy on the engagement of the external auditor to provide non-audit services.
- 3.15 The Committee shall oversee the relationship with the External Auditor including:
- ensuring the auditor complies with the Audit Code;
 - assessing annually their independence and objectivity considering relevant UK professional and regulatory requirements and the relationship with the auditor, including the provision of any non-audit services;

- monitoring the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partners, the level of fees paid by the Trust compared to the overall income of the firm, office and partner and other related requirements; and
 - assessing annually their qualifications, expertise and resources and the effectiveness of the audit process which shall include a report from the External Auditor on their own internal quality procedures.
- 3.16 The Committee shall review the work and findings of the External Auditor, for both the Trust and where relevant subsidiaries, and consider the implications and management's responses to their work. This will be achieved by:
- 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 coordination, as appropriate, with other External Auditors in the local NHS.
 - Discussion with the External Auditors of their local evaluation of audit risks and assessment of the Local Health Economy and associated impact on the audit fee.
 - Reviewing all External Audit reports, ensuring appropriate management responses and monitoring the implementation of responses.
 - Agreement of the annual audit letter before submission to the Board and any work carried outside the annual audit plan, together with the appropriateness of management responses.
 - Consideration of the performance of the External Auditor, as far as the rules governing the appointment permit.

Other assurance functions

- 3.17 The Audit Committee shall receive assurance from other significant assurance functions, both internal and external to the organisation, on its review of the findings of other significant assurance functions and consider the implications to the governance of the organisation. These will include, but will not be limited to, any reviews by professional bodies with responsibility for the performance of staff or functions (e.g. Royal Colleges, accreditation bodies, etc).
- 3.18 The Committee shall review the work of other Committees within the organisation whose work can provide relevant assurances. In reviewing the work of the other Committees the Audit Committee will be seeking assurance over the Trust's risk management processes, both clinical and non clinical risk management, this will include taking assurance from the Trust's clinical audit function.
- 3.19 The Committee shall review all decisions made by the Board to suspend Standing Orders or Standing Financial Instructions.

Management

- 3.20 The Committee shall require and review reports and positive assurances from Directors and managers on the overall arrangements for governance, risk management and internal control.
- 3.21 The Committee may also require specific reports from individual functions within the organisation (e.g. clinical audit) as they may be appropriate to the overall arrangements.
- 3.22 Receive reporting on project evaluations, including Corporate Projects, which includes lessons learned, and seek assurance that this learning has been applied to future projects.
- 3.23 Seek assurance that the Trust is compliant with all legal regulations with regards to safety and security through reporting from relevant established Groups including those in respect of Health and Safety and Security.
- 3.24 To seek assurance that the Trust is compliant with Information Governance and Freedom of Information requests through receiving the annual report from the Senior Information Risk Officer (SIRO), Data Protection Officer and Caldicott Guardian. The Committee will consider reports and set out action plans required to ensure compliance.

Financial and Annual Reporting

- 3.25 The Audit Committee shall monitor the integrity of the financial statements of the Trust, including its Annual Report, and any formal announcements relating to the Trust's financial performance. This includes reviewing significant financial reporting issues and judgements.
- 3.26 Review summary financial statements, significant financial returns to regulators and any financial information contained in other official documents, including the Annual Governance Statement and the Trust's declaration with the NHS FT Provider Licence.
- 3.27 The Committee shall 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.
- 3.28 The Audit Committee shall review the Annual Report and Financial Statements before submission to the Board, focusing particularly on:
 - the clarity of disclosures 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 misstatements in the financial statements;
 - methods used to account for significant or unusual transactions;

- whether the Trust has followed appropriate accounting standards and made appropriate estimates and judgments, considering the views of the External Auditor;
- significant judgements used in the preparation of financial statements;
- significant adjustments resulting from the audit;
- letter of representation; and
- qualitative aspects of financial reporting.

Subsidiaries

- 3.29 The Committee will review and monitor preparation of the Financial Statements of subsidiaries.

Policies

- 3.30 The Committee will review annually, on behalf of the Trust board, any proposed changes to the Standing Orders and Standing Financial Instructions
- 3.31 The Committee will examine the circumstances of any departure from the requirements of Standing Orders and Standing Financial Instructions;
- 3.32 The Committee will monitor the Declarations of Interest & Hospitality policy with reference to the codes of conduct and accountability thereby providing assurance to the Board of probity in the conduct of business.
- 3.33 The Committee will review schedules of losses and compensations quarterly.

Whistleblowing

- 3.34 The Committee shall annually review the Trust's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee will ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow-up action.

Information Governance, Digital Assurance and Cyber Awareness

- 3.35 The Committee will seek assurance over the Trust's systems of internal control in respect of information governance, digital assurance and data security and the Trust's processes for mitigating cyber security risks. The Committee will discharge this through the receipt of the Trust's annual data security toolkit return and assurance over this return and through the receipt of a report twice a year from the Chief Information Officer and Calidcott Guardian.

Statutory compliance

- 3.36 Review compliance with the self-assessment quality checklist for the annual reference cost submission
- 3.37 To consider reports from the Health and Safety Group including their Annual Report and any exception reports, and to gain assurance of the delivery of action plans

arising from areas of concern and where formal improvement notices have been issued.

- 3.38 Obtain assurance that the Trust has appropriate arrangement in place to remain compliant with all aspects of Health and Safety legislation.
- 3.39 Ensure, on behalf of the Trust Board, through the respective Committee Chair membership of Audit Committee, that current statutory and regulatory compliance and reporting requirements are met, including;
- Standards of professional conduct and practice
 - Freedom to speak up
 - Equality and diversity
 - Well-being
 - Consultation on service change.

4.00 REPORTING AND RELATIONSHIPS

- 4.01 The Committee shall be accountable to the Board of Directors of the Trust.
- 4.02 The Committee shall make recommendations to the Board of Directors concerning any issues that require decision or resolution by the Board.
- 4.03 The Committee shall refer to the Quality Committee, People Committee, Patient Committee, Systems and Partnerships Committee or Sustainability Committee any matters requiring review or decision-making in that forum.
- 4.04 The Committee shall receive reports from the Trust Board and its sub-Committees, which set out any matters requiring escalation.
- 4.05 On an annual basis the Committee will provide a self-assessment report to the Board detailing how the Committee has discharged its obligations as set out within its terms of reference, specifically incorporating an assessment of its effectiveness and making recommendations for improvement, where appropriate. This will form part of the assurances which support the Annual Governance Statement and the Annual report disclosures and will be submitted in the first quarter of the following financial year.
- 4.06 Report to the Governors matters relating to audit activities that it considers requiring action and/or improvement to be made, highlighting recommendations.
- 4.07 The Committee Chair shall present a report summarising the proceedings of the meeting at the next Trust Board meeting. This should draw to the attention of the Board any issues that require disclosure to the full Board or require executive action.

5.00 CONDUCT OF BUSINESS

- 5.01 The Committee shall conduct its business in accordance with the Standing Orders of the Trust.

- 5.02 The Committee shall be deemed quorate if there are at least two non-executive Directors are present. A quorate meeting shall be competent to exercise all or any of the authorities, powers and duties vested in or exercised by the Committee.
- 5.03 The Committee shall meet not less than 4 times in each financial year and dates will be set by the end of the previous financial year. The Chair of the Committee may request an extraordinary meeting if they consider one to be necessary. The External Auditor or Head of Internal Audit may request a meeting of the Committee if either or both consider that one is necessary.
- 5.04 At least once a year the Committee should meet privately with the External Auditors, Internal Auditors and Local Counter Fraud Service.
- 5.05 The Committee will set an annual plan for its work to form part of the Board's Annual Cycle of Business, and report to the Board on its progress.
- 5.06 In exceptional circumstances where delaying actions or decisions would have a negative impact on the Trust's business, certain items of business requiring an urgent decision, or the taking of the decision itself, may be conducted outside of formal meetings, in line with the requirements set out within the Trust standing orders. This will normally be agreed by the Committee in advance and executed by either: Chair's action, calling an extraordinary meeting or reaching consensus on a decision by e-mail. Any decisions re to be formally ratified the Committee and/or Board at the next meeting.
- 5.07 The Committee business may be transacted through virtual media (using either teleconference or other collaboration and meeting tools). At the start of each meeting which is taking place without all parties being physically present the Chair shall be responsible for determining that the quoracy arrangements has been achieved and that members can effectively contribute.
- 5.08 The Committee Chair, with the support of the Company Secretary, is responsible for taking appropriate actions to manage conflicts of interest (perceived and actual) during a meeting. Members conflicted on any items of business on a committee meeting agenda shall declare their conflict and withdraw from discussions and/or the decision-making as required. Conflicted members are not to be counted for quorum.
- 5.09 The Company Secretary is responsible for preparing the agenda and collating and circulating papers to Committee Members. Papers should be provided not less than five calendar days before the meeting and the agenda and papers should be circulated not less five calendar days before the meeting, to provide sufficient time for due consideration.
- 5.10 Proceedings and decisions made will be formally recorded by the Company Secretary in the form of minutes and distributed to Committee Members within 10 working days of the meeting.

6.00 TERMS OF REFERENCE

- 6.01 The Committee shall review its own performance, constitution and terms of reference at least every two years to ensure it is operating at maximum effectiveness. Any proposed changes to the terms of reference should be agreed by the Trust Board.

6.02 It is the Company Secretary's responsibility to make the necessary updates to the terms of reference.

6.03 Approved by Committee April 2024

6.04 Next review: April 2025

Appendix - Mandated reports considered by the Committee

Below is a list of the mandated reports the Committee the Committee would receive over the year

- Internal Audit, External Audit and LCFS Annual Plans
- Internal Audit Annual Report and Annual Opinion
- LCFS Annual Report
- Annual Governance Statement
- Trust's declaration against the NHS I provider licence
- Declaration of Interest and Gifts, Hospitality and Sponsorship Registers
- Trust Accounting Policies
- External Audit Opinion on Trust Accounts and Annual Report
- Schedule of SFI waivers, losses and special payments
- External Audit Performance report to Council of Governors
- Health and Safety Annual Report
- Annual report on Information Governance from the Data Protection Officer, Calidcott Guardian and Senior Information Risk Owner
- Annual Data Protection and Security Toolkit return
- Annual digital assurance and data security and the Trust's processes for mitigating cyber security risks.