

AUDIT AND RISK COMMITTEE

TERMS OF REFERENCE

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AUDIT AND RISK COMMITTEE TERMS OF REFERENCE

1. Constitution

1.1 The Trust Board hereby resolves to establish a Committee to be known as the Audit and Risk Committee ('the Committee'). The Committee has no executive powers, other than those specifically delegated in these Terms of Reference.

1.2 The Committee will adhere to, and be cognisant of the Trust values at all times.

2. Authority

2.1 The Committee is constituted as a standing committee of the Trust Board ('Board'). Its constitution and terms of reference are subject to amendment by the Trust Board.

2.2 The Committee derives its power from the Trust Board and has no executive powers, other than those specifically delegated in these terms of reference.

3. Purpose

3.1 The Committee will have primary responsibility for reviewing the effectiveness of the framework in place for the identification and management of risks and associated controls, corporate governance and assurance frameworks.

3.2 The Committee will have close working relationships with the Quality and Safety Committee which has responsibility for oversight and monitoring of clinical risks.

3.3 The Board of Directors is responsible for ensuring effective internal control including:

- Management of the foundation trust's activities in accordance with statute and regulations; and,
- The establishment and maintenance of a system of internal control to give reasonable assurance that assets are safeguarded, waste or inefficiency avoided and reliable financial information produced, and that value for money is continuously sought.

3.4 The Committee shall provide the Board of Directors with a means of independent and objective review of financial and corporate governance, assurance processes and risk management across the whole of the Foundation Trust's activities both generally and in support of the statement of internal control. In addition the Committee shall:

- Ensure independence of external and internal audit;
- Ensure that appropriate standards are set and compliance with them is monitored, in all areas that fall within the remit of the Committee; and
- Monitor corporate governance (e.g. compliance with terms of licence, constitution, codes of conduct, standing orders, standing financial instructions, maintenance of registers of interests).

4. Powers

4.1 The Committee is authorised by the Board of Directors to investigate any activity within its terms of reference.

- 4.2 The Committee is accountable to the Board of Directors and any changes to these terms of reference must be approved by the Board of Directors.
- 4.3 The Committee is authorised to seek any information it requires from any member of staff and all members of staff are directed to co-operate with any request made by the Committee.
- 4.4 The Committee is authorised by the Board of Directors to request the attendance of individuals and authorities from outside the Foundation Trust with relevant experience and expertise if it considers this necessary or expedient to the carrying out of its functions.
- 4.5 The Committee is authorised by the Board of Directors to obtain outside legal or other specialist ad-hoc advice at the expense of the organisation, subject to budgets agreed by the Board.

5. Duties and Responsibilities

The duties and responsibilities of the Committee are as follows:

5.1 Integrated 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 organisations activities (both clinical and non-clinical), including its subsidiaries, that supports the achievement of the organisations objectives.

In particular, the Committee will review the adequacy and effectiveness of:

- All risk and control related disclosures 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 submission to the Board and/or the Council of Governors.
- Statements within the quality account together with the external audit assurance.
- The Board Assurance Framework and Corporate Risk Register; the underlying assurance processes that indicate the degree of achievement of the Trust's objectives, the effectiveness of the management of principle risks and the appropriateness of the above disclosure statements; and, the adequacy and effectiveness of risk appetite/risk appetite governance.
- The policies 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 required by NHS Protect.
- Oversee any procedural, policy or strategy documents which fall within the remit of the Committee are appropriately written, ratified and monitored for compliance in accordance with the Policy for Development and Management of Procedural Documents (Policy for Policies) and any key national standards and best practice.

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.

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.

As part of its integrated approach, the Committee will have effective relationships with other key committees (for example, the Quality and Safety Committee) so that it understands processes and linkages. However, these other committees must not usurp the Committee's role.

5.2 Internal Audit

The Committee shall ensure that there is an effective internal audit function that meets the *Public Sector Internal Audit Standards 2017* and provides appropriate independent assurance to the Audit Committee, Chief Executive (as Accountable Officer) and the Board. This will be achieved by:

- Considering the provision of the internal audit service, the costs involved and any questions of resignation and dismissal.
- Reviewing and approving the annual internal audit work 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.
- Considering the major findings of internal audit work (and management's response), and ensure co-ordination between the internal and external auditors to optimise the use of audit resources.
- Ensuring that the internal audit function is adequately resourced and has appropriate experience and standing within the organisation.
- Overseeing the continuing independence of the internal auditor.
- Monitoring the effectiveness of internal audit and carrying out an annual review.

5.3 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:

- Considering the appointment and performance of the external auditors, as far as the rules governing the appointment permit (and make recommendations to the Board and/or Council of Governors when appropriate).
- Discussing and agreeing with the external auditors, before the audit commences, the nature and scope of the audit as set out in the annual plan.
- Discussing with the external auditors their evaluation of audit risks and assessment of the Trust and associated impact on the audit fee.
- Reviewing all external audit reports, including the report to those charged with governance, (before submission to the Board and/or the Council of Governors) and any work undertaken outside the annual audit plan, together with the appropriateness of management responses.
- Ensuring that there is in place a clear policy for the engagement of external auditors to supply non-audit services.

5.4 Other Assurance Functions

The Committee shall review the findings of other significant assurance functions, both internal and external and consider the risk implications for the governance of the Trust, including its subsidiaries.

These will include, but will not be limited to, any reviews by Department of Health and Social Care arm's length bodies or Regulators / Inspectors (e.g. Care Quality Commission, NHS Resolution Scheme etc.), and professional bodies with responsibility for the performance of staff or functions (e.g. Royal College's, accreditation bodies etc.).

The Head of Internal Audit reserves the right to report directly to the Committee if they consider it necessary.

The Committee will review the adequacy of the clinical audit function.

In addition, the Committee will review the work of other committees, working groups and subsidiaries within the organisation, whose work can provide relevant assurance to the Committee's own areas of responsibility. This will particularly include the Trust's Quality and Safety Committee and any risk management and assurance committees that are established.

In reviewing the work of the Quality and Safety Committee, and issues around clinical risk management, the Committee should satisfy itself on the assurance that can be gained from the clinical audit function.

The Committee shall oversee the audit provision for AGH Solutions Limited and receive assurance reports from but not exclusively, the Trust's internal auditor, which will provide an independent and objective view of internal control by:

- (a) Overseeing internal and external audit, and counter fraud services;
- (b) Reviewing financial systems;
- (c) Reviewing the establishment and maintenance of an effective system of integrated governance, risk management and internal control, across the whole of the company's activities;
- (d) Reviewing schedules of losses and compensations and making recommendations to the Board; and
- (e) Reviewing compliance with the information governance standards.

Where the Committee considers there is evidence of ultra vires transactions, evidence of improper acts, or if there are other important matters that the Committee wishes to raise, the Chair of the Committee should raise the matter with the Board of Directors and report its findings to the Trust.

5.5 Counter fraud

The Committee shall satisfy itself that the organisation has adequate arrangements in place for counter fraud, bribery and corruption that meet NHSCFA's standards and shall review the outcomes of work in these areas.

In accordance with 3.2 of the NHSCFA's *Fraud Commissioners Standards*, the Committee has: 'Stated its commitment to ensuring commissioners achieve these standards and therefore requires assurance that they are being met via NHSCFA's quality assurance programme'.

The Committee will refer any suspicions of fraud, bribery and corruption to the NHSCFA.

5.6 Management

The Committee shall request and review reports, evidence and assurances from directors and managers on the overall managements for governance, risk management and internal control.

The Committee may also request specific reports from individual functions within the organisation (e.g. clinical audit).

5.7 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 technique.
- Unadjusted mis-statements in the financial statements.
- Significant judgements in preparation of the financial statements.

- Significant adjustments resulting from the audit.
- Letter of representation.
- Explanations for significant variances.

6. Membership and Attendance

- 6.1 The Committee shall be appointed by the Board from amongst the Non-Executive directors of the Trust and shall consist of not less than three members. A quorum shall be two of the three independent members. One of the members will be appointed Chair of the Committee by the Board. The Chair of the Foundation Trust shall not be a member of the Committee.
- 6.2 The Chair of the Quality and Safety Committee will be a standing appointed member of the Committee.
- 6.3 The Director of Finance and appropriate internal and external audit representatives shall normally attend meetings of the Committee.
- 6.4 The counter fraud specialist will attend a minimum of two committee meetings a year.
- 6.5 The Chief Executive (in their capacity as Accountable Officer for the Trust) shall be invited to attend, at least annually, to discuss with the Committee the process for assurance that supports the Annual Governance Statement; and also be in attendance when the draft annual governance statement and annual report and accounts is considered. All other executive directors, including senior managers, should be invited to attend, particularly when the Committee is discussing areas of risk or operation that are the responsibility of that director.
- 6.6 Representatives from other organisations (for example, NHS Counter Fraud Authority) and other individuals may be invited to attend on occasion.
- 6.7 The Group Company Secretary and Associate Director of Corporate Affairs (or their nominee) shall be Secretary to the Committee and shall attend to take minutes of the meeting and provide appropriate support to the Chair and committee members.
- 6.8 At least once a year the Committee should meet privately with the external and internal auditors.
- 6.9. A Governor may attend the Committee in an observer capacity in order to gain a better understanding of the work of the Trust and to observe Non-Executive Directors holding the Executive Directors to account for the operational performance of the Trust. The Governor will be required to declare any interest they may have in respect of the items being discussed. Papers will be sent to the Governor via email. If paper copies are required, these will be available at the meeting.
- 6.10 Members unable to attend a Committee meeting should inform the Secretary to the Committee as soon as possible in advance of the meeting except in extenuating circumstances.
- 6.11 A register of attendance will be maintained and the Chair of the Committee will follow up any issues related to the unexplained non-attendance of members. Should continuing non-attendance of a member jeopardise the functioning of the Committee, the Chair will discuss the matter with the member and, if necessary, seek a substitute or replacement.

7. Chair

- 7.1 One of the Non-Executive Directors shall act as Committee Chair. In their absence, one of the other Non-Executive Directors present shall be nominated and appointed as acting Chair of the meeting.

8. Meeting Administration

8.1 The Committee shall be supported administratively by the Group Company Secretary and Associate Director of Corporate Affairs, or their nominee, whose duties in this respect will include:

- Agreement of the agenda with the Chair and attendees
- Preparation, collation and circulation of papers in good time
- Ensuring that those invited to each meeting attend
- Taking the minutes and helping the Chair to prepare reports to the Board
- Keeping a record of matters arising and issues to be carried forward
- Arranging meetings for the Chair e.g., with the internal/external auditors or local counter fraud specialists
- Maintaining records of members' appointments and renewal dates etc.
- Advising the Committee on pertinent issues/areas of interest/policy developments
- Ensuring that action points are taken forward between meetings
- Ensuring that Committee members receive the development and training they need.

9. Quorum

9.1 The quorum necessary for the transaction of business shall be two members.

9.2 Deputies shall not count towards the quorum.

10. Frequency of meetings

10.1 The Committee must meet as frequently as possible to enable it to discharge all its responsibilities. The Committee will meet at least 5 times each year at appropriate times in the reporting and audit cycle. The Board, Chief Executive, external auditors or Head of Internal Audit may request a meeting if they consider that one is necessary.

11. Meetings

11.1 Items for the agenda must be sent to the Committee Secretary a minimum of 5 working days prior to the meeting; urgent items may be raised under any other business.

11.2 The agenda will be sent out to the Committee members at least 5 working days prior to the meeting date, together with the updated action schedule and other associated papers.

11.3 Meetings, other than those regularly scheduled as above, shall be called by the Committee Secretary at the request of the Chair.

12. Reporting

12.1 Formal minutes shall be taken of all committee meetings. Once approved by the committee, the minutes will go to the next Trust Board of Directors meeting.

12.2 A summary report will be presented to the next Trust Board meeting

12.3 The minutes of the Risk and Compliance Group and Health and Safety Committee will be received by the Committee along with reports as agreed.

12.4 The Committee will report to the Board at least annually on its work in support of the Annual Governance Statement, specifically commenting on:

- The fitness for purpose of the Assurance Framework
- The completeness and 'embeddedness' of risk management in the organisation

- The integration of governance arrangements
- The appropriateness of the evidence that shows the Trust is fulfilling regulatory requirements relating to its existence as a functioning business
- The robustness of the processes behind the quality accounts.

12.5 This annual report should 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.

13. Review

13.1 The Committee's Terms of Reference shall be reviewed on an annual basis and approved by the Board of Directors.

14. Monitoring Effectiveness

14.1 The Chair will, lead effectiveness review of the Committee on an annual basis.

15. Whistleblowing

15.1 The Audit and Risk Committee shall review the effectiveness of the arrangements in place for allowing staff to raise (in confidence) concerns about possible improprieties in financial, clinical or safety matters and ensure that any such concerns are investigated proportionately and independently through the Trust's procedures e.g. Freedom to Speak Up Guardian or Local Counter Fraud Specialist.

16. Access

16.1 The Head of Internal Audit, representative of external audit and counter fraud specialist have a right of direct access to the Chair of the Committee.

16.2 The Chair of the Committee shall be entitled to call and hold private meetings with the External Auditor and Internal Auditor.

Appendix 1 – Reporting Groups

