Airedale NHS Foundation Trust
Audit and Risk Committee
Terms of Reference

Document Control

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1. Constitution

The Trust Board hereby resolves to establish a committee of the Board to be known as the Audit and Risk Committee ("the committee"). 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.

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

2. Membership

The committee shall be appointed by the Trust Board from amongst its independent, 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 Trust Board. The chair of the organisation itself shall not be a member of the committee. In the absence of the committee chair, one of the other Non-Executive Directors present shall be nominated and appointed as acting Chair of the meeting.

The Chair of the Quality and Safety Committee may be invited to attend the Audit and Risk Committee by exception where significant quality, safety, risk or assurance matters require further scrutiny, such as:

- A low assurance internal audit report on quality/safety governance
- A major patient safety or CQC concern
- Significant disagreement about risk scoring or controls
- Repeated failure to close actions relating to quality/safety matters
- A material gap in the Board Assurance Framework
- Presentation of the Annual Governance Statement or quality governance disclosures.

3. Attendance at meetings

The Executive Director of Finance, Chief Nurse and appropriate internal and external audit representatives shall normally attend meetings.

The counter fraud specialist ("LCFS") will attend a minimum of two committee meetings a year.

The Head of Corporate Governance (Company Secretary) will attend meetings.

The accounting officer (Chief Executive Officer) should be invited to attend meetings and should discuss at least annually with the committee the process for assurance that supports the governance statement. They should also attend when the committee considers the draft annual governance statement and the annual report and accounts.

Other executive directors and managers should be invited to attend, particularly when the committee is discussing areas of risk or operation that are the responsibility of that director or manager.

Representatives from other organisations (for example, the NHS Counter Fraud Authority (NHSCFA)) and other individuals may be invited to attend on occasion, by invitation.

The Head of Corporate Governance is responsible for ensuring that appropriate support is provided to the Chair and members and that minutes of the meeting are taken.

At least once a year the committee should meet privately with the internal auditors, external auditors and LCFS either separately or together. Additional meetings may be scheduled to discuss specific issues if required.

A Governor may attend the Committee in an observer capacity to gain a better understanding of the work of the Trust and to observe Non-Executive Directors in their role of 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.

4. Access

The head of internal audit and representative of external audit have a right of direct access to the chair of the committee. This also extends to the local counter fraud specialist, as well as the security management specialist (where they do not report elsewhere)

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

5. Frequency of meetings

The committee must consider the frequency and timing of meetings needed to allow it to discharge all of its responsibilities. The committee has been scheduled to meet quarterly for regular business, with a possible additional meeting to specifically review the annual report and accounts.

The chair of the committee, Trust Board, accounting officer, external auditors or head of internal audit may request an additional meeting if they consider that one is necessary.

To assist in the management of business over the year an annual work plan will be maintained, capturing the main items of business at each scheduled meeting.

6. Authority

The committee is constituted as a standing committee of the Trust Board. Its constitution and Terms of Reference are subject to amendment by the Trust Board.

The committee is authorised by the Trust 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 cooperate with any request made by the committee. The committee is authorised by the Trust Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

7. Responsibilities

The committee's duties/ responsibilities can be categorised as follows:

Governance, risk management and internal control

The committee shall review the adequacy and effectiveness of the system of governance, risk management and internal control, across the whole of the organisation's activities (clinical and non-clinical), that supports the achievement of the organisation's objectives. This includes its subsidiaries, that supports the achievement of the organisation's objectives.

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

- 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 submission to the Trust Board and/or the Council of Governors.

- 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 and, the adequacy and effectiveness of risk appetite through the Board Assurance Framework and High-Level Risk Register.
- the policies for ensuring compliance with relevant regulatory, legal and code of conduct requirements and any related reporting and self-certifications, including the NHS Code of Governance and NHS Provider licence.
- the policies and procedures for all work related to counter fraud, bribery and corruption as required by the NHSCFA.
- ensure 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 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 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.

Internal audit

The committee shall ensure that there is an effective internal audit function that meets the Public Sector Internal Audit Standards March 2017 and provides appropriate independent assurance to the committee, accounting officer (Chief Executive Officer) and Trust 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 workplan 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 ensuring coordination 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 standing within the organisation.
- monitoring the effectiveness of internal audit and carrying out an annual review
- overseeing the continuing independence of the internal auditor.
- approving the Internal Audit Charter on an annual basis.

External audit

The committee shall review and monitor the external auditor's 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 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 organisation and the impact on the audit fee.
- reviewing all external audit reports, including the report to those charged with governance (before its submission to the Trust 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.

Other assurance functions

The committee shall review the findings of other significant assurance functions, both internal and external to the organisation including its subsidiaries, where relevant to the governance, risk management and assurance of the organisation and subsidiaries.

These may include, but will not be limited to, any reviews by Department of Health and Social Care arm's length bodies or regulators/ inspectors (for example, the Care Quality Commission, NHS Resolution) and professional bodies with responsibility for the performance of staff or functions (for example, Royal Colleges, accreditation bodies).

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 areas of responsibility. In particular, this will include any committees covering safety/ quality, for which assurance from clinical audit can be assessed, and risk management.

The Audit and Risk Committee shall not duplicate the role of the Quality and Safety Committee but shall seek assurance that the systems, processes and controls supporting quality and safety governance are effective, that risks are appropriately escalated, and that gaps in assurance are visible to the Board.

In reviewing the work of the Quality and Safety Committee, and issues around clinical risk management, the committee should satisfy itself with 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 AGH Solutions Limited internal auditor, which will provide an independent and objective view of internal control by:

- overseeing internal and external audit, and counter fraud services.
- reviewing financial systems.
- 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.
- reviewing schedules of losses and compensations and making recommendations to the Board; and
- 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.

Counter fraud

The committee shall satisfy itself that the organisation has adequate arrangements in place for counter fraud, bribery and corruption that meet NHS Counter Fraud Standards for Providers 2020-21 and shall review the outcomes of work in these areas.
With regards to the local counter fraud specialist it will review, approve and monitor counter fraud work plans, receiving regular updates on counter fraud activity, monitor the implementation of action plans and discuss NHSCFA quality assessment reports.

In accordance with 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.

Management

The committee shall request and review reports, evidence and 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, compliance reviews, accreditation reports and clinical audit).

Financial reporting

The committee shall monitor the integrity of the financial statements of the organisation and any formal announcements relating to its financial performance.

The committee should ensure that the systems for financial reporting to the Trust Board, including those of budgetary control, are subject to review as to the completeness and accuracy of the information provided.

The committee shall review the annual report and financial statements before submission to the Trust 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 misstatements in the financial statements
- significant judgements in preparation of the financial statements
- significant adjustments resulting from the audit.
- letters of representation
- explanations for significant variances.

The committee will receive assurance regarding the following for its subsidiaries:

- year-end financial statements
- letter of representation
- Any audit findings and associated action plans

System for raising concerns

The committee shall review the effectiveness of the arrangements in place for allowing staff (and contractors) to raise (in confidence) concerns about possible improprieties in any area of the organisation (financial, clinical, safety or workforce 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.

Governance regulatory compliance

The committee shall review the organisation's reporting on compliance with the *NHS Provider Licence*, *NHS code of governance for provider trusts* and the fit and proper persons test.

The committee shall satisfy itself that the organisation's policy, systems and processes for the management of conflicts, (including gifts and hospitality and bribery) are effective including receiving reports relating to non-compliance with the policy and procedures relating to conflicts of interest.

8. Behaviours and conduct

Trust values
Members will be expected to conduct business in line with the trust values and objectives.

Members of, and those attending, the committee shall behave in accordance with the trust's constitution, standing orders, and standards of business conduct policy.

Equality and diversity
Members must demonstrably consider the equality and diversity implications of decisions they make.

9. Accountability and reporting

The committee shall report to the Trust Board on how it discharges its responsibilities.

The minutes of the committee's meetings shall be formally recorded by the Head of Corporate Governance and available for the Trust Board. 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 and a Committee Chair's Report will be presented to the next Trust Board meeting.

A Highlight Report from the Chair of the Risk Management Group will be received by the committee along with reports as agreed.

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
- completeness and 'embeddedness' of risk management in the organisation
- effectiveness of governance arrangements
- appropriateness of the evidence that shows that the organisation is fulfilling regulatory requirements relating to its existence as a functioning business.

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.

An annual committee effectiveness evaluation will be undertaken and reported to the committee and the Trust Board.

The Audit and Risk Committee will review these Terms of Reference, at least annually as part of the annual committee effectiveness review and recommend any changes to the Trust Board.

Members unable to attend a committee meeting should inform the Corporate Governance Office as soon as possible in advance of the meeting except in extenuating circumstances.

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

10. Meetings

Items for the agenda must be sent to the Corporate Governance Office a minimum of ten working days prior to the meeting; urgent items may be raised under any other business.

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

Meetings, other than those regularly scheduled as above, shall be called by the committee secretary at the request of the Chair.

11. Review

The committee will review its effectiveness at least annually.

These terms of reference will be reviewed at least annually and more frequently if required. Any proposed amendments to the terms of reference will be submitted to the Trust Board for approval.