

## **Audit and Risk Committee Terms of Reference**

### **1. Delegation of powers**

The Audit and Risk Committee is appointed by the Trust Board in line with the powers set out in the Trust Standing Orders.

The Audit and Risk Committee holds only those powers as delegated in these Terms of Reference as determined by the Trust Board.

The Standing Orders and Standing Financial Instructions of the Trust, as far as they are applicable, shall apply to the Committee and any of its established groups.

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 governing body 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.

### **2. Purpose of the Committee**

The Audit and Risk Committee exists to scrutinise the robustness of and provide assurance to the Trust Board that there is an effective system of governance and control for risk, the accounting policies and the accounts of the organisation, the planned activity and results of both internal and external audit and assurances relating to the corporate governance requirements for the organisation.

### **3. Duties and Responsibilities**

The Audit and Risk Committee will:

#### **Integrated governance, risk management and internal control**

1. Review the establishment and maintenance of an effective system of integrated governance, risk management and internal control, across the whole of the organisations activities (clinical and non-clinical), that supports the achievement of the organisations objectives

2. Review the adequacy and effectiveness of all risk 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
3. Review the adequacy and effectiveness of 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
4. Review the adequacy and effectiveness of the policies for ensuring compliance with relevant regulatory, legal and code of conduct requirements and any related reporting and self-certifications.
5. Review the adequacy and effectiveness of the policies and procedures for all work related to counter fraud, bribery and corruption as required by NHSCFA.

#### **Internal audit**

1. 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 Committee, Accountable Officer and governing body.
2. Consider the provision of the internal audit service and the costs involved.
3. Review and approve the annual internal audit 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.
4. Consider the major findings of internal audit work (and management response) and ensuring coordination between the internal and external auditors to optimise the use of audit resources.
5. Ensure that the internal audit function is adequately resourced and has appropriate standing within the organisation.
6. Monitor the effectiveness of internal audit and carry out an annual review.

#### **External audit**

1. 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
2. Consider the appointment and performance of external auditors, as far as the rules governing the appointment permit (and make recommendations to the Trust Board when appropriate).
3. Discuss and agree with the external auditors, before the audit commences, the nature and scope of the audit as set out in the annual plan.
4. Discuss with the external auditors their evaluation of audit risks and assessment of the organisation and the impact on the audit fee.

5. Review all external audit reports, including the report to those charged with governance (before its submission to the Trust Board) and any work undertaken outside the annual audit plan, together with the appropriateness of management responses.
6. Ensure that there is a clear policy in place for the engagement of external auditors to supply non-audit services.

### **Other assurance functions**

1. The Committee shall review the findings of other significant assurance functions, both internal and external to the organisation, and consider the implications for the governance of the organisation. Including but not limited to any reviews by DHSC arm's length bodies or regulators/inspectors for example, the CQC, NHS Resolution, Royal Colleges, accreditation bodies etc.
2. 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.
3. The Committee will satisfy itself on the assurance that can be gained from the clinical audit function through its review of the work of the Quality Governance Committee.

### **Counter fraud**

1. 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.
2. The Committee will refer any suspicions of fraud, bribery and corruption to the NHSCFA.

### **Management**

1. 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.
2. The Committee may request specific reports from individual functions within the organisation

### **Financial reporting**

1. The Committee shall monitor the integrity of the financial statements of the organisation and any formal announcements relating to its financial performance.
2. The Committee will ensure that the systems for financial reporting to the governing body, including those of budgetary control, are subject to review as to the completeness and accuracy of the information provided.
3. The Committee shall review the annual report and financial statements before submission to the Trust Board focussing 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

### **Whistleblowing**

1. The 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 concerns are investigated proportionately and independently.

### **4. Membership**

The members of Committee are:

- Non-Executive Director (Chair – appointed by Trust Board)
- Non-Executive Director (Deputy Chair)
- Non-Executive Director
- Non- Executive Director

The Chair of the Trust shall not be a member of the committee

The following roles will be attendees at the committee:

- Director of Finance, Procurement and Corporate Affairs
- Trust Secretary
- Representative from Internal Audit
- Representative from External Audit
- Counter fraud representative (at least twice annually)

The Accountable Officer should discuss at least annually with the committee the process for assurance that supports the governance statement and should attend the committee when it considers the draft annual governance statement and the annual report and accounts.

Executive Directors/ Senior Managers may be invited to attend when the committee is discussing areas of risk or operation that are the responsibility of that director/manager.

### **5. Quorum**

A quorum shall be three of the four Non-Executive Director members.

### **6. Frequency**

The committee will not meet less than five times per year. At least once a year the committee will meet privately with the internal and external auditors.

## **7. Accountability and reporting**

The Committee shall be accountable to the Trust Board. The minutes of meetings shall be formally recorded. The Chair of the Committee shall report to the Trust Board after each meeting and escalating any issues that require disclosure or require executive action.

The Committee shall report at least annually to the Trust Board on its work in support of the annual governance statement, specifically commenting on:

- The fitness for purpose of the Board 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 organisation is fulfilling regulatory requirements relating to its existence as a functioning business
- The robustness of the processes behind the quality accounts

The annual report should also describe how the committee has fulfilled its terms of reference and give details of any significant issues that the committee has considered in relation to the financial statements and how they were addressed.

## **8. Conduct of Business**

The Committee will operate using a work plan to inform its core agenda. The agenda will be agreed with the Chair prior to the meeting.

Agendas and supporting papers will be circulated no later than 7 working days in advance of meetings

Any items to be placed on the agenda are to be sent to the secretary no later than 8 working days in advance of the meeting. Items which miss the deadline for inclusion on the agenda may be added on receipt of permission from the Chair.

Minutes will be taken at all meetings, presented according the corporate style, circulated to members and ratified by agreement of members at the following meeting.

## **9. Review**

The Terms of reference for the committee will be reviewed annually by the Committee and submitted to the Trust Board for approval.

The Committee will complete an annual review of its effectiveness and complete an annual report which it will submit to the Board.

The Committee will on an annual basis review and approve the terms of reference and work programmes of all of its reporting groups.

Reviewed and approved by	Date
Audit and Risk Committee	
Trust Board	

Next review of ToR Required	October 2019
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