

AUDIT AND RISK COMMITTEE

TERMS OF REFERENCE

1 CONSTITUTION

- 1.1 The Audit and Risk Committee is established under Standing Order 6 of the Board of Directors.
- 1.2 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.
- 1.3 The Standing Orders of the Board of Directors, as far as they are applicable and with any appropriate alterations, shall apply to meetings of the Committee.
- 1.4 Meetings of the Committee shall be held in private.

2 STRATEGIC PURPOSE

- 2.1 To provide the Board of Directors with a means of independent and objective review of financial and corporate governance and assurance and organisational risk management processes across the whole of the Trust's activities (both clinical and non-clinical) both generally and in support of the achievement of the Trust's Strategic Framework.

3 FUNCTIONS

Governance, Risk Management and Internal Control

- 3.1 To review the establishment and maintenance of an effective system of integrated governance, organisational risk management and internal control, across the whole of the organisation's activities (both clinical and non-clinical), that supports the achievement of the organisation's Strategic Objectives.

In particular, the Committee will review the adequacy of:

- all organisational risk and control related disclosure statements (in particular the Annual Governance Statement and declarations of compliance with national standards/regulatory requirements), together with any accompanying Head of Internal Audit statement, External Audit opinion or other appropriate independent assurances, prior to endorsement by the Board;
- the Trust's policies, processes and procedures to manage organisational risk and the internal control framework, including the design, implementation and effectiveness of those systems;
- the Board Assurance Framework (BAF) and the underlying processes that indicate the degree of the achievement of corporate objectives, the effectiveness of the management of principal organisational risks; and the appropriateness of the above disclosure statements;
- the policies for ensuring compliance with relevant regulatory, legal and code of conduct requirements; and
- the policies and procedures for all work related to fraud and corruption as set out in section 24 of the NHS Standard Contract and as required by NHS Counter Fraud Authority.

- 3.2 To advise the Board on the Trust's overall risk appetite, tolerance and strategy and the principal and emerging risks the Trust is willing to take in order to achieve its strategic objectives.

Internal Audit

- 3.3 To consider the Internal Audit Strategy and Operational Plan ensuring it is consistent with the needs of the organisation as identified in the Assurance Framework.
- 3.4 To oversee, on an ongoing basis, the effective operation of Internal Audit in respect of:
- Adequate resourcing
 - Its co-ordination with External Audit
 - Meeting mandatory NHS Internal Audit Standards
 - Providing adequate and appropriate independent assurances
 - Having appropriate standing within the organisation
 - Meeting the internal audit needs of the Trust
- 3.5 To consider the major findings of Internal Audit investigations and management's responses and their implications and monitor progress on the implementation of agreed recommendations.
- 3.6 To consider the provision of the Internal Audit service, the cost of the audit and any questions of resignation and dismissal.
- 3.7 To conduct an annual review of the effectiveness of the Internal Audit function.

External Audit

- 3.8 To make recommendations to the Council of Governors in relation to the appointment, re- appointment and removal of the External Auditor.
- (Note: Where the Council of Governors does not approve the recommendation, the Audit and Risk Committee shall prepare a statement for consideration by the Board of Directors explaining its recommendation, for inclusion in the Annual Report.)*
- 3.9 To oversee the conduct of a market testing exercise for the appointment of an External Auditor at least once every five years and, based on the outcome, make a recommendation to the Council of Governors in respect to the appointment of the External Auditor.
- 3.10 To discuss with the External Auditor, before the audit commences, the nature and scope of the audit and to ensure coordination, as appropriate, with other External Auditors in the local health economy.
- 3.11 To review the work and findings of the External Auditor and to consider implications and management's responses to their work. This will be achieved by:
- consideration of the appointment and performance of the External Auditor;
 - discussion with the External Auditors of their local evaluation of audit risks and assessment of the Trust and associated impact on the audit fee; and
 - reviewing all External Audit reports, including agreement of the annual audit letter (if required) before submission to the Board and any work carried out outside the annual audit plan, together with the appropriateness of management responses.

- 3.12 To review and monitor the External Auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements and compliance with the Code of Audit Practice.
- 3.13 To develop and implement a 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 firm.

Annual Accounts Review

- 3.14 To review whether the Trust remains a "going concern" and to assure the Board accordingly.
- 3.15 To review the annual statutory accounts, before they are presented to the Board of Directors, to determine their completeness, objectivity, integrity and accuracy. This review will cover but is not limited to:
 - The meaning and significance of the figures, notes and significant changes.
 - Areas where judgment has been exercised
 - Adherence to accounting policies and practices
 - Explanation of estimates or provisions having a material effect
 - The schedule of losses and special payments
 - Any adjusted misstatements
 - Any reservations and disagreements between the External Auditors and management which have not been satisfactorily resolved
- 3.16 To review the Annual Report and Annual Governance Statement prior to submission to the Board of Directors to determine their completeness, objectivity, integrity, accuracy and compliance with directions received from NHS England
- 3.17 To review the Trust's Quality Account/Report prior to inclusion in the Annual Report and submission to the Board of Directors to determine its completeness, integrity and accuracy. This review will include but is not limited to:
 - Compliance with directions received from the Department of Health and Social Care and NHS England
 - The accuracy of mandatory and local performance indicators
 - Any issues raised by stakeholders
- 3.18 To review all systems of accounting and financial reporting, including those of budgetary control, in order to provide assurance on the completeness and accuracy of information provided to the Board.

Other

- 3.19 To 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.

 These will include, but will not be limited to, any reviews by Department of Health and Social Care Arms Length Bodies or Regulators/Inspectors (e.g. NHS England, the Care Quality Commission, NHS Resolution Authority, etc.) and professional bodies with responsibility for the performance of staff or functions (e.g. Royal Colleges, accreditation bodies, etc.)
- 3.20 To review the work of other committees within the organisation whose work can provide relevant assurance to the Committee's own scope of work on the appropriateness, robustness and operation of the Trust's governance arrangements. This will particularly include the Quality Assurance Committee and the Executive Risk Group.

In reviewing the work of the Quality Assurance 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.

- 3.21 To review arrangements by which staff may raise, in confidence, concerns about possible improprieties in matters of financial reporting and control, clinical quality, patient safety or other matters ("The Whistle Blowing Policy").

In undertaking the review, the Committee's objective will be to ensure that arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow-up action.

- 3.22 To review the Trust's systems and processes for the prevention of bribery and receive reports on non-compliance.
- 3.23 To request and review reports and positive assurances from directors and managers on the overall arrangements for governance, risk management and internal control.
- 3.24 To request and review specific reports from individual functions within the organisation (e.g. clinical audit) as they may be appropriate to the overall arrangements.
- 3.25 To commission and review value for money studies of the Trust's services and functions and to make recommendations to the Board accordingly.

4 DELEGATED AUTHORITY

- 4.1 Approval of any administrative actions as may be necessary to facilitate the delivery of the Committee's purpose and functions.
- 4.2 Authority to investigate any activity within its terms of reference.
- 4.3 Authority to seek any information it requires from any employee. All employees are directed to co-operate with any request made by the Committee.
- 4.4 Authority to obtain external legal or other independent professional advice and to secure the attendance of external experts with relevant experience at its meetings if it considers this necessary.
- 4.5 Authority to commission value for money and other studies.
- 4.6 Approval of the Internal Audit Strategy and Operational Plan.
- 4.7 Approval of the annual Counter Fraud Plan.
- 4.8 Appointment and dismissal of the Internal Audit provider.
- 4.9 Approval of the External Audit Strategy.
- 4.10 Authority to write off losses within the limits set by HM Treasury and NHS England/Improvement.

5 MEMBERSHIP

- 5.1 The Committee shall be appointed by the Board from amongst the Non -Executive Directors/ Associate 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 and relevant financial experience.
- 5.2 The Chair of the Committee shall be appointed by the Board of Directors.
- 5.3 Substitute members (with voting rights) may be appointed by Members of the Committee to attend particular meetings, on their behalf, where their absence is unavoidable. Notice of the appointment of a substitute member must be provided to the Chair of the Committee and the Corporate Governance Manager, in writing, before the meeting commences.

6 ATTENDANCE

- 4.1. The Director of Finance, Information and Estates and appropriate Internal and External Audit representatives shall normally attend meetings of the Committee.
- 4.2 The Chair of the Trust shall not be a member of the Committee but may attend as an observer at the invitation of the Committee.
- 4.3 Any Non-Executive Director of the Trust may attend meetings should they wish and participate in discussions on all matters before the Committee (but not vote). All Non-Executive Directors will receive Audit and Risk Committee agendas and papers.
- 4.4. The Chief Executive and other Executive Directors **may** be invited to attend, but particularly when the Committee is discussing areas of risk or operation that are the responsibility of that Director.
- 4.5 The Chief Executive should be invited to attend, at least annually, to discuss with the Audit and Risk Committee the process for assurance that supports the Annual Governance Statement.
- 4.6 A Governor, nominated by the Council of Governors, shall be invited to attend the special meeting of the Committee to consider the draft Annual Report and Accounts, and the External Auditors' reports relating to them, in an observer capacity.

7 SECRETARY

- 7.1 The Company Secretary, or an officer appointed by him/her, shall be the Secretary of the Committee.

8 QUORUM

- 8.1 A quorum shall not be less than three members of the Committee.

9 FREQUENCY

- 9.1. Meetings shall be held not less than three times a year.
- 9.2 The External Auditor or Head of Internal Audit may request a meeting if they consider that one is necessary.
- 9.3 The Committee shall meet privately at least once a year with the Internal and External Auditors.

10 REPORTING

- 10.1 Following every meeting the Chair of the Committee shall report to the next meeting of the Board of Directors:
- To advise of the business transacted.
 - To escalate any material matters of concern which may require a response from the Board or which might impact on the functions of another Board Committee.
 - To provide a commentary on the assurances it has received, drawing the Board's attention to any positive assurances and gaps in assurance (including actions being taken to address them).
 - To provide assurance on the management of strategic and operational risks which relate to its purpose and functions and to advise the Board of any new risks identified and actions being taken to address them.
 - To seek the Board's approval of any recommendations made by the Committee.
 - To inform the Board of any other matters that the Committee considers important to bring to its attention.
- 10.2 Where the Committee has evidence of ultra vires transactions, evidence of improper acts, or non-compliance with Standing Orders or Standing Financial Instructions, the Chair must raise the matter at a meeting of the Board of Directors.
- 10.3 The Committee will report to the Board 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 and the appropriateness of the self-assessments as required by NHS England and/or the Care Quality Commission.
- 10.4 The Audit and Risk Committee may also report directly to the Council of Governors on any matters it deems appropriate within the Council of Governors roles and responsibilities.

11 REVIEW

- 11.1. The terms of reference of the Audit and Risk Committee shall be reviewed, at least, annually.

Agreed: June 2024
Review by: June 2025