

Terms of reference
Name of governance body
Audit and Risk committee
Constitution
The Audit and Risk Committee (“the committee”) is a statutory, non-executive committee of the Board of Directors.
Accountability
The Committee is accountable to the Board of Directors for its performance and effectiveness in accordance with these terms of reference.
Authority
<p>The Committee is authorised by the Board of Directors to:</p> <ul style="list-style-type: none"> • investigate any activity within its terms of reference, and commission appropriate independent reviews and studies • seek relevant information from within the Trust and from any employee (all departments and employees are required to co-operate with requests from the committee). • obtain relevant legal or other independent advice and to invite professionals with relevant experience and expertise to attend meetings of the committee. For legal advice, the director of communications and corporate affairs or deputy company secretary shall be consulted prior to procurement of external advice
Purpose
The purpose of the Committee is the scrutiny of the organisation and maintenance of an effective system of governance, risk management and internal control. This should include financial, clinical, operational and compliance controls and risk management systems. The Committee is also responsible for maintaining an appropriate relationship with the Trust’s internal and external auditors.
Duties and responsibilities
<p>On behalf of the Board of Directors, the Committee will be responsible for the oversight and scrutiny of the Trust’s:</p> <ul style="list-style-type: none"> • 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 organisation’s activities (clinical and non-clinical), that supports the achievement of the organisation’s objectives. <p>In particular, the Committee will review the adequacy and effectiveness of:</p> <ul style="list-style-type: none"> • 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 board of directors.

- The underlying assurance processes, including the board assurance framework, that indicate the degree of achievement of the Trust's objectives, the effectiveness of the management of principal risks and the appropriateness of the above disclosure statements (this may be carried out in conjunction with other board committees which scrutinise and oversee the management of relevant strategic risks).
- The Board of Directors sub-committees, including terms of reference, workplans and span of reporting on an annual basis.
- The effectiveness of assurance arrangements over the Trust's role within the Integrated Care Board (ICB) and other partnership arrangements.
- The policies for ensuring compliance with relevant regulatory, legal and code of conduct requirements and any related reporting and self-certifications.
- The policies and procedures for all work related to counter fraud and security as required by the NHS Counter Fraud Authority.

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 the audit and assurance functions that report to it.

As part of its integrated approach, the Committee will have effective relationships with other key governance bodies of the Trust (for example, the Quality and Safety Committee) to support the committee's oversight role relating to the effectiveness of clinical systems of internal control.

- **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 Board of Directors 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 submissions to the Board of Directors focusing particularly on:

- Reviewing the annual governance declaration 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 mis-statement in the financial statements
- Significant judgements in preparation of the financial statements
- Significant adjustments resulting from the audit
- Adequacy of management response to issues identified by audit activity
- Letters of representation
- Explanations for significant variances

The committee should review schedules of losses and compensations, making recommendations to the Board of Directors.

The Committee should review the Trust's standing financial instructions, standing orders and the scheme of delegation on an annual basis and make recommendations for change to the Board of Directors.

The committee will receive assurance on compliance with the Trust's standing orders and standing financial instructions.

The committee will review the waiver register.

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 Committee, Chief Executive (as accounting officer) and Board of Directors. This will be achieved by:

- Considering the provision of the internal audit service and the costs involved, making recommendations to the Board of Directors regarding the appointment of the internal auditors.
- Reviewing and approving 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.
- Considering the major findings of internal audit work (and management's response), and ensuring 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 standing within the organisation.
- Monitoring the effectiveness of internal audit and carrying out an annual review. Meeting with the Head of Internal Audit at least once a year, without management being present, to discuss their remit and any issues arising from the internal audits carried out.

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 allow (and making recommendations to the council of governors when appropriate).
- Ensuring that the work of the external auditor meets the requirements of the regulator and other regulatory bodies.
- Discussing and agreeing with the external auditors, before the audit commences, the nature and scope of the audit as set out in the annual audit plan.
- Discussing with the external auditors their evaluation of audit risks and assessment of the organisation.
- Reviewing all external audit reports and any work undertaken outside the annual audit plan, together with the appropriateness of management responses.

Speaking up (whistle blowing)

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 such concerns raised were investigated proportionately and independently.

Counter fraud

The Committee shall satisfy itself that the organisation has adequate arrangements in place for counter fraud and security that meet the NHS Counter Fraud Authority's standards and shall review the outcomes of work in these areas.

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, clinical audit).

Other assurance functions

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.

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

In addition, the Committee will review the work of other Committees within the organisation whose work can provide relevant assurance to the Committee's own areas of responsibility. In particular, this will include any financial and operational performance, clinical governance, risk management or quality committees that are established.

In reviewing the work of the Quality and Safety Committee, and issues around clinical risk management, the Committee will wish to receive assurance relating to the effectiveness of systems and processes of clinical governance including the clinical audit function.

Meetings

Meetings of the Committee shall be formal, minuted and compliant with relevant statutory and good practice guidance as well as the Trust's codes of conduct.

The Committee will meet at least four (4) times a year. The timing of Committee meetings should be planned to coincide with the important events in the year, thereby ensuring that the Committee is able to exercise its power to influence events.

At least once a year, the Committee should meet privately with representatives of the external and internal auditors.

The Chair of the Committee may cancel, postpone or convene additional meetings as necessary for the Committee to fulfil its purpose and discharge its duties.

Any member of the Committee can ask for a meeting to be convened in person, by video- conference or by telephone, or for a matter to be considered in correspondence.

The Board of Directors, Chief Executive (as accounting officer), representative of the external auditor and head of internal audit may request additional meetings if they consider it necessary.

Notice of each meeting confirming the venue, time and date together with an Agenda shall be circulated by the Secretary to each member of the Committee at least 5 clear days prior to the date of the meeting.

Conflicts of Interest

All members and attendees of the Committee must declare any relevant potential interests at the commencement of any meeting. The Chair of the Committee will determine if there is a conflict of interest such that the member and/or attendee will be required not to participate in a discussion.

Where the Committee considers an item of its business may give rise to a potential conflict by meeting in common, the Committee may refer that business to the Board.

Chairing

The Committee shall be chaired by a non-executive director, appointed by the Trust Chair following discussion with the Board of Directors.

If the Chair is absent or has a conflict of interest which precludes his or her attendance for all or part of a meeting, the Committee shall be chaired by one of the other non-executive director members of the Committee.

The representative of the external auditor, head of internal audit, and counter fraud specialist have the right of direct access to the Chair of the Committee to discuss any matter relevant to the purpose, duties and responsibilities of the Committee or to raise concerns.

Secretariat

The Deputy Company Secretary shall be the secretary to the Audit and Risk Committee and shall provide administrative support and advice to the chair and membership. The duties of the secretary shall include but not be limited to:

- Preparation of the draft agenda for agreement with the Chair
- Organisation of meeting arrangements, facilities and attendance
- Collation and distribution of meeting papers
- Taking the minutes of meetings and keeping a record of matters arising and issues to be carried forward
- Maintaining the Committee's work programme.

Membership

Members with voting rights

The Committee will comprise at least three non-executive directors who shall each have full voting rights. The Chair of the Trust shall not be a member of, nor have the right to attend Committee meetings without invitation by the Chair as and when appropriate and necessary.

The Committee is authorised to co-opt additional members to provide specialist skills, knowledge and experience. At least one Committee member should have recent and relevant financial experience.

Ex-officio attendees without voting rights

- Chief Executive (as Accounting Officer) who shall discuss with the Committee at least annually the process for assurance that supports the annual governance statement. The Chief Executive should also be in attendance when the Committee considers the draft annual governance statement along with the annual report and accounts.
- Representatives of the Trust’s internal auditors.
- Representatives of the Trust’s external auditors.
- The Trust’s counter fraud specialist who will be entitled to attend any committee meeting and have a right of access to all committee members

In attendance without voting rights

The following posts shall be invited to attend routinely meetings of the Committee in full or in part but shall neither be a member nor have voting rights:

- Chief Finance Officer.
- Chief Nurse
- The secretary to the Committee (for the purposes described above).
- Designated deputies (as described below).
- Any other member of the Board of Directors, senior member of Trust staff or advisor considered appropriate by the chair of the Committee, particularly when the Committee will consider areas of risk or operation that are their responsibility.

Quorum

For any meeting of the Committee to proceed, two non-executive director members of the Committee must be present. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

Attendance

Members and attendees are expected to attend all meetings or to send apologies to the chair and Committee secretary at least five clear days* prior to each meeting.

Attendees may, by exception and with the consent of the chair, send a suitable deputy if they are unable to attend a meeting. Deputies must be appropriately senior and empowered to act on behalf of the Committee attendee.

The Committee Chair may ask any person in attendance who is not a member of the Committee to withdraw from a meeting to facilitate open and frank discussion of a particular matter.

Papers
Meeting agendas and papers to be distributed to members and individuals invited to attend at least five clear days* prior to the meeting.
Reporting
<p>The Secretary shall minute the proceedings and decisions of all meetings of the Committee, including recording the names of those present and in attendance. Draft minutes will be submitted for formal agreement at the next committee meeting.</p> <p>The Committee chair shall prepare a report of each Committee meeting for submission to the Board of Directors at its next formal business meeting. The report shall draw attention to any issues which require disclosure to the Board of Directors including where executive action is continually failing to address significant weaknesses.</p> <p>Issues of concern and/or urgency will be reported to the Board of Directors in between its formal business meetings by other means and/or as part of other meeting agendas as necessary and agreed with the Trust chair. Instances of this nature will be reported to the Board of Directors at its next formal business meeting.</p> <p>The Committee will also report to the Board of Directors at least annually on its work in support of the annual governance statement, specifically commenting on:</p> <ul style="list-style-type: none"> • 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 organisation is fulfilling regulatory requirements relating to its existence as a functioning business • The robustness of the processes behind the quality accounts <p>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 considered in relation to the financial statements and how they were addressed.</p> <p>In addition, the Committee shall make an annual report to the council of governors in relation to the performance of the external auditor to enable the council of governors to consider whether or not to re-appoint them.</p> <p>The Committee chair shall report at quarterly meetings of the Council of Governors.</p>
Review
<p>The committee will review on an annual basis its own performance and terms of reference to ensure that it is operating effectively and in line with best practice. The outcomes of this review will be reported in writing to the Board.</p> <p>The next scheduled review of these terms of reference will be undertaken by the Committee in December 2023 in anticipation of approval by the Board of Directors at its meeting in March 2024.</p>
* Definitions
In accordance with the Trust’s constitution, ‘clear day’ means a day of the week not including a Saturday, Sunday or public holiday.