

AUDIT AND RISK COMMITTEE

TERMS OF REFERENCE

Version:	6
Approved by:	Board of Directors
Date approved:	Audit and Risk Committee – 25 July 2023 Board of Directors – 7 September 2023
Date issued:	7 September 2023
Review date:	July 2023
Next review:	July 2024

AUDIT and RISK COMMITTEE TERMS OF REFERENCE

1. Authority

- 1.1 The Audit and Risk Committee is constituted as a standing committee of the Foundation Trust's Board of Directors. Its constitution and terms of reference shall be as set out below, subject to amendment at future Board of Directors meetings. The Audit and Risk Committee shall not have executive powers in addition to those delegated in these terms of reference.
- 1.2 The Audit and Risk Committee is authorised by the Board of Directors to investigate any activity within its terms of reference. It 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 Audit and Risk Committee.
- 1.3 The Audit and Risk 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. 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.

2. Purpose

- 2.1 The Audit and Risk Committee will have primary responsibility for monitoring and reviewing financial and other risks and associated controls, corporate governance and assurance frameworks of the Trust and its subsidiary(ies).
- 2.2 The Audit and Risk Committee will have close working relationships with Quality Committee which has responsibility for oversight and monitoring of clinical risks and clinical audit.
- 2.3 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;
 - 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.
- 2.4 The Audit and Risk 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 Audit and Risk 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 Audit and Risk 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).

3. Membership

- 3.1 The Committee shall be composed of not less than three Non-Executive Directors, at least one of whom should have recent and relevant financial experience. The Trust Chair will not be a member of the Audit and Risk Committee.
- 3.2 A quorum shall be two members.

4. Attendance

- 4.1 Only members of the Committee have the right to attend. The Director of Finance, Deputy Finance Director, Director of Corporate Affairs, Company Secretary, Assistant Director of Quality and Safety, Head of Internal Audit and the Managing Director for Digital Health of the Foundation Trust shall generally be invited to routinely attend meetings of the Audit and Risk Committee.
- 4.2 A representative of the External Auditors may normally also be invited to attend meetings of the Audit and Risk Committee.
- 4.3 The Chief Executive should be invited to attend at least annually to discuss the assurance supporting the Annual Governance Statement and when considering the Internal Audit plan. Other Directors are expected to attend as required by the Audit and Risk Committee and where items relating to their areas of risk or responsibility are being considered.
- 4.4 The Foundation Trust Chair may be invited to attend meetings of the Audit and Risk Committee as required.
- 4.5 A representative of the Local Counter Fraud Service is invited to attend all meetings of the Audit and Risk Committee.
- 4.6 The Chair of the Board of Directors will appoint up to two Governors to observe the public meetings of the Audit and Risk Committee. The appointment will be reviewed each year.
- 4.7 Attendance is required by members at 75% of meetings. Members unable to attend should inform the Corporate Governance Manager as soon as possible in advance of the meeting except in extenuating circumstances.
- 4.8 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.

5. Administration

- 5.1 The Corporate Governance Manager shall be the secretary to the Audit and Risk Committee and will provide administrative support and advice. Their duties include but are not limited to:
- Agreement of the agenda with the Chair of the Audit and Risk Committee and attendees together with the collation of connected papers;
 - Taking the minutes and keeping a record of matters arising and issues to be carried forward;
 - Agreeing the action schedule with the Chair and ensuring circulation within 48 hours of each meeting; and

- Maintaining a record of attendance.

6. Frequency of meetings

- 6.1 Meetings shall be held quarterly, with an additional meeting to review the annual accounts, with other meetings arranged where necessary. The Committee must consider the frequency and timing of meetings required to discharge all of its responsibilities on a regular basis.
- 6.2 The External Auditor shall be afforded the opportunity at least once per year to meet with the Audit and Risk Committee without Trust staff present.
- 6.3 The Internal Auditor shall be afforded the opportunity at least once per year to meet with the Audit and Risk Committee without Trust staff present.

7. Duties

7.1 Governance, internal control and risk management

7.1.1 To ensure the provision and maintenance of an effective system of integrated governance, risk identification and associated controls, reporting and governance of the Trust and its subsidiary(ies), unless otherwise identified in the governance reporting structure.

7.1.2 To maintain an oversight of the Foundation Trust's general risk management structures, processes and responsibilities, including the production and issue of any risk and control-related disclosure statements.

7.1.3 To review processes to ensure appropriate information flows to the Audit and Risk Committee from executive management and other board committees in relation to the Trust's overall internal control and risk management position.

7.1.4 To review the adequacy of the policies and procedures in respect of all counter-fraud work.

7.1.5 To review the adequacy of the Foundation Trust's arrangements by which Foundation Trust staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting and control and related matters or any other matters of concern.

7.1.6 To review the adequacy of underlying assurance processes that indicate the degree of achievement of corporate objectives and the effectiveness of the management of principal risks.

7.1.7 The adequacy of policies and procedures for ensuring compliance with relevant regulatory, legal and conduct requirements. Policies for approval by the Committee are identified in the Audit and Risk Committee annual workplan including Standing Financial Instructions, Scheme of delegation and Standing Orders.

7.2 Internal audit

7.2.1 To review and approve the internal audit strategy and programme, and counter-fraud plan, ensuring that these are consistent with the needs of the organisation.

7.2.2 To oversee on an ongoing basis the effective operation of Internal Audit

including:

- Adequate resourcing, capacity and capability;
- Its co-ordination with External Audit;

Complying with the Public Sector Internal Audit Standards

- Providing adequate independence assurances;
- Having appropriate standing within the Foundation Trust; and
- Meeting the internal audit needs of the Foundation Trust.

7.2.3 To consider the major findings of Internal Audit investigations and management's response and their implications and monitor progress on the implementation of recommendations. Where such matters fall within the scope of other Board Committees, the Audit and Risk Committee may require feedback from these Committees on their review of internal audit work.

7.2.4. To review procedures for detecting and preventing fraud, bribery and corruption and receive reports of any instances

7.2.4 To consider the provision of the Internal Audit Service annually, the cost of the audit and any questions of resignation and dismissal. The appointment/dismissal of Internal Audit remains the responsibility of the Director of Finance.

7.3 External audit

7.3.1 To make a recommendation to the Council of Governors in respect of the appointment, re-appointment and removal of an External Auditor. To the extent that that recommendation is not adopted by the Council of Governors, this shall be included in the annual report, along with the reasons that the recommendation was not adopted.

7.3.2 To discuss with the External Auditor, before the audit commences, the nature and scope of the audit, and ensure co-ordination, as appropriate, with internal audit and other external auditors in the local health economy. This should include discussion regarding the local evaluation of audit risks and assessment of the Foundation Trust associated impact on the audit fee.

7.3.3 To assess the External Auditor's work and fees on an annual basis and, based on this assessment, make a recommendation to the Council of Governors with respect to the re-appointment or removal of the auditor. This assessment should include the review and monitoring of the External Auditor's independence and objectivity and effectiveness of the audit process in light of relevant professional and regulatory standards.

7.3.4 To oversee the conduct of a market testing exercise for the appointment of an Auditor at least once every five years and, based on the outcome, make a recommendation to the Council of Governors with respect to the appointment of the Auditor.

7.3.5 To review external audit reports, including the annual audit letter, together with the management response, and to monitor progress on the implementation of recommendations.

7.3.6 To ensure national guidance is followed on the engagement of the External Auditor to supply non-audit services.

7.3.7 To consider the provision of the External Audit Service, the cost of the audit and any questions of resignation and dismissal.

7.4 Annual accounts review

7.4.1 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;
- Significant adjustments resulting from audit ;
- Adherence to accounting policies and practices;
- Explanation of estimates or provisions having material effect;
- The schedule of losses and special payments;
- Any unadjusted statements; and
- Any reservations and disagreements between the external auditors and management which have not been satisfactorily resolved.

7.4.2 To review the Foundation Trust annual report and annual governance statement before they are submitted to the Board of Directors to determine completeness, objectivity, integrity and accuracy.

7.4.3 Where required by national guidance in the NHS Foundation Trust Annual Reporting Manual, seek assurances regarding scrutiny and review of specific areas by External Audit

7.4.4 To review all accounting and reporting policies and systems for reporting to the Board of Directors.

7.5 Standing orders, standing financial instructions and standards of business conduct

7.5.1 To review on behalf of the Board of Directors the operation of, and proposed changes to, the Standing Orders and Standing Financial Instructions, the Constitution, Codes of Conduct. Standards of Business Conduct and Declarations of Interest; including maintenance of Registers.

7.5.2 To examine the circumstances of any significant departure from the requirements of any of the foregoing, whether those departures relate to a failing, an overruling or a suspension.

7.5.3 To review the Scheme of Delegation.

7.6 Other

7.6.1 To review performance indicators relevant to the remit of the Audit and Risk Committee.

7.6.2 To examine any other matter referred to the Audit and Risk Committee by the Board of Directors and to initiate investigation as determined by the Audit & Risk Committee.

- 7.6.3 To ensure that the Quality Committee performs at least an Annual Review of the clinical audit plan and considers the findings and recommendations of in-year reports, ensuring the plan and extras are consistent with the strategic direction of the Trust.
- 7.6.4 To develop and use an effective assurance framework to guide the Audit and Risk Committee's work. This will include utilising and reviewing the work of the Internal Audit, External Audit and other assurance functions as well as reports and assurances sought from Directors and Managers and other investigatory outcomes so as fulfil its functions in connection with these terms of reference.
- 7.6.5 To consider the outcomes of significant reviews carried out by other bodies which include but are not limited to regulators and inspectors within the health and social care sector and professional bodies with responsibilities that relate to staff performance and functions.
- 7.6.6 To review the work of all other Board sub-committees as part of the Audit and Risk Committee assurance role. The Audit and Risk Committee will receive a self-assessment and annual report from each of the committees for approval.
- 7.6.7 Liaise with other Audit Committee chairs within the ICS about system wide control and governance issues.
- 7.6.8 Review of losses and special payments and waivers of Standing Orders.

8. Reporting

- 8.1 The minutes of all meetings of the Audit and Risk Committee shall be formally recorded and submitted, together with recommendations where appropriate, to the Board of Directors. The submission to the Board of Directors shall include details of any matters in respect of which actions or improvements are needed. This will include details of any evidence of potentially *ultra vires*, otherwise unlawful or improper transactions, acts, omissions or practices or any other important matters. To the extent that such matters arise, the Chair of the Audit and Risk Committee shall present details to a meeting of the Board of Directors in addition to submission of the minutes via the Chair's highlight report.
- 8.2 The Audit and Risk Committee will report by a Chair's highlight report to the Board of Directors and Council of Governors in respect of the fulfilment of its functions in connection with these terms of reference. Such report shall include but not be limited to functions undertaken in connection with the governance statement; the assurance framework; the effectiveness of risk management within the foundation trust; the integration of and adherence to governance arrangements; and any pertinent matters in respect of which the Audit and Risk Committee has been engaged.
- 8.3 The Committee will report to the Board annually on its work and delivery against the terms of reference.
- 8.4 The Foundation Trust's Annual Report shall include a section describing the work of the Audit and Risk Committee in discharging its responsibilities.
- 8.5 The Committees that report into the Audit and Risk Committee are the Risk Group, Information Governance and Risk Strategy Committee, Data Quality Board, Health and Safety Committee and the CQC and Compliance Group.

9. Review

- 9.1 The effectiveness of the Audit and Risk Committee will be reviewed by members on an annual basis.
- 9.2 The Terms of Reference of the Audit and Risk Committee shall be reviewed by the Board of Directors at least annually.