

## Audit & Risk Committee Terms of Reference

<b>Date Approved</b>	Trust Board: 25 November 2021
<b>Frequency Review</b>	Annual
<b>Next Review</b>	November 2022
<b>Terms of Reference Drafting</b>	Trust Secretary
<b>Review</b>	Audit Committee: 4 November 2021
<b>Approval</b>	Trust Board
<b>Version Number</b>	1.3

### 1. Constitution

- 1.1. The Trust Board hereby resolves to establish a committee of the Board to be known as the Audit & Risk Committee (“the Committee”).
- 1.2. The Committee is a non-executive committee of the Trust Board and has no executive powers, other than those specifically delegated in these terms of reference.
- 1.3. The terms of reference can only be amended with the ratification of the Trust Board.

### 2. Authority

- 2.1. 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 co-operate with any request made by the Committee.
- 2.2. 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.
- 2.3. The Committee has ultimate responsibility for receiving assurance on the Trust’s system of internal control by means of independent and objective review of financial and corporate governance, risk management across the whole of the Trust’s activities (clinical and non-clinical), and compliance with law, guidance and regulations governing the NHS.

### 3. Membership

- 3.1. The Committee will be appointed by the Trust Board from amongst the non-executive directors of the Trust and shall consist of not less than three members. One of the members will be appointed Chair of the Committee by the Trust Board.
- 3.2. At least one of the members of the Committee will have recent and relevant financial experience.
- 3.3. The Chair of the Trust will not be a member of the Committee.

## **4. Attendance at Meetings**

- 4.1 On invitation from the Chair of the Committee, meetings will normally be attended by the:
- Chief Financial Officer
  - Assistant Director of Finance (Financial Services)
  - Director of Corporate Governance/Trust Secretary
  - Deputy Trust Secretary
  - Head of Internal Audit
  - Senior management representatives from the appointed external auditors
  - Counter Fraud Specialist
- 4.2 The Accountable Officer should be invited to attend meetings and should discuss at least annually with the Committee the process for assurance that supports the annual governance statement. The Accountable Officer should also attend when the Committee considers the draft annual governance statement and the annual report and accounts.
- 4.3 Other executive directors/managers should be invited to attend, particularly when the Committee is discussing areas of risk or operation that are the responsibility of that director/manager.
- 4.4 Attendance at meetings is essential. In exceptional circumstances when an Executive Director cannot attend, they must arrange for a fully briefed deputy of sufficient seniority to attend on their behalf.
- 4.5 Representatives from other organisations and other individuals may be invited to attend on occasion.
- 4.6 The Trust Chair may be invited to attend meetings of the Committee in order that they can understand how the Committee works, but will have no voting rights.
- 4.7 The Head of Internal Audit, the representative of External Audit and the Counter Fraud Specialist have a right of direct access to the Chair of the Committee.
- 4.8 The Committee may ask any or all of those who normally attend but who are not members to withdraw to facilitate open and frank discussion of particular matters.

## **5. Quorum**

- 5.1 The quorum necessary for the transaction of business shall be two Non-executive members. 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 invested in, or exercised by the Committee.

## **6. Frequency of Meetings and Conduct**

- 6.1 The Committee will meet at least five times a year, timed in accordance with the discharge of its key responsibilities. The Chair may call additional meetings where these are deemed necessary.
- 6.2 The Trust Board, Accountable Officer, external auditors or head of internal audit may request an additional meeting if they consider that one is necessary.

- 6.3 At least once a year the Committee will meet privately with the external and internal auditors.
- 6.4 Agenda items should be submitted to the Corporate Governance Team at least eight working days before the meeting.
- 6.5 An agenda of items to be discussed and supporting papers will be sent to each committee member and person required to attend by the Corporate Governance Team at least five working days before the meeting.
- 6.6 Terms of Reference can only be changed by the Committee and approved by the Trust Board.

## 7. Responsibilities

### ***Integrated Governance, Risk Management and Internal Control***

- 7.1 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.
- 7.2 In particular, the Committee will review the adequacy of:
- All risk and control related disclosure statements, in particular the Annual Governance Statement attached to the Annual Report and Accounts, together with any accompanying Head of Internal Audit Statement, external audit opinion or other appropriate independent assurances, prior to submission to the Trust Board.
  - The underlying assurance processes that indicate the degree of the achievement of corporate objectives, the effectiveness of the management of principal risks and the appropriateness of the above disclosure statements.
  - The policies for ensuring compliance with relevant regulatory, legal and code of conduct requirements and related reporting and self-certification
  - The policies and procedures for all work related to counter fraud, bribery and corruption as set out in the NHS Standard Contract and as required by the NHS Counter Fraud Authority
- 7.3 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.
- 7.4 This will be evidenced through the Committee's use of an effective assurance framework to guide its work and that of the audit and assurance functions that report to it.
- 7.5 The Committee shall also ensure that the Trust has robust risk management systems and processes in place and shall receive a regular report setting out all Trust Level Risks and the Board Assurance Framework. The Committee will actively seek assurance that:
- an up-to-date risk register is maintained, and that relevant staff are able to access the risk register to raise concerns and know that concerns will be reviewed and addressed.

- act as the forum for risk to be discussed, and ensure that where serious concerns are raised, action is taken, and that action plans are carried through to completion, and the reporting loops closed. This may be progressed directly by the Committee or via delegation to other key committees (see below). In doing so, the Committee will ensure that there are robust links with clinical and non-clinical directorates to ensure a culture of effective risk management is present throughout the organisation.

7.6 As part of its integrated approach, the Committee will have effective relationships with other key committees - for example the four other assurance committees of the Trust Board - (Finance and Performance, People, Charity, Quality, and Patient and Carer Experience Committee) so that it understands processes and linkages. These other Committees must not usurp the Committee's role.

#### ***Internal Audit***

7.7 The Committee will ensure that there is an effective internal audit function that meets the requirements of the *Public Sector Internal Audit Standards 2017* and provides appropriate independent assurance to the Committee, Accountable Officer and the Trust Board. This will be achieved by:

- Considering the provision of the internal audit service and the costs involved.
- Review and approving the annual internal audit plan and more detailed programme of work, ensuring that this is consistent with the audit needs of the Trust as identified in the assurance framework and with reference to the risk register.
- Considering the major findings of internal audit work; and management's response to recommendations made.
- 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.
- Carrying out an annual review of the effectiveness of internal audit.
- Regular monitoring of key performance metrics aligned to the delivery of the service.

#### ***External Audit***

7.8 The Committee will 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 response to their work. This will be achieved through:

- Considering the appointment and performance of the external auditors, as far as the rules governing the appointment permit.
- 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 Trust 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 any work undertaken

outside the annual audit plan, together with the appropriateness of management responses.

- Ensuring there is in place a clear policy for the engagement of external auditors to supply non-audit services.
- Regular monitoring of key performance metrics aligned to the delivery of the service.

### ***Counter Fraud***

7.9 The Committee will satisfy itself that the Trust has adequate arrangements in place for counter fraud, bribery and corruption that meet NHS Counter Fraud Authority's standards and will review the outcomes of work in these areas.

7.10 Specifically it will:

- Approve the Trust's Counter Fraud strategy and Local Counter Fraud Specialist annual work plan, including the resources allocated for the delivery of the strategy and work plan.
- Receive and review progress reports of the Local Counter Fraud Specialist against the four principles of the overall NHS Counter Fraud Strategy.
- Monitor the implementation of management actions arising from counter fraud reports.
- Receive and discuss reports arising from quality inspections by the counter fraud service.
- Make recommendations to the Trust Board as appropriate in respect of counter fraud at the Trust.
- Receive, review and approve the annual report of the Local Counter Fraud Specialist.

### ***Other Assurance Functions***

7.11 The Committee will review the findings of other significant assurance functions, both internal and external to the Trust; and consider the implications to the governance of the Trust.

7.12 These will include, but will not be limited to:

- Any reviews by Department of Health and Social Care arm's length bodies, or regulators and inspectors, - for example the Care Quality Commission, NHS Resolution etc.
- Professional bodies with responsibility for the performance of staff or functions – for example, Royal Colleges and accreditation bodies.

7.13 The Committee will review the work of other committees within the Trust, where their work can provide relevant assurance to the Audit Committee's own scope of work. In particular, this will include the four other assurance committees of the Trust Board (Finance and Performance, People, Charity, Quality, and Patient and Carer Experience Committee).

7.14 In reviewing the work of the Quality Committee, and issues around clinical risk management, the Audit Committee will wish to satisfy itself on the assurance that can be gained from the clinical audit function.

- 7.15 The Committee will review and make recommendations to the Trust Board for any changes to the Standing Orders, Standing Financial Instructions and Scheme of Delegation.
- 7.16 The Committee will examine the circumstances associated with each occasion when Standing Orders are waived.

### ***Management***

- 7.17 The Committee will request and review reports, evidence and assurances from directors and managers on the overall arrangements for governance, risk management and internal control.
- 7.18 The Committee may also request specific reports from individual functions within the Trust, for example, clinical audit, as may be appropriate to the understanding of the overall arrangements.

### ***Financial Reporting***

- 7.19 The Committee will monitor the integrity of the financial statements of the Trust and any formal announcements relating to the Trust's financial performance.
- 7.20 The Committee will ensure that the systems for financial reporting to the Trust Board, including those of budgetary control, are subject to review for completeness and accuracy of the information provided.
- 7.21 The Committee will review the Trust Annual Report and financial statements before submission to the Trust Board. It will focus on:
- 7.22 The wording in the Annual Governance Statement and other disclosures relevant to the terms of reference of the Committee.
- 7.23 Changes in, and compliance with, accounting policies, practices and estimation techniques.
- 7.24 Unadjusted misstatements in the financial statements.
- 7.25 Significant judgements in preparation of the financial statements.
- 7.26 Significant adjustments resulting from the audit.
- 7.27 Letters of Representation.
- 7.28 Explanations for significant variances.

## **8. Reporting**

- 8.1 Minutes of the Committee's meetings will be formally recorded; and will be circulated to members of the Committee and others as necessary. The minutes will be circulated to the Chair for confirmation within 10 working days of the meeting and communicated to members as soon as the Chair has confirmed that he/she is content with them.
- 8.2 The Chair of the Committee will present a report to the next meeting of the Trust Board, summarising the key issues and will ensure that it draws to the attention of the Trust Board any issues that require disclosure to the Trust Board or require executive action.
- 8.3 The Committee will provide the Trust Board with an Annual Report, timed to support finalisation of the accounts and the Annual Governance Statement, summarising its conclusions from the work it has done during the year and including the following:
- The fitness for purpose of the Trust's assurance framework.
  - The completeness and 'embeddedness' of risk management in the Trust.
  - The integration of the governance arrangements.
  - The appropriateness of the evidence that shows the organisation is fulfilling regulatory requirements relating to its existences as a functioning business.
  - The robustness of the processes behind the quality accounts.
  - A description of how the Committee has fulfilled its terms of reference.
  - Give details of any significant issues that the Committee considered in relation to the financial statements and how they were addressed.

## **9. Monitoring and Effectiveness**

- 9.1 In order to support the continual improvement of governance standards, the Committee will complete a self-assessment of effectiveness at least annually and will identify any matters where it considers that action on improvement is needed and will make recommendations as to the steps to be taken.
- 9.2 The Committee will review these terms of reference annually.

## **10. Administrative Support**

- 10.1 The Committee will be supported administratively by the Corporate Governance Team whose duties in this respect will include:
- Provide timely notice of meetings.
  - Agreement of agendas with the Chair and attendees.
  - Preparation, collation and circulation of papers in good time.
  - Ensuring that those invited to the meeting attend.
  - Taking the minutes and helping the Chair to prepare reports to the Trust Board.
  - Keeping a record of matters arising and issues to be carried forward.
  - Advising the Committee on pertinent issues/areas of interest/policy developments.
  - Ensuring that action points are taken forward between meetings.
  - Ensuring that Committee members receive the development and training they need.

## Auditor Panel Terms of Reference

<b>Date Approved</b>	27 May 2021
<b>Frequency Review</b>	Annual
<b>Next Review</b>	May 2022
<b>Terms of Reference Drafting</b>	Trust Secretary
<b>Review</b>	Audit Committee
<b>Approval</b>	Trust Board
<b>Version Number</b>	0.2

### 1. Constitution

- 7.1. The Trust Board hereby resolves to nominate its Audit Committee to act as its auditor panel in line with schedule 4, paragraph 1 of the *Local Audit and Accountability Act 2014*.
- 7.2. The auditor panel is a non-executive committee of the Trust Board and has no executive powers, other than those specifically delegated in these terms of reference.

### 8. Authority

- 2.1 The auditor panel is authorised by the Trust Board to carry out the functions specified below and can seek any information it requires from any employees/relevant third parties. All employees are directed to co-operate with any request made by the auditor panel.
- 2.2 The auditor panel is authorised by the Trust Board to obtain outside legal or other independent professional advice – for example, procurement specialists, and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary. Any ‘outsider advice’ must be obtained in line with the organisation’s existing rules.

### 9. Membership

- 3.1 The auditor panel will comprise the entire membership of the audit committee with no additional appointees. This means that all members of the auditor panel are independent non-executive directors.
- 3.2 The Chair of the audit committee will be appointed Chair of the auditor panel by the Trust Board.
- 3.3 The Chair of the Trust will not be a member of the auditor panel.
- 3.4 The auditor panel Chair and/or members of the panel can be removed in line with rules agreed by the Trust Board.

### 10. Attendance at Meetings

- 4.1 The auditor panel’s Chair may invite executive directors and others to attend depending on the requirement of each meeting’s agenda. These invitees are not members of the auditor panel.



## **5. Quorum**

- 5.1 To be quorate, independent members of the auditor panel must be in the majority AND there must be at least two independent members present or 50% of the auditor panel's total membership, whichever is the highest.

## **6. Frequency of Meetings and Conduct**

- 6.1 The auditor panel will consider the frequency and timing of meetings needed to allow it to discharge its responsibilities but as a general rule will meet on the same day as the audit committee.
- 6.2 Auditor panel business will be identified clearly and separately on the agenda and audit committee members will deal with these matters as auditor panel members NOT as audit committee members.
- 6.3 The panel's Chair shall formally state at the start of each meeting that the auditor panel is meeting in that capacity and NOT as the audit committee.

## **7. Conflicts of Interest**

- 7.1 Conflicts of interest must be declared and recorded at the start of each meeting of the auditor panel.
- 7.2 A register of panel members' interests must be maintained by the panel's Chair and submitted to the Trust Board in accordance with the Trust's existing conflicts of interest policy.
- 7.3 If a conflict of interest arises, the Chair may require the affected panel member to withdraw at the relevant discussion or voting point.

## **8. Functions**

The auditor panel's functions are to:

- 8.1 Advise the Trust Board on the selection and appointment of the external auditor. This includes:
- Agreeing and overseeing a robust process for electing the external auditors in line with the organisation's normal procurement rules.
  - Making a recommendation to the Trust Board as to who should be appointed.
  - Ensuring that any conflicts of interest are dealt with effectively.
- 8.2 Advise the Trust Board on the maintenance of an independent relationship with the appointed auditor.
- 8.3 Advise (if asked) the Trust Board on whether or not any proposal from the external auditor to enter into a liability limitation agreement as part of the procurement process is fair and reasonable.
- 8.4 Advise on (and approve) the contents of the Trust's policy on the purchase of non-audit services from the appointed external auditor.
- 8.5 Advise the Trust Board on any decision about the removal or resignation of the external auditor.

## **9. Reporting**

- 9.1 The Chair of the auditor panel must report to the Trust Board on how the auditor panel discharges its responsibilities.
- 9.2 The minutes of the panel's meetings must be formally recorded and submitted to the Trust Board by the panel's Chair. The Chair of the auditor panel must draw to the attention of the Trust Board any issues that require disclosure to the full Trust Board or which require executive action.

## **10. Administrative Support**

- 10.1 The Committee will be supported administratively by the Corporate Governance Team whose duties in this respect will include:
- Provide timely notice of meetings.
  - Agreement of agendas with the Chair.
  - Preparation, collation and circulation of papers in good time.
  - Ensuring that those invited to the meeting attend.
  - Taking the minutes and helping the Chair to prepare reports to the Trust Board.
  - Keeping a record of matters arising and issues to be carried forward.
  - Advising the Committee on pertinent issues/areas of interest/policy developments.
  - Arranging meetings for the Chair.
  - Ensuring that panel members receive the development and training they need.
  - Providing appropriate support to the Chair and panel members.

## **12. Monitoring Effectiveness**

- 12.1 The terms of reference will be reviewed on an annual basis.