

AUDIT AND RISK COMMITTEE TERMS OF REFERENCE

1. Constitution

The Board hereby resolves to establish a Committee of the Board to be known as the Audit and Risk Committee. 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.

2. Purpose and Objectives

(a) Governance, internal control and risk management

The Committee shall oversee and scrutinise the establishment and maintenance of an effective system of internal control and probity across the whole of the organisation's activities that supports the achievement of the organisation's objectives.

In particular, the Committee will:

- Review the adequacy and accuracy of all risk and control related disclosure statements (in particular, the Annual Governance Statement and Value for Money assessment), together with any accompanying Head of Internal Audit statement, external audit opinion or other appropriate independent assurances, prior to endorsement by the Board;
- Review, and where necessary approve the Annual Report and Accounts and assess the extent to which these comply with relevant legislation and guidance;
- Oversee the Trust's risk management arrangements, including the risk management strategy, the Board's risk appetite and the effectiveness and coordination of the various risk registers;
- Assess the effectiveness and responsiveness of the Board Assurance Framework process, including the consistency of risk scoring, the completion of actions to fill gaps in control and assurance, and the extent to which the BAF is aligned with the Trust's objectives and the wider risk management system as above;
- Review 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;
- Assess the effectiveness of policies for ensuring compliance with relevant regulatory, legal and code of conduct requirements including in relation to Fit and Proper Persons; and
- Review the policies and procedures for all work related to fraud and corruption as set out in the Secretary of State Directions and as required by the NHS Counter Fraud Authority.

In carrying out this work the Committee will place significant reliance on the work of Internal Audit, External Audit and other assurance functions, but will also seek reports and assurances from directors and managers as appropriate, concentrating on the overarching

systems of governance, probity and internal control, together with indicators of their effectiveness.

(b) Internal Audit

The Committee shall ensure that there is an effective internal audit function in place, which complies with the Public Sector Internal Audit Standards and provides appropriate independent assurance to the Audit and Risk Committee, Accounting Officer and the Board. This will be achieved by:

- provision of a value for money Internal Audit service;
- review and approval by the Committee of the Internal Audit strategy, operational plan and more detailed programme of work, ensuring that this is consistent with the audit needs of the organisation as identified in the Board Assurance Framework and from engagement with the other Board Committees; and
- consideration of the findings emerging from internal audit work (and management's response), ensuring that all accepted recommendations are actioned within agreed timescales, and facilitating co-ordination between the Internal and External Auditors to optimise resources and ensure shared learning;
- ensuring that the Internal Audit function is adequately resourced and has appropriate standing within the organisation; and
- periodic review of the efficiency and effectiveness of internal audit.

(c) External Audit

The Committee shall review the work and findings of the External Auditor appointed by the Council of Governors and consider the implications and management's responses to their work. This will be achieved by:

- consideration of the appointment and performance of the External Auditor;
- discussion and agreement with the External Auditor, before the audit commences, of the nature and scope of the audit as set out in the Annual Plan, and ensure coordination, as appropriate, with other External Auditors in the local health economy;
- discussion with the External Auditors of their local evaluation of audit risks and assessment of the Trust, and associated impact on the audit fee;
- review all External Audit reports, including agreement of the annual audit letter before submission to the Board and any work carried outside the annual audit plan, together with the appropriateness of management responses, and
- consideration of any lessons or learning emerging post-audit to ensure greater efficiency and effectiveness in future years (to also include learning from the External Auditor's work with other clients and the wider sector).

(d) Local Counter Fraud Specialist

The Committee shall ensure compliance with the requirements of Section 24 of the NHS Standard Contract that the Trust has put in place appropriate arrangements to address counter fraud and security management issues, including that there is an effective counter fraud function established by management that meets the NHS Requirements of the Government Functional Standard 013: Counter Fraud and provides independent assurance to the Committee, Chief Executive and Board. This will be achieved by:

- Consideration on the appointment of a Counter Fraud Service, the fee and Terms and Conditions of engagement;
- Oversee the effective operation of Counter Fraud and to ensure that the Counter Fraud Service is appropriately resourced and has appropriate standing within the Trust; and
- Review the Counter Fraud Policies, Strategies/Plans and to consider major findings of Counter Fraud Reports, management's response and subsequent action.

(e) Other Assurance Functions

The Audit and Risk Committee shall review the findings, or ensure that they are reviewed by a relevant body, of other significant assurance functions, both internal and external to the organisation, and consider the implications to the governance of the organisation.

These will include externally commissioned reviews by relevant Department of Health and Social Care Arm's Length Bodies or Regulators/Inspectors relating to the governance and operations of the Trust. In such cases, the Committee will seek assurance from those directly involved in the review that the relevant learning has been taken on board and shared, and that plans to address any recommendations are on track.

The Committee will seek and receive assurance around the Trust's approach to ensuring data quality, in relation, in particular to the internal and external reporting of financial and operational performance.

The Committee will also seek and receive assurance that the Trust has adequate information governance arrangements, such that it effectively safeguards patient and other sensitive information in its possession in line with relevant legislation and guidance from the Information Commissioner's Office.

The Committee may rely upon the work of other committees within the organisation, which can provide relevant assurance to the Audit Committee's own scope of work. This will particularly include the Non Clinical Governance Committee, the Clinical Governance Committee and the Finance and Performance Committee. These committees may also ask the Audit and Risk Committee to consider, as part of its work plan, issues that are brought to their attention that fall more appropriately within this Committee's remit.

The Committee shall also ensure that the requirements set out in the Trust's Standing Financial Instructions and Standing Orders are addressed, which also include:

- Monitoring compliance with Standing Orders and Standing Financial Instructions;

- Reviewing schedules of losses, compensations and settlements with staff, and making recommendations to the Board; and
- Reviewing schedules of debtors/creditors balances over 6 months old and over a de-minimis limit as defined by the Audit and Risk Committee and related explanations/action plans.
- Reviewing the register of interests, gifts and hospitality to ensure that personal interests do not conflict with those of the Trust and that positions are not abused for personal gain or to benefit family and friends.

(f) Management

The Committee shall request and review reports and positive assurances from directors and managers on the overall arrangements for governance, probity and internal control.

They may also request specific reports from individual functions within the organisation as they may be appropriate to the overall arrangements.

(g) Financial Reporting

The Audit and Risk Committee shall review the Annual Financial statements before submission to the Board, focusing 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 and practices
- Un-adjusted mis-statements in the financial statements
- Major judgemental areas
- Significant adjustments resulting from the audit

3. Membership and Attendance

The Committee shall be appointed by the Board from amongst the Non-Executive Directors of the Trust and shall consist of no less than three members. The Chair of the organisation shall not be a member of the Committee.

Members will include:

- Chair Non-Executive Director
- Other Members Non-Executive Director
- Non-Executive Director

In the absence of the Chair, another Non-Executive Committee member will perform this role.

- Others in attendance Director of Finance
- Deputy Director of Finance
- Head of Corporate Governance
- Chief Nurse
- Medical Director
- External Audit
- Internal Audit
- Local Counter Fraud Specialists
- Head of Financial Services

In addition, one of either the Chief Nurse or the Chief Medical Officer or one of their deputy or associate directors will attend each meeting of the Committee to provide a clinical perspective to the discussions.

Each member will have one vote with the Chair having the casting vote, if required. Should a vote be required a decision will be determined by a simple majority.

a. Quorum

A quorum shall be two members.

b. Attendance by Members

The Chair of the Committee will be expected to attend 100% of the meetings. Other Committee members will be required to attend a minimum of 75% of all meetings and be allowed to send a Deputy to one meeting per annum.

c. Attendance by Officers

The Director of Finance and appropriate Internal and External Audit, and Local Counter Fraud representatives shall normally attend meetings.

The Chief Executive and other Executive Directors may be required to attend, particularly when the Committee is discussing areas of risk or operation that are the responsibility of that Director. The Chief Nurse and the Medical Director will be required to attend on an alternate basis.

4. Accountability and Reporting Arrangements

The Committee will be accountable to the Trust Board. A report of the meeting will be submitted and presented at the next available Board meeting by the Chair who will draw to the attention of the Board issues that require disclosure to the full Board, or require executive action.

The Committee shall refer to the other Board Assurance Committees (the Non Clinical Governance Committee, the Clinical Governance Committee, the People Committee and the Finance and Performance Committee) matters considered by the Committee to be relevant to their work. The Committee will consider matters referred to it by those three Assurance Committees.

The annual work plan of the Committee may be reviewed by the Committee at any given time.

The Committee will draft and present to the Board an annual report of their work drawing out successes and areas for development and focus.

5. Frequency

The Committee will meet no less than four times a year.

Additional meetings may be arranged when required to support the effective functioning of the Trust. Internal and External Audit may request a meeting if required.

6. Authority

The Committee is authorised by the 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.

The Committee is authorised by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience if it considers this necessary.

7. Monitoring Effectiveness

The Committee will undertake an annual review of its performance against its work plan in order to evaluate the achievement of its duties. This review will inform the Committee's annual report to the Board.

8. Other Matters

The Committee shall be supported administratively by the members of the Corporate Governance and Finance teams whose duties in this respect will include:

- Head of Corporate Governance to agree the agenda with Chair
- EA to Director of Finance to collate the papers and minute meetings
- Director of Finance, Head of Financial Services and Head of Corporate Governance to advise the Committee on pertinent areas.

9. Review

These terms of reference will be reviewed at least annually as part of the monitoring effectiveness process.

Terms of Reference reviewed and approved by the Audit and Risk Committee: 13th September 2023

Terms of Reference ratified by the Board: 1st November 2023