

DRAFT AUDIT and RISK COMMITTEE

*Established by Trust Board
Reports and accountable to the Trust Board
(Statutory)*

TERMS OF REFERENCE

Overview

The Audit and Risk Committee (the Committee) is a formally constituted Committee of the Board of Directors (Trust Board).

This is a statutory Committee.

Summary of purpose and objectives

This Committee shall provide the Board with a means of independent and objective review of financial and corporate governance, assurance processes and risk management across the whole of the Trust's activities both generally and in support of the annual governance statement.

In addition this Committee shall

- provide assurance of independence for external and internal audits;
- ensure that appropriate standards are set and compliance with them monitored, in non-financial, non-clinical areas that fall within the remit of this Committee; and
- monitor corporate governance (e.g. compliance with terms of authorisation, Constitution, Codes of Conduct, Standing Orders, Standing Financial Instructions, maintenance of registers of interest).

The Committee reports to the Trust Board.

Role and duties

1. To oversee the establishment and maintenance of an effective system of internal control, and management reporting.
2. To ensure that there are robust processes in place for the effective management of clinical and corporate risk to underpin the delivery of the Trust's principal objectives.
3. To oversee the effective operation and use of Internal Audit.
4. To encourage and enhance the effectiveness of the relationship with External Audit.
5. To oversee the corporate governance aspects that covers the public service values of accountability, probity and openness.
6. To oversee the information governance arrangements of the Trust.
7. To review and sign off prior to formal approval by the Board, the annual report, statutory accounts and quality accounts as well as receiving the draft audit letter.
8. To receive input from the Quality and Safety Committee as required on its work in ensuring reliability and robustness in the preparation, assessment and data integrity of the Quality Accounts or Clinical Risk reporting and Clinical Audit, to facilitate the assurances necessary for this Committee to validate the Trust's Quality Accounting and overall risk review process.

Responsibility / delegated authority

(i.e. what decisions is the Committee allowed to make)

1. 1.1.1. Internal Control and Risk Management

The Committee will review the establishment and maintenance of an effective system of integrated governance, internal control and risk management across the whole of the organisation's activities (both clinical and non-clinical) that supports the achievement of the Trust's principal objectives. In particular, the Committee will review the adequacy of:

- All risk and control related disclosure statements (including the Statement of Internal Control and the declaration and compliance with CQC), together with any accompanying Head of Internal Audit statement, external audit opinion or other appropriate independent assurances, prior to endorsement by the Trust Board.
- The structures, processes and responsibilities for identifying and managing key risks facing the organisation, and controlling the same.
- The policies for ensuring that there is compliance with relevant regulatory, legal and code of conduct requirements as set out in the Statement of Internal Control and other relevant guidance.
- Any significant audit adjustments and changes in accounting policies and practices.
- The operational effectiveness of policies and procedures.
- The policies and procedures for all work related to fraud and corruption as set out in Secretary of State Directions and as required by the Directorate of Counter Fraud Services.
- Systems and processes for ensuring effective compliance with health & safety legislation and CQC.
- Systems and processes for ensuring compliance with Monitor, CQC and other relevant regulators.
- Arrangements for ensuring compliance with Local Security Management Directions.
- Arrangements for ensuring compliance with Emergency Planning Policy.

2. **1.1.2. Internal Audit**

The Committee will ensure that there is an effective internal audit function that meets mandatory NHS Internal Audit Standards and provides appropriate independent assurance to the Audit and Risk Committee, Chief Executive and Trust Board, by the:

- Review and approval of the internal audit plan, ensuring that there is consistency with the audit needs of the organisation as identified in the Assurance Framework and co-ordination with the work of external audit.
- Consideration of the major findings of internal audit work and management responses.
- Monitor and review of the effectiveness of the internal audit function.

3. **1.1.3. External Audit**

- Develop and implement 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 auditor.
- Report to the Trust Board and the Council of Governors (once in place) identifying any matters where action or improvement is needed and making recommendations for action.
- Review and monitor of the external auditor's independence and objectivity and the effectiveness of the audit process, taking into account relevant UK professional and regulatory requirements.
- Discuss with external audit, the main issues and parameters for audit planning in preparation for the Annual Audit Plan.
- Approval of the remuneration and terms of engagement of the external auditor, supplying information as necessary to support statutory function of the Board of Governors to appoint, or remove, the auditor.

The Committee will:

- Develop and agree with the Council of Governors (once in place), the criteria for the appointment, re-appointment and removal of the external auditors.
- Make recommendations to the Council of Governors (once in place) in relation to the above.

4. **1.1.4. Financial Reporting**

- Monitor the integrity of the financial statements and any formal announcements relating to financial performance, reviewing any significant financial reporting judgements.
- Review all internal financial controls and all internal control and risk management systems.

5. **Quality**

- Monitor the integrity of quality statements and reporting relating to quality performance, reviewing any significant quality reporting judgements.
- Review of all quality management systems reporting as necessary via the Quality and Safety Committee.

6. **Whistleblowing**

- Review arrangements by which staff may raise, in confidence, concerns about possible inappropriateness in matters of financial reporting and control, clinical quality, patient safety or other matters, ensuring that there is proportionate and independent investigation and follow-up action.

7. **Governance**
 - To keep under review the Trust's compliance with Monitor's Code of Governance for Foundation Trusts, and other regulatory guidance or best practice.
 - Keep under review the systems and processes of governance, and their operational effectiveness.
8. 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.
9. The Committee may require any employee of the Trust or any other person involved in the delivery of clinical or patient care services on behalf of the Trust to attend any meeting and to produce required information for the Committee
10. The Committee is authorised by 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, provided that the financial and other implications of seeking outside advisers have been discussed and agreed by the Executive Director of Finance and/or Chief Executive.

Accountability / reporting requirements

1. This Committee is accountable to the Trust Board.
2. Minutes will be prepared after each meeting of this Committee and circulated to members of the Committee and others as necessary. Once the Committee has approved the full minutes, a copy will be available, for information, to the Board at its next meeting.
3. The key issues of the Committee will be included in the Board of Directors agenda and papers.
4. The Chair of the Committee shall draw to the attention of Trust Board any issues that require disclosure to the full Board, or require Executive action.
5. The Committee will report to Trust Board annually on its work in support of the Annual Governance Statement.
6. The Committee will draw to the attention to any other Committee or the Board, any issues which it believes requires that committee's consideration.

Membership

Members – The membership will comprise 3 Non-Executive Directors, one of whom shall have recent relevant financial experience. One Member shall also be the Chair of the Quality and Safety Committee.

Chair – The Trust Board will appoint the Chair of the Committee.

The Committee may invite to attend on a regular or ad hoc basis, as it wishes, service users and carers to provide their own perspective into the Committee.

Meeting requirements

- (a) Quorum – The quorum for meetings of the Committee shall be two members.
- (b) Voting – Only the Non-Executive Directors who are members of the Committee or in their absence their substitute may vote.
- (c) Attendance – Members are invited to all meetings of the Committee but are expected to attend a minimum of 4 meetings in any one financial year.
- (d) Substitutes/Deputies - Any Non-Executive Director of the Trust, excluding the Chairman, may act as nominated substitute / deputy in the absence of any Non-Executive and this attendance will count towards the quorum.

- (e) Invitees - Executive Directors will be invited to attend, especially when the Committee is discussing areas of risk or assurance relating to a Director's work stream.
Any member of Trust Board and the Company Secretary may attend meetings of the Committee.
No other persons may attend without the specific invitation of the Chair of the Committee.
- (f) Compulsory Attendees – The Chief Executive, the Medical Director and the Director of Finance (or in their absence their deputies) are expected to attend regularly.
The External and Internal Auditors will attend as agreed by the Chair of the Committee.
- (g) Support – The work of this Committee will be supported by the Director of Finance who will normally attend and ensure appropriate attendance from other directors and officers.
- (h) Frequency of Meetings – The Committee will meet as a minimum six times per year with additional meetings being called where necessary.
- (i) Additional meetings – The External Auditor or Head of Internal Audit may request a meeting of the Committee if they consider that one is necessary.
- (j) Administration of Committee – The Secretariat shall provide appropriate administrative support, guidance and advice to the Chair and Committee members.

Agendas

The Audit and Risk Committee will receive reports for each meeting on activity under the following headings:

- Assurance, Risk / Information Governance
- External Auditor
- Internal Auditor
- Counter Fraud
- Operational Matters
- Allocated slots for internal auditor, external auditor and Trust Management

One meeting should include a discussion of the external audit letter between the External Auditors and the Non-Executive Directors.

Lead contact for this Meeting

Director of Finance

Monitoring Effectiveness

In order to support the continual improvement of governance standards this committee is required to complete a self-assessment of effectiveness at least annually and advise the Trust Board of any suggested amendments to these Terms of Reference which would improve governance arrangements.

The process for review will be by way of a questionnaire to all members of the Committee, with a report thereon to the Committee for review of the results.

Review

1. These Terms of Reference were agreed by Trust Board
2. The Terms of Reference of this Committee must be reviewed and subsequently approved by the Trust Board at least annually.