



## **TERMS OF REFERENCE RISK AND AUDIT COMMITTEE**

### **Constitution**

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

### **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 and expertise if it considers this necessary.

The committee is authorised to establish short life working groups to undertake specific pieces of work and the committee shall establish Terms of Reference accordingly. The committee may not delegate the powers conferred upon it by these Terms of Reference to any other body without the express authorisation of the Board.

### **Purpose**

The principle purpose of the Risk and Audit Committee is to ensure that there are effective systems of financial and corporate governance, risk management and internal controls in place within the trust and to provide assurance to the Board on the same. This includes financial, clinical, operational and compliance controls and risk management and corporate governance systems. The committee is also responsible for maintaining an appropriate relationship with the trust's auditors. To this end, the committee will seek assurances from Board committees regarding the scrutiny and oversight of the strategy and risks to achievement of the Strategic Objectives within the Board Assurance Framework and Corporate Risk Register; escalating these to the Board as necessary.

### **Membership**

The committee shall be appointed by the Board from amongst the Non-Executive Directors of the trust and shall consist of not less than three members (including the Chair), one of whom shall possess recent, relevant financial experience, the Chairs of other Board committees and the following:

- Chief Finance Officer
- Deputy CEO / Director of Strategy, Transformation and Partnerships
- Chief Operating Officer
- Chief Medical Officer and or Chief Nursing Officer
- Chief Executive Officer (Annual Governance Statement and Accounts only)

## **Deputies**

Executive members are expected to nominate suitable deputies to attend committee meetings in their place, should circumstances prevent members' own attendance.

## **Attendance**

The following will normally be in attendance:

- Head of Internal Audit
- A representative from External Audit
- Local Anti-Fraud Specialist.
- Head of Corporate Governance (Minutes and to support the Chair)

The Chairs of the Quality, Finance and Performance and People and Culture Committees will attend to report on the assurance that their committees have obtained in relation to the monitoring and management of governance and risk in the areas of their responsibility and delegated authority at least annually.

At least once a year, the committee shall meet privately with the External and Internal Auditors.

The Chief Executive and other Executive Directors may be invited to attend when the committee is discussing areas of risk or operation that are the responsibility of that Director.

Up to three members of the Council of Governor will be invited to observe the meeting.

## **Quorum**

The committee shall be deemed quorate if there is representation of a minimum of two Non-Executive Directors and two Executive Directors (one of which must be the Chief Nursing Officer or Chief Medical Officer). 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 duties vested in or exercised by the committee.

The Chair of the organisation shall not be a member of the committee.

## **Frequency**

Meetings shall be held at least four times a year. The Chair of the committee may convene additional meetings as they deem necessary. The External Auditor or Head of Internal Audit may also request a meeting if they consider that one is necessary.

Members the committee must attend at least three of all meetings each financial year but should aim to attend all scheduled meetings.

## **Duties**

The duties of the committee are as follows:

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

The committee shall ensure effective system of integrated governance, risk management and internal control is in place across the whole of the organisation's activities (both clinical and non-clinical), that supports the achievement of the organisation's objectives.

In particular, the committee will review the adequacy and effectiveness of:

- All risk and control related disclosure statements (in particular the Annual Governance Statement), together with any accompanying Head of Internal Audit statement, External Audit opinion or other appropriate independent assurances, prior to endorsement by the Board
- The underlying assurance processes that indicate the degree of achievement of corporate objectives, the effectiveness of the management of principal risks and the appropriateness of the above disclosure statements
- processes to ensure appropriate information flows to the Risk and Audit Committee from Executive management and other Board committees in relation to the trust's overall internal control and risk management position in liaison with the Quality, Finance and Performance and People and Culture Committee Chairs.
- 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 fraud and corruption as set out in Secretary of State Directions and as required by the NHS Counter Fraud Authority.
- The process for declarations of interest and gifts and hospitality

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 Executive 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.

The committee will use the Board Assurance Framework to drive its programme of work and that of the audit and assurance functions that report to it. The committee will ensure that the Board Assurance Framework acts as a key driver of committee and operational plans and that it is appropriately informed by operational risks arising through the Corporate Risk Register and that mitigations are adequately identified to ensure delivery of the trust's strategy.

### **Internal Audit**

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

- Consideration of the appointment and ongoing provision of the Internal Audit service, the cost of the audit and any questions of resignation and dismissal.

- Review and approval of the Internal Audit Strategy and more detailed programme of work, ensuring that this is consistent with the audit needs of the organisation as identified by the Board Assurance Framework.
- Consideration of the major findings of internal audit work (and management's response) and ensure co-ordination between the Internal and External Auditors to optimise audit resources.
- Ensuring that the Internal Audit function is adequately resourced and has appropriate standing within the organisation.
- Annual review of the effectiveness of internal audit.

## **Counter Fraud**

The committee shall satisfy itself that the organisation has adequate arrangements in place for countering fraud and shall approve the Annual Counter Fraud Work Plan and review the outcomes of counter fraud work.

## **External Audit**

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

- Develop and agree with the Council of Governors the criteria for the appointment, re-appointment and removal of the External Auditors.
- Make recommendations to the Council of Governors in relation to the above.
- Approval of the remuneration and terms of engagement of the External Auditor, supplying information as necessary to support statutory function of the Council of Governors to appoint, or remove, the 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 and any work carried outside the annual audit plan, together with the appropriateness of management responses.
- 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.
- Ensure there is a clear policy in place for the engagement of External Auditors to undertaken non audit services.

## **Other Assurance Functions**

The Risk and Audit Committee shall review the findings of other relevant significant assurance functions, both internal and external to the organisation, and consider the implications to the governance of the organisation. These will include, but will not be limited to, any reviews by Regulators/Inspectors (e.g. NHS Improvement, CQC, NHS Resolution, etc.), and professional bodies with responsibility for the performance of staff or functions (e.g. Royal Colleges, accreditation bodies, etc.)

In addition, the committee will review the work of other Board committees within the organisation, whose work can provide relevant assurance to the Risk and Audit Committee's own scope of work.

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

## **Management**

The committee shall request and review reports and positive assurances from directors and managers on the overall arrangements for governance, risk management and internal control. They may also request specific reports from individual functions within the organisation (e.g. clinical audit) as they may be appropriate to the overall arrangements.

## **Financial Reporting**

The Risk and Audit Committee shall monitor the integrity of the financial statements of the trust and any formal announcements relating to the trust's financial performance.

The committee should ensure that the systems for financial reporting to the Board, including those of budgetary control, are subject to review as to completeness and accuracy of the information provided to the Board.

The Risk and Audit Committee shall review the annual report and 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, practices and estimation techniques.
- Unadjusted mis-statements in the financial statements.
- Significant judgements in preparation of the financial statements.
- Significant adjustments resulting from the audit.
- Letter of Representation.
- Qualitative aspects of financial reporting.

## **Quality Reporting**

The Risk and Audit Committee shall monitor the integrity of the trust's Quality Report and any formal announcements relating to the trust's clinical outcomes and quality standards.

The committee should ensure that the systems for quality monitoring and reporting to the Board are subject to review as to completeness and accuracy of the information provided to the Board.

The Risk and Audit Committee shall review the annual Quality Report before submission to the Board.

## **Reporting**

The Chair of the committee will report in writing to the Board, at the Board meeting that follows the committee meeting via an Escalation Report. This report will summarise the main issues of discussion and decision making and the Chair of the committee will ensure that attention is drawn to any risks or issues that require escalation to the Board or Executive for action.

The committee will report to the Board annually on its work in support of the Annual Governance Statement, specifically commenting on 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 evidence that shows the organisation is fulfilling regulatory requirements relating to its existence as a functioning business and the robustness of the processes behind the Quality Accounts.

The committee will receive Escalation Reports from the Health and Safety Group that records key issues and decision making and escalation of risks and issues for the committee's attention.

## **Administration**

The Risk and Audit Committee will be serviced by the Corporate Governance team who will agree the agenda and committee Work Plan with the Chair of the committee.

## **Review**

These Terms of Reference will be reviewed in annually unless there is a requirement to do so earlier.

## **Appraisal**

The committee will carry out an annual appraisal of its performance and effectiveness in line with the requirements of the Audit Committee Handbook 2018 (fourth Edition – January 2018) and will report this to the Board of Directors via an Annual Report.

**Approved by Risk and Audit Committee – 21<sup>st</sup> March 2023**  
**Ratified by the Board – 29<sup>th</sup> March 2023**