

# Audit and Risk Assurance Committee

## Terms of Reference

### 1 Constitution

The Audit and Risk Assurance Committee is constituted as a standing committee of the Board of Directors (The Board). The committee is a non-executive committee and has no executive powers, other than those specifically delegated in these Terms of Reference.

### 2 Purpose

The Audit and Risk Assurance Committee will assist the Board with its oversight responsibilities and will independently and objectively monitor, review and report to the Board on the process of financial and corporate governance, assurance and risk management in place in the organisation and, where appropriate, will facilitate and support the attainment of effective processes.

The Audit and Risk Assurance Committee has primary responsibility for monitoring the integrity of the financial statements, assisting the Board in its oversight of risk management and the effectiveness of internal control, oversight of compliance with corporate governance standards and matters relating to the external and internal audit functions.

### 3 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. A quorum shall be two members. One of the members will be appointed Chair of the committee by the Board.

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

The Chair of the trust's Quality Committee should be one of the Non-Executive Director members of the committee. At least one committee member should have recent and relevant financial experience.

In addition the Board can co-opt, as a member of the Audit and Risk Assurance Committee, a person who is not a Non-Executive Director.

## **4 Attendance**

The Chief Executive, Director of Finance and appropriate Internal and External Audit representatives shall normally attend meetings. However, at least once a year the committee should meet privately with the External and Internal Auditors. Committee members will also meet at least once a year with no others present. Other executive directors should be invited to attend, but particularly when the committee is discussing areas of risk or operation that are the responsibility of that director.

The Chief Executive should discuss with Audit and Risk Assurance Committee the process for assurance that supports the Annual Governance Statement.

The Trust Secretary and Risk and Governance Manager will provide appropriate support to the Chair and committee members.

## **5 Frequency**

Meetings shall be held not less than five times a year. The External Auditor or Head of Internal Audit may request a meeting if they consider that one is necessary.

## **6 Authority**

The Audit and Risk Assurance 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.

## **7 Duties**

The duties of the Audit and Risk Assurance Committee can be categorised as follows:

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

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 trust's activities (both clinical and non-clinical), that supports the achievement of the trust's objectives. In particular, the Committee will:

- ensure there are appropriate systems and processes to meet external regulations and standards including the CQC Assessment Framework and the NHS Improvement Risk Assessment Framework.

- ensure there are appropriate systems and processes to identify and treat risks arising from the activities and forward plans of the trust.
- ensure that the Board Assurance Framework is developed, reviewed and regularly reported to the Board.
- review the adequacy of all risk and control related disclosure statements (in particular the Annual Governance Statement), together with any accompanying Head of Internal Audit opinion, external audit opinion or other appropriate independent assurances, prior to endorsement by the Board.
- review the trust's internal controls.
- review 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 Counter Fraud and Security Management Service.
- review controls and assurances with regard to the production of the quality accounts, together with the Auditors' opinion relative to the quality accounts.

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 audit functions. It will also seek reports and assurances from directors and managers as appropriate, concentrating on the overarching systems of integrated governance, risk management and internal control, together with indicators of their effectiveness. 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.

## **7.2 Internal Audit**

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

- consideration of the 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, operational plan and more detailed programme of work, ensuring that this is consistent with the audit needs of the organization as identified in the 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

### **7.3 External Audit**

The Audit and Risk Assurance Committee shall have primary responsibility for making a recommendation to the Council of Governors on the appointment, reappointment and removal of external auditors. If the Council of Governors does not accept the recommendation, the Board will include in the Annual Report a statement from the committee explaining the recommendation and set out reasons why the Council of Governors has taken a different position.

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;

- 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

### **7.4 Other Assurance Functions**

The Audit and Risk Assurance Committee shall 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. These will include, but will not be limited to, any reviews by Department of Health Arms Length Bodies or Regulators/Inspectors (e.g. Care Quality Commission, NHS Improvement, etc.), 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 committees within the organisation, whose work can provide relevant assurance to the committee's own scope of work. In reviewing the work of these other committees, the committee will wish to satisfy itself on the assurance provided by its functions particularly in regard to risk management and clinical governance.

### **7.5 Management**

The Audit and Risk Assurance 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.

## **7.6 Financial Reporting**

The Audit and Risk Assurance Committee will monitor the integrity of the financial statements of the trust, and any formal announcements relating to the trust's financial performance, reviewing significant financial reporting judgements contained in them.

The 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 and practices
- unadjusted mis-statements in the financial statements
- major judgemental areas
- significant adjustments resulting from the audit

## **7.7 Whistleblowing**

The Audit and Risk Assurance Committee will review arrangements that allow staff and other individuals where relevant, to raise, in confidence, concerns about possible improprieties in matters of financial reporting and control, clinical quality, patient safety and other matters.

## **7.8 Standing orders, standing financial instructions and standards of business conduct**

The Audit and Risk Assurance Committee will review on behalf of the Board the operation of, and proposed changes to, the standing orders and standing financial instructions, the constitution, codes of conduct and standards of business conduct including maintenance of registers and the scheme of delegation.

# **8 Reporting**

The minutes of Audit and Risk Assurance Committee meetings shall be formally recorded and submitted to the Board. The Chair of the committee shall draw to the attention of the Board any issues that require disclosure to the full Board, or require executive action.

The trust's annual report shall include a section describing the work of the audit and risk assurance committee in discharging its responsibilities. This report shall include:

- Significant issues that the committee considered in relation to financial statements, operations and compliance and how these issues were addressed;
- An explanation of how the committee has assessed the effectiveness of the external audit process and the approach taken to the appointment or re-appointment of the external auditor, the value of the external audit services and information on the length of tenure of the current audit firm and when a tender was last conducted; and

- If the external auditor provides non-audit services, the value of the non-audit services and an explanation of how auditor objectivity and independence are safeguarded.

## 9 Review

These terms of reference will be reviewed annually after endorsement by the Board.

## 10 Lead Executive for meeting

Chief Executive

\_\_\_\_\_  
Chair of the Audit and Risk Assurance Committee

Date \_\_\_\_\_

\_\_\_\_\_  
Chair  
on behalf of the Board

Date \_\_\_\_\_