

# Terms of Reference

Document History:	
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Approved by:	Trust Board (pending – July 2021)
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Name of Committee	<b>Audit and Risk Committee</b>
Type of Committee	Board Committee reporting to Trust Board

<b>1.</b>	<b>Purpose of Committee</b>
	<p>The Audit &amp; Risk Committee (“the Committee”) has been established to provide assurance to the Board of Directors in consultation with the other Board Committees that adequate and appropriate governance structures, processes and controls are in place throughout the Trust.</p> <p>In carrying out this function, the Committee will primarily use the work of internal audit and other assurance functions, but will not be limited to these functions. It will also seek reports and assurances from directors and managers as appropriate.</p> <p>The Committee may request and review reports and assurances (positive or negative) from directors and managers on the overall arrangements for governance and risk management.</p> <p>The Committee shall provide assurance to the Board of Directors on the probity of the Trust and support the other Board Committees in the achievement of clinical effectiveness and safe outcome for service users, maintaining positive service users and carer experience and equality and inclusion.</p>
<b>2.</b>	<b>Scope</b>
	<p>The Committee will:</p> <ul style="list-style-type: none"> <li>• monitoring the integrity of the financial statements, assisting the Board of Directors 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</li> <li>• provide the Board of Directors with a means of independent and objective review of financial and corporate governance, assurance processes and risk management across the whole of the Foundation Trust’s activities (clinical and non-clinical) both generally and in support of the annual governance statement.</li> </ul> <p>The Board of Directors is responsible for ensuring effective financial decision-making, management and internal control including:</p>

- management of the Foundation Trust's activities in accordance with statute and regulations;
- the establishment and maintenance of a system of internal control to give reasonable assurance that assets are safeguarded, waste or inefficiency avoided and reliable financial information produced, and that value for money is continuously sought.

### 3. Authority/Accountability

The Committee is constituted as a standing committee of the Board of Directors.

The Committee is authorised to establish and delegate powers to sub-committee(s) and work groups. The Committee will oversee the work of those sub-committee(s) and work groups.

The Committee is authorised by the Board of Directors to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any member of staff and all members of staff are directed to co-operate with any request made by the Committee.

The Committee is authorised by the Board of Directors to obtain outside independent professional advice. The Committee is authorised to request the attendance at a committee of individuals or authorities from outside the Foundation Trust with relevant experience and expertise if it considers this necessary or expedient to the carrying out of its functions. The Committee will advise the Board of Directors of any investigation being undertaken that instructs professional advisors and update the Board of Directors on progress.

### 4. Objectives of Committee

#### **Financial statements and the annual report**

- (i) The Committee will: monitor the integrity of the financial statements of the Foundation Trust, any other normal announcements relating to the Trust's financial performance, reviewing the significant financial reporting judgements contained in them
- (ii) review the Annual Statutory Accounts, before they are presented to the Board of Directors for approval, in order to determine their completeness, objectivity, integrity and accuracy. This review will cover but is not limited to:
  - the meaning and significance of the figures, notes and significant changes;
  - areas where judgement has been exercised;
  - adherence to accounting policies and practices;
  - explanation of estimates or provisions having material effect;
  - the schedule of losses and special payments;
  - any unadjusted statements; and
  - any reservations and disagreements between the external auditors and management which have not been satisfactorily resolved.
- (iii) recommend to the Board of Directors that the Annual Statutory Accounts are approved
- (iv) review the Annual Report and Annual Governance Statement and recommend to the Board of Directors that the documents are approved
- (v) review each year the accounting policies of the Trust and make appropriate recommendations to the Board of Directors

- (vi) Review all accounting and reporting systems for reporting to the Board of Directors, including in respect of budgetary control
- (vii) the Committee will be notified of and scrutinise losses, write-offs and compensation including special payments, ex-gratia payments and extra statutory or extra regulatory payments.

### **Internal Control and Risk Management**

The Committee will:

- (i) review the Foundation Trust's internal financial controls to ensure the provision and maintenance of an effective system of financial risk identification and associated controls, reporting and governance
- (ii) review and maintain an oversight of the Foundation Trust's general internal controls and risk management systems
- (iii) review processes to ensure appropriate information flows to the Committee from executive management and other Board committees in relation to the Trust's overall internal control and risk management position
- (iv) review the adequacy of the policies and procedures in respect of all counter-fraud work. Receive the annual report from counter fraud
- (v) review the adequacy of underlying assurance processes that indicate the degree of achievement of corporate objectives and the effectiveness of the management of principal risks, including the Board Assurance Framework (BAF).
- (vi) utilise and review the work of the internal audit, external audit and other assurance functions as well as reports and assurances sought from directors, managers, committee's and other investigatory outcomes so as to fulfil its functions in connection with these terms of reference.
- (vii) review the adequacy of policies and procedures for ensuring compliance with relevant regulatory, legal and conduct requirements.

### **Freedom to Speak Up: Raising Concerns (Whistleblowing)**

The Committee will:

- (i) 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
- (ii) Ensure that arrangements are in place for the proportionate and independent investigation of such matters, and for appropriate follow-up action, and ensure safeguards are in place for those who raise concerns.

### **Emergency Planning Resilience and Response (EPRR)**

The Committee will:

- (i) review and monitor compliance with the NHS England EPRR core standards, Civil Contingencies Act 2004 and provide positive assurance to the Board of compliance.

### **Corporate Governance**

The Committee will:

- (i) monitor and provide assurance to the Board of Directors on corporate governance compliance (e.g. compliance with terms of the Licence, Constitution, Codes of Conduct, Standing Orders, Standing Financial Instructions, maintenance of Registers of Interests).

- (ii) consider the outcomes of significant reviews carried out by other bodies which include but are not limited to regulators and inspectors within the health and social care sector and professional bodies with responsibilities that relate to staff performance and functions.

### **Internal Audit**

The Committee will:

- (i) at least annually, monitor and review the effectiveness of the Foundation Trust's internal audit function, taking into consideration relevant UK professional and regulatory requirements
- (ii) review and approve the internal audit strategy and programme, ensuring that it is consistent with the needs of the organisation. This includes ensuring the programme covers the breadth of the internal control environment ensuring relevant coverage of Clinical Quality, Governance, Risk Management and Legislation, performance and Data Quality, Workforce and Finance
- (iii) oversee on an ongoing basis the effective operation of internal audit in respect of:
  - adequate resourcing;
  - its co-ordination with external audit;
  - meeting relevant internal audit standards;
  - providing adequate independence assurances;
- (iv) it having appropriate standing within the Foundation Trust; consider the major findings of internal audit investigations and management's response and their implications and monitor progress on the implementation of recommendations
- (v) consider the provision of the internal audit service, the cost of the audit and any questions of resignation and dismissal of internal audit staff
- (vi) where an audit report relates to a follow-up audit and high risk recommendations are still outstanding, the Executive Director shall attend the Committee meeting to provide an update on actions taken to address these recommendations
- (vii) an audit recommendation self-assessment report, which includes a log of audit reports submitted to the Committee and any outstanding actions, shall be submitted to each meeting of the Committee for review
- (viii) directors are responsible for providing an update at the Committee meetings on any outstanding actions that fall within their remit
- (ix) assuring itself that the management of the Trust has implemented the agreed recommendations of internal audit reports in a timely and effective way.

### **External Audit**

- (i) The Committee will: review and monitor the effectiveness of the external audit process, taking into consideration relevant UK professional and regulatory requirements.
- (ii) assess the external auditor's work and fees each year. This assessment should include the review and monitoring of the external auditor's independence and objectivity and effectiveness of the audit process in light of relevant professional and regulatory standards
- (iii) oversee the conduct of a market testing exercise for the appointment of an auditor at least once every five years and, based on the outcome, support the the Council of Governors in the appointment of the external auditors
- (iv) the Council of Governors will take the lead in agreeing with the Committee the criteria for appointing, re-appointing and removing external auditors. To support them in this task, the Audit & Risk Committee should:

- provide information on the external auditor’s performance, including details such as the quality and value of the work, the timeliness of reporting and fees.
  - Advise the Council of Governors in respect of the appointment, re-appointment and removal of an external auditor and related fees as applicable. To the extent that advice is not adopted by the Council of Governors, this shall be included in the annual report, along with the reasons for non-adoption.
- (v) discuss with the external auditor, before the audit commences, the nature and scope of the audit, and ensure coordination, as appropriate, with other external auditors in the local health economy.
- (vi) review external audit reports, including the Annual Audit Letter, together with the management response, and to monitor progress on the implementation of recommendations.
- (vii) to develop and implement a policy on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance.

### **Standing Orders, Standing Financial Instructions and Standards Of Business**

The Committee will:

- (i) review Standing Orders, Standing Financial Instructions and any waiver or suspension on the documents
- (ii) review the reasons for such waivers or suspensions must be reported by the Lead Executive to the Board of Directors and reports shall be received by the Committee.
- (iii) review the Scheme of Delegation.

#### **Other**

The Committee will:

- (i) review performance indicators relevant to the remit of the Committee
- (ii) examine any other matter referred to the Committee by the Board of Directors and initiate investigation as determined by the Committee. Report back to the Board of Directors on any finding following an investigation
- (iii) the Chief Executive shall demonstrate that the use of private finance represents value for money and genuinely transfers risk to the private sector. Reports shall be received by the Committee.

## **5. Membership**

The membership of the Committee will be:

- Three Non-Executive Directors, one of which, with recent and relevant financial experience, will be appointed by the Board of Directors to chair the meetings
- The Trust Chair should not be a member of the Committee,
- The Committee shall have sufficient skills amongst its members to be able to discharge its responsibilities

Executive Directors should not be appointed to the Committee. The role of the Executive is to attend, to provide information, and to participate in discussions, either for the whole duration of a meeting or for particular items.

## **6. Attendees**

Meetings of the Committee shall normally be attended by:

- Executive Director of Finance
- Director of Corporate Governance (Board Secretary)
- Deputy Director of Finance
- A representative of the external auditors and a representative of the internal auditors
- A representative of the local counter fraud service may be invited to attend meetings of the Audit & Risk Committee.

Other Non-executive Directors can attend as desired. Executive Directors will be invited to attend the Committee dependent on the business being discussed by the Committee.

In order to support the work of the Lived Experience Group and the Council of Governors, nominated observers are invited to attend the Committee. Their role as observers is to consider the work of the Committee in order to provide feedback to their respective bodies. Observers will be supported in their role by the Trust with training and access to Committee papers. Their feedback on the Committee's commitment to and effectiveness in considering the views of services users, carers and foundation trust members will form part of the annual effectiveness review carried out by Committee.

## 7. Chair, Quorum, Attendance and Meetings

### **Chair**

The NED Chair will preside at all meetings. In extraordinary circumstances where the Chair cannot attend, one of the Non-Executive Director members will chair the meeting.

### **Quorum**

The Committee is quorate when at least two members are present.

Deputies for Executive Directors may attend by exception but must be fully briefed.

On the occasions when the Committee has arranged to meet and the Committee is not quorate, business can be discussed and provisional decisions can be made, but those decisions must be taken back to the next meeting of the Committee for ratification.

### **Attendance**

Members are expected to attend all meetings. Apologies must be received by the Administrator in advance of the meetings. All members will be required to attend a **minimum** of two thirds of all meetings held annually. Members should not be absent for more than two consecutive meetings without the agreement of the Chair.

Any Committee member may participate in a meeting by way of telephone, computer or any other electronic means of communication provided that each person is able to hear and speak. A person participating in this way is deemed to be present in person although their actual location shall be noted in the minutes and is counted in a quorum and entitled to vote.

The meeting is deemed to take place where the largest group of those participating is assembled, or if there is no such group, where the Chair of the meeting is located.

### **Meetings**



Where a specific matter is deemed to be of a confidential or commercially sensitive nature the Chair has the authority to restrict attendance at the meeting to members only and to ask all invitees to leave the meeting.

If any member or invitee has an interest, pecuniary or otherwise, in any matter and is present at the meeting at which the matter is under discussion, they will declare that interest as early as possible and shall not participate in the discussions. The Chair will have the power to request that member or invitee to withdraw until its consideration has been completed.

## 8. Frequency and Notice of Meetings

### Frequency

The Committee will normally meet five times per year. Additional meetings can be arranged for specific purposes as necessary, with agreement by the Chair.

If a matter of urgent business arises and an extraordinary meeting is required, this may be convened by the Chair, subject to the agreement of a quorum number of members. Decisions will be subject to achieving quorum attendance.

Where a decision needs to be taken outside the normal cycle of meetings, and where the matter is not deemed by the Chair to require an additional meeting to be called, the decision may be made via e-mail. The preference is for decisions to be taken at meetings. The decisions via e-mail process will be used on an exceptions basis. The process for decision via e-mail will be as follows:

- a) An e-mail setting out the matter for decision will be sent to all members on the same working day. This shall include a statement setting out how the members should signify what their view on the matter is and the deadline for doing so.
- b) Members will be given no less than five working days in which to respond.
- c) For a decision to be passed, all of the members must express the same view on the matter.
- d) Where members have comments on the proposed decision or recommendation/s these will be circulated to other Committee members by the Administrator within one working day of receipt.
- e) If any individual member wishes to debate an item proposed for decision via e-mail at a meeting instead they may ask the Chair to arrange an additional meeting or defer the item for decision until the next meeting (such agreement by the Chair not to be unreasonably withheld).
- f) Decisions via e-mail will be reported to the next meeting and the wording of the decision minuted. Any decision made in this manner will be effective from the date of agreement of all of the members and confirmed by email by the Administrator.

### Notice of meetings

Meetings shall be called by the Administrator at the request of the Chair or any of its members.

Unless otherwise agreed, notice of each meeting and agenda of items to be discussed, shall be forwarded to each member, any other person required to attend no later than five full working days before the date of the meeting. Supporting papers shall be sent to

members and to other attendees as appropriate, at the same time.

Notices, agendas and supporting papers can be sent in electronic form where the recipient has agreed to receive documents in such a way.

A meeting workplan will be agreed on an annual basis, setting out the main work items to be carried out at each meeting to ensure that adequate time is given to the main objectives of the Committee.

## 9. Minutes and Reporting Arrangements

The Committee will report to the Board on how it discharges its responsibilities. The Board will report back if it has any concerns about its adherence to the Terms of Reference.

The minutes of Committee meetings will be formally recorded and submitted to the Board. The Chair of the Committee will draw to the attention of the Trust Board any issues or decisions for disclosure or require executive action.

The Board will receive standing reports following each meeting and additional reports as part of the scheduled programme of annual reports.

In addition, the Committee will receive thematic 'deep dive' reports or reviews as required to enable greater discussion about specific issues and to facilitate in depth discussions between the members and those staff providing services.

The Board has ultimate responsibility for the effectiveness of its governance below Board. The Board will rely on the work of its Committees to provide assurance on the effectiveness of the governance structure.

## 10. Administrative arrangements

The Committee will be supported by a nominated Administrator who will:

- produce a schedule of meetings and maintain the annual work plan for the Committee
- prepare the agenda and papers with the Chair and circulate five working days prior to the meeting;
- maintain accurate records of attendance, key discussion points and decisions taken and issue necessary action logs within five full working days of the meeting;
- draft minutes, recording where the Committee has delivered its purpose through relevant reports and subsequent discussion, debate and challenge, and where further information is required, for circulation to the meeting Chair within five full working days of the meeting;
- organise future meetings; and
- file and maintain records of the work of the Committee in the required corporate records folder.

## 11. Meeting effectiveness review

The Committee shall at least once a year, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Trust Board for approval.



The Committee shall undertake appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members.

A record of the frequency of attendance by members, quoracy and the frequency of meetings will be maintained. Any areas of concern will be highlighted to the Chair of the Committee.

<b>12.</b>	<b>Review to be conducted by Committee Chair</b>	
	<b>Date Committee established</b>	1 July 2008
	<b>Terms of Reference to be reviewed</b>	Annually
	<b>Date of last review</b>	April 2019
	<b>Date of next review</b>	July 2022