

Audit and Risk Committee Terms of Reference

KEY DETAILS:

Document Type:	Committee terms of reference
Date document valid from:	01 May 2018
Document review due date:	30 April 2019

AUDIT TRAIL:

Dates reviewed:	19 March 2018	Version number: 1	Dates archived:
Dates agreed:	26 April 2018	Version number:	
Details of most recent review: Changes made to ensure clarity and continued best practice			
Signature of Chair of Committee:			
Print Names:	Simon Porter		
Post Held:	SID/Non-Executive Director		
Date:	26 April 2018		

Audit and Risk Committee

Terms of Reference

1. Constitution

- 1.1 The Board hereby resolves to establish a Committee of the Board to be known as the – Audit and Risk Committee. The Committee is a sub-committee of the Board and has no executive powers, other than those specifically delegated in these terms of reference.

2. Aims and objectives

- 2.1 The Committee has been established as a standing Committee of the Trust Board.
- 2.2 The Committee will undertake the role of Audit Committee with primary responsibility for monitoring and reviewing financial and other risks and associated controls, corporate governance and assurance.
- 2.3 The Committee is also responsible for obtaining assurance that appropriate governance structures, processes and controls are in place.

3. Membership

- 3.1 The Committee comprises three non-executive directors excluding the Trust Chair.

- 3.2 The Committee structure is:

Chair: non-executive director with recent and/or relevant financial experience

Executive Leads:

In addition to Committee members, regular attendees will comprise:

- Chief Financial Officer
- Internal Audit and External Audit.

- 3.3 When a regular attendee is unable to attend a meeting they may appoint a representative to attend on their behalf.

- 3.4 Other Trust officers and the - Local Security Management Specialist may be asked to attend when the Committee is discussing areas that are the responsibility of that individual.

- 3.5 The Committee is accountable to the Trust Board.

- 3.6 The Committee will produce regular reports (which may be oral rather than written) for the Trust Board which will be made to the Trust Board meeting following the committee meeting.

- 3.7 The Trust's annual report shall include a section describing the work of the committee in discharging its responsibilities.

4. Quorum

- 4.1 The quorum for the meeting shall be two members.

5. Frequency of Meetings

- 5.1 The Committee shall meet at least four times a year.

- 5.2 Each meeting will offer the opportunity for a:

- Part II item to enable confidential meetings to take place between the committee and the external and internal auditors or local counter fraud services without any executive director present.
- Part III item to enable confidential meetings to take place between the committee and executive directors without the auditors being present.

6. “Feeder” Committees to this committee

6.1 There are no feeder committees to this Committee.

7. Administration

7.1 The Committee Chair will ensure that:

- The Administration is managed efficiently and effectively.
- The Committee undertakes the duties assigned to it.
- Reports and actions arising from the meetings are completed in a timely manner.
- The agenda is agreed with the Trust Executive Directors together with a forward planning reporting timetable.

7.2 The Committee administrator will ensure that:

- The agenda is agreed with the Chair.
- Papers are collated and circulated in advance of the meeting (at least 3 working days).
- Mailing lists are kept up to date.
- Minutes and a record of action points are taken.
- Terms of Reference and records of committee business are retained appropriately.

8. Duties

8.1 The Committee will comply with the requirements set out in the Trust’s Standing Financial Instructions and Scheme of Delegation.

8.2 The Committee shall review the establishment and maintenance of an effective system of internal control to give reasonable assurance that activities are in accordance with statute and regulations and value for money is continuously sought.

8.3 Annual accounts review

- Review the annual financial statements, before they are presented to the Trust Board, to determine their completeness, objectivity, integrity and accuracy. This review will include:
 - adherence to accounting policies and practices
 - explanation of estimates or provisions having material effect
 - any reservations and disagreements between the external auditors and management which have not been satisfactorily resolved.
- Review the annual report and statements of internal control before they are submitted to the Trust Board to determine completeness, objectivity, integrity and accuracy.
- Review the accounting and reporting systems for reporting to the Trust Board.

8.4 Internal audit

- Review and approve the internal audit strategy and programme, ensuring that it is consistent with the needs of the Trust.
- Oversee on an ongoing basis the effective operation of internal audit, ensuring that the function has the necessary resources and access to information to enable it to fulfil its mandate and is equipped to perform in accordance with appropriate professional standards.
- Consider the major findings of internal audit investigations and management’s response and monitor progress on the implementation of recommendations.

- Consider the provision of the internal audit service, the cost of the audit and any questions of resignation and dismissal.
- Conduct an annual assessment of the internal audit function.

8.5 External audit

- Oversee the conduct of a tender exercise for the appointment of an auditor at least once every five years.
- Assess the external auditor's work and fees on an annual basis. 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.
- Based on the outcome of the tender exercise or assessment outlined above, make a recommendation to the Council of Governors with respect to the appointment, reappointment or removal of the auditor. Should this recommendation not be adopted by the Council, include this in the annual report, along with the reasons that the recommendation was not adopted.
- Discuss with the external auditor, before the audit commences, the nature and scope of the audit, and ensure co-ordination, as appropriate, with other external auditors in the local health economy. This should include discussion regarding the local evaluation of audit risks and assessment of the Trust and the impact on the audit fee.
- Review external audit reports, including the annual audit letter, together with management responses and monitor progress on the implementation of recommendations.
- Develop and implement a policy on the engagement or non-engagement of the external auditor to supply non-audit services.

8.6 Standing orders, standing financial instructions and standards of business conduct

- Review 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.
- Examine the circumstances of any significant departure from the requirements outlined within paragraph 7.17.
- Review the scheme of delegation.

8.7 Internal control and risk management

Review the establishment and maintenance of an effective system of integrated governance, risk management and internal control, across the whole organisation that supports the achievement of the Trust's strategic vision and objectives. In particular, the Committee will review the adequacy and effectiveness of:

- the Trust's risk management structures and process, ensuring the provision and maintenance of an effective system of risk identification and reporting. This will be achieved through the routine review and scrutiny of the Operational Risk Register and Board Assurance Framework;
- all risk and control related disclosure statements including the Annual Governance Statement and Head of Internal Audit statement and external audit opinion, prior to endorsement by the Board;
- policies and procedures for ensuring compliance with relevant regulatory, legal and conduct requirements;

- the arrangements in place for allowing staff to raise (in confidence) concerns about possible improprieties in financial, clinical or safety matters and ensure that any such concerns are investigated proportionately and independently.

In carrying out this work the Committee will utilise the work of internal audit, external audit and other assurance functions as well as reports and assurances sought from directors and managers and other investigatory outcomes. The Committee will also 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.

This will be evidenced through the Committee's use of an effective Assurance Framework to guide its work and that of the audit and risk functions outlined above, that report to it.

8.8 Other

- Review the adequacy of arrangements developed for the formulation of Reference Costs.
- Review the schedule of losses and special payments.
- Review the effectiveness of processes developed for the effective management of staff declarations.
- Annually review the accounting policies of the Trust and make appropriate recommendations to the Trust Board.
- Review the adequacy of the policies and procedures in respect of all counter fraud work.
- Examine any other matter referred to the Committee by the Trust Board and initiate any investigation as determined by the Committee.

9. Authority

9.1 The Committee has delegated authority from the Trust Board and is authorised to investigate any activity within its terms of reference.

9.2 The Committee can seek external advice from any source if necessary, taking into consideration issues of confidentiality and standing financial instructions.

10. Monitoring Compliance and Effectiveness

10.1 The minutes of the Committee meetings will be formally submitted to the Board. The Chair will draw to the attention of the Board any issues that require disclosure, escalation or executive action.

10.2 The Chair on behalf of the Committee will report annually to the Trust Board in respect of fulfilment of its functions as set out in these Terms of Reference.

10.3 In order to support the continual improvement of governance standards, sub-committees of the Board are required, annually to:

- Complete a self-assessment of the effectiveness of the Committee.
- Review the Terms of Reference for the Committee, reaffirming the purpose and objectives.
- Prepare an annual work plan.