

# Audit and Risk Committee Terms of Reference

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<b>Related Documents:</b> Scheme of Reservation and Delegation Standing Financial Instructions Trust Constitution

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## 1. Constitution

In accordance with the NHS FT Code of Governance, the Board of Directors establishes the Audit and Risk Committee as a sub-committee of the Board to scrutinise the governance, risk management and internal control arrangements put in place to ensure achievement of organisational objectives. The Committee will also seek assurance that the Trust has robust systems and controls in place via an internal and external audit programme.

The Committee is a Non-executive Committee of the Board and has no powers other than those specifically delegated in these Terms of Reference.

## 2. Authority

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 employee and all employees are directed to co-operate with any request made by the Committee.

Matters for consideration by the Committee may be nominated by any member of the Committee or Executive Director of the Trust.

The Committee is authorised to instruct professional advisers and request the attendance of individuals authorities from outside the Trust with relevant experience and expertise if it considers it necessary or expedient to the exercise of its functions.

In addition, the Committee is authorised to request that another Committee or the Board review, monitor, or approve any item that may be better suited to, or overlap with, their responsibility.

## 3. Objectives

The role of the Committee will be to take a wide responsibility for the overarching scrutiny for the Trust's risk and assurance structures and processes which affect all aspects of the Trust's business.

The Committee will deliver the following objectives, along with any others that are assigned by the Board of Directors during the course of the year:

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

- 3.1.1 To review the establishment and maintenance of an effective system of integrated governance, risk management and internal control across the whole of the organisation's activities (both clinical and non-clinical) that supports the achievement of the organisation's objectives.
- 3.1.2 To review the adequacy of all risk and control related disclosure statements (in particular the Annual Governance Statement), together with any accompanying Internal Audit opinion, external audit opinion or other appropriate independent assurances, prior to endorsement by the Board.
- 3.1.3 To review the adequacy of underlying assurance processes that indicate the degree of the achievement of corporate objectives, the effectiveness of the management of principal risks and the appropriateness of the above disclosure statements.
- 3.1.4 To review the adequacy of policies for ensuring compliance with relevant regulatory, legal and code of conduct requirements and related reporting and self certification.
- 3.1.5 To review the integrity of the statutory financial statements of the Trust and any formal announcements relating to the Trust's financial performance, reviewing statutory financial reports and judgements contained therein.
- 3.1.6 To review on behalf of the Board of Directors the operation of, and proposed changes to the Governance manual including standing financial instructions, scheme of delegation, the constitution, codes of conduct and standards of business conduct, including maintenance of registers.
- 3.1.7 To examine the circumstances of any significant departure from the requirements of any of the foregoing, whether those departures relate to a failing, an overruling or a suspension.
- 3.1.8 To monitor and seek assurance on compliance against the procurement strategy.

### **3.2 Internal Audit**

3.2.1 The Committee shall ensure that there is an effective Internal Audit function established by management, which meets mandatory NHS Internal Audit Standards and provides appropriate independent assurance to the Audit Committee, Chief Executive and Board.

3.2.2 This will be achieved by:

- ensuring that the Internal Audit function is adequately resourced and has appropriate standing within the organisation;
- 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 charter, strategy, audit operational plan and more detailed programme of work, ensuring that

this is consistent with the audit needs of the organisation as identified in the Board Assurance Framework;

- consideration of the major findings of internal audit work, management's response, and progress on the implementation of recommendations;
- ensuring co-ordination between the Internal and External Auditors to optimise audit resources;
- ensuring adequate independent assurances are provided; and
- annual review of the effectiveness of internal audit.

3.2.3 The Committee will involve the Chief Finance Officer in the selection process of the Internal Auditor.

3.2.4 The internal auditors will have a right of access to the Chair of the Audit and Risk Committee.

### **3.3 External Audit**

3.3.1 To make a recommendation on behalf of the Committee to the Council of Governors in respect of the appointment, re-appointment and removal of an external auditor. Should that recommendation not be adopted by the Council of Governors, a disclosure shall be included in the annual report, along with the reasons that the recommendation was not adopted.

3.3.2 To 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.

3.3.3 To assess the external auditor's work and fees on an annual basis and, based on this assessment, make a recommendation to the Council of Governors with respect to the re-appointment or removal of the auditor. 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.

3.3.4 To 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, make a recommendation to the Council of Governors with respect to the appointment of the auditor.

3.3.5 To review external audit reports, including the report to those charged with governance, agreement of the annual audit letter before submission to the Board and any work undertaken outside the annual audit plan, together with the appropriateness of management responses.

3.3.6 To develop and implement a policy on the engagement of the external auditor to supply non-audit services.

3.3.7 To receive a statutory report and opinion on the annual report and accounts.

### **3.4 Counter Fraud**

3.4.1 To review the adequacy of policies and procedures for all work related to counter fraud and as required by NHS Counter Fraud Authority, as well as reviewing the outcomes of counter fraud work.

3.4.2 To review the adequacy of annual plans / reports from the Local Counter Fraud Specialist and the Local Security Management Specialist.

3.4.3 To satisfy itself that the organisation has adequate arrangements in place for countering fraud and reviewing the outcomes of counter fraud work.

### **3.5 Other Assurance Functions**

3.5.1 The Committee shall review the findings of other assurance functions, both internal and external to the organisation, and consider any governance implications.

3.5.2 To ensure the effective use of the Board Assurance Framework to guide the Committee's work. This will include utilising and reviewing the work of the Internal Audit, External Audit and other assurance functions and reports and assurances sought from Directors and managers and other investigatory outcomes so as to fulfil its functions in connection with these terms of reference.

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

3.5.4 In addition, the Committee will work closely with the other Committees and be informed particularly on the work of risk

3.5.5 The Committee will review on an annual basis the effectiveness of 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.

### **3.6 Annual Accounts Review**

3.6.1 To review the annual statutory accounts, before they are presented to the Board of Directors, to determine their completeness, objectivity, integrity, and accuracy. At this time the Committee will also receive the Annual Report which summarises the outcome of the external audit. This review will cover but is not limited to:

- The rigour with which the Auditor has undertaken the audit;
- the meaning and significance of the figures, notes and significant changes;
- areas where judgment has been exercised;
- changes in, and compliance with, accounting policies and practices;
- explanation of estimates or provisions having material effect;
- the schedule of losses and special payments;
- any unadjusted statements;
- any reservations and disagreements between the external auditors and management which have not been satisfactorily resolved; and
- letter of representation.

3.6.2 To annually review the accounting policies of the Trust and make appropriate recommendations to the Board of Directors.

3.6.3 To review the Annual Governance Statement and other disclosures relevant to the Terms of Reference of the Committee before they are submitted to the

Board of Directors to determine completeness, objectivity, integrity, and accuracy.

#### **4. Equality and Diversity**

The Committee will seek to promote and enhance equality, diversity, and inclusion across the Trust, both in the discharge of its duties and decision making processes, and in representing these values in its areas of activity.

The Committee will also have regard for the NHS Constitution and ensure that it complies with relevant legislation and best practice in the conduct of its duties.

#### **5. Membership**

The Committee shall consist of:

- Non-Executive Director (Chair)
- 2 other Non-Executive Directors

Members will be appointed by the Board from amongst the Non-Executive Directors of the Trust (excluding the Chairman) and at least one member shall have recent and relevant financial experience.

The composition of the Committee should be given in the Trust's Annual Report.

#### **6. Attendance**

Attendance (in a non-voting capacity) will also be expected from the following members of the Trust:

- Joint Chief Finance Officer (Nominated Deputy – Deputy Chief Finance Officer)
- Joint Director of Corporate Affairs and Communications
- Governor Representative

Other senior managers will attend when they have papers to present or when the Committee is discussing areas of risk or operation that are the responsibility of that Director/officer.

The Chief Executive will be invited to attend, at least annually, to discuss with the Audit and Risk Committee the process for assurance that supports the Annual Governance Statement.

Attendance is also anticipated from Internal and External Auditors and the Local Counter Fraud Specialist.

All members should aim to attend all scheduled meetings with attendance being reviewed annually. Attendance below 80% may result in discussions with the Committee Chair.

Where non-voting members are unable to attend, they should send a designated nominated deputy.

#### **7. Conflicts of Interest**

It will be for the Chair of the Committee to determine whether or not it is appropriate for a member to be in attendance to advise on these matters. In such circumstances where that person is in attendance, he/she will not have a vote or participate in the decision of the Committee.

**8. Quorum and Frequency**

A quorum shall be two members.

Meetings shall be held as required but not less than four times per year. Meetings may be added, stood down, or rescheduled with the approval of the Chair.

The Internal or External Auditors may request additional meetings if they consider such a meeting necessary.

Both the Internal and External auditors shall be afforded the opportunity at least once per year to meet with the Audit and Risk Committee without Executive Directors present.

**9. Reporting**

The minutes of all meetings shall be formally recorded. The Committee will report to the Board following each meeting via a Chair's report.

The Committee will also update the Council of Governors on recent Committee activity via the appropriate template.

The Trust's Annual Report shall include a section describing the work of the Audit and Risk Committee in discharging its responsibilities.

**10. Conduct of Meetings**

The agenda and supporting papers will be sent out four working days prior to the Committee, unless there are exceptional circumstances authorised by the Chair.

Authors of papers should use the standard template.

Presenters of papers can expect all committee members to have read the papers and should keep to a verbal summary outlining the purpose of the report and its recommendations. Committee members may question the presenter.

Meetings will take place at the same time and place as the Wirral Community Health and Care NHS FT Audit Committee.

**11. Performance Evaluation**

As part of the Board's annual performance review process, the Committee shall review its collective performance each year.

**12. Review**

The terms of reference of the Committee shall be reviewed as required and at least annually.