


## Board of Directors' Meeting 13 October 2022

<b>Agenda item</b>	191/22			
<b>Report</b>	ARAC updated Terms of Reference			
<b>Executive Lead</b>	Director of Governance and Communications			
	<b>Link to strategic pillar:</b>		<b>Link to CQC domain:</b>	
	Our patients and community	√	Safe	
	Our people	√	Effective	
	Our service delivery		Caring	
	Our partners		Responsive	
	Our governance	√	Well Led	√
	<b>Report recommendations:</b>		<b>Link to BAF / risk:</b>	
	For assurance		<b>Link to risk register:</b>	
	For decision / approval	√		
	For review / discussion			
	For noting			
	For information			
	For consent			
<b>Presented to:</b>	Audit and Risk Assurance Committee, 5 October 2022			
<b>Dependent upon</b> (if applicable):	-			
<b>Executive summary:</b>	<p>As part of the board governance review work, the Terms of Reference for all the Board Committees are in the process of being updated. The first of those, for the Audit and Risk Assurance Committee (ARAC), has now been reviewed, and was presented to the Committee on 5 October.</p> <p>The ARAC have recommended to the Board of Directors that the terms of Reference as appended, are approved by the Board of Directors.</p>			
<b>Appendices</b>	ARAC reviewed Terms of Reference			
				

## Audit and Risk Assurance Committee

### ***DRAFT v1.3 Terms of Reference***

<b>1 Constitution</b>
<p>1.1 The Board of Directors hereby resolves to establish a statutory committee of the Board to be known as the Audit and Risk Assurance Committee (“the Committee”).</p> <p>1.2 The Committee is an independent non-executive Committee of the Board and has no executive powers, other than those specifically delegated in these Terms of Reference, or otherwise by the Board of Directors in its Scheme of Delegation.</p> <p>1.3 As a Committee of the Board the Standing Orders of the Trust shall apply to the conduct of the working of the Audit &amp; Risk Assurance Committee.</p>
<b>2 Authority</b>
<p>2.1 The Committee is authorised by the Board of Directors to investigate any activity within these terms of reference.</p> <p>2.2 It is authorised to seek any information it deems relevant to fulfil its duties which may require any Trust employee to attend a meeting of the Committee to present information or answer questions on a matter under discussion.</p> <p>2.3 The Committee is authorised by the Board of Directors to obtain external professional advice and to invite external representatives or consultants with relevant experience and expertise to attend if necessary.</p> <p>2.4 These Terms of Reference can be amended only with the approval of the Board of Directors.</p>
<b>3 Purpose</b>
<p>3.1 The Committee is responsible for the review and providing assurance to the Board of Directors of the overall governance, risk management and internal control procedures of the organisation, including oversight of the integrity of the financial statements.</p>
<b>4 Committee Membership</b>
<p>4.1 The membership of the Committee shall be appointed by the Board of Directors, from amongst its independent Non-Executive Directors, based on recommendations from the Trust Chair, and shall consist of not less than four members.</p> <p>4.2 One of the members shall be the Chair of the Committee and shall be appointed by the Board of Directors from amongst its independent Non-Executive Directors.</p> <p>4.3 The Chair of the Trust shall not be a member of the Committee.</p> <p>4.4 Only members of the Committee shall attend the meetings, save for those stated in section 5, below.</p> <p>4.5 The Committee will be chaired by a named Non-Executive Director. In the absence of the nominated Chair, another Non-Executive Director will chair the meeting.</p>

## **5 Attendees**

5.1 The following members of staff and partners will normally be in attendance at every meeting:

Director of Finance  
Head of Internal Audit or representative  
Representative of External Audit  
Company Secretary (Lead Executive Officer for the Committee)

5.2 The Local Counter Fraud Specialist will attend a minimum of two committee meetings per year.

5.3 Those, who are normally in attendance, may exceptionally send a deputy to the meeting, with prior consent of the Chair.

5.4 The Chief Executive Officer (CEO) should be invited to attend at least annually and discuss with the Committee the process for assurance that supports the annual governance statement. The CEO should attend when the Committee considers the draft annual governance statement and the annual report and accounts.

5.5 Other executive directors/managers may be invited to attend meetings, particularly when the Committee is discussing areas of risk or operation that are the responsibility of that Director/Manager.

5.6 The Committee has the power to co-opt, or to require to attend, any member of Trust staff, as felt necessary. It is for the Committee Chair to indicate whether other executive directors and/or other senior members of the Trust, attend, according to the requirements of each agenda. Directors / managers should be given sufficient warning that their presence is required so that they come fully prepared.

5.7 At least once a year, the Committee should meet privately with the external and internal auditors.

5.8 The Head of Internal Audit, representative of external audit and Counter Fraud Specialist have a right of direct access to the Chair of the Committee.

5.9 The Company Secretary will ensure that an efficient secretariat service is provided to the Committee and provide appropriate support to the Chair and Committee members.

5.10 In line with the Committee being a statutory independent Committee of the Board, attendance at the Audit Committee will be by invitation only and by agreement with the Chair of the Committee in advance.

5.11 Meetings are not open to members of the public.

## **6 Quorum**

6.1 The Committee will be deemed quorate to the extent that the following members are present:  
Two Non-Executive Directors, one of whom shall be the Chair of the meeting or their designated deputy.

6.2 All members are expected to attend at least 80% of meetings throughout the financial year.

6.3 No business shall be transacted by the Committee unless a quorum is present. A quorate meeting shall be competent to exercise all or any of the authorities, powers and duties vested in or exercised by the Committee.

6.4 At the discretion of the Chair of the Committee, business may be transacted through either: a tele/video-conference where an agenda has been issued in advance; or through the signing by two thirds of members of a written resolution sent in advance to members and recorded in the minutes of the next formal meeting.

## **7. Responsibilities of Members**

7.1 Finalise agenda items for consideration by the Chair and the Committee Administrator at least 14 days before the meeting.

7.2 If unable to attend, send their apologies to the Chair and Committee Administrator with adequate notice prior to the meeting.

7.3 If appropriate, for 'attendees' of the meeting, seek the approval of the Chair to send a deputy to attend on their behalf.

7.4 When matters are discussed in confidence at the meeting, maintain such confidences.

7.5 At the start of the meeting, declare any relevant conflicts of interest/potential conflicts of interest in respect of specific agenda items in order that these can be considered by the committee/chair of the meeting in relation to participation in the agenda item.

## **8 Frequency of Meetings**

8.1 The Committee shall meet at least six times annually.

8.2 The Board, Committee Chair, external auditor, head of internal audit or CEO may request an additional meeting if they consider that one is necessary to enable the Committee to discharge all its responsibilities.

## **9 Meeting administration**

9.1 Meetings dates will be agreed by the committee members each year in advance. Notice of additional meetings will be given at least 14 days in advance unless members agree otherwise.

9.2 The agenda shall be determined by the Committee's agreed annual cycle of business/schedule, the Committee Chair, and the lead executive director.

9.3 Agenda papers shall be submitted at least 14 days prior to the meeting.

9.4 The agenda and papers will normally be circulated at least 5 working days prior to the meeting.

9.5 The Committee Secretary, or their nominee, shall record the minutes of the meetings and provide relevant support for agenda setting, action logs and meeting invitations.

## **10 Duties of the Committee**

The duties/responsibilities of the Committee can be categorised as follows:

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

10.1 The Committee will 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.

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

10.2 All risk and control-related disclosure statements (in particular the Annual Governance

Statement), together with an accompanying Head of Internal Audit opinion, external audit opinion or other appropriate independent assurances, prior to submission to the Board of Directors.

10.3 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.

10.4 The policies for ensuring compliance with relevant regulatory, legal and code of conduct requirements and related reporting and self-certification.

10.5 The policies and procedures for all work related to counter fraud, bribery and corruption as set out in Secretary of State's Directions and as required by NHS Counter Fraud Authority.

10.6 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 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.

10.7 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.

10.8 As part of its integrated approach, the Committee will have effective relationships with other key committees to facilitate a full understanding of processes and linkages, i.e. Quality & Safety Assurance Committee, Finance & Performance Assurance Committee, Ockenden Review Assurance Committee and Risk Management Committee. However, these other committees must not usurp the Audit and Risk Assurance Committee's role.

10.9 Chairs of other Board committees will be invited to attend Audit & Risk Assurance Committee on an annual basis to review their committee's role in relation to the progress of risks within the Board Assurance Framework (BAF) and any relevant internal control issues. The Audit & Risk Assurance Committee will ensure that the risks within the BAF are reflected within the work plans of the committees.

### **Internal Audit**

10.10 The Committee shall ensure that there is an effective internal audit function that meets the Public Sector Internal Audit Standards and provides appropriate independent assurance on the full range of strategic, financial and operational risks and controls to the Audit and Risk Assurance Committee, Chief Executive Officer and Board.

This will be achieved by:

10.11 Considering the provision of the internal audit service, and the costs involved.

10.12 Reviewing and approving the annual internal audit plan and more detailed programme of work, ensuring that this is consistent with the audit needs of the organisation as identified in the Assurance Framework.

10.13 Considering the major findings of internal audit work (and the timely delivery of management's response and action) and ensuring co-ordination between the internal and external auditors to optimise the use of audit resources.

10.14 Ensuring that the internal audit function is adequately resourced and has appropriate standing within the organisation.

10.15 Monitoring the effectiveness of internal audit and carrying out an annual review.

10.16 Ensuring that there is in place a clear policy for the engagement of internal auditors to supply non-audit services.

## **External Audit**

10.17 The Committee shall review and monitor the external auditor's independence and objectivity and effectiveness of the audit process. In particular, the Committee will review the work and findings of the external auditors and consider the implications and management's responses to their work.

This will be achieved by:

10.18 Specifically with regard to the appointment of the external auditors, the non-executive members of the Audit and Risk Assurance Committee will have delegated authority from the Board of Directors to convene as the Auditor Appointment Panel, responsible for the selection of the external auditors and recommending their selection for approval by the Board.

10.19 Consider the performance of the external auditors.

10.20 Discussing and agreeing with the external auditors, before the audit commences, of the nature and scope of the audit as set out in the annual plan.

10.21 Discussing with the external auditors their evaluation of audit risks and assessment of the organisation and associated impact on the audit fee.

10.22 Reviewing all external audit reports, including the report to those charged with governance, (before its submission to the Board) and any work undertaken outside the annual audit plan, together with the appropriateness of management responses.

10.23 Ensuring that there is in place a clear policy for the engagement of external auditors to supply non- audit services.

## **Other Assurance Functions**

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

10.25 These will include, but will not be limited to, any reviews by Department of Health and Social Care arm's length bodies or regulators/ inspectors (for example, the Care Quality Commission, NHS Resolution, etc.) and professional bodies with responsibility for the performance of staff or functions (for example, Royal Colleges, accreditation bodies, etc).

10.26 The Committee shall review assurances, triangulate information and seek additional independent advice/assurance, as required, subject to SFI'S and Standing Orders.

10.27 In addition, the Committee will review the work of other committees within the organisation whose work can provide relevant assurance to the Audit and Risk Assurance Committee's own areas of responsibility. In particular, this will include the Quality and Safety Assurance Committee, the Finance & Performance Assurance Committee and the Risk Management Committee.

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

10.29 The Committee will review all decisions made by the Board to suspend Standing Orders or Standing Financial Instructions

10.30 The Committee will review regular reports on the work relating to cyber security to provide assurance to the Board that the organisation is properly managing its cyber risk including appropriate risk mitigation strategies.

## **Counter Fraud**

10.31 The Committee shall satisfy itself that the organisation has adequate arrangements in place

for counter fraud, bribery and corruption that meet NHS Counter Fraud Authority (NHSCFA) standards and shall review the outcomes of work in these areas.

The Committee will refer any suspicions of fraud, bribery and corruption to the NHSCFA.

10.32 The Committee, working with internal audit and the NHSCFA will complete an annual self-review against the standards using the self-review tool (submitted to NHSCFA) and an annual report, signed by the Director of Finance and the Chair of this Committee. The Committee shall complete a quality assurance assessment process conducted by the NHSCFA's quality and compliance team in partnership with the organisation.

10.33 The Committee shall oversee a review process that follows up on the recommendations and action plan from the assessment. The Trust shall provide the NHSCFA with a progress report against all the recommendations and referred to this Committee on a quarterly basis.

### **Management**

10.34 The Committee shall request and review reports, evidence and assurances from directors and managers on the overall arrangements for governance, risk management and internal control.

10.35 The Committee may also request specific reports from individual functions within the organisation (for example, clinical audit).

10.36 The Committee may also request specific reports to review the effectiveness of the arrangements in place for ensuring the robustness of data quality.

### **Financial Reporting**

10.37 The Committee shall monitor the integrity of the annual financial statements of the Trust and any formal announcements relating to the organisation's financial performance.

10.38 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.

10.39 The Committee shall review the Annual Report and financial statements before submission to the Board, focusing particularly on:

- a) The wording in the Annual Governance Statement and other disclosures relevant to the terms of reference of the Committee.
- b) Changes in, and compliance with, accounting policies, practices and estimation techniques.
- c) Unadjusted misstatements in the financial statements.
- d) Significant judgements in preparation of the financial statements.
- e) Significant adjustments resulting from the audit.
- f) Letter of representation.
- g) Explanations for significant variances.

### **Freedom to Speak Up (Whistleblowing)**

10.40 The Committee shall review 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, with appropriate follow up action.

## **11. Reporting**

11.1 The Committee shall report to the Board of Directors on how it discharges its responsibilities through regular summary reporting.

11.2 The minutes of Committee meetings shall be formally recorded and made available to the Board of Directors. The Committee Chair shall bring to the Board's attention significant matters that are under consideration and make necessary recommendations on any area within its remit where executive action may be required.

11.3 The Committee will report to the Board at least annually on its work in support of the Annual Governance Statement specifically commenting on:

- a) The fitness for purpose of the Assurance Framework
- b) The completeness and 'embeddedness' of risk management in the organisation
- c) The integration of governance arrangements
- d) The appropriateness of the evidence that shows the organisation is fulfilling regulatory requirements relating to its existence as a functioning business

11.4 This annual report should also describe how the Committee has fulfilled its terms of reference and give details of any significant issues that the Committee considered and how they were addressed.

## **12. Monitoring Effectiveness**

12.2 The Committee will carry out an annual review of its effectiveness and provide an annual report to the Board on its work in discharging its duties, delivering its objectives and complying with its terms of reference, specifically commenting on relevant aspects of the Assurance Framework and relevant regulatory frameworks.

## **13 Status of these Terms of Reference**

13.1 The Committee's Terms of Reference, including membership, will be subject to annual review. Any proposed variations will require approval of the Board of Directors.

**Agreed by Audit and Risk Assurance Committee on 5<sup>th</sup> October 2022**

**Approved by the Board of Directors on *(date of board meeting)***