

## **AUDIT & RISK COMMITTEE TERMS OF REFERENCE**

*Reference to “the Committee” shall mean the Audit & Risk Committee.  
Reference to “the Board” shall mean the Trust Board*

### **1. Constitution**

- 1.1 Solent NHS Trust Board hereby resolves to establish a committee of the Board to be known as the Audit & Risk Committee (‘the Committee’). The Committee is a non executive Committee of the Board and has no executive powers, other than those specifically delegated by the Board in these Terms of Reference which are incorporated within the Trust’s Standing Orders.
- 1.2 The Terms of Reference reflect the particular nature of Audit Committees in the NHS and the role of the Committee in developing integrated governance arrangements and providing assurance that NHS bodies are well managed across the whole range of their activities.

### **2. Purpose**

- 2.1 The Committee is responsible for assuring the Board on matters concerning: governance (including financial governance, corporate governance and clinical audit); risk management; and internal control, seeking assurance from internal and external audit and counter fraud.

### **3 Duties**

- 3.1 The duties of the Committee can be categorised as follows:
- 3.2 Governance, Risk Management and Internal Control
  - 3.2.1 The Committee will seek assurance that the Trust’s activities are efficient, effective and represent value for money
  - 3.2.2 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.
  - 3.2.3 In particular, the Committee will review the adequacy and effectiveness of:
    - all risk and control related disclosure statements (in particular the Annual Governance Statement and will review processes to ensure continued compliance with the Care Quality Commission), together with any accompanying Head of Internal Audit statement, external audit opinion or other appropriate independent assurances, prior to endorsement by the Board.
    - the underlying assurance processes that indicate the degree of the achievement of corporate objectives, the effectiveness of the management of principal risks (including ensuring effective use of the Board Assurance Framework) and the appropriateness of the above disclosure statements.
    - the policies for ensuring compliance with relevant regulatory, legal and code of conduct requirements and related reporting and self certification
    - 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 NHS Counter Fraud (NHS Protect) and Security Management Service
    - the Trust’s Quality Accounts

3.2.4 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 overarching systems of integrated governance, risk management and internal control, together with indicators of their effectiveness.

3.2.5 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.

3.2.6 To formally review, on a quarterly basis, contentious issues as escalated by the Executive Team.

### 3.3 Internal Audit

3.3.1 The Committee shall ensure that there is an effective internal audit function that meets the Public Sector Internal Audit Standards, 2013 and provides appropriate independent assurance to the 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 the use of audit resources.
- ensuring that the Internal Audit function is adequately resourced and has appropriate standing within the organisation.
- monitoring the effectiveness of internal audit and carrying out an annual review
- ensuring the periodic re-tendering of the internal audit function

### 3.4 External Audit

3.4.1 The Committee shall review and monitor the work and findings of the External Auditor and consider the implications and management's responses to their work. This will be achieved by:

- consideration of the appointment, cost and performance of the External Auditor, as far as the rules governing the appointment process permit
- discussion 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 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.

3.4.2 In accordance with the Local Audit and Accountability Act 2014, the Committee shall establish an 'Auditor Panel' to advise on the appointment of external auditors (membership of the panel will be approved by the Board). The Panel shall recommend the appointment of external auditors to the Board.

3.4.3 To ensure objectivity and independence, the Committee will agree acceptable thresholds and safeguards for non-audit services conducted by the external auditors. Any such work will be disclosed within the Annual Report. Auditors are expected to identify to the Committee principal conflicts of interest that may be reasonably considered to affect objectivity and independence.

### 3.5 Other Assurance Functions

3.5.1 The Audit & Risk Committee shall review the findings of other significant assurance reviews, both internal and external to the Trust, and consider the implications for 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 NHS Improvement/England, CQC, NHS Resolution etc.), professional bodies with responsibility for the performance of staff or functions (e.g. Royal Colleges, accreditation bodies, etc.)

3.5.3 In reviewing the work of the below listed committees, and issues around clinical risk management, the Audit & Risk Committee will wish to satisfy itself on the assurance that can be gained from the clinical audit function.

3.5.4 In addition, the Committee will review the work of other committees within the Trust, whose work can provide relevant assurance to the Committee's own scope of work. The Committee may request that the Chairs of the following Board committees attend to provide exception reports;

Committees include:

- Governance & Nominations Committee
- Remuneration Committee
- Assurance Committee
- Finance Committee
- Mental Health Act Scrutiny Committee
- Charitable Funds Committee
- People and OD Committee

3.5.5 The Audit & Risk Committee will also scrutinise the annual governance review of the Board Committees conducted by the Governance & Nominations Committee, satisfying itself that committees are appropriately constituted and functioning in accordance with their Terms of Reference.

2.5.6 The Committee will also annually review the accounting policies of the Trust and make appropriate recommendations to the Board.

### 3.6 Counter Fraud

3.6.1 The Committee shall satisfy itself that the Trust has adequate arrangements in place for countering fraud and shall review the outcomes of counter fraud work.

### 3.7 Management

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

3.7.2 The Committee may also request specific reports from individual functions within the organisation (e.g. clinical audit) as may be appropriate to the overall arrangements.

### 3.8 Financial Reporting

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

- 3.8.2 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 to the Board.
- 3.8.3 The Committee shall review the annual report/accounts 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, practices and estimation techniques
  - unadjusted miss-statements in the financial statements
  - significant judgements in preparation of the financial statements
  - significant adjustments resulting from the audit
  - letters of representation
  - qualitative aspects of financial reporting
  - reported losses and compensation
- 3.8.5 The Committee should also 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 to the Board.

### 3.9 Whistleblowing /Freedom to Speak Up

- 3.9.1 The committee shall review the effectiveness of the Trust's arrangements for its employees to raise concerns, in confidence, about possible improprieties in financial, clinical or safety matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action.

## 4 **Membership**

- 4.1 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 at least one of whom shall have recent and relevant financial experience. One of the members will be appointed Chair of the Committee by the Trust Board
- 4.2 The Chairman of the Trust Board shall not be a member of the committee.
- 4.3 In the absence of the Committee Chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.

## 5 **Quorum**

- 5.1 The quorum necessary for the transaction of business shall be 2 members. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the committee.

## 6. **Attendance**

- 6.1 The following officers will have an open invitation to each meeting, unless otherwise informed by the Committee Chair (or when the Committee meets privately):
- The Director of Finance
  - The Chief Executive
  - The Chief Nurse
  - Representatives from Internal Audit, External Audit and Counter Fraud
  - The Associate Director of Corporate Affairs and Company Secretary
  - The Independent Freedom to Speak Up Guardian

## **7 Access**

7.1 The Head of Internal Audit, representative of external audit, counter fraud specialist and FTSU Guardian have a right of direct access to the Chair of the Committee.

## **8. Frequency**

8.1 The Committee shall meet at least on a quarterly basis at appropriate times in the reporting and audit cycle and otherwise as required.

8.2 The Committee will meet in private with External and Internal Audit representatives without any member of the Executive present on at least one occasion each year.

8.3 The Accountable Officer, external auditors or Head of Internal Audit may request an additional meeting if they consider that one is necessary.

## **9. Authority**

9.1 The Committee is authorised:

- to investigate any activity within its terms of reference
- to seek any information it requires from any employee of the Trust in order to perform its duties and all employees are directed to cooperate with any requests made by the Committee
- to obtain, at the Trust's expense, outside legal or other professional advice on any matter within its terms of reference, and
- to call any employee to be questioned at a meeting of the Committee as and when required
- to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary

## **10. Secretary**

10.1 The Corporate Support Manager & Assistant Company Secretary or their nominee shall act as the secretary of the committee and will provide administrative support and advice. The duties of the secretary in this regard include but are not limited to:

- agreement of the agenda with the Chair of the Committee and attendees together with the collation of connected papers
- taking the minutes and keeping a record of matters arising and issues to be carried forward
- advising the Committee as appropriate

10.2 The agenda and any working papers shall be circulated to members five working days before the date of the meeting. No papers will be accepted after the original documentation is circulated – except with the express consent of the Chair.

## **11. Minutes of meetings**

11.1 The secretary shall minute the proceedings of all meetings of the committee, including recording the names of those present and in attendance.

11.2 The secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.

11.3 Minutes of Committee meetings shall be circulated promptly to all members of the Committee once agreed.

## 12. Reporting responsibilities

- 12.1 The Committee Chair shall submit an escalation report to the Board, together with recommendations where appropriate. The Chair of the Committee shall draw to the attention of the Trust Board any issues that require disclosure to the Board, or require executive action.
- 12.2 The Committee will recommend to the Board the approval of the Accounts and Quality Accounts.
- 12.3 The Audit & Risk Committee will report annually to the Board in respect of the fulfilment of its functions in connection with these terms of reference. Such report shall include but not be limited to:
- providing an objective opinion to the Board on the performance of all of the Board Committees (and as included within the Annual Report)
  - functions undertaken in connection with the statement of internal control
  - the assurance framework
  - the effectiveness of risk management within the Trust
  - the holistic nature of governance arrangements and
  - any pertinent matters in respect of which the Audit & Risk Committee has been engaged
- 12.4 The Committee shall make necessary recommendations to the Board on areas relating to the appointment, re-appointment and removal of auditors, the level of remuneration and terms of engagement as it deems appropriate.
- 12.5 The Trust's Annual Report shall include a section describing the work of the Audit & Risk Committee in discharging its responsibilities and the Committee's Terms of Reference will be made publicly available. The Annual Report should explain to members:
- how, if the auditor provides non-audit services, auditor objectivity and independence is safeguarded
  - details of the full external auditor appointment process
  - where the Board decides not to accept the recommendations of the Committee with regard to the appointment of an auditor, a statement of the reasons
  - where the auditor's contract is terminated in disputed circumstances, the removal process and the underlying reasons for that action.
- 12.6 Members attendance at Committee meetings will be disclosed in the Trust's Annual Report.

Version

18

Agreed at Audit & Risk Committee

Date: 1<sup>st</sup> August 2019

Date of Next Review

Date: August 2020