

## **Audit & Risk Committee**

### **Terms of Reference**

#### **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.

#### **2. Purpose**

2.1 The Committee is responsible for assuring the Board on matters concerning:

- **governance** - including financial governance, corporate governance and clinical and non-clinical audit
- **risk management**, and
- **internal control** - seeking assurance from internal and external audit and counter fraud.

#### **3. Duties**

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

The Committee will;

- seek assurance that the Trust's activities are efficient, effective and represent value for money – including **reviewing the establishment and maintenance of an effective system of internal control** that supports the achievement of the Trust's objectives
- receive and scrutinise the following **public disclosure statements**;
  - **Quality Account**
  - **Annual Report**
  - **Annual Governance Statement**seeking assurance that the Trust complies with regulation and information is triangulated with independent sources (for example, but not limited to, the Head of Internal Audit Opinion, External Auditors Opinions and Counter Fraud) prior to recommendation to the Board for approval.
- test the effectiveness of the use of the **Board Assurance Framework**
- seek assurance that **appropriate governance arrangements** have been implemented to support the organisation operating in the emerging **Integrated Care Systems and Integrated Care Partnerships**

##### **3.2 Internal Audit**

The Committee will

- ensure 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:

- ensuring the periodic **re-tendering of the internal audit function**
- review and approval of the **Internal Audit Plan** ensuring that this is consistent with the audit needs of the organisation

- consideration of the **provision of the internal audit service** - including the performance, cost, seeking assurance that the audit function remains independent, and of any questions of resignation and dismissal
- receive **Internal Audit Reports** and **progress updates** – consider the **major findings of internal audit work** (and management’s response), seeking assurance that recommendations are being addressed and progressed, to ensure appropriate learning is taken and any gaps in internal controls mitigated .
- receive and review the **Head of Internal Audit Opinion**, prior to Board approval

### 3.3 External Audit

The Committee will:

- in accordance with the Local Audit and Accountability Act 2014, **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.
- 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 provision of the external audit service** - including the performance, cost, seeking assurance that the audit function remains independent, and of any questions of resignation and dismissal
- consider the scope of the **Annual Audit Plan** – be briefed by the auditors on their local evaluation of audit risks and assessment of the Trust and associated impact on the audit fee
- review the **Annual Audit Results Report**, for the prior financial year, including the report to those charged with governance
- agree the **Letter of Representation** before submission to the Board and any work undertaken outside the annual audit plan, together with the appropriateness of management response
- agree any **non-audit services conducted** – agreeing acceptable thresholds and safeguards. Any such work will be disclosed within the Annual Report

### 3.4 Financial Reporting

The Committee will:

- receive assurances from management on **financial matters** – including changes to / notification of:
  - Single Tender Waivers
  - Losses and special payments
  - Write offs
  - Significant Financial issues/risks and any adjustments
  - Standing Financial Instruction (SFI) breaches
  - Changes to financial policies
  - Accounting standards update
- receive the **financial timetable associated with the audit of accounts**
- shall review the **Annual Accounts** and **summary financial statements** (within the Annual Report) before submission to the Board for approval, focusing particularly on:
  - 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

- explanation of estimates or provisions having material effect
- any reservations and disagreements between the external auditor and management which have not been satisfactorily resolved
- monitor the **integrity of the financial statements** of the Trust and any formal announcements relating to the Trust's financial performance
- 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

### 3.5 Whistleblowing /Freedom to Speak Up

The Committee will

- review the **effectiveness of the Trust's arrangements for its employees to raise concerns**, in confidence, about possible improprieties in financial, HR matters (including bullying), conflicts of interest, clinical or safety matters.
- ensure that **arrangements allow proportionate and independent investigation** of such matters and appropriate follow up action

### 3.6 Counter Fraud

The Committee will

- satisfy itself that the Trust has **adequate arrangements in place** for countering fraud, bribery and corruption
- review the **outcomes of counter fraud work and investigations**- seeking assurance that management are addressing any gaps in internal controls and are progressing actions to meet recommendations made
- ensure that the Trust has **appropriate policies and procedures** for all work related to fraud, bribery and corruption

### 3.7 Other Assurance Functions

The Committee will:

- 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 (e.g. from regulators /inspectors etc)
- receive updates on progress made towards the achievement of **clinical audits** and receive the **Annual Clinical Audit Report** and Annual Audit Plan
- 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
- receive the Trust's **Charity Annual Accounts and Report**

## 4. Membership

4.1 Members of the Committee shall be appointed by the Board and shall comprise;

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

at least one of whom shall have recent and relevant financial experience.

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 Non-Executive Directors (including the Chair or their designated deputy)

## **6. Attendees**

- 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):
- Acting Chief Executive
  - Acting Chief Finance Officer
  - Chief Nurse and Acting Deputy CEO
  - Representatives from Internal Audit, External Audit and Counter Fraud
  - Associate Director of Corporate Affairs and Company Secretary
  - Independent Freedom to Speak Up Guardian (FTSU)
- 6.2 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.

## **7. Frequency**

- 7.1 The Committee shall meet
- at least on a quarterly basis at appropriate times in the reporting and audit cycle and otherwise as required
  - In private with external and internal audit representatives without any member of the executives present on at least one occasion each year
- 7.2 The Chief Executive, external auditors or internal auditors may request an additional meeting if they consider that one is necessary.

## **8. Authority**

- 8.1 The Committee is authorised:
- to investigate any activity within its terms of reference
  - to seek any information required from any employee of the Trust in order to perform its duties, and to direct all employees 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

## **9. Meeting administration**

- 9.1 The Corporate Support Manager & Assistant Company Secretary or their nominee shall act as the secretary of the Committee
- 9.2 Papers will be circulated in accordance with the Trusts' Standing Orders and minutes will be circulated promptly to all members

## **10. Reporting**

- 10.1 An exception report will be provided to the Board via the Committee chair – highlighting business transacted and making any recommendations as deemed appropriate within the remit of the Committee.
- 10.2 Following scrutiny, the Committee will recommend to the Board the approval of the Accounts, Annual Report, Annual Governance Statement, Letter of Representation, Quality Account and the Annual Clinical Audit report.
- 10.3 The Committee shall make necessary recommendations to the Board on areas relating to the appointment, re-appointment and removal of auditors and terms.
- 10.4 The Committee will conduct an annual review of its effectiveness

