

East Suffolk and North Essex NHS Foundation Trust

Audit and Risk Committee

Terms of Reference

1. Committee name and purpose

- 1.1. The Committee is named as the 'Audit and Risk Committee'.
- 1.2. The Committee is formed to-
 - 1.2.1. Discharge the responsibilities of an Audit Committee under Paragraph 23(8), Schedule 7, *National Health Service Act 2006*;
 - 1.2.2. Review the effectiveness and assurance available regarding the internal control systems in place for the Trust;
 - 1.2.3. Support the Board and the Accounting Officer in the appointment of an Internal Audit service;
 - 1.2.4. Support the Council of Governors in the appointment of an external auditor;
 - 1.2.5. Review, prior to Board consideration, the Annual Report and Accounts for the Trust, together with related Audit reports;
 - 1.2.6. Have oversight of the effectiveness of controls in place to prevent fraud, corruption and conflict of interest in decisions;
 - 1.2.7. Have oversight of the risk management systems for the Trust; and support the Board in the management of the Board Assurance Framework.
- 1.3. The *General Orders for Committees* form part of these Terms of Reference.

2. Membership

- 2.1. The Committee is formed of three Non-Executive Directors, appointed to the Committee by the Board. The Trust Chair shall not be appointed to the Committee.
- 2.2. The following are expected to regularly attend meetings of the Committee-
 - 2.2.1. The Chief Executive (as Accounting Officer)
 - 2.2.2. The Director of Finance
 - 2.2.3. The Director of Governance
 - 2.2.4. The Internal Audit service
 - 2.2.5. The Local Counter-Fraud Specialist
 - 2.2.6. The external auditor
- 2.3. The Board may appoint Associate Non-Executive Directors to attend the meeting.
- 2.4. The Committee has the right to exclude some or all non-members from its meetings should it judge that to be convenient.
- 2.5. The Director of Finance shall be the Lead Executive Director for the Committee.
- 2.6. At least annually, the Committee shall meet in private with-
 - 2.6.1. The Internal Audit service;
 - 2.6.2. The external auditors.

3. Meetings

- 3.1. The Committee shall meet at least six times in each year, to a schedule agreed in advance as part of the annual calendar of meetings.
- 3.2. Where they judge it necessary, the Internal Audit service and the external auditors have the right to require an additional meeting of the Committee to be called.

4. Specific duties and responsibilities

- 4.1. 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 organisation's activities (both clinical and non-clinical), that supports the achievement of the Trust's objectives. In particular, the Committee will review the adequacy and effectiveness of:
 - 4.1.1. All risk and control related disclosure statements, in particular the Annual Governance Statement and declarations of compliance with regulatory requirements, together with an accompanying Head of Internal Audit Opinion, external audit opinion or other appropriate independent assurances, prior to submission to the Board.
 - 4.1.2. The underlying assurance processes that indicate a degree of the achievement of corporate objectives, the effectiveness of the management of principal risks and the appropriateness of the above disclosure statements, specifically:
 - 4.1.2.1. The assessment of strategic risks affecting the ability of the Trust to deliver the corporate objectives of the Board Assurance Framework;
 - 4.1.2.2. The Risk Management strategy and policy (and associate policies) and their application through risk reporting and management systems supported by the Risk Register;
 - 4.1.2.3. The policies for ensuring compliance with relevant regulatory, legal and code of conduct requirements;
 - 4.1.2.4. The policies and procedures for all work related to fraud and corruption as required by NHS Protect;
 - 4.1.3. The Corporate Governance Framework (incorporating the Trust's Standing Financial Instructions, Standing Orders, Schedule of Matters Reserved to the Board and Scheme of Delegation) and any suspension or variation of Standing Orders and the Standing Financial Instructions.
 - 4.1.4. Management corrective actions where significant weaknesses are identified. Material or continued failure to take effective action should be brought to the Board's attention.
 - 4.1.5. 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. This will be evidenced through the Committee's use of an effective assurance framework to guide its work and the audit and assurance functions that report to it.

- 4.2. The Committee shall ensure that there is an effective internal audit function that meets Public Sector Internal Audit Standards and provides appropriate independent assurance to the Committee, Chief Executive and Trust Board. This is achieved by:
 - 4.2.1. Considering the provision of the Internal Audit Service, the cost of the audit and any questions of resignation and dismissal;
 - 4.2.2. Reviewing and approving the Internal Audit strategy, operational 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;
 - 4.2.3. Considering the major findings of internal audit work (and management response), and ensure coordination between Internal and External Auditors to optimise audit resources;
 - 4.2.4. Ensuring that the Internal Audit function is adequately resourced and has appropriate standing within the organisation; and
 - 4.2.5. Conducting an annual review of the effectiveness of internal audit.
- 4.3. The Committee shall review the work and findings of the External Auditor appointed by the Council of Governors and consider the implications and management response to their work. This will be achieved by:
 - 4.3.1. Considering the appointment and performance of the External Auditor;
 - 4.3.2. Discussing and agreeing 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;
 - 4.3.3. Discussing with the External Auditors their local evaluation of audit risks and assessment of the Trust and associated impact on the audit fee;
 - 4.3.4. Reviewing all External Audit reports, including agreement of the annual audit letter before submission to the Board and any work carried outside the annual audit plan, together with the appropriateness of management responses; and
 - 4.3.5. Ensuring that there is in place a clear policy for the engagement of external auditors to supply non-audit services, including the pre-approval by the committee of any non-audit work to be provided by the Trust's external auditors.
- 4.4. The Committee shall review the findings of other significant assurance functions, both internal and external to the organisation, and consider the implications to the governance of the organisation. These will include, but will not be limited to, any reviews by the Department of Health and Social Care, arm's length bodies and regulators (e.g. NHSI, CQC), and professional bodies with responsibilities for the performance of staff or functions (e.g. Royal Colleges, accreditation bodies etc.). Where the remit of those assurance functions falls within the Terms of Reference of other Board Assurance Committees, the Committee's oversight will be as per paragraphs 4.5 and 4.6 below;
- 4.5. 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. In particular, this will include the other assurance committees of the Board.
- 4.6. In reviewing issues around clinical risk management, the Committee will assess the assurance that can be gained from the clinical audit function.

- 4.7. The Committee shall satisfy itself that the organisation has adequate arrangements in place for countering fraud and shall review the outcomes of counter-fraud work.
- 4.8. The Committee shall monitor the integrity of the financial statements and any formal announcements relating to the Trusts financial performance.
- 4.9. The Committee should ensure that the systems for financial reporting to the Board, including those of budgetary control, are subject to review as to the completeness and accuracy of the information provided.
- 4.10. The Committee shall review the annual report and financial statements before submission to the Board, focusing particularly on:
 - 4.10.1. The wording in the annual governance statement and other disclosures relevant to the Committee's terms of reference;
 - 4.10.2. Changes in, and compliance with, accounting policies, practices and estimation techniques;
 - 4.10.3. Unadjusted misstatements in the financial statements;
 - 4.10.4. Significant judgements in preparation of the financial statements;
 - 4.10.5. Significant adjustments resulting from audit;
 - 4.10.6. Letters of representation; and
 - 4.10.7. Qualitative aspects of financial reporting