

## Audit and Risk Committee Terms of Reference

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<b>Approved by</b>	Audit Committee Trust Board
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<b>Date</b>	<b>Version</b>	<b>Author Name &amp; Designation</b>	<b>Summary of amendments</b>
February 2021	1		
July 2022	2	Angela Wendzicha, Director of Corporate Affairs	Full review following feedback on suggested amendments October 2021
October 2023	3	Angela Wendzicha, Director of Corporate Affairs	3.5.2 – removed reference to Improvement in NHSI  3.5.4 – removed this section as repeated in section 3.5.5  Observers – included observers only with prior approval of the Chair of the Committee.
October 2024	4	Angela Wendzicha, Director of Corporate Affairs	Minor amendments in line with HFMA Handbook (March 2024)  3.5.7 additional paragraph re requesting additional reports  12. Additional paragraph re behaviours and conduct.

## Version Control

<b>Title</b>	<b>Audit and Risk Committee Terms of Reference</b>
<b>Constitution</b>	<p>1.1 The Audit and Risk Committee (“the Committee”) is constituted as a standing committee of the Board of Directors (“the Board”) of The Rotherham NHS Foundation Trust (“the Trust”).</p>
<b>Authority</b>	<p>2.1 The Committee is authorised by the Board to consider any matter within its Terms of Reference and be provided with the Trust resources to do so.</p> <p>2.2 The Committee has the right of access to all information that it deems relevant to fulfil its duties which may require any Trust colleague 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 to obtain external professional advice and to invite external consultants with relevant experience and expertise to attend if it considers this necessary or expedient to exercise its functions.</p> <p>2.4 The Committee is authorised to obtain such internal information as is necessary and expedient to the fulfilment of its functions. This may include establishing task and finish groups as required to assist in discharging its responsibilities.</p> <p>2.5 The Committee is a Non-Executive Committee of the Board has no executive powers other than those set out in these Terms of Reference.</p> <p>2.6 The Committee is authorised to meet via a virtual/remote meeting.</p> <p>2.7 The Committee is authorised in exceptional circumstances to conduct discrete business outside of its scheduled meetings where it is not practicable to convene a full meeting. The process to be followed is set out in Section 17.7.</p>
<b>Purpose &amp; Duties</b>	<p>3.1 The Board has approved the establishment of the Committee for the purpose of advising the Board of Directors and providing an independent and objective review on the adequacy of Trust’s system of internal control, including audit arrangements (internal and external), financial systems, financial information, assurance arrangements including governance, risk management and compliance with legislation.</p>

The Committee will discharge this purpose through the following duties:

### 3.2 Governance, Risk Management and Internal Control

3.2.1 On behalf of the Board, the Audit Committee shall review the adequacy and effectiveness of the establishment and maintenance of an effective system of risk management and internal control, across the whole of the Trust's activities (including those of any subsidiary, either currently in existence or to be established) that support the achievement of the organisation's strategic objectives.

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

- the Trust's general risk management structures, processes and responsibilities, including the production of all risk and control related disclosure statements, (in particular, the Annual Governance Statement) together with any accompanying Head of Internal Audit Opinion, prior to endorsement by the board;
- the risk management strategy, structures, processes and responsibilities for identifying and managing key risks facing the organisation;
- the Board Assurance Framework and ensure its presentation at the Board at intervals determined by the Board in addition to ensuring the Board Assurance Framework is adapted to recognise the impact of the Covid-19 Pandemic on the Strategic Priorities;
- the underlying assurance processes that indicate the degree of achievement of the organisation's objectives, the effectiveness of the management of principal risks and the appropriateness of the above disclosure statements;
- the policies and procedures for all work related to anti-fraud, bribery and corruption as set out by the NHS Counter Fraud Authority;
- the work of counter-fraud services; to ensure that there is an effective LCFS established by management that meets mandatory requirements and provides appropriate independent assurance to the Committee, Chief Executive and Board;
- the policies for ensuring that there is compliance with relevant regulatory, legal and code of conduct requirements and any related reporting and self-certifications including the NHS Code of Governance and NHS Provider Licence as set out in regulators' standards and guidance;
- the policies and procedures for all work related to counter fraud, bribery and corruption as required by the NHSCFS;
- the operational effectiveness of policies and procedures; and
- the financial control systems.

3.2.3 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.

3.2.4 These 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.

### 3.3 Internal Audit

3.3.1 Internal Audit primarily provides an independent and objective opinion to the Accountable Officer, Board and the Audit Committee on the degree to which risk management, control and governance support the achievement of the Trust priorities.

3.3.2 The Committee shall ensure that there is an effective Internal Audit function established by management that meet the Public Sector Internal Audit Accounting Standards 2017, that utilises an independent risk based approach.

3.3.3 In addition, the Committee will:

- consider the appointment of the internal audit service, the internal audit fee and any questions of resignation or dismissal and make appropriate recommendations to the Board;
- following consultation with all executive and Non-Executive Board members, approve the internal audit programme and more detailed programme of work, ensuring that this is consistent with the audit needs of the organisation as identified in the assurance framework;
- consider the major findings of internal audit investigations (and management's response) and report progress on material matters to the Board;
- ensure co-ordination and co-operation between the Internal and External Auditors to optimise the use of audit resources;
- ensure that the Internal Audit function is adequately resourced and has appropriate standing within the organisation;
- review and approve the Internal Audit Plan, ensuring that this is consistent with the audit needs of the organisation as identified in the Assurance Framework;
- receive and review the annual report of the Internal Auditor and agree actions in response to this;
- review annually the effectiveness of Internal Audit; and
- meet in private with the internal auditor to discuss issues or matters arising.

### 3.4 External Audit

3.4.1 The Committee shall review and monitor the external auditors' independence and objectivity and the 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:

- A report by the Committee to the Council of Governors in relation to the performance of the External Auditors, including details such as the quality and value of the work, and the timeliness of report and fees, to enable the Council of Governors to consider whether or not to re-appoint them. The Committee should also make recommendation to the Council of Governors about the appointment, re-appointment and removal of the External Auditor and approve the remuneration and terms of engagement of the External Auditor;
- discussion and agreement with the External Auditor, before the annual audit commences, of the nature and scope of the audit, as set out in the annual plan;
- reviewing with the external auditors their evaluation of audit risks and assessment of the organisation and the impact on the audit fee;
- review and monitoring of 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;
- review and monitor the External Auditor's independence, objectivity and effectiveness, particularly with regard to non-audit services that may be provided to the Trust;
- developing and recommend to the Board as required, the Trust's formal policy on the provision of non-audit services by the External Auditor, including approval of non-audit services by the Committee and specifying the types of non-audit service to be pre-approved, and assessment of whether non-audit services have a direct material effect on the audited financial statements ;
- satisfy itself that there are no relationships between the auditor and the Trust (other than in the course of business) which could adversely affect the auditor's independence and objectivity; and
- meet as required in private with the external auditor to discuss issues or matters arising.

### 3.5 Other assurance functions

3.5.1 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.

3.5.2 These could include any reviews undertaken by regulators (such as NHSE and the Care Quality Commission), and professional bodies with responsibility for the performance of staff or functions (such as the General Medical Council and Nursing and Midwifery Council..

3.5.3 The Audit Committee will also receive and review annual reports from the board's committees in support of the annual governance statement prior to them being submitted to the Board.

3.5.5 The Committee will provide assurance to the Board that the Trust is properly managing its cyber risk including any appropriate risk mitigation strategies. The Committee will receive reports that controls are in place for, protect from, and respond to cyber-attacks including management of the consequences of a cyber-security incident. In doing so, the Committee will satisfy itself that there is capable management resource in place to deal with cyber security matters. The Committee will receive assurance that the Trust has an incident response plan in place to deal with cyber security matters and that the workforce have been briefed and trained about cyber security.

3.5.6 The Committee will review the complete Board Assurance Framework (BAF) document on a quarterly basis prior to its submission to the Board.

3.5.7 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. The Committee may also request specific reports from individual functions within the organisation (for example compliance reviews or accreditation reports).

### 3.6 Financial Reporting

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

3.6.2 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.

3.6.3 The Committee shall review the Annual Report 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 mis-statements in the financial statements;
- significant judgments in the preparation of the financial statements;
- significant or proposed adjustments resulting from the audit;
- letters of representation;
- explanations for significant variances;
- qualitative aspects of financial reporting; and
- the rigour with which the Auditor has undertaken the audit.

### 3.7 Counter Fraud

3.7.1 The Committee shall satisfy itself as to having adequate arrangements in place for counter fraud that meets the NHS Counter Fraud Functional Standards.

3.7.2 The Committee will refer any suspicions of fraud, bribery, and corruption to the Trust's Counter Fraud Specialist or the NHSCFA.

3.7.3 The Committee will regularly review the impact of actual, suspected or alleged fraud, bribery or corruption.

### 3.8 Annual Report

3.8.1 The annual report shall include a separate section to cover the work of the Committee in discharging the responsibilities outlined above.

The annual report should :

- explain the significant issues that the Committee considered in relation to the financial statements, operations and compliance, and how these issues were addressed;
- explain, if the auditor (internal / external) provides non-audit services and how auditor objectivity and independence is safeguarded;
- the value of external audit services and information on the length of tenure of the current audit firm and when a tender was last conducted; and
- include details of the full auditor (internal / external) appointment process where relevant.
- The annual report shall also describe how the Committee has fulfilled its terms of reference and give details of any significant issues that the committee considered in relation to the financial statements and how they were addressed.

### 3.9 Whistleblowing Policies

3.9.1 The Committee shall review the Trust's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting and control, clinical quality, patient safety or other matters.

3.9.2 The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action, and reassure individuals raising concerns that they will be protected from potential negative repercussions.

### 3.10 Collaborative Working

3.10.1 The Audit Committee will:



	<ul style="list-style-type: none"> <li>• seek clarity and understanding around what the local arrangements are for collaborative working having regard for the Trust as the sovereign organisation</li> <li>• in seeking clarity, the Committee will understand the shared decision making arrangements;</li> <li>• will seek clarity on the accounting arrangements being put in place and;</li> <li>• will seek clarity on any proposals to agree risk appetites and tolerances.</li> </ul> <p>11. <u>Other matters</u></p> <p>The Committee shall:</p> <ul style="list-style-type: none"> <li>• review the appropriateness of single tender actions which have been approved by the Executive;</li> <li>• give due consideration to laws and regulations, and the provisions of The NHS Foundation Trust Code of Governance; and</li> <li>• committee members shall receive the development and training that they need to fulfil their role on the Committee.</li> </ul> <p>The Committee will also:</p> <ul style="list-style-type: none"> <li>• Review the BAF risks delegated to the Committee for review, and make recommendations to the Board for any required changes of risk score or content.</li> </ul> <p>12. <u>Behaviours and Conduct</u></p> <p>12.1 Members will be expected to conduct business in line with the Trust values and objectives.</p> <p>12.2 Members of, and those attending the Committee shall behave in accordance with the Trust’s constitution, standing orders and standards of business conduct.</p>
<b>Membership</b>	<p>12.1 The Committee members shall be appointed by the Board and shall comprise three Non-Executive Directors, one of whom must have relevant and current financial experience.</p> <p>12.2 The Board shall appoint the Chair and Vice Chair of the Committee from its Non-Executive Directors.</p> <p>12.3 The Trust Chair shall not be a member of the Committee.</p>
<b>Attendees</b>	<p>13.1 Attendees to include:</p> <ul style="list-style-type: none"> <li>• Director of Finance who will be the Lead Executive</li> <li>• Chief Nurse</li> <li>• Director of Corporate Affairs</li> <li>• Representatives from Internal and External Audit</li> </ul>

	<ul style="list-style-type: none"> <li>• Attendance at least two meetings per annum (to be agreed with the Committee Chair) will be required by the Trust's Counter Fraud Specialist.</li> </ul> <p>13.2 The Chief Executive may be invited to attend the Audit Committee, at least annually to discuss with the Audit Committee the process for assurance that supports the Annual Governance Statement.</p> <p>13.3 Other Executive Directors or their colleagues may be invited to attend for specific agenda items.</p>
<b>Quorum</b>	<p>14.1 A quorum shall be made up of two members.</p> <p>14.2 No business shall be transacted by the Committee unless a quorum is present.</p> <p>14.3 Those in attendance or observing do not count towards the quorum.</p>
<b>Observers</b>	<p>15.1 Meetings are not open to members of the public.</p> <p>15.2 Observers may only attend with the prior approval of the Chair of the Committee.</p>
<b>Frequency of Meetings</b>	<p>16.1 Meetings will take place at least five times per financial year, but may be held more frequently should circumstances require (which will be determined by the Chair of the Committee).</p> <p>16.2 At least once a year, the Committee shall meet privately with both Internal and External Audit without the presence of management.</p> <p>16.3 The Committee must consider the frequency of meetings needed to allow it to discharge all of its responsibilities.</p>
<b>Meeting administration</b>	<p>17.1 Notice of meetings will be given at least seven working days in advance unless members agree otherwise.</p> <p>17.2 The Chair of the Committee, Lead Executive and the Director of Corporate Affairs will meet to agree the agenda for each meeting based on the Annual Work Plan and any other urgent business.</p> <p>17.3 Administrative support to the Committee will be provided by the Corporate Governance Department. The agenda and papers will be circulated three working days prior to the meeting. Any amendments to the agenda can only be carried out with the agreement of the Committee Chair and Lead Executive.</p> <p>17.4 Draft minutes and action log will be circulated by the administrative support within five working days of the Committee and approved by the Committee Chair within fifteen working days of the meeting.</p>

	<p>17.5 It is an unusual for business to be required to be carried out outside of scheduled Committee meetings. For business that is required to be carried out by the Committee, outside of the scheduled meetings an extra ordinary Committee will be convened.</p>
<p><b>Operational Groups which report into the Committee/Group</b></p>	<p>Risk Management Committee is the operational group reporting into the Committee.</p> <p>The Chair from the Risk Management Committee will provide a quarterly report the Committee.</p>
<p><b>Monitoring and review</b></p>	<p>The Committee's Terms of Reference will be subject to annual review.</p> <p>The Committee will undertake and annual review of its performance, via a self-assessment by its members with any agreed actions reported to the Board.</p>