

BARTS AND THE LONDON NHS TRUST

AUDIT AND RISK COMMITTEE

TERMS OF REFERENCE

1. Authority

- 1.1 The Audit and Risk Committee is constituted as a non-executive standing committee of the Trust Board and has no executive powers, other than those specifically delegated in these terms of reference. Its constitution and terms of reference are set out below and can only be amended with the approval of the Trust Board.
- 1.2 The Committee is authorised by the Trust Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee of the Trust and all employees are directed to cooperate with any request made by the Committee.
- 1.3 The Committee is authorised by the Trust Board to obtain outside legal or other independent professional advice and to secure the attendance of individuals and authorities from outside the Trust with relevant experience and expertise if it considers this necessary.

2. Purpose

- 2.1 The Audit and Risk Committee will assist the Trust Board with its oversight responsibilities and will independently and objectively monitor, review and report to the Trust Board on the processes of governance in place in the Trust and, where appropriate, facilitate and support through its independence the attainment of effective processes.
- 2.2 In fulfilling its responsibilities, the Audit and Risk Committee will work with the Quality Assurance Committee which has a specific focus on the quality of services provided by the Trust and the governance, risk management and internal control systems to ensure that the Trust's services deliver safe, high quality, patient-centred care.

3. Membership

- 3.1 The Committee shall be appointed by the Trust Board and shall normally be composed of three Non Executive Directors, one of whom will be appointed as the Chair of the Audit and Risk Committee by the Trust Board. At least one member of the Audit and Risk Committee should have significant, recent and relevant financial experience.

- 3.2 A quorum shall be two members. The Chairman of the Trust shall not be a member of the Committee but shall be entitled to attend all meetings.
- 3.3 Wherever possible, the Chair of the Trust's Quality Assurance Committee should be one of the Non Executive Director members of the Audit and Risk Committee.
- 3.4 Members should make every effort to attend all meetings of the Committee and will be required to provide an explanation to the Chair of the Committee if they fail to attend two meetings in a calendar year. If a member fails to attend more than two meetings in a calendar year the Chair of the Committee will consider the appropriate action to be taken, including the option of recommending to the Trust Board the removal of the member from the Committee. The Committee Secretary will monitor attendance by members and report this to the Chair of the Committee on a regular basis.

4. Attendance

- 4.1 Audit and Risk Committee members and the Chairman of the Trust shall be entitled to attend Audit and Risk Committee meetings. All other Non Executive Directors shall be welcome to attend and all members of the Trust Board will receive papers to be considered by the Committee.
- 4.2 The Chief Executive, the Chief Financial Officer and appropriate representatives of Internal and External Audit shall normally attend meetings at the invitation of the Chair of the Committee.
- 4.3 Other executive directors or any other individual deemed appropriate by the Committee should be invited to attend for specific items for which they have responsibility.
- 4.4 The first part of each meeting of the Committee will normally be held with the Internal and/or External Auditors and without executive board members present.
- 4.5 The Director of Corporate Services will ensure that the Trust Office provides a Secretary to the Committee and appropriate support to the Chairman and committee members. This shall include agreement of the agenda with the Chair and attendees, collation of papers, taking the minutes and keeping a record of matters arising and issues to be carried forward and advising the Committee on pertinent areas.

5. Frequency of meetings

- 5.1 Meetings shall be held not less than four times a year (to coincide with key dates in the Trust's financial reporting cycle). The External Auditor or Head of Internal Audit may request a meeting if they consider that one is necessary.

6. Reporting

6.1 The approved minutes of the Audit and Risk Committee's meetings will be circulated to all Board members for information and the Chair of the Audit and Risk Committee will provide an oral report to the next Trust Board after each Committee meeting. The Chair of the Committee shall draw to the attention of the Board any issues that require disclosure to the full Board or require executive action.

6.2 The Committee will report to the Trust Board annually on its work in support of the Statement on Internal Control, specifically commenting on the fitness for purpose of the Integrated Performance and Assurance Framework, the completeness and embeddedness of risk management in the Trust, the integration of governance arrangements and the appropriateness of compliance with the CQC's Essential Standards of Quality and Safety. In doing so, it will in particular draw on the work undertaken by and the assurances gained by the Quality Assurance Committee.

6.3 Such a report should specifically include:

- A summary of the role of the Audit and Risk Committee.
- The names and qualifications of all members of the Audit and Risk Committee during the period.
- The number of Audit and Risk Committee meetings and attendance by each member.
- The way the Audit and Risk Committee has discharged its responsibilities.

6.4 The Quality Assurance Committee will provide an annual report to the Audit and Risk Committee on the effectiveness of its work and its findings, including its review of the Integrated Performance Assurance Framework and corporate risk register and audit reports covering areas within its terms of reference. In addition, the Minutes of the latest Quality Assurance Committee and Risk Management Committee meetings will be included on the Audit and Risk Committee agenda for information and there will be a standing item on the agenda at each meeting for the Chair of the Quality Assurance Committee to report back on the work of that Committee. This will assist the Audit and Risk Committee in discharging its responsibility for providing assurance to the Trust Board in relation to all aspects of governance, risk management and internal control within the Trust.

7. Review

7.1 The Terms of Reference should be reviewed by the Committee and approved by the Trust Board at least annually.

8. Duties

8.1 The duties of the Committee are as follows:

Governance, risk management and internal control

- 8.2 The Committee shall review the establishment and maintenance of an effective system of governance, risk management and internal control across the Trust's activities that support the achievement of the organisation's objectives. It will be assisted in this duty by the Quality Assurance Committee, which will have responsibility for reviewing governance, risk management and related internal control systems, and for providing assurance in relation to clinical, information, research and development and education and training governance.
- 8.3 In particular, the Committee will review – either directly or through the work of the Quality Assurance Committee – the adequacy of:
- All risk and control related disclosure statements (in particular the Statement on Internal Control and declarations of compliance with the Essential Standards of Quality and Safety), together with any accompanying Head of Internal Audit Opinion, External Audit opinion or other appropriate independent assurances, prior to endorsement by the Trust Board.
 - 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.
 - The policies for ensuring compliance with relevant regulatory, legal and code of conduct requirements.
 - 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 Counter Fraud and Security Management Service.
- 8.4 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 audit functions. It will also seek reports and assurances from directors and managers as appropriate, and in particular the Quality Assurance Committee, concentrating on the overarching systems of integrated governance, risk management and internal control, together with indicators of their effectiveness.
- 8.5 This will be evidenced through the Committee's use of an effective Integrated Performance and Assurance Framework (IPAF) to guide its work and that of the audit and assurance functions that report to it. The Audit and Risk Committee will receive and review at each meeting the IPAF entries to be overseen by the Audit and Risk Committee. (Agreement on the allocation of primary oversight of IPAF risks between the Quality Assurance Committee and the Audit and Risk Committee will be made by the chairs of the two committees and endorsed by

the Trust Board.) The Quality Assurance Committee will similarly undertake a review of the IPAF entries allocated to it and carry out a review of the corporate risk register twice a year. The full IPAF will be received by the Trust Board four times a year.

Internal Audit

8.6 The Committee shall ensure that there is an effective internal audit function put in place by management that meets mandatory NHS Internal Audit standards and provides appropriate independent assurance to the Audit 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 organisation as identified in the Board Assurance Framework and the recommendations of the Quality Assurance Committee.
- Consideration of the major findings of Internal Audit work and the management response and ensuring coordination between the Internal and External Auditors to optimise audit resources. While the Quality Assurance Committee will lead on the review of audit reports covering patient safety and quality areas, the Audit Committee will receive assurance that they have been carefully reviewed by the Quality Assurance Committee. If there is any perceived ambiguity regarding the relative roles of the Audit and Risk Committee and the Quality Assurance Committee in this respect, the committee chairs will liaise to agree a satisfactory approach.
- Reviewing and monitoring management's responsiveness to auditor's findings and recommendations, assuring itself that the management of the Trust have implemented the agreed recommendations of Internal Audit reports in a timely and effective way.
- Ensuring that the Internal Audit function is adequately resourced and has appropriate standing within the organisation.
- An annual review of the effectiveness of internal audit carried out by External Audit. An in-depth review of Internal Audit will be carried out by External Audit on a three-yearly basis.

External Audit

8.7 The Committee shall review the work and findings of the External Auditor appointed by the Audit Commission and consider the implications and management responses to their work. This will be achieved by:

- Consideration of the appointment and performance of the External Auditor, as far as the Audit Commission's rules permit.
- Discussion and agreement 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 of External Audit reports, including agreement of the annual audit letter before submission to the Trust Board and any work carried out outside the annual audit plan, together with the appropriateness of management responses. While the Quality Assurance Committee will lead on the review of external audit reports covering patient safety and quality risk and controls, the Audit Committee will seek assurance that they have been carefully reviewed by the Quality Assurance Committee.
- Assuring itself that the management of the Trust have implemented the agreed recommendations of External Audit reports in a timely and effective way.

Other assurance functions

8.8 The Audit Committee shall review as appropriate the findings of other significant assurance functions, both internal and external to the organisation, and consider the implications to the governance of the organisation.

8.9 In doing this, the Committee may review the work of other committees within the Trust whose work can provide relevant assurance to the Audit Committee's own scope of work. In particular, the Audit Committee will look to the assurance provided by the Quality Assurance Committee, which will report annually to the Audit Committee on its work. In reviewing clinical governance arrangements and issues around clinical risk management, the Audit Committee will wish to satisfy itself on the assurance that can be gained from the work of the Quality Assurance Committee.

Management

- 8.10 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.
- 8.11 They may also request specific reports from individual functions within the organisation as they may be appropriate to the overall arrangements.

Financial reporting

- 8.12 The Audit Committee shall review the Annual Report and Financial Statements before submission to the Trust Board, focusing particularly on:
- The wording in the Statement on Internal Control and other disclosures relevant to the terms of reference of the Committee.
 - Changes in, and compliance with, accounting policies and practices.
 - Unadjusted miss-statements in the financial statements.
 - Major judgemental areas.
 - Significant adjustments resulting from the audit.
- 8.13 The Committee should also ensure that the systems for financial reporting to the Finance and Investment Committee and the Trust Board, including those of budgetary control, are subject to review as to completeness and accuracy of the information provided to the Trust Board.

Version history:

Revised by Audit Committee: 27 May 2009, 21 April 2010 and 14 July 2010

Approved by Trust Board: 24 June 2009, 29 September 2010

Last revised by Audit and Risk Committee: 24 May 2011

