

Terms of Reference

AUDIT AND RISK ASSURANCE COMMITTEE

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Approved by

This document must be approved by the following people:

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Related documents

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Contents

| | | |
|----|--------------------------------------|-------------------------------------|
| 1. | Purpose | 4 |
| 2. | Duties and Responsibilities..... | 4 |
| 3. | Membership..... | 7 |
| | Attendees..... | 8 |
| 4. | Declaration of Interest..... | 8 |
| 5. | Meetings..... | 8 |
| | Quorum | 8 |
| 6. | Information Requirements..... | 9 |
| 7. | Reporting..... | 9 |
| 8. | Terms of Reference Review | 9 |
| | Appendix 1: Membership 2017/18 | Error! Bookmark not defined. |

1. Purpose

The Board has established an Audit and Risk Assurance Committee as a committee of the Board to support them in their responsibilities. The Audit & Risk Assurance Committee provides an independent and objective view of internal control. The Committee is authorised to take decisions on behalf of NHS England on matters relevant to the purpose of the Committee (but not reserved to the Board) and to obtain outside legal or other independent professional advice and to secure attendance of outsiders with relevant experience and expertise if they consider this to be necessary. The Committee is authorised to co-opt additional members for a period not exceeding a year to provide specialist skills, knowledge and experience

2. Duties and Responsibilities

The Audit and Risk Assurance Committee will advise the Board and Accounting Officer on:

- The strategic processes for risk, control and governance and the Governance Statement;
- The accounting policies, the accounts, and the annual report of NHS England, including the process for review of the accounts prior to submission for audit, levels of error identified, and management's letter of representation to the external auditors;
- The planned activity and results of both internal and external audit;
- Adequacy of management response to issues identified by audit activity, including external audit's management letter;
- Assurances relating to the management of risk and corporate governance requirements for NHS England;
- Proposals for tendering for Internal Audit services or for purchase of non-audit services from contractors who provide audit services; and,
- Anti-fraud policies, whistle-blowing processes, and arrangements for special investigations.

The Committee will also periodically review its own effectiveness and report the results of that review to the Board.

Note: NHS England, and thus the Committee, fulfils a dual role with regard to the activities of NHS England itself and its oversight of the wider NHS commissioning system. While the governance of individual CCGs is a matter for their respective Boards and Audit Committees, the NHS England Audit & Risk Assurance Committee will seek assurance that NHS England's oversight and management of the commissioning system is effective in securing delivery of the overall NHS strategy and in eliminating or mitigating strategic, financial and operational risks

Governance, Risk Management and Internal Control

- The Committee will review the establishment and maintenance of an effective system of governance, risk management and internal control, covering all of NHS England's activities (including any hosted bodies) and supporting achievement of NHS England's objectives

- In particular, the Committee will review the adequacy and effectiveness of:
 - All risk and control related disclosure statements (in particular the annual governance statement), together with the accompanying Head of Internal Audit Opinion, external audit opinion or other appropriate independent assurances, prior to endorsement by the Board, where necessary;
 - 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 documents;
 - The policies for ensuring compliance with relevant regulatory, legal and code of conduct requirements and related reporting and self-certification; and,
 - The policies and procedures for all work related to fraud and corruption as set out in the Secretary of State Directions and as required by the NHS Counter Fraud Authority.
- The Committee will primarily utilise work of internal audit, external audit and other assurance functions but will not limit itself to these sources. It will also seek reports and assurances from Officers as appropriate, concentrating on the over-arching systems of governance, risk management and internal control, together with indicators of their effectiveness.
- This will be evidenced through the Committee's use of NHS England's Board Assurance Framework to guide its work and that of the audit and assurance functions that report to it.

Internal Audit

- The Committee will ensure there is an effective internal audit function that meets mandatory Government Internal Audit Standards and provides appropriate independent assurance on the full range of strategic, financial and operational risks 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 NHS England as identified in the Board Assurance Framework;
 - Considering the major findings of internal audit work (and management's response), and ensuring co-ordination between the internal and external auditors to optimise audit resources;
 - Ensuring that the internal audit function is adequately resourced and has appropriate standing within NHS England; and
 - An annual review of the effectiveness of internal audit.

External Audit

- The Committee will review the work and findings of the external auditors and consider the implications of and management's response to their work.
- This will be achieved by:
 - Consideration of the appointment and performance of the external auditors, as far as the rules governing their appointment permit;
 - Discussion and agreement with the external auditors, before the audit commences, of the nature and scope of the audit as set out in the annual plan, and ensuring co-ordination, as appropriate, with other external auditors operating within the NHS;
 - Discussion with the external auditors of their evaluation of audit risks, their assessment of NHS England and the associated impact on the audit fee; and
 - Review of 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.

Other Assurance Functions

- The Committee will review findings of other significant assurance functions, both internal and external to NHS England, and consider the implications for the governance of NHS England. These will include, but will not be limited to, any reviews by the Department of Health and Social Care.
- In addition, the Committee will review the work of other Committees within NHS England, whose work can provide relevant assurance to the Committee's own scope of work.
- The Committee will review reports and assurances from Officers on the overall Corporate Performance of NHS England, and the implementation of NHS England's agreed policies and standards.

Counter Fraud

- The Committee will satisfy itself that NHS England has adequate arrangements in place for countering fraud and will review the outcomes of counter fraud work.
- The committee will review arrangements by which staff may, in confidence, raise concerns about the possible improprieties in matters of financial reporting or other matters.

Management

- The Committee will request and review reports and positive assurances from Officers on the overall arrangements for governance, risk management and internal control.
- The Committee may also request specific reports from individual functions within NHS England as they may be appropriate to the overall arrangements.

- The Committee will receive assurance on compliance with Standing Financial Instructions.

Financial Reporting

- The Committee will monitor the integrity of the financial statements of NHS England and any formal announcements relating to NHS England's financial performance.
- The Committee should ensure that the systems for financial reporting to the Board, including those of budgetary control, are subject to review both as to the completeness, accuracy and fitness for purpose of the information provided to the Board and with regard to the effectiveness of the Board's consideration of this information.
- The Committee will review the annual report and accounts before submission to the Board, focussing 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 preparation of the financial statements;
 - Significant adjustments resulting from the audit;
 - Letter of representation; and
 - Qualitative aspects of financial reporting.

3. Membership

The Audit and Risk Assurance Committee membership will be as follows:

- Chair – a Non-executive director who should have a financial qualification or recent and relevant financial experience (in the absence of the Chair another Non-executive director who is a member of the Committee).
- At least two other Non-executive directors.

The following members of the Audit and Risk Assurance Committee have been appointed by the Board

- Joanne Shaw (Chair)
- Wendy Becker
- David Roberts (to December 2017)
- John Burn (from December 2017)
- Gerry Murphy (co-opted from the Department of Health)

The Chair of the NHS England Board reserves and may exercise the right to attend any or all meetings of this Committee.

Attendees

The following individuals will attend as appropriate to provide advice, support and information but are not members of the Audit and Risk Assurance Committee and therefore, do not have voting rights.

- Chief Executive as required. As a minimum this should be when the Committee considers the draft internal audit plan and the annual accounts and, at least annually, to discuss the process for assurance that supports the Annual Governance Statement.
- Chief Financial Officer.
- National Director: Transformation and Corporate Operations
- Director of Financial Control
- Director of Governance.
- Representative(s) of External Audit.
- Representative(s) of Internal Audit.

The Audit and Risk Assurance Committee may ask any other officials of the organisation to attend and assist it with its discussions on any particular matter;

The Audit and Risk Assurance Committee may ask any or all of those who normally attend but who are not members to withdraw to facilitate open and frank discussion of particular matters.

At least once a year the Committee will meet privately with the Internal and External Auditors

4. Declaration of Interest

All members and attendees of the Audit and Risk Assurance Committee must declare any relevant personal, non-personal, pecuniary or potential interests at the commencing of any meeting. The Chair of the Committee will determine if there is a conflict of interest such that the member and/or attendee will be required to not participate in a discussion.

The Board Secretariat can provide advice on this matter and in addition, guidance on reporting Declaration of Interests can be found at [SO9.1 of the Standing Orders](#) and [Standards of Business Conduct](#). A template for the Declaration of Interest can be found [here](#).

5. Meetings

The Audit and Risk Assurance Committee will be provided with a secretariat function by the Head of Assurance from the Finance team.

The Board or the Accounting Officer may ask the Audit and Risk Assurance Committee to convene further meetings to discuss particular issues on which they want the Committee's advice.

Quorum

The Audit and Risk Assurance Committee will meet at least 5 times a year. The Chair of the Audit and Risk Assurance Committee may convene additional meetings, as they deem necessary;

A minimum of 2 members will be present for the meeting to be deemed quorate. In addition, the Chief Financial Officer will normally be expected to attend unless the Committee expressly decides that it has business that needs to be restricted to Members only

6. Information Requirements

For each meeting the Audit and Risk Assurance Committee will be provided (not less than five working days prior to the meeting) with:

- A full set of papers to be discussed at the meeting. These will all be available on Boardpad or other system recommended by the Board secretariat.

7. Reporting

The Audit and Risk Assurance Committee will report in writing to the Board and Accounting Officer after each meeting.

The Audit and Risk Assurance Committee will provide the Board and Accounting Officer with an Annual Report in July each year, timed to support finalisation of the accounts and the Governance Statement, summarising its conclusion from the work it has done during the year.

8. Terms of Reference Review

The Audit and Risk Assurance Committee Terms of Reference will be reviewed as a minimum on an annual basis.