



# NHS England's Audit and Risk Assurance Committee Terms of Reference

Approved by the Board on 17 September 2021

## 1. Purpose

- 1.1 The Board of NHS England (the Board) has established an Audit and Risk Assurance Committee (the Committee) as a committee of the Board to meet in common with NHS Improvement's Audit and Risk Assurance Committee to support the exercise the duties and powers of the Board in providing independent and objective assurance on how NHS England manages its system of internal control, governance and risk management.

## 2. Composition

### Membership

- 2.1 Members of the Committee are appointed by the Board and will be made up of two or more Non-Executive Directors of NHS England. Additional members should be either an independent member or another Non-Executive Director of NHS England. The Committee is authorised to co-opt additional members to provide specialist skills, knowledge and experience. At least one Committee member should have recent and relevant financial experience. The Chair of the Board shall not be a member of the Committee.

### Committee Chair

- 2.2 The Committee will be chaired by one of the Non-Executive Directors. In the absence of the nominated Chair, another Non-Executive Director, will chair the meeting.

### Secretary

- 2.3 A member of the Board Secretariat or the Financial Control directorate will act as the Secretary of the Committee.

## 3. Meeting arrangements

### Attendance

- 3.1 Members of the Committee are expected to attend meetings wherever possible. In exceptional circumstances and subject to prior approval from the Chair of the Committee, a deputy can attend.
- 3.2 Only members of the Committee have to right to attend Committee meetings, however representatives of the internal and external audit functions, the Chief Executive, the Chief Operating Officer, the Chief Financial Officer and other directors and senior managers will be invited to attend Committee meetings. At the invitation of the Committee chair others may also attend the Committee meetings. The Chief Executive will attend at least one Committee meeting per year.

- 3.3 The Committee Chair may ask any person in attendance who is not a member of the Committee to withdraw from a meeting to facilitate open and frank discussion of a particular matter.

## **Meetings**

- 3.1 The Committee will meet in common with NHS Improvement's Audit and Risk Assurance Committee (including by telephone or video conferencing) five times per year, or as determined by the Committee chair. Any member of the Committee can ask for a meeting to be convened in person, by video-conference or by telephone, or for a matter to be considered in correspondence.
- 3.2 The quorum for meetings is two members. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.
- 3.3 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda and supporting papers shall be circulated to each member of the Committee, any other person required to attend and all other Non-Executive Directors, no later than five working days before the date of the meeting.
- 3.4 The Secretary shall minute the proceedings and decisions of all meetings of the Committee, including recording the names of those present and in attendance.
- 3.5 Draft minutes will be sent to the Committee Chair within four business days of the meeting and submitted for formal agreement at the next meeting.
- 3.6 Except as outlined above, meetings for the Committee shall be conducted in accordance with the relevant provisions of NHS England's Standing Orders.

## **4. Declarations of Interest**

- 4.1 All members and attendees of the Committee must declare any relevant personal, non-personal, pecuniary or potential interests at the commencement 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 not to participate in a discussion.
- 4.2 Any member at any time is entitled to ask the Chair whether an item of business should be discussed outside of a meeting in common, as it conflicts with a power or duty of an individual organisation.
- 4.3 The Head of Governance can provide advice on this matter and guidance on reporting Declarations of Interests.

## 5. Duties

- 5.1 The Committee will advise the Board and Accounting Officer on:
- 5.1.1 the strategic processes for risk, control and governance and the Governance Statement;
  - 5.1.2 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;
  - 5.1.3 the planned activity and results of both internal and external audit;
  - 5.1.4 adequacy of management response to issues identified by audit activity, including external audit's management letter;
  - 5.1.5 assurances relating to the management of risk and corporate governance requirements for NHS England;
  - 5.1.6 proposals for tendering for Internal Audit services or for purchase of non-audit services from contractors who provide audit services; and
  - 5.1.7 anti-fraud policies, whistle-blowing processes, and arrangements for special investigations.
- 5.2 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 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**

- 5.3 The Committee will working together with NHS Improvements' Audit and Risk Assurance Committee, 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.
- 5.4 In particular, the Committee will review the adequacy and effectiveness of:
- 5.4.1 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;
  - 5.4.2 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;

- 5.4.3 the policies for ensuring compliance with relevant regulatory, legal and code of conduct requirements and related reporting and self-certification; and,
  - 5.4.4 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.
- 5.5 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.

## **Internal Audit**

- 5.7 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 Committee, the Chief Executive and the Board.
- 5.8 This will be achieved by:
- 5.8.1 consideration of the provision of the internal audit service, the cost of the audit and any questions of resignation and dismissal;
  - 5.8.2 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;
  - 5.8.3 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;
  - 5.8.4 ensuring that the internal audit function is adequately resourced and has appropriate standing within NHS England; and
  - 5.8.5 an annual review of the effectiveness of internal audit.
- 5.9 The Committee will approve the appointment of NHS England's internal auditor service; and
- 5.10 meet with the Head of Internal Audit at least once a year, without management being present, to discuss their remit and any issues arising from the internal audits carried out. In addition, the Head of Internal Audit shall be given the right of direct access to the Chair of the Board and to the Committee.

## **External Audit**

- 5.11 The Committee will review the work and findings of the external auditors and consider the implications of and management's response to their work.
- 5.12 This will be achieved by:

- 5.12.1 consideration of the appointment and performance of the external auditors, as far as the rules governing their appointment permit;
- 5.12.2 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;
- 5.12.3 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
- 5.12.4 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**

- 5.13 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.
- 5.14 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.
- 5.15 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**

- 5.16 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.
- 5.17 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**

- 5.18 The Committee will request and review reports and positive assurances from Officers on the overall arrangements for governance, risk management and internal control.
- 5.19 The Committee may also request specific reports from individual functions within NHS England as they may be appropriate to the overall arrangements.
- 5.20 The Committee will receive assurance on compliance with Standing Financial Instructions.

## **Financial Reporting**

- 5.21 The Committee will monitor the integrity of the financial statements of NHS England and any formal announcements relating to NHS England's financial performance.
- 5.22 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.
- 5.23 The Committee will review the annual report and accounts before submission to the Board, focusing particularly on:
- 5.23.1 the wording in the annual governance statement and other disclosures relevant to the terms of reference of the Committee;
  - 5.23.2 changes in, and compliance with, accounting policies, practices and estimation techniques;
  - 5.23.3 unadjusted mis-statements in the financial statements;
  - 5.23.4 significant judgments in preparation of the financial statements;
  - 5.23.5 significant adjustments resulting from the audit;
  - 5.23.6 letter of representation; and
  - 5.23.7 qualitative aspects of financial reporting.

## **Supply Chain Coordination Limited**

- 5.24 In respect of the Supply Chain Coordination Limited (SCCL) the Committee will:
- 5.24.1 consider proposals from SCCL to declare or make any distribution ahead of submission to the NHS England Board;
  - 5.24.2 approve any significant change in the accounting principles and practices for the time being adopted by SCCL or a change to SCCL's accounting reference date;
  - 5.24.3 approve any proposed change to the general investment criteria to be applied by the company or the purposes to which the company applies its resources; and
  - 5.24.4 approve the appointment or removal of the external or internal auditors of the company.

## **Other**

- 5.25 The Committee will discuss any matter which any member of the Committee believes to be of such importance that it should be brought to the attention of the Committee.
- 5.26 Where the Committee considers an item of its business may give rise to a potential conflict by meeting in common, the Committee may refer that business to the Board.

## 6. Reporting responsibilities

- 6.1 The Committee's Chair will report formally to the Board, in private session, on its proceedings after each meeting.
- 6.2 The Committee will make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is required.

## 7. Other matters

The Committee will:

- 7.1 have access to sufficient resources to carry out its duties, including access to the Head of Governance for assistance as required.
- 7.2 consider any other matters where requested to do so by the Board.
- 7.3 review on an annual basis its own performance and terms of reference to ensure that it is operating effectively as part of the Board's effectiveness review.

## 8. Authority

The Committee is authorised:

- 8.1 to seek any information it requires, or request attendance at a meeting, from any employee of NHS Improvement or NHS England in order to perform its duties;
- 8.2 to obtain, at NHS England's expense, outside legal or other professional advice on any matter within its terms of reference (subject to budgets agreed by the Board). For legal advice, the Director of Governance and Legal or one of the Deputy Directors of Legal shall be consulted prior to procurement of external advice; and
- 8.3 to consider, with the agreement of the Board, the need for an Executive sub-committee to manage the policies, frameworks and ways of working for the wider body of NHS England staff (including CSUs). This may include any other matters which the Committee wishes to delegate in relation to its terms of reference.