

# NHS Improvement's Audit & Risk Assurance Committee Terms of Reference

Approved by the Board on 17 September 2021

## 1. Purpose

- 1.1 The NHS Improvement Audit and Risk Assurance Committee (the Committee) is a committee of both Monitor and the NHS Trust Development Authority (NHS TDA), together known as NHS Improvement. It has been established by the Board of NHS Improvement to meet in common with NHS England's Audit and Risk Assurance Committee to support the exercise of the of the respective duties and powers of the Board's respective duties and powers by reviewing the comprehensiveness, reliability and integrity internal control, risk management and governance processes. On the basis of the assurance provided to it, the Committee will form and overall view on the state of risk management, governance and internal control.

## 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 Improvement. Additional members should be either an independent member or another Non-Executive Director of NHS Improvement. 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 to the Committee.

## 3. Meeting arrangements

### Attendance

- 3.1 Members of the Committee are expected to attend meetings wherever possible.
- 3.2 Only members of the Committee have the right to attend Committee meetings, however representatives of the internal and external audit functions, the Chief Executive of NHS Improvement, Chief Operating Officer and 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 Chief Executive of NHS Improvement will attend at least on Committee meeting per year.

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

## **Meetings**

- 3.4 The Committee will meet in common with NHS England'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.
- 3.5 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.
- 3.6 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.
- 3.7 The Secretary shall minute the proceedings and decisions of all meetings of the Committee, including recording the names of those present and in attendance.
- 3.8 Draft minutes shall be sent to the Committee Chair within four business days of the meeting and submitted for formal agreement at the next meeting.
- 3.9 Except as outlined above, meetings for the Committee shall be conducted in accordance with the relevant provisions of NHS Improvement's Rules of Procedure.

## **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

### Governance, Risk Management and Internal Control

- 5.1 The Committee will, working together with NHS England's Audit and Risk Assurance Committee, keep under review the adequacy and effectiveness of NHS Improvement's internal control and risk management systems. This will include:
- 5.1.1 regularly review of NHS Improvement's and NHS England's joint risk register;
  - 5.1.2 keep under review the adequacy and effectiveness of NHS Improvement's core regulatory processes, with a view to determining whether these are sufficiently robust to manage the risks faced by the organisation;
  - 5.1.3 review reports and positive assurances from officers on the overall arrangements for governance, risk management and internal control;
  - 5.1.4 consider whether appropriate internal controls and risk management systems are in place to support the Annual Governance Statement;
  - 5.1.5 assess the corporate governance requirements of the organisation and assurances as to whether these are being met;
  - 5.1.6 review of the policies for ensuring compliance with relevant regulatory, legal and code of conduct requirements and related reporting and self-certification;
  - 5.1.7 review the procedures for detecting fraud and receive reports of any instances. The Committee will also satisfy itself that NHS Improvement and NHS England have adequate arrangements in place for countering fraud and will review the outcomes of counter fraud work;
  - 5.1.8 review the systems and controls for the prevention of bribery and receive reports of any non-compliance; and
  - 5.1.9 review 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.

### Internal Audit

- 5.2 The Committee will monitor and review the effectiveness of NHS Improvement's internal auditor service in the context of NHS Improvement's and NHS England's overall risk management system.
- 5.3 Consider and approve the remit of the internal auditor service and ensure that they have appropriate access to information to enable them to perform their function effectively and in accordance with Government Internal Audit Standards. Ensure that the internal audit service has an appropriate standing within NHS Improvement, and is free from management or other restrictions.
- 5.4 Review and assess the internal audit strategy and annual work plans to ensure that the scope is appropriate and that relevant areas of work are prioritised.

- 5.5 Review reports from the internal audit service.
- 5.6 Review and monitor management responsiveness to the findings and recommendations of the internal audit service.

In addition, the Committee will:

- 5.7 approve the appointment of NHS Improvement's internal auditor service; and
- 5.8 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**

- 5.9 The Committee will review the work and findings of the external auditors, the National Audit Office (NAO), and consider the implications of and management's response to their work. This will include:
  - 5.9.1 review and approve the annual external audit plans, including NAO's evaluation of audit risks, their assessment of NHS Improvement and the associated impact on the audit fee;
  - 5.9.2 review the findings of the external audit with the NAO, including a discussion of any major issues which arose during the audit, any accounting and audit judgements, levels of errors identified during the audit and the effectiveness of the audit;
  - 5.9.3 review any management representation letters requested by the NAO before they are signed;
  - 5.9.4 review the management letter and management's response to the NAO's findings and recommendations; and
  - 5.9.5 review any other relevant reports by the NAO.

In addition, the Committee will:

- 5.10 oversee the relationship between NHS Improvement and the NAO;
- 5.11 assess annually their qualifications, expertise and resources and the effectiveness of the audit process, which shall include a report from the NAO on their own internal quality procedures;
- 5.12 seek to ensure their co-ordination with the activities of the internal audit function;
- 5.13 meet regularly with the NAO, including at the planning stage before the audit and after the audit, at the reporting stage. The Committee shall meet the NAO at least once a year, without management being present, to discuss the external auditor's remit and any issues arising from the audit; and

5.14 where there is need to do so, develop and implement a policy on the supply of non-audit services by the NAO, taking into account any relevant ethical guidance on the matter.

## **Financial Reporting**

5.15 The Committee will monitor the integrity of NHS Improvements internal and external financial statements, reviewing significant reporting issues and judgements which they contain. In particular the Committee shall review and constructively challenge where necessary:

- 5.15.1 assurances about the financial systems which provide the figures for NHS Improvement's accounts and the quality of the controls over their preparation;
- 5.15.2 the consistency of, and any changes to, accounting policies on a year on year basis;
- 5.15.3 the methods used to account for significant or unusual transactions where different approaches are possible;
- 5.15.4 whether NHS Improvement has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the NAO (as external auditor);
- 5.15.5 whether there were any disputes arising between those responsible for preparing the accounts and the auditors
- 5.15.6 the clarity of disclosure in NHS Improvement's financial reports and the context in which statements are made; and
- 5.15.7 all material information presented with the financial statements, such as the management commentary, the statement of Accounting Officer's responsibilities, the statement of financial impact and the annual governance statement.

5.16 The Committee shall carry out these same duties with regard to the production of NHS Improvement's own financial reporting and financial reporting associated with the consolidation of NHS foundation trusts' accounts.

## **Other Assurance Functions**

5.17 The Committee will review findings of other significant assurance functions, both internal and external to NHS Improvement, 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.

5.18 In addition, the Committee will review the work of other Committees within NHS Improvement, whose work can provide relevant assurance to the Committee's own scope of work.

5.19 The Committee will review reports and assurances from Officers on the overall Corporate Performance of NHS Improvement, and the implementation of NHS Improvement's agreed policies and standards.

## **Counter Fraud**

- 5.20 The Committee will satisfy itself that NHS Improvement has adequate arrangements in place for countering fraud and will review the outcomes of counter fraud work.
- 5.21 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**

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

## **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 Board Secretary 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 Improvement in order to perform its duties;
- 8.2 to obtain, at NHS Improvement'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 appoint, with the agreement of the Board, sub-committees with such membership and terms of reference as the Committee may determine and delegate any of its responsibilities to such a sub-committee.