

TERMS OF REFERENCE

RISK & AUDIT COMMITTEE

Version	Status	Date	Issued / Amended	Summary of Changes
V5	Approved	24 May 2021	Corporate Affairs	<ul style="list-style-type: none">Minor changes
V6	Approved	November 2021	Associate Director of Corporate Affairs	<ul style="list-style-type: none">Minor changes
V7	Approved	November 2022	Associate Director of Corporate Affairs	<ul style="list-style-type: none">Reviewed, minor changes.
			Review Date	November 2023

AUTHORITY

- 1.1. The Risk and Audit Committee (The Committee) is constituted as a standing committee of the Sheffield Children's NHS Foundation Trust's Board of Directors. Its constitution and terms of reference shall be as set out below, subject to amendment at future Board of Directors meetings. The Committee shall not have executive powers in addition to those delegated in these terms of reference.
- 1.2. The Committee is authorised by the Board of Directors to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any colleague and all colleagues are directed to co-operate with any request made by the Committee.
- 1.3. The Committee is authorised by the Board of Directors to obtain outside legal or other independent professional advice. The Committee is authorised by the Board of Directors to request the attendance of individuals and authorities from outside the Trust with relevant experience and expertise if it considers this necessary or expedient to the carrying out of its functions.
- 1.4. The Committee shall have primary responsibility for monitoring and reviewing financial and other risks and associated controls, corporate governance and financial assurance.

2. PURPOSE

- 2.1. The Board of Directors is responsible for ensuring effective internal control including:
 - Management of the Trust's activities in accordance with statute and regulations;
 - The establishment and maintenance of a system of internal control to give reasonable assurance that assets are safeguarded, waste or inefficiency avoided and reliable financial information produced, and that value for money is continuously sought.
- 2.2. The Risk and Audit Committee shall provide the Board of Directors with a means of independent and objective review of financial and corporate governance, assurance processes and risk management across the whole of the Trust's activities (clinical and non-clinical) both generally and in support of the annual governance statement. In addition the Committee shall:
 - Champion and promote highly-effective risk management and ensure that the risk management process and culture are embedded throughout the Trust;
 - Maximise patient safety through effective and integrated control systems;
 - Improve the standard of decision making on risk management throughout the Trust;
 - Provide assurance of independence for external and internal audit;

- Ensure that appropriate standards are set and compliance with them is monitored, in non-financial, non-clinical areas that fall within the remit of the Committee;
- Monitor corporate governance (eg compliance with terms of the FT provider licence, constitution, codes of conduct, standing orders, standing financial instructions, maintenance of register of interests and oversee compliance with best practice guidance including the well led framework and NHS FT code of governance).

3. MEMBERSHIP

- 3.1. The Committee shall be composed of not less than three Non-executive Directors, at least one of whom should have recent and relevant financial experience.
- 3.2. The Board of Directors will appoint one of the members Chair of the Committee. If the Chair is not present at a meeting the members shall elect a Chair from among themselves.
- 3.3. The Chair of the Trust shall not be a member of the Committee but can be invited to attend, and as a minimum will be invited to attend where the financial accounts are presented for consideration prior to approval by the Board of Directors each year.
- 3.4. A quorum shall be two members. Where possible an executive director should always be present. Associate Non-executive Directors may also attend the Committee but would not count towards the quorum.
- 3.5. Wherever possible, there should be at least one common Non-executive member with the Quality Committee. There should also be at least one common Non-executive member with the Performance Committee. These should act as a conduit of information and assurance across the two Committees in support of the Trust's integrated governance approach.

4. ATTENDANCE

- 4.1. Other executive directors and the Legal Services Director are invited to attend meetings of the Committee.
- 4.2. A representative of the external auditors, internal audit and local counter fraud service will be required to attend meetings of the Committee scheduled to deal with their business in the agreed annual cycle.
- 4.3. The Associate Director of Corporate Affairs will attend meeting of the Committee to provide appropriate advice and support to the Chair of the Committee and committee members on governance and legal related matters. In addition, the Associate Director of Corporate Affairs

will be responsible for providing secretarial support to the committee and for making suitable arrangements for administrative support and advice. The duties of the Associate Director of Corporate Affairs in this regard include, but are not limited to:

- Agreement of the agenda with the Chair of the Committee and the Executive Director of Finance and attendees together with the collation of connected papers.
- Ensuring that accurate minutes are taken and a record of matters arising and issues to be carried forward kept.

- 4.4. The Chief Executive should be invited to attend, at least annually, to discuss with the Committee the process for assurance that supports the Annual Governance Statement.
- 4.5. Trust Directors and/or colleagues and Executives shall be invited to attend those meetings in which the Committee will consider areas of risk or operation that are their responsibility.
- 4.6. The Trust Chair may be invited to attend meetings of the Committee as required.
- 4.7. A nominated governor may attend a meeting of the Committee to allow wider observation of Trust Board business in line with the agreed protocol on governor attendance at Trust Board meetings.

5. FREQUENCY OF MEETINGS

- 5.1. The Committee should hold a minimum of five meetings per year, with additional meetings where necessary.
- 5.2. The external auditor and the internal auditor shall be afforded the opportunity at least once per year to meet with the Committee without Executive Directors present.
- 5.3. The Committee members shall be afforded the opportunity to meet at least once per year with no others present.

6. DUTIES

6.1. Governance, Risk Management and Internal Control

The Committee shall review the adequacy of the establishment and maintenance of an effective system of integrated governance, risk management and internal control across the whole of the Trust's activities (both clinical and non-clinical), that is fit for purpose, adequately resourced, effectively deployed and supports the Trust's objectives.

- 6.1.1. To review and assess the strategic direction for managing governance and risk, and implement a framework to ensure risk and governance issues are managed effectively throughout the Trust.
- 6.1.2. To maintain an oversight of the Trust's general risk management structures, processes and responsibilities, including the production and issue of any risk and control related disclosure statements.
- 6.1.3. To review the adequacy of the policies and procedures in respect of all counter-fraud work through:
- Annual review and approval of the counter fraud strategy, operational plan and more detailed programme of work, ensuring that this is consistent with the counter fraud needs of the Foundation Trust as identified in the Board Assurance Framework.
 - To consider the major findings of counter fraud investigations and management's responses to their implications and monitor progress on the implementation of recommendations.
 - Review of the annual counter fraud report.
- 6.1.4. To review the adequacy of the Trust's arrangements (whistleblowing arrangements) by which Trust colleagues, and other individuals where relevant, may raise, in confidence, concerns about possible improprieties in matters of: financial reporting and control; clinical quality; patient safety or other matters or any other matters of concern. The Committee shall receive its assurance that arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow-up action through the inclusion of the Senior Independent Director on the membership of the committee.
- 6.1.5. To review the adequacy of underlying assurance processes that indicate the degree of achievement of corporate objectives and the effectiveness of the management of principal risks; the Board Assurance Framework.
- 6.1.6. To oversee a system to review the adequacy of policies and procedures for ensuring compliance with relevant regulatory, legal and code of conduct requirements. This will involve the Committee itself considering for approval on behalf of the Trust Board specified corporate policies and procedures that, under the Trust's standing orders, require Board approval and fall within the scope of the Committee's terms of reference. Elsewise receive assurance from the Executive Risk Management Committee around the implementation of a robust process for the review and approval of policies.
- 6.1.7. 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 and Board committees as

appropriate, concentrating on the over-arching systems of integrated governance, risk management and internal control, together with indicators of their effectiveness;

- 6.1.8. This will be evidenced through the development and maintenance of the Board Assurance Framework. The Risk and Audit Committee will monitor the full Board Assurance Framework on a quarterly basis and ensure that it is presented to the Board of Directors on this same basis.

In addition the Committee will seek assurances from the Executive Risk Management Committee to guide its work to ensure that there are systems and processes in place to minimise risks to patients through the application of a comprehensive risk management system. This will include without limitation the following specific tasks:

- 6.1.9. Reviewing the process to ensure an effective Risk Management Strategy and risk appetite is in place to deliver compliance with statutory responsibilities and considering the strategy and risk appetite prior to its presentation to the Board of Directors for approval.
- 6.1.10. Overseeing the management of risks and related risk treatments considered by the Committees which report to it (including sub groups and aligned Board Committees) as detailed within these terms of reference. Where appropriate, the Committee will add issues of concern raised by other committees to the Trust risk register.
- 6.1.11. Reviewing the high level risks on the Trust risk register (risks with a score of 16 or more), specifically considering the impact of these high scoring risks on the Board Assurance Framework.
- 6.1.12. Ensuring that all risks are escalated in line with the Trust's Risk Management Strategy, receiving assurance, through exception-based reporting, that areas of risk within the Trust are regularly monitored and that effective disaster recovery plans are in place.
- 6.1.13. Advising the Board of Directors on any significant issues regarding quality, risk or compliance issues.
- 6.1.14. Seeking assurance that effective major incident / disaster recovery / business continuity plans are in place.

6.2. Internal Audit

Internal audit primarily provides an independent and objective opinion to the Accounting Officer, the Board of Directors and the Committee on the degree to which

risk management, control and governance support the achievement of the Trust's agreed objectives.

- 6.2.1. To review and approve the internal audit strategy and operational plan and more detailed programme of work, receive recommendations from the Quality Committee in respect of clinical audit and ensure that the plan is consistent with the audit needs of the organisation as identified in the Board Assurance Framework programme.
- 6.2.2. To oversee on an ongoing basis the effective operation of internal audit in respect of:
- Adequate resourcing
 - Its co-ordination with external audit
 - Meeting mandatory public sector internal audit standards
 - Providing adequate independent assurances
 - Having appropriate standing within the Trust
 - Meeting the internal audit needs of the Trust.
- 6.2.3. To consider the major findings of internal audit investigations and management's response and their implications and monitor progress on the implementation of recommendations.
- 6.2.4. To receive and review the annual report of the Internal Auditor and agree action in response to this, receive the Internal Audit statement on the effectiveness of internal control and periodically, every three years, review the provision of internal audit services and its reporting systems. Where a change in provider is appropriate oversee the selection process.
- 6.2.5. To conduct an annual review of the internal audit function; to discuss the problems and reservations arising from the work of internal audit and any matters the Head of Internal Audit wishes to discuss (in the absence of executive directors and other management where necessary).

6.3. External Audit

- 6.3.1. To make a recommendation to the Council of Governors in respect of the appointment, re-appointment and removal of an external auditor following agreement with the Council of Governors regarding relevant criteria. To the extent that that recommendation is not adopted by the Council of Governors, this shall be included in the Annual Report, along with the reasons that the recommendation was not adopted.
- 6.3.2. To discuss with the external auditor, before the audit commences, the nature and scope of the audit, and ensure co-ordination, as appropriate, with other external auditors in the local

health economy. This should include discussion regarding the local evaluation of audit risks and assessment of the Trust associated impact on the audit fee.

- 6.3.3. To assess the external auditor's performance and fees on an annual basis in accordance with the Trust's specification for an external audit service, informed by the Audit Code for Foundation Trusts and, based on this assessment, make a recommendation to the Council of Governors with respect to the re-appointment or removal of the auditor. This assessment should include the review and monitoring of the external auditor's independence and objectivity and effectiveness of the audit process in light of relevant professional and regulatory standards.
- 6.3.4. To oversee the re-appointment or conduct of a market testing exercise for the appointment of an auditor at least once every five years and, based on the outcome, make a recommendation to the Council of Governors with respect to the appointment of the auditor.
- 6.3.5. To review external audit reports, including the agreement of the annual audit letter before submission to the Board of Directors and any work carried outside the annual audit plan, together with the appropriateness of management response, and to monitor progress on the implementation of recommendations.
- 6.3.6. To develop and implement policy on the engagement of the external auditor to supply non-audit services, and ensure any non-audit work undertaken does not compromise the independence of the external auditors.
- 6.3.7. To consider the provision of the external audit service, the cost of the audit and any questions of resignation and dismissal.

6.4. Annual Accounts Review / Financial Assurance

- 6.4.1. To monitor the integrity of the financial statements of the Trust and any other formal announcement relating to its financial performance, reviewing significant financial assurance issues and judgements which they contain.
- 6.4.2. To review summary financial statements, significant financial returns to regulators and any financial information contained in other official documents, including the statement on internal control.
- 6.4.3. To review the annual statutory accounts, before they are presented to the Board of Directors, to determine their completeness, objectivity, integrity and accuracy. This review will cover but is not limited to:

- The meaning and significance of the figures, notes and significant changes;
- Areas where judgement has been exercised;
- Adherence to accounting policies and practices;
- Explanation of estimates or provisions having material effect;
- Any adjusted and unadjusted audit differences;
- Any reservations and disagreements between the external auditors and management which have not been satisfactorily resolved.

6.4.4. To review the annual report and annual governance statement before they are submitted to the Board of Directors to determine completeness, objectivity, integrity and accuracy.

6.4.5. To review the quality report before it is submitted to the Board of Directors to determine completeness, objectivity, integrity and accuracy.

6.4.6. To ensure that all accounting and reporting systems for financial assurance to Performance Committee and to the Board of Directors, including in respect of budgetary control, are subject to review as to the completeness and accuracy of the information provided.

6.5. Standing orders, standing financial instructions and standards of business conduct

6.5.1. To review on behalf of the Board of Directors the operation of, and proposed changes to, the standing orders and standing financial instructions, the constitution, codes of conduct and standards of business conduct; including maintenance of registers.

6.5.2. To receive details of waivers to standing orders approved by the Chief Executive.

6.5.3. To approve authorisation levels for the issue of credit notes and write off of debts.

6.5.4. To review schedules of losses and compensations and make recommendations to the Board of Directors as to appropriate write offs.

6.5.5. To also ensure that any other matters specifically delegated to it via the Foundation Trust's standing orders and standing financial instructions are complied with as appropriate. Examples of this role would include: reviewing unusual transactions, approving the use of single source tenders, reviewing schedules detailing changes to banking arrangements.

6.5.6. To examine the circumstances of significant departure from the requirements of any of the foregoing, whether those departures relate to a failing, an overruling or a suspension.

6.5.7. To review the scheme of delegation.

6.6. Other

- 6.6.1. To satisfy itself that there are adequate processes for dealing with the findings of other significant assurance functions, both internal and external to the Trust, and considering the implications to the governance of the Trust. This will include the outcomes of significant reviews carried out by other bodies which include but are not limited to regulators and inspectors within the health (and social care) sector and professional bodies with responsibilities that relate to colleague performance and functions.
- 6.6.2. To review relevant assurances available from other Board committees, working groups and senior responsible officers within the Trust to provide assurance relevant to the Committee's own scope of work. This will particularly include the Quality Committee, People and Engagement Committee and the Performance Committee. In reviewing the work of the Quality Committee and issues around clinical risk, the Committee will wish to satisfy itself on the assurance that can be gained from the clinical audit function and outcome measures from any Trust clinical benchmarking systems.
- 6.6.3. To develop and use an effective assurance framework to guide the Committee's work. This will include utilising and reviewing the work of the internal audit, external audit and other assurance functions (clinical audit) as well as reports and assurances sought from directors and managers and other investigatory outcomes so as to fulfil its functions in connection with these terms of reference.
- 6.6.4. To be responsible for monitoring that the Trust is complying with NHS England's oversight framework.
- 6.6.5. To examine any other matter referred to the Committee by the Board of Directors and to initiate investigation as determined by the Committee.
- 6.6.6. To annually review the accounting policies of the Trust and make appropriate recommendations to the Board of Directors.
- 6.6.7. To review tendering processes employed by the Trust to ensure that they are appropriate and review the results of tendering exercises for banking services as carried out at least every 5 years.
- 6.6.8. To receive reports on any professional charges over £50,000 incurred by the Trust or any charges incurred with the internal auditor or external auditor outside their normal audit contracts.
- 6.6.9. To ensure that all relevant Board Committees are providing adequate assurance and appraising the Committee regarding quality, risk or performance issues. To undertake an annual review of the Terms of Reference of both the People and Engagement Committee, Performance Committee and Quality Committee.

6.6.10. To refer and receive feedback from other committees or governance groups and review the operational systems and processes established for governance and risk, including the annual review of terms of reference of groups providing assurance into the Risk and Audit Committee to ensure that arrangements support the delivery of an Integrated Governance Framework within the Trust.

6.6.11. To approve the Trust's Major Incident Plan.

7. MINUTES AND ASSURANCE

7.1. The minutes of all meetings of the Committee shall be formally recorded and submitted, together with recommendations where appropriate, to the Board of Directors. The submission to the Board of Directors shall include details of any matters in respect of which actions or improvements are needed. This will include details of any evidence of potentially ultra vires, otherwise unlawful or improper transactions, acts, omissions or practices or any other important matters. To the extent that such matters arise, the Chair of the Committee shall present details to a meeting of the Board of Directors in addition to the submission of the minutes.

7.2 The Committee will provide assurance annually to the Board of Directors in respect of the fulfilment of its function in connection with these terms of reference. Such a report shall include but not be limited to functions undertaken in connection with the Annual Governance Statement, specifically commenting on the fitness for purpose of the Board Assurance Framework; the effectiveness of risk management in the Trust; and any pertinent matters in respect of which the Committee has been engaged. In doing so, it will in particular draw on the work undertaken by and the assurances gained by the Quality Committee and the Executive Risk Management Committee.

7.3 The Committee shall provide assurance to the Council of Governors on any matters which it considers that action or improvement is needed and making recommendations as to the steps to be taken.

7.4 The Trust's Annual Report shall include a section describing the work of the Committee in discharging its responsibilities. This report should be drafted in accordance with the requirement of the FT Code of Governance (Code provision C.3.9).

7.5 The Quality Committee will provide an annual report to the Risk and Audit Committee on the effectiveness of its work and its findings as part of the Integrated Governance Annual Report.

- 7.6 The Executive Risk Management Committee will provide an annual report to the Risk and Audit Committee on the effectiveness of its work and its findings as part of the Integrated Governance Annual Report. There will be a standing item on the Risk and Audit Committee agenda at each meeting for the Legal Services Director to provide assurance on the work of that Committee which will incorporate a report from the Trust's Risk Register.
- 7.7 The other Board committees will refer to the Executive Risk Management Committee any identified unresolved risks arising within the scope of its terms of reference and will provide assurance on an exception basis into the Risk and Audit Committee.

8. REVIEW

- 8.1. The Committee will undertake and evidence an annual review of its performance against its annual work and training plans, in order to evaluate the achievement its effectiveness, the fulfilment of its functions in connection with these terms of reference and achievement of its duties and shall provide assurance thereon to the Board of Directors.
- 8.2 The terms of reference of the Committee shall be reviewed and refreshed by the Board of Directors at least annually.

9 REQUIRED FREQUENCY OF ATTENDANCE BY MEMBERS

- 9.1 Members should aim to attend all scheduled meetings. The Associate Director of Corporate Affairs shall maintain a register of attendance which will be published in the Trust's annual report. If required, individual attendance will be discussed with the Trust Chairman and Chief Executive.

APPROVED BY THE BOARD OF DIRECTORS ON: 25 July 2023