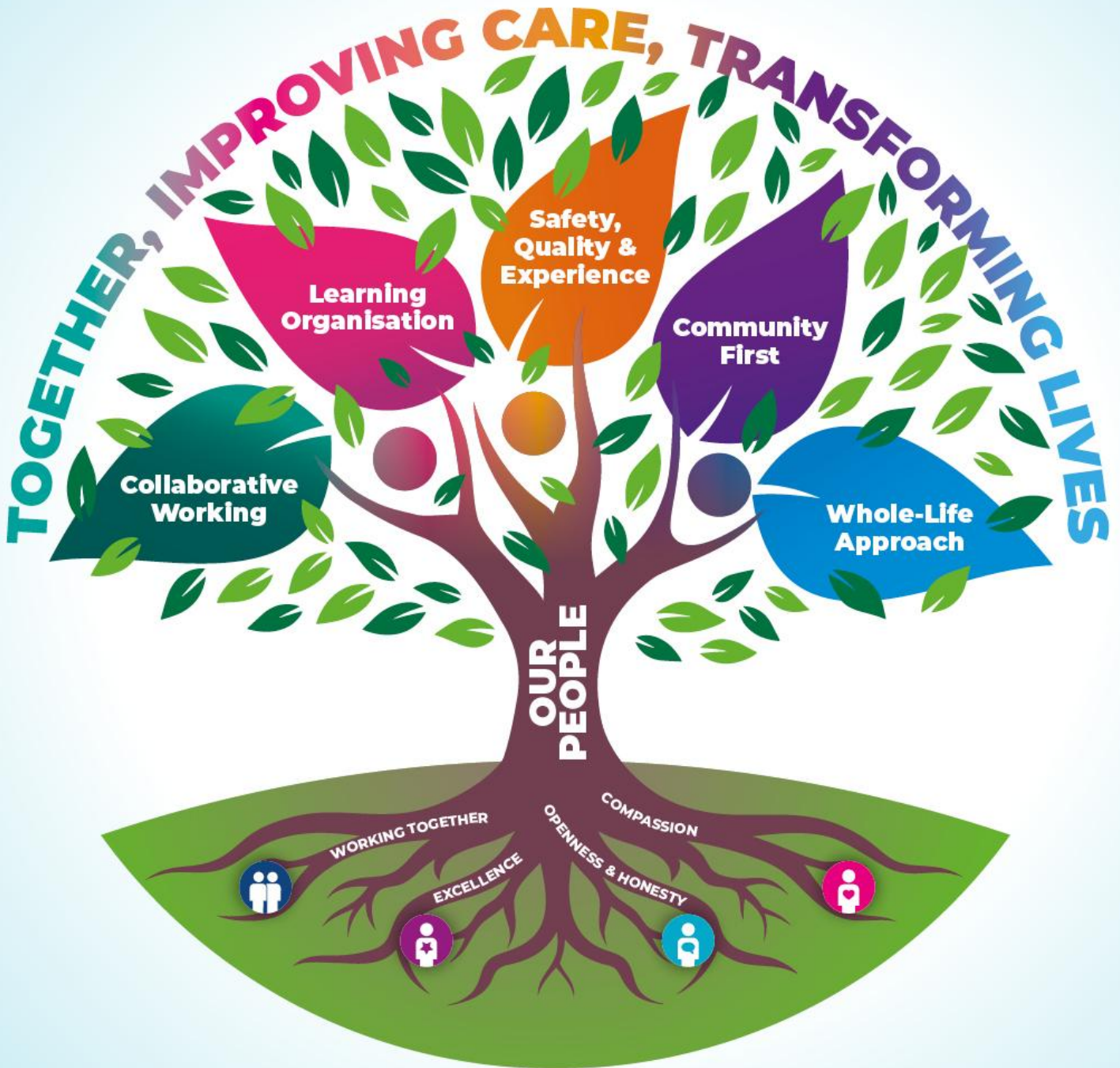


# DRAFT AUDIT & RISK ASSURANCE COMMITTEE TERMS OF REFERENCE



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| <b>VERSION</b>      | 1                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <b>ASSURANCE</b>    | <b>SECOND LINE ASSURANCE</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| <b>CONSTITUTION</b> | <p>The Trust Board (The Board) hereby resolves to establish a Committee of the Board to be known as the Audit and Risk Assurance Committee (The Committee) to assist the Board and the Accounting Officer in exercising its key functions as set out in the purpose statement below.</p> <p>The Committee is a Non-Executive led Committee of the Board and has no executive powers, other than those specifically delegated in these Terms of Reference.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>PURPOSE</b>      | <p>The Committee will support the Board by reviewing the comprehensiveness, reliability and integrity of assurances in meeting the Board and Accounting Officer's assurance needs.</p> <p>The Committee will conduct its functions in line with the Trust's Vision and Strategy 2030.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| <b>MEMBERSHIP</b>   | <p><b>Membership:</b></p> <ul style="list-style-type: none"> <li>• Chair of Audit and Risk Assurance Committee (Non-Executive Director)</li> <li>• 2 Non-Executive Directors, following recommendation from the Trust Chair</li> </ul> <p>The Committee shall have sufficient skills amongst its Members to be able to discharge its responsibilities. Members of the Committee shall not be members of the Remuneration and Terms of Service Committee.</p> <p><b>In attendance:</b></p> <ul style="list-style-type: none"> <li>• Chief Executive</li> <li>• Executive Director of Finance, Procurement and Estates</li> <li>• Medical Director</li> <li>• Assistant Director of Financial Services</li> <li>• Assistant Director of Financial Management</li> <li>• Corporate Financial Accountant / Fraud Liaison Officer</li> <li>• Assistant Director, Clinical and Social Care Governance</li> <li>• Head of Internal Audit, BSO</li> <li>• Assistant Head of Internal Audit, BSO</li> <li>• Director, Northern Ireland Audit Office</li> </ul> <p>In exceptional circumstances:-</p> <p>Where the Chair is unavailable, a Non-Executive Director shall Chair the Committee.</p> <p>Where the Chief Executive is unavailable, an Executive Director will be required to deputise.</p> <p><b>Attendance for specific agenda items:</b></p> |

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|                      | <ul style="list-style-type: none"> <li>- Requirement that a Director / Assistant Director will be requested to attend when a report pertinent to their area of responsibility is being discussed.</li> <li>- Executive members of the Trust, though not members of the Committee, will be invited to attend to provide information to the Committee where Internal Audit reports with less than satisfactory assurance have been provided or when the Committee deem necessary.</li> <li>- Other members of Trust staff may be required to attend meetings as the Committee considers necessary.</li> <li>- At least once a year the Committee should meet privately with the External and Internal Auditors.</li> <li>- A representative from the Sponsor team (Department of Health) will be invited to attend at least one meeting of the Committee per year as an observer.</li> <li>- The ARAC Chair has the option to explore bringing in additional independent, non-executive members from sources other than the Trust Board to ensure an appropriate level of skills and experience as required.</li> </ul> <p><b>Secretary:</b><br/>Meetings will be administrated via the Office of the Chair.</p>                                                                                                                                                                                                                   |
| <p><b>DUTIES</b></p> | <p>The remit of the Committee is to:-</p> <p><b>Governance, Risk Management and Internal Control</b></p> <ul style="list-style-type: none"> <li>• Support the Board in having an effective system of integrated governance, risk management and internal control</li> <li>• Review the adequacy of strategic processes for risk, control and governance, including the Mid-Year Assurance Statement and the Governance Statement, together with any accompanying Head of Internal Audit statement, external audit opinion or other appropriate independent assurances, prior to endorsement by the Board</li> <li>• Use assurance mapping to identify where assurance is required and any key gaps where no assurance is provided, or where the quality of the assurance is poor</li> <li>• Review the adequacy of financial governance policies, including revised versions of the Trust’s Standing Orders and Standing Financial Instructions</li> <li>• Review and approval of the policies and procedures for all work related to Conflicts of Interest, bribery, fraud and corruption as required by the Counter Fraud and Probity Service at the Business Services Organisation for onward submission to the Trust’s Policy Scrutiny Committee for ratification</li> <li>• Ensures the Trust operates appropriate and effective whistleblowing practices, in keeping with NIAO’s good practice guide on Raising</li> </ul> |

Concerns (June 2020), and has completed the associated self-assessment checklist

- Receives reports on major incidents as well as details of special investigations, including any whistleblowing cases
- Review the annual schedule of losses and compensation payments and make recommendations to the Board regarding their approval
- Review a summary of Post Project Evaluations on capital and revenue proposals greater than £300k
- Review the Trust Procurement Board Annual report including all approved Direct Award Contracts
- Receive regular updates in relation to fraud cases under investigation
- Review the Committee's terms of reference on an annual basis and submit to the Board for approval. Any subsequent changes to the Committee's terms of reference will be reported to the sponsor team (Department of Health)
- Oversee the adequacy and effectiveness of the risk management framework in the Trust and receive a copy of the Corporate Risk Register at every meeting for reference.
- Ensure that deep dives are undertaken where necessary in core and emerging risk areas, and these are sufficiently detailed so ARAC can understand the risk and challenge management.

In addition, the Committee will:-

- Complete the Northern Ireland Audit Office (NIAO) Effectiveness Tool on an annual basis and develop an action plan if necessary

The Committee will work closely with the Governance Committee whose work will provide comprehensive assurance to the Audit and Risk Assurance Committee. Each Committee will remain within its own scope of work.

### **Internal Audit**

- Ensure there is an effective internal audit function established by management that meets the Institute of Internal Auditors Global Internal Audit Standards (GIAS) and provides appropriate independent assurance to the Committee, Accounting Officer 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
- Consideration of the Head of Internal Audit's mid-year assurance and annual report, major findings of internal audit work (and management's response), and ensure 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 the organisation
- Annual review of the effectiveness of internal audit
- Assure itself that Trust management has implemented the agreed recommendations of Internal Audit reports in a timely and effective way

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|                         | <p>by reviewing at each meeting the on-going progress of the Internal Audit Forum</p> <p><b>External Audit</b></p> <ul style="list-style-type: none"> <li>• Review the work and findings of the External Auditor and consider the implications of, and management’s responses to, their work. <i>This will be achieved by:</i></li> <li>• Consideration of the performance of the External Auditor</li> <li>• Discussion and agreement with the External Auditor, before the audit commences, of the nature and scope of the audit as set out in the External Audit Strategy</li> <li>• Discussion with the External Auditors of their local evaluation of audit risks and assessment of the Trust</li> <li>• Review of all External Audit reports, including consideration of the Report to those charged with Governance before submission to the Board and any work carried out outside the annual audit plan, together with the appropriateness of management responses.</li> </ul> <p><b>HSC Business Services Organisation Shared Services</b></p> <ul style="list-style-type: none"> <li>• Obtain assurance annually of the governance arrangements in operation across the HSC Business Services Organisation</li> <li>• Give consideration to the performance of the HSC Business Services Organisation</li> </ul> <p><b>Financial Reporting</b></p> <ul style="list-style-type: none"> <li>• Monitor the integrity of the Trust’s Financial Statements</li> <li>• Review the Trust’s Annual Report, Governance Statement and the Financial Statements before submission to the Board in order to determine their completeness, integrity and accuracy. This includes Public Funds, Residents and Patients’ Monies and Charitable Trusts Funds. This will include Sustainability Reporting.</li> <li>• Recommend to the Board that the Annual Report, Governance Statement and Financial Statements are approved</li> <li>• Review all accounting and reporting systems for reporting to the Board including in respect of budgetary control</li> <li>• ARAC assesses the organisation’s net zero strategy with sufficient detail, and at regular intervals.</li> <li>• ARAC is appropriately briefed on significant projects and programmes throughout their lifecycle e.g. provision of gateway reviews at each stage of the project.</li> </ul> <p>The Committee will receive a copy of the Corporate Risk Register at every meeting for reference.</p> |
| <p><b>AUTHORITY</b></p> | <p>The Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee, through the relevant Director, and will be given the resources necessary to carry out its role.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |

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|                      | <p>The Committee will be given full access to any information within the Southern Health and Social Care Trust that it requires to fulfil its function.</p> <p>The Committee is authorised by the Board to obtain independent external professional advice with approval from the Accounting Officer. It is authorised to request the attendance at the Committee of individuals or authorities independent of the Trust with relevant experience and expertise if it considers this necessary or expedient to the carrying out of its functions. The Committee will advise the Board of any investigation being undertaken that instructs professional advisers and update the Board on progress.</p> <p>The Committee will at its discretion where it is deemed relevant, be able to refer risks to other standing Trust Board Committees</p> |
| <b>MEETINGS</b>      | <p><b>Quorum:</b><br/>A quorum shall be two Non-Executive Director members.</p> <p><b>Frequency of Meetings:</b><br/>The Committee will normally meet five times per year. The Chair of the Committee can convene a meeting for a special purpose at any time. The External Auditor or Head of Internal Audit can request a meeting if they consider one is necessary.</p> <p><b>Papers:</b><br/>Meeting agenda and papers will be disseminated no later than 5 working days prior to the meeting date.</p> <p><b>Meeting Arrangements:</b><br/>All meetings will be held in person. At the Chair’s discretion, a virtual meeting may be held.</p>                                                                                                                                                                                              |
| <b>REPORTING</b>     | <p>Formal minutes will be recorded of each meeting of the Committee and will be distributed to the members of the Committee for approval at the subsequent meeting and submitted to the Board.</p> <p>Following each Committee meeting, the Committee Chair will present a written summary report on the meeting to the next Board meeting, drawing to the attention of the Board any issues that require executive action.</p> <p>Any business conducted in a confidential session by the Committee will be reported to a confidential session of the Board.</p> <p>The Audit and Risk Assurance Committee will provide the Board and Accounting Officer with an Annual Report, timed to support finalisation of the accounts and the Governance Statement, summarising its conclusions from the work it has done during the year.</p>         |
| <b>OTHER MATTERS</b> | <p>The Committee shall be supported administratively via the Office of the Chair and Chief Executive, whose duties in this respect will include:</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |

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|                                                         | <ul style="list-style-type: none"> <li>• Agreement of agenda with the Chair</li> <li>• Collation and distribution of papers no less than 5 working days in advance of the meeting</li> <li>• Ensuring appropriate arrangements are in place for the servicing of the Committee including taking and producing draft minutes of the meeting for the Chair's approval</li> <li>• Taking forward matters arising and issues to be carried forward</li> <li>• Arranging the attendance of appropriate officers at the meetings</li> <li>• Assisting the Committee Chair in ensuring the effective operation of the Committee</li> <li>• Advising the Committee on pertinent issues</li> <li>• Annual review of the Terms of Reference and recommendation of updates</li> <li>• Development and maintenance of the Committee work plan for the calendar year</li> <li>• Production of Committee Annual Report in conjunction with the Committee Chair</li> <li>• Ensuring that new members receive appropriate induction training and that all members are supported in identifying and participating in ongoing training</li> </ul> |
| <p><b>CONFLICT/<br/>DECLARATION<br/>OF INTEREST</b></p> | <p>The Chair of the Committee shall seek any declaration or conflict of interest on any matter at the outset of each meeting.</p> <p><b>Withdrawal of individuals in attendance:</b></p> <p>If a Conflict of Interest is established, the member concerned should withdraw from the discussion and play no part in the relevant discussion or decision.</p> <p>Individuals invited for a specific item will be asked to withdraw following completion of that item.</p> <p>All stated declarations of interest made shall be formally recorded in the minutes.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| <p><b>REVIEW</b></p>                                    | <p>The Committee will review and approve its Terms of Reference on an annual basis for presentation to Trust Board.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |