

Audit and Risk Committee

Terms of Reference

December 2017

V1.0



**NHS fraud.
Spot it. Report it.
Together we stop it.**

Version control

Version	Name	Date	Comment
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1. Terms of Reference – Purpose

The Audit & Risk Committee provides an independent and objective view of internal control. The Committee is authorised to take decisions on behalf of the NHS Counter Fraud Authority (NHSCFA) on matters relevant to the purpose of the committee (but not reserved to the Board) and to obtain outside independent professional advice and 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

2.1 The 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 NHSCFA, 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 NHSCFA;
- Counter Fraud policies, whistle-blowing processes, and arrangements for special investigations.

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

A copy of the agreed minutes of each meeting of the committee will be presented by the chair of the committee to the Board.

2.2 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 CFA's activities and supporting achievement of the organisation objectives
- In particular, the Committee will review the adequacy and effectiveness of:
 - a. 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;
 - b. 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;
 - c. The policies for ensuring compliance with relevant regulatory, legal and code of conduct requirements and related reporting and self-certification; and,
 - d. The policies and procedures for all work related to fraud and corruption.
- The Committee will utilise work of internal audit, external audit and other assurance functions. 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.

- At each meeting the Committee will consider a review of key risk management factors. In particular, this will include a review of the NHSCFA's Risk Assurance Framework and an explanation of any changes in risk ratings. This Committee will consider if any issues raised elsewhere on the agenda impact on the corporate risk register or the Assurance Framework. Annually the committee will review the authority-wide risk register.

2.3 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:
 - a. Consideration of the provision of the internal audit service, the cost of the audit and any questions of resignation and dismissal;
 - b. 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 NHSCFA.
 - c. 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;
 - d. Ensuring that the internal audit function is adequately resourced and has appropriate standing within NHSCFA; and
 - e. An annual review of the effectiveness of internal audit.

2.4 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:
 - a. Consideration of the appointment and performance of the external auditors, as far as the rules governing their appointment permit;
 - b. 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;
 - c. Discussion with the external auditors of their evaluation of audit risks, their assessment of NHSCFA and the associated impact on the audit fee; and
 - d. 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.

2.5 Other Assurance Functions:

- The Committee will review findings of other significant assurance functions, both internal and external to NHSCFA and consider the implications for the governance of NHSCFA. These will include, but will not be limited to, any reviews by the Department of Health.
- In addition, the Committee will review the work of other groups within NHSCFA, 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 NHSCFA, and the implementation of agreed policies and standards.

(a) Counter Fraud

- The Committee will satisfy itself that NHSCFA has adequate arrangements in place for countering internal fraud and will review the outcomes of that work.
- The committee will review and approve the internal counter fraud arrangements on an annual basis

(b) Whistleblowing

- The committee will review the policies by which staff may, in confidence, raise concerns about the possible improprieties in matters of financial reporting or other matters.

(c) 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 NHSCFA as they may be appropriate to the overall arrangements.

2.6 Financial Reporting

- The Committee will monitor the integrity of the financial statements of NHSCFA and any formal announcements relating to NHSCFA'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 NHSCFA's annual budget prior to consideration by the board
- At every meeting the Director of Finance will present a budget monitoring statement for the committee's review
- The Committee will review the annual report and audited accounts before submission to the Board, focusing particularly on:
 - a. The wording in the annual governance statement and other disclosures relevant to the terms of reference of the Committee;
 - b. Changes in, and compliance with, accounting policies, practices and estimation techniques;
 - c. Unadjusted mis-statements in the financial statements;
 - d. Significant judgments in preparation of the financial statements;
 - e. Significant adjustments resulting from the audit;
 - f. Letter of Representation; and
 - g. Qualitative aspects of financial reporting

3. Members

- Members Chair – a Non-executive director who must be a CCAB qualified accountant (in the absence of the Chair another Non-executive director who is a member of the Committee) PLUS
- During transition period – up to two other NEDs (can be none)
- After transition period – two other Non-executive directors.
- The chairman of the board cannot be a member of the committee

4. Attendees

- Director of Finance.
- Representative(s) of Internal Audit.

- Representative of external audit (dependent on agenda)
- 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.
- Minute taker

The committee may require the attendance of any director, or member of staff, to discuss and review any area it considers relevant to the role of the Committee.

5. Quorum

The meeting will be quorate if two or more members are present (during transition period the meeting will be quorate with only the chairman present).

6. Frequency

The committee will meet at least four times per annum, scheduled to allow the discharge of all of the Committee's responsibilities.

At least once a year the members of the committee will meet on their own with the Internal and External Auditors.

The agenda will be agreed with the chairman before being issued
Agendas and papers will be circulated at least one week prior to the meeting.

Draft minutes of the meeting will be available for the chairman's review within one week of the meeting

The Terms of reference are to be agreed by the board. They will be reviewed annually by the committee. If any changes are recommended following the review they must be approved by the board