



## AUDIT AND RISK ASSURANCE COMMITTEE

### TERMS OF REFERENCE

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V1	Audit Committee	08.12.2009	Approved
	Hywel Dda Health Board	28.01.2010	Approved
	Hywel Dda Health Board	22.07.2010	Approved
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V3	Hywel Dda Health Board	29.09.2011	Approved
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V.17	Hywel Dda University Health Board	25.07.2024	Approved

## AUDIT & RISK ASSURANCE COMMITTEE

### 1. Constitution

- 1.1 The Audit Committee has been established as a Committee of the Hywel Dda University Health Board (HDdUHB) and constituted from 1 October 2009. The Committee is an independent Committee of the Board and has no executive powers, other than those specifically delegated in these Terms of Reference. On 1 June 2015, the Committee took on an enhanced role and was re-named the Audit and Risk Assurance Committee (the Committee).

### 2. Purpose

- 2.1 The purpose of the Audit and Risk Assurance Committee is to advise and assure the Board and the Accountable Officer on whether effective arrangements are in place, through the design and operation of the UHB's system of assurance, to support them in their decision taking and in discharging their accountabilities for securing the achievement of the UHB's objectives, in accordance with the standards of good governance determined for the NHS in Wales.
- 2.2 The Committee independently monitors, reviews and reports to the Board on the processes of governance, and where appropriate, facilitates and supports, through its independence, the attainment of effective processes.
- 2.3 Where appropriate, the Committee will advise the Board and the Accountable Officer on where, and how, its system of assurance may be strengthened and developed further.
- 2.4 The Committee's principal duties encompass the following:
- 2.4.1 Review the establishment and maintenance of an effective system of good governance, risk management and internal control across the whole of the

- organisation's activities, both clinical and non-clinical.
- 2.4.2 Seek assurance that the systems for financial reporting to Board, including those of budgetary control, are effective, and that financial systems processes and controls are operating.
- 2.4.3 Work with the Quality, Safety and Experience Committee, the People Organisational Development and Culture Committee, Strategic Development and Operational Delivery Committee and Sustainable Resources Committee to ensure that governance and risks are part of an embedded assurance framework that is 'fit for purpose'.
- 2.4.4 Receive an assurance on delivery against relevant Planning Objectives aligned to the Committee accordance with Board approved timescales, as set out in HDdUHB's Annual Plan.
- 2.5 Receive assurance, on behalf of the Board, of the Health Board's response to targeted intervention, including the systems and processes in place to oversee the timely delivery against the 6 domains, and assurance on the Health Board's progress towards de-escalation.
- 2.6 Receive assurance on delivery against the areas of targeted intervention, and the required elements for de-escalation, related to governance (see Appendix 1 for additional detail):
- i. Observation and analysis
  - ii. Peer support
  - iii. Development of key frameworks
  - iv. Board Self-Assessment

### 3. Key Responsibilities

The Audit and Risk Assurance Committee shall provide advice, assurance and support to the Board in ensuring the provision of high quality, safe healthcare for its citizens, as follows:

#### **Governance, Risk Management and Internal Control**

- 3.1 The Committee shall review the adequacy of the UHB's strategic governance and assurance arrangements and processes for the maintenance of an effective system of good governance, risk management and internal control, across the whole of the organisation's activities (both clinical and non-clinical) that supports the achievement of the organisation's objectives.
- 3.2 In particular, the Committee will review the adequacy of:
- 3.2.1 all risk and control related disclosure statements (in particular the Accountability Report and the Performance Report), together with any accompanying Head of Internal Audit statement, external audit opinion or other appropriate independent assurances, prior to endorsement by the Board;
  - 3.2.2 the underlying assurance processes that indicate the degree of the achievement of strategic and planning objectives, the effectiveness of the

- management of principal risks and the appropriateness of the above disclosure statements;
- 3.2.3 the policies for ensuring compliance with relevant regulatory, legal and code of conduct and accountability requirements; and
  - 3.2.4 the policies and procedures for all work related to fraud and corruption as set out in Welsh Government Directions and as required by the Counter Fraud and Security Management Service.
- 3.3 In carrying out this work, the Committee will primarily utilise the work of Internal Audit, Clinical 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 as appropriate, concentrating on the overarching systems of good governance, risk management and internal control, together with indicators of their effectiveness.
- 3.4 This will be evidenced through the Committee's use of an effective assurance framework to guide its work and that of the audit and assurance functions that report to it.
- 3.5 The Committee will seek assurance that effective systems are in place to manage risk, that the organisation has an effective framework of internal controls to address principal risks (those likely to directly impact on achieving strategic objectives), and that the effectiveness of that framework is regularly reviewed.
- 3.6 Monitor the assurance environment and challenge the build-up of assurance on the management of key risks across the year, and ensure that the Internal Audit plan is based on providing assurance that controls are in place and can be relied upon (particularly where there is a significant shift between the inherent and residual risk profile), and review the internal audit plan in year as the risk profile changes.
- 3.7 Seek assurance on delivery against Planning Objectives aligned to the Committee, considering and scrutinising the frameworks, charts/charters and action plans that are developed, supporting and endorsing these as appropriate.
- 3.8 Consider and recommend to the Board approval of any changes to the Risk Management Framework and oversee development of the Board Assurance Framework.
- 3.9 Provide assurance with regard to the systems and processes in place for clinical audit, and consider recommendations from the Effective Clinical Practice Working Group on suggested areas of activity for review by internal audit.
- 3.10 The Committee will be responsible for reviewing the UHB's Standing Orders and Standing Financial Instructions and Scheme of Delegation annually, (including associated framework documents as appropriate), monitoring compliance, and reporting any proposed changes to the Board for consideration and approval.
- 3.11 To receive annually a full report of all offers of gifts, hospitality, sponsorship and honoraria recorded by the UHB and report to the Board the adequacy of these arrangements.

- 3.12 To review and report to the Board annually the arrangements for declaring, registering, and handling interests.
- 3.13 Approve the writing-off of losses or the making of special payments within delegated limits.
- 3.14 Receive an assurance on Post Payment Verification Audits through bi-annual reporting to the Committee.
- 3.15 Receive a report on all Single Tender Actions and extensions of contracts.

### **Internal Audit and Capital/PFI**

- 3.16 The Committee shall ensure that there is an effective internal audit and capital/PFI function established by management that meets mandatory Internal Audit Standards for NHS Wales and provides appropriate independent assurance to the Committee, Chief Executive and Board. This will be achieved by:
  - 3.16.1 review and approval of the Internal Audit Strategy, Charter, operational plan and more detailed programme of work, ensuring that this is consistent with the audit needs of the organisation;
  - 3.16.2 review of the adequacy of executive and management responses to issues identified by audit, inspection and other assurance activity, in accordance with the Charter;
  - 3.16.3 Regular consideration of the major findings of internal audit work (and management's response), and ensure co-ordination between the Internal and External Auditors to optimise audit resources;
  - 3.16.4 ensuring that the Internal Audit function is adequately resourced and has appropriate standing within the organisation; and
  - 3.16.5 annual review of the effectiveness of internal audit.

### **External Audit**

- 3.17 The Committee shall review the work and findings of the External Auditor and consider the implications and management's responses to their work. This will be achieved by:
  - 3.17.1 discussion and agreement with the External Auditor, before the audit commences, of the nature and scope of the audit as set out in the Annual Plan, and ensure coordination, as appropriate, with other External Auditors and inspection bodies in the local health economy;
  - 3.17.2 discussion with the External Auditors of their local evaluation of audit risks and assessment of the Local Health Boards/NHS Trusts and associated impact on the audit fee;
  - 3.17.3 review all External Audit reports, including agreement of the Annual Audit Report and Structured Assessment before submission to the Board, and any work carried outside the annual audit plan, together with the appropriateness of management responses; and
  - 3.17.4 review progress against the recommendations of the annual Structured Assessment.

## **Other Assurance Functions**

- 3.18 The Committee shall review the findings of other significant assurance functions, both internal and external to the organisation, and consider the implications on the governance of the organisation.
- 3.19 The Committee's programme of work will be designed to provide assurance that the work carried out by the whole range of external review bodies is brought to the attention of the Board. This will ensure that the Health Board is aware of the need to comply with related standards and recommendations of these review bodies and the risks of failing to comply. These will include, but will not be limited to, any reviews by Inspectors and other bodies (e.g. Healthcare Inspectorate Wales, Welsh Risk Pool, etc), professional bodies with responsibility for the performance of staff or functions (e.g. Royal Colleges, accreditation bodies, etc).
- 3.20 The Audit and Risk Assurance Committee and the Quality, Safety and Experience Committee both have a role in seeking and providing assurance on Clinical Audit in the organisation. The Audit and Risk Assurance Committee will seek assurance on the overall plan, its fitness for purpose and its delivery. The Quality, Safety and Experience Committee will seek more detail on the clinical outcomes and improvements made as a result of clinical audit. The internal audit function will also have a role in providing assurance on the Annual Clinical Audit Plan.
- 3.21 The Audit and Risk Assurance Committee will also seek assurances where a significant activity is shared with another organisation and collaboratives, in particular the NHS Wales Shared Services Partnership, Welsh Health Specialised Services Committee, Emergency Ambulance Services Committee and other regional committees. The Audit and Risk Assurance Committee will expect to receive assurances from internal audit performed at these organisations that risks in the services provided to them are adequately managed and mitigated with appropriate controls.

## **Management**

- 3.22 The Committee shall request and review reports and positive assurances from directors and managers on the overall arrangements for governance, risk management and internal control.
- 3.23 The Committee may also request specific reports from individual functions within the organisation (e.g. clinical audit), as they may be appropriate to the overall arrangements.
- 3.24 The Committee may also request or commission special investigations to be undertaken by Internal Audit, directors or managers to provide specific assurance on any areas of concern that come to its attention.

## Financial Reporting

- 3.25 The Committee shall review the Annual Accounts and Financial Statements before submission to the Board, focusing particularly on:
- 3.25.1 the ISA 260 report to those charged with governance;
  - 3.25.2 changes in, and compliance with, accounting policies and practices;
  - 3.25.3 unadjusted mis-statements in the financial statements;
  - 3.25.4 major judgemental areas;
  - 3.25.5 significant adjustments resulting from the audit;
  - 3.25.6 other financial considerations include review of the Schedule of Losses and Compensation.
- 3.26 The Committee should also ensure that the systems for financial reporting to the Board, including those of budgetary control, are subject to review as to completeness and accuracy of the information provided to the Board.

## 4. Membership

- 4.1 The membership of the Committee shall comprise of the following:

Member
Independent Member (Chair)
Independent Member (Vice-Chair)
3 x Independent Members

- 4.2 The following should attend Committee meetings:

In Attendance
Director of Finance
Director of Corporate Governance/Board Secretary (Lead)
Representative of the Auditor General
Head of Internal Audit
Capital/Private Finance Initiative (PFI) Auditor
Local Counter Fraud Specialist
Assistant Director of Assurance and Risk
Head of Clinical Audit (as and when required)

- 4.3 Membership of the Committee will be reviewed on an annual basis.

## 5. Quorum and Attendance

- 5.1 A quorum shall consist of no less than three of the membership and must include as a minimum the Chair or Vice Chair of the Committee, *together with a third of the In Attendance members.*

- 5.2 The membership of the Committee shall be determined by the Board, based on the recommendation of the University Health Board (UHB) Chair, taking into account the balance of skills and expertise necessary to deliver the Committee's remit, and subject to any specific requirements or directions made by the Welsh Government.
- 5.3 Any senior officer of the UHB or partner organisation may, where appropriate, be invited to attend, for either all or part of a meeting, to assist with discussions on a particular matter.
- 5.4 The Committee may also co-opt additional independent external 'experts' from outside the organisation to provide specialist skills.
- 5.5 Should any 'in attendance' officer member be unavailable to attend, they may nominate a deputy to attend in their place, subject to the agreement of the Chair.
- 5.6 The Chief Executive, as the Accountable Officer, should be invited to attend, as a minimum when the Committee considers the draft internal audit plan, to present the draft Accountability Report and the annual accounts, and on request by the Committee.
- 5.7 The Chair of the UHB should not be a member of the Audit and Risk Assurance Committee and will not normally attend but may be invited by the Committee Chair to attend all or part of a meeting to assist with its discussions on any particular matter.
- 5.8 The Head of Internal Audit, Capital/PFI Auditor and the representative of the Auditor General shall have unrestricted and confidential access to the Chair of the Audit and Risk Assurance Committee at any time, and vice versa.
- 5.9 The Committee will meet with Internal, Capital/PFI and External Auditors and the Local Counter Fraud Specialist without the presence of officers on at least one occasion each year.
- 5.10 The Chair of the Audit and Risk Assurance Committee shall have reasonable access to Executive Directors and other relevant senior staff.
- 5.11 The Committee may ask any or all of those who normally attend but who are not members to withdraw to facilitate open and frank discussion of particular matters.

## **6. Agenda and Papers**

- 6.1 The Committee Secretary is to hold an agenda setting meeting with the Chair and/or Vice Chair and the Lead Director (Board Secretary), at least **six** weeks before the meeting date.
- 6.2 The agenda will be based around the Committee work plan, identified risks, matters arising from previous meetings, issues emerging throughout the year, and requests from Committee members. Following approval, the agenda and timetable for request of papers will be circulated to all Committee members.



- 6.3 All papers must be approved by the Lead/relevant Director.
- 6.4 The agenda and papers will be distributed **seven** days in advance of the meeting.
- 6.5 A draft Table of Actions will be issued within **two** days of the meeting. The minutes and Table of Actions will be circulated to the Lead Director within **seven** days to check the accuracy, prior to sending to Members (including the Committee Chair) to review within the next **seven** days.
- 6.6 Members must forward amendments to the Committee Secretary within the next **seven** days. The Committee Secretary will then forward the final version to the Committee Chair for approval.

## 7. In Committee

- 7.1 The Committee can operate with an In Committee function to receive updates on the management of sensitive and/or confidential information.

## 8. Frequency of Meetings

- 8.1 The Committee will meet bi-monthly and shall agree an annual schedule of meetings. Any additional meetings will be arranged as determined by the Chair of the Committee in discussion with the Lead (Board Secretary).
- 8.2 The Chair of the Committee, in discussion with the Committee Secretary, shall determine the time and the place of and procedures of such Committee meetings.
- 8.3 The External Auditor, Head of Internal Audit and Capital/PFI Auditor may request a meeting if they consider one is necessary.

## 9. Accountability, Responsibility and Authority

- 9.1 Although the Board has delegated authority to the Committee for the exercise of certain functions, as set out in these Terms of Reference, it retains overall responsibility and accountability for ensuring the quality and safety of healthcare for its citizens through the effective governance of the organisation.
- 9.2 The Committee is directly accountable to the Board for its performance in exercising the functions set out in these terms of reference.
- 9.3 The Committee shall embed the UHB's vision, corporate standards, priorities and requirements, e.g. equality and human rights, through the conduct of its business.
- 9.4 The requirements for the conduct of business as set out in the UHB's Standing Orders are equally applicable to the operation of the Committee.

## 10. Reporting

- 10.1 The Committee, through its Chair and members, shall work closely with the Board's other Committees, including joint/sub committees and groups, to provide advice and assurance to the Board through the:
  - 10.1.1 joint planning and co-ordination of Board and Committee business;
  - 10.1.2 sharing of information.
- 10.2 In doing so, the Committee shall contribute to the integration of good governance across the organisation, ensuring that all sources of assurance are incorporated into the Board's overall risk and assurance framework.
- 10.3 The Committee may establish sub-committees or task and finish groups to carry out on its behalf specific aspects of Committee business. The Committee will receive an update following each sub-committee or task and finish group meeting detailing the business undertaken on its behalf.
- 10.4 The Committee will consider the assurance provided through the work of the Board's other Committees and Sub-Committees to meet its responsibilities for advising the Board on the adequacy of the UHB's overall assurance framework.
- 10.5 The Committee Chair, supported by the Committee Secretary, shall:
  - 10.5.1 Report formally, regularly and on a timely basis to the Board on the Committee's activities. This includes the submission of a Committee update report as well as the presentation of an annual report within six weeks of the end of the financial year and timed to support the preparation of the Accountability Report. This should specifically comment on the adequacy of the assurance framework, the extent to which risk management is comprehensively embedded throughout the organisation, the integration of governance arrangements and the appropriateness of self assessment activity against relevant standards. The report will also record the results of the Committee's self assessment and evaluation.
  - 10.5.2 Bring to the Board's specific attention any significant matter under consideration by the Committee.
  - 10.5.3 Ensure appropriate escalation arrangements are in place to alert the UHB Chair, Chief Executive or Chairs of other relevant Committee, of any urgent/critical matters that may affect the operation and/or reputation of the UHB.
- 10.6 The Board Secretary, on behalf of the Board, shall oversee a process of regular and rigorous self assessment and evaluation of the Committees performance and operation, including that of any sub-committees established. In doing so, account will be taken of the requirements set out in the NHS Wales Audit Committee Handbook.

## **11. Secretarial Support**

11.1 The Committee Secretary shall be determined by the Board Secretary.

## **12. Review Date**

12.1 These terms of reference and operating arrangements shall be reviewed on at least an annual basis by the Committee for approval by the Board.

## **Appendix 1 - Targeted Intervention areas relating to governance**

The **governance intervention and focus** whilst in targeted intervention covers the following areas and the health board will be required to action and demonstrate areas as highlighted below.

1. Observation and analysis
  - Respond to insight and feedback from observations in a positive and constructive manner, setting out how the feedback has had an impact.
2. Peer support
  - Respond to insight and feedback from peer support in a positive and constructive manner, setting out how the feedback has had an impact.
3. Development of key frameworks
  - Develop and implement core frameworks to include performance.
4. Board Self-Assessment
  - Review strategic risks and ensure that risk management is aligned with the health boards risk appetite.
  - Ensure an appropriate governance framework is in place, particularly with regards to providing appropriate scrutiny of performance, leadership style and practice.
  - Regular self-assessment against an agreed maturity matrix.
  - Responding to the outcome of self-assessments and external assessments and observations by setting objectives that will improve effectiveness.

### **De-escalation criteria for governance**

1. Effective oversight and scrutiny of current service provision consistently being provided by the Board and the appropriate Committee as demonstrated by Committee and Board papers.
2. Evidence of Board considering the Duty of Quality to inform their decision making and evaluating their compliance with the Duty.
3. Effective programme and performance management structure is in place, which defines objectives of the improvement work, has plans which show how the work is delivered and what barriers could impact on delivery of outcomes; structures have effective, open and transparent reporting, with effective Board oversight and a clear performance and delivery framework that drives improvement.
4. Risk management arrangements are in place for identifying, recording, managing risks across the organisation. Board is sighted on key risks and areas of concern on a regular basis and is able to offer constructive scrutiny on performance and effective oversight and scrutiny of fragile services provided by QSE and Board.
5. Clear governance and assurance systems in place with performance (quality, resource, activity/outcomes) issues escalated appropriately through clear structures and processes.

6. Self-assessment against an agreed governance maturity matrix with evidence the agreed level.