

## **The Audit Committee**

### **Annual Report**

**Financial Year 1 April 2023 to 31 March 2024**

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## **1 PERIOD COVERED BY THIS REPORT**

This report covers the work of the Audit Committee (the Board of Directors' primary governance committee) for the financial year 1 April 2023 to 31 March 2024.

## **2 INTRODUCTION**

The Audit Committee ("The Committee") provides an independent and objective review of our internal controls. It seeks high-level assurance on the effectiveness of the Trust's governance (corporate and clinical); risk management; and systems of internal control. It reports to the Board of Directors on its level of assurance.

The Committee receives assurance from the executive team and other areas of the organisation through reports, both regular and bespoke. It validates the information it receives through the work of internal audit, external audit, and counter-fraud. Assurance is also brought to the Committee through the knowledge that Non-executive Directors' gain from other areas of their work, not least their own specialist areas of expertise; attending Board and Council of Governors' meetings; leadership visits; and talking to staff.

Further information about the work of the Committee can be found in Section 7 below.

Should our external auditors (KPMG) carry out any non-audit work, the Audit Committee has responsibility for ensuring that their independence is maintained. The Committee will do this by reviewing and approving the scope of the work and the fees charged prior to the work being undertaken.

The substantive membership of the Audit Committee is made up by three Non-executive Directors. The Chair of the Trust may not be a substantive member of the Committee but is invited to attend one meeting during the financial year. The other Non-executive Directors may be invited to attend on an ad-hoc basis, either when it is deemed appropriate for other Non-executive Directors to attend for a particular agenda item, or to ensure quoracy.

Further information about the membership of the Committee can be found in Section 5 below.

## **3 TERMS OF REFERENCE FOR THE AUDIT COMMITTEE**

In April 2023, the Committee reviewed its Terms of Reference (ToR) and noted that changes had been made to the governance review pathway of the Quality Report and Account. It noted that the Committee would now only seek assurance on the process through which the Quality Report would be generated and that the Quality Committee would have the sole responsibility for seeking assurance on the content of the Quality Report. It also noted that the Committee would assume collective responsibility for carrying out the duty of the Safety and Risk Champion, and the Health and Safety Champion. These amendments to the ToR were agreed at the 18 April 2023 Audit Committee meeting and ratified by the Board of Directors at its meeting held on 25 May 2023.

The Committee also carried out a review of its effectiveness in June and July 2023 when members completed the HFMA (Healthcare Financial Management Association) Committee effectiveness questionnaire. The results were collated and then presented to the Committee at the July 2023 meeting. It was concluded that there was a high level of effectiveness of the Committee and that there were no areas of concern which it needed to bring to the attention of the Board.

#### 4 MEETINGS OF THE COMMITTEE

In 2023/24 the Committee met formally on six occasions. All Committee meetings were held virtually. The dates on which the Committee met during the year are as follows:

- 18 April 2023
- 19 June 2023 – Extraordinary meeting for the Annual Accounts
- 18 July 2023
- 17 October 2023
- 17 November 2023 – Extraordinary meeting for the Health and Safety Annual Report 2022/23
- 16 January 2024

#### 5 MEMBERSHIP OF THE COMMITTEE AND ATTENDANCE AT MEETINGS

Membership of the Audit Committee is made up by three Non-executive Directors.

The table below shows attendance for members of the Committee for the period 1 April 2023 to 31 March 2024.

**Attendance at Audit Committee meetings 2023/24**

Name	18 April 2023	19 June 2023 (E)	18 July 2023	17 October 2023	17 November 2023 (E)	16 January 2024
<b>Substantive Non-executive Director members</b>						
Martin Wright (Chair of the Committee)	✓	✓	✓	✓	✓	✓
Dr Frances Healey (Non-executive director)	✓	✓	✓	✓	✓	✓
Cleveland Henry (Non-executive director)	✓	✓	✓	✓	✓	✓

✓ Shows attendance

- Indicates those members who sent apologies during 2023/24

■ Indicates when a member was not eligible to attend the meeting.

During 2023/24 meetings of the Audit Committee were attended on a regular basis by the Chief Financial Officer and the Associate Director for Corporate Governance. Internal audit and counter fraud representation was provided by NHS Audit Yorkshire. External audit representation was provided by the audit team from KPMG.

In addition to the officers that regularly attend the Committee, invitations were extended to members of the executive team and senior managers who attended meetings to present papers and make assurances as required. Additionally, the Chief Executive of the Trust and the Chair of the Trust are both invited to attend at least one meeting a year to ensure the effective functioning of the Committee. The Chief Executive attended the 19 June 2023 meeting, as well as attending the 16 January 2024 meeting to present an assurance update on the Management of Policies audit report. The Chair of the Trust was invited to attend the 17 October 2023 meeting.

To ensure that Committee members have the skills required to carry out their role on the Committee they have the opportunity to attend training courses. Some of these are provided by NHS Audit Yorkshire and they cover topics which are relevant specifically to members of the Audit Committee and also those which are relevant to the issues facing NHS organisations.

## 6 REPORTS MADE TO THE BOARD OF DIRECTORS

The Chair of the Audit Committee makes an assurance, escalation, and advisory report regarding the most recent meeting of the Committee to the next available Board of Directors' meeting. This report seeks to assure the Board on the main items discussed by the Committee, and, should it be necessary, to escalate to the Board any matters of concern or urgent business which the Committee is unable to conclude. The Board may then decide to give direction to the Committee as to how the matter should be taken forward or it may agree that the Board deals with the matter itself.

The below table outlines the dates that the assurance and escalation reports were presented by the Chair of the Audit Committee to the Board of Directors meetings.

<b>Date of meeting</b>	<b>Assurance and escalation report to Board by Chair</b>
18 April 2023	25 May 2023
18 July 2023	27 July 2023
17 October 2023	30 November 2023
17 November 2023	30 November 2023
16 January 2024	25 January 2024

In addition to the Assurance and Escalation Reports described above, the Audit Committee's Annual Report is also received by the Board of Directors. Following this, the Annual Report is received and considered by the Council of Governors as one method of providing assurance as to how the Non-executive Directors have held the Executive Directors to account for the performance of the Board. It also provides the

Council of Governors with an outline of the work carried out by the external auditors (whom they appoint). The Committee's annual report for 2022/23 was presented to the Board of Directors at its extraordinary meeting on 22 June 2023. It was then subsequently presented by Mr Martin Wright to the Council of Governors at its meeting held on 4 July 2023.

## **7 THE WORK OF THE COMMITTEE DURING 2023/24**

For 2023/24 the Chair and members of the Audit Committee confirm that the Committee has fulfilled its role as the primary governance and assurance committee in accordance with its Terms of Reference, which are attached at Appendix 1 for information.

In 2023/24 the Committee approved the work plans for both the internal and external auditors and the counter-fraud service. It received and reviewed both regular progress reports and concluding annual reports for the work of internal and external audit and the counter-fraud team. This allowed the Committee to determine its level of assurance in respect of progress with various pieces of work and the findings. These reports have also provided assurance on the Trust's internal controls. The Committee assessed the effectiveness of these functions by reviewing the periodic reports from the auditors and monitoring the pre-agreed key performance indicators.

As part of assessing its own effectiveness and setting its annual Cycle of Business, the Committee also has the opportunity of setting additional annual objectives which are not covered by its business-as-usual operations. At the October 2023 meeting, the Committee agreed to set an annual objective to improve the succinctness of the papers received by the Committee at its meetings in order to improve its efficiency.

Areas of work on which the Committee received assurance during 2023/24 are set out below. Details of the work of the Committee can be found in the minutes of its meetings which are available on the Trust website, or from the Corporate Governance Team ([corporategovernance.lypft@nhs.net](mailto:corporategovernance.lypft@nhs.net)).

### **Quality Report:**

- At an extraordinary meeting held in June 2023, the Committee reviewed the process by which the Quality Report and Account for 2022/23 had been developed. The Committee was assured by this process. The Quality Report was then presented and approved by the Board of Directors.

### **Health and Safety:**

- At its July 2023 meeting the Committee received the Health and Safety Annual Report for 2022/23. It determined that the report was not in a satisfactory condition to be shared with the Board of Directors for approval. An amended report was submitted to the Committee at its extraordinary meeting in November 2023 which was approved after the Committee acknowledged the progress that had been made in terms of its content.
- The Committee also receives quarterly updates in relation to Health and Safety at each meeting. Work is ongoing to define the parameters of "Health and Safety" so that the report is differentiated from wider Clinical Governance safety measures. It was also agreed that the quarterly Health and Safety updates would be shared with the Workforce Committee and the Finance and Performance

Committee for assurance, with the Audit Committee retaining overall responsibility for seeking assurance in this area.

- The Committee noted at its January 2024 meeting that the Trust had hired an Interim Health and Safety Consultant. It was reassured that there were plans to review the Health and Safety Committee's Terms of Reference and to make improvements to Health and Safety inspections, training compliance, compliance with the NHS Workplace Standards, and how Health and Safety reports would be received by both the Audit Committee and the Board of Directors going forward.

#### **Risk Management:**

- The Director of Nursing and Professions attended the October 2023 Committee meeting to make assurances on the risk management system and the system for recording risks. The Committee noted that the report demonstrated continued improvement within the risk management systems and processes.

#### **Board Assurance Framework (BAF):**

- The Committee received the Board Assurance Framework at both its April 2023 and October 2023 meetings. It was assured on both the content and the process on both occasions and did not recommend any amendments to the content.

#### **Annual Report and Accounts for 2022/23:**

- The Annual Report and Accounts for 2022/23 were reviewed prior to being presented to the Board of Directors for adoption in June 2023.
- The ISA 260 (which is the report to those charged with governance on the annual accounts) was received and the findings from the audit of the annual accounts discussed. The recommendations from the report were noted and there were no significant outstanding issues to bring to the Committee's attention. The Committee was assured by the external audit team that the annual report met the requirements of the guidance issued and that there were no inconsistencies found in the information provided in the annual report.
- The Head of Internal Audit Opinion and the Annual Governance Statement were reviewed and found to be consistent.
- The Committee reviewed the Annual Governance Statement and agreed that it presented a correct view of the governance systems in place for the control of risk and was consistent with the views expressed by the internal and external auditors. It agreed that the statement should be incorporated in the Annual Report 2022/23 for ratification by the Board of Directors.
- The Committee reviewed and was assured of the Trust's compliance with NHS England's Foundation Trust Code of Governance.
- The Committee reviewed and was assured on the process for obtaining the declarations required by the NHS England's Provider Licence Conditions and approved the positive confirmation for each of the licence conditions.

#### **Internal Audit:**

- The Committee approved the Internal Audit Annual Plan for 2023/24 at its April 2023 meeting.
- The Committee received suggestions for inclusion in the Internal Audit Plan from other Board sub-committees. These areas had been informed by matters that they considered posed a potential risk or an area of concern.

- The Internal Audit Annual Report was received by the Committee in June 2023 which brought together all the findings from across the previous year.
- The Committee received regular update reports from the Internal Audit Network.
- The Committee received internal audit progress reports at each of its regular meetings to update the Committee on the major findings of the internal audit team, with assurance being provided on the actions taken to address any weaknesses in the systems of control. It noted that some audits had been deferred to a later date and that the Committee was assured for the reasoning behind these deferrals.

#### **Counter-fraud:**

- The Committee approved the Local Counter Fraud Annual Work Plan for 2023/24 at its July 2023 meeting.
- The Committee received and were assured by the contents of the Annual Counter Fraud Report for 2022/23 at its July 2023 meeting.
- The Committee received Local Counter-Fraud Progress Reports at each of its regularly scheduled meetings throughout the year. These updated the Committee on the major findings and any lessons learnt from individual cases on counter-fraud.
- Assurances were received about the processes in place to tackle fraud and bribery.

#### **Action tracking:**

- The Committee received regular reports in respect of progress with the implementation by managers of agreed audit recommendations and sought assurance on progress of outstanding actions. The Committee also received specific assurance on the process for dealing with and monitoring outstanding actions, with particular reference to the role of the Executive Risk Management Group which has oversight of the actions.

#### **External audit:**

- The Committee approved the fee for delivering the 2022/23 External Audit Plan at its April 2023 meeting.
- The Committee received an update on the significant audit risks that had been identified by the external auditors KPMG for 2023/24. The Committee noted that the final external audit plan for 2023/24, the fee, and the Value for Money Risk Assessment would be presented at the April 2024 Audit Committee meeting for approval.
- Regular update reports were received about the work of the auditors and also information about changes within the accounting regime and the health sector which would impact on the Trust.
- The Committee received details of relevant sector updates along with assurances on how the executive directors had implemented or taken account of the guidance contained in the update report.

#### **Registers and Declarations of Interest process:**

- The Committee reviewed: the Hospitality Register; the Gifts Register; the Sponsorship Register; the Register for the use of Management Consultants; and the Losses and Special Payments Register, to ensure the appropriateness and completeness of the content.



- The Committee noted that the Trust's Hospitality, Sponsorship, and Gifts Policy and Procedure had been updated to incorporate recommendations made by the Committee. It was reassured that the amended procedure was appropriate, clear to understand and was adhered to across the Trust.
- The Committee reviewed the annual declarations of interest process for 2023/24 and was assured that there had been a 100% return rate for declarations from identified decision makers across the Trust where there were no identified mitigating factors as to why a declaration was unavailable.

**Tender and Quotation Exception reports:**

- Assurance was received on the reasons for the Tender and Quotation procedures being waived during 2023/24.

## **8 Conclusion**

As the primary governance committee of the Board of Directors the Audit Committee preserved its independence from operational management by not having executive membership (although executive directors support the Committee by providing information and context only).

It added value by maintaining an open and professional relationship with internal and external audit and counter-fraud. It carried out its work diligently, discussed issues openly and robustly, and kept the Board of Directors apprised of any possible issues or risks. The Audit Committee fulfilled its work programme for 2023/24 and provided assurances to the Board for any issues referred to it. It took assurances from the internal and external auditors on key matters.

The Chair of the Audit Committee considers that the Committee has fulfilled its role as the Board of Directors' senior governance committee and provided assurance to the Board on the adequacy and effective operation of the organisation's internal control systems.

Members of the Audit Committee would like to thank all those who have responded to its requests during the year and who have supported it in carrying out its duties.

**Martin Wright**  
**Non-executive Director**  
**Chair of the Audit Committee**  
**April 2024**

**Kieran Betts**  
**Corporate Governance Officer**  
**April 2024**

**AUDIT COMMITTEE****Terms of Reference**

**(Approved by the Committee on 18 April 2023  
Ratified by the Board of Directors on 25 May 2023)**

**1 NAME OF COMMITTEE**

The name of this committee is the Audit Committee.

**2 COMPOSITION OF THE COMMITTEE**

The members of the committee and those who are required to attend are shown below together with their role in the operation of the committee.

**Members**

Title	Role in the committee
Non-executive Director (Chair of the Committee)	<p>Committee chair and responsible for evaluating the assurance given and identifying if further consideration / action is needed.</p> <p>Non-executive directors provide constructive challenge and strategic guidance, and lead in holding the executive to account. In particular, non-executive directors should scrutinise the performance of the executive management in meeting agreed goals and objectives, receive adequate information and monitor the reporting of performance. They should satisfy themselves as to the integrity of clinical and other information, and make sure that clinical quality controls, and systems of risk management and governance, are robust and implemented.</p> <p>(Code of Governance for NHS Provider Trusts, NHS England 2022)</p>
2 Non-executive Directors	<p>Responsible for evaluating the assurance given and identifying if further consideration / action is needed.</p> <p>Non-executive directors provide constructive challenge and strategic guidance, and lead in holding the executive to account. In particular, non-executive directors should scrutinise the performance of the executive management in meeting agreed goals and objectives, receive adequate information and monitor the reporting of performance. They should satisfy themselves as to the integrity of clinical and other information, and make sure that clinical quality controls, and systems of risk management and governance, are robust and implemented.</p>

	(Code of Governance for NHS Provider Trusts, NHS England 2022)
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While specified non-executive directors will be regular members of the Audit Committee any other non-executive can attend the meeting on an ad-hoc basis if they wish and will be recognised as a member for that particular meeting and if necessary will count towards the quoracy.

### Attendees

Title	Role in the committee	Attendance guide
Chief Financial Officer	Key responsibilities regarding audit and reporting	Every meeting
Internal Audit representation	Independent assurance providers	Every meeting
External Audit representation	Independent assurance providers	Every meeting
Local Counter Fraud representation	Independent assurance providers	Dependant on the agenda
Associate Director for Corporate Governance	Committee support and advice	Every meeting

The chair of the Audit Committee shall be seen as independent and therefore must not chair any other governance committee either of the Board of Directors or wider within the Trust.

Executive directors and other members of staff may attend by invitation in order to present or support the presentation of agenda items / papers to the committee. In particular, executive directors will be invited to attend a meeting where a limited assurance report has been issued by Internal Audit and is on the agenda to be discussed.

The Chair of the Trust and the Chief Executive will be invited to attend the Audit Committee once per year.

### 2.1 Governor Observers

The role of the governor at Board sub-committee meetings is to observe the work of the Committee, rather than to be part of its work as they are not part of the formal membership of the Committee. The governor observes Board sub-committee meetings in order to get a better understanding of the work of the Trust and to observe non-executive directors appropriately challenging the executive directors for the operational performance of the Trust.

At the meeting the governor observer will be required to declare any interest they may have in respect of any of the items to be discussed (even-though they are not formally part for the discussion). Governors will receive an information pack prior to the meeting. This will consist of the agenda, the minutes of the previous meeting and summaries of the business to be discussed. Governor observers will be invited to the meeting by the Corporate Governance

Team. The chair of the meeting should ensure that there is an opportunity for governor observers to raise any points of clarification at the end of the meeting.

## **2.2 Associate Non-executive Directors**

Associate Non-executive Directors will be invited to attend Board Sub-committee meetings as part of their induction. They will be in attendance at the meeting, in the capacity of observer only, unless invited to contribute by the Chair in circumstances that support the ANEDs development and understanding. This is so the accountability of the substantive members of the committee is maintained.

Associate NEDs will be invited to meetings by the Corporate Governance Team and will be sent copies of the meeting papers.

## **3 QUORACY**

**Number:** The minimum number of members for a meeting to be quorate is 2. Attendees do not count towards this number.

**Deputies:** Non-executive directors do not have deputies. Non-core non-executive directors may be asked to attend if there is a risk to the meeting not being quorate.

Attendees should nominate a deputy to attend in their absence. A schedule of deputies, attached at appendix 1, this should be reviewed at least annually to ensure adequate cover exists.

**Non-quorate meeting:** Non-quorate meetings may go forward unless the chair decides otherwise. Any decisions made by the non-quorate meeting must be reviewed at the next quorate meeting.

**Alternate chair:** If the Chair of the Audit Committee is not available the meeting shall be chaired by one of the other non-executive directors.

## **4 MEETINGS OF THE COMMITTEE**

Meetings may be held face-to-face or remotely as is considered appropriate. Remote meetings may involve the use of the telephone and / or electronic conference facilities.

**Frequency:** The Audit Committee will normally meet as required but will in any case meet no fewer than four times per year.

**Urgent meeting:** Any of the committee members may, in writing to the chair, request an urgent meeting. The chair will normally agree to call an urgent meeting to discuss the specific matter unless the opportunity exists to discuss the matter in a more expedient manner (for example at a Board meeting).

**Minutes:** Draft minutes will be sent to the chair for review and approval within seven working days of the meeting.

**Papers:** Papers for the meeting will be distributed electronically by the Corporate Governance Team five working days prior to the meeting. Papers received after this date will only be included if decided upon by the chair.

### **Private Sessions of the Committee**

At least once a year the committee will meet privately with representatives from internal audit and external audit.

At the discretion of the chair of the committee, it may also choose to meet privately with the Director of Finance and any other key senior officer in the Trust as may be required.

Members of the committee will also meet together in private at a frequency determined by the Chair.

## **5 AUTHORITY**

**Establishment:** In accordance with the NHS Act 2006 and the Code of Governance the Board of Directors is required to establish an Audit Committee as one of its sub-committees.

**Powers:** The committee is a non-executive committee of the Board of Directors and has no executive powers. The committee is authorised by the Board of Directors to seek assurance on any activity. It is authorised to seek any information or reports it requires from any employee, function, group, or committee; and all employees are directed to co-operate with any request made by the committee.

The committee is authorised by the Board of Directors to obtain outside legal or other independent professional advice and to secure the attendance of persons outside the Trust with relevant experience and expertise if it considers this necessary.

**Cessation:** The Audit Committee is a standing committee in that its responsibilities and purpose are not time limited. While the functions of the Audit Committee are required by statute the exact format may be changed as a result of its annual review of its effectiveness.

In addition, the Trust should periodically review its governance structure for continuing effectiveness and as a result of such a review the Board may seek to alter the format or the number of non-executive director core members of the Audit Committee.

## **6 ROLE OF THE COMMITTEE**

### **6.1 Purpose of the Committee**

The purpose of the Audit Committee is to provide the Board of Directors with assurance that:

- Clinical, financial reporting, compliance, risk management, and internal control principles and standards are being appropriately applied and are effective, reliable, and robust
- An effective governance framework is in place for monitoring and continually improving the quality of health care provided to service users to enable the Trust's strategic objectives to be achieved.

Objective	How the committee will meet this objective
We deliver great care that is high quality and improves lives	The Audit Committee has a core responsibility to scrutinise the Trust's governance arrangements to determine that these are operating effectively and that the Trust is able to provide high quality care through these arrangements.
We use our resources to deliver effective sustainable care	The Audit Committee exercises scrutiny of the annual financial reporting of the organisation; on-going financial health; and controls designed to deliver efficiency, effectiveness, and economy for all Trust functions

## 6.2 Guiding principles for members (and attendees) when carrying out the duties of the committee

In carrying out their duties members of the committee and any attendees of the committee must ensure that they act in accordance with the values of the Trust, which are:

- We have integrity
- We are caring
- We keep it simple.

## 6.3 Duties of the committee

Notwithstanding any area of business on which the committee wishes to receive assurance the following shall be those items on which the committee shall receive assurance:

### Board Assurance Framework

- Be assured that the organisation has in place an effective Board Assurance Framework
- Be presented with the Board Assurance Framework and receive assurance that this presents the up-to-date position in respect of controls, assurances and that gaps are being addressed, and be assured as to the completeness of the information included in the Framework

- Use the Board Assurance Framework to inform the committee's forward work plan, in particular focussing on those gaps that pose a major risk to the organisation.

### **Quality Report**

- Be assured in respect of the process for delivering the Quality Report with the submission of a paper which explains how the Quality Report has been populated.

### **Risk Management**

- Receive assurance as to the Risk Management Process (including structures processes and responsibilities for managing key risks), including the process for capturing and reviewing high and extreme risks
- Carry out the duties of Safety and Risk Champion.

### **Health and Safety**

- Receive an annual report and regular update reports on health and safety management within the Trust
- Have oversight quarterly of the progress against the Health and Safety action plan
- Carry out the duties of the Health and Safety Champion.

### **Compliance and Disclosure Statements**

- Be assured of the action taken by officers who have operated outside of the tender and quotation procedures
- Be presented with notification of any waivers of the Standing Financial Instructions and Standing Orders (for the Board of Directors and Board of Governors) and be assured of their appropriateness.

### **Annual Accounts and Annual Report**

- Be presented with and review the main items / contentious items in the Annual Accounts, taking advice from the Chief Accounting Officer and the External Auditors as to accuracy, prior to advising the Board if the Accounts can be adopted
- Be presented with the ISA260 Report on the Annual Accounts and be assured as to the findings and the management actions agreed, also be assured that either there were no (or otherwise) significant findings
- Be presented with a periodic report setting out the progress against the recommendations made in the ISA 260 reports (pertaining to the last set of annual accounts) and be assured as to progress against recommendations / action plans.

## **Annual Governance Statement and Head of Internal Audit Opinion**

- Be presented with the draft Annual Governance Statement and have an opportunity to input to the content
- Be presented with the final version of the Annual Governance Statement and be assured that it provides an accurate picture of the processes of internal control within the organisation
- Be presented with the Head of Internal Audit Opinion and be assured that this is an accurate assessment of the Trust and also be assured that the opinion is in accordance with the Annual Governance Statement.

## **Registers**

- Be presented with the Losses and Special Payments Report to be assured as to the appropriateness of payments made and that control weaknesses have been addressed
- Be presented with the Sponsorship Register to be assured that it is complete, and that sponsorship received by the organisation / individuals is appropriate and has been applied for according to the procedure
- Be presented with the Hospitality Register to be assured that it is complete, and that hospitality received by individuals is appropriate, proportionate, and unable to be considered an inducement and has been recorded according to the procedure
- Be presented with the register of Management Consultants to be assured that it is complete and that consultants have been appointed appropriately, and according to the procedure.

## **Internal Audit**

- The committee shall ensure there is an effective Internal Audit function established by management that meets mandatory NHS Internal Audit standards and provides appropriate independent assurance to the Audit Committee, Chief Executive and Board of Directors. This will be achieved by:
  - Consideration of the provision of the Internal Audit service, the cost of the audit function and (where the service is provided in-house) 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 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 with the organisation.



## **External Audit**

- The committee shall review the work and findings of the External Auditor. In addition to this the committee will:
  - Make recommendations to the Council of Governors as to the appointment, reappointment, termination of appointment and fees of the External Auditor, and if the Council of Governors rejects the Audit Committee's recommendations, it will prepare an appropriate statement for the Board of Directors to be included in the Trust's Annual Report
  - Review the audit program of work and fees and discuss with the External Auditor, before audit work commences, the nature and scope thereof
  - Review External Audit reports together with the management response, and the annual governance report (or equivalent)
  - Consider whether it is appropriate and beneficial to the Trust for the External Auditor to undertake investigative and advisory work for the Trust.

## **Counter Fraud**

- The committee's responsibilities regarding counter fraud are governed by Section 47 of the Base Model Contract between Foundation Trusts and PCTs and Schedule 13 of this contract and the duties of the Audit Committee are set out in this contract specifically that:
  - The committee shall allow the Local Counter Fraud Specialist service (LCFSs) to attend Audit Committee meetings
  - The committee shall receive a summary report of all fraud cases from the LCFSs
  - The committee shall receive reports from the LCFSs regarding weaknesses in fraud related systems
  - The committee shall receive and review the LCFSs' Annual Report of Counter Fraud Work
    - The committee shall receive the LCFSs' annual work plan for comment.

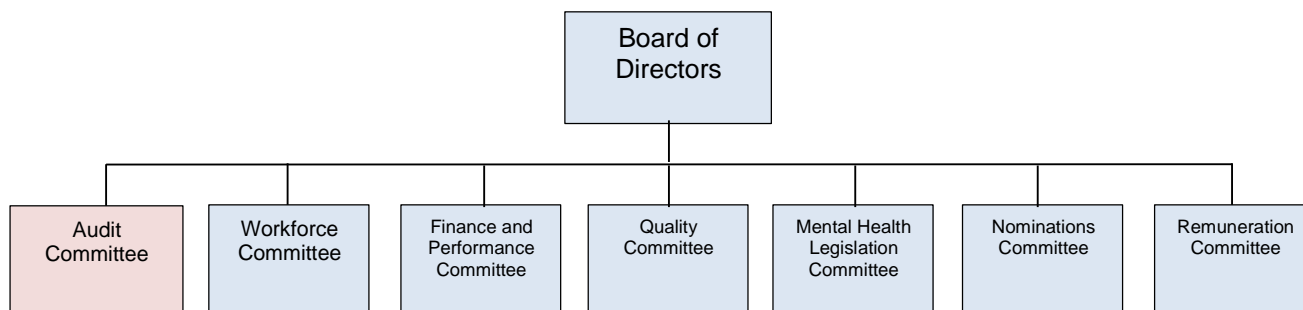
## **7 RELATIONSHIP WITH OTHER GROUPS AND COMMITTEES**

The Audit Committee is the primary governance committee providing an overarching governance role, having a direct relationship with other Board sub-committees.

The Board sub-committees will provide one of the main sources of assurance to the Audit Committee. However, this assurance will be validated by the work of, and reports from other

sources of assurance including, but not exclusively, Internal Audit, External Audit, and Counter Fraud Services.

The following is a diagram setting out the governance structure in respect of assurance.



The committee has a duty to work with other Board sub-committees to ensure matters are not duplicated.

## 8 DUTIES OF THE CHAIR

The chair of the committee shall be responsible for:

- Agreeing the agenda
- Directing the meeting ensuring it operates in accordance with the Trust's values
- Giving direction to the minute taker
- Ensuring everyone at the meeting has a reasonable chance to contribute to the discussion
- Ensuring discussions are productive, and when they are not productive they are efficiently brought to a conclusion
- Deciding when it is beneficial to vote on a motion or decision
- Checking the minutes
- Ensuring sufficient information is presented to the Board in respect of the work of the committee
- Ensuring the Chair's report is submitted to the Board as soon as possible.
- Ensuring that governor observers are offered an opportunity at the end of the meeting to raise any points of clarification.

It will be the responsibility of the chair of the Audit Committee to ensure that the committee carries out an assessment of the committee's effectiveness annually, and ensure the outcome is reported to the Board of Directors along with any remedial action to address weaknesses. The chair will also be responsible for ensuring that the actions to address any areas of weakness are completed.

In the event of there being a dispute between any 'groups' in the hierarchy (in the case of this Board sub-committee, this would be between the Board and the Audit Committee and, in recognition of the nature of matrix working between the work of all Board sub-committees, the Audit Committee and any other Board sub-committee) it will be for the chairs of those groups to ensure there is an agreed process for resolution; that the dispute is reported back to the

'groups' concerned; and that when a resolution is proposed the outcome is also reported back to the 'groups' concerned for agreement.

## **9 REVIEW OF THE TERMS OF REFERENCE AND EFFECTIVENESS**

The terms of reference shall be reviewed by the committee at least annually, and then presented to the Board of Directors for ratification, where there has been a change.

In addition to this the chair must ensure the committee carries out an annual assessment of how effectively it is carrying out its duties and make a report to the Board of Directors including any recommendations for improvement.

**Schedule of deputies**

It may not be necessary or appropriate for all members (or attendees) to have a deputy attend in their absence. If this is the case please state below “no deputy required”.

<b>Full member (by job title)</b>	<b>Deputy (by job title)</b>
Non-executive Director (Chair of the Committee).	Either one of the Non-executive Directors.

<b>Attendee (by job title)</b>	<b>Deputy (by job title)</b>
Chief Financial Officer	Deputy Director of Finance
Associate Director for Corporate Governance	Head of Corporate Governance