

The Audit Committee Annual Report Financial Year 1 April 2025 to 31 March 2026

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Appendix 1 Terms of Reference for the Audit Committee

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 2025 to 31 March 2026.

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 8 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 6 below.

3. Terms of reference for the Audit Committee

In October 2025, the Committee reviewed its Terms of Reference (ToR) and noted that the following substantive amendments were required:

- Section 6.3 – Quality Account – All references to "Quality Report" to be updated to "Quality Account" to reflect updated regulations.
- Section 6.3 – Internal Audit – This section to be updated to reflect that the Internal Audit function must meet the *Global Internal Audit Standards*, rather than the *Public Sector*

Internal Audit Standards, to align with the revised standards now in use.

- Section 6.3 – Counter Fraud – Amendments were required to:
 - o Update the description of the Counter Fraud function so that it references Government Functional Standard 013 and the NHS Counter Fraud Authority’s interpretation of this standard.
 - o Update the list of items on which the Committee is required to seek assurance, in line with the revised guidance set out in the Healthcare Financial Management Association (HFMA) NHS Audit Committee Handbook published in March 2024.

In addition, the Committee noted the need for the following minor amendments:

- Standardisation of the capitalisation of proper nouns throughout the document.
- Standardisation of references to “Associate Non-executive Directors” to ensure consistency throughout the ToR
- Amendment of the governance structure diagram on page 9 so that the Audit Committee is correctly highlighted, replacing the incorrect highlighting of the Workforce Committee.

These substantive and minor amendments to the ToR were agreed by the Committee following its meeting on 21 October 2025 and subsequently ratified by the Board of Directors at its meeting held on 29 January 2026.

4. Effectiveness of the Audit Committee

The Committee carried out a review of its effectiveness in June and July 2025 when members completed the HFMA Committee effectiveness questionnaire. The results were collated and then presented to the Committee at its July 2025 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 of Directors.

The Chair of the Committee also completed the HFMA Committee Processes questionnaire which was also presented to the Committee at its July 2025 meeting. It was agreed that based on the responses that there were no areas of concern which it needed to bring to the attention of Board of Directors.

5. Meetings of the Audit Committee

In 2025/26 the Committee met formally on five occasions. All Committee meetings were held virtually. The dates on which the Committee met during year are as follows:

- 8 April 2025
- 17 June 2025 – Extraordinary meeting for the Annual Accounts
- 15 July 2025
- 21 October 2025
- 20 January 2026

6. Membership of the Audit Committee and attendance at meetings

Membership of the Audit Committee comprises three Non-executive Directors. For a meeting to be considered quorate, at least two of the Non-executive Director members must be in attendance.

Throughout 2025/26, meetings of the Audit Committee were regularly attended by the Chief Financial Officer, the Associate Director for Corporate Governance, and the Head of Health and Safety. Internal audit and counter fraud representation was provided by NHS Audit Yorkshire, and 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 15 July 2025 meeting. The Chair of the Trust attended the 20 January 2026 meeting.

The Trust also invites governors to observe Board sub-committee meetings. This opportunity enables governors to gain insight into the work of the Committee. Governors attend as observers rather than participants in Committee, as they are not part of the formal membership. Their attendance supports their understanding of the Trust's operations and provides reassurance that Non-executive Directors are appropriately challenging Executive Directors in relation to the operational performance of the Trust

The tables below demonstrate the attendance of substantive members, formal attendees, and governors who observed meetings of the Committee for the period 1 April 2025 to 31 March 2026.

Attendance at Audit Committee meetings by substantive members

Members in attendance	8 April 2025	17 June 2025 (ExtraO)	15 July 2025	21 October 2025	20 January 2026
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 2025/26
- Indicates when a member was not eligible to attend the meeting.

Attendance at Audit Committee meetings by formal attendees

Others in attendance	8 April 2025	17 June 2025 (ExtraO)	15 July 2025	21 October 2025	20 January 2026
Rotimi Ajasa, Assistant Audit Manager, NHS Audit Yorkshire				✓	
Kieran Betts, Corporate Governance Officer	✓	✓	✓	✓	✓
Abby Boden, Head of Clinical Governance and Regulation			✓		
Chris Boyne, Deputy Dead of NHS Audit Yorkshire	-		-	-	
Alistair Crockford, Assistant Audit Manager, NHS Audit Yorkshire	✓	✓	✓		
Warren Duffy, Acting Associate Director of Estates and Facilities	✓		✓	✓	✓
Clare Edwards, Associate Director for Corporate Governance	✓	✓	✓	✓	✓
Gerard Enright, Financial Controller	✓	✓	✓	✓	✓
Joanna Forster Adams, Chief Operational Officer	✓		✓		
Dawn Hanwell, Chief Financial Officer and Deputy Chief Executive	✓	✓	✓	✓	✓
Helen Higgs, Managing Director and Head of Internal Audit, NHS Audit Yorkshire	✓	✓	✓	✓	✓
Jonathan Hodgson, Internal Audit Manager, NHS Audit Yorkshire	✓	✓	✓	✓	✓
Rosie Kelly, External Audit Manager for KPMG	-	✓	✓	-	-
Merran McRae, Chair of the Trust				-	✓
Dr Sara Munro, Chief Executive		✓	✓		
Heather Powell, Operations Manager Network North (CQC Observer)					✓
Nichola Sanderson, Director of Nursing and Professions	✓		-		✓
Jonathan Saxton, Deputy Director of Finance		✓			
Lee Swift, Local Counter Fraud Specialist, NHS Audit Yorkshire	✓		✓	✓	✓
Sarah Turner, Senior Internal Auditor, NHS Audit Yorkshire					✓
Roland Webb, Head of Health and Safety	✓		✓	✓	-
Salma Younis, Audit Director for KPMG	✓	✓	-	✓	✓

- ✓ Shows attendance
- Indicates those members who sent apologies during 2025/26
- █ Indicates when a member was not eligible to attend the meeting.

Attendance at Audit Committee meetings by governors

Governors in attendance	8 April 2025	17 June 2025 (ExtraO)	15 July 2025	21 October 2025	20 January 2026
Ian Andrews, Non-Clinical Staff Governor	✓				
Ian Cuthbertson, Appointed Governor: City of York Council				✓	
Matthew McGonagle, Public: Leeds Governor				✓	
Peter Ongley, Carer: Leeds Governor				✓	✓
Victoria Thomson, Service User: Leeds Governor				✓	

- ✓ Shows attendance
- Indicates those members who sent apologies during 2025/26
- Indicates when a member was not eligible to attend the 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.

7. 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.

Date of meeting	Assurance and escalation report to Board by Chair
8 April 2025	29 May 2025
17 June 2025	19 June 2025
15 July 2025	31 July 2025
21 October 2025	27 November 2025
20 January 2026	29 January 2026

In addition to the Assurance and Escalation Reports described above, the Audit Committee's Annual Report is also received by the Board of Directors. The Committee's Annual Report for 2024/25 was presented to the Board of Directors at its extraordinary meeting on 19 June 2025.

8. The work of the Audit Committee during 2025/26

For 2025/26 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 2025/26 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 may set additional annual objectives which are not covered by its business-as-usual operations. At its October 2025 meeting, the Committee reflected on its previous objective to improve the quality of data within reports by:

- incorporating additional historical data to support trend analysis; and
- including benchmarking data where relevant to compare the Trust's performance with sector peers.

The Committee concluded that significant progress had been made and that such comparative information had become standard practice within relevant reports.

The Committee then agreed three new objectives for 2025/26, which will be reviewed at its October 2026 meeting:

- to explore the use of artificial intelligence tools to provide additional context regarding

- decisions made at previous meetings;
- to reconsider alternative methods for circulating newsletter items currently issued via supplementary paper packs, with the aim of reducing the amount of paperwork circulated ahead of Audit Committee meetings; and
- to explore how regular papers received by the Committee could be modified to focus on the specific assurance it was providing to the Committee.

Areas of work on which the Committee received assurance during 2025/26 are set out below.

Quality Account:

- At its April 2025 meeting, the Committee reviewed the process for developing the 2024/25 Quality Account and the proposed revisions to its content. These revisions included reducing the overall length of the document by signposting to information contained in other reports rather than duplicating content in the Quality Account. The Committee was assured by the robustness of the process and by the involvement of service users and carers in the development and production of the Quality Account. It reflected that the Quality Committee was responsible for seeking assurance on the content of the Quality Account and noted that there was no longer a requirement for the final Quality Account to be audited. The final Quality Account was approved by the Board of Directors at its extraordinary meeting on 19 June 2025.

Health and Safety:

- At its meeting on 15 July 2025, the Committee received the Health and Safety Annual Report for 2024/25. It noted that no sanctions or enforcement actions had been issued against the Trust during the reporting period. Nine incidents had been reported under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR), one fewer than in 2023/24. The Committee further noted that the 2024/25 Health and Safety Work Plan had been completed, with the exception of two actions that had been carried forward into the 2025/26 Work Plan. While recognising improvements in the quality and clarity of the report compared with previous iterations, the Committee observed that some Datix categorisations remained insufficiently specific to enable a fully distinct separation of Health and Safety and Patient Safety incidents. The Committee approved the report for submission to the Board of Directors for assurance and discussion at its meeting on 31 July 2025.
- Throughout the year, the Committee received Health and Safety Quarterly Update Reports at each meeting. It acknowledged the work undertaken to improve the format and content of these reports, including comparisons with reports produced by similar organisations, and commended the progress made. The Committee also recognised efforts to classify incidents more clearly as either Health and Safety incidents or Patient Safety incidents. At its January 2026 meeting, the Committee agreed that future quarterly reports would focus specifically on environmental health and safety matters, with clinical and workforce-related issues instead being reported to the Quality Committee and Workforce Committee respectively. This change was intended to support clearer differentiation between incident types and to strengthen the flow of information across the Trust's governance structure.
- The Committee further agreed at its January 2026 meeting that it would continue to receive a comprehensive, overarching Health and Safety Annual Report to ensure it retained full oversight of this area for assurance purposes. It was also agreed that efforts should be made to avoid duplication between this report and other Trust reports, such as the Quality Account.

Board Assurance Framework (BAF):

- The Integrated Governance and Risk Management Framework internal audit report was presented at the July 2025 Committee meeting. The report was finalised with a split opinion, with the BAF elements receiving an overall opinion of significant assurance
- The Committee received the Board Assurance Framework at both its April 2024 and October 2024 meetings. It was assured on both the content and that it was fit for purpose.

Risk Management:

- The Integrated Governance and Risk Management Framework internal audit report was presented at the July 2025 Committee meeting. The report was finalised with a split opinion, with the Risk Management Framework elements receiving an overall opinion of limited assurance. The Committee was advised that the Trust was responding robustly to the issues identified, with many recommendations already implemented and the remainder supported by clear implementation timeframes. The Committee was assured by the actions being taken to address the findings of the internal audit report.
- The Head of Clinical Governance and Regulation attended the July 2025 Committee meeting to present the Risk Management Annual Report, which provided assurance on the effectiveness of the Trust's risk management system and the operation of the Datix system for recording risks. The Committee noted that the Trust's strategic risks were managed through a separate process and that the BAF monitored the range of risk information and its potential impact on the strategic objectives of the Trust. It further noted that identified weaknesses within the Risk Management Policy and Procedure were being addressed through a full rewrite of the procedural document. The Committee agreed that the annual report demonstrated continued improvement in the Trust's risk management systems and processes and was assured that the issues highlighted in the Integrated Governance and Risk Management Framework internal audit report would be effectively addressed.

Annual Report and Accounts for 2024/25:

- The Annual Report and Accounts for 2024/25 were reviewed prior to being presented to the Board of Directors for adoption in June 2025.
- 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 the Committee was assured there were no significant control issues identified in the report. 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 2024/25 for ratification by the Board of Directors.
- The Committee reviewed and was assured that the Trust was compliant with NHS England's Foundation Trust Code of Governance, or in the cases of non-compliance that the rationale for this was explained. It agreed to recommend to the Board that correct procedures were in place and that the 'comply or explain' elements had been correctly shown in the Annual Report.

Internal Audit:

- The Committee approved the Internal Audit Annual Plan for 2025/26, and the amended Internal Audit Charter included with the plan at its April 2025 meeting. It noted that the plan had been developed through engagement with the Trust's Executive Management Team and its Board Sub-Committees and with reference to the BAF and the Trust's key strategic and operational risks.
- The Internal Audit Annual Report was received by the Committee at its extraordinary June 2025 meeting, which brought together all the findings from across the previous year. This report included the Head of Internal Audit Opinion which expressed an overall opinion of significant assurance.
- 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. In cases where limited or low assurance opinions were received, the Executive Director for that audit area was invited to present a verbal assurance item to the Committee. It noted that some audits had been deferred to a later date and that the Committee was assured for the reasoning behind these deferrals.
- The Committee noted a continued trend for more internal audit reports to be finalised with a limited or low assurance opinion. It was reassured by Audit Yorkshire that this trend could be attributed to the Internal Audit Plan appropriately targeting the areas most in need of review, improvements in Audit Yorkshire's risk-assessment methodology for Mental Health Trusts, and the Trust's openness to having challenging areas examined for improvement. The Committee was further assured that management responses to these audits had been positive.
- At its October 2025 meeting the Committee noted the findings of the root cause analysis conducted by Audit Yorkshire which found that "Policies and Procedures" (38%) and "Oversight and Accountability" (26.6%) were the two largest primary root causes for recommendations made by Audit Yorkshire to the Trust in the 2024-25 period.

Counter-fraud:

- The Committee approved the Local Counter Fraud Annual Work Plan for 2025/26 at its July 2025 meeting.
- At its July 2025 meeting the Committee received the Local Counter Fraud Annual Report for 2024/25 and noted the contents. It was assured that the Counter Fraud Functional Standard had been submitted to the NHS Counter Fraud Authority on time and that the Trust was rated green in all 13 components
- 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.
- The Committee received assurance regarding the processes in place to address fraud and bribery, including the Trust's preparedness for the introduction of the new Failure to Prevent Fraud Offence. It was reassured that the Counter-Fraud, Bribery and Corruption Policy and Procedure would be updated to reflect this new offence and to set out recommended (non-mandatory) fraud-awareness training requirements based on staff members' roles.
- At its January 2026 meeting, the Committee noted the Counter Fraud team's ongoing work to streamline the NHS Counter Fraud Authority's 124 fraud risk descriptors into a refined list of 44 risks that continued to meet all governance requirements.

Action tracking:

- The Committee received regular reports on the progress made by managers in implementing agreed audit recommendations and sought assurance regarding outstanding actions. It emphasised the importance of setting challenging but proportionate implementation timeframes, aligned to the priority of each recommendation, and noted that these should only be amended in exceptional circumstances. The Committee also received assurance on the processes for managing and monitoring outstanding actions, including the oversight role of the Executive Risk Management Group (ERMG).
- At its October 2025 meeting, the Committee noted that the ERMG had agreed in September 2025 that all extensions to target implementation dates must be approved by the relevant Executive Director before being updated on the system, to ensure greater scrutiny of such extensions.
- At its January 2026 meeting, the Committee was reassured that no audit actions would be deferred as a result of the planned acquisition of Leeds Community Healthcare NHS Trust, though it recognised that some actions may appropriately be superseded by new ones arising from the merger process.
- The Committee regularly received the findings of Audit Yorkshire's independent validation of completed audit recommendations as part of the quarterly Internal Audit update for independent assurance that actions were being appropriately closed with evidence of completion.
- The Committee was also reassured that members of both the Audit Committee and Audit Yorkshire periodically observed ERMG meetings to provide additional assurance on the robustness of the action-tracking process.

External audit:

- The Committee approved the 2024/25 External Audit Plan, including the fees incurred by the Trust for the delivery of this Plan at its April 2025 meeting.
- At its April 2025 meeting, the Committee was assured that no significant risks had been identified in the Value for Money Risk Assessment conducted by KPMG.
- At its extraordinary June 2025 meeting, the Committee agreed to recommend to the Board that the Chief Executive signs and returns the letter of representation to KPMG.
- At its January 2026 meeting, the Committee received an update on the significant audit risks that had been identified so far by KPMG for 2025/26. The Committee noted that the External Audit Plan for 2025/26, the fee, and the Value for Money Risk Assessment would all be finalised and presented at the April 2026 Audit Committee meeting for approval and assurance.
- 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 these reports.

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 and was assured on the appropriateness and completeness of the content.
- The Committee was reassured that the Trust's Hospitality, Sponsorship, and Gifts Policy and Procedure was compliant with guidance issued by NHS England.
- The Committee received the Annual Declarations of Interest Process Progress Update and was assured that all declarations for 2025/26 had been made by the identified decision makers able to

do so, and that these declarations were publicly available in accordance with the Department of Health and Social Care directive. The Committee was also assured that staff members with outstanding declarations due to being on leave from the Trust would be monitored through a locally managed system to ensure that their declaration was made upon their return to work.

Tender and Quotation Exception reports:

- Assurance was received on the reasons for the Tender and Quotation procedures being waived during 2025/26.
- At its April 2025 meeting, the Committee noted that the Trust's Standing Financial Instructions (SFIs) had been updated in December 2024 to increase the reporting thresholds to £100,000. It acknowledged that, together with ongoing work to reinforce understanding of the SFIs across the Trust, this change was expected to result in fewer exceptions requiring reporting in future.

9. 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 2025/26 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 and Deputy Chair
of the Trust
Chair of the Audit Committee
April 2026

Kieran Betts
Corporate Governance Officer
April 2026

Appendix 1: Terms of Reference for the Audit Committee

Audit Committee

Terms of reference

(Approved by the Audit Committee on 21 October 2025
Ratified by the Board of Directors on 29 January 2026)

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)	Committee Chair and responsible for evaluating the assurance given and identifying if further consideration / action is needed. 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. (Code of Governance for NHS Provider Trusts, NHS England 2022)
2 Non-executive Directors	Responsible for evaluating the assurance given and identifying if further consideration / action is needed. 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. (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 Director 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. Executive Directors will be invited to attend a meeting where a low assurance and/or 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 (ANEDs) will be invited to attend Board Sub-committee meetings as part of their induction. They will attend 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.

ANEDs 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 two. 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 Chief Financial Officer 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 Account

- Be assured in respect of the process for delivering the Quality Account with the submission of a paper which explains how the Quality Account 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 Global 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

- Every NHS organisation is required by the NHS standard contract to have a counter fraud function. The counter fraud function's role and responsibilities are based on the "Government functional standard 013: counter fraud (counter fraud standard)" and its

interpretation for the NHS, “the NHS requirements”, which are defined and supported by the NHS Counter Fraud Authority (NHSCFA).

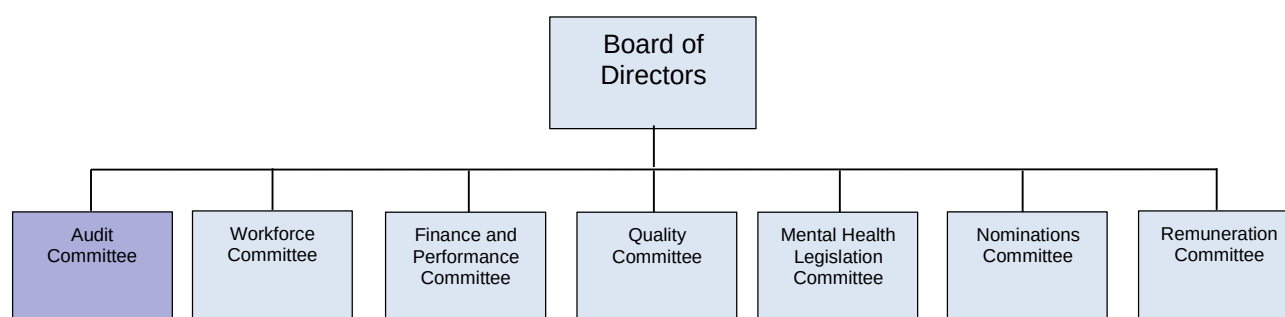
- The Committee shall satisfy itself that the organisation has adequate arrangements in place for counter fraud, bribery, and corruption that meet the NHSCFA’s standards and shall review the outcomes of work in these areas.
- With regards to the Local Counter Fraud Specialist, it will:
 - Review, approve, and monitor counter fraud work plans
 - Receive regular updates on counter fraud activity
 - Monitor the implementation of action plans
 - Discuss NHSCFA quality assessment reports
 - Receive a copy of the counter fraud functional standard return for awareness and to be reassured that the submission is consistent with the counter fraud progress updates presented to the Committee throughout the year

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 Chairperson

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.

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, 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.

Appendix 1a

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".

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

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