

AUDIT COMMITTEE

Terms of Reference

1. CONSTITUTION

- 1.1. The Board hereby resolves to establish a Committee of the Board to be known as the Audit Committee (The Committee). The Committee has no executive powers, other than those specifically delegated in these Terms of Reference. Its terms of reference are set out below and can only be amended with the approval of the Trust Board.

2. AUTHORITY

- 2.1. The Committee is authorised by the Board to investigate any activity within its Terms of Reference. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee.
- 2.2. The Committee is authorised by the Board to instruct professional advisors and request the attendance of individuals and authorities from outside of the Trust with relevant experience and expertise if it considers this necessary or expedient to carrying out its functions.
- 2.3. The Committee is authorised to obtain such internal information as is necessary and expedient to the fulfilment of its functions.

3. PURPOSE

- 3.1. The purpose of the Committee is to provide the Board with assurance concerning the establishment and maintenance of an effective system of governance, risk management and internal control across the Trust's activities that support the achievement of the organisation's objectives. *NOTE: Proposals to establish any material new performance objectives or milestones will be considered by members at Trust Management Committee (TMC) and resolution agreed by the Chair and lead director.*

4. MEMBERSHIP

- 4.1. The Committee will comprise of not less than three Non-Executive Directors.

4.2. The Chair of the Committee will be a Non-Executive Director and will be recommended by the Chair of the Trust to the Trust Board for approval. If the Chair is absent from the meeting, then another Non-Executive Director shall preside.

4.3. A quorum will be three members.

4.4. Members should make every effort to attend all meetings of the Committee and are mandated to attend 80% as a minimum annually.

5. ATTENDANCE

5.1. The Chief Governance Officer and Chief Finance Officer will attend the meetings.

5.2. All other Non-Executive Directors shall be welcome to attend, and all members of the Trust Board will receive papers to be considered by the Committee.

5.3. Representatives from LCFS, Internal Audit and External Audit will be given a standing invitation to the meetings. The last part of each meeting of the Committee will be normally held with the Internal and/or External auditors and without the Executive Directors present.

5.4. Other Executive Directors or any other individuals deemed appropriate by the Committee may be invited to attend for specific items for which they have responsibility.

5.5. The Associate Director of Corporate Governance/Company Secretary shall be secretary to the Committee and will provide administrative support and advice.

5.6. The duties of the Associate Director of Corporate Governance/Company Secretary in this regard are:

- Agreement of the agenda with the Chair of the Committee and attendees with the collation of connected papers.
- Oversight of the minutes and keeping a record of matters arising and issues to be carried forward.
- Advising the Committee as appropriate.

6. FREQUENCY OF MEETINGS

6.1. Meetings will be held five times a year, with additional meetings where necessary.

7. REPORTING AND ESCALATION

7.1. Following each committee meeting, the minutes shall be drawn up and submitted to the Chair of the committee in draft format. The draft minutes will then be presented

at the next Committee meeting where the person presiding at it will sign them. The approved minutes will be presented to the next immediate public Trust Board meeting for information.

- 7.2. The Chair of the Committee will provide an assurance report to the next Trust Board after each Committee meeting, highlighting the matters on which future focus will be directed.
- 7.3. The Chair of the Committee shall draw to the attention of the Trust Board and issues that require disclosure to the full Board or require Executive action.
- 7.4. The Committee will provide an annual report to the Trust Board on the effectiveness of its work and its findings, which is to include an indication of its success with delivery of its work plan and key duties.
- 7.5. In the event that the Committee is not assured about the delivery of the work plan within its domain, it may choose to escalate or seek further assurance in one of five ways:
 - insisting on an additional special meeting
 - escalating a matter directly to the full Board;
 - requesting a chair's meeting with the Chief Executive and Chairman;
 - attending the relevant Executive committee to challenge progress directly; and
 - asking the Audit Committee to direct internal, clinical or external audit to review the position

8. REVIEW

- 8.1. The terms of reference should be reviewed by the Committee and approved by the Trust Board annually.

9. DUTIES

- 9.1. The Committee shall seek assurance on the delivery against the Trust's long term goals, Trust objectives, the annual corporate & financial plans and national requirements through:
 - 9.1.1. The receipt of reports at each meeting outlining progress with the long term delivery plan appropriate to the domain in which the Committee is providing assurance, paying attention to the depth and breadth of delivery in the Trust, principally through Group level performance within its domain.
 - 9.1.2. The receipt of reports on compliance with key national and local targets relevant to the remit of the Committee

- 9.1.3. The receipt of reports which focus on improvement or recovery to address areas of material deviation from the long term delivery plan or areas where poor performance against national or local targets is identified
- 9.2. To receive all external reports on the Trust that are deemed to fall within the remit of the Committee, seeking assurance that actions are being taken to address recommendations and other issues identified and that learning is promulgated and acted upon
- 9.3. To seek assurance that the Trust is complying with relevant policies and statutory guidance that falls within the remit of the Committee
- 9.4. To receive reports on key risks to the Trust which fall within the remit of the Committee and seek assurance that sufficiently robust mitigating actions are in place to manage these Governance, internal control and risk management
- 9.5. The Committee will seek assurance on – either directly or through the work of the Quality Committee – the adequacy of:
 - 9.5.1. The Trust’s general risk management structures, processes and responsibilities. This will include an annual review of the Trust’s Risk Management Strategy and Policy ahead of Trust Board approval.
 - 9.5.2. All risk and control-related disclosure statements (in particular the Annual Governance Statement and declarations of compliance with the Essential Standards of Quality and Safety), together with any accompanying Head of Internal Audit Opinion, External Audit Opinion or other appropriate independent assurances, prior to endorsement by the Trust Board.
 - 9.5.3. The underlying assurance processes that indicate the degree of achievement of corporate objectives, the effectiveness of the management of principal risks and the appropriateness of the above disclosure statements.
 - 9.5.4. Policies for ensuring compliance with relevant regulatory, legal and conduct requirements.
 - 9.5.5. Policies and procedures for all work related to fraud and bribery as required by the NHS Counter Fraud Authority.
 - 9.5.6. The Trust’s arrangements by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting and control and related matters or any other matters of concern.
- 9.6. In carrying out this work the Committee will primarily utilise the work of Internal 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, and in particular the Quality Committee, concentrating on the overarching systems of integrated governance, risk management and internal control, together with indicators of their effectiveness.

9.7. This will be evidenced through the Committee's use of an effective Board Assurance Framework (BAF) to guide its work and that of the audit and assurance functions that report to it. The full BAF will be received by the Trust Board at least twice a year.

9.8. The Trust's Corporate Risk Register (risks scoring 15 and above) will be reviewed by the Committee two times a year.

10. Internal Audit

10.1. The Committee shall ensure that there is an effective Internal Audit function put in place by management that meets mandatory NHS Internal Audit standards and provides appropriate independent assurance to the Audit and Risk Committee, Chief Executive and Board. This will be achieved by:

10.1.1. Consideration of the provision of the Internal Audit service, the cost of the audit and any questions of resignation and dismissal. Review and approval of the Internal Audit strategy, operational plan and detailed work programme, ensuring that this is consistent with the audit needs of the organisation as identified in the Board Assurance Framework and the recommendations of the Quality Committee.

10.1.2. Consideration of the major findings of Internal Audit work and the management response and ensuring coordination between the Internal and External Auditors to optimise audit resources. While the Quality Committee will lead on the review of audit reports covering patient safety, quality and patient experience, education and research, the Audit and Risk Committee will receive assurance that they have been carefully reviewed by the Quality Committee. If there is any perceived ambiguity regarding the relative roles of the Audit Committee and the Quality Committee in this respect, the committee chairs will liaise to agree a satisfactory approach.

10.1.3. Reviewing and monitoring management's responsiveness to auditor's findings and recommendations, assuring itself that the management of the Trust is implementing the agreed recommendations of Internal Audit reports in a timely and effective way.

10.1.4. Ensuring that both the LCFS and Internal Audit functions are adequately resourced and have appropriate standing within the organisation.

10.1.5. Review and acceptance of the annual LCFS workplan

10.1.6. An annual review of the effectiveness of Internal Audit carried out by External Audit. An in-depth review of Internal Audit will be carried out by External Audit on a three-yearly basis.

11. External Audit

11.1. The Committee shall review the work and findings of the External Auditor appointed by the Audit Commission and consider the implications and management responses to their work. This will be achieved by:

11.1.1. Consideration of the appointment and performance of the External Auditor, as far as the Audit Commission's rules permit.

11.1.2. 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 ensuring coordination, as appropriate, with other External Auditors in the local health economy.

11.1.3. Discussion with the External Auditors of their local evaluation of audit risks and assessment of the Trust and associated impact on the audit fee.

11.1.4. Review of External Audit reports, including agreement of the annual audit letter before submission to the Trust Board and any work carried out outside the annual audit plan, together with the appropriateness of management responses. While the Quality Committee will lead on the review of external audit reports covering patient safety and quality risk and controls, the Audit Committee will seek assurance that they have been carefully reviewed by the Quality Committee.

11.1.5. Assuring itself that the management of the Trust has implemented the agreed recommendations of External Audit reports in a timely and effective way.

12. Other assurance functions

12.1. The Audit and Risk Committee shall review as appropriate the findings of other significant assurance functions, both internal and external to the organisation, and consider the implications to the governance of the organisation.

12.2. In doing this, the Committee may review the work of other committees/groups within the Trust whose work can provide relevant assurance to the Audit Committee's own scope of work. In particular, the Audit Committee will look to the assurance provided by the Quality Committee, which will report annually to the Audit Committee on its work. In reviewing

clinical governance arrangements and issues around clinical risk management, the Audit Committee will wish to satisfy itself on the assurance that can be gained from the work of the Quality Committee.

13. Management

- 13.1. 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.
- 13.2. They may also request specific reports from individual functions within the organisation as they may be appropriate to the overall arrangements.

14. Annual accounts review

- 14.1. The Committee shall review the annual statutory accounts before they are presented to the Trust Board, to determine their completeness, objectivity, integrity and accuracy. This review will cover but not be limited to:
 - 14.1.1. The meaning and significance of the figures, notes and significant changes.
 - 14.1.2. Areas where judgement has been exercised.
 - 14.1.3. Changes in, and compliance with, accounting policies and practices.
 - 14.1.4. Explanation of estimates or provisions having material effect.
 - 14.1.5. The schedule of losses and special payments.
 - 14.1.6. Any unadjusted misstatements.
 - 14.1.7. Any reservations and disagreements between the External Auditors and management which have not been satisfactorily resolved.
 - 14.1.8. The Committee shall review the Annual Report and Annual Governance Statement before they are submitted to the Trust Board to determine completeness, objectivity, integrity and accuracy.
 - 14.1.9. The Committee shall also ensure that the systems for financial reporting to the Finance and Investment Committee and the Trust Board, including those of budgetary control, are subject to review as to completeness and accuracy of the information provided to the Trust Board.

15. Standing Orders, Standing Financial Instructions and Standards of Business Conduct

- 15.1. The Committee will review on behalf of the Trust Board the operation of, and proposed changes to, the Standing Orders and Standing Financial Instructions, the Scheme of Delegation and Standards of Business Conduct, including the maintenance of registers of interests.
- 15.2. The Committee will examine the circumstances of any significant departure from the requirements of any of the foregoing, whether those departures relate to a failing, an overruling or a suspension.
- 15.3. Specifically, the Committee will receive regular reports on Waivers of Standing Orders and Losses and Special Payments
- 15.4. To seek assurance on any additional matter referred to the Committee from the Board

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