



**LANARKSHIRE NHS BOARD
COMMITTEE TERMS OF REFERENCE**

COMMITTEE: AUDIT

DATE: SEPTEMBER 2019

1. Purpose

The Board has established an Audit Committee as a Committee of the Board to support them in their responsibilities for issues of risk, control and governance and associated assurance through a process of constructive challenge, including considering of the internal control environment governing the implementation of the Health and Social Care delivery plan. The role of the Audit Committee is mandated by the Scottish Public Finance Manual Audit Committee Handbook.

2. Membership and Quoracy

Membership of the Audit Committee will be drawn from the Non Executive Director component of the NHS Board. There will be 5 Non Executive Director Members of the Audit Committee, one of whom will be designated as Chair of the Committee. The NHS Board Chair cannot be a member of the Audit Committee. A minimum of 3 members of the Audit Committee will be present for the meeting to be deemed quorate.

3. Reporting Arrangements

The Audit Committee will report to the NHS Board and to the Accountable Officer following each meeting. This will be through the submission of Minutes of Meetings and a summary of key issues arising.

The Committee will submit to the NHS Board in May an Annual Report, encompassing: the name of the Committee; the Committee Chair; members; the Executive Lead and officer supports/attendees; frequency and dates of meetings; the activities of the Committee during the year, including confirmation of delivery of the Annual Workplan and review of the Committee Terms of Reference; improvements overseen by the Committee; matters of concern to the Committee, confirmation that the Committee has fulfilled its remit and of the adequacy and effectiveness of internal control in NHS Lanarkshire. Where the review by the Committee of its Terms of Reference results in amendment, the revised Terms of Reference must be submitted to the NHS Board for approval. The Committee Annual Report will inform the submission of any appropriate assurance to the Chief Executive at the year-end, as part of the Governance Statement.

4. Key Responsibilities

The Audit Committee will advise the Board and Accountable Officer on:

- ◇ The strategic processes for risk, control and governance and the Governance Statement;
- ◇ The accounting policies, accounts, and Governance Statement of the organisation, prior to approval by the Board;
- ◇ the process for review of the accounts prior to submission for audit, levels of error identified, and management's letter of representation to the external auditors;
- ◇ The planned activity and results of both internal and external audit;
- ◇ The adequacy of management response to issues identified by audit activity, including external audit's management letter/report;
- ◇ The adequacy and effectiveness of the internal control environment;
- ◇ The acceptability of any proposed changes to the Standing Orders, Scheme of Delegation or Standing Financial Instructions prior to approval by the Board;
- ◇ Assurances relating to the Corporate Governance requirements for the organisation;
- ◇ Anti-fraud policies and arrangements for special investigations.

Other issues to be considered by the Audit Committee include

- ◇ Proposals for purchase of non-audit services from contractors who provide audit services;
- ◇ Proposals to change the management arrangements, or means by which the internal audit function is delivered;
- ◇ Overseeing controls and risk assessment processes for Salus business-related activity.

The Audit Committee will also review its own effectiveness and report the results of that review to the Board and Accountable Officer.

5. Conduct of Business

This should cover:

Meetings:

The procedures for meetings are:

- ◇ The Audit Committee will meet at least four times a year. The Chair of the Audit Committee may convene additional meetings, as he/she deems necessary;
- ◇ The Audit Committee may ask any or all of those who normally attend but who are not members to withdraw to facilitate open and frank discussion of particular matters;
- ◇ The Board or Accountable Officer may ask the Audit Committee to convene further meetings to discuss particular issues on which they want the Committee's advice.

Quorum:

A minimum of 3 members of the Audit Committee will be present for the meeting to be deemed quorate. In the event of a meeting becoming inquorate, once convened, the Chair may elect to continue to receive papers and presentations from those attending, and to allow the members present the opportunity to ask questions. The minute will clearly state the point at which the meeting became inquorate, but notes of the presentation and discussion will be included with the minute. Every item discussed once the meeting became inquorate will be

brought back in summary form under matters arising to the next meeting and ratified as appropriate.

Absence of Chair:

In the event of the Chair of the Committee being unable to attend, another member of the Committee will be designated the Chair for the meeting. Normally the Chair of the Committee would arrange this in advance.

Agenda Papers:

- The workplan for the year will map to the remit of the Committee;
- The agenda will be set by the Director of Finance in discussion with the Audit Committee Chair;
- Papers will be submitted to the Director of Finance at least seven working days before the date of the meeting;
- Agenda papers will be issued to Audit Committee members and attendees at least 6 days before the date of the meeting.

Minutes:

- All meetings will be minuted, and copies circulated to members within four weeks of the meeting being held. The minutes will clearly record decisions, actions, responsibilities, actions against identified risks and follow-up. Minutes will be submitted to the NHS Board, and published on the NHS Lanarkshire website.

Annual Workplan:

The Audit Committee will produce an Annual Workplan that sets out the business and activities to be covered during the year, and will submit this to the Board for approval by February of the preceding financial year.

Mid Year Review:

The Committee will conduct a mid year review of progress made against the Workplan, to ensure that it is delivering on its plan, and that additional actions are put in place to ensure full delivery of any slippage by the business year end. As part of the mid year review, the Committee will also review its Terms of Reference, and the need for any amendment or update, which, in the event, will require to be submitted to and approved by the NHS Board. The mid year review will be submitted to and approved by the NHS Board. The mid year review will be submitted to the NHS Board no later than November each year.

Annual Report:

In accordance with Best Value for Board and Committee working, the Committee will prepare, and submit to the Board in May each year, an Annual Report that will include:

- The name of the Committee, the Committee Chair, Membership, Executive Lead and Officer support/attendees;
- Frequency, dates of meetings and attendance;
- The activities of the Committee over the year, including confirmation of delivery of the Annual Workplan and review of the Committee Terms of Reference. Where such a review results in an amendment, a revised Terms of Reference must be submitted to the NHS Board for approval;
- Improvements overseen by the Committee;

- Matters of concern to the Committee;
- Confirmation that the Committee has fulfilled its remit, and of the adequacy and effectiveness of Internal Control;
- Additionally, the Annual Report will inform the submission of any appropriate assurance to the Chief Executive at the year-end, as part of the Governance Statement.

Submissions to Board following each meeting:

A draft minute of each meeting of the Committee, formatted to clearly highlight key decisions, actions and risk management, should be produced and should be available to the Chair of the Committee and the Director of Finance for consideration within three weeks of the meeting date. Once agreed with the Chair of the Committee and Director of Finance the minute will be submitted to the next scheduled meeting of the NHS Board for information. Prior to that, the key issues considered by the Committee will, as appropriate, be the subject of reporting to the NHS Board, either verbally or through the submission of a Summary Report. Minutes of meetings of the Committee do not need to be approved by the Committee prior to their submission to the NHS Board for information. Agendas and papers for meetings of the Committee will, routinely, be uploaded to the relevant 'Meetings' section on Firstport.

Action Log:

The Committee will prepare an Action Log that will be monitored and updated at each subsequent meeting.

6. Information Requirements

For each meeting the Audit Committee will be provided with:

- ◇ A report summarising any significant changes to the organisation's Risk Register;
- ◇ A progress report from the Chief Internal Auditor summarising:
 - work performed (and a comparison with work planned);
 - key issues emerging from Internal Audit work;
 - management response to audit recommendations;
 - significant changes to the audit plan;
 - any resourcing issues affecting the delivery of Internal Audit objectives;
- ◇ A progress report from the External Audit representative summarising work done and emerging findings;
- ◇ A report on any fraud investigations or fraud prevention activity since the previous meeting;
- ◇ A report on risk management activity and agreed indicators;
- ◇ An updated workplan showing achievement to date.

Annually the Committee will be provided with the NHS Scotland guidance on the Governance Statement and will determine the information it required in order to conclude on the adequacy and effectiveness of internal control and endorse the NHS Lanarkshire governance statement for approval by the Accountable Officer and Board. Currently these are:

- ◇ Reports from all standing governance committees of the board confirming whether they have fulfilled their remits and, based on assurances received, that there are adequate and effective governance arrangements in place. This includes matters relating to clinical, staff and information governance and risk management.
- ◇ Formal assurance from executive directors and senior managers that adequate and effective internal controls and risk management have been in place across their areas of responsibility and that any breaches of Standing Orders or Standing Financial Instructions and all significant failures of internal control have been reported to the Chief Executive;

- ◇ Report from the Chief Internal Auditor or equivalent confirming whether:
 - Based on the work undertaken, there were adequate and effective internal controls in place throughout the year;
 - The Accountable Officer has implemented a governance framework in line with required guidance sufficient to discharge the responsibilities of this role; and
 - The Internal Audit plan has been delivered in line with Public Sector Internal Audit Standards.
- ◇ Advice from both Internal and External Audit on whether there are any exceptions around the following:
 - Consistency of the Governance Statement with the information they are aware of from their work;
 - The process adopted in reviewing the adequacy and effectiveness of the system of internal control;
 - The format and content of the Governance Statement in relation to the relevant guidance; and
 - The disclosure of all relevant issues
- ◇ Quality assurance reports on the Internal Audit function;
- ◇ The draft Annual Accounts of the organisation;
- ◇ The draft Governance Statement;
- ◇ The risk management annual report and key lines of enquiry;
- ◇ A report on any changes to accounting policies;
- ◇ A summary (or full text if appropriate) of any reports by external assessment bodies (such as Healthcare Improvement Scotland or the Health and Safety Executive) which will not be considered by another governance committee of the Board and which contain significant issues which the committee needs to take into account directly in its assessment of internal control arrangements;
- ◇ Confirmation that the Chief Executive has discharged his responsibilities as Accountable Officer as set out in the Accountable Officer Memorandum last issued May 2012;
- ◇ External Audit Interim management Report;
- ◇ Board Self Assessment;
- ◇ Output from Best Value Assurance Framework;
- ◇ Patient Exemption Checking from Counter Fraud Services.

As and when appropriate the Committee will also be provided with:

- ◇ External Audit's management letter/report;
- ◇ External Audit's annual plan;
- ◇ Proposals for the Terms of Reference of Internal Audit;
- ◇ The Internal Audit strategy, the Charter/Terms of Reference of the Internal Audit Directorate and quality assurance reports on the Internal Audit function;
- ◇ A report on any proposals to tender for audit functions;
- ◇ A report on co-operation between Internal and External Audit;
- ◇ The executive summary of any relevant national Audit Scotland reports, the key implications for the Board and assurances as to how these will be actioned;
- ◇ A report on the Counter Fraud and Bribery arrangements and performance;
- ◇ Reports from the Salus Commercial Business Management Group.

The above list suggested minimum requirements for the inputs which should be provided to the Audit Committee. In some cases more may be provided.

7. Executive Lead and Attendance

Executive Director Lead

Generally, the designated Executive Lead will support the Chair of the Committee in ensuring that the Committee operates according to/in fulfilment of, its agreed Terms of Reference. Specifically, he or she will:

- ◇ support the Chair in ensuring that the Committee Remit is based on the latest guidance and relevant legislation, and the Board's Best Value framework;
- ◇ liaise with the Chair in agreeing a programme of meetings for the business year, as required by its remit; to oversee the development and ongoing monitoring of an Annual Workplan for the Committee which is congruent with its remit and the need to provide appropriate assurance at the year-end
- ◇ agree with the Chair an agenda for each meeting, having regard to the Committee's Remit and Workplan;
- ◇ oversee the production of an Annual Report on the delivery of the Committee's Remit and Workplan, for endorsement by the Committee and submission to the NHS Board

Audit Committee meetings will normally be attended by the Finance Director, the NHS Board Chair, the Chief Internal Auditor and a representative of External Audit and by the Accountable Officer as appropriate.

The Audit Committee may ask any other officials of the organisation to attend to assist it with its discussions on any particular matter.

The Committee shall reserve the right to ask all attendees to withdraw from meetings at any time and shall meet in private with the internal and external auditors at least annually.

The Audit Committee will be provided with a secretariat function by the Director of Finance, NHS Lanarkshire.

8. Access

The designated Chief Internal Auditor and the representative of External Audit will have free and confidential access to the Chair of the Audit Committee.

9. Rights

The Audit Committee may procure specialist adhoc advice at the expense of the organisation, subject to budgets agreed by the Board or Accountable Officer.

Authors:	Tony Gaskin, Chief Internal Auditor and Laura Ace, Director of Finance
Reviewed by Committee:	3 September 2019
Ratified by Lanarkshire NHS Board:	
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