

## **Audit Committee: Terms of reference**

### **Constitution**

1. The NHS Health Scotland Board has established a Committee to be known as the Audit Committee.

### **Role**

2. The role of the Audit Committee is to assure the Board that an appropriate system of control is in place to ensure that:
  - business is conducted in accordance with law and proper standards;
  - public money is safeguarded and accounted for;
  - financial statements are prepared timeously and give a true and fair view of the financial position of the Board;
  - reasonable steps are taken to prevent fraud and other irregularities;
  - the system of risk management in the organisation is adequate in identifying risks and allowing the Board to understand the appropriate management of those risks.
3. As the standing committee with responsibility for information governance, the Audit Committee provides the Board with an Information Governance Improvement Plan as part of its annual report.
4. Recognising that 2019 will be the transition period for Health Scotland into Public Health Scotland, the Committee's agenda and schedule of business will pay due regard to the establishment of Public Health Scotland and other national plans.

### **Membership**

5. The Committee is appointed by the Board from amongst the non-executive members and consists of not less than 4 members. A quorum shall be 3 members. Arrangements for ensuring a quorum are set out in the Board's Standing Orders.
6. The Chair of the Audit Committee will be a Non-executive Board Member, appointed by the Board. Arrangements to deal with the absence of the Chair are set out in the Board's Standing Orders.
7. The Chair of the Board is prohibited from being a member of the Audit Committee.

## **Attendance at meetings**

8. The Chair of the Board and other non-executive Board Members have the right to attend Audit Committee meetings and may contribute to the meeting if invited to do so by the Chair of the Committee.
9. The Chief Executive and the Lead Officer for Audit are expected to attend meetings, but are not members of the Committee.
10. The Audit Committee can require the attendance of any member of staff.
11. The External Auditor and the Internal Auditor are expected to attend Audit Committee meetings.
12. The Board or Committee shall appoint an officer to be Secretary to the Committee.
13. The Audit Committee can exclude all executive Board Members and officers from any meeting if the Committee considers this necessary.

## **Frequency of meetings**

14. Routine meetings shall normally be held quarterly, and at a minimum not less than four per year. In this is a transition period, four Audit Committee meetings have been scheduled.
15. The Committee Members only shall have, at least, one private meeting with both internal and external auditors each year.
16. The Chair of the Audit Committee will be required to convene a special meeting of the Audit Committee if s/he is in receipt of a written requisition to do so signed by two Non-executive Board Members or the external auditor, the internal auditor, the Chief Executive, the Head of Finance & Procurement. Such requisition shall specify the business to be transacted and no other business shall be competent. The meeting must be held within seven days of the Chair's receipt of the requisition.

## **Authority**

17. 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.
18. The Committee is authorised by the Board to obtain independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

19. The Committee shall receive written and oral evidence from senior staff, and other partners, as appropriate.
20. The Committee shall seek to ensure there is an acceptable balance between the value of the information it receives and the time and other costs it takes to acquire and process it.
21. The Committee shall ensure good communication and relationships with other standing Committees of the Board.

## **Duties**

22. The remit of the Audit Committee shall be a review of the strategic process for risk control and governance. The key specific duties are:
  - a) assisting in discharging the Board's responsibilities as they relate to management and internal controls, accounting policies and financial reporting
  - b) reviewing the effectiveness of management information, information governance (including Data Protection and Freedom of Information Act compliance) and other systems of control
  - c) reviewing accounting policies adopted and any changes in accounting principles or practices introduced
  - d) reviewing arrangements established by management for compliance with any regulatory or administrative requirements; reviewing policies and practices involving counter fraud, whistleblowing, special investigations, legal compliance, ethics and other such matters, and ensuring that these are adequate
  - e) acting as a channel of communication between the Board and both internal and external auditors and other interested parties
  - f) undertaking an annual review of all statutory audit material, in particular any annual report or management letter relating to certification of the Board's accounts
  - g) holding meetings with the External Auditor, if necessary, to discuss his annual report, the scope of his audit examination and any matters which he wishes to discuss, with or without any members of staff being present
  - h) a regular review of action planned and undertaken by the Board's management to remedy weaknesses or other criticisms of the Board's financial management made by the External Auditor
  - i) appointing the internal auditor and agreeing the fee

- j) noting the appointment of the External Auditor by Audit Scotland and agreeing the fee
- k) agreeing long and short term internal audit plans, and discussing the external audit programme of work
- l) monitoring progress of internal audit's coverage against long and short term plans
- m) determining if the internal audit service is properly staffed, trained and equipped, and reviewing the operational effectiveness of the service
- n) consideration of the findings of internal audit reports and investigations, and the overseeing and reviewing of the management response and action taken
- o) consideration of occasional reports issued by the Audit Commission for England and Wales, the National Audit Office, the Accounts Commission, Audit Scotland, NHS Counter Fraud Services and other similar bodies
- p) reviewing the Board's standing orders and standing financial instructions
- q) reviewing schedules of losses and compensations including theft, fraud and other financial irregularities
- r) reviewing the Annual Accounts and making recommendations to the Board regarding adoption of these accounts. Since 2019 in a transition year, 2019 Annual Accounts for the period from 1 April to 30 November 2019 will be presented to the Board of Public Health Scotland for approval as the assets and liabilities of Health Scotland will be transferred to them as at 30 November 2019.
- s) reviewing the strategic processes for risk including review of the corporate risk register, control and governance and the Governance Statement (on internal control)
- t) reviewing assurances relating to the corporate governance requirements for the organisation
- u) undertaking periodic reviews of delivery against agreed sustainability initiatives
- v) undertaking periodic reviews of equality and diversity
- w) reviewing an annual summary of the Board's waiving of the tender process

x) to be the lead governance sub-committee for EFQM work.

### **Reporting procedures**

23. Accurate minutes of each Committee meeting will be kept and submitted to the Board for homologation of all decisions taken by the Committee.
24. The Audit Committee will report to the Board annually on its work and give the relevant assurance to the Board relating to the Governance Statement. In its annual report the Audit Committee should give a view on the Board's effectiveness within the guidance on corporate governance.
25. Additional reports will be provided to the Board as required to ensure it is informed of current issues.

### **Review**

26. The terms of reference, remit and effective working of the Audit Committee will be reviewed annually.

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