



**GIG**  
CYMRU  
**NHS**  
WALES

Bwrdd Iechyd Prifysgol  
Bae Abertawe

Swansea Bay University  
Health Board

# Audit Committee Terms of Reference



## 1. INTRODUCTION

The health board's standing orders provide that "*The Board may and, where directed by the Welsh Government must, appoint Committees of the LHB either to undertake specific functions on the Board's behalf or to provide advice and assurance to the Board in the exercise of its functions. The Board's commitment to openness and transparency in the conduct of all its business extends equally to the work carried out on its behalf by committees*".

In line with standing orders (and the health board's scheme of delegation), the board shall nominate a committee to be known as the **Audit Committee**. The detailed terms of reference and operating arrangements set by the board in respect of this committee are set out below.

## 2. CONSTITUTION AND PURPOSE

The purpose of the committee is to advise and assure the board and the accountable officer on whether effective arrangements are in place - through the design and operation of the health board's assurance arrangements - to support them in their decision taking and in discharging their accountabilities for securing the achievement of the health board's objectives, in accordance with the standards of good governance determined for the NHS in Wales.

Where appropriate, the committee will advise the board and the accountable officer on where and how its assurance arrangements may be strengthened and developed further.

## 3. SCOPE AND DUTIES

The committee's duties/responsibilities can be categorised as follows:

### *(a) Integrated Governance, Risk Management and Internal Control*

The committee shall review the establishment and maintenance of an effective system of integrated governance, risk management and internal control, across the whole of the organisation's activities (clinical and non-clinical), that supports the achievement of the organisation's objectives.

In particular, the committee will review the adequacy and effectiveness of:

- All risk and control related disclosure statements (in particular the governance statement) together with any accompanying head of internal audit opinion, external audit opinion or other appropriate independent assurances, prior to submission to the health board;
- The underlying assurance processes that indicate the degree of achievement of the organisation's objectives, the effectiveness of the management of principal risks and the appropriateness of the above disclosure statements;
- The efficiency effectiveness and economic use of resources;
- The extent to which the arrangements safeguards and protects all its assets, including its people to ensure the provision of high quality, safe healthcare for its citizens;



- The organisation's annual report;
- The board's standing orders and standing financial instructions (including associated framework documents, as appropriate);
- The policies for ensuring compliance with relevant regulatory, legal and code of conduct requirements and any related reporting and self-certifications;
- The policies and procedures for all work related to counter fraud and security as required by NHS Counter Fraud Authority;
- The arrangements in place to ensure the reliability, integrity, safety and security of the information collected and used by the organisation. This will be done through regular reports made by the Information Governance Group;
- The arrangements in place to secure active, ongoing assurance from management with regard to their responsibilities and accountabilities, whether directly to the board and the accountable officer or through the work of the board's committee;
- The work carried out by the whole range of external review bodies and ensure it is brought to the attention of the board, and that the organisation is aware of the need to comply with related standards and recommendations of these review bodies, and the risks of failing to comply.

In carrying out this work, the committee will primarily use the work of internal audit, external audit and other assurance functions, but it will not be limited to these sources. It will also seek reports and assurances from directors and managers as appropriate, concentrating on the over-arching systems of integrated governance, risk management and internal control, together with indicators of their effectiveness.

This will be evidenced through the committee's use of an effective assurance framework to guide its work and the audit and assurance functions that report to it.

As part of its integrated approach, the committee will have effective relationships with other key committees (for example Quality and Safety Committee) so that it understands processes and linkages. However these other committees must not usurp the Audit Committee's role.

#### *(b) Internal Audit*

The committee shall ensure that there is an effective internal audit function which provides appropriate independent assurance to the committee, accountable officer and health board. This will be achieved by:

- Considering the provision of the internal audit service and the costs involved;
- Reviewing and approving the annual internal audit plan and more detailed programme of work, ensuring that this is consistent with the audit needs of the organisation as identified in the assurance framework;
- Considering the major findings of internal audit work (management responses) and ensuring co-ordination between the internal and external auditors to optimise the use of audit resources;
- Ensuring that the internal audit function is adequately resourced and has appropriate standing within the organisation;



- Monitoring the effectiveness of internal audit and carrying out an annual review.

#### *(c) External Audit*

The committee shall review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process. In particular, the committee will review the work and findings of the external auditors and consider the implications and management's responses to their work. This will be achieved by:

- Considering the appointment and performance of the external auditors, as far as the rules governing this appointment permit (make recommendations to the health board when appropriate);
- Discussing and agreeing with the external auditors, before the audit commences, the nature and scope of the audit as set out in the draft annual plan;
- Discussing with the external auditors their evaluation of audit risks and assessment of the organisation and the impact on the audit fee;
- Reviewing all external audit reports, including the report to those charged with governance (before its submission to the health board) and any work undertaken outside of the annual audit plan, together with the appropriateness of management responses;
- Ensuring that there is in place a clear policy for the engagement of external auditors which informs (but not replace) internal assurance activity.

#### *(d) Other assurance functions*

The committee shall review the findings of other significant assurance functions, both internal and external to the organisation, and consider the implications for the governance of the organisation.

These will include, but not be limited to, any reviews by Welsh Government's regulators or inspectors and professional bodies with responsibility for the performance of staff or functions.

In addition, the committee will review the work of other committees within the organisation, whose work can provide relevant assurance to the committee's own areas of responsibility. In particular, this will include any clinical governance, risk management or quality committees that are established.

In reviewing the work of the quality and safety committee, and issues around clinical risk management, the committee will wish to satisfy itself on the assurance that can be gained from the clinical audit function.

#### *(e) Counter Fraud*

The committee shall satisfy itself that the organisation has adequate arrangements in place for counter fraud and security that meet NHS Counter Fraud Authority's standards and shall review the outcomes of work in these areas.

#### *(f) Management*



The committee shall request and review reports, evidence and assurance from directors and management on the overall arrangements for governance, risk management and internal control.

The committee may also request specific reports from individual functions within the organisation (for example, clinical audit).

*(g) Financial Reporting*

The committee shall monitor the integrity of the financial statements of the organisation and any formal announcements relating to its financial performance, including the schedule of losses and compensation.

The committee should ensure that the systems for financial reporting to the governing body, including those of budgetary control, are subject to review as to the completeness and accuracy of the information provided.

The committee shall review the annual report and financial statements before submission to the health board, focussing particularly on:

- The wording in the annual governance statement and other disclosures relevant to the terms of reference of the committee;
- Changes in, and compliance with, accounting policies, practices and estimation techniques;
- Unadjusted mis-statements in the financial statements;
- Significant judgements in preparation of the financial statements;
- Significant adjustments resulting from the audit;
- Letter of representation;
- Explanations for significant variances.

*(h) Whistleblowing*

The committee shall review the effectiveness of the arrangements in place for allowing staff to raise (in confidence) concerns about possible improprieties in financial, clinical or safety matters and ensure that any such concerns are investigated proportionately and independently.

**(f) Hosted Agencies**

The committee shall receive an annual report for all hosted agencies. The committee should also review the hospitality register, single tender action/quotations and risk register for hosted agencies as part of the health board's regular updates to the Audit Committee.

## 4. AUTHORITY

The committee is authorised by the board to investigate or have investigated any activity within its terms of reference. In doing so, the committee shall have the right to inspect any books, records or documents of the health board relevant to the committee's remit and ensuring patient/client and staff confidentiality, as appropriate. It may seek any relevant information from any:



- employee (and all employees are directed to cooperate with any reasonable request made by the committee); and
- other committee, sub-committee or group set up by the board to assist it in the delivery of its functions.

The committee is authorised by the board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers it necessary, in accordance with the board's procurement, budgetary and other requirements.

## 5. ACCESS

The head of internal audit shall have unrestricted and confidential access to the chair of the Audit Committee.

The chair of the Audit Committee shall have reasonable access to executive directors and other relevant senior staff.

## 6. MEMBERSHIP

The committee shall comprise three independent members of the board. It may also co-opt additional independent "external" members from outside the organisation to provide specialist skills, knowledge and expertise. Executives, including Director of Finance, Director of Nursing and Patient Experience and Director of Corporate Governance will be "in attendance" at the meetings. The Chief Executive and other executive directors will attend as required by the committee chair

Executive Director	Membership	Frequency of Attendance
Director of Finance	In attendance	Every meeting
Director of Nursing and Patient Experience	In attendance	Every meeting
Director of Corporate Governance	In attendance	Every Meeting

The membership of the committee shall be determined by the board, based on the recommendation of the Chair, and subject to any specific requirements or directions made by the Welsh Government.

The accountable officer (Chief Executive) and Chair should be invited to attend meetings and should discuss at least annually with the committee the process for assurance that supports the governance statement. They should also attend when the committee considers the draft annual governance statement as well as the annual report and accounts.

The committee chair may invite other executive directors or health board officials to Attend all or part of a meeting to assist it with its discussions on any particular matter (except when issues relating to their personal remuneration and terms and conditions are being discussed).



## 7. Committee Meetings

### Quorum

At least three members must be present to ensure the quorum of the committee, two of whom must be independent members. To ensure meetings are quorate, the chair can invite other independent members to attend.

### Chair

An independent member shall chair the committee.

### Secretariat

The Director of Corporate Governance will determine the secretarial and support arrangements for the committee.

### Frequency of Meetings

Meetings shall be held on a bi-monthly basis.

### Committee Meetings

A standard agenda must be used as the basis for discussion at each meeting. Minutes prepared following a meeting shall be circulated to members and retained by the Director of Corporate Governance as formal record of the decision making for a period of seven years.

### Withdrawal of individuals in attendance

The committee may ask any member or individual who is normally in attendance but who is not a member to withdraw to facilitate open and frank discussion of any particular matter.

The Director of Corporate Governance, on behalf of the committee chair, shall:

- arrange the provision of advice and support to committee members on any aspect related to the conduct of their role; and
- ensure the provision of a programme of organisational development for committee members as part of the health board's overall organisational development programme developed by the Director of Workforce and Organisational Development.

## 8. Relationship and Accountabilities with the Board and its Committees and Groups

Although the board has delegated authority to the committee for the exercise of certain functions as set out within these terms of reference, it retains overall responsibility and accountability in relation to its role as corporate trustee.

The committee is directly accountable to the board for its performance in exercising the functions set out in these terms of reference. Through its chair and members, it will work closely with the board's other committees and groups to provide advice and assurance to the board through the

- joint planning and co-ordination of board and committee business; and
- sharing of information.



In doing so, contributing to the integration of good governance across the organisation, ensuring that all sources of assurance are incorporated into the board's overall risk and assurance framework. This will be achieved primarily through the Audit Committee.

The committee shall embed the health board's corporate standards, priorities and requirements, for example equality, diversity and human rights, through the conduct of its business.

## 9. Reporting and Assurance Arrangements

The committee chair shall:

- report formally, regularly and on a timely basis to the board on the committee's activities. This includes verbal updates on activity, the submission of committee minutes and written reports, as well as the presentation of an annual report;
- bring to the board's specific attention any significant matters under consideration by the committee;
- ensure appropriate escalation arrangements are in place to alert the health board chair, chief executive or chairs of other relevant committees of any urgent/critical matters that may compromise patient care and affect the operation and/or reputation of the health board.

The board may also require the committee chair to report upon the committee's activities at public meetings or to community partners and other stakeholders, where this is considered appropriate, for example where the committee's assurance role relates to a joint or shared responsibility.

The Director of Corporate Governance, on behalf of the board, shall oversee a process of regular and rigorous self assessment and evaluation of the committee's performance and operation including that of any sub committees established.

The committee shall provide a written annual report to the board on its activities, which will also record the results of the committee's self - assessment and evaluation.

## 10. Applicability of Standing Orders to Committee Business

The requirements for the conduct of business as set out in the health board's standing orders are equally applicable to the operation of the committee, except in the following areas:

- quorum
- notice of meetings
- notifying the public of meetings
- admission of the public, the press and other observers
- paper circulation.

## 11. Review





These terms of reference and operating arrangements shall be reviewed annually by the committee with reference to the board.