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Bwrdd Iechyd Prifysgol
Abertawe Bro Morgannwg
University Health Board



Meeting Date	21 March 2019	Agenda Item	2e
Report Title	Audit Committee Terms of Reference		
Report Author	Liz Stauber, Committee Services Manager		
Report Sponsor	Pam Wenger, Director of Corporate Governance		
Presented by	Pam Wenger, Director of Corporate Governance		
Freedom of Information	Open		
Purpose of the Report	The purpose of the report is to set out the terms of reference for the Audit Committee for approval.		
Key Issues	There are no significant changes to the terms of reference.		
Specific Action Required <i>(please ✓ one only)</i>	Information	Discussion	Assurance
			Approval ✓
Recommendations	Members are asked to : <ul style="list-style-type: none"> • Note the report and approve the terms of reference. 		

REVISED TERMS OF REFERENCE FOR THE AUDIT COMMITTEE

1. INTRODUCTION

The purpose of the report is to set out the terms of reference for the Audit Committee for approval.

2. BACKGROUND

In-line with the standing orders, the health board established the Audit Committee 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.”

As such, terms of reference were developed to set out its role, responsibility and operating arrangements.

3. GOVERNANCE AND RISK ISSUES

The terms of reference are required to be reviewed annually in-line with the health board’s governance framework and good governance principles. Failure to do so could result in the committee not discharging its duties appropriately putting the health board’s governance arrangements at risk. There are no proposed changes to the terms of reference.

4. FINANCIAL IMPLICATIONS

There are no financial implications for the committee to consider.

5. RECOMMENDATION

Members are asked to:

- **Note** the report and **approve** the terms of reference.

Governance and Assurance					
Link to corporate objectives (please ✓)	Promoting and enabling healthier communities	Delivering excellent patient outcomes, experience and access	Demonstrating value and sustainability	Securing a fully engaged skilled workforce	Embedding effective governance and partnerships
					✓
Quality, Safety and Patient Experience					
Ensuring the committee carries out its business appropriately and aligned with standing orders is a key factor in the quality, safety and experience of patients receiving care.					
Financial Implications					
No financial implications for the committee to be aware of.					
Legal Implications (including equality and diversity assessment)					
It is essential that the committee complies with its standing orders, for which its responsibilities are outlined in its terms of reference.					
Staffing Implications					
No staffing implications for the committee to be aware of.					
Long Term Implications (including the impact of the Well-being of Future Generations (Wales) Act 2015)					
The approval of the terms of reference will enable the committee to continue as the main assurance committee to the board.					
Report History	The terms of reference are received by the committee annually for review.				
Appendices	The revised terms of reference are attached as appendix one.				



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Audit Committee Terms of Reference

1. Introduction/Constitution

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*".

ABMU Health Board resolves to establish a committee to be known as the Audit Committee (the committee). It is a non-executive committee and has no executive powers, other than those specifically delegated in these terms of reference.

2. 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. Delegated Powers and Authority (Responsibilities)

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 organisation 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 Board;
- 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 a clinical governance 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. It will do this through an annual review of the work of the Quality and Safety Committee.

(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.

4. Sub-Committees

The committee may, subject to the approval of the board, establish sub-committees or task and finish groups to carry out on its behalf specific aspects of committee business. The following sub-committees have been established:

- **Hosted agencies governance sub-committee**

5. Membership

The committee shall comprise four independent members of the health board; two of whom will be appointed as chair and vice-chair. The chair of the organisation itself shall not be a member of the committee. The committee may also co-opt additional independent 'external' members from outside of the organisation to provide specialist skills, knowledge and expertise.

At least two members must be present to ensure the quorum of the committee, including either the committee's chair or vice-chair. To ensure the meeting is quorate, other independent members can be asked to attend by the chair.

The membership of the committee shall be determined by the board, based on the recommendation of the health board's chair - taking account of the balance of skills

and expertise necessary to deliver the committee's remit and subject to any specific requirements or directions made by Welsh Government.

Members' terms of office will be reviewed annually by the health board's chair but a member may resign or be removed by the board.

Committee members' terms and conditions of appointment, (including any remuneration and reimbursement) are determined by the board, based upon the recommendation of the health board's chair (and on the basis of advice from the Workforce and Organisational Development Committee).

6. Attendance at Meetings

The Directors of Finance, Nursing and Patient Experience and Corporate Governance (Board Secretary), along with appropriate internal and external audit representatives, shall normally attend meetings. The counter fraud specialist will attend a minimum of two meetings a year.

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

Other executive directors/managers should be invited to attend, particularly when the committee is discussing areas of risk or operation that are within their areas of responsibility. The chair of the committee may also invite any other health board officials and/or others from within or outside of the organisation to attend all or part of a meeting to assist with its discussions.

The organisation's Director of Corporate Governance (Board Secretary) shall determine secretariat support to attend to take minutes of the meeting and to provide appropriate support to the chair and committee members.

At least once a year, the committee shall meet privately with the external and internal auditors.

The 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.

7. Frequency of Meetings

Meetings shall be held bi-monthly and otherwise as the chair, committee or health board deem necessary, consistent with the health board's annual plan of business.

8. Access

The head of internal audit, representative of external audit and counter fraud specialist have a right of direct access to the chair of the committee. In addition, the chair of the committee shall have reasonable access to executive directors and other senior staff.

9. Authority

The committee is authorised by the health 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. The committee is authorised by the health board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if considered necessary.

10. 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 for ensuring the quality and safety of healthcare for its citizens through the effective governance of the organisation.

The committee is directly accountable to the board for its performance in exercising the functions set out in these terms of reference.

The committee, through its chair and members, shall work closely with the board's other committees, including joint (sub) 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, it will contribute 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.

The committee will consider the assurance provided through the work of the board's other committees and sub-groups to meet its responsibilities for advising the board on the adequacy of the overall framework of assurance.

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

11. Reporting and Assurance Arrangements

The committee shall report to the health board on how it discharges its responsibilities and ensure appropriate escalation arrangements are in place to alert the Chair, Chief Executive (as accountable officer) or chairs of other relevant committees of any urgent/critical matters that may affect the operation and/or reputation of the health board.

The minutes of the committee meetings shall be formally recorded by the secretary and submitted to the health board. The chair of the committee shall draw to the attention of the health board any issues that require disclosure to the full governing body or require executive action.

The committee will report to the health board at least annually in its work in support of the annual governance statement, specifically commenting on:

- The fitness for purpose of the assurance framework;
- The completeness and 'embeddedness' of risk management in the organisation;

- The integration of governance arrangements;
- The appropriateness of the evidence that shows the organisation is fulfilling regulatory requirements relating to its existence as a functioning business;
- The robustness of the processes behind the quality accounts.

This annual report should also describe how the committee has fulfilled its terms of reference and give details of any significant issues that the committee considered in relation to the financial statements and how they were addressed.

12. Administrative Support

The committee shall be supported administratively by its secretary – his or her duties in this respect will include:

- Agreement of agendas with the chair and attendees;
- Preparation, collation and circulation of minutes;
- Ensuring that those invited to each meeting attend;
- Taking the minutes and helping the chair to prepare reports to the health board;
- Keeping a record of matters arising and issues to be carried forward;
- Arranging meetings for the chair, for example, with the internal/external auditors or local counter fraud specialists;
- Maintaining records of members' appointments and renewal dates;
- Advising the committee on pertinent issues/areas of interest/policy developments;
- Ensuring that action points are taken forward between meetings;
- Ensuring that committee members received the development and training they need.

The Director of Corporate Governance (Board Secretary), on behalf of the committee chair and/or board, shall:

- Arrange the provision of advice and support to committee members on any aspect related to the conduct of their role;
- Ensure the provision of a programme of organisational development for committee members as part of the overall organisational development programme;
- 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. In doing so, account will be taken of the requirements set out in the NHS Wales Audit Committee Handbook.

13. 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

14. Review

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