

NHS Shetland

Meeting:	Board
Meeting date:	26 April 2022
Agenda reference:	Board Paper 2022/23/10
Title:	Audit Committee Terms of Reference
Responsible Executive/Non-Executive:	Colin Marsland, Director of Finance
Report Author:	Colin Marsland, Director of Finance

1 Purpose

This is presented to the Board for a:

- Decision to agree the Audit Committee terms of reference

This report relates to:

- Local policy

This aligns to the following NHS Scotland quality ambitions:

- Safe
- Effective
- Person Centred

2 Report summary

2.1 Situation

The board's corporate handbook requires the Audit Committee to review annually the committee's terms of reference and this is scheduled to take place in March each year per the committee's business plan.

The Audit Committee discussed and agreed its revised terms of reference at the committee meeting on Tuesday 29th March 2022

2.2 Background

In line with best practice value the Board's Governance Committee are required to review annually as part of their self-assessment process the role and remit of the committee. Board's audit committee needs to take account of the obligations out-lined in Audit Committee handbook that is published by the Scottish Government.

2.3 Assessment

The terms of reference presented to the Audit Committee have been updated to reflect NHS Shetland standard template and early recommendations from NHS Scotland review of Audit Committees roles and purpose. However the NHS Scotland national review is yet to conclude the process and issue final guidance.

2.3.1 Quality/ Patient Care

Assists in the Board's governance to ensure locally quality of care and patient services.

2.3.2 Workforce

Assists in the Board's governance to ensure staff resources, health and wellbeing are appropriate.

2.3.3 Financial

Ensures effective governance is in place to ensure best value of resources.

2.3.4 Risk Assessment/Management

Ensures effective governance is in place to ensure relevant risk assessment and mitigations are in place.

2.3.5 Equality and Diversity, including health inequalities

Ensures effective governance is in place to supports the Public Sector Equality Duty, Fairer Scotland Duty, and the Board's Equalities Outcomes.

An impact assessment has not been completed.

2.3.6 Other impacts

No other material issues.

2.3.7 Communication, involvement, engagement and consultation

The Board has not carried out any involve and engage external stakeholders in respect of this paper.

2.3.8 Route to the Meeting

The terms of reference was previously considered and agreed by the Audit Committee on 29 March 2022 as part of its development.

2.4 Recommendation

- **Decision** – Board Members are asked to approve the terms of reference.

3 List of appendices

The following appendices are included with this report:

- Appendix No 1, Audit Committee Terms of Reference

Audit Committee

Terms of Reference

1. Purpose of the Committee

- 1.1 The Audit Committee is a standing committee of the Board, which together with the Clinical Governance Committee and Staff Governance Committee forms the full governance framework for NHS Boards.
- 1.2 The Audit Committee is established by the Board to provide assurance to the Board, based on evidence gained from review, on the adequacy, efficiency and effectiveness of NHS Shetland's governance, risk management and internal control framework.

2. Composition of the Committee

2.1 Membership

- 2.1.1 The Audit Committee members will be appointed by the Board. As a minimum, full membership of the committee should include four Non-Executive Board members, one of whom must be the Chair of the Clinical Governance Committee. The Chair of the Board and employees of the Board cannot be the Chair of the Audit Committee.
- 2.1.2 The Chair will be appointed by the Board. The appointment of the Chair will be reviewed biennially in line with current legislation.
- 2.1.3 Current membership comprises:
 - Non-Executive Director as Chair
 - Non-Executive Director, Chair of Clinical Governance Committee
 - Minimum of two other Non-Executive Directors

2.2 Executive Lead

The lead officer for the Audit Committee shall be the Director of Finance. 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 they 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;

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Approved by:

- Liaise with the Chair/Corporate Services Manager in agreeing a programme of meetings for the business year, as required by its remit;
- Oversee the development of an Annual Workplan for the Committee which is congruent with its remit and the need to provide appropriate assurance at the year end, for endorsement by the Committee and approval by the Board;
- Agree with the Chair an agenda for each meeting, having regard to the Committee's Remit and Workplan;
- Lead an annual review of the Committee Terms of Reference and progress against the Annual Workplan, as part of the process to ensure that the Workplan is fulfilled;
- Oversee the production of a Committee Annual Report, informed by self-assessment of performance on the delivery of the Committee's Remit, Workplan and key performance indicators for endorsement by the Committee and submission to the Board.

2.3 Attendees

2.3.1 Attendees may be invited to the Audit Committee as required but regular attendance of the following is expected:

Core attendees (expected at every meeting):

- Chief Executive
- Director of Finance
- Internal Auditor
- Clinical Governance and Risk Lead

Ad hoc attendees (required to contribute to key items on agenda)

- External Auditor
- Head of Finance
- Relevant Manager when their service have an internal audit report or other report on agenda
- Other members of Executive Management Team on request

2.3.2 Where an officer is unable to attend a particular meeting, a named representative shall attend in their place.

3. Functions

3.1 Remit

- Provide assurance to the Board based on evidence gained from review, on the adequacy, efficiency and effectiveness of NHS Shetland's governance, risk management and internal control framework:

3.1.1 Internal Control, Governance and Risk Management

- Reviewing NHS Shetland's governance, internal control and governance arrangements for risk management systems;
- Reviewing changes to the SOs and SFIs prior to approval by the Board;
- Examining the circumstances associated with any occasion when SOs are waived;

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- Reviewing the Scheme of Delegation;
- Reviewing arrangements for the prevention and detection of fraud, bribery and other irregularities including policies, Codes of Conduct, whistle blowing processes and the work of Counter Fraud Services;
- Reviewing the arrangements in place to provide assurance to the Accountable Officer in relation to Best Value;
- Reviewing the assurances provided in the annual reports of other governance committees in support of the Annual Governance Statement.

3.1.2 Internal Audit

- Approving the Internal Audit Strategy and Plan;
- Reviewing Internal Audit reports and progress reports;
- Reviewing action taken by management on audit recommendations;
- Reviewing the Internal Audit Annual Report;
- Reviewing the performance of the Internal Audit function;
- Approving the appointment of the outsourced Internal Auditors.

3.1.3 External Audit

- Receiving the External Audit Strategy and Plan;
- Holding discussions with External Audit;
- Receiving External Audit reports;
- Reviewing action taken by management on External Audit recommendations;
- Reviewing and monitoring the External Auditor's independence and objectivity and the effectiveness of the audit process;
- Ensuring co-ordination between Internal and External Audit.

3.1.4 Annual Accounts and Governance Statement

- Reviewing the annual accounts prior to submission to the Board for approval;
- Agreeing and endorsing the Annual Governance Statement in conjunction with the Chair of other Governance Committee;
- Reviewing schedules of losses and compensations;
- Approving changes in accounting policies.

3.2 Standing Items

- Internal Audit Progress Reports
- Internal Audit Follow-up Reports
- Internal Audit Assignment Reports
- Audit Committee Business Plan

3.3 Ad-hoc Reports

- Risk Management Reports
- Internal Audit Annual Plan
- Chief Internal Auditor Annual Report
- External Audit Planning Documents for Annual Accounts
- International Standard on Auditing (ISA) 260 report from External Audit
- External Audit Management Reports
- Draft Annual Accounts

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- Local Annual Fraud Report
- National Annual Fraud Report
- Bad Debts Review
- Governance Committees annual performance reports

4. Meetings of the Committee

4.1 Frequency

4.1.1 The Committee shall meet a minimum of four times per year, with meetings normally held in Board's Headquarters

4.1.2 The Chair of the Committee may at any time convene additional meetings of the Committee to consider business which may require urgent consideration.

4.1.3 At least once a year, the Committee will meet with External and Internal Auditors in private.

4.2 Agenda and Papers

4.2.1 The Chair will set the agenda in conjunction with the Executive Lead.

4.2.2 The agenda and supporting papers will be sent out at least five working days in advance of the meetings.

4.2.3 All papers will clearly state the agenda reference, the author, the purpose of the paper and the action the Committee is asked to consider.

4.3 Quorum

4.3.1 No business shall be transacted at a meeting of the Audit Committee unless at least two of the whole number of Members is present, of whom at least two Members are present. For the purposes of determining whether a meeting is quorate, Members attending by either secure digital visual technology or tele-conference link will be determined to be in attendance.

4.4 Minutes

4.4.1 Formal minutes shall be taken of the proceedings of the Committee. Draft Minutes shall be distributed for consideration and review to the Chair of the Meeting within 10 working days of the meeting except in exceptional circumstances. The Chair must return any edits within a further five working days of receipt.

4.4.2 The draft Minutes will be circulated electronically to Committee Members for approval within the following 10 working days.

4.4.3 Minutes will be included for noting in subsequent Board Meeting papers following approval by the Audit Committee.

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4.4.4 The Committee Chair will provide a short written highlight/escalation update to the next Board meeting regardless of the availability of the approved minutes. Escalation issues might include the committee's inability to provide assurance about an area of delegated responsibility, or flag attendance concerns.

5. Authority

5.1 The Committee is authorised by the Board, within its Terms of Reference, to investigate any activity undertaken by NHS Shetland. It is authorised to seek and obtain any information it requires from any employee and all employees of NHS Shetland are directed to co-operate with any request made by the Committee.

5.2 The Committee is authorised by the Board to obtain external legal or other independent professional advice and to secure the assistance of people from outside NHS Shetland or the wider NHS, with relevant expertise, if it is considered necessary.

5.3 The External and Internal Auditors shall have the right of direct access to the Chair of the Committee for audit purposes.

6. Reporting Arrangements

6.1 The Audit Committee reports to Shetland NHS Board for non-delegated matters.

6.2 The Committee has a duty to review its own performance and effectiveness, including:

- A midyear review of Terms of Reference, considering the need for any amendment/update to Terms of Reference, which in the event, will require to be approved by the Board;
- A midyear review of the Committee's established key performance indicators;
- A midyear review of Annual Workplan, identifying any areas of slippage on timescales / tasks and put in place any additional actions to ensure full delivery of the Committee's Remit and Workplan by the business year end;
- In accordance with Best Value for Board and Committee Working, the submission of an Annual Report by 5 April each year encompassing: the name of the Committee, the Committee Chair, members, the Executive Lead and officer supports/attendees, frequency and dates of meetings, member attendance, the activities of the Committee during the year including confirmation of delivery of the Annual Workplan and review of the Committee Terms of Reference and key performance indicators, improvements overseen by the Committee and matters of concern to the Committee (in line with the Annual Report template).

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