

# **Aneurin Bevan University Health Board**

## **Audit Committee**

## **Terms of Reference**

Draft Revised – July 2019 (Revised October 2019)

## 1. INTRODUCTION

- 1.1 The Aneurin Bevan University Health Board's standing orders provide that *"The Board may and, where directed by the Welsh Government, must appoint Committees of the Health Board 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"*.
- 1.2 In line with standing orders and the Health Board's Scheme of Delegation, the Board shall nominate annually 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.
- 1.3 The Committee is formed of Independent Members of the Health Board and has no executive powers, other than those specifically delegated to it by the Board as outlined in these Terms of Reference.

## 2. PURPOSE

- 2.1 The purpose of the Audit Committee ("the Committee") is to:
  - **Advise** and **assure** the Board and the Accountable Officer on whether or not effective arrangements are in place - through the design and operation of the Health Board's **overall system of governance and assurance** - to support the Health Board in discharging its accountabilities and responsibilities for the achievement of the Health Board's objectives and organisational requirements in accordance with the standards of good governance determined for the NHS in Wales. This will include taking a primary role in advising the Board on the overall design and performance of the system of governance and assurance seeking assurance from other committees of the Board, as appropriate, with regard to the adequacy of the ways in which they are also discharging their responsibilities as part of the overall system of governance and assurance.
- 2.2 Where appropriate, the Committee will advise the Board and the Accountable Officer (Chief Executive) on where, and how, its system of governance and assurance may be strengthened and further developed.

### 3. DELEGATED POWERS AND AUTHORITY

3.1 With regard to its role in providing advice to the Board, the Committee will comment specifically upon:

- The adequacy of the University Health Board's strategic governance and assurance arrangements and processes for the maintenance of an effective system of good governance, risk management and internal control across the whole of the organisation's activities (both clinical and non-clinical), expressed through an overall Board Assurance Framework.

**Risk Management:** In relation to risk management, the Committee will seek assurance that effective systems are in place to manage risk, that there is an effective framework of internal controls to address corporate, strategic and clinical risks (i.e. those likely to directly impact on achieving the Health Board's IMTP Strategic Objectives) and that effectiveness of that framework is regularly reviewed.

The Committees on behalf of the Board will consider and recommend to the Board approval of a Risk Management Strategy and annually any required changes to the risk management framework and also oversee the development of an appropriate Board Assurance Framework.

This work will support the development of public disclosure statements that flow from the assurance processes, including the Accountability Report, the Annual Governance Statement and the Annual Quality Statement (in association with other Committees of the Board, particularly the Quality and Patient Safety Committee, which takes a lead role for the Annual Quality Statement) providing an assessment of and assurance on:

- the organisation's ability to achieve its objectives, the provision of high quality, safe healthcare for its citizens. (Linked to Quality and Patient Safety Committee)
- compliance with relevant regulatory requirements, standards, quality and service delivery requirements

and other directions and requirements set by the Welsh Assembly and others,

- the reliability, integrity, safety and security of the information collected and used by the organisation, (in association with the Information Governance Committee)
  - the efficiency, effectiveness and economic use of resources, and
  - the extent to which the organisation safeguards and protects all its assets, including its people (Link to the People and Culture Committee)
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- The Board's Standing Orders, Standing Financial Instructions (including associated framework documents, as appropriate), Scheme of Delegation and to receive regular reports with regard to use of Single Tender Actions;
  - The accounting policies, the accounts, and the annual report of the organisation, including the process for review of the accounts prior to submission for audit, levels of error identified, the ISA 260 Report 'Communication with those charged with Governance' and management letter of representation to the external auditors;
  - The Schedule of Losses and Compensation and any recommendation with regard to the writing off of any losses;
  - The planned activity and results of internal audit, external audit (Wales Audit Office), clinical audit, Local Counter Fraud Specialist (including strategies, annual work plans and annual reports) and the programme of Post Payment Verification;
  - The adequacy of executive and management responses to issues identified by audit, inspection and other assurance activity and to monitor outcomes.
  - Proposals for accessing Internal Audit services via Shared Service arrangements (where appropriate);
  - Anti-fraud policies, whistle-blowing processes and arrangements for special investigations;

- Recommending to the Board the adoption of a Code of Business Conduct for Staff and Board Members and also receiving an annual report on declarations of interest and gifts and hospitality registers.
  - Any particular matter or issue upon which the Board or the Accountable Officer may seek advice.
- 3.2 The Committee will support the Board with regard to its responsibilities for governance (including risk and control) by reviewing:
- All risk and control related disclosure statements (in particular the Accountability Report, the Annual Governance Statement and the Annual Quality Statement [for the Annual Quality Statement this will be done in association with the Quality and Patient Safety Committee which takes a lead role for the AQS] together with any accompanying Head of Internal Audit statement, external audit opinion or other appropriate independent assurances, prior to endorsement by the Board;
  - The underlying assurance processes that indicate the degree of the achievement of corporate objectives, the effectiveness of the management of principal risks and the appropriateness of the above disclosure statements;
  - The policies for ensuring compliance with relevant regulatory, legal and code of conduct and accountability requirements; and
  - The policies and procedures for all work related to fraud and corruption as set out in National Assembly for Wales Directions and as required by the Counter Fraud and Security Management Service.
- 3.3 In carrying out this work the Committee will primarily utilise the work of Internal Audit, External Audit and other assurance functions, but will not be limited to these audit functions. It will also seek reports and assurances from directors and managers as appropriate, concentrating on the overarching systems of good governance, risk management and internal control, together with indicators of their effectiveness.
- 3.4 This will be evidenced through the Committee's use of effective governance and assurance arrangements to guide its work and

that of the audit and assurance functions that report to it, and enable the Committee to review and form an opinion on:

- The **comprehensiveness** of assurances in meeting the Board and the Accountable Officer's assurance needs across the whole of the Health Board's activities, both clinical and non-clinical; and
- The **reliability and integrity** of these assurances.

3.5 To achieve this, the Committee's programme of work will be designed to provide assurance that:

- There is an effective internal audit function that meets the standards set for the provision of internal audit in the NHS in Wales and provides appropriate independent assurance to the Board and the Accountable Officer through the Committee;
- There is an effective counter fraud service that meets the standards set for the provision of counter fraud in the NHS in Wales and provides appropriate assurance to the Board and the Accountable Officer through the Committee;
- There is an effective clinical audit and quality improvement function that meets the standards set for the NHS in Wales and provides appropriate assurance to the Board and the Accountable Officer through consideration by the Quality and Patient Safety Committee
- There are effective 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 committees
- The work carried out by key sources of external assurance, in particular, but not limited to the Health Board's external auditors, is appropriately planned and co-ordinated and that the results of external assurance activity supports and informs (but does not replace) internal assurance activity
- The work carried out by the whole range of external review bodies 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;

- The systems for financial reporting to the Board, including those of budgetary control, are effective; and that
- The results of audit and assurance work specific to the Health Board, and the implications of the findings of wider audit and assurance activity relevant to the Health Board's operations are appropriately considered and acted upon to secure the ongoing development and improvement of the organisation's governance arrangements.

### **Authority**

- 3.6 The Committee is authorised by the Board to investigate or have investigated any activity (clinical and non-clinical) 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 relevant information from any:
- Employee (and all employees are directed to cooperate with any reasonable request made by the Committee); and
  - Any other committee, sub-committee or group set up by the Board to assist it in the delivery of its functions.
- 3.7 The Committee is authorised by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outside representatives with relevant experience and expertise if it considers it necessary, in accordance with the Board's procurement, budgetary and other requirements.

### **Access**

- 3.8 The Head of Internal Audit and the Auditor General and his representatives shall have unrestricted and confidential access to the Chair of the Audit Committee at any time, and vice versa.
- 3.9 The Committee will meet with Internal and External Auditors and the nominated Local Counter Fraud Specialist without the presence of officials on at least one occasion each year.
- 3.10 The Chair of Audit Committee shall have reasonable access to Executive Directors and other relevant senior staff.

## Sub Committees

- 3.11 The Committee may, subject to the approval of the Health Board, establish sub committees or task and finish groups to carry out on its behalf specific aspects of Committee business.

## 4. MEMBERSHIP

### Members

- 4.1 Four members, comprising:

Chair	Independent member of the Board
Vice Chair	Independent member of the Board
Members	Two other independent members of the Board <i>[one of which should be a member of the Quality and Patient Safety Committee]</i>

The committee may also co-opt additional independent 'external' members from outside the organisation to provide specialist skills, knowledge and expertise.

The Chair of the organisation shall not be a member of the Audit Committee.

### Attendees

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|-----|---------------|---|
| 4.2 | In attendance | The Accountable Officer/Chief Executive<br>Director of Finance and Procurement<br>The Board Secretary<br>Head of Internal Audit<br>Head/individual responsible for Clinical Audit, as appropriate (although routine reporting would be via the Quality and Patient Safety Committee)<br>Local Counter Fraud Specialist<br>Representative of the Auditor General<br>Other Executive Directors will attend as required by the Committee Chair |
|     | By invitation | The Committee Chair may invite: <ul style="list-style-type: none"><li>- the Chair of the organisation</li></ul>   |



- any other Health Board officials; and/or
- any others from within or outside the organisation

to attend all or part of a meeting to assist it with its discussions on any particular matter.

The Chief Executive should be formally invited to attend, at least annually, to discuss with the Committee the process for assurance that supports the Annual Governance Statement and the Annual Quality Statement along with other public disclosure statements.

### **Secretariat**

- 4.3 Secretariat arrangements will be determined by the Board Secretary

### **Member Appointments**

- 4.4 The membership of the Committee shall be determined by the Board, based on the recommendation of the Health Board 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 the Assembly Government. The Board shall ensure succession planning arrangements are in place.

Members shall be appointed to hold office for a period of one year at a time, up to a maximum of their term of office. During this time a member may resign or be removed by the Board. The Board should consider rotating a proportion of the Committee's membership after three or four years' service so as to ensure the Committee is continually refreshed whilst maintaining continuity.

- 4.5 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 Chair [and on the basis of advice from the Health Board's Remuneration and Terms of Service Committee].

## **Support to Committee Members**

- 4.6 The Board Secretary, 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 OD programme developed by the Director of Workforce and Organisational Development.

## **5. COMMITTEE MEETINGS**

### **Quorum**

- 5.1 At least two members must be present to ensure the quorum of the Committee, one of whom should be the Committee Chair or Vice Chair.

### **Frequency of Meetings**

- 5.2 Meetings shall be held in public no less than quarterly, and otherwise as the Chair of the Committee deems necessary – consistent with the Health Board's annual plan of Board Business. The External Auditor or Head of Internal Audit may request a meeting if they consider that one is necessary.

### **Withdrawal of individuals in attendance (In Committee)**

- 5.3 The Committee may ask any or all of those who normally attend, but who are not members, to withdraw to facilitate an 'in committee' meeting to allow for an open and frank discussion of any particular matters.

## **6. RELATIONSHIP and ACCOUNTABILITIES WITH THE BOARD AND ITS COMMITTEES / GROUPS<sup>1</sup>**

- 6.1 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

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<sup>1</sup> Reference to the Board's Committees/Groups incorporates its sub committees, joint committees and joint sub committees as well as other groups, such as Task and Finish Groups, where this is appropriate to the remit of this Audit Committee.

for its citizens through the effective governance of the organisation.

- 6.2 The Committee is directly accountable to the Board for its performance in exercising the functions set out in these terms of reference.
- 6.3 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, 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 arrangements.

- 6.4 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 Health Board's overall system of assurance.
- 6.5 The Committee shall embed the Health Board's corporate standards, priorities and requirements, e.g., equality and human rights through the conduct of its business.

## **7. REPORTING AND ASSURANCE ARRANGEMENTS**

- 7.1 The Committee Chair shall:
- Report formally, regularly and on a timely basis to the Board and the Accountable Officer on the Committee's activities. This includes verbal updates on activity and the submission of committee minutes and written reports throughout the year;
  - Bring to the Board and the Accountable Officer'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 (and

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.

- 7.2 The Committee shall provide a written, annual report to the Board and the Accountable Officer on its work in support of the Accountability Report, the Annual Governance Statement and the Annual Quality Statement, specifically commenting on the adequacy of the assurance arrangements, the extent to which risk management is comprehensively embedded throughout the organisation, the integration of governance arrangements and the appropriateness of self-assessment activity against relevant standards. The report will also record the results of the committee's self-assessment and evaluation.
- 7.3 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, e.g., where the committee's assurance role relates to a joint or shared responsibility.
- 7.4 The Board Secretary, on behalf of the Board, shall oversee a process of annual 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.

## **8. APPLICABILITY OF STANDING ORDERS TO COMMITTEE BUSINESS**

- 8.1 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

## **9. REVIEW**

- 9.1 These terms of reference and operating arrangements shall be reviewed annually by the Committee with reference to the Board.