

AUDIT COMMITTEE
TERMS OF REFERENCE



1. Purpose of the Committee

- 1.1 The Audit Committee is a statutory Committee required to be established by the Board of Directors of a health body to provide assurance to the Board that appropriate governance structures are in place.
- 1.2 It seeks to ensure:
- that the Board's activities are within the law and regulations governing the NHS;
 - that an effective system of internal control is maintained to give reasonable assurance that assets are safeguarded, waste or inefficiency avoided, reliable financial information is produced, and that value for money is continuously sought; and
 - the Board's oversight of financial systems and procedures, SFIs, and financial management.

2. Composition of the Committee

2.1 Membership

- 2.1.1 The Committee will comprise:
- Non-Executive Chairman
 - Non-Executive Chairman of the Clinical Governance Committee
 - Non-Executive Board Member x 2
 - Employee Director (Non-Executive Board Member)
- 2.1.2 The Committee Chairman shall be appointed by the Board at a properly constituted meeting.
- 2.1.3 At least one Member should have significant, recent and relevant financial experience, e.g. as an Auditor or Finance Director.
- 2.1.4 The Board Chairman and Executive Directors of the Board are explicitly excluded from being members of the Audit Committee.
- 2.1.5 Membership of the Audit Committee shall be disclosed in the Annual Report and Accounts.
- 2.1.6 Appropriate training and development will be provided to ensure that members of the Committee have the skills and knowledge to carry out this role.

2.2 Attendance

- 2.2.1 The Board Chairman should not be a member of this Committee but has the right to attend Meetings of the Committee.
- 2.2.2 Other Board Members may attend Meetings of the Committee and have access to papers, should they so wish, except where the Committee resolves otherwise.
- 2.2.3 The Chief Executive ("the Accountable Officer"), the Director of Finance (& Technology) (the Accounting Officer), the Medical Director, the Internal Auditor and the External Auditor shall normally attend meetings.
- 2.2.4 A Partnership Forum Nominated Staff Representative shall normally attend meetings.
- 2.2.5 The Committee can request the attendance of any Officer of NHS 24.
- 2.2.6 Meetings may be attended, in whole or in part, exclusively by Committee Members and, if required, the External Auditor and/or the Internal Auditor, as considered appropriate by the Committee Chairman.
- 2.2.7 The Committee Chairman should be available at the Annual Public Meeting to answer questions about the Committee's work, if required.

3. Meetings of the Committee

3.1 Frequency

- 3.1.1 The Committee shall meet as required, with Meetings normally to be held quarterly in each financial year, at a place and time as determined by the Committee and to coincide with key events during the year, e.g. Annual Accounts production.
- 3.1.2 The Committee should meet individually with the Internal Auditors and with the External Auditors, once per year, without any Executive Directors present. It is recognised that the Chief Executive is the Accountable Officer for NHS 24 and nothing should be discussed at these meetings with the Auditors which could conflict with the duties of the Accountable Officer, but, if the circumstances arose, the Accountable Officer should be invited to attend the Meetings. A Note of the business of that Meeting shall be taken for the record.
- 3.1.3 The Committee should meet with the Director of Finance (& Technology) once per year without any other Executive Directors or Auditors present.
- 3.1.4 In addition, the Committee Chairman may convene additional Meetings of the Committee to consider business which may require urgent consideration.

3.2 Agenda and Papers

- 3.2.1 The Committee Chairman in conjunction with the Director of Finance (& Technology) will set the Agenda for meetings.
- 3.2.2 The Agenda and supporting papers will be sent out at least five working days in advance of the meetings.
- 3.2.3 All papers will clearly state the agenda reference, the author, the purpose of the paper and the action the Committee is asked to consider.

3.3 Quorum

Three members of the Committee shall constitute a quorum and no business shall be transacted unless this minimum number of Members is present. For the purposes of determining whether a meeting is quorate, Members attending by either video or tele-conference link will be determined to be present.

3.4 Minutes

- 3.4.1 Formal minutes shall be taken of the proceedings of the Audit Committee. These Draft Minutes shall be distributed for consideration and review, to the Chairman of the Meeting within five working days of the Meeting and distributed to the Members within ten working days of the Meeting.
- 3.4.2 The Draft Minutes shall then be presented at the next Meeting of the Committee for approval.
- 3.4.3 Once approved by Committee Members, Minutes shall be presented at the next available Board Meeting by the Committee Chairman. In addition, in the event of the Minutes not being available at the next Board Meeting, a verbal update on the business of the Committee shall be provided to ensure any questions Members of the Board may have can be addressed promptly or other matters highlighted.

4. Authority

- 4.1 The Committee is authorised by the Board, within its Terms of Reference, to investigate any activity in the operations of NHS 24. It is authorised to seek and obtain any information it requires from any employee and all employees of NHS 24 are directed to co-operate with any request made by the Committee.
- 4.2 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 24 or the wider NHS, with relevant expertise, if it is considered necessary.

5. Duties of the Audit Committee

The duties of the Committee shall be in line with the NHS Scotland Audit Committee Handbook 2004, as follows.

5.1 *Internal Control and Corporate Governance*

- review the systems of internal control;
- evaluate the control environment;
- evaluate the decision-making processes;
- assess the risk management strategy and procedures, including the risk register;
- review assurances given in the Statement of Internal Control; and
- review appropriateness of the Board's Corporate Governance arrangements, including schemes of delegation and delegated levels of authority.

5.2 *Internal Audit*

- review the Internal Audit Strategy and Plan;
- receive and consider each of the Audit Reports produced by the Internal Auditor, along with the regular Progress Reports;
- review the action taken by the Chief Executive and the Director of Finance (& Technology) on any recommendations arising from Audit Reports;
- review the Annual Report of the Internal Auditor;
- hold discussions with the Internal Auditor; and
- review the operational effectiveness of the Internal Audit Service.

5.3 *External Audit*

- review the External Audit Strategy and Plan;
- assess effectiveness and independence of external audit;
- review the External Audit Management Letters and the Interim and the Final Reports to the Board;
- discuss any issues with the External Auditors;
- monitor co-ordination between Internal and External Audit; and
- review the performance and remuneration of the External Auditors.

5.4 *Standing Orders (SOs) and Standing Financial Instructions (SFIs)*

- ensure that the SOs and SFIs are in place and are regularly reviewed;
- review any changes or revisions to the SOs and SFIs;
- examine the circumstances if the SOs are waived or suspended;
- review the Scheme of Delegation;
- receive and review the Contract Approval Forms for all contracts awarded via the NHS 24 Tender Procedure.

5.5 *Annual Accounts*

- review and recommend approval to the Board of the Annual Accounts;
- review the Statement on Internal Control
- review schedules of losses and compensations;
- review significant financial reporting issues and judgements made in preparation of the Annual Accounts;

- report in the Directors' Report on the role and responsibilities of the Audit Committee and actions taken to discharge those;
- review unadjusted errors arising from external audit;
- consider and approve any changes in accounting policies; and
- responsible for oversight of the appropriateness of control and other relevant statements within the Annual Report and other similar publications issued by the Board.

5.6 *Miscellaneous*

- the Audit Committee should be informed of relevant legal and regulatory changes or developments;
- the Audit Committee has the right to report unresolved issues to the Chief Executive of NHS Scotland.

6. Reporting to the Board

- 6.1 In addition to providing the Board with the verbal updates and approved Minutes of Meetings as outlined in 3.4 above, the Audit Committee shall produce an Annual Report to the Board to be presented by the Committee Chairman. The timing of this will align to the Board's consideration of the Chief Executive's Statement of Internal Control for the associated financial year.
- 6.2 The Committee has a duty to review its own performance and effectiveness, including running costs and terms of reference, on an annual basis.

7. Policy on Non-Audit Services

7.1 *Definition*

Non Audit Services are those services carried out by an auditor that are non statutory and fall outwith the scope of the agreed annual audit plan and for which an additional fee is charged.

7.2 *Auditor Independence and Objectivity*

When making an appointment for non-audit work, the Audit Committee should ensure that the provision of such services does not impair the auditor's independence or objectivity. In this context, the Audit Committee should consider:

- whether the skills and experience of the audit firm make it a suitable supplier of the non audit service;
- whether there are safeguards in place to ensure that there is no threat to objectivity and independence in the conduct of the audit resulting from the provision of such services by the auditor;
- the nature of the non audit services, the related levels and the fee levels individually and in aggregate to the audit fee; and
- the criteria which govern the compensation of the individuals performing the audit.

7.3 Ethical Considerations

The Audit Committee should take into account relevant ethical guidance regarding the provision of non audit services, and should not agree to the auditor providing a service if:

- the auditor audit's its own firm's work;
- the auditor makes management decisions for the company;
- a mutuality of interest is created; or
- the auditor is put in the role of advocate for the company.

7.4 Appointments

In relation to appointments, the Audit Committee has the authority to:

- approve the non audit service; or
- delegate to the Director of Finance & Technology, the authority to engage non audit services up to a value of £10,000 per assignment. The subsequent provision of this service should be reported to the next meeting of the Audit Committee.

To maintain the Corporate Governance Framework, the engagement of Internal Auditors for non audit work should always be made by the Director of Finance & Technology.