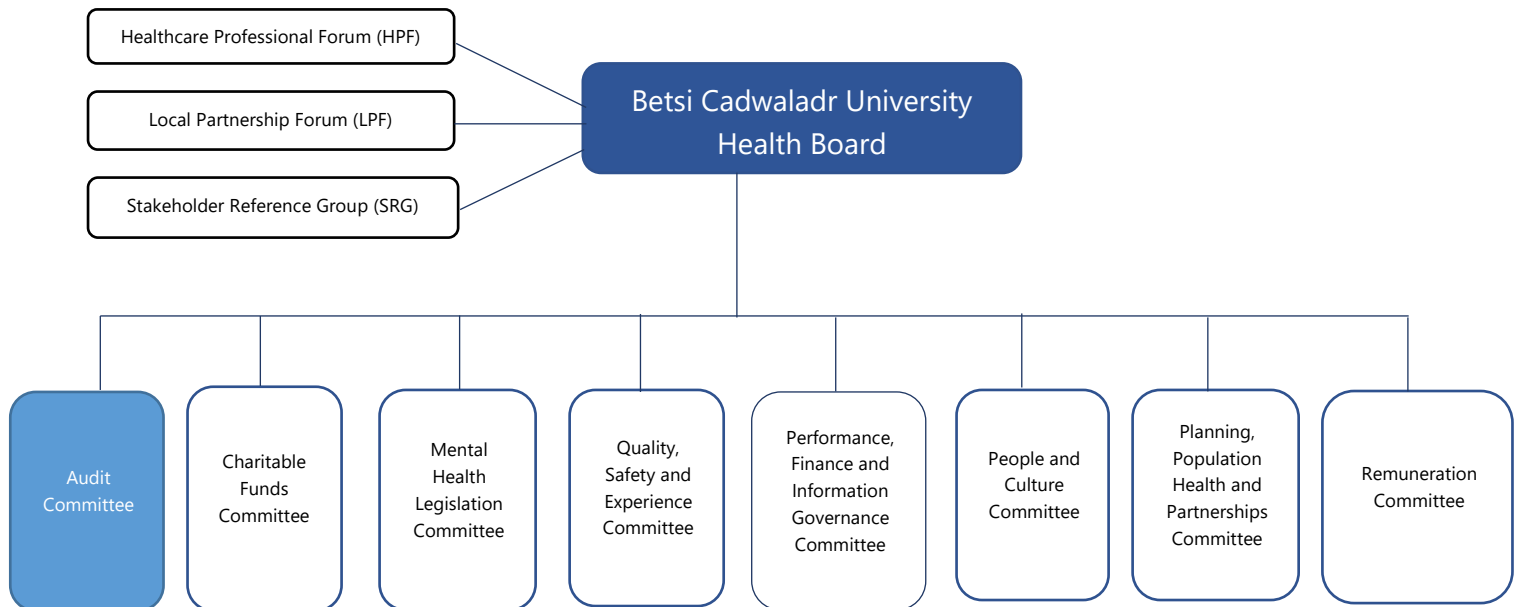


AUDIT COMMITTEE

TERMS OF REFERENCE



Version	Issued to	Date	Comments
V0.01 Draft	Audit Committee	16/11/23	Developed as a first draft for review by Audit Committee on 16/11/23
V0.02 Draft	TOR meeting with Committee Chair & Executive Lead	21/12/23	Developed as a draft for review with Committee Chair and Executive Lead. The ToR were also reviewed at the Audit Committee held on 12/01/24
V0.03 Draft	Health Board	18/01/24	Final Draft for consideration by the Health Board to be held on 25/01/24
V14.00 Approved		25/01/24	Approved by the Health Board

1) Introduction

- 1.1 The Betsi Cadwaladr University Health Board (BCUHB) shall establish a Committee to be known as the Audit Committee. The Committee is an independent Committee of the Board and has no executive powers, other than those specifically delegated in these terms of reference. The detailed operating arrangements in respect of this Committee are set out below.

2) Purpose

The purpose of the Audit Committee is to:

- 2.1 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 system of assurance, 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.
- 2.2 Independently monitor, review and report to the Board on the processes of governance, and where appropriate, facilitate and support, through its independence, the attainment of effective processes.
- 2.3 Where appropriate, advise the Board and the Accountable Officer on where, and how, its system of assurance may be strengthened and developed further.
- 2.4 Discharge the following principal duties:
 - 2.4.1 Review the establishment and 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.
 - 2.4.2 Seek assurance that the systems for financial reporting to Board, including those of budgetary control, are effective, and that financial systems processes and controls are operating.
 - 2.4.3 Work with all Committees of the Board to ensure that governance and risks are part of an embedded assurance framework that is 'fit for purpose'.
 - 2.4.4 Receive assurance on delivery against relevant Planning Objectives aligned to the Committee in accordance with Board approved timescales, as set out in BCUHB's Annual Plan.

3) Responsibilities of the Committee and Delegated Powers

The Audit Committee shall provide advice, assurance and support to the Board in ensuring the provision of high quality, safe healthcare for its citizens, as follows:

3.1 Governance, Risk Management and Internal Control

3.1.1 The Committee shall review the adequacy of the 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) that supports the achievement of the organisation's objectives and designed to support the public disclosure statements that flow from the assurance processes, including the Accountability Reports.

This includes:

- the organisation's ability to achieve its objectives;
- compliance with relevant regulatory requirements, standards, quality and service delivery requirements and other directions and requirements set by the Welsh Government, the NHS Wales Executive and others;
- the reliability, integrity, safety and security of the information collected and used by the organisation;
- the efficiency, effectiveness and economic use of resources; and
- 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.

3.1.2 In particular, the Committee will review the adequacy of:

- all risk and control related disclosure statements, together with any accompanying Head of Internal Audit documents and opinion, 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 strategic and planning 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 Welsh Government Directions and as required by the Counter Fraud and Security Management Service.

3.1.3 In carrying out this work, the Committee will primarily utilise the work of Internal Audit, Clinical 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.

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

3.1.5 The Committee will seek assurance that effective systems are in place to manage risk, that the organisation has an effective framework of internal controls to address principal risks (those likely to directly impact on achieving strategic objectives), and that the effectiveness of that framework is regularly reviewed.

- 3.1.6 The Committee will monitor the assurance environment and challenge the build-up of assurance on the management of key risks across the year, and ensure that the Internal Audit plan is based on providing assurance that controls are in place and can be relied upon (particularly where there is a significant shift between the inherent and residual risk profile), and review the internal audit plan in year as the risk profile changes.
- 3.1.7 The Committee will also seek assurance on delivery against Planning Objectives aligned to the Committee, considering and scrutinising the frameworks, charts/charters and action plans that are developed, supporting and endorsing these as appropriate.
- 3.1.8 The Committee will consider and recommend to the Board approval of any changes to the Risk Management Framework and oversee development of the Board Assurance Framework (BAF).
- 3.1.9 The Committee will be responsible for reviewing the Health Board's Standing Orders and Standing Financial Instructions and Scheme of Delegation annually, (including associated framework documents as appropriate), monitoring compliance, and reporting any proposed changes to the Board for consideration and approval.
- 3.1.10 The Committee will receive annually a full report of all offers of gifts, hospitality, sponsorship and honoraria recorded by the Health Board and report to the Board the adequacy of these arrangements.
- 3.1.11 It will also review and report to the Board annually the arrangements for declaring, registering, and handling interests.
- 3.1.12 The Committee will approve the writing-off of losses or the making of special payments within delegated limits.
- 3.1.13 The Committee will also receive an assurance on Post Payment Verification Audits through bi-annual reporting to the Committee.
- 3.1.14 The Committee will receive a report on all Single Tender Actions and extensions of contracts.

3.2 Internal Audit

- 3.2.1 The Committee shall ensure that there is an effective internal audit (including of the capital / PFI function) established by management that meets mandatory Internal Audit Standards for NHS Wales and provides appropriate independent assurance to the Committee, Chief Executive and Board.
- 3.2.2 This will be achieved by:
- reviewing and approving the Internal Audit Strategy, Charter, operational plan and more detailed programme of work, ensuring that this is consistent with the audit needs of the organisation;

- reviewing the adequacy of executive and management responses to issues identified by audit, inspection and other assurance activity, in accordance with the Charter;
- regular consideration of the major findings of internal audit work (and management's response), and ensuring co-ordination between the Internal and External Auditors to optimise audit safety;
- ensuring that the Internal Audit function is adequately resourced and has appropriate standing within the organisation; and
- an annual review of the effectiveness of internal audit.

3.3 External Audit

3.3.1 The Committee shall review the work and findings of the External Auditor and consider the implications of, and management's responses to, its work. This will be achieved by:

- discussion and agreement with the External Auditor, before the audit commences, on the nature and scope of the audit as set out in the Annual Plan, and ensure coordination, as appropriate, with other External Auditors and inspection bodies in the local health economy;
- discussion with the External Auditor on its local evaluation of audit risks and assessment of the Local Health Boards/NHS Trusts and associated impact on the audit fee;
- reviewing all External Audit reports, including agreement of the Annual Audit Report and Structured Assessment before submission to the Board, and any work carried outside the annual audit plan, together with the appropriateness of management responses; and
- reviewing progress against the recommendations of the annual Structured Assessment.

3.4 Other Assurance Functions

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

3.4.2 The Committee's programme of work will be designed to provide assurance that the work carried out by the whole range of external review bodies is brought to the attention of the Board. This will ensure that the Health Board is aware of the need to comply with related standards and recommendations of these review bodies and the risks of failing to comply. These will include, but will not be limited to, any reviews by Inspectors and other bodies (e.g. Healthcare Inspectorate Wales, Welsh Risk Pool, etc), professional bodies with responsibility for the performance of staff or functions (e.g. Royal Colleges, accreditation bodies, etc).

3.4.3 The Audit Committee and the Quality, Safety and Experience Committee both have a role in seeking and providing assurance on Clinical Audit in the organisation. The Audit Committee will seek assurance on the overall plan, its fitness for purpose and its delivery. The Quality, Safety and Experience Committee will seek more detail on the clinical outcomes and

improvements made as a result of clinical audit. The internal audit function will also have a role in providing assurance on the Annual Clinical Audit Plan.

3.4.4 The Audit Committee will also seek assurances where a significant activity is shared with another organisation(s), in particular the NHS Wales Shared Services Partnership, Welsh Health Specialised Services Committee, Emergency Ambulance Services Committee and other regional committees. The Audit Committee will expect to receive assurances from internal audit performed at these organisations that risks in the services provided to them are adequately managed and mitigated with appropriate controls.

3.5 Management

3.5.1 The Committee shall request and review reports and positive assurances from directors and managers on the overall arrangements for governance, risk management and internal control.

3.5.2 The Committee may also request specific reports from individual functions within the organisation (e.g. clinical audit), as they may be appropriate to the overall arrangements.

3.5.3 The Committee may also request or commission special investigations to be undertaken by Internal Audit, directors or managers to provide specific assurance on any areas of concern that come to its attention.

3.5.4 The Committee shall review the Annual Accounts and Financial Statements before submission to the Board, focusing particularly on:

- the ISA 260 report to those charged with governance;
- changes in, and compliance with, accounting policies and practices;
- unadjusted mis-statements in the financial statements;
- major judgemental areas;
- significant adjustments resulting from the audit;
- other financial considerations include review of the Schedule of Losses and Compensation; and
- the Management Letter of Representation to the External Auditors.

3.5.5 The Audit Committee shall prepare an Annual Report to the Board, timed to support the preparation of the Annual Governance Statement. The report should include, as a minimum, specific statements confirming that:

- the draft Annual Governance Statement is consistent with the view of the Committee on the organisation's system of internal control and that it supports the Board's approval of the Statement, subject to any reasonable limitations that the Committee wishes to draw to the attention of the Board;
- the system of risk management in the organisation is adequate in identifying risks and allowing the Board to understand the appropriate management of those risks;
- the Committee has reviewed the system of assurance, and believes that it is fit for purpose;
- there are no areas of significant duplication or omission in the systems of governance in the organisation that have come to the Committee's attention and not been adequately resolved; and

- the current self-assessment by the organisation against the relevant risk management standards is consistent with the Committee’s understanding, gained through its assurance work.

- 3.5.6 The Committee shall also ensure that the systems for financial reporting to the Board, including those of budgetary control, are subject to review as to completeness and accuracy of the information provided to the Board.
- 3.5.7 The Committee should also ensure the provision of 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.
- 3.5.8 The Committee should assure the Board in relation to its compliance with relevant national practice, mandatory guidance, healthcare standards and duties, including Duty of Quality, Duty of Candour, Quality Standards and Quality Management ensuring the Board is supported to make strategic decisions from a quality perspective.

4) Membership

4.1 Formal membership of the Committee shall comprise of the following:

MEMBERS
Independent Member (Chair)
2 x Independent Members (one of whom will be designated as Vice Chair) NB: At least one of the two Independent Members should be a member of the Quality, Safety & Experience Committee

4.2 The following should attend Committee meetings:

IN ATTENDANCE
Executive Director of Finance (Executive Lead)
Director of Corporate Governance
Other Attendees
Other Executive Directors as required by the Chair
Other Senior Managers as required by the Chair
Head of Internal Audit
Head / Individual responsible for Clinical Audit
Local Counter Fraud Specialist
Representative of Auditor General (External Audit)

- 4.3 The membership of the Committee shall be determined by the Board, based on the recommendation of the Health Board Chair, taking into account the balance of skills and expertise necessary to deliver the Committee’s remit, and subject to any specific requirements or directions made by the Welsh Government.
- 4.4 The Chair of the organisation should not be a member of the Audit Committee and will not normally attend. The Director of Corporate Governance and Executive Director of Finance

will normally attend. The Accountable Officer and other Executive Directors will attend whenever they are required to do so by the Committee Chair, and at least annually to discuss the assurance relating to the Annual Governance Statement.

- 4.5 Membership of the Committee will be reviewed on an annual basis.

5) Quorum and Attendance

- 5.1 A quorum shall consist of no fewer than two of the membership and must include as a minimum the Chair or Vice Chair of the Committee, together with a third of the In Attendance members, including the Executive Director of Finance (or their nominated deputy) and the Director of Corporate Governance (or their nominated deputy).
- 5.2 Any senior officer of the Health Board or partner organisation may, where appropriate, be invited to attend, for either all or part of a meeting, to assist with discussions on a particular matter.
- 5.3 The Committee may also co-opt additional independent external 'experts' from outside the organisation to provide specialist skills.
- 5.4 Should any 'in attendance' officer member be unavailable to attend, they may nominate a deputy to attend in their place, subject to the agreement of the Chair.
- 5.5 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.

6) Agenda and Papers

- 6.1 The Committee Secretary is to hold an agenda setting meeting with the Chair and/or Vice Chair and the Executive Lead (Executive Director of Finance / Director of Corporate Governance) at least six weeks before the meeting date.
- 6.2 The agenda will be based around the Committee work plan, identified risks, matters arising from previous meetings, issues emerging throughout the year, and requests from Committee members. Following approval, the agenda and timetable for request of papers will be circulated to all Committee members.
- 6.3 All papers must be approved by the Executive Lead.
- 6.4 The agenda and papers will be distributed/published seven days in advance of the meeting.
- 6.5 A draft table of actions will be issued within two working days of the meeting. The minutes and table of actions will be circulated to the Committee Chair and Executive Lead within seven days to check the accuracy, prior to sending to Members to review within the next seven days.

- 6.6 Members must forward amendments to the Committee Secretary within the next seven days. The Committee Secretary will then forward the final version to the Committee Chair for final review.

7) In Committee

- 7.1 The Committee can operate with an In Committee function to receive updates on the management of sensitive and/or confidential information.

8) Meetings

- 8.1 The Committee will meet bi-monthly and an annual schedule of meetings will be determined by the corporate calendar.
- 8.2 The Committee may be convened at short notice if requested by the Chair.
- 8.3 Any additional meetings will be arranged under exceptional circumstance and shall be determined by the Chair of the Committee in discussion with the Executive Lead.
- 8.4 The Committee may, subject to the approval of the Health Board, establish Groups to carry out on its behalf specific aspects of Committee Business.
- 8.5 Meetings may be held in person where it is safe to do so or by video-conferencing and similar technology.
- 8.6 The Committee Secretary shall be determined by the Director of Corporate Governance.

9) Reporting

- 9.1 The Committee, through its Chair and members, shall work closely with the other Committees to provide advice and assurance to the Board through joint planning and co-ordination of Board and Committee business including sharing of information.
- 9.2 The Committee Chair, supported by the Committee Secretary, shall:
- Report formally, regularly and on a timely basis to the Board on the Committees activities.
 - Bring to the Board's specific attention any significant matter under consideration by the Committee.
 - Ensure appropriate escalation arrangements are in place to alert the Health Board's Chair, Chief Executive and/or Chairs of other relevant Committee, of any urgent/critical matters that may affect the operation and/or reputation of the Health Board.
- 9.3 The Committee will undertake an annual review on the effectiveness of its arrangements and responsibilities. The Director of Corporate Governance will oversee this review.

10) Accountability, Responsibility, Authority and Access

- 10.1 Although the Board has delegated authority to the Committee for the exercise of certain functions, as set out in 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.
- 10.2 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);
 - Other committee or group set up by the Board to assist it in the delivery of its functions.
- 10.3 The Audit Committee will seek assurance on an overall Clinical Audit plan, its fitness for purpose and its delivery. The role of the Audit Committee is to seek assurance on whether:
- the organisation has a plan - and whether it is fit for purpose;
 - it is completed on time;
 - it covers all relevant issues;
 - it is making a difference and leading to demonstrable change;
 - change is supported by recognised improvement methodologies; and
 - the organisation supports clinical audit effectively.
- It should be noted that the Quality, Safety and Experience Committee will seek more detail on the clinical outcomes and improvements made as a result of clinical audit.
- 10.4 The Audit Committee is directly accountable to the Board for its performance in exercising the functions set out in these terms of reference.
- 10.5 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.
- 10.6 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.
- 10.7 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.
- 10.8 The Chair of Audit Committee shall have reasonable access to Executive Directors and other relevant senior staff.

11) Review Date

- 11.1 These Terms of Reference and operating arrangements shall be reviewed on at least an annual basis by the Committee for approval by the Board.