

Appendix 2



# **Audit Committee Constitution**

**Date: November 2020**

# AUDIT COMMITTEE

## 1. GENERAL INTRODUCTION

The purpose of the Audit Committee is to assist the Board and Accountable Officer to deliver its responsibilities for the conduct of public business, and the stewardship of funds under its control. In particular, the Committee will seek to provide assurance to the Board and Accountable Officer that an appropriate system of internal control is in place to ensure that:

- 1.1 Business is conducted in accordance with the law and proper standards;
- 1.2 Public money is safeguarded and properly accounted for;
- 1.3 Financial Statements are prepared timeously, and give a true and fair view of the financial position of the Board for the period in question; and
- 1.4 Reasonable steps are taken to prevent and detect fraud and other irregularities.

## 2. ROLE AND REMIT

### ***Internal Control and Corporate Governance***

- 2.1 Advise the Board and the Accountable Officer on the Board's Assurance Framework including strategic processes for risk, control and governance.
- 2.2 Monitor the effectiveness of risk assessment and risk management by the Board.
- 2.3 Critically review the process by which management decisions are taken and effected throughout Grampian Health Board, including risk assessment.
- 2.4 Review the assurances given in the annual Governance Statement.
- 2.5 Oversee the Board's Corporate Governance arrangements, including compliance with the law, NHS Scotland guidance and instructions, the Board's Standing Orders, Standing Financial Instructions and financial procedures.
- 2.6 Evaluate the adequacy and effectiveness of the internal control environment and provide a statement annually to the Board, based on the annual report of the Chief Internal Auditor.

### ***Standing Orders and Standing Financial Instructions***

- 2.7 Review proposed changes to the Board's Standing Orders and Standing Financial Instructions.
- 2.8 Review, on a periodic basis, the Scheme of Delegation.
- 2.9 Examine any circumstances when the Board's Standing Orders are waived.

### ***Internal and External Audit***

- 2.10 Review the operational effectiveness of Internal Audit and the annual performance of External Audit.
- 2.11 Approve and review internal and external audit plans, and receive reports on their subsequent achievement.
- 2.12 Monitor management's response to audit recommendations, and report to the Board where appropriate.
- 2.13 Receive management letters, reports and correspondence from the external auditor, and review management's response.
- 2.14 Discuss with the external auditor (in the absence of the Executive Directors and other officers where necessary) the annual report, audit scope and any reservations or matters of concern which the external auditor may wish to discuss.
- 2.15 Ensure that the Chief Internal Auditor and External Auditor have unrestricted access to the Chair of the Committee.
- 2.16 Approve the selection and appointment of Internal Auditors.

### ***Annual Accounts***

- 2.17 Approve changes to accounting policies, and review the Health Board Annual Accounts prior to their adoption by the full Board. This includes:
  - 2.17.1 Reviewing significant financial reporting issues and judgements made in the preparation of the Annual Accounts;
  - 2.17.2 Reporting in the directors' report on the role and responsibilities of the Audit Committee and the actions taken to discharge those;
  - 2.17.3 Reviewing unadjusted errors arising from the external audit; and
  - 2.17.4 Reviewing the schedules of losses and compensations.

### ***Counter Fraud [and Voicing Concern in relation to Financial Matters]***

- 2.18 Ensure that internal control arrangements include appropriate counter fraud measures, including the existence of current and accessible policies and procedures, to allow staff to raise concerns regarding irregular financial matters and fraud in confidence.
- 2.19 Ensure that all recommendations made as part of an investigation into fraud or other financial irregularities are appropriately addressed and followed-up by the relevant Board officers.

### ***Authority to Investigate***

- 2.20 The Committee has explicit authority to investigate any matter within its remit, shall be provided with the resources it needs to do so, and shall be given full and timely access to all relevant information.
- 2.21 The Committee may obtain external professional advice where considered necessary.

### ***Effectiveness***

- 2.22 The Committee is to review its effectiveness and developmental needs at least annually.

## **3. MEMBERSHIP**

- 3.1 The Audit Committee shall comprise a minimum of five Non-Executive Directors, one of whom shall be Chair. Members are appointed by the NHS Board Chairman and the term of membership should normally be a maximum of 4 years, other than to support the Committee's succession planning and maintenance of experience levels.
- 3.2 Grampian NHS Board may co-opt external members to the Committee if necessary.
- 3.3 Skills and Development. In addition to the generic skills required by Board members, Audit Committee members should possess the following skills and knowledge:
- 3.3.1 Financial awareness and a broad understanding of finance, risk and internal controls assurance, and corporate governance issues:
  - 3.3.2 The ability to question, probe and seek clarification about complex issues, together with the courage, discipline and authority to ask questions of both management and both external and internal auditors, and obtain appropriate answers;
  - 3.3.3 A willingness to ask questions that could be seen as indicating a lack of knowledge and to clarify any point not fully understood; and
  - 3.3.4 Familiarity with counter fraud arrangements, the respective roles of external and internal auditors and the Board's core activities.
- 3.4 In addition, at least one member of the Committee should have 'recent and relevant financial experience'.

3.5 Induction training will be provided on an individual basis under the arrangement of the Board Secretariat, with specialist support provided by the Assistant Director Finance.

#### **4. ATTENDANCE**

4.1 The Board Chair will normally attend but neither he/she nor the Vice-Chair shall be a member of the Committee

4.2 The Chief Executive and Director of Finance will be expected to attend, or be represented, at Committee meetings.

4.3 The Chief Internal Auditor and the External Auditor will attend the Committee meetings in an advisory capacity.

4.4 Executives, managers or other staff may be invited to attend Committee meetings as appropriate to inform and/or report on specific matters.

4.5 All NHS Board Members have a right to attend as observers (unless the Committee is in 'Closed Session'). Other members of NHS staff in Grampian may also attend by prior agreement, as observers.

#### **5. QUORUM**

At least three members of the Committee must be present in order to form a quorum.

#### **6. DEPUTIES**

The Chair shall appoint a meeting Deputy, if required to cover unavoidable absence, from the members.

#### **7. MEETINGS**

7.1 There will be a minimum of four meetings per annum with provision for additional meetings as required.

7.2 The Chief Internal Auditor and External Auditor will meet at least once per annum with the Committee members in the absence of the Executive Directors.

7.3 The Committee has the right to meet in closed session.

## **8. MINUTES/REPORTS**

- 8.1 The minutes of meetings will go to Grampian NHS Board. In addition, the Committee Chairman will report key issues (as decided by the Committee) to Grampian NHS Board following each meeting and any other significant matters of note as and when appropriate.
- 8.2 All minutes, with the exception of minutes of meetings held in closed session, will be publicly available under the terms of the Freedom of Information (Scotland) Act 2002.

## **9. STANDING ORDERS**

The provisions of the NHS Strategic Standing Orders for Board meetings shall apply to the Committee as far as practicable and appropriate.