Appendix 3

NHS GREATER GLASGOW AND CLYDE

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AUDIT COMMITTEE

OBJECTIVES

The purpose of the Audit Committee is to assist the Board 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 that an appropriate system of internal control is in place to ensure that:

- business is conducted in accordance with law and proper standards governing the NHS and its interface with partner organisations;
- public money is safeguarded and properly accounted for;
- 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
- reasonable steps are taken to prevent and detect fraud and other irregularities.

The Audit Committee will support the Board and the Accountable Officer by reviewing the comprehensiveness, reliability and integrity of assurances provided to meet the assurance needs of the Board and Accountable Officer. In this context, assurance is defined as an evaluated opinion, based on evidence gained from review, on the organisation's governance, risk management and internal control framework.

MEMBERSHIP AND CONDUCT OF BUSINESS

The Committee membership shall be appointed by the full Board and given a remit, including providing advice to the Board on the conduct of its business.

The Board shall nominate up to nine Non-executive Members. A Convener will be appointed from the Membership of the Committee. The Chair of the Board shall not be a member of the Committee but shall have the right to attend meetings. As the Committee is responsible for overseeing the regularity of expenditure by NHS Greater Glasgow, other Board Members shall also have the right to attend.

At least one member of the Audit Committee should have recent and relevant financial experience.

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

The Head of Board Administration (or authorised nominee) shall perform the function of Secretary to the Committee.

The Committee shall be able to require the attendance of any Director or member of staff.

The external auditor, internal auditor, **Chief Executive** and Director of Finance shall normally attend all meetings.

The external auditor and internal auditor shall have free and confidential access to the Chair of the Audit Committee.

The external auditor and internal auditor shall ~~**be offered the opportunity to hold discussions**~~ **meet on at least one occasion each year** with the Committee without the Director of Finance, other Executive Directors or Board staff being present. **The Chair shall ensure that an accurate record is made of any**

conclusion reached as the result of such meeting.

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 specific matters. The Chair shall ensure that an accurate record is made of any conclusion reached as the result of such discussions.

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

The minutes of meetings will be submitted to the Board**.** ~~**The Committee Convener will also make a formal report to the Board on a regular basis/at least annually covering the activities of the Committee and any significant matters of note**~~**.** Minutes will be publicly available.

The Audit Committee will provide the Board and the Accountable Officer with an annual report on the Board's system of internal control, timed to support finalisation of the Statement of Accounts and the Statement on Internal Control. This report will include a summary of the Committee's conclusions from the work it has carried out during the year.

REMIT

The Committee shall be responsible for monitoring the Board's corporate governance arrangements and system of internal control. This will include the following specific responsibilities.

(i) Corporate Governance, System of Internal Control, Risk Management and Arrangements for the Prevention and Detection of Fraud

1. Overseeing the Board's Governance arrangements, including compliance with the law, ~~**SEHD**~~ **Scottish Government Health Directorates** guidance or instructions, the Board's Standing Orders, Standing Financial Instructions and Code of Conduct for Staff.
2. Evaluating the adequacy and effectiveness of the internal control environment and providing a statement annually to the Board, based on the annual report of the Internal Auditors and other appropriate sources of assurance.
3. Reviewing the assurances given in the Statement on Internal Control. **The Audit Committee shall constructively challenge**

   - **Assurance providers as to whether the scope of their activity meets the assurance need of the Board and the Accountable Officer;**
   - **The actual assurance to test that they are founded on sufficient, reliable evidence and that the conclusions are reasonable in the context of the evidence.**

   The Audit Committee shall be proactive in commissioning assurance work from appropriate sources if it identifies any significant risk, governance or control issue which is not being subjected to adequate review and in seeking assurance that any weaknesses identified by reviews that have been concluded are remedied.

4. Critically reviewing the process by which management decisions are taken and effected throughout the Health Board, including risk assessment.
5. Monitoring the effectiveness of arrangements to manage risk and ~~**to prevent and detect fraud**~~ **and to review regularly and at least annually, the Corporate Risk Register.**
6. **Monitoring the effectiveness of arrangements to prevent and detect fraud and to receive regular reports on these arrangements and the levels of detected and suspected fraud.**
7. **Monitoring the effectiveness of the Board's arrangements for whistleblowing.**
8. **Review its own effectiveness and report the results of that review to the Board and Accountable Officer.**

(ii) Standing Orders, Standing Financial Instructions and Other Governance Documentation

1. As required but at least annually, reviewing changes to the Standing Orders, Standing Financial Instructions and other governance documentation including the Fraud Policy and Standards of Business Conduct and recommend changes for Board approval.
2. Reviewing annually (or as required) the Scheme of Delegation.
3. Examining circumstances when the Board's Standing Orders and Standing Financial Instructions are waived.

(iii) Internal and External Audit

1. Approving the arrangements for securing an internal audit service,
2. Reviewing the operational effectiveness of internal audit and the annual performance of external audit.
3. Approving and reviewing internal and external audit plans, and receiving reports on their subsequent achievement.
4. Monitoring management's response to audit recommendations, and reporting to the Board where necessary.
5. Receiving management letters and reports from the statutory external auditor, and reviewing management's response.
6. Discussing 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.
7. Ensuring that the Chief Internal Auditor and External Auditor have unrestricted access to the Chairman of the Committee.
8. Ensuring co-ordination between internal and external audit.

9. Receiving and approving the internal auditors' report on the review of property transactions monitoring and reporting the results of this review on behalf of the NHS Board to the Scottish Executive in accordance with the NHS Scotland Property Transactions Handbook.

(iv) Annual Accounts

1. Approving changes to accounting policies, and reviewing the Board's Annual Accounts prior to their adoption by the full Board. This includes:
   - reviewing significant financial reporting issues and judgements made in the preparation of the Annual Accounts;
   - reporting in the Directors' report on the role and responsibilities of the Audit Committee and the actions taken to discharge those;
   - reviewing unadjusted errors arising from the external audit; and
   - reviewing the schedules of losses and compensations.

2. The Convener of the Audit Committee (or appointed Deputy) should be in attendance at the Board meeting at which the Annual Accounts are approved.

Support Arrangements

The Chief Executive shall be responsible for implementing appropriate arrangements within the organisation to support the effective operation of the Audit Committee. These arrangements shall be subject to approval by the Audit Committee and shall ensure that assurances can be provided to the Audit Committee that reports and recommendations are being actioned at a local level by management. These arrangements shall be subject to review and evaluation on an annual basis by the Committee.

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