



**NOT PROTECTIVELY MARKED**

**Public Board Meeting**

**November 2018**

**Item No. 10**

**THIS PAPER IS FOR APPROVAL**

**AUDIT COMMITTEE TERMS OF REFERENCE**

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|---|---|
| <b>Lead Director<br/>Author</b>                                   | Julie Carter, Director of Finance and Logistics<br>Lindsey Ralph, Board Secretary   |
| <b>Action required</b>  | Board members are asked to:-<br><br>1. Approve the updated Terms of Reference which have been aligned with the Audit and Assurance Committee Handbook.  |
| <b>Key points</b>   | <p>The updated Audit and Assurance Committee handbook was published by the Scottish Government in April 2018. It sets out the fundamental principles relating to the role, membership and work of Audit and Assurance Committees.</p> <p>The Committee's Terms of Reference have been reviewed to reflect the updated handbook and the proposed revisions are shown in tracked changes. The revised Terms of Reference were approved by the Audit Committee on 25 October 2018 and recommendations for the next steps were agreed to:</p> <ul style="list-style-type: none"><li>• clearly define (and update) our assurance needs,</li><li>• map our various sources of assurance and</li><li>• describe this in an integrated approach to assurance that will secure best value and embed the best practice principles within the organisation.</li><li>• Include this work within a review of our risk management arrangements.</li></ul> <p>The Terms of Reference will be further reviewed by the Audit Committee following the outcome of the Service's assurance mapping process.</p> |
| <b>Timing</b>   | Board members are asked to review and approve the amended Terms of Reference agreed at the Audit Committee on 25 October.   |
| <b>Link to Corporate Objectives</b>                               | The Audit Committee assists the Board to deliver its responsibilities for the conduct of public business and the stewardship of funds under its control.  |
| <b>Contribution to the 2020 vision for Health and Social Care</b> | The Terms of Reference and Audit Committee Handbook are key tools which regulate the operation of the Service and enhance Board governance.   |
| <b>Benefit to Patients</b>  | Ensuring good stewardship of resources.   |
| <b>Equality and Diversity</b>                                     | No implications identified.   |



## APPENDIX 1

### Revised Terms of Reference – for approval

Model Terms of Reference are included within the updated handbook at Annex D. This has been mapped against the current Terms of Reference with tracked changes as noted below. Note the format remains consistent with the other SAS governance committees.

### Purpose and Remit

#### 8.1 Audit Committee

This section should be read in the context of the Board Standing Orders and Scheme of Delegation.

#### Insert

The Board has established an Audit Committee as a Committee of the Board to support in their responsibilities for issues of risk, control and governance and associated assurance through a process of constructive challenge.

The Committee will support the Accountable Officer and Board by reviewing the comprehensiveness and reliability of assurances on governance, risk management, the control environment and the integrity of financial statements and the annual report.

#### 8.1.1 Purpose

The ~~Board shall appoint an~~ Audit Committee ~~to will~~ provide an independent and objective review of the effectiveness of the Scottish Ambulance Service's internal control systems, the financial information used by the Scottish Ambulance Service and compliance with law, National Health Service guidance, Codes of Conduct, the Scottish Ambulance Service's Standing Orders, Standing Financial Instructions and financial procedures.

~~The duties of the Audit Committee shall be to:-~~

- ~~a. — appoint internal auditors;~~
- ~~b. — review and approve the internal audit strategy and plan;~~
- ~~c. — receive a report at each of its meeting from the Internal Auditor on audit reports completed and management's response to them;~~
- ~~d. — review the annual report of the Internal Auditor before presentation to the Board;~~

- e. ~~review the external audit strategy and plan with the External Auditor before the external audit commences and the extent of the reliance to be placed on internal audit;~~
- f. ~~discuss problems and reservations arising from the External Auditor's work and any matters the External Auditor may wish to discuss (in the absence of Executive Directors and other management where necessary);~~
- g. ~~review the External Auditor's management letter and management's response;~~
- h. ~~regularly review the operational effectiveness of internal audit;~~
- i. ~~review the Board's system of internal control;~~
- j. ~~evaluate the control environment;~~
- k. ~~evaluate the decision making processes;~~
- l. ~~consider the content of any report involving the Scottish Ambulance Service issued by the Audit Committee of the Scottish Parliament or the Auditor General and review management's proposed response before presentation to the Board for agreement to ensure improvements can be realised;~~
- m. ~~update reports on the Prevention of Fraud;~~
- n. ~~Receive reports from the Risk Manager;~~
- o. ~~Receive quarterly reports from the Risk Management Governance Group;~~
- p. ~~Receive an annual statement of assurance, annual work plan and quarterly reports from the Information Governance Group. Minutes of the previous meeting will be submitted for noting.~~
- q. ~~Review proposed changes to the Scottish Ambulance Service's Standing Orders and Standing Financial Instructions;~~
- r. ~~Examine the circumstances associated with each occasion when Standing Orders are waived;~~
- s. ~~Review schedules of losses and compensation payments and make recommendations to the Board on proposed write offs requiring the approval of the Scottish Government Health Directorate;~~
- t. ~~Ensure that the Scottish Ambulance Service has the relevant controls in place and provide appropriate assurances to the Directors which shall allow them to sign the required governance statement;~~
- u. ~~Monitor the implementation of standards of business conduct for members and staff;~~
- v. ~~approve changes in accounting policies; and~~
- w. ~~consider the Board's annual accounts and endowment accounts.~~

The section above would be replaced with

Insert

The Committee will advise the Board and Accountable Officer on:-

- a. The strategic processes for risk, control and governance and the governance statement;
- b. 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, and management's letter of representation to the external auditors.
- c. The planned activity and results of both internal and external audit;

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- d. The adequacy of management response to issues identified by audit activity, including external audit's management letter/report;
- e. The effectiveness of the internal control environment;
- f. Assurances relating to the corporate governance requirements for the organisation;
- g. Proposals for tendering for either internal or external audit services; anti fraud policies, whistle blowing processes, and arrangements for special investigations.
- h. Changes to the Scottish Ambulance Service's Standing Orders and Standing Financial Instructions;
- i. Report the circumstances associated with each occasion when Standing Orders are waived;
- j. Schedule of losses and compensation payments and make recommendations to
- k. The Board on proposed write offs requiring the approval of the Scottish Government.

The Audit Committee will also periodically review its own effectiveness and report the results of that review to the Board and Accountable Officer.

### **Information requirements**

For each meeting, the Committee will be provided with:-

- A report summarising any significant changes to the Service's Risk Register;
- A progress report from the Head of Internal Audit summarising:-
  - Work performed (and a comparison with work planned);
  - Key issues emerging from Internal Audit work;
  - Management response to audit recommendations;
  - Significant changes to the audit plan;
  - Any resourcing issues affecting the delivery of Internal Audit Objectives;
- A progress report from the External Audit representative summarising work done and emerging findings.

As and when appropriate, the Committee will also be provided with:

- The internal audit annual plan and strategy;
- The draft accounts of the Scottish Ambulance Service;
- The endowment funds accounts to advise the Board of Trustees of the Scottish Ambulance Service Endowment Fund;
- The draft governance statement;
- A report on any changes to accounting policies;
- External Audit's management letter/report;
- A report on any proposals to tender for audit functions;
- ~~A report on Evidence of co-ordination between auditors co-operation between Internal and External Audit including the extent to which External Audit places reliance on Internal Audit;~~
- A report on the Counter Fraud and Bribery arrangements and performance;
- Quarterly reports from the Risk Management Governance Group;

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- Annual statement of assurance, annual work plan and quarterly reports from the Information Governance Group;
- Reports from other sources within the “three lines of assurance” integrated assurance framework (e.g. Best Value self assessment Reviews, Gateway Reviews, ICT Assurance Reviews, Procurement Capability Reviews).

## 8.1.2 CHAIR AND MEMBERSHIP

The Audit Committee shall report to the Board.

Membership will be:-

- Four Non Executive Members, appointed by the Board, one of which shall be appointed by the Board to be the Committee Chair.
- The Chair of the Board shall not be a member but shall be invited to attend at least one meeting per year

The members of the Committee are:

### Non Executive Directors:

Mrs Cecil Meiklejohn

Mrs Irene Oldfather

Ms Madeline Smith

### The Committee is chaired by:

Mr Eddie Frizzell

The Committee is provided with a secretariat function by Mrs Gillian McBirnie.

In addition there will be in attendance:-

- The Chief Executive or their nominee;
- Director of Finance **and Logistics**
- Director - National Operations or their nominee
- Risk Manager
- Fraud Liaison Officer
- Information Governance Manager
- Internal Auditor
- External Auditor

The Audit Committee may require any Director or officer to attend any of its meetings.

The Chair of the Audit Committee shall bring to the attention of the Board any ultra vires transactions or improper acts. Exceptionally, the matter may need to be referred to the Scottish Government Health Directorate.

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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.

The Board or Accountable Officer may ask the Committee to convene further meetings to discuss particular issues on which they want the Committee's advice.

### **8.1.2.2 RIGHTS**

The Committee may co-opt additional members for a period not exceeding a year to provide specialist skills, knowledge and experience; and

Procure specialist ad-hoc advice at the expense of the organisation, subject to budgets agreed by the Board or Accountable Officer.

### **8.1.2.3 ACCESS**

The Head of Internal Audit and the representative of External Audit will have free and confidential access to the Chair of the Committee.

### **8.1.3 QUORUM**

A quorum shall be three Non Executive members of the Committee.

### **8.1.4 FREQUENCY AND REPORTING**

The Audit Committee shall meet at least ~~quarterly~~ four times per year ~~and minutes of their proceedings shall be considered by the Board at its next meeting.~~

The Committee will formally report in writing to the Board and Accountable Officer after each meeting. A copy of the minutes of the meeting may form the basis of the report.

The Committee will provide the Board and Accountable Officer with an Annual Report, timed to support finalisation of the accounts and the governance statement, summarising its conclusions from the work it has done during the year.

### **8.1.5 AUTHORITY**

The Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee; all employees are directed to co-operate with any request made by the committee. The Committee is authorised by the Board to obtain external legal or other professional advice and to secure attendance of outsiders with relevant experience and expertise if it considers this necessary.

### **8.1.6 TERMS OF REFERENCE**

The Committee will review its Terms of Reference annually and where this results in amendment, the revised Terms of Reference must be submitted to the Board for approval.

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Audit Committee members are asked to review the amended terms of reference and agree the proposed changes. Note this may be reviewed again following completion of the next steps described earlier.

**Julie Carter**  
**Interim Director of Finance and Logistics**  
**10 October 2018**

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