

MEDICAL AND DENTAL TRAINING AGENCY

STANDING ORDERS (SCHEDULE 1)

AUDIT COMMITTEE

1. INTRODUCTION

- 1.1 The Northern Ireland Medical and Dental Training Agency is required to establish an Audit Committee as a Committee of the Agency in accordance with "Government Accounting in Northern Ireland" paragraph 8.1.33 and the Cabinet Office's "Guidance on Codes of Practice for Public Bodies " Appendix 2. This follows on from the basic principles of Corporate Governance as contained within the Codes of Conduct and Accountability issued in April 1994.

2. ROLE

- 2.1 The Board of the Agency is responsible for:
- a) the management of its activities in accordance with laws and regulations; and
 - b) the establishment and maintenance of a system of internal control designed to give reasonable assurance that:
 - assets are safeguarded
 - waste and inefficiency are avoided
 - reliable financial information is produced
 - value for money is continuously sought.
- 2.2 The Audit Committee assists the Board of the Agency in these functions by providing an independent and objective review of:
- a) financial systems;
 - b) the financial information provided to the Board of the Agency;
 - c) compliance with the law, guidance and Codes of Conduct and Accountability.
- 2.3 The Committee is required to give an assurance to the Board of the Agency on an annual basis as to the adequacy and effectiveness of the system of internal control operating in the Agency.

3. TERMS OF REFERENCE

3.1 The Audit Committee is an advisory body with no executive powers.

3.2 The purpose of the Audit Committee is to advise the Chief Executive, as the Accounting Officer for the Agency and the Chair of the Board on issues relating to corporate governance, internal control and quality control, risk management and financial audit.

The Committee will undertake the following tasks:

3.3

- a) review the internal audit strategy and plan;
- b) receive reports on internal audit assignments completed and management responses;
- c) review all risk and control related disclosure statements prior to endorsement by the Board;
- d) review the structures, processes and responsibilities for identifying and managing key risks facing the Agency;
- e) review Agency policies and procedures for ensuring that there is compliance with relevant regulatory, legal and Code of Conduct requirements;
- f) review the effectiveness of Agency policies and procedures and the impact they have upon the Agency from an audit perspective;
- g) review the Annual Report on internal audit prior to presentation to the Board of the Agency;
- h) prior to the external audit, discuss the audit plan with the external auditor including the reliance to be put on internal audit;
- i) discuss problems and reservations arising from the external audit and any matters the auditor may wish to raise (in the absence of senior management where necessary);
- j) review the external auditors' management letter and the Agency senior management's response;
- k) receive a report from Internal Audit on compliance with organisational risk standards;
- l) consider any report of the Public Accounts Committee or the Comptroller and Auditor General involving the Agency and

review senior management's proposed response before presentation to the Board of the Agency;

- m) bring to the Board's attention Value for Money (VFM) studies that have been completed elsewhere which might be relevant and review the work of the Board in this area.

3.4 The responsibility for internal control rests with the Senior Management team. The Audit Committee will periodically review its scope and effectiveness.

3.5 The Audit Committee will also:

- a) examine from an organisation-wide perspective, the impact of non-compliance with Standing Orders
- b) be aware of all proposed losses for write-off and compensation payments and make recommendations to the Board of the Agency;
- c) approve accounting policies and subsequent changes to them;
- d) consider the Annual Accounts;
- e) monitor corporate governance through the implementation of the Codes of conduct and Accountability thus offering assurance to the Board of probity in the conduct of business;
- f) provide advice on the systems of budgetary control and financial management and reporting where appropriate;
- g) provide advice regarding allegations of serious fraud, corruption or error;
- h) receive and consider periodic progress reports on the implementation of internal audit plans. To receive the annual report of internal audit regarding the effectiveness of Board's internal control systems established to ensure that the aims, objectives and key performance targets of the Agency are achieved in the most economic and effective manner;
- i) approve internal audit's terms of reference and ensure that the internal audit complies in all other respects with government guidelines and meets agreed levels of service, without prejudice to the Accounting Officer's direct responsibilities in respect of their requirements;
- j) consider and approve internal audit's annual audit plan and long-term strategic audit plan.

4. COMPOSITION OF AUDIT COMMITTEE

- 4.1 The Audit Committee will be chaired by a member of the Board, other than the Chair, who has relevant management experience and expertise. Board Members will select the Chair of the Committee from amongst their number.
- 4.2 The Chief Executive, in his/her role as Accounting Officer and the Head of Corporate Services shall have rights of attendance at meetings of the Committee unless their attendance would be inappropriate given the nature of the business.
- 4.3 The Committee will consist of 5 members and will meet on a regular basis (at least three times per year).
- 4.4 Where possible, at least one member of the Committee should have a financial background.

5. ESTABLISHMENT OF AN AUDIT COMMITTEE

- 5.1 The Audit Committee is to be constituted as a Committee of the Board with the authority to act with independence. The terms of reference of the Committee are to be approved by the Board and recorded in the Board minutes.
- 5.2 The Committee is appointed by the Board and is ultimately accountable and responsible to the Board.
- 5.3 Audit Committee meetings should be conducted formally and minutes submitted to the Board at its next meeting.
- 5.4 Three fifths of the membership will constitute a quorum for meetings.
- 5.5 The Committee has the power to set up sub-committees as it deems necessary and having regard to budgetary constraints.
- 5.6 The Committee should expect to meet at least three times per year. Agendas and briefing papers should be prepared and circulated in sufficient time for members to give them due consideration. The Committee is to be serviced by the Administrative Director.
- 5.7 One of the three meetings should consider the internal and external audit plans and a further meeting should review the annual reports of the auditors. There should exist an opportunity for the Committee to meet the external auditor once a year without the Chair of the Board of the Agency and senior management being present.
- 5.8 If the Committee believes that there is evidence of an ultra vires

transaction or the commitment of improper acts, the Chair of the Audit Committee should present the facts to a full meeting of the Board. Exceptionally, the matter may need to be referred to the Department of Health, Social Services and Public Safety (Senior Officer in the first instance).

- 5.9 The internal audit provider and the Northern Ireland Audit Office shall be invited to attend Committee meetings.

The Committee may require other officers to attend meetings and provide information as appropriate.

- 5.10 The Board is ultimately responsible for all the decisions and actions taken in its name, whether directly or through its arrangements for delegation. The Board retains the right, therefore, to amend or overturn any decision or action of any Committee, Sub-Committee or Working group which it deems to be contrary to Board policy or otherwise against the Board's interests.

6. RELATIONSHIP WITH INTERNAL AUDIT

- 6.1 The Audit Committee must be able to assure the Board that the systems of internal control are operating effectively.

- 6.2 The Committee must evaluate the extent to which the internal audit service complies with the mandatory audit standards through:

- a) the external auditor's assessment of the internal auditor's work;
- b) seeking the opinion of Senior Management;
- c) ensuring that the internal audit service has an effective quality assurance programme;
- d) ensuring that there is adequate investment in internal audit;
- e) checking that internal audit staff are appropriately skilled, experienced and qualified.

- 6.3 The Audit Committee will receive reports giving findings on internal control. These reports will form the basis of the Committee's conclusions and recommendations. The Chief Executive is responsible for the management of internal audit arrangements and for the professional conduct of the auditors. The Committee is to participate in the selection process when an internal audit service provider is changed.

- 6.4 The Chief Executive is responsible for internal audit. There is a direct

reporting line which is independent of the Chief Executive and other members of the Senior Management team from him/her to the Audit Committee.

- 6.5 The Department will assess the effectiveness of the Agency's internal audit arrangements by periodic peer reviews by its Internal Audit Service and by scrutiny of the plans and reports prepared by the Agency's internal auditor on future and past activity respectively. Upon approval of these plans and reports by the Agency Accounting Officer, they will be forwarded as soon as possible in each financial year to the Head of Internal Audit at the Department.
- 6.6 The Department reserves a right of access to carry out independent reviews of internal audit.

7. RELATIONSHIP WITH EXTERNAL AUDIT

- 7.1 The Audit Committee is to use the certification of the accuracy, probity and legality of the annual accounts provided by the external auditor, combined with the more detailed internal audit review procedures, in discharging its responsibilities for ensuring sound financial systems and accurate accounts.
- 7.2 The NI Audit Office will audit the Agency's accounts. The NI Audit Office is to provide an independent view of any major activity within their remit and mechanism for reporting the outcome of value for money or regularity studies.
- 7.3 The NI Audit Office will have access to the Agency's books and records by virtue of the Audit (Northern Ireland) Order 1987 for the purpose of carrying out examinations into the economy, efficiency and effectiveness with which the Agency has used its resources in discharging its functions.

AUDIT COMMITTEE: STANDING ORDERS

CONDUCT OF BUSINESS

1. ATTENDANCE

- 1.1 Only the members of the Committee and the Administrative Director, who acts as Secretary to the Committee, are to attend meetings as a matter of course.
- 1.2 The Board Chair, other Board members and Agency Officers may be invited to attend as required.
- 1.3 The internal and external auditors shall have rights of attendance at all meetings of the Audit Committee.
- 1.4 The Administrative Director will be present at every meeting as secretary to the Committee. When substantive internal audit work has been commissioned and bought in by the Agency, the Committee is to receive the necessary reports from the principal of the organisation carrying out the work who is to be asked to attend the relevant meetings in order to do so.

2. FREQUENCY OF MEETINGS

- 2.1 Routine meetings are to be held quarterly with a specific remit as the core of each meeting, although appropriate matters could be considered at any meeting. Further meetings may be arranged at the discretion of the Chair of the Committee as necessary.
- 2.2 The following is the normal timetable together with the core content for each meeting.

MEETING	MONTH	CORE CONTENT
1	March	<p>Review internal audit strategy and plans.</p> <p>Discuss external audit plan with appointed auditor.</p> <p>Receive internal audit reports and management responses.</p>
2	June	<p>Review Annual Report for internal audit</p> <p>Review all proposed losses for write-offs and compensation payments and make recommendations to the Board.</p> <p>Approve accounting policies and subsequent changes to them.</p> <p>Receive internal audit reports and management responses.</p> <p>Receive auditor's report on annual accounts.</p> <p>Approve annual accounts.</p> <p>Private discussion with auditors.</p>
3	October	<p>Meeting with auditor to consider mid-year assurance statement.</p> <p>Review auditor's management letter and management response.</p>
4	December/ January	<p>Monitor management response to management letter and mid-year assurance statement.</p> <p>Review the organisation-wide impact of changes to Standing Orders and Standing Financial Instructions and issues of non-compliance.</p> <p>Monitor the implementation of the Codes of Conduct and Accountability thus offering assurance to the Board of probity in the conduct of business.</p>