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HEALTH AND SAFETY COMMISSION

Audit Committee – terms of reference

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Cleared by DCE / Board Member: on 11 July 2006

Issue

1. Agreeing amendments to the terms of reference of the HSC Audit Committee

Timing

2. Routine

Recommendation

3. That the Commission agrees the changes to the terms of reference proposed by the Audit Committee.

Background

4. At its meeting on 14 March HSC agreed to reconstituting the Audit Committee as an HSC committee and to revised terms of reference.
5. The new Audit Committee met for the first time on 8 June. It reviewed the terms of reference at the end of that meeting and proposed two changes –
 - the report to the Accounting Officers from its chair to the Accounting Officers should also go to Commissioners; and
 - reports on individual audits by Internal Audit and Assurance and the response by HSE managers should be copied to members of the Audit Committee.

Argument

6. The amendments proposed by the Audit Committee would give it greater oversight the annual audit programme and HSE's approach to recommendations made by Internal Audit and Assurance. This would support it in the essential challenge role it is there to fulfil.
7. Circulation of the Audit Committee chair's report to HSC (as well as the Accounting Officers) will also provide a regular update on the work of the Audit Committee.
8. Revised terms of reference are at Annex 1.

Consultation

9. Head of Internal Audit and Assurance.

Presentation

10. There are no presentational issues with this.

Costs and Benefits

11. The proposed changes will allow the Audit Committee to be more effective. It will also provide HSC with a regular report on its work. This will have the benefit of underpinning the challenge function which is at the core of the Audit Committee's remit.

Financial/Resource Implications for HSE

12. The cost of producing this paper was £500. The additional administration cost will be minimal.

Other Implications

13. None

Action / Next Steps

14. That HSC agrees the proposed changes to the Audit Committee terms of reference

HSC AUDIT COMMITTEE TERMS OF REFERENCE

1. The HSC and HSE Accounting Officers have established an Audit Committee to support them in their responsibilities for issues of governance, risk, control and associated assurance by providing an independent view on appropriateness, adequacy and overall value for money

Aims

2. The aims of the Audit committee are to
 - promote the highest standards of propriety in the use of public funds and encourage accountability for the use of those funds;
 - improve the quality of financial reporting and promote a climate of financial discipline and control; and
 - promote the development of internal control systems, including sensible business risk management.

Authority

3. The Committee is authorised
 - to investigate any activity within its terms of reference; and
 - to seek any information it requires from any HSE employee; all employees should co-operate with any request made by the Audit Committee;

Membership of the Audit Committee

3. The membership shall be
 - an health and safety commissioner as chair
 - an health and safety commissioner as a side-member / vice chair
 - a minimum of two independent non-executive members to be recruited competitively
 - the head of internal audit at DWP (who will act as chair in the absence of the usual chair)
4. In addition the following will normally attend
 - the HSC Chair; the members of the Executive
 - the Director, Resources and Planning
 - the head of Internal Audit and Assurance
 - a representative of NAO

The Audit Committee will be provided with a secretarial function by HSE.

Meetings

5. The Audit Committee will meet at least three times per annum – in late spring, autumn and March each year.
6. A minimum of two members of the Audit Committee shall be present for the meeting to be quorate.
7. The Audit Committee may ask for other HSE officials to attend to assist with discussions on specific issues.
8. The Audit Committee may also ask for regular attendees who are not members to withdraw to facilitate full and frank discussion of particular matters.

9. The Accounting Officers may ask the Audit Committee to hold further meeting to discuss particular issues on which the Committee's advice is wanted.

Access

10. The head of Internal Audit and Assurance and the representative of NAO will have free and confidential access to the Audit Committee Chair.

Reporting

11. The Audit Committee will formally report back in writing after each meeting to the Health and Safety Commission and Accounting Officers.

Responsibilities

12. The Audit Committee will advise the Accounting Officers on the
- adequacy of the management of governance, risk and control and the Statement on Internal Control;
 - adequacy and appropriateness of governance arrangements;
 - accounting policies, the accounts and the annual report of the organisation including the process for review of the accounts before submission for audit, levels of error identified, and HSC/E's letter of representation to the external auditors;
 - planned activity and results of both internal and external audit (including access to individual audit reports where Audit Committee members request such access) in relation to how this reflects business risk assessment;
 - adequacy of HSC/E's response to issues identified by audit activity, including NAO's report of audit;
 - adequacy of "whistleblowing" arrangements within HSE.

Information

13. Before each meeting the committee will be provided with
- A copy of finalised Internal Audit reports and the HSE management response;
 - A progress report from the head of internal audit summarising
 - progress on plan of work;
 - key issues emerging;
 - management response to audit recommendations;
 - changes to plan of work;
 - any resource issues affecting delivery of plan.
 - A progress report from external audit summarising work done and emerging findings (if any); and
 - report summarising any significant change in the corporate risk register.
14. The Audit Committee will also be provided with (as necessary)
- Proposals for changes to its terms of reference;
 - The Internal Audit Strategy.
 - The Internal audit plan in draft before each operating year;
 - The draft accounts
 - The draft Statement on Internal Control
 - A report on any changes to accounting policies
 - External Audit's Audit Report
 - A report on co-operation between Internal and External Audit
 - A report on any proposals to tender for audit functions;