

AUDIT & RISK COMMITTEE

TERMS OF REFERENCE

1. Purpose of the Committee

- 1.1 The Audit and Risk Committee is a statutory committee of the Board, responsible for providing assurance required for the Board and key stakeholders that the system of internal controls including risk assessment and management processes, is functioning, effective and adding value throughout the organisation. It oversees legal and statutory compliance with NHS laws and regulations.

2. Composition of the Committee

2.1 *Membership*

- 2.1.1 The Committee will comprise:

- 1 Non-Executive Chair
- 3 Non-Executive Board Members

- 2.1.2 The Committee Chair shall be appointed by the Board at a properly constituted meeting.

- 2.1.3 At least one Member should have significant, recent and relevant financial experience, e.g. as an Auditor or Finance Director.

- 2.1.4 Although Audit & Risk Committee members are recruited for their individual skills, it is vital that they are able to work collaboratively.

- 2.1.5 The Board Chair and Executive Directors of the Board are explicitly excluded from being members of the Audit & Risk Committee.

- 2.1.6 The Committee will be provided with a secretariat function through the Executive PA of the Director of Finance & Performance.

- 2.1.7 Appropriate training and development will be provided to ensure that members of the Committee have the skills and knowledge to carry out this role.

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

- 2.1.9 It is also good practice for the Chair of the Audit & Risk Committee to meet the Accountable Officer, the Director of Finance & Performance, the Head of

Internal Audit and the External Auditor's senior representative outside of the formal committee structure.

2.2 Attendance

- 2.2.1 The Board Chair should not be a member of this Committee but has the right to attend Meetings of the Committee.
- 2.2.2 Other Board Members may attend Meetings of the Committee and have access to papers, should they so wish, except where the Committee resolves otherwise.
- 2.2.3 The Chief Executive (the Accountable Officer), the Director of Finance & Performance (the Accounting Officer), the Director of Service Delivery, other appropriate Directors according to the agenda when required, the Internal Auditor and the External Auditor shall normally attend meetings.
- 2.2.4 A Partnership Forum Nominated Staff Representative shall normally attend meetings.
- 2.2.5 The Committee can request the attendance of any Officer of NHS 24 relating to the business to be transacted at the meeting.
- 2.2.6 Meetings may be attended, in whole or in part, exclusively by Committee Members and, if required, the External Auditor and/or the Internal Auditor, as considered appropriate by the Committee Chair.
- 2.2.7 The Committee Chair should be available at the Annual Public Meeting to answer questions about the Committee's work, if required.

3. Meetings of the Committee

3.1 Frequency

- 3.1.1 The Committee shall meet as required, with Meetings normally to be held four times in each financial year, at a place and time as determined by the Committee and to coincide with key events during the year, e.g. Annual Accounts production.
- 3.1.2 The Committee should meet individually with the Internal Auditors and with the External Auditors, once per year, without any Executive Directors present.
- 3.1.3 The Committee should meet with the Chief Executive and separately with the Director of Finance & Performance once per year without any other Executive Directors or Auditors present.
- 3.1.4 A Note of the actions arising from the private meetings shall be taken for the record.

- 3.1.5 In addition, the Committee Chair may convene additional Meetings of the Committee to consider business which may require urgent consideration.
- 3.1.6 The Head of Internal Audit and the representative of External Audit will have free and confidential access to the Chair of the Committee.

3.2 *Agenda and Papers*

- 3.2.1 The Committee Chair in conjunction with the Director of Finance and Performance will set the Agenda for meetings.
- 3.2.2 The Agenda and supporting papers will be sent out at least five working days in advance of the meetings.
- 3.2.3 All papers will clearly state the agenda reference, the author, the purpose of the paper and the action the Committee is asked to consider.

3.3 *Quorum*

Three members of the Committee shall constitute a quorum and no business shall be transacted unless this minimum number of Members is present. For the purposes of determining whether a meeting is quorate, Members attending by either video or tele-conference link will be determined to be present.

3.4 *Minutes*

- 3.4.1 Formal minutes shall be taken of the proceedings of the Audit & Risk Committee. These Draft Minutes shall be distributed for consideration and review, to the Chair of the Meeting within ten working days of the Meeting and distributed to the Members within fifteen working days of the Meeting.
- 3.4.2 The Draft Minutes shall then be presented at the next Meeting of the Committee for approval.
- 3.4.3 Once approved by Committee Members, Minutes shall be presented at the next available Board Meeting by the Committee Chair. In addition, in the event of the Minutes not being available at the next Board Meeting, a verbal update on the business of the Committee shall be provided to ensure any questions Members of the Board may have can be addressed promptly or other matters highlighted.

4. *Authority*

- 4.1 The Committee is authorised by the Board, within its Terms of Reference, to investigate any activity in the operations of NHS 24. It is authorised to seek and obtain any information it requires from any employee and all employees of NHS 24 are directed to co-operate with any request made by the Committee.

- 4.2 The Committee is authorised by the Board to obtain external legal or other independent professional advice and to secure the assistance of people from outside NHS 24 or the wider NHS, with relevant expertise, if it is considered necessary.

5. Responsibilities of the Audit Committee

The duties of the Committee shall be in line with the NHS Scotland Audit Committee Handbook 2018, as follows.

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.

- 5.1 Corporate Governance, System of Internal Control, Risk Management and Arrangements for the Prevention and Detection of Fraud.
- 5.2 Overseeing the Board's Governance arrangements, including compliance with the law, Scottish Government Health Directorates guidance or instructions, the Board's Standing Orders, Standing Financial Instructions and Code of Conduct for Staff.
- 5.3 Evaluating the adequacy and effectiveness of the internal control environment and providing a statement annually to the Board. This evaluation will be based on the work of, and annual report of, the Internal Auditors on behalf of the committee.
- 5.4 Reviewing the assurances given in the Governance Statement. The Audit and Risk Committee may challenge Executives to question whether the scope of their activity delivers the assurance needed by the Board and the Accountable Officer and determine whether the assurance given is founded on sufficient, reliable evidence and whether the conclusions are reasonable in the context of the evidence.
- 5.5 The Audit and Risk 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. It shall also seek to ensure that any weaknesses, identified by reviews, are remedied.
- 5.6 The Audit and Risk Committee will monitor the effectiveness of arrangements to assess and manage risk and to review the Corporate Risk Register at each meeting.
- 5.7 The Audit and Risk Committee will monitor 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.

- 5.8 The Audit and Risk Committee will monitor the effectiveness of the Board's arrangements for whistleblowing.
- 5.9 The Audit and Risk Committee will review its own effectiveness and report the results of that review to the Board and Accountable Officer.

6. Reporting to the Board

- 6.1 In addition to providing the Board with the verbal updates and approved Minutes of Meetings as outlined in 3.4 above, the Audit & Risk Committee shall produce an Annual Report to the Board, summarising its conclusions from the work it has done during the year, to be presented by the Committee Chair. The timing of this will align to the Board's consideration of the Chief Executive's Governance Statement for the associated financial year.
- 6.2 The Committee has a duty to review its own performance and effectiveness, including running costs and terms of reference, on an annual basis.

7. Policy on Non-Audit Services

7.1 Definition

Non Audit Services are those services carried out by an auditor that are non statutory and fall outwith the scope of the agreed annual audit plan and for which an additional fee is charged.

7.2 Auditor Independence and Objectivity

When making an appointment for non-audit work, the Audit & Risk Committee should ensure that the provision of such services does not impair the auditor's independence or objectivity. In this context, the Audit & Risk Committee should consider:

- whether the skills and experience of the audit firm make it a suitable supplier of the non audit service;
- whether there are safeguards in place to ensure that there is no threat to objectivity and independence in the conduct of the audit resulting from the provision of such services by the auditor;
- the nature of the non audit services, the related levels and the fee levels individually and in aggregate to the audit fee; and
- the criteria which govern the compensation of the individuals performing the audit.

7.3 Ethical Considerations

The Audit & Risk Committee should take into account relevant ethical guidance regarding the provision of non audit services, and should not agree to the auditor providing a service if:

- the auditor audits its own firm's work;
- the auditor makes management decisions for the organisation;
- a mutuality of interest is created; or
- the auditor is put in the role of advocate for the organisation.

7.4 Appointments

In relation to appointments, the Audit & Risk Committee has the authority to:

- approve the non audit services from internal and external audit; or
- delegate to the Director of Finance, the authority to engage non audit services up to a value of £10,000 including irrecoverable VAT per assignment. The subsequent provision of this service should be reported to the next meeting of the Audit & Risk Committee.

To maintain the Corporate Governance Framework, the engagement of Internal Auditors for non audit work should always be made by the Director of Finance & Performance.