

NHS 24

Audit and Risk Committee

Terms of Reference

1. Introduction

- 1.1 The Audit and Risk Committee is a statutory Committee of the NHS 24 Board. The approved Terms of Reference and information on the composition and frequency of the Committee will be considered as an integral part of the Standing Orders.
- 1.2 The Audit and Risk Committee is established in accordance with NHS 24 Board Standing Orders and Scheme of Delegation.
- 1.3 The Standing Orders for the Proceedings and Business of the NHS 24 Board shall apply, where relevant, to the conduct of business of all Standing Committees of the NHS 24 Board.
- 1.4 The overall purpose of the Audit and Risk Committee is to provide assurance required by the NHS 24 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. Membership and Attendance

- 2.1 The Committee shall be nominated by the NHS 24 Board Chair and be approved by the NHS 24 Board annually at the meeting of the NHS 24 Board in April or at a meeting to be held as soon as convenient thereafter. The Audit and Risk Committee will consist of 5 Non-Executive Directors of the Board. Other Board members will have access to the Committee meeting papers. Any vacancies which occur in the membership of the Committee shall be filled by the Board Chair and endorsed by the Board at the next scheduled meeting.
- 2.2 At least one Member should have significant, recent, and relevant financial experience, e.g., as an Auditor or Finance Director.
- 2.3 Although Audit and Risk Committee members are recruited for their individual skills, it is vital that they can work collaboratively.
- 2.4 Appropriate training and development will be provided to ensure that members of the Committee have the skills and knowledge to carry out this role.

- 2.5 The Board Chair and Executive Directors of the Board are explicitly excluded from being members of the Audit and Risk Committee.
- 2.6 The Board Chair is not a member of Audit and Risk Committee but has the right to attend meetings of the Committee.
- 2.7 The Audit and Risk Committee may co-opt additional members for a period not exceeding one year to provide specialist skills, knowledge, and experience.
- 2.8 Other Board Members may attend meetings of the Committee and have access to papers, should they so wish, except where the Committee resolves otherwise.
- 2.9 The Chief Executive (the Accountable Officer), the Director of Finance (the Accounting Officer), the Executive Director for Risk and Resilience, Senior Information Risk Owner (SIRO), other appropriate Directors according to the agenda when required, the Internal Auditor and the External Auditor shall normally attend meetings.
- 2.10 A Partnership Forum nominated staff representative shall normally attend meetings.
- 2.11 The Committee can request the attendance of any Officer of NHS 24 relating to the business to be transacted at the meeting.
- 2.12 It is good practice for the Chair of the Audit and Risk Committee to meet the Accountable Office, the Director of Finance, the Head of Internal Audit, and the External Auditor's senior representative outside of the formal committee structure.
- 2.13 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.
- 2.14 The Committee Chair should be available at the Annual Public Meeting to answer questions about the Committee's work, if required.

3. Arrangement for Conduct of Business

3.1 Chairing the Committee

- 3.2 The Chair of Committees of the Board shall be nominated by the Board Chair and approved annually at the meeting of the NHS 24 Board in April or at a meeting to be held as soon as convenient thereafter. In the event of the Chairperson of the Committee being unable to attend for all or part of the meeting, the meeting will be chaired by the Vice Chair.

3.3 **Quorum**

3.4 Meetings will be considered quorate when 3 Non-Executive Directors of the NHS 24 Board are present. In the event that 3 members cannot attend, another Non-Executive Director of the NHS 24 Board will be asked to attend.

3.5 **Voting**

3.6 Should a vote need to be taken, all the voting members of the Committee shall be allowed to vote, either by a show of hands, or a ballot.

3.7 **Frequency of Meetings**

3.8 The Audit and Risk Committee shall meet a minimum of 4 times per year, to coincide with key events during the year, e.g., Annual Accounts production. Additional meetings may be arranged at the discretion of the Committee Chair.

3.9 The Committee should meet individually with the Internal Auditors and with the External Auditors, once per year, without any Executive Directors present.

3.10 The Committee should meet with the Chief Executive and separately with the Director of Finance once per year without any other Executive Directors or Auditors present.

3.11 Private meetings with the Committee and Chief Executive, Director of Finance, Internal Audit and External Audit shall remain private.

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

3.13 The Chair of the Audit and Risk Committee shall be invited to the Annual Internal Audit Planning session between the Internal Auditor, Director of Finance, Head of Risk and Board Chief Executive to prioritise the audit plan for the forthcoming year which will then be presented to the Committee for approval.

3.14 **Declarations of Interest**

3.15 Declarations of Interest will be a standing agenda item. If any member has an interest, pecuniary or otherwise, in any matter, is present at the meeting at which the matter is under discussion, and considers the objective test is met, they will declare that interest as requested at the start of the meeting and shall not remain in the meeting nor participate in any way in those parts of meetings where they have declared an interest. Should the member consider that the objective test has not been met, they do not require to declare the interest and can participate in the discussion and decisions made.

3.16 All declarations of interest will be minuted.

3.17 Any actions taken outside the meeting will be reported and minuted at the next available meeting of the Committee.

3.18 **Administrative Support**

3.19 Administrative support for the Committee will be provided by the Executive PA of the Director of Finance.

3.20 The Executive PA of the Director of Finance will attend to take the minutes of the meeting, maintain a log of actions and a Committee Workplan, provide appropriate support to the Chair and Committee members, and support the preparation of an Annual Report on the work of the Committee for presentation to the NHS 24 Board.

3.21 The Committee Chair in conjunction with the Director of Finance will set the agenda for meetings.

3.22 The agenda and supporting papers will be sent out at least five working days in advance of the meetings.

3.23 All papers will clearly state the agenda reference, the author, the purpose of the paper and the action the Committee is asked to consider.

4. **Remit of the Committee**

4.1 The Audit and Risk Committee shall be responsible for monitoring the Board's corporate governance arrangements and system of internal control, in line with the NHS Scotland Audit Committee Handbook 2018. This will include the following specific responsibilities:

5. **Key Duties of the Committee**

5.1 The Key Duties of the Audit and Risk Committee are as follows:

- Corporate Governance, System of Internal Control, Risk Management and Arrangements for the Prevention and Detection of Fraud.
- 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.
- 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.
- 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.
- The Audit and Risk Committee shall be proactive in commissioning assurance work from appropriate sources if it identified 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.
- 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.
 - 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.
 - The Audit and Risk Committee will review its own effectiveness and report the results of that review to the Board and Accountable Officer.

6. **Authority**

- 6.1 The Audit and Risk Committee is a Standing Committee of the NHS 24 Board.
- 6.2 The Committee is authorised by the NHS 24 Board, to investigate any matters, which fall within its Terms of Reference, and 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.

7. **Reporting Arrangements**

- 7.1 The Audit and Risk Committee will report to the NHS 24 Board.
- 7.2 The draft minute of the Audit and Risk Committee will be reviewed by the nominated Executive Lead prior to clearance by the Chair of the Audit and Risk Committee within ten working days of the meeting and distribution to the Audit and Risk Committee within fifteen working days of the meeting, for ratification at the next Committee meeting. The ratified minutes of the Audit and Risk Committee will be presented to the next NHS 24 Board Meeting to ensure NHS 24 Board members are aware of issues considered and decisions taken.
- 7.3 In addition, the NHS 24 Board Meeting will receive a Committee Highlight Report, which summarises the key issues considered at the most recent meeting of the Committee.
- 7.4 The Audit and Risk Committee will produce an Annual Report to be presented to the NHS 24 Board, summarising its conclusions from the work it has done during the year. The timing of this will align to the Board's consideration of the Chief Executive's Governance Statement for the associated financial year.
- 7.5 The Audit and Risk Committee has a duty to review its own performance and effectiveness including running costs and terms of reference, on an annual basis.

8. Policy on Non-Audit Services

8.1 *Definition*

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

8.2 *Auditor Independence and Objectivity*

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

8.3 *Ethical Considerations*

The Audit and 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 audit's 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.

8.4 *Appointments*

In relation to appointments, the Audit and 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 and 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.

9. Conduct of the Committee

- 9.1 All members will have due regard to and operate within the NHS 24 Board’s Standing Orders, Standing Financial Instructions, and the Code of Conduct for Members.
- 9.2 The Committee will participate in an annual review of the Committee’s remit and membership, to be submitted to the NHS 24 Board in June of each year, and more frequently if required by the NHS 24 Board.

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