

AUDIT AND RISK COMMITTEE CONSTITUTION AND TERMS OF REFERENCE

Date of Board Approval: 28 May 2024

1. PURPOSE

- 1.1 To provide the Board with assurance that the activities of Fife NHS Board are within the law and regulations governing the NHS in Scotland and that an effective system of internal control is maintained. The duties of the Audit and Risk Committee shall be in accordance with the [Scottish Government Audit & Assurance Handbook](#), dated April 2018.

2. COMPOSITION

- 2.1 The membership of the Audit and Risk Committee will be:
- Five Non-Executive or Stakeholder members of Fife NHS Board (one of whom will be the Committee Chair). (A Stakeholder member is appointed to the Board from Fife Council or by virtue of holding the Chair of the Area Partnership Forum or the Area Clinical Forum).
- 2.2 The Chair of Fife NHS Board cannot be a member of the Committee.
- 2.3 In order to avoid any potential conflict of interest, the Chair of the Audit and Risk Committee shall not be the Chair of any other governance Committee of the Board.
- 2.4 Officers of the Board will be expected to attend meetings of the Committee when issues within their responsibility are being considered by the Committee. In addition, the Committee Chair will agree with the Executive Lead Officer to the Committee which Directors and other Senior Staff should attend meetings, routinely or otherwise. The following will normally be routinely invited to attend Committee meetings:
- Chief Executive
 - Director of Finance & Strategy (who is also Executive Lead for Risk Management)
 - Chief Internal Auditor
 - Regional Internal Audit Manager and/or Principal Internal Auditor
 - Statutory External Auditor
 - Head of Financial Services & Procurement
 - Risk Manager
 - Board Secretary
- 2.5 The Director of Finance & Strategy shall serve as the Lead Executive Officer to the Committee.
- 2.6 The Board shall ensure that the Committee's membership has an adequate range of skills and experience that will allow it to effectively discharge its

responsibilities. With regard to the Committee's responsibilities for financial reporting, the Board shall ensure that at least one member can engage competently with financial management and reporting in the organisation, and associated assurances.

3. QUORUM

- 3.1 No business shall be transacted at a meeting of the Committee unless at least three Non-Executive or Stakeholder members are present. There may be occasions when due to the unavailability of the above Non-Executive members, the Chair will ask other Non-Executive members to act as members of the committee so that quorum is achieved. This will be drawn to the attention of the Board.

4. MEETINGS

- 4.1 The Committee shall meet as necessary to fulfil its remit but not less than four times a year.
- 4.2 The Chair of Fife NHS Board shall appoint a Chair who shall preside at meetings of the Committee. If the Chair is absent from any meeting of the Committee, members shall elect from amongst themselves one of the other Committee members to chair the meeting.
- 4.3 The agenda and supporting papers will be sent out at least five clear days before the meeting.
- 4.4 If necessary, meetings of the Committee shall be convened and attended exclusively by members of the Committee and, if relevant, the External Auditor and/or Chief Internal Auditor.
- 4.5 If required, the Chairperson of the Audit and Risk Committee may meet individually with the Chief Internal Auditor, the External Auditor and the Accountable Officer.

5. REMIT

- 5.1 The main objective of the Audit and Risk Committee is to support the Accountable Officer and Fife NHS Board in meeting their assurance needs. This includes:
- Helping the Accountable Officer and Fife NHS Board formulate their assurance needs, via the creation and operation of a well-designed assurance framework, with regard to risk management, governance and internal control;
 - Reviewing and challenging constructively the assurances that have been provided as to whether their scope meets the needs of the Accountable Officer and Fife Health Board;

- Reviewing the reliability and integrity of those assurances, i.e. considering whether they are founded on reliable evidence, and that the conclusions are reasonable in the context of that evidence;
- Drawing attention to weaknesses in systems of risk management, governance and internal control, and making suggestions as to how those weaknesses can be addressed;
- Commissioning future assurance work for areas that are not being subjected to significant review
- Seeking assurance that previously identified areas of weakness are being remedied.

The Committee has no executive authority, and is not charged with making or endorsing any decisions. The only exception to this principle is the approval of the Board's accounting policies and audit plans. The Committee exists to advise the Board or Accountable Officer who, in turn, makes the decision.

5.2 The Committee will keep under review and report to Fife NHS Board on the following:

Internal Control and Corporate Governance

5.3 To evaluate the framework of internal control and corporate governance comprising the following components, as recommended by the Turnbull Report:

- control environment;
- risk management;
- information and communication;
- control procedures;
- monitoring and corrective action.

5.4 To review the system of internal financial control, which includes:

- the safeguarding of assets against unauthorised use and disposition;
- the maintenance of proper accounting records and the reliability of financial information used within the organisation or for publication.

5.5 To ensure that the activities of Fife NHS Board are within the law and regulations governing the NHS.

5.6 To monitor performance and best value by reviewing the economy, efficiency and effectiveness of operations.

5.7 To review the disclosures included in the Governance Statement on behalf of the Board. In considering the disclosures, the Committee will review as necessary and seek confirmation on the information provided to the Chief Executive in support of the Governance Statement including the following:

- Annual Statements of Assurance from the main Governance Committees and the conclusions of the other sub-Committees, confirming whether they have fulfilled their remit and that there are adequate and effective internal controls operating within their particular area of operation;
 - Annual Statement of Assurance from the Integration Joint Board, confirming all aspects of clinical, financial and staff governance have been fulfilled, with appropriate and adequate controls and risk management in place;
 - Details from the Chief Executive on the operation of the framework in place to ensure that they discharge their responsibilities as Accountable Officer as set out in the Accountable Officer Memorandum;
 - Confirmation from Executive Directors that there are no known control issues nor breaches of Standing Orders/Standing Financial Instructions other than any disclosed within the Governance Statement;
 - Summaries of any relevant significant reports by Healthcare Improvement Scotland (HIS) or other external review bodies.
- 5.8 To present an annual statement of assurance on the above to the Board, to support the NHS Fife Chief Executive's Governance Statement.

Internal Audit

- 5.9 To review and approve the Internal Audit Strategic and Annual Plans having assessed the appropriateness to give reasonable assurance on the whole of risk control and governance.
- 5.10 To monitor audit progress and review audit reports.
- 5.11 To monitor the management action taken in response to the audit recommendations in line with the Audit Follow Up Protocol.
- 5.12 To consider the Chief Internal Auditor's annual report and assurance statement.
- 5.13 To approve the Internal Audit Charter
- 5.14 To approve the Internal Audit Reporting Protocol and Audit Follow Up Protocol.
- 5.15 To approve the Fife Integration Joint Board Internal Audit Output Sharing Protocol.
- 5.16 To review the operational effectiveness of Internal Audit by reviewing the five-yearly external quality assessment or self-assessment with independent validation, and through ongoing consideration of the audit standards, resources, staffing, technical competency and performance measures.

- 5.17 To ensure that there is direct contact between the Audit and Risk Committee and Internal Audit and that the opportunity is given for discussions with the Chief Internal Auditor at least once per year (scheduled within the timetable of business) and, as required, without the presence of the Executive Directors.
- 5.18 To review the terms of reference and appointment of the Internal Auditors and to examine any reason for the resignation of the Auditors or early termination of contract/service level agreement.

External Audit

- 5.19 To note the appointment of the Statutory Auditor and to approve the appointment and remuneration of the External Auditors for the NHS Fife Annual Accounts and the NHS Fife Patients' Funds Accounts.
- 5.20 To consider all statutory audit material, in particular:
- Audit Reports;
 - Audit Strategies & Plans;
 - Annual Reports;
 - Management Letters
- relating to the certification of Fife NHS Board's Annual Accounts and Annual Patients' Funds Accounts.
- 5.21 To monitor management action taken in response to all External Audit recommendations, including Best Value and Performance Audit Reports.
- 5.22 To hold meetings with the Statutory Auditor at least once per year and as required, without the presence of the Executive Directors.
- 5.23 To review the extent of co-operation between External and Internal Audit.
- 5.24 To appraise annually the performance of the Statutory and External Auditors and to examine any reason for the resignation or dismissal of the External Auditors.

Risk Management

- 5.25 The Committee has no executive authority, and has no role in the executive decision-making in relation to the management of risk, although it may draw attention to strengths and weaknesses in control and make suggestion for how such weaknesses might be dealt with. The Committee is charged with ensuring that there is an appropriate publicised Risk Management Framework with all roles identified and fulfilled. The Committee shall seek specific assurance that:
- There is an effective risk management system in place to identify, assess, mitigate and monitor risks at all levels of the organisation;

- There is appropriate ownership of risk in the organisation, and that there is an effective culture of risk management;
- The Board has clearly defined its risk appetite (i.e. the level of risk that the Board is prepared to accept, tolerate, or treat at any time), and that the executive's approach to risk management is consistent with that appetite;
- A robust and effective Corporate Risk Register is in place.

5.26 In order to discharge its advisory role to the Board and Accountable Officer, and to inform its assessment on the state of corporate governance, internal control and risk management, the Committee shall:

- Receive and review a quarterly report summarising any significant changes to the Board's Corporate Risk Register, and what plans are in place to mitigate them;
- Assess whether the Corporate Risk Register is an appropriate reflection of the key risks to the Board and enables the identification of gaps in control and assurance, so as to advise the Board;
- Consider the impact of changes to the risk register on the assurance needs of the Board and the Accountable Officer, and communicate any issues when required;
- Receive an annual report on risk management, confirming whether or not there have been adequate and effective risk management arrangements throughout the year, and highlighting any material areas of risk;
- The Committee shall seek assurance on the overall system of risk management for all risks and risks pertinent to its core functions.
- The Committee may also elect to request information on risks held on any risk registers within the organisation.

Standing Orders and Standing Financial Instructions

5.27 To review annually the Standing Orders and associated appendices of Fife NHS Board within the Code of Corporate Governance and advise the Board of any amendments required.

5.28 To examine the circumstances associated with any occasion when Standing Orders of Fife NHS Board have been waived or suspended.

Annual Accounts

5.29 To review and recommend approval of draft Fife NHS Board Annual Accounts and Patient Funds Accounts to the Board.

- 5.30 To review the draft Annual Report and Performance Review of Fife NHS Board within the Annual Accounts.
- 5.31 To review annually (and recommend Board approval of any changes in) the accounting policies of Fife NHS Board.
- 5.32 To review schedules of losses and compensation payments where the amounts exceed the delegated authority of the Board prior to being referred to the Scottish Government for approval.

Other Matters

- 5.33 The Committee has a duty to review its own performance, effectiveness, including its running costs, and terms of reference on an annual basis.
- 5.34 The Committee has a duty to keep up to date by having mechanisms to ensure topical legal and regulatory requirements are brought to Members' attention.
- 5.35 The Committee shall review regular reports on Fraud and potential Frauds as presented by the Fraud Liaison Officer (FLO), in addition to the Board's response and action to counter the threat posed by fraud.
- 5.36 The Chairperson of the Committee will submit an Annual Report of the work of the Committee to the Board following consideration by the Audit and Risk Committee annually, to give assurance that the Committee has delivered against its Terms of Reference.
- 5.37 The Chairperson of the Committee should be available at Fife NHS Board meetings to answer questions about the work of the Committee.
- 5.38 The Committee shall prepare and approve, before the start of each financial year, an Annual Workplan for the Committee's planned work during the forthcoming year.
- 5.39 The Committee shall provide assurance to the Board on achievement and maintenance of Best Value standards, relevant to the Committee's area of governance as set out in Audit Scotland's baseline report "Developing Best Value Arrangements" and the Scottish Public Finance Manual.
- 5.40 The Committee shall review the Board's arrangements to prevent bribery and corruption within its activities. This includes the systems to support Board members' compliance with the NHS Fife Board Code of Conduct (Ethical Standards in Public Life Act 2000), the systems to promote the required standards of business conduct for all employees and the Boards procedure to prevent Bribery (Bribery Act 2000).

6. AUTHORITY

- 6.1 The Committee is authorised by the Board to investigate any activity within its Terms of Reference, and in doing so, is authorised to seek any information it requires from any employee or external experts.
- 6.2 In order to fulfil its remit, the Audit and Risk Committee may obtain whatever professional advice it requires, and may require Directors or other officers of the Board to attend meetings.
- 6.3 The Committee is authorised by the Board to obtain outside legal or other independent professional advice and to secure the attendance of external advisors with relevant experience and expertise if it considers this necessary.
- 6.4 The Committee's authority is included in the Board's Scheme of Delegation and is set out in the Purpose and Remit of the Committee.

7. REPORTING ARRANGEMENTS

- 7.1 The Audit and Risk Committee reports directly to the Fife NHS Board on its work. Minutes of the Committee are presented to the Board by the Committee Chairperson, who provides a report, on an exception basis, on any particular issues which the Committee wishes to draw to the Board's attention.
- 7.2 The Audit and Risk Committee will advise the Scottish Parliament Public Audit Committee of any matters of significant interest as required by the Scottish Public Finance Manual.