

# Audit and Risk Committee

Board Meeting  
Open Session  
12.12.24  
Item 8.1

## Terms of Reference

**Lead Author:**

Committee Chair  
Assistant Director of  
Finance

**Signature:**

**Identifier: September 2024**

**Reviewer:**

Audit and Risk Committee

**Signature:**

Committee Chair

**Review Date: 31 December  
2026**

**Approver:**

NHS Grampian Board

**Signature:**

Board Chair

**Approval Date: 12  
December 2024**

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This Constitution is also available in large print and other formats and languages, upon request. Please call NHS Grampian Corporate Communications on Aberdeen (01224) 554400.

## 1. PURPOSE

The purpose of the Audit and Risk Committee is to assist the Board and Accountable Officer to deliver its responsibilities for the conduct of public business, and the stewardship of funds under its control. In particular, the Committee obtain assurance on behalf of the Board and Accountable Officer that an appropriate system of internal control is in place to ensure that:

- 1.1. Business is conducted in accordance with the law and proper standards;
- 1.2. Public money is safeguarded and properly accounted for;
- 1.3. Financial Statements are prepared timeously, and give a true and fair view of the financial position of the Board for the period in question; and
- 1.4. Reasonable steps are taken to prevent and detect fraud and other irregularities.
- 1.5. The Board's system of risk management and monitoring is appropriate and effective.

## 2. ROLE AND REMIT

### 2.1 Internal Control, risk management and Corporate Governance

- 2.1.1 Advise the Board and the Accountable Officer on the Board's Assurance Framework including strategic processes for risk, control and governance.
- 2.1.2 Monitor the effectiveness of the system of risk assessment and risk management by the Board.
- 2.1.3 Review the strategic risk register regularly.

- 2.1.4 Critically review the process by which management decisions are taken and effected throughout Grampian Health Board, including risk assessment.
- 2.1.5 Review the assurances given in the annual Governance Statement.
- 2.1.6 Oversee the Board's Corporate Governance arrangements, including compliance with the law, NHS Scotland guidance and instructions, the Board's Standing Orders, Standing Financial Instructions and financial procedures.
- 2.1.7 Evaluate the adequacy and effectiveness of the internal control environment and provide a statement annually to the Board, based on the annual report of the Chief Internal Auditor.
- 2.1.8 Review the assurances given in relation to financial control environment and oversee the delivery of improvement plans.

## 2.2 [Standing Orders and Standing Financial Instructions](#)

- 2.2.1 Review proposed changes to the Board's Standing Orders and Standing Financial instructions.
- 2.2.2 Review, on a periodic basis, the Scheme of Delegation.

## 2.3 [Internal and External Audit](#)

- 2.3.1 Examine any circumstances when the Board's Standing Orders are waived.
- 2.3.2 Review the operational effectiveness of Internal Audit and the annual performance of External Audit.
- 2.3.3 Approve and review internal and external audit plans, and receive reports on their subsequent achievement.
- 2.3.4 Monitor management's response to audit recommendations, and report to the Board where appropriate.
- 2.3.5 Receive management letters, reports and correspondence from the external auditor, and review management's response.

- 2.3.6 Discuss with the external auditor (in the absence of the Executive Directors and other officers where necessary) the annual report, audit scope and any reservations or matters of concern which the external auditor may wish to discuss.
- 2.3.7 Ensure that the Chief Internal Auditor and External Auditor have unrestricted access to the Chair of the Committee.
- 2.3.8 Approve the selection and appointment of Internal Auditors.
- 2.3.9 Receive and consider Audit reports from other agencies including relevant Integration Joint Board Internal Audit reports.

## 2.4 Annual Accounts

- 2.4.1 Approve changes to accounting policies, and review the Health Board Annual Accounts prior to their adoption by the full Board. This includes:
- 2.4.2 Reviewing significant financial reporting issues and judgements made in the preparation of the Annual Accounts;
- 2.4.3 Reporting in the directors' report on the role and responsibilities of the Audit Committee and the actions taken to discharge those;
- 2.4.4 Reviewing unadjusted errors arising from the external audit; and reviewing the schedules of losses and compensations.

## 2.5 Counter Fraud and Voicing Concern in relation to Financial Matters

- 2.5.1 Ensure that internal control arrangements include appropriate counter fraud measures, including the existence of current and accessible policies and procedures, to allow staff to raise concerns regarding irregular financial matters and fraud in confidence.
- 2.5.2 Ensure that all recommendations made as part of an investigation into fraud or other financial irregularities are appropriately addressed and followed-up by the relevant Board officers

## 2.6 Authority to Investigate

- 2.6.1 The Committee has explicit authority to investigate any matter within its remit, shall be provided with the resources it needs to do so, and shall be given full and timely access to all relevant information.

## 2.7 Management of Committee business

- 2.7.1 Ensure good communication and relationships with other standing committees of the board and other stakeholders and that Committee decisions are communicated appropriately to internal and external audiences.
- 2.7.2 Ensure Committee members are provided with appropriate information and training to support them in carrying out their roles and review development needs at least annually.
- 2.7.3 Prepare a Committee annual work plan which takes account of the strategic outcomes of the Board, the Integration Joint Boards and key strategic risks relevant to the role and remit of the Committee
- 2.7.4 Prepare an annual report which takes account of the strategic outcomes of the Board and key strategic risks relevant to the role and remit of the Committee and summarises how the Committee has discharged its responsibilities over the year.
- 2.7.5 Ensure that all elements of the Committee's Terms of Reference are being scrutinised effectively through use of a forward planner to monitor frequency of relevant items against each term of reference in the agendas for the Committee meetings, and include a summary of this forward planner in the Committee's annual report.
- 2.7.6 Provide appropriate information for inclusion in the NHS Grampian Annual Statement of Internal control.
- 2.7.7 The Committee may obtain external professional advice where considered necessary.

## 2.8 Information Requirement of Committee

- 2.8.1 A forward planner will be maintained for the Committee setting out the reporting requirements.

2.8.2 To fulfil its role over the course of the year the Audit and Risk Committee will normally be provided with:

- Planning, progress and finding reports from the Chief Internal Auditor
- Planning and finding reports from the External Auditor
- For assurance relevant audit reports from other bodies
- Annual Report and Accounts and associated preparation and governance documents
- Reports on relevant performance and assurance arrangements relating to risk management
- Reports on relevant performance and assurance arrangements relating to fraud
- Reports on relevant performance and assurance arrangements relating to organisational compliance
- Reports on relevant assurance arrangements relating to financial governance

### 3. RELATIONSHIP TO OTHER COMMITTEES AND ASSURANCE MAP

The Committee's relationship to other Board and operational committees, and sources of assurance, is shown on the attached assurance map,

The committee will review this assurance map at least annually and update to ensure it reflects the management and operational structure of the organisation, taking advice from the Executive Lead on this issue.

### 4. EXECUTIVE LEAD

The designated Committee Executive Lead is the Director of Finance who supports the Chair of the Committee in ensuring that it fulfils its agreed Terms of Reference by:

- Liaising with the Chair in agreeing a programme of bi-monthly meetings, as required by its remit.
- Overseeing the development of an assurance report for the Board which is congruent with the committee's remit and the need to provide appropriate assurance.
- Agreeing with the Chair an agenda for each meeting, having regard to the Committee's remit.
- Overseeing self-assessment on the effectiveness of the Committee and agreeing with the Chair a programme of development for members of the Committee.

## 5. MEMBERSHIP AND ATTENDANCE

<b>Chair:</b>	The Committee Chair is a Non-Executive Board Member as agreed by the Grampian NHS Board on recommendation of the Chair
<b>Members:</b>	There will be 5 Non-Executive Board Members
<b>In Attendance:</b>	Chief Executive, NHS Grampian Director of Finance, NHS Grampian Chair, NHS Grampian Board Chief Internal Auditor External Auditor
<b>Management Support:</b>	Assistant Director of Finance
<b>Administrative Support:</b>	PA to Director of Finance

Grampian NHS Board may co-opt external members to the Committee if necessary.

Skills and Development. In addition to the generic skills required by Board members, Audit Committee members should possess the following skills and knowledge.

- Financial awareness and a broad understanding of finance, risk and internal controls assurance, and corporate governance issues:
- The ability to question, probe and seek clarification about complex issues, together with the courage, discipline and authority to ask questions of both management and both external and internal auditors, and obtain appropriate answers;
- A willingness to ask questions that could be seen as indicating a lack of knowledge and to clarify any point not fully understood; and
- Familiarity with counter fraud arrangements, the respective roles of external and internal auditors and the Board's core activities.

In addition, at least one member of the Committee should have 'recent and relevant financial experience'.

In the event of the Chief Executive or Director of Finance being unable to attend, it is expected that a deputy will attend in their place and that deputy will be notified to the Chair in advance of the meeting.

All Board Members have a right to attend as observers.

Other staff will be invited to attend Committee meetings to inform and/or report on specific matters or by prior arrangement as observers.

## **6. QUORUM**

At least three members of the Committee must be present in order to form a quorum.

## **7. DEPUTIES**

The Chair will appoint a meeting Deputy, to cover unavoidable absence, from the members of the Committee.

## **8. MEETINGS**

There will be a minimum of four meetings per annum with provision for additional meetings as required.

The Chief Internal Auditor and External Auditor will meet at least once per annum with the Committee members in the absence of the Executive Directors.

Agenda setting meetings are held at least 1 week prior to the meeting and Committee papers are issued 5 working days in advance. On the occasions these timelines are not achievable and papers will be issued later agreement of the Committee Chair will be logged.

Written documentation will be expected in support of all agenda items, except for those under "Matters Arising".

'Declarations of Interest' will be a standing item to the committee agenda.

When confidential and sensitive information requires to be discussed, this will be held within a closed session. The minute of closed sessions are confidential and will not be shared out with the membership of the Committee and other Board Members.

## **9. MINUTES/REPORTS**

The business of the Committee is recorded in a formal minute which, once approved, is circulated to the Board. At that time they are available to all staff on the NHS Grampian intranet and can be accessed under the provision of the Freedom of Information Act (Scotland) 2002.

When confidential and sensitive information requires to be discussed this will be held within a closed session. The minute of closed sessions are confidential and will be shared with the membership of the Committee and other Board Members.

## **10.EFFECTIVENESS OF THE COMMITTEE**

A review of the effectiveness and performance of the committee will be undertaken annually.

## **11. STANDING ORDERS**

The provisions of the NHS Strategic Standing Orders for Board meetings shall apply to the Committee as far as practicable and appropriate.

Decisions reached by the Committee are by consensus with all members agreeing to abide by such decisions (to the extent that they are in accordance with these terms of reference).



