

## AUDIT AND RISK COMMITTEE TERMS OF REFERENCE



### 1. Remit

- 1.1 The National Services Scotland (NSS) Audit and Risk Committee (ARC) is established in accordance with [Scottish Public Finance Manual](#), the [Scottish Government Audit and Assurance Committee Handbook \(3 April 2018\)](#) and is established as a committee of the NSS Board.
- 1.2 The purpose of the Committee is to provide independent advice and support the Chief Executive (as the Board's Accountable Officer) and the Board in their responsibilities of risk, control and governance and meeting their assurance needs.
- 1.3 The Committee has no executive authority and is not charged to make or endorse any decisions. The Committee may draw attention to strengths and weaknesses in internal control and make recommendations for how such weaknesses might be dealt with.
- 1.4 The Board authorises the Committee to:
  - 1.4.1 Investigate any activity which is within its terms of reference, and in doing so, is authorised to seek any information it requires from any Board member or employee. All members and employees are directed to co-operate with any request made by the Committee.
  - 1.4.2 Obtain specialist ad-hoc advice at the expense of the organisation, subject to the budgets agreed by the Board and the Chief Executive.
  - 1.4.3 Co-opt additional members for a period not exceeding one year to provide specialist skills, knowledge, and experience.
- 1.5 The Committee will work within the principles of the Blueprint for Good Governance – Second Edition, to ensure effective management, improved performance, and good outcomes for all stakeholders.
- 1.6 The NSS Board Standing Orders have informed these Terms of Reference and the relevant paragraphs of the Standing Orders pertain to this Committee.

## **2. Membership**

### Membership

- 2.1 Membership shall comprise six non-executive members of the Board. The Board must ensure that at least one member has recent and relevant financial experience. A Committee Chair shall be nominated by the Board Chair and thereafter confirmed by the Board. The Committee will then select a Vice-Chair from among the membership to deputise for the Committee Chair as required.
- 2.2 The Chair of the Board, any stakeholder member and any employee of the Board may not be a member of the Committee.
- 2.3 The Board may appoint independent external members if there is an insufficient number of non-executive Board members to form the Committee.
- 2.4 The Board will appoint independent external Committee members for a period of no more than three years but may re-appoint a member if the Board is satisfied with the member's contribution.

### Attendees

- 2.5 The Committee will routinely invite the Chief Executive, Director of Finance, Chief Internal Auditor, and a representative of the external auditor to attend its meetings. The Committee may invite other officers to attend meetings to support the consideration and discussion of agreed items of business.

### Private Meetings

- 2.6 The Committee may agree to meet in private to consider certain items of business without any non-members present. The Committee will also meet in private with the internal auditors and external auditors as required. This should happen at least once a year at a minimum.
- 2.7 The minutes of the meeting will reflect when the Committee has resolved to meet in private.

## **3. Quorum**

- 3.1 The Committee is quorate when there are three non-executive Board members present.

## **4. Meetings**

### Frequency of Meetings

- 4.1 The Committee shall meet as required but not less than four times a year.

## Minutes of Meetings

- 4.2 Minutes of the proceedings of the Committee shall be drawn up by or on behalf of the Board Secretary and submitted for approval to the next meeting of the Committee.
- 4.3 The Minutes of the Committee will be presented for information to the next scheduled meeting of the NSS Board, in either approved or draft format, as the means of updating the Board on the work of the Committee.

## **5. Reporting Arrangements**

- 5.1 The Committee Chair will provide a report to the Board and the Chief Executive after each meeting of the committee. A copy of the minutes may form the basis of this report. The Chief Internal Auditor and the external auditor should receive a copy of the report.
- 5.2 The ARC will provide an annual report to the Board to provide assurance as set out in the remit at 1. This report will be timed to support the preparation of the Annual Governance Statement within the Annual Report and Accounts and the content of the report will reflect the requirements set out in paragraphs [5.5 and 5.6 of the Scottish Government Audit and Assurance Committee Handbook \(3 April 2018\)](#).
- 5.3 The Committee will develop a work plan to discharge its remit and duties, which will determine the information that it requires at meetings and consequently the agenda for those meetings. The Committee will normally require at every meeting:
  - 5.3.1 A report on: all strategic and red corporate risks and issues; red reputational and information governance risks and issues contained in the NSS corporate risk register, along with any appropriate risks flagged by the Director. Reports will incorporate associated management actions as set out in the Integrated Risk Management Approach.
  - 5.3.2 Progress reports from the internal and external auditors, including details of any work they have performed and the key issues that have emerged.
  - 5.3.3 Identified information governance risks.

## **6. Delegated Functions:**

- 6.1 The delegated functions of the committee are:
  - 6.1.1 Supporting the Chief Executive and the Board identify and formulate their assurance needs regarding risk management, governance, and internal control.
  - 6.1.2 Reviewing and constructively challenging the assurances that have been provided as to whether their scope meets the needs of the Chief Executive and the Board.

- 6.1.3 Reviewing the comprehensiveness, 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.
  - 6.1.4 Drawing attention to weaknesses in systems of risk management, governance, and internal control, and making suggestions as to how those weaknesses can be addressed.
  - 6.1.5 Review annually the risk appetite of NSS in relation to risk categories.
  - 6.1.6 Commissioning further assurance work for areas that are not being subjected to sufficient review.
  - 6.1.7 Seeking assurance that management are remedying previously identified areas of weakness.
  - 6.1.8 Monitor and review NSS's performance and compliance in respect of Information Governance and Data Protection legislation and processes.
- 6.2 The Committee will specifically advise the Board and Chief Executive on:
- 6.2.1 The strategic processes for risk, control, and governance and the governance statement, and how they support the achievement of the Board's strategies and objectives.
  - 6.2.2 The accounting policies, the annual accounts, and the Board's annual report. This includes the process for review of the accounts before they are submitted for audit, levels of error identified, and management's letter of representation to the external auditors.
  - 6.2.3 The planned activity and results of both internal and external audit.
  - 6.2.4 The performance of the internal audit function.
  - 6.2.5 The adequacy of management response to issues identified by audit activity, including external audit's management letter or report.
  - 6.2.6 The effectiveness of the internal control environment.
  - 6.2.7 Assurances relating to the corporate governance requirements for the Board.
  - 6.2.8 The appointment of the Chief Internal Auditor, the Internal Audit Charter and Internal Audit Opinion.
  - 6.2.9 The purchase of non-audit services from contractors who provide audit services.
  - 6.2.10 The Board's policies, procedures, and processes where they relate to risk management, governance, resilience and internal control.
  - 6.2.11 The skills required for committee effectiveness, to inform the selection of members of the committee.
  - 6.2.12 Review annually the nature of and expenditure incurred by each Directorate on the employment of Management Consultants in the preceding year.
  - 6.2.13 Review annually all detailing all losses written off and special payments made including ex-gratia payments made to staff in line with Section 18 of NSS SFIs – Losses and Special Payments
  - 6.2.14 Review annually NSS's Fraud and Other Illegal Acts Register

6.2.15 Review reports presented on instances of banking accounts being overdrawn

6.3 In addition, the committee also has specific duties in relation to information governance:

6.3.1 Consider and scrutinise NSS's compliance with relevant legislation, duties under Common Law and performance against national standards with regards to information governance. This duty covers the following components of information governance: Caldicott Guardianship and Confidentiality; Data Protection; Information Security; Freedom of Information and Records Management.

6.3.2 Review at each meeting reports on performance relating to information governance matters across NSS and satisfy itself that appropriate progress is being made to improve the quality of information governance across NSS.

6.3.3 Satisfy itself that NSS has processes in place to monitor and report information governance incidents, risks, and complaints.

6.3.4 Review at each meeting identified information governance risks, issues, and complaints, and satisfy itself that appropriate action has been taken, lessons learnt, and improvements implemented.

## **7. Supplementary Information for Boards and Committee Members**

7.1 The [Scottish Government Audit and Assurance Committee Handbook \(3 April 2018\)](#)

7.2 The NHS Scotland Board Development website also has a wealth of material on NHS Scotland which is relevant to governance, risk management, and internal control.  
<https://learn.nes.nhs.scot/17367/board-development>