**NHS Education for Scotland**

**Audit and Risk Committee**

**Terms of Reference**

1. **Constitution and Context**

1.1 The NHS Education for Scotland (NES) Board has established a Committee to be known as the Audit and Risk Committee*;* hereafter referred to as the Committee, which will operate within the terms of the Board’s Standing Orders; Standing Financial Instructions and the Board Code of Conduct.

1.2 The Committee will fulfil its duties in line with the [Scottish Public Finance Manual](https://www.gov.scot/publications/scottish-public-finance-manual/audit-committees/audit-committees/) and the [Scottish Government Audit and Assurance Committee Handbook (3 April 2018)](https://www.gov.scot/publications/audit-assurance-committee-handbook/).

1. **Role**

2.1 The Committee independently supports the Accountable Officer and the Board by reviewing the comprehensiveness and reliability of assurances provided in relation to: the governance, the risk management, the control environment and the integrity of the Annual Report and Accounts, Finance, Procurement and Properties and Facilities.

1. **Membership**

2.1 The Members and Chair of the Committee are appointed by the Board who ensure members are sufficiently independent. The Chair of the Board is not a member but is invited to attend. The Board ensure that the Committee has a balance of skills including recent financial experience.

2.2 Full membership of the Committee shall include a minimum of four non-executive members of the Board including the Audit Committee Chair.

2.3 The Board may co-opt independent external members for up to one year if additional skills are needed to meet the assurance requirements.

2.4 The Committee may procure specialist ad-hoc advice at the expense of the organisation, subject to budgets agreed by the Accountable Officer.

**4. Quorum**

4.1 – 4.7 **[Quorum Generic ToRs](https://www.nes.scot.nhs.uk/media/raqjpvdm/approved-by-nov-2020-board-generic-committee-tors.docx)**

**5. Attendees**

5.1 – 5.2 [**Attendees Generic ToRs**](https://www.nes.scot.nhs.uk/media/raqjpvdm/approved-by-nov-2020-board-generic-committee-tors.docx)

5.3 The external auditor, internal auditor, Chief Executive and Director of Finance shall normally attend all meetings.

**6. Private Member Meetings**

6.1 **[Private Member Meetings Generic ToRs](https://www.nes.scot.nhs.uk/media/raqjpvdm/approved-by-nov-2020-board-generic-committee-tors.docx)**

6.2 The Committee may also meet in private with the internal auditors and external auditors at any time but should ensure that it does so at least annually.

6.3 There are mutual rights of access between the Committee Chair and the Accountable Officer, Chief Internal Auditor, and the External Auditors.

6.4 The Chief Internal Auditor will report functionally to the Committee Chair.

6.5 In the interests of developing relationships, the Committee Chair may elect to have private individual meetings with the Accountable Officer, Director of Finance, Chief Internal Auditor, and the senior representative of the External Auditor.

**7. Frequency of Meetings**

7.1 The Audit and Risk Committee will meet four times a year.

**8. Authority**

8.1 [**Authority Generic ToRs**](https://www.nes.scot.nhs.uk/media/raqjpvdm/approved-by-nov-2020-board-generic-committee-tors.docx)

8.2 The Committee has delegated authority from the Board on the following matters, so that it may carry out its responsibilities and duties:

* Oversight of the process to appoint the Chief Internal Auditor and making a recommendation to the Board. The appointment of the Chief Internal Auditor is a matter reserved to the Board.
* Approving the fee of the external auditor within the scale defined by the Auditor General.

**9. Responsibilities and Duties**

The Committee will generally discharge its responsibilities and duties through:

**9.1 Assurance**

(an evaluated opinion, based on evidence from review, on the organisation’s governance, risk management and internal control framework).

* + 1. Clear articulation of the level and type of assurance required across all areas within the remit of the Committee through review of the Assurance Framework and the recommendation of an optimum mix of assurance.
    2. Reviewing and challenging the assurances that have been provided, as to whether their scope meets the needs of the Accountable Officer and the Board.
    3. Ensuring effective mechanisms are in place to provide assurances that are reliable and adequately evidenced.
    4. Drawing attention to potential weaknesses in systems of risk management, governance and internal control.
    5. Commissioning further assurance work for areas that have not had sufficient review.
    6. Reviewing annual reports from the other Committees of the Board to ensure they have obtained appropriate assurance to enable them to discharge their duties and responsibilities and give assurance to the Accountable Officer and Board.
    7. The Audit and Risk Committee will also periodically review its own effectiveness and report the results of that review to the Board and Accountable Officer.

In practice the Committee will carry out the following activities:

* 1. **Internal Control, Risk Management and Corporate Governance**
     1. Assess the scope and effectiveness of the risk management processes.
     2. Review the system of internal control and evaluate the control environment and decision-making processes. This will include annual review of the Board’s Standing Orders, Standing Financial Instructions, Scheme of Delegation and Risk Management Strategy.
     3. On an annual basis, review the Board’s attitude to and appetite for risk across the agreed risk areas of Strategy/Policy; Financial; Operational/Service Delivery; Accountability/Governance and Reputational/Credibility,to ensure these are appropriately defined and consider if these are aligned to the strategic and operational plans.
     4. Receive and review reports from management on the effectiveness of internal controls – seek assurance that policies, procedures, and processes are appropriately designed and effectively implemented.
     5. Seek assurance on the risk and control environment where services are outsourced to external providers, including shared service arrangements.
     6. Review and recommend for approval by the Board, the corporate governance disclosures on audit and risk management in the annual accounts (Governance Statement).
     7. Review internal arrangements by which staff may raise concerns about possible improprieties such as anti-fraud policies and arrangements for special investigations.
     8. Review counter fraud activity and outcomes.
  2. **External Audit (including review of the Annual Accounts)**
     1. Review the External Audit strategy and plan.
     2. Review the previous External Audit letter to those Charged with Governance and review management responsiveness to any recommendations.
     3. Consider planned external audit activity and review the level of coordination and engagement between internal and external audit to ensure there is no unnecessary duplication of audit work.
     4. Review the proposed accounting policies before management present them to the Board for its approval.
     5. Review the draft Annual Accounts including areas of substantial estimates and judgements and the Governance Statement.
     6. Review the clarity and completeness of disclosures in the draft Annual Accounts.
     7. Consider any items raised in the external Audit letter to those charged with Governance in reaching a view on whether the committee should recommend that the Board approve the draft Annual Accounts.
     8. Review management’s letter of representation to the external auditors.
     9. Provide the Board and Accountable Officer with an Annual Report, timed to support finalisation of the accounts and the Governance Statement, summarising its conclusions from the work it has done during the year.
     10. Approve the annual fee of the external auditor.
     11. Review the performance of External Audit on an annual basis.
     12. On appointment of a new External Auditor by the Auditor General for Scotland, ensure completion of all required assurance checklists.
  3. **Internal Audit** 
     1. Approve the appointment and termination of Internal Audit and advise on the purchase of non-audit services from the suppliers of audit services.
     2. Review and approve the Internal Audit strategy and annual Internal Audit in order to assess their access their accuracy in reflecting the risk exposure of the organisation.
     3. Monitor and check that Internal Audit Strategy, annual Internal Audit and adequate resources are being made available to Internal Audit enable the Head of Internal Audit to provide an annual audit opinion.
     4. Review the arrangements which the Internal Auditors have in place to implement the requirements of the [Public Sector Internal Audit Standards](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/641252/PSAIS_1_April_2017.pdf) (such as the internal audit charter).
     5. Review the results of Internal Audit work, including reports on the effectiveness of systems for governance, risk management and internal control.
     6. Review management responses to issues raised.
     7. Review the annual Internal Audit opinion and annual report.
     8. Review the performance of Internal Audit, including conformance with the applicable standards, expected performance measures, and the results of both Internal and external quality assessments.
  4. **Financial Management**
     1. Review the draft financial strategy which sets out the financial assumptions and approaches to strategic financial planning which will underpin the draft budget.
     2. Review draft financial Plans (Budgets), considering if they support delivery of the Annual Operating Plan and the NES Strategic objectives, and make recommendations on these to the Board.
     3. Provide detailed scrutiny of the estimates of income and expenditure associated with significant new developments requiring formal Business Case approval.
     4. Consider the year-end financial report and in particular the financial. performance analysed therein, and make recommendations to the Board
     5. Consider and make recommendations to the Board on matters relating to the financial management of NES, including efficiency programmes and resource allocation and the financial arrangements governing relationships with other organisations.
     6. Monitor compliance of finance activities with statutory duties, NHSScotland policy and NES priorities in relation to equality and diversity.
     7. Consider the financial implications of matters relating to accommodation, maintenance of premises and provision of services. This will include reviewing the content of the Property and Asset Management Strategy (PAMS).
  5. **Procurement** 
     1. Review quarterly reports on Procurement activity including compliance with the Procurement Reform (Scotland) Act 2014, the Scottish Government Procurement Journey and the utilisation of National Contracts.
     2. Approve the 3-year Procurement Strategy and associated action plan.
     3. Review the NES Procurement Annual Report and approve for publication
     4. Review the Procurement Annual Equality Duty Report and approve for publication.
  6. **Sustainability** 
     1. Review sustainability performance, plans and returns.
     2. Consider the sustainability implications of matters relating to accommodation, maintenance of premises and provision of services.
  7. **Schedule of Business** 
     1. The Committee will develop a Schedule of Business to discharge its responsibilities and duties, which will determine the information that it requires at meetings and consequently the agenda for those meetings.

**10. Reporting Arrangements**

10.1 - 10.5 **[Reporting Arrangements Generic ToRs](https://www.nes.scot.nhs.uk/media/raqjpvdm/approved-by-nov-2020-board-generic-committee-tors.docx)**

**11. Review**

11.1 [**Review Generic ToRs**](https://www.nes.scot.nhs.uk/media/raqjpvdm/approved-by-nov-2020-board-generic-committee-tors.docx)

11.2 The Committee will undertake an annual assessment of their performance, highlighting any steps for further improvement to the way they conduct business.

**12. Conduct of Business**

12.1 As per the[**Board Standing Orders**](https://www.nes.scot.nhs.uk/media/eahhvzhx/standing-orders-approved-10-02-22.docx)

Della Thomas

Board Secretary

February 2022

Approved by NES Board 10-02-22