AUDIT AND RISK COMMITTEE
CONSTITUTION AND TERMS OF REFERENCE

Date of Board Approval: 26 May 2026

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, updated February 2023.

2. COMPOSITION

2.1 The membership of the Audit and Risk Committee will be:

- A minimum of five Non-Executive or Stakeholder members of Fife NHS Board. (A Stakeholder member is appointed to the Board from Fife Council or the University of St Andrews 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 A Committee Chair and Vice Chair will be appointed by the Chair of the Board from the Non-Executive / Stakeholder membership of the Committee. In the event of the Chair of the Committee being unable to attend for all or part of the meeting, the meeting will be chaired by the Vice Chair. The Vice Chair will also support the Chair in the effective running of the Committee, including attending agenda setting meetings and approving draft minutes if so required.

2.4 In order to avoid any potential conflict of interest, the Chair of the Audit and Risk Committee shall not be appointed the Chair of any other governance Committee of the Board.

2.5 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
- Director of Planning & Transformation
- Medical Director (who is the 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

- Associate Director of Quality & Clinical Governance
- Associate Director of Corporate Governance & Board Secretary

2.6 The Director of Finance shall serve as the Lead Executive Officer to the Committee.

2.7 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 or Stakeholder members, the Chair will ask other Non-Executive or Stakeholder members to act as members of the committee so that quorum is achieved. This will be drawn to the attention of the Board in the meeting minute.

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 agenda and supporting papers will be sent out at least five working days before the meeting.

4.3 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.

4.4 If required, the Chair 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 risk, performance and 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 gaps or weaknesses in systems of risk management, governance and internal control, measured against the Board's assurance map, and making suggestions as to how those gaps or 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 gaps or 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 internal audit strategy, framework, charter 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 integrated governance system, as described in the NHS Scotland Blueprint for Good Governance.:

5.4 To review the system of internal 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 provide assurance to the Board that there are effective systems and processes in place to support the management and mitigation of risks related to Information Security & Governance.

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5.8 To receive assurance that the Board's processes in relation to the management of legal claims, including losses and compensation payments from the settlement of such claims, are robust and effective.

5.9 To review the completeness of and 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 (in the form of the Integration Joint Board's annual governance statement), 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 Audit Scotland or other external review bodies.

5.10 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

5.11 To review and approve the Internal Audit Strategic and Annual Plans, and the resource plan, having assessed the appropriateness to give reasonable assurance on the whole of risk control and governance.

5.12 To monitor audit progress and review governance, management and reporting arrangements to obtain assurance that the internal audit service is fulfilling its mandate, including review of audit reports.

5.13 To monitor the management action taken in response to the audit recommendations in line with the Audit Follow Up Protocol.

5.14 To consider the Chief Internal Auditor's annual report and assurance statement.

5.15 To approve the Internal Audit Strategy and Charter, including the Internal Audit Mandate, and:

- To champion and demonstrate support for Internal Audit
- To collaborate with senior management to provide the internal audit function with sufficient resources to fulfil the Mandate and achieve the plan
- To assist with setting audit priorities and approve the internal audit functions performance objectives, at least annually.

5.16 To approve the Internal Audit Reporting Protocol and Audit Follow Up Protocol.

5.17 To approve the Fife Integration Joint Board Internal Audit Output Sharing Protocol.

5.18 To review and approve arrangements for the Internal Audit external assessment.

5.19 To review the operational effectiveness of Internal Audit by considering the results of the internal audit function's quality assurance and improvement programme, 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.

5.20 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 twice per year (scheduled within the timetable of business) and, as required, without the presence of the Executive Directors or other Committee attendees.

5.21 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

5.22 To note the appointment and remuneration of the Statutory External Auditor for the NHS Fife Annual Accounts and to approve the appointment and remuneration of the External Auditors for the NHS Fife Patients' Private Funds Accounts.

5.23 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' Private Funds Accounts.

5.24 To monitor management action taken in response to all External Audit recommendations, including Best Value and Performance Audit Reports.

5.25 To hold meetings with the Statutory Auditor at least once per year and as required, without the presence of the Executive Directors.

5.26 To review the extent of co-operation between External and Internal Audit.

5.27 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

5.28 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, monitor and review 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.

5.29 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

5.30 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.

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

Annual Accounts

5.32 To review and recommend approval of the draft Fife NHS Board Annual Accounts and Patients' Private Funds Accounts to the Board. This also includes the Group Accounts, which incorporate the Audited Accounts from the Fife Health Charity (for whom NHS Fife Board members also serve as the appointed Trustees).

5.33 To review the draft Annual Report and Performance Review of Fife NHS Board within the Annual Accounts.

5.34 To review annually (and recommend Board approval of any changes in) the accounting policies of Fife NHS Board.

5.35 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

5.36 The Committee has a duty to review its own performance, effectiveness, including its running costs, and terms of reference on an annual basis.

5.37 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.

5.38 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.

5.39 The Chair 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.

5.40 The Chair or Vice Chair of the Committee should be available at Fife NHS Board meetings to answer questions about the work of the Committee.

5.41 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.

5.42 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.

5.43 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 Board's 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 Chair or Vice Chair, who also provides an assurance report on the matters

considered at the Committee and highlights 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.