

NHS Ayrshire & Arran

Meeting:	Ayrshire and Arran NHS Board
Meeting date:	Monday 23 May 2022
Title:	Audit & Risk Committee Annual Report 2021-22
Responsible Director:	Derek Lindsay, Director of Finance
Report Author:	Michael Breen, Chair of Audit & Risk Committee

1. Purpose

This is presented to the Board for:

- Awareness

This paper relates to:

- Government policy/directive

This aligns to the following NHS Scotland quality ambition:

- Safe, effective and person centred

2. Report summary

2.1 Situation

The Audit & Risk Committee provides an assurance report annually which sets out key achievements through the year in discharging its remit. The draft Audit & Risk Committee report for 2021-2022 was presented for the Committee to consider and was approved on 17 March 2022.

This report provides the Board with details of the work carried out by the Audit & Risk Committee during 2021/22 which has enabled it to discharge its remit and forms part of the Board's annual assurance process.

2.2 Background

Each NHS Board Governance Committee is required to provide an annual report to Committee and the Board to provide assurance that the Committee has discharged its role as set out in the agreed Terms of Reference.

The Governance Committee annual reports are part of the overall assurance mechanism for the NHS Board to provide assurance in support of the Board's annual governance statement that the committees have fulfilled their remit.

The internal auditor carries out a programme of reviews which are all reported to the Audit & Risk Committee. External auditors attend Audit & Risk Committee meetings

and audit the Board annual accounts. Their reports are also considered by the Audit and Risk Committee.

2.3 Assessment

The Audit and Risk Committee annual report details the membership of the Committee and provides information on its activities in the past year. The Committee has used the self-assessment checklist which is included as an integral part of the Annual Report.

The Committee reviewed its Terms of Reference on 17 March 2022 and submitted these to the Board for approval on 28 March 2022. A copy of the Terms of Reference is included in Appendix 2.

2.3.1 Quality/patient care

An internal audit report on Compliance with covid-19 risk management was considered during the year.

2.3.2 Workforce

Internal audit reports on Command Structures and IT Controls were considered at the Audit & Risk Committee.

2.3.3 Financial

Internal audit reports on Patients Property and Funds, Procurement, Property Transaction Monitoring and Financial Controls in Payroll were also considered.

2.3.4 Risk assessment/management

The Strategic Risk Register was received at various meetings throughout the year.

2.3.5 Equality and diversity, including health inequalities

An impact assessment has not been completed because it is not relevant for an annual report.

2.3.6 Other impacts

- Best value
 - Governance and accountability

2.3.7 Communication, involvement, engagement and consultation

The Audit & Risk Committee has carried out its duties to involve and engage external stakeholders where appropriate:

- Internal Auditor attends all meetings of the Audit & Risk Committee
- External Auditor attends all meetings of the Audit & Risk Committee
- Head of Counter Fraud services attends the Committee annually
- Members of the Board's management team attend the Committee to inform aspects of the Committee's business as appropriate.

2.3.8 Route to the meeting

- Audit & Risk Committee Annual Report was approved for submission to the Board by Committee members on 17 March 2022.
- Audit & Risk Committee Terms of Reference were reviewed by the Audit & Risk Committee on 17 March 2022 and approved by the NHS Board on 28 March 2022.

2.4 Recommendation

For awareness. Members are asked to receive the annual report and note the assurance from the Audit & Risk Committee that it fulfilled its remit in 2021/22.

3. List of appendices

The following appendices are included with this report:

- Appendix 1 - Audit & Risk Committee Annual Report 2021-22
- Appendix 2 - Terms of Reference for the Audit & Risk Committee

Audit and Risk Committee Annual report for 2021-2022

Committee self-assessment effectiveness checklist for 2021-2022

Role and remit	Yes/No / NA	Comments/Action
Does the committee have written terms of reference?	Yes	
Do the terms of reference cover the core functions as identified in the <i>SG Audit and Assurance Committee Handbook</i> ?	Yes	
Are the terms of reference approved by the Audit and Assurance Committee and reviewed periodically?	Yes	Annual review and approved by Board.
Has the committee been provided with sufficient membership, authority and resources to perform its role effectively and independently?	Yes	
Does the body's governance statement mention the committee's establishment and its broad purpose?	Yes	
Does the committee periodically assess its own effectiveness?	Yes	Annual review of self-assessment checklist.
Membership, induction and training	Yes/No/ NA	Comments/Action
Has the membership of the committee been formally agreed by the management board and or Accountable Officer and a quorum set?	Yes	
Are members appointed for a fixed term?	Yes	
Does at least one of the committee members have a financial background?	Yes	
Are all members, including the Chair, independent of the Executive function?	Yes	
Are new committee members provided with an appropriate induction?	Yes	
Has each member formally declared his or her business interests?	Yes	
Are members sufficiently independent of the other key committees of the Board?	Yes	Non-Executives will be on various committees of the Board, but remain independent as they have no executive responsibilities.
Has the committee considered the arrangements for assessing the	Yes	Attendance of each member is shown in annual audit report. Performance would be assessed by Chair of Board.

attendance and performance of each member?		
Meetings	Yes/No/NA	Comments/Action
Does the committee meet regularly, at least four times a year?	Yes	
Do the terms of reference set out the frequency and broad timing of meetings?	Yes	
Does the committee calendar meet the body's business and governance needs, as well as the requirements of the financial reporting calendar?	Yes	Calendar is arranged in consultation with the Head of Corporate Governance taking into account all Board Governance Committees and the timetable for the risk management process.
Are members attending meetings on a regular basis and if not, is appropriate action taken?	Yes	Attendance is recorded in the Annual report to the Board. Performance of Non-Executives is appraised annually by the Board Chair.
Does the Accountable Officer attend all meetings and, if not, is he/she provided with a record of discussions?	Yes	
Does the committee have the benefit of attendance of appropriate officials at its meetings, including representatives from internal audit, external audit and finance?	Yes	Internal Audit are in attendance at all meetings. External audit and other 'appropriate officials' attend when required.
Internal control	Yes/No/NA	Comments/Action
Does the committee consider the findings of annual reviews by internal audit and others, on the effectiveness of the arrangements for risk management, control and governance?	Yes	Risk is part of the internal audit programme each year. The Governance statement supported by Director assurance letters outline the risk management system.
Does the committee consider the findings of reviews on the effectiveness of the system of internal control?	Yes	Internal and external audit reports refer to internal controls.
Does the committee have responsibility for review of the draft governance statement and does it consider it separately from the accounts?	Yes	Paper to June Audit Committee with draft Governance Statement and letter from each Director to Accountable Officer.
Does the committee consider how accurate and meaningful the governance statement is?	Yes	As above.
Does the committee satisfy itself that the arrangements for risk management, control and governance have operated effectively throughout the reporting period?	Yes	As above.

Has the committee considered how it should coordinate with other committees that may have responsibility for risk management and corporate governance?	Yes	Each governance committee reviews the risks it owns and considers internal audit reports in their area.
Has the committee satisfied itself that the body has adopted appropriate arrangements to counter and deal with fraud?	Yes	Counter fraud update paper received at most meetings. November meeting had presentation from Counter Fraud Services.
Has the committee been made aware of the role of risk management in the preparation of the internal audit plan?	Yes	Areas for review are linked to Board's risk register.
Does the committee's terms of reference include oversight of the risk management process?	Yes	
Does the committee consider assurances provided by senior staff?	Yes	Letters of assurance from the Director for each Directorate are provided as part of the Governance Statement on an annual basis.
Does the committee receive and consider stewardship reports from senior staff in key business areas such as Finance, HR and ICT?	Yes	As above.
Financial reporting and regulatory matters	Yes/No/NA	Comments/Action
Is the committee's role in the consideration of the annual accounts clearly defined?	Yes	
Does the committee consider, as appropriate:		
• the suitability of accounting policies and treatments	Yes	
• major judgements made	Yes	
• large write-offs	Yes	
• changes in accounting treatment	Yes	
• the reasonableness of accounting estimates	Yes	
• the narrative aspects of reporting?	Yes	
Is a committee meeting scheduled to receive the external auditor's report to those charged with governance including a discussion of proposed adjustments to the accounts and other issues arising from the audit?	Yes	Annually at the June meeting.
Does the committee review management's letter of representation?	Yes	Annually at the June meeting.
Does the committee gain an understanding of management's procedures for preparing the body's annual accounts?	Yes	NHS Scotland 2020-21 end-year process letter to Directors of Finance provided to Audit & Risk Committee.

Does the committee have a mechanism to keep it aware of topical legal and regulatory issues?	Yes	Audit Scotland updates.
Internal audit	Yes/No/NA	Comments/Action
Does the Head of Internal Audit attend meetings of the committee?	Yes	
Does the committee consider, annually and in detail, the internal audit plan including consideration of whether the scope of internal audit work addresses the body's significant risks?	Yes	Audit Committee held a workshop with internal auditors to discuss in detail prior to formal Audit & Risk Committee meeting.
Does internal audit have a direct reporting line, if required, to the committee?	Yes	Chief Internal Auditor meets with the Audit Committee before each meeting, without the presence of management.
As well as an annual report from the Head of Internal Audit, does the committee receive progress reports from internal audit?	Yes	Each meeting.
Are outputs from follow-up audits by internal audit monitored by the committee and does the committee consider the adequacy of implementation of recommendations?	Yes	Twice yearly follow-up reports by internal auditors are received by the Audit Committee. A list of overdue actions is presented to the Corporate Management Team on a quarterly basis.
If considered necessary, is the committee chair able to hold private discussions with the Head of Internal Audit?	Yes	A pre-meeting between Committee members and Auditors takes place prior to each Committee meeting.
Is there appropriate co-operation between the internal and external auditors?	Yes	
Does the committee review the adequacy of internal audit staffing and other resources?	Yes	Re-tender internal audit contract every four years.
Are internal audit performance measures monitored by the committee?	Yes	Report turnaround times.
Has the committee considered the information it wishes to receive from internal audit?	Yes	
Has the committee considered formal terms of reference defining internal audit's objectives, responsibilities, authority and reporting lines?	Yes	Internal Audit Charter received by Committee on an annual basis.
External audit	Yes/No/NA	Comments/Action
Does the external audit representative attend meetings of the committee?	Yes	
Do the external auditors present and discuss their audit plans and strategy	Yes	Report to March Audit Committee due to cancellation of January meeting.

with the committee (recognising the statutory duties of external audit)?		
Does the committee chair hold periodic private discussions with the external auditor?	Yes	Before each Audit Committee meeting.
Does the committee review the external auditor's annual report to those charged with governance?	Yes	At June meeting.
Does the committee ensure that officials are monitoring action taken to implement external audit recommendations?	Yes	Followed up each year by external audit.
Are reports on the work of external audit presented to the Audit and Assurance Committee?	Yes	Report to those charged with Governance received each June.
Does the committee assess the performance of external audit?	Yes	
Does the committee consider the external audit fee?	Yes	Within the external audit plan.
Administration	Yes/No/NA	Comments/Action
Does the committee have a designated secretariat?	Yes	
Are agenda papers circulated in advance of meetings to allow adequate preparation by committee members and attendees?	Yes	At least a week before the meeting.
Do reports to the committee communicate relevant information at the right frequency, time, and in a format that is effective.	Yes	
Does the committee issue guidelines and/or a pro forma concerning the format and content of the papers to be presented?	Yes	Internal and external audit reports do not require front cover. Other papers in Board Committee format.
Are minutes prepared and circulated promptly to the appropriate people, including all members of the Board?	Yes	Key issues reported to Board following committee, prior to approved minutes going to Board.
Is a report on matters arising presented or does the Chair raise them at the committee's next meeting?	Yes	A formal 'matters arising' report is received at each meeting.
Do action points indicate who is to perform what and by when?	Yes	As above
Does the committee provide an effective annual report on its own activities?	Yes	Annual report considered by Committee and presented to Board as part of the annual assurance process.
Overall	Yes/No/NA	Comments/Action

Does the committee effectively contribute to the overall control environment of the organisation?	Yes	
Are there any areas where the committee could improve upon its current level of effectiveness?	Yes	Always looking to improve. Consideration of procurement assurance a recent example
Does the committee seek feedback on its performance from the Board and Accountable Officer?	Yes	
Key issues identified by Audit Scotland for consideration by audit and risk committees during the Covid-19 pandemic (report issued July 2020)	Yes/No/NA	Comments/Action
Internal controls and assurance including:	Yes	
<ul style="list-style-type: none"> changes to internal reporting arrangements 		
<ul style="list-style-type: none"> policy and legislative changes 		
<ul style="list-style-type: none"> fraud and error risks 		
Financial management and reporting including:	Yes	These areas are considered by the Performance Governance Committee.
<ul style="list-style-type: none"> Financial and performance information received in a timely manner 		
<ul style="list-style-type: none"> Processes put in place to assess new demands, new expenditure streams, savings from activity foregone and lost income 		
<ul style="list-style-type: none"> What information has been used in determining the value of assets and liabilities 		
<ul style="list-style-type: none"> What commitments and guarantees have been made to third parties and how are these being monitored 		
<ul style="list-style-type: none"> What impact has Covid had on savings plans 		
<ul style="list-style-type: none"> What impact has Covid had on transformational activity 		
<ul style="list-style-type: none"> Is there capacity in finance team to deal with competing pressures 		
Governance including:	Yes	Included within the scope of Internal Audit 'Covid-19 temporary governance arrangements' as received in 2020
<ul style="list-style-type: none"> What impact has Covid had on governance arrangements 		Meetings now held virtually
<ul style="list-style-type: none"> Are governance arrangements being reviewed regularly 		Head of Corporate Governance consults with Board Chair and Chief Executive.

<ul style="list-style-type: none"> • Are non-execs providing appropriate levels of support, scrutiny and challenge to the organisation 		
<ul style="list-style-type: none"> • What barriers have affected the ability to continue to provide services during the pandemic 		
<ul style="list-style-type: none"> • What impact has Covid had on the organisation achieving its stated objectives 		Considered by Performance Governance Committee
<ul style="list-style-type: none"> • What impact has Covid had on collaborative working 		
Risk Management including:	Yes	
<ul style="list-style-type: none"> • Has the risk register been updated to reflect Covid risks 		
<ul style="list-style-type: none"> • Requirement for risk appetite framework to be reviewed? 		
<ul style="list-style-type: none"> • Impact on financial risks already facing the Board and effect on financial plans 		
<ul style="list-style-type: none"> • Impact on scenario planning for EU withdrawal and increasing budget uncertainty 		

Annual Report for Audit and Risk Committee 2021-2022

1. Summary

1.1 In line with the Board's Code of Corporate Governance, the functions and main topics covered by the Audit and Risk Committee during the year are as follows:

- Responsibility for overall audit arrangements
- Recommending approval to the Board of all audit plans
- Keeping under review the role, function and performance of the Board's Internal Audit service
- Keeping under review the Board's External Audit arrangements
- Overseeing the Board's Internal Control Systems including Counter Fraud measures
- Gaining assurance that all strategic risks and change in strategic risks is being appropriately responded to by management.

1.2 Key Messages

- The Internal Auditor confirmed in their annual report to the Committee in June 2021, that reasonable assurance with some improvement could be given on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.
- Within the individual internal audit reports received during 2021/22 one high, six moderate and 13 minor weaknesses were identified.
- The annual accounts for 2020-21 received a clean audit report and were approved at the June 2021 Board meeting which also received the external auditor's annual report to those charged with governance.

2. Remit

2.1 The Committee reviewed its Terms of Reference on 17 March 2022. These were submitted to the Board for approval on 28 March 2022.

3. Membership

3.1 Members of the Audit and Risk Committee during 2021-22 were:-

- Mr Michael Breen – Non-Executive Director (Chair)
- Dr Sukhomoy Das – Non-Executive Director
- Mrs Jean Ford – Non-Executive Director
- Ms Mhairi Kennedy – Non-Executive Director (until 31 October 2021)
- Mr Robert Martin – Non-Executive Director (Vice-Chair)
- Mr Marc Mazzucco – Non-Executive Director (From 1 November 2021)
- Councillor Douglas Reid – Non-Executive Director

Ex Officio members

- Mrs Lesley Bowie, Chair
- Prof. Hazel Borland, Interim Chief Executive (Between 1 July 2021 and 12 January 2022)
- Ms Claire Burden, Chief Executive (From 12 January 2022)
- Mr John Burns, Chief Executive (Until 30 June 2021)
- Mr Derek Lindsay, Director of Finance

4. Meeting

- 4.1 The Committee met on four occasions between 1 April 2021 and 31 March 2022. All meetings took place virtually via Microsoft Teams. Due to an upsurge in covid cases and unscheduled care demand across the organisation, the meeting scheduled for 19th January 2022 was cancelled.
- 4.2 The NHS Board has previously agreed that attendance at Committee meetings should be recorded in the relevant Annual Report. The attendance record of each member is shown below (Y indicates attended).

	13 May	11 Jun	18 Nov	19 Jan	17 Mar
Michael Breen	Y	Y	Y		Y
Sukomoy Das	Y	Y	Y		Y
Jean Ford	-	Y	Y		-
Mhairi Kennedy	Y	Y			
Bob Martin	Y	Y	Y		Y
Marc Mazzucco			Y		Y
Douglas Reid	Y	-	-		

5. Committee Activities

The Committee is charged with providing assurance to the NHS Board on corporate governance and financial probity. In order to do so it considers the following areas and receives reports, listed in section 5.10, as appropriate to support this work.

5.1 Internal Audit

Members of the Committee meet with the Auditors prior to each meeting, without management present, to discuss the audit programme and a status report on the internal audit programme is submitted to the Committee at each meeting. The Board's internal auditor during 2021-22 was Grant Thornton.

Throughout the year Grant Thornton verified actions taken by management to put in place measures to address recommendations made in audit reviews. Progress with this work was reported in a follow-up report submitted to the Audit and Risk Committee meeting in May and November 2021 and in March 2022. The Audit and Risk Committee accepted that the implementation of some audit recommendations had been delayed due to the pandemic and demand for unscheduled care. Reports on outstanding audit actions are submitted to the Corporate Management team on a quarterly basis to ensure timely completion of audit recommendations.

An Annual Assurance report based on the internal audit work done during 2020-21 was presented to the Audit and Risk Committee by the internal auditors, Grant Thornton on the 11 June 2021. The audit opinion was of reasonable assurance with some improvement required given on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

During the financial year the Audit and Risk Committee considered in detail, the following reports from Grant Thornton:

2020/21 audit programme:

- Clinical Governance (Mental Health)
- HR, Grievance and Disciplinary
- IJB Delayed Discharges
- Waiting Times
- Follow-up of previous audit recommendations

2021/22 audit programme:

- Covid-19 Risk Management
- Patients Property and Funds
- Procurement
- Property Transaction Monitoring
- Command Structures
- IT Control
- Financial Controls - Payroll
- Follow-up of previous audit recommendations

The scope of internal audit reviews is wider than purely finance and reflects the control environment for the organisation as a whole. The following reports were submitted to the Audit and Risk Committee for information, but were considered in detail by a different lead Governance Committee:

Clinical Governance (Mental Health)	Healthcare
HR, Grievance and Disciplinary	Staff
IJB Delayed Discharges	Performance
Waiting Times	Performance
IT Controls	Information

Due to the cancellation of the January 2022 meeting, the internal audit plan for 2022-23 was presented to the Integrated Governance Committee and Corporate Management Team before being considered at an Audit and Risk Committee workshop which took place on 25 February. At this workshop the plan was discussed and agreed before the final plan was presented to the Audit and Risk Committee at its meeting on 17 March 2021 for endorsement to be submitted to the Board meeting on 28 March 2022.

5.2 System Audits

At its meeting on 13 May 2021, the Audit and Risk Committee received a report on the provision of the National Finance System hosted by NHS Ayrshire and Arran on behalf of all other Scottish Health Boards. A range of controls are examined by BDO LLP and tested to allow external auditors of other Boards to place reliance on

the controls in place. This was approved by the Committee for circulation to the other boards as part of their annual accounts governance assurance.

At the June 2021 meeting the annual assurance reports on Practitioner Services and IT services delivered to all Boards by National Services Scotland were considered. The report on Practitioner Services operated by National Services Scotland received a qualified audit opinion however the report on IT Services was unqualified. The committee noted concern regarding the absence of controls however acknowledged a statement to be included in the governance report within the accounts.

5.3 External Audit

The Board's external auditor for the 2020-21 annual accounts was Deloitte LLP.

Deloitte LLP presented the Annual Audit report 2020-21 at the 11 June 2021 Audit and Risk Committee and this report was subsequently received at the 22 June Board meeting.

Deloitte LLP continues to be the auditor for NHS Ayrshire and Arran, through to the 2021/22 annual accounts, due to an announcement by the Auditor General for Scotland and the Accounts Commission for Scotland that audit appointments would be extended for one year, due to the pandemic.

5.4 Annual Accounts governance assurance

Assurance on internal controls was received from the Chief Executive, including copies of supporting letters from all Directors to the Chief Executive. The Committee also reviewed the Governance Statement and approved it for signature by the Chief Executive. Having received these assurances, the Committee submitted an Annual Assurance Statement to the Board meeting on 22 June 2021.

The Audit and Risk Committee received and considered the Annual Accounts for 2020-21 before they were submitted to the June 2021 NHS Board Meeting. The external auditor gave the Audit and Risk Committee assurance that an unmodified audit opinion would be provided on the board accounts and governance statement in line with recommended practice.

5.5 Audit Scotland national reports

The Audit and Risk Committee receives all national audit reports on health issues as well as the health related section of Audit Scotland's quarterly Technical Bulletin. At the November 2021 meeting a range of Audit Scotland reports were received including the 2021 Code of Audit Practice and various reports on the impact of Covid-19 and the associated vaccination programme.

5.6 Risk Management and Counter Fraud

During the year the Audit and Risk Committee considered the governance of risk, looking at all strategic risks at its meetings in November 2021 and March 2022. The Assistant Director of Occupational Health, Safety and Risk Management attended the meeting to provide an update on the strategic risk register and

provide assurance that objectives are reported on a quarterly basis in order to keep the relevant governance committee apprised of progress against the risks.

The Head of NHS Counter Fraud Services (CFS) gave a presentation to the Committee on 18 November 2021 in which he gave an overview of the CFS workplan and end of year report for 2020-21. The presentation was centred around the new Counter Fraud Standards. By meeting these standards the organisation provides assurance that fraud is regarded seriously and is being managed appropriately.

The Committee receives a Counter Fraud and fraud liaison report containing an update on counter fraud activity at most meetings. The report includes an overview of referrals to, and investigations by, Counter Fraud Services (CFS) as well as the quarterly report from CFS.

The annual Patient Exemption checking – analysis of fraud/error carried out by National Services Scotland, was received in May 2021. This provided figures for the whole of Scotland and the extract for Ayrshire & Arran specifically.

5.7 Governance

Throughout the Covid-19 pandemic the Audit and Risk Committee continued to support the governance and assurance process to enable the annual accounts to be presented to the Board as usual in June.

The Committee reviewed both the committee annual report to the board and the Committee Terms of Reference at the meeting on 17 March 2022 and these were approved for submission to the Board on 28th March 2022.

The Chair and Committee members reviewed the self-assessment checklist at the meeting on 17 March 2022, this was approved for submission to the Board as part of the annual report.

5.8 Health and Social Care Integration

Throughout the year, NHS Ayrshire and Arran's internal audit plans and reports were shared with the Integrated Joint Boards. The audit plans and governance reports for all three Integration Joint Boards were presented to the November 2021 meeting by their respective chief internal auditors.

5.9 Procurement

The Audit and Risk Committee receives a report at each meeting of all items procured where no tender/quotation was invited or where the lowest price was not accepted. While these are approved by the Director of Finance and Assistant Director of Finance, the reasons for these exceptions are scrutinised by the Committee.

5.10 Reports received by the Committee during 2021/22

Meeting date	Reports received
13 May 2021	<ul style="list-style-type: none"> • Internal Audit <ul style="list-style-type: none"> ○ Status Report on the Internal Audit Programme ○ Follow Up of Previous Recommendations ○ Reviews of: <ul style="list-style-type: none"> ▪ Clinical Governance (Mental Health) ▪ HR Grievance and Disciplinary Arrangements • National Finance System Assurance Report – ISAE3402 • Audit Scotland Technical Bulletin 2021/1 • Governance and Risk <ul style="list-style-type: none"> ○ Strategic Risk Register ○ Covid-19 Risks ○ NSS Service Audit Update ○ Code of Corporate Governance ○ NHS Ayrshire & Arran Registers of gifts, hospitality and interests ○ Tender exception report • Fraud <ul style="list-style-type: none"> ○ Counter Fraud and Fraud Liaison Update ○ Patient Exemption Checking • Annual Report for the Audit and Risk Committee
11 June 2021	<ul style="list-style-type: none"> • Internal Audit <ul style="list-style-type: none"> ○ Internal Audit Annual Report 2020/21 ○ Reviews of: <ul style="list-style-type: none"> ▪ Covid-19 Risk Management ▪ IJB Delayed Discharges ▪ Waiting Times ○ Internal Audit Plan 2021-22 • Service Audits <ul style="list-style-type: none"> ○ National IT Services ○ NSS Practitioner Services • Payment Verification Annual Report • Annual Accounts Assurance <ul style="list-style-type: none"> ○ Governance Statement and letters from Directors ○ Annual Accounts and supporting documentation • Letter of Representation • External Auditor’s annual report • Statement of significant issues and draft response • Annual audit assurance statement to the Ayrshire and Arran Board

18 November 2021	<ul style="list-style-type: none"> • Internal Audit <ul style="list-style-type: none"> ○ Internal Audit Progress Update Report ○ Internal Audit Follow Up Report ○ Reviews of: <ul style="list-style-type: none"> ▪ Patient Property and Funds ▪ Procurement ▪ Property Transaction Monitoring • Governance and Risk <ul style="list-style-type: none"> ○ Strategic risk register ○ IJB Internal Audit Report & Plan – East Ayrshire ○ IJB Internal Audit Report & Plan – North Ayrshire ○ IJB Internal Audit Report & Plan – South Ayrshire • External Audit/Audit Scotland reports: <ul style="list-style-type: none"> ○ Code of Audit Practice ○ PPE Briefing ○ Fraud & Irregularity Report ○ Covid-19 Vaccination programme ○ Tracking the impact of Covid-19 on Scotland's public finances ○ Technical Bulletin 2021/22 • Tender Waiver / Tender Exception Report
19 January 2022	MEETING CANCELLED
17 March 2022	<ul style="list-style-type: none"> • Internal Audit: <ul style="list-style-type: none"> ○ Internal Audit Progress Update Report ○ Internal Audit Plan 2022-23 ○ Reviews of: <ul style="list-style-type: none"> ▪ Command Structures ▪ IT Controls ▪ Financial Controls - Payroll • Governance and Risk <ul style="list-style-type: none"> ○ Committee Self-assessment checklist and annual report ○ Audit committee Workplan 2022/23 ○ Review of committee Terms of Reference ○ Strategic Risk Register • External Audit/Audit Scotland Reports: <ul style="list-style-type: none"> ○ Planning report to the Audit Committee on the 2021/22 audit ○ Social Care Briefing ○ NHS in Scotland 2021 ○ Addressing Climate Change in Scotland ○ Drug and Alcohol Services: An update • Counter Fraud Update Report • Tender Waiver/Tender Exception Report

6. Priorities for 2022/23

- 6.1 A key priority for the Committee through 2022-23 will be to support organisational governance requirements as NHS Ayrshire & Arran works through the re-mobilisation and recovery of services following the pandemic.
- 6.2 The internal audit plan for 2022-23 sets out areas for internal audit review throughout the year however the scope of each review will be assessed during the year to ensure that audit work is focused on the most relevant areas of risk whilst being practical in terms of the ability of management and staff to support the reviews.

7. Chair's Comments

- 7.1 The Audit and Risk Committee continues to develop in the contribution that the Committee makes in ensuring the continued provision and improvement in Internal Control arrangements within the Board and, in accordance with its Terms of Reference, will seek to maintain that progress.
- 7.2 During the year the Committee has recognised the conflicting priorities for the Board and has striven to be flexible in its approach whilst ensuring that the governance process was maintained. Although three internal audit reports planned for 2021/22 were deferred to 2022/23 due to covid related service pressures, the internal auditors are satisfied that sufficient audit work has been completed to provide the annual assurance statement for 2021/22.
- 7.3 The Chair concludes that the Audit and Risk Committee has fulfilled its remit and considers that there are adequate and effective internal financial control arrangements in place to assure the Board of its corporate governance duties.

Michael Breen
Chair – Audit and Risk Committee
17 March 2022

Approved by Audit and Risk Committee
17 March 2022

Audit and Risk Committee Terms of Reference

1. Introduction

- 1.1 The Audit and Risk Committee is established as a Committee of the NHS Board as described in the Board's Standing Orders. The approved-Terms of Reference and information on the composition and frequency of the Committee have been informed by the Board's Standing Orders with specific reference to Section 9 Committees.
- 1.2 The Terms of Reference will be reviewed annually and submitted to the NHS Board for approval.

2. Remit

- 2.1 To provide assurance to NHS Board on corporate governance and financial probity.

3. Duties

- 3.1 Committee will review the overall Internal Control arrangements of the Board and make recommendations to the Board regarding signing of the Governance Statement, having received assurance from the Clinical Governance, Staff Governance, Information Governance and other relevant Committees. Specifically it will:
 - 3.2 Receive a regular review of the operational effectiveness of the internal audit function.
 - 3.3 Monitor the internal and external audit programme, receiving reports, overseeing and reviewing action taken by the Chief Executive on audit recommendations and reporting to the Board.
 - 3.4 Receive reports from the Chief Executive and/or Executive Director of Finance in relation to formal audit reports and proactive as well as reactive counter fraud work.
 - 3.5 Receive regular external audit reports, in particular any annual report or management letters relating to certification of the Board's statutory annual accounts.
 - 3.6 Hold meetings with the external and internal auditors, if necessary, to discuss their annual report, the scope of their audit examination and any matters which the External Auditor wishes to discuss, without Executive Board Directors present.

- 3.7 Receive assurance from other governance committees on actions by management to remedy weaknesses or other criticisms of the Board's systems made by the internal or external Audit.
- 3.8 Review risk management arrangements, receive corporate risks related to the Audit and Risk Committee at least twice a year and receive the Risk Management Annual Report.
- 3.9 Oversee the financial reporting process to ensure balance, transparency and integrity of published financial information.
- 3.10 Receive annual reports and quarterly updates from the sub-committees established by the NHS Audit and Risk Committee in order to provide assurance and accountability.
- 3.11 Review any proposed changes to the Standing Orders, Scheme of Delegation and Standing Financial Instructions.

4. Authority

- 4.1 Committee is authorised to investigate any matters which fall within its Terms of Reference and obtain external professional advice.
- 4.2 The Committee may establish Sub-committees to support its functions.
- 4.3 Committee is authorised to seek and obtain any information it requires from any employee whilst taking account of policy and legal rights and responsibilities.
- 4.4 The Audit and Risk Committee will have the authority to require the attendance of any employee of NHS Ayrshire and Arran as may be required.

5. Committee Membership

- 5.1 The Committee shall be established by the full NHS Board and be composed of six Non-Executive Board Members.
- 5.2 The NHS Board shall appoint the Chair and approve membership of the Committee.
- 5.3 A Vice Chair will be proposed by the Audit and Risk Committee Chair and agreed by the Committee.
- 5.4 Committee membership will be reviewed at least annually or as required, by the Board Chair.
- 5.5 All Audit and Risk Committee members will be Non-Executive Board members and none will be a Health Board employee.

6. Quorum

- 6.1 Three Non-Executive members will constitute a quorum.

7. Attendance

- 7.1 The Executive Director of Finance and Chief Executive will attend meetings in an *ex-officio* capacity to provide information and advice.
- 7.2 The Committee can require the attendance of any officer of the Board.
- 7.3 The internal auditor should normally attend meetings and the external auditor will attend at least two meetings per annum.
- 7.4 Committee may co-opt additional advisors as required.

8. Frequency of Meetings

- 8.1 The Audit and Risk Committee will normally meet bi-monthly but will meet at least four times per annum.
- 8.2 The Chair may at any time convene additional meetings of the Committee.

9. Conduct of business

- 9.1 Meetings of the Committee will be called by the Committee Chair.
- 9.2 The agenda and supporting papers will be sent to members at least five working days before the date of the meeting.

10. Reporting arrangements

- 10.1 A minute will be kept of the proceedings of the Committee. A draft minute of the meeting will be circulated, normally within ten working days, to the Chair of the Committee. Once the Chair has approved, the draft minute will be shared with committee members for information, not for comment, prior to consideration at a subsequent meeting of the Committee.
- 10.2 The Chair of Committee shall provide assurance on the work of the Committee. A summary of key points from each meeting and the approved minute will be submitted to the NHS Board meeting for information.
- 10.3 Committee will conduct an annual review of its role and function by completing a self-assessment checklist as part of the Annual report. Committee will provide the Board with an Annual Report and Statement of Assurance to allow the approval of the Statutory Annual Accounts.
- 10.4 Items requiring urgent attention by the Audit and Risk Committee can be raised at any time at Audit and Risk Committee, subject to the approval of the Chair.

Version:	Date:	Summary of Changes:	Approved by
01.0	May 2019	No changes – approved as part of Annual report	Audit Ctee
01.1	Jan 2020	Change of Committee name	
01.2	Mar 2020	3.3 - All Committee members to be Non-Executive Board members, none will be Health Board Employee 8.3 – ‘Monitor’, not agree the internal and external audit programme 9.4 – Chair of Committee to provide assurance on work of Committee to each Board meeting and approved minutes to be submitted to Board. 8.7 - Receipt of assurance from other governance committees relating to audit recommendations.	Agreed by Audit Cttee
02.0	17/08/20	Approved by NHS Board	17/08/2020
02.1	20/01/21	Review by Audit Committee on 20 January 2021 – no revisions noted.	
03.0	10/03/21	Amendments to deliver a standard approach to Governance Committee ToR. <ul style="list-style-type: none"> • Sections reordered to bring committee business together, ie. Remit/Duties/Authority • Duplication removed if referred to in Board Standing Orders • Introduction amended to note that ToR are informed by the Board standing orders and the requirement for an annual review. • Reporting arrangements amended to 10 days for draft minute to be available and ensuring approved draft shared with members. Inclusion of requirement for annual self-assessment checklist in addition to the Annual Report. • No change to Remit or Duties 	NHS Board 29/03/2021
03.1	17/03/22	Annual review of Terms of Reference – no changes made	NHS Board 29/03/2022