



THE STATE HOSPITALS BOARD FOR SCOTLAND
AUDIT AND RISK COMMITTEE ANNUAL REPORT

1 April 2024 – 31 March 2025

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1 INTRODUCTION

The Audit and Risk Committee is a standing committee of the Board and shall be accountable to the Board. Its purpose is to provide the Board with assurance in respect of risk, governance and internal control including financial control.

The main objectives of the Committee are to provide the Board with the assurance that the State Hospital acts within the law, regulations and code of conduct applicable to it, and that an effective system of internal control is maintained.

The Committee periodically assesses its own effectiveness to ensure that the Committee fulfils its remit, this may involve assessing the attendance and performance of each member.

New members receive a suitable induction and declares his/ her business interests.

The duties of the Audit Committee are in accordance with the Audit Committee Handbook, July 2008. <http://www.scotland.gov.uk/Publications/2008/08/08140346/>

2 COMMITTEE CHAIR, COMMITTEE MEMBERS AND ATTENDEES

Committee Chair:

- David McConnell (Chair of Committee, Non-Executive Director).

Committee Members:

- Allan Connor (Employee Director).
- Stuart Currie (Non-Executive Director).
- Pam Radage (Non-Executive Director).

In attendance:

- Gary Jenkins (Chief Executive).
- Robin McNaught (Director of Finance and eHealth).
- Monica Merson (Head of Planning and Performance) .
- Brian Moore (Board Chair).
- Margaret Smith (Head of Corporate Governance/Board Secretary).

Where required by the Chair or by other members of the Committee, appropriate members of staff were invited to be in attendance for the purposes of verbal updates, information sharing and presentations.

3 MEETINGS 1 APRIL 2024 – 31 MARCH 2025

During 2024/25 the Audit and Risk Committee met on four occasions, in line with its terms of reference (Appendix).

Meetings were held on:

- 20 June 2024
- 26 September 2024
- 30 January 2025
- 27 March 2025

Attendance of Committee members is shown below.

Committee Member	Number of Meetings Present
David McConnell	4
Allan Connor	4
Stuart Currie	4
Pam Radage	4

4 SUMMARY OF REPORTING

The Committee received and considered reports as undernoted and made recommendations and/or monitored areas as required.

4.1 Internal Audit Reports

- Complaints.
- New Clinical Model.
- Consultant Discretionary Points.
- Statutory and Mandatory Training.
- Physical Health – Supporting Healthy Choices.
- Roster Compliance.

4.2 Workplan Reporting

- Risk Strategy.
- Adverse Events Action Tracker.
- Attendance Management – Risk Report.
- Cyber Security Report.
- Committee Workplan 2025.
- Financial Report.

4.3 Annual Reports

Annual Reports from Governance Committees:

- Audit and Risk Committee.
- Remuneration Committee.
- Clinical Governance.
- Staff Governance.

Annual Accounts:

- Statutory Annual Accounts.
- Patient Funds Accounts.

Annual Reports:

- External Audit Annual Report to the Board and the Auditor General for Scotland.
- Annual Audit Committee Assurance Statement to the Board.
- Internal Audit Annual Report 2023/24.
- Audit Scotland Reporting, including NHS in Scotland 2024.
- National Single Instance (NSI) and NSS Audits.
- Review of draft Governance Statement.
- Review of Scheme of Delegation and Standing Financial Instructions.
- Review of Board Standing Orders and Code of Conduct.
- Review of Accounting Policies.
- Review of Committee Terms of Reference.
- Review of Effectiveness of Committee.
- Risk and Resilience Annual Report.
- Climate Emergency and Sustainability Annual Report 2023/24.
- Procurement Annual Report 2023/24.
- Legal Claims Annual Report 2023/24.
- Anchors Strategy Annual Update.
- Summary of Losses and Special Payments.
- Report on Waivers of SFI Tendering Requirements.

4.4 Progress Updates

The Committee also received regular updates on the following:

- Completion of audit actions.
- Policy review completions.
- Risk register reviews.
- Counter fraud activity and outcomes of fraud reviews.
- Adverse events.
- Cyber security matters.
- NIS audit review.
- Scottish Public Finance Manual update.

4.5 Standing Items Considered by the Committee during the Year

- Internal Audit Tracking Report.
- External Audit Update.
- Financial Performance Update.
- Policy Update.
- Corporate Risk Register.
- Fraud Update and Action Plan.

4.6 Notes of updates from other meetings

The Committee received and noted minutes/reports from the following:

- Security, Resilience, Health and Safety Oversight Group Update.
- Finance, eHealth and Audit Group Update.
- Climate Change and Sustainability Group Update.

5 ACTIVITIES / RISK MANAGEMENT

5.1 Corporate Risk Register

An update on the latest progress of the Corporate Risk Register went to each Audit and Risk Committee in the 2024/25 period. The paper details any changes to current grade of the approved risks, updates on any current high and very high risks, any new risks for consideration and updates on the general development of the risk register. The latest paper in March 2025 showed that all approved risks were within their review period. The latest updates of the 3 'High Graded' risks were given: MD30 – Failure to prevent/mitigate obesity, ND70 – Failure to utilise our resources to optimise excellent patient care and FD90 – Failure to implement a sustainable long-term model. Updates included the latest progress on the control measures in place to reduce the risk to an acceptable level. The paper provides assurance to the Audit and Risk Committee with regards to any increased areas of concern within the Corporate Risk Register as well as ensuring risks are regularly updated and reviewed.

5.2 Category 1 and 2 Action Tracker

After the conclusion of a Category 1 or 2 Adverse Event Review recommendations are made to reduce the chances of the adverse event recurring. The tracker provides assurance to the Audit and Risk Committee that all actions have been appropriately considered and either actioned or reasons given for being unable to implement an agreed recommendation. The report also provides an update on any ongoing reviews and new reviews that have been commissioned by the Corporate Management Team. The latest report detailed 3 outstanding recommendations that are due for action alongside 5 new recommendations that were added in December 2024. The report was provided to each meeting of the Audit and Risk Committee in 2024/25 allowing the group to have sight of current progress of the recommendations made.

6 Areas of Best Practice

Improvement:

- Regular reporting now from Finance, eHealth and Audit Group, and Security, Resilience, Health and Safety Oversight Group.
- Regular reporting on TSH financial position.

Concern:

The members reviewed Committee effectiveness through formal assessment in September 2024, reporting to the Audit & Risk Committee that month – there were no matters of significant concern noted. It was noted that there was a potential lack of full independence of Committee members from other Governance Committees and Board, but that was acknowledged as an inevitable consequence of the size of the Board.

7 CONCLUSION

From the review of performance of the Audit & Risk Committee, it can be confirmed that the Committee has met in line with the Terms of Reference and has fulfilled its remit. Based on assurances received and information presented to the Committee, adequate and effective Audit & Risk Governance arrangements were in place throughout the year.

I offer my thanks for the continuing support and encouragement of Committee members and also to those members of staff who have worked on the Committee's behalf during 2024/25.

David McConnell

AUDIT AND RISK COMMITTEE CHAIR

On behalf of the State Hospitals Board for Scotland Audit and Risk Governance Committee

APPENDIX – TERMS OF REFERENCE



THE STATE HOSPITALS BOARD FOR SCOTLAND

AUDIT AND RISK COMMITTEE

TERMS OF REFERENCE

1 PURPOSE

The Audit and Risk Committee is a standing committee of the Board and shall be accountable to the Board. Its purpose is to provide the Board with assurance in respect of risk, governance and internal control including financial control.

2 COMPOSITION

2.1 Membership

The Committee is appointed by the Board and shall be composed of at least three Non-executive Board members.

Membership will be reviewed annually and disclosed in the Annual Report.

2.1 Appointment of Chairperson

The Chair of the Committee will be a Non-Executive Director, appointed by the Board.

2.2 Attendance

Executive Directors of the Board are not eligible for membership of the Committee. The Accountable Officer (Chief Executive), Director of Finance and eHealth, Chief Internal Auditor, a representative from External Audit and any other appropriate officials shall normally attend meetings and receive all relevant papers. Other Directors may also be invited by the Chair of the Committee to attend meetings as required.

All Board Members will have the right to attend meetings and have access to all papers, except where the Committee resolves otherwise.

Committee members must regularly attend the Committee. This will be monitored, and attendance will be reported to the Board annually.

3 MEETINGS

3.1 Frequency

The Audit and Risk Committee will meet at least four times a year to fulfil its remit and shall report to the Board at least twice in each financial year.

The Chair of the Committee may convene additional meetings as necessary.

The Accountable Officer should attend all meetings but if he/she does not, be provided with a record of the discussions.

The Accountable Officer of the Board may ask the Chair of the Committee to convene further meetings to discuss particular issues on which they want the Committee's advice.

3.2 Agenda and Papers

The agenda and supporting papers will be sent out at least three clear working days in advance of the meetings to allow time for members' due consideration of issues. All papers will clearly state the agenda reference, the author and the purpose of the paper, together with the action to be taken.

3.3 Quorum

Two members of the Committee will constitute a quorum.

3.4 Minutes

Formal minutes will be kept of the proceedings and submitted for approval at the next Audit Committee meeting. In line with Board Standing Orders, the Committee should approve the minutes prior to submission of these to the Board.

4 OTHER

In order to fulfil its remit, the Committee may obtain whatever professional advice it requires and invite, if necessary, external experts and relevant members of hospital staff to attend meetings.

If necessary, meetings of the Committee shall be convened and attended exclusively by members of the Committee and / or the External Auditor or Internal Auditor. It is expected that this should occur at least once in each financial year.

The Chief Internal Auditor and the representative(s) of External Audit will have free and confidential access to the Chair of the Committee.

The Chair of the Audit Committee should be available at the Board's Annual Accounts Approval Meeting to answer questions about its work.

5 REMIT

5.1 Objectives

The main objectives of the Committee are to provide the Board with the assurance that the State Hospital acts within the law, regulations and code of conduct applicable to it, and that an effective system of internal control is maintained.

The Committee periodically assesses its own effectiveness to ensure that the Committee fulfils its remit, this may involve assessing the attendance and performance of each member. New members receive a suitable induction and declare his/ her business interests.

The duties of the Audit Committee are in accordance with the Audit Committee Handbook, July 2008. <http://www.scotland.gov.uk/Publications/2008/08/08140346/>

5.2 Internal Control and Corporate Governance

- To evaluate the framework of internal control and corporate governance comprising the following components:
 - Control environment; Risk management strategy, procedures and risk register.
 - The effectiveness of the internal control and risk managements systems.
 - Decision-making processes.
 - Receive and consider stewardships reports in key business areas.
 - Information.
 - Monitoring and corrective action.
- To review the system of internal financial control which includes:
 - The safeguarding of assets against unauthorised use and disposition.
 - Maintenance of proper accounting records.
 - the reliability of financial information used within the organisation or for publication.
- To have a mechanism to keep it aware of topical legal and regulatory issues and ensure the Board's activities are within the law and regulations governing the NHS.
- To monitor performance and best value by reviewing the economy, efficiency and effectiveness of operations.
- To present an annual assurance statement on the above to the Board to support the Directors' Governance Statement on Internal Control.
- To take account of the implications of publications detailing best audit practice.
- To take account of recommendations contained in the relevant reports of the Auditor General and the Scottish Parliament.
- To review audit reports and management action plans in relation to physical security of the Hospital.

- To provide assurance to the Board that plans are in place to ensure service continuity and to provide contingencies for emergency situations.
- To provide assurance to the Board that plans and mechanisms are in place to ensure that Fraud is properly monitored and reported.

5.3 Internal Audit

- To review and approve the Internal Audit Annual Plan.
- To review the adequacy of internal audit staffing and other resources.
- To monitor audit progress and review audit reports.
- To monitor the management action taken in response to the audit recommendations through an agreed follow-up mechanism.
- To consider the Chief Internal Auditor's annual report and assurance statement.
- To review the operational effectiveness of Internal Audit by considering the audit standards, resources, staffing, technical competency and performance measures.
- To review the terms of reference and appointment of the Internal Auditors.

5.4 External Audit

- To review the Audit Plan, including the Performance Audit Programme.
- To consider all statutory audit material, in particular:
 - Audit Reports (including Performance Audit Studies).
 - Annual Reports.
 - Management Letters.
- To monitor management action taken in response to all External Audit recommendations including Performance Audit Studies (following consideration by the Staff Governance Committee or Clinical Governance Committee where appropriate).
- To review the extent of co-operation between External and Internal Audit.
- Annually appraise the performance of the External Auditors.
- To note the appointment and remuneration of External Auditors and to examine any reason for the resignation or dismissal of the Auditors.

5.5 Standing Orders and Standing Financial Instructions

- To review changes to the Standing Orders and Standing Financial Instructions.
- To examine the circumstances associated with each occasion when Standing Orders are waived or suspended.
- To review the Scheme of Delegation.

5.6 Annual Accounts

- To review annually (and approve) the suitability of accounting policies and treatments.
- To review schedule of losses and compensation payments.
- Review the reasonableness of accounting estimates.
- Review the external auditors management letter.
- To review and recommend approval to the Board of the Annual Accounts.
- To report in the Directors Report on the roles and responsibilities of the Audit Committee and actions taken to discharge those.
- To review and recommend approval to the Board of the Patients Funds Annual Accounts.

6 AUTHORITY

The Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee.

7 PERFORMANCE OF THE COMMITTEE

The Committee shall review its own performance, effectiveness, including its running costs, and terms of reference on an annual basis.

The Committee shall provide guidelines and/ or pro forma concerning the format and content of the papers to be presented.

The Chair of the Committee shall submit an Annual Report on the work of the Committee to the Board.

Subject to annual review
Last reviewed March 2025