

NHS Gloucestershire Integrated Care Board

Audit Committee Terms of Reference

v1.0
1st July 2022

1. Introduction

- 1.1 The Audit Committee (the Committee) is established by the Integrated Care Board (the Board or ICB) as a Committee of the Board in accordance with its Constitution.
- 1.2 These Terms of Reference (ToR), which must be published on the ICB website, set out the membership, the remit, responsibilities and reporting arrangements of the Committee and may only be changed with the approval of the Board.
- 1.3 The Committee is a non-executive committee of the Board and its members, including those who are not members of the Board, are bound by the Standing Orders and other policies of the ICB.

2. Introduction

- 2.1 The Committee shall contribute to the overall delivery of the ICB objectives by providing oversight and assurance to the Board on the adequacy of governance, risk management and internal control processes within the ICB.
- 2.2 The Committee shall critically review the Integrated Care Board's financial reporting and internal control principles and ensure an appropriate relationship with both internal and external auditors, and counter fraud is maintained.
- 2.3 The duties of the Committee will be driven by the organisation's objectives and the associated risks. An annual programme of business will be agreed before the start of the financial year; however, this will be flexible to new and emerging priorities and risks.
- 2.4 The Audit Committee has no executive powers, other than those delegated in the Scheme of Reservation and Delegation and specified in these terms of reference.
- 2.5 For the avoidance of doubt, the Committee will comply with, the ICB Standing Orders, Standing Financial Instructions and the SoRD.

3. Delegated Authority

- 3.1 The Audit Committee is a formal committee of the ICB. The Board has delegated authority to the Committee as set out in the Scheme of Reservation and Delegation and may be amended from time to time.

3.2 The Audit Committee is authorised by the Integrated Care Board to:

- Seek any information it requires within its remit, from any employee or member of the ICB (who are directed to co-operate with any request made by the Committee) as outlined in these terms of reference;
- Commission any reports it deems necessary to help fulfil its obligations;
- Obtain legal or other independent professional advice and secure the attendance of advisors with relevant expertise if it considers this is necessary to fulfil its functions. In doing so the Committee must follow any procedures put in place by the ICB for obtaining legal or professional advice.

3.3 The Audit Committee holds only those powers as delegated in these Terms of Reference as determined by the ICB Board

4. Membership and Structure

4.1 Membership

4.1.1 The Committee members shall be appointed by the Board in accordance with the ICB Constitution.

4.1.2 The Board will appoint no fewer than five members of the Committee including:

- Committee Chair who shall be an Independent Non-Executive Director of the ICB who shall not be the Chair of the System Resources Committee;
- Independent Non-Executive Director of the ICB;
- One Non-Executive Director from each of the main system Provider partners who chairs their respective Audit Committees.
- Primary Care representative.

4.1.3 Neither the Chair of the Board, nor employees of the ICB will be members of the Committee. Other members of the Committee need not be members of the Board, but they may be.

4.1.4 Members will possess between them knowledge, skills and experience in: accounting, risk management, internal, external audit; and technical or specialist issues pertinent to the ICB's business. When determining the membership of the Committee, active consideration will be made to diversity and equality.

4.2 Chair and vice chair

- 4.2.1 The Chair of the Committee shall be independent and therefore may not chair any other committees.
- 4.2.2 Committee members may appoint a Vice Chair who shall be an Independent Non-Executive Director of the ICB.
- 4.2.3 The Chair will be responsible for agreeing the agenda and ensuring matters discussed meet the objectives as set out in these ToR in consultation with the Chief Financial Officer.

4.3 Attendees and Participants

- 4.3.1 Only members of the Committee have the right to attend Committee meetings, however all meetings of the Committee will also be attended by the following individuals who are not members of the Committee:
- Chief Financial Officer of the ICB or their nominated deputy;
 - Associate Director of Corporate Affairs with the remit for governance;
 - Governance team members who cover risk management and conflicts of interests;
 - Representative of Gloucestershire Counter Fraud Service;
 - Representative of the ICB Auditor firm.
- 4.3.2 The Chair may ask any or all of those who normally attend, but who are not members, to withdraw to facilitate open and frank discussion of particular matters.
- 4.3.3 Other individuals may be invited to attend all or part of any meeting as and when appropriate to assist it with its discussions on any particular matter including representatives from the Health and Wellbeing Board(s), Secondary and Community Providers.
- 4.3.4 The Chief Executive should be invited to attend the meeting at least annually.
- 4.3.5 The Chair of the ICB may also be invited to attend one meeting each year in order to gain an understanding of the Committee's operations.

4.4 Attendance

4.4.1 Where an attendee of the Committee (who is not a member of the Committee) is unable to attend a meeting, a suitable alternative may be agreed with the Chair.

4.5 Access

4.5.1 Regardless of attendance, External Audit, Internal Audit, Local Counter Fraud and Security Management providers will have full and unrestricted rights of access to the Audit Committee.

4.6 Structure

4.6.1 The structure of the Audit Committee will be developed to ensure that agenda items that are common across the NHS system are dealt with in the most effective way. Committee agendas will be structured to cover both ICB specific items and the development of audit across the system and its partnerships.

5. **Quoracy**

5.1 Quoracy is defined as a minimum of 50% of the Committee's core membership which must include the Chair or Vice-Chair or their nominated deputy.

5.2 Where partner members are included in the core membership of the Committee, business planners for meetings will be designed to make optimal use of partner time, meaning that they may not be required for all of every meeting. Where this is the case, their absence will not affect the quoracy of the meeting

5.3 If any member of the Committee has been disqualified from participating in an item on the agenda, by reason of a declaration of conflicts of interest, then that individual shall no longer count towards the quorum

5.4 If the quorum has not been reached, then the meeting may proceed if those attending agree, but no decisions may be taken

6. **Voting and Decision Making**

6.1 For a meeting to be quorate a minimum of two independent Non-Executive Members of the Board are required, including the Chair or Vice Chair of the Committee.

6.2 The Committee will ordinarily reach conclusions by consensus. When this is not possible the Chair may call a vote.

6.3 Only members of the Committee may vote. Each member is allowed one vote and a majority will be conclusive on any matter. Where there is a split vote, with no clear majority, the Chair of the Committee will hold the casting vote

6.4 If a decision is needed which cannot wait for the next scheduled meeting, the Chair may conduct business on a 'virtual' basis using telephone, email or other electronic communication

7. Frequency and notice of meetings

7.1 If a decision is needed which cannot wait for the next scheduled meeting, the Chair may conduct business on a 'virtual' basis using telephone, email or other electronic communication.

7.2 The Audit Committee shall meet up to six (6) times a year in accordance with the annual accounts cycle. The Chair of the Committee may convene additional meetings as required

7.3 The Board, Chair or Chief Executive may ask the Audit Committee to convene further meetings to discuss particular issues on which they want the Committee's advice.

7.4 The external auditor or internal auditor may requisition a meeting of the Committee if it is deemed necessary.

7.5 The Committee shall meet in private with the internal and external auditors not less than annually.

7.6 In accordance with the Standing Orders, the Committee may meet virtually when necessary and members attending using electronic means will be counted towards the quorum.

8. Committee secretariat

8.1 The Committee shall be supported with a secretariat function provided by the Corporate Governance Team. The Governance Team shall ensure that.

- 8.1.1 The agenda and papers are prepared and distributed in accordance with the Standing Orders at least 5 working days before the meeting, having been agreed by the Chair with the support of the relevant executive lead – Chief Financial Officer;
- 8.1.2 Attendance by members of the committee is monitored and reported annually as part of the Annual Governance Statement (contained within the Annual Report);
- 8.1.3 Records of members' appointments and renewal dates are maintained and the Board is prompted to renew membership and identify new members where necessary;
- 8.1.4 Good quality minutes are taken and agreed with the Chair and that a record of matters arising, action points and issues to be carried forward are kept;
- 8.1.5 The Chair is supported to prepare and deliver reports to the Board;
- 8.1.6 The Committee is updated on pertinent issues/ areas of interest/ policy developments;
- 8.1.7 Action points are taken forward between meetings and progress against those actions is monitored.

9. Remit and responsibilities of the Committee

- 9.1 The Audit Committee has been constituted in terms of its scope, responsibilities and membership to facilitate the ICB meeting its four fundamental purposes to:
 - **improve outcomes** in population health and healthcare;
 - **tackle inequalities** in outcomes, experience, and access;
 - **enhance productivity** and value for money;
 - help the NHS support broader **social and economic development**.
- 9.2 Each Integrated Care Board Committee will have a remit which encompasses two primary areas of responsibility. First, the Committee will exercise the delegated authority of the Board to execute assurance against a sub-set of its statutory duties and functions. Second, it will retain oversight of progress against the Integrated Care Board's strategic priorities through the developing partnership and integrated working of its members. This balanced approach will ensure that the governance focus of the Committee spans both current performance and risk as well as strategic development and system effectiveness. Committees will have a core membership

spanning both areas of its responsibility, which can be enhanced as required by the addition of co-opted attendees or participants who are invited to contribute to the debate and deliberation of the Committee. The decision on the use of co-opted attendees or participants rests with the Chair of the Committee. The responsibilities of this Committee include:

9.3 Integrated governance, risk management and internal control

- 9.3.1 To review the adequacy and effectiveness of the system of integrated governance, risk management and internal control across the whole of the ICB's activities that support the achievement of its objectives, and to highlight any areas of weakness to the Board.
- 9.3.2 To review the financial systems and governance that are established in order to facilitate compliance with DHSC's Group Accounting Manual.
- 9.3.3 To review the adequacy and effectiveness of the assurance processes that indicate the degree of achievement of the ICB's objectives, and the effectiveness of the management of principal risks.
- 9.3.4 To agree the risk management framework, policies and procedures ensuring that the risk management structure and processes within the ICB are robust and effective.
- 9.3.5 To review the quality of risk identification, management and reporting; providing scrutiny and challenge to the Corporate Risk Register and Board Assurance Framework.
- 9.3.6 To have oversight of system risks where they relate to the achievement of the ICB's objectives.
- 9.3.7 To ensure that the ICB acts consistently with the principles and guidance established in HMT's Managing Public Money.
- 9.3.8 To seek reports and assurance from directors and managers within the ICB and the ICS as required, concentrating on the systems of integrated governance, risk management and internal control, together with indicators of their effectiveness.
- 9.3.9 To review and approve on behalf of the Board those policies that ensure compliance with relevant regulatory, legal and code of conduct requirements and related reporting and self-certification e.g. Counter Fraud, Bribery and Corruption Policy, Standards for Business Conduct including Conflicts of Interests policy etc.

9.3.10 To identify opportunities to improve governance, risk management and internal control processes across the ICB, and the ICS where appropriate.

9.4 Internal audit

9.4.1 To ensure that there is an effective internal audit function that meets the Public Sector Internal Audit Standards and provides appropriate independent assurance to the Board. This will be achieved by:

9.4.2 Reviewing and approving the annual internal audit plan and more detailed programme of work, ensuring that this is consistent with the audit needs of the organisation as identified in the assurance framework;

9.4.3 Considering the major findings of internal audit work, including the Head of Internal Audit Opinion, (and management's response), and ensure coordination between the internal and external auditors to optimise the use of audit resources;

9.4.4 Ensuring that the internal audit function is adequately resourced and has appropriate standing within the organisation; and

9.4.5 Monitoring the effectiveness of internal audit and carrying out an annual review.

9.5 External audit

9.5.1 To review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process. In particular, the Committee will review the work and findings of the external auditors and consider the implications and management's responses to their work. This will be achieved by:

9.5.2 Discussing and agreeing with the external auditors, before the audit commences, the nature and scope of the audit as set out in the annual plan;

9.5.3 Discussing with the external auditors their evaluation of audit risks and assessment of the organisation and the impact on the audit fee; and

9.5.4 Reviewing all external audit reports, including to those charged with governance (before its submission to the Board) and any work undertaken outside the annual audit plan, together with the appropriateness of management responses.

9.6 Other assurance functions

- 9.6.1 To review the findings of assurance functions in the ICB, and to consider the implications for the governance of the ICB.
- 9.6.2 To review the assurance processes in place in relation to financial performance and other key governance processes and systems (e.g. risk management) across the ICB, including the completeness and accuracy of information provided.
- 9.6.3 To review the findings of external bodies and agencies issued by arm's length bodies or regulators and inspectors: e.g. National Audit Office, Select Committees, NHS Resolution etc and consider the implications for governance of the ICB.

9.7 Counter fraud

- 9.7.1 To assure itself that the ICB has adequate arrangements in place for counter fraud, bribery and corruption (including cyber security) that meet NHS Counter Fraud Authority's (NHSCFA) standards and shall review the outcomes of work in these areas.
- 9.7.2 To review, approve and monitor counter fraud work plans, receiving regular updates on counter fraud activity, monitor the implementation of action plans, provide direct access and liaison with those responsible for counter fraud, review annual reports on counter fraud, and discuss NHSCFA quality assessment reports.
- 9.7.3 To ensure that the counter fraud service provides appropriate progress reports and that these are scrutinised and challenged where appropriate.
- 9.7.4 To be responsible for ensuring that the counter fraud service submits an Annual Report and Self-Review Assessment, outlining key work undertaken during each financial year to meet the NHS Standards for Commissioners; Fraud, Bribery and Corruption.
- 9.7.5 To report concerns of suspected fraud, bribery and corruption to the Board and the NHSCFA.

9.8 Freedom to Speak Up

- 9.8.1 To review the adequacy and security of the ICB's arrangements for its employees, contractors and external parties to raise concerns, in confidence, in relation to financial, clinical management, or other matters. The

Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action.

9.9 Information Governance (IG)

9.9.1 To receive regular updates on IG compliance (including uptake & completion of data security training), data breaches and any related issues and risks.

9.9.2 To review the annual Senior Information Risk Owner (SIRO) report, the submission for the Data Security & Protection Toolkit and relevant reports and action plans.

9.9.3 To receive reports on audits to assess information and IT security arrangements, including the annual Data Security & Protection Toolkit audit.

9.9.4 To provide assurance to the Board that there is an effective framework in place for the management of risks associated with information governance.

9.10 Financial reporting

9.10.1 To monitor the integrity of the financial statements of the ICB and any formal announcements relating to its financial performance.

9.10.2 To ensure that the systems for financial reporting to the Board, including those of budgetary control, are subject to review as to the completeness and accuracy of the information provided.

9.10.3 To review the Annual Report and Financial Statements (including accounting policies) before submission to the Board focusing particularly on:

- The Governance Statement and other disclosures relevant to the Terms of Reference of the Committee;
- Changes in accounting policies, practices and estimation techniques;
- Unadjusted mis-statements in the Financial Statements;
- Significant judgements and estimates made in preparing the Financial Statements;
- Significant adjustments resulting from the audit;
- Letter of representation; and
- Qualitative aspects of financial reporting.

9.11 Conflicts of Interest

9.11.1 The Chair of the Audit Committee shall be the nominated Conflicts of Interest Guardian.

9.11.2 The Committee shall satisfy itself that the ICB's policy, systems and processes for the management of conflicts, (including gifts and hospitality and bribery) are effective including receiving reports relating to non-compliance with the ICB policy and procedures relating to conflicts of interest.

9.12 Policies

9.12.1 Approval of policies and standard operating procedures (SOPs) as relevant to the committee's business.

9.13 Management

9.13.1 To request and review reports and assurances from directors and managers on the overall arrangements for governance, risk management and internal control.

9.13.2 The Committee may also request specific reports from individual functions within the ICB as they may be appropriate to the overall arrangements.

9.13.3 To receive reports of breaches of policy and normal procedure or proceedings, including such as suspensions of the ICB's Standing Orders, in order provide assurance in relation to the appropriateness of decisions and to derive future learning.

9.14 Communication

9.14.1 To co-ordinate and manage communications on governance, risk management and internal control with stakeholders internally and externally.

9.14.2 To develop an approach with other committees, and with the Integrated Care Partnership, to ensure the relationship between them is understood.

10. Relationship with the ICB and other groups / committees / boards

10.1 To work closely with the other committees in the ICB where appropriate and relevant e.g. implementation of the Internal Audit recommendations.

10.2 To investigate identified areas of concern with regard to the ICB's internal controls referred by another committee or the Board of the ICB.

11. Policy and best practise

11.1 The Committee shall have regard to current best practice, policies and guidance issued by NHS England, HMFA and other relevant bodies.

12. Monitoring and Reporting

12.1 The minutes of each meeting of the Committee shall be formally recorded and retained by the Integrated Care Board. The minutes shall be submitted to the Board of the ICB.

12.2 The Chair of the Committee shall report the outcome and any recommendations of the committee to the Board of the ICB.

12.3 The Audit Committee will provide the Board with an Annual Report, timed to support finalisation of the accounts and the Governance Statement. The report will summarise its conclusions from the work it has done during the year specifically commenting on:

- The fitness for purpose of the assurance framework;
- The completeness and 'embeddedness' of risk management in the organisation;
- The integration of governance arrangements;
- The appropriateness of the evidence that shows the organisation is fulfilling its regulatory requirements; and
- The robustness of the processes behind the quality accounts.

12.4 The Committee shall agree an annual schedule of reports and their frequency for the Audit Committee meetings.

13. Conduct of the Committee

13.1 Members will be expected to conduct business in line with the ICB values and objectives.

13.2 Members of, and those attending the Committee, shall behave in accordance with the ICB's Constitution, Standing Orders, and Standards of Business Conduct Policy

13.3 Members must demonstrably consider the equality, diversity and inclusion implications of decisions they make.

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13.5 Conflicts of interests: In discharging duties transparently, conflicts of interest must be considered, recorded and managed. Members should have regard to both the ICB's policies and national guidance on managing conflicts of interest. All potential conflicts of interest must be declared and recorded at the start of each meeting. A register of interests must be maintained by the Governance Team, submitted with the Audit Committee papers and annually to the Board. If the Chair considers a conflict of interest exists then the relevant person must not take part in that item, and the Chair may require the affected member to withdraw at the relevant point.

14. Review of ToR

14.1 These terms of reference will be reviewed at least annually and more frequently if required. Any proposed amendments to the terms of reference will be submitted to the Board for approval.

Annex 1 – Auditor Panel

1. Context and role

1.1 The Audit Committee will fulfil the role of 'Auditor Panel', as defined in the Local Audit and Accountability Act 2014 and in accordance with the Department of Health publication 'Auditor Panels – Guidance to help Health Bodies meet their Statutory Duties, September 2015'.

1.2 The principal roles of the Auditor Panel are to advise the Board of the ICB on the selection, appointment and removal of the ICB's external auditor and to appoint the internal auditor. The Auditor Panel is also responsible for advising the Board of the ICB on the purchase of 'non-audit services' from the external auditor.

1.3 The Auditor Panel will take the form of a separate section of the Audit Committee meeting and will be minuted separately.

2. Membership, Attendance, Secretary and Quorum

2.1 The membership, quoracy and committee secretary will be as per the Audit Committee and outlined in sections 3, 4 and 6.

2.2 The Chief Finance Officer will be invited to attend the meetings. In addition, the Panel may invite any other individual to attend the meetings, as appropriate.

3. Frequency and notice of meetings

3.1 The Panel will meet as and when required.

3.2 Written notice of the meetings and agendas will be provided, as part of the normal Audit Committee processes, to Panel members not less than 5 working days before the meeting.

4. *Remit and responsibilities of the Panel*

4.1 The key duties of the Panel are:

4.1.1 to advise the Board on the selection, appointment and removal of the ICB's external auditors, paying due regard for their performance;

4.1.2 the selection, appointment and removal of the ICB's internal auditors, paying due regard for their performance;

4.1.3 the maintenance of an independent relationship with the appointed external auditor;

4.1.4 the maintenance of an independent relationship with the appointed internal auditors; and

4.1.5 to advise the Board on the purchase of 'non-audit services' from the external auditor.

5. Monitoring and reporting

5.1 The minutes of each meeting of the Panel will be formally recorded and retained by the ICB and submitted to the Board of the ICB.

5.2 The Chair of the Panel shall report the outcome and any recommendations of the Panel to the Board of the ICB.

6. Review

6.1 Annually in line with the ToR for the Audit Committee.