

# NHS Thames Valley Integrated Care Board

## Audit Committee

### Terms of Reference v0.1

#### 1. Constitution

The Audit Committee (the Committee) is established by NHS Thames Valley Integrated Care Board (ICB) as a committee of the board in accordance with its Constitution.

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.

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. Authority

The Committee is authorised by the board to:

- Investigate any activity within its terms of reference;
- 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) within its remit 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;
- Create task and finish sub-groups in order to take forward specific programmes of work as considered necessary by the Committee's members. The Committee shall determine the membership and terms of reference of any such task and finish sub-groups in accordance with the ICB's constitution, standing orders and Scheme of Reservation and Delegation (SoRD) but may/ not delegate any decisions to such groups.
- For the avoidance of doubt, the Committee will comply with, the ICB Standing Orders, Standing Financial Instructions and the SoRD.

#### 3. Purpose

To 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.

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.

The Audit Committee has no executive powers, other than those delegated in the SoRD and specified in these terms of reference.

#### **4. Membership and attendance**

##### Membership

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

The board will appoint no fewer than three members of the Committee including at least two who are non-executive members of the board. Other members of the Committee need not be members of the board, but they may be.

Neither the Chair of the board, nor employees of the ICB will be members of the Committee.

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.

##### Chair

In accordance with the constitution, the Committee will be chaired by a non-executive Member of the board appointed on account of their specific knowledge skills and experience making them suitable to chair the Committee.

The Chair of the Committee shall be independent and therefore may not chair any other committees.

No individual shall hold the position of Chair of the Audit Committee and Deputy Chair of the ICB Board at the same time.

Committee members may appoint a Vice Chair from amongst the voting membership of the Committee.

The Chair will be responsible for agreeing the agenda and ensuring matters discussed meet the objectives as set out in these ToR.

##### Attendees

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:

- Director of Finance or their nominated deputy;

- Representatives of both internal and external audit;
- Individuals who lead on risk management and counter fraud matters;
- The Chief Executive in their role as Accountable Officer and any executive directors will attend whenever they are invited by the Audit Committee's Chair to provide assurance and explanations when it is discussing audit reports or other matters within their areas of responsibility
- and other relevant attendees.

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.

Other individuals may be invited to attend all or part of any meeting as and when appropriate to assist it with its discussions.

The Chief Executive should be invited to attend the meeting at least annually.

The Chair of the ICB may also be invited to attend and observe one meeting each year in order to gain an understanding of the Committee's operations.

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.

#### Access

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.

If any of the External Audit, Internal Audit, Local Counter Fraud and Security Management providers have been disqualified from participating in an item on the agenda, by reason of a declaration of conflicts of interest, then that individual may be excluded from the meeting, with permission by the Chair.

## **5. Meetings Quoracy and Decisions**

The Audit Committee will meet five times a year and arrangements and notice for calling meetings are set out in the Standing Orders. Additional meetings may take place as required.

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.

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

#### Quorum

For a meeting to be quorate a minimum of two non-executive members of the board are required, including the Chair or Vice Chair of the Committee.

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.

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

### Decision making and voting

Decisions will be taken in accordance with the Standing Orders. The Committee will ordinarily reach conclusions by consensus. When this is not possible the Chair may call a vote.

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.

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

## **6. Responsibilities**

The Committee's duties can be categorised as follows:

- Provide assurance to the Board that the organisation is operating effectively and efficiently and economically to ensure the achievement of its Strategic Objectives
- Receive assurances on the adequacy of all financial and non-financial internal controls
- Seek assurances about the underlying data (upon which the assurances are based) to ensure that it's robust, reliable and accurate
- Oversight of the ICB's overarching Scheme of Reservation and Delegation, which sets out those decisions reserved to the ICB and those delegated to: Committees and sub-committees of the ICB, or its members or employees; an individual who is not a Member of the ICB but is a specified person in the ICB's Constitution.
- annually approve the ICB's Detailed Delegated Financial Limits, which sets out the delegation of key financial operational decisions and delegated decision limits; approval of any exceptional in-year changes.
- approval of changes to the Governance Handbook
- Review of every decision to suspend Standing Orders
- Ratification or otherwise of instances of failure to comply with Standing Orders
- Ratification or action following instances of failure to comply with Standing Financial Instructions
- Approve policy framework and retain oversight of its effective operation

- Reviewing the effectiveness of the ICB's governance arrangements to ensure that the ICB continues to reflect the principles of good governance (including annual self-assessment and external review at least every three years)
- Review and recommend to the Board the Annual Report and Annual Accounts prior to submission to NHSE.
- Approving a timetable for producing the annual report and accounts
- Approve the policy for managing conflicts of interest and declarations of gifts and hospitality and maintain oversight of their effectiveness
- Approval and oversight of the arrangements for all aspects of Information Governance including ensuring appropriate safekeeping and confidentiality of records and for the storage, management and transfer of information and data
- Approval of the arrangements for oversight of cyber security
- Approval and oversight the ICB's counter fraud and security management arrangements
- Approve and monitor risk management programme
- Oversight of external audit, internal audit, local counter fraud services and other external assurance functions
- Monitor and ensure compliance with Directions issued by the Secretary of State for Health on fraud and corruption including the appointment of the Local Anti-Crime Specialist
- Approval of process for waiver of formal tendering procedures
- Scrutiny of approved waivers of formal tendering procedures
- Approval of the appointment (and where necessary dismissal) of internal auditors
- Recommend the appointment of the external auditor to the Board for its approval and approve the annual external audit strategy and plan.
- Approval of the internal audit strategy, audit plan and more detailed programme of work
- Receive internal and external audit reports and review progress with management's responsiveness to the internal and external auditors' findings and recommendations, within agreed timescales.
- Advise on individual cases for the write off of losses or making of special payments above the limits of delegation
- To provide assurance to the Board on the effectiveness of the Freedom to Speak Up arrangements for the ICB

### Internal audit

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:

- Considering the provision of the internal audit service and the costs involved;

- 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;
- 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;
- Ensuring that the internal audit function is adequately resourced and has appropriate standing within the organisation; and
- Monitoring the effectiveness of internal audit and carrying out an annual review.

### External audit

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:

- Considering the appointment and performance of the external auditors, as far as the rules governing the appointment permit;
- 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;
- Discussing with the external auditors their evaluation of audit risks and assessment of the organisation and the impact on the audit fee; and
- 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.

### Other assurance functions

To review the findings of assurance functions in the ICB, and to consider the implications for the governance of the ICB.

To review the work of other committees in the ICB, whose work can provide relevant assurance to the Audit Committee's own areas of responsibility.

To review the assurance processes in place in relation to financial performance across the ICB including the completeness and accuracy of information provided.

All losses and special payments (including special severance payments) must be reported to the ICB Audit Committee.

To ensure that financial systems and governance are established which facilitate compliance with DHSC's Group Accounting Manual and to ensure that the ICB acts consistently with the principles and guidance established in HMT's Managing Public Money.

Ratify ICB Financial, Corporate, IG and IT policies, in line with policy framework set out within the Policy for the Development and Management of Policies.

To review the findings of external bodies and consider the implications for governance of the ICB. These will include, but will not be limited to:

- Reviews and reports issued by arm's length bodies or regulators and inspectors: e.g. National Audit Office, Select Committees, NHS Resolution, CQC; and
- Reviews and reports issued by professional bodies with responsibility for the performance of staff or functions (e.g. Royal Colleges and accreditation bodies).

Receive an annual report from the internal auditor and agree proposed action, taking account of the advice, where appropriate, from the CFO.

### Counter fraud

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.

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.

To ensure that the counter fraud service provides appropriate progress reports and that these are scrutinised and challenged where appropriate.

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.

To report concerns of suspected fraud, bribery and corruption to the NHSCFA.

### Freedom to Speak Up

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.

### Information Governance (IG)

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

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

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

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

### Financial reporting

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

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.

To review the annual report and financial statements (including accounting policies) before submission to the board focusing particularly on:

- The wording in 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 of the Financial Statements;
- Significant adjustments resulting from the audit;
- Letter of representation; and
- Qualitative aspects of financial reporting.

### Conflicts of Interest

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

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.

### Management

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

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

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.

### Risk Management

To receive assurance from the Risk Oversight Group (ROG) (an executive group of the ICB board on its strategic oversight of identified risks and mitigations which have been escalated through the Corporate Risk Register to the Board Assurance Framework and to note the assurance from the ROG.

To review the adequacy and effectiveness of the assurance processes that indicate the degree of achievement of the ICB's objectives, the effectiveness of the management of principal risks, and to have oversight of system risks.

To approve the ICB's Risk Management Framework.

## **7. Behaviours and Conduct**

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

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

All members of the Committee will have due regard to and operate within the Constitutions of the Partners, their Standing Orders, Standing Financial Instructions and other financial procedures.

Members of the Committee will abide by the 'Principles of Public Life' (The Nolan Principles) and the NHS Code of Conduct.

Members of the Committee must demonstrably consider the equality and diversity implications of decisions they make and consider whether any new resource allocation achieves positive change around inclusion, equality and diversity.

A Register of Interests will be reviewed at each Committee meeting. Those in attendance will be asked by the Chair of the Committee to declare any interests at the beginning of each meeting. If a member of the Committee feels compromised by any agenda item, they should declare a conflict of interest and agreement reached as the action to be taken as set out in the Partners' Conflicts of Interest Policy.

If necessary, the Committee may draw on third-party support to assist it in resolving any disputes, such as peer review or support from NHS England.

## **8. Accountability and reporting**

The Committee is accountable to the board and shall report to the board on how it discharges its responsibilities.

The minutes of the meetings shall be formally recorded by the secretary and submitted to the board in accordance with the Standing Orders.

The Chair will provide assurance reports to the board at each meeting and shall draw to the attention of the board any issues that require disclosure to the board or require action.

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:

- Review and approve all disclosure statements in the Annual Report
- 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.

#### Secretariat and Administration

The Committee shall be supported with a secretariat function which will include ensuring that:

- The agenda and papers are prepared and distributed in accordance with the Standing Orders having been agreed by the Chair with the support of the relevant executive lead;
- Attendance of those invited to each meeting is monitored and highlighting to the Chair those that do not meet the minimum requirements;
- Records of members' appointments and renewal dates and the board is prompted to renew membership and identify new members where necessary;
- Good quality minutes are taken in accordance with the standing orders and in a timely manner agreed with the chair and that a record of matters arising, action points and issues to be carried forward are kept;
- The Chair is supported to prepare and deliver assurance reports to the board;
- The Committee is updated on pertinent issues/ areas of interest/ policy developments;
- Action points are taken forward between meetings and progress against those actions is monitored;

- The secretariat will maintain a 12-month forward planner to support the effective running of the committee.

## 9. Review

The Committee will review its effectiveness at least annually.

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.

Version	Date	Approved by	Review	Type of changes
0.1	March 26			