

ICB Audit Committee TERMS OF REFERENCE: TOR

(1) Introduction

- 1.1 The Integrated Care Board (the Board or ICB) must ensure it can effectively discharge its full range of statutory functions and duties. This includes establishing committees of the ICB, to support the Board and exercise any delegated functions, to help effective discharging of their range of functions.
- 1.2 All TORs for ICB committees must be published on the website, within the ICB Governance Handbook.

(2) Constitution and Authority (inc. Reference to Legislation or Guidance)

- 2.1 The Audit Committee (the Committee) is established by the ICB as a Committee of the Board in accordance with its Constitution. These TOR set out the membership, the remit, responsibilities and reporting arrangements of the Committee and may only be changed with approval of the Board.
- 2.2 The Committee is a Non-Executive Committee of the Board and its members, including those who are not members of the Board or ICB staff, are bound by the ICB's Constitution Standing Orders (the Standing Orders) and other key policies of the ICB. The Committee has no executive powers, other than those delegated in the Scheme of Reservation & Delegation (SoRD) and specified in these TOR. The Committee is authorised by the Board to:
 - Investigate any activity within its TOR, including oversight of assigned Risk Management and System Board Assurance Framework (SBAF) activities within its lead responsibility area;
 - Seek any information it requires within its remit, from any employee or member of the ICB (who are to co-operate with any request made by the Committee) within its remit as outlined;
 - 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 considered 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 & Finish' sub-groups to take forward specific programmes of work as considered necessary by members – the Committee shall determine the membership and TOR of any such sub-group in accordance with ICB's Constitution, Standing Orders and SoRD, but may not delegate any decisions to such groups;
 - For the avoidance of doubt, the Committee will comply with the Standing Orders, Standing Financial Instructions and SoRD, other than for any exceptions agreed by the Board;
 - Committee duties will be driven by ICB objectives and associated risks – an annual programme (cycle) of committee business will be agreed by Members before the start of each financial year, however, this will be kept flexible to adapt to new and emerging circumstances, priorities or risks.

(3) Purpose and Core Duties

- 3.1 The Committee is established to contribute to overall delivery of ICB objectives by providing oversight and assurance to the Board on the adequacy of governance, risk

management and internal control processes within the ICB, and the following functional matters (with more complete details in Appendix One):

- ☑ Integrated governance, risk management and internal control;
- ☑ Internal and External audit functions;
- ☑ Other assurance functions;
- ☑ Counter fraud;
- ☑ Freedom to Speak Up;
- ☑ Information Governance (IG);
- ☑ Financial reporting;
- ☑ Conflicts of Interest (COI);
- ☑ Management;
- ☑ Communications.

(4) Membership and Attendance

The Membership

- 4.1 Committee members shall be appointed by the Board in accordance with the ICB Constitution. The Board will appoint no fewer than four members who are Independent Non-Executive Members of the Board. Attendees are as listed below in 4.3.
- 4.2 Attendees need not be members of the Board, but they may be. However 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.

Attendees

- 4.3 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 Finance Officer (or their nominated deputy);
 - ☑ Director of Corporate Governance
 - ☑ Representatives of both Internal and External Audit;
 - ☑ Individuals who lead on risk management and counter fraud matters;
 - ☑ Other individuals may be invited to attend all or part of any meeting as and when appropriate to assist it with discussions on any particular matter (incl. representatives from Health & Wellbeing Boards, Secondary Care Providers as may be required);
 - ☑ The Chief Executive should be invited to attend the meeting at least annually;
 - ☑ 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 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.

Chair and Vice Chair

- 4.5 In accordance with the ICB Constitution, the Committee will be chaired by the Independent Non-Executive Member of the Board appointed on account of their specific

knowledge skills, experience and assigned audit portfolio, making them suitable to chair the Committee.

- 4.6 The Chair shall be independent and therefore may not chair any other committees. The Chair will be responsible for agreeing the agenda and ensuring matters discussed meet the objectives as set out in these TOR.
- 4.7 Committee members may appoint a Vice Chair.
- 4.8 Only Members as above shall have the right to attend meetings. 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. Where an attendee who is not a member is unable to attend a meeting, a suitable alternative may be agreed with the Chair.
- 4.9 The Chair (Vice 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.

(5) Frequency, Quoracy and Decisions

- 5.1 The Audit Committee will meet five times a year and arrangements and notice for calling meetings are set out in the Standing Orders. Four of the meetings will cover the Committee's general business; with one additional meeting to approve the accounts and annual report. Additional meetings may take place as required. The Board, Chair or Chief Executive may ask the Committee to convene further meetings to discuss particular issues on which they want the Committee's advice.
- 5.2 In accordance with ICB Constitution Standing Orders, the Committee may meet virtually when necessary; and members attending using electronic means will be counted towards the quorum. Mirroring provisions set out within the Standing Orders, if an urgent or emergency decision is needed which cannot wait for the next scheduled meeting, the Chair may conduct such business on a 'virtual' basis through the use of telephone, email or other electronic communication.

Quorum

- 5.3 For a meeting to be quorate a minimum of two Independent Non-Executive Members are required, including the Chair or Vice-Chair of the Committee. If any Member has been disqualified from participating in an item on the agenda, by declaration of a Conflict of Interest, then that individual shall no longer count towards the quorum.
- 5.4 If a quorum has not been reached, then the meeting may still proceed if those present agree. However, no binding decisions may be deemed as fully taken by the meeting until confirmed by all Members via offline 'virtual' methods outside of the meeting and before the next scheduled one.

Decision Making and Voting

- 5.5 Decisions will be taken in according with the ICB Constitution Standing Orders. The Committee will ordinarily reach its conclusions by consensus. When this is not possible the Chair may call a vote. This provision should though be seen as an exception to normal, routine decision-making.
- 5.6 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) Responsibilities of the Committee

- 6.1 The Committee's detailed duties and core responsibilities are itemised within Appendix One. Matters delegated to the Committee by the Board (and as also defined by / covered within the SoRD) are also itemised within Appendix One.

(7) Conflicts of Interest

- 7.1 The Committee and all Members or Attendees present shall fully and continuously satisfy itself that all matters of ICB policy, systems and processes for the management of conflicts (including gifts & hospitality and bribery) are upheld in all meetings.
- 7.2 For the avoidance of doubt, any additional national or statutory policy requirements shall also guide the Committee's processes and procedures. This shall include sending any reports relating to non-compliance with ICB policy and procedures to the ICB Audit Committee.

(8) Etiquette, Behaviours and Conduct

ICB Values

- 8.1 All Committee Members and Attendees will be expected to conduct business in line with the ICB's stated values and objectives. Furthermore, all Members / Attendees will be expected to adhere to the separate ICS Partnership Leadership Compact key principles of 'Trust', 'Courage', 'Openness & Honesty', 'Leading by Example', 'Respect', 'Kindness & Compassion', 'System First' and 'Looking Forward'.
- 8.2 Committee Members and those attending shall always behave in accordance with the ICB's Constitution, Standing Orders and Standards of Business Conduct Policy.
- 8.3 All Members must demonstrably consider the Equality and Diversity implications of any or all decisions they make. Attendees will also be required to uphold the Equality Act and Public Sector Equality Duty in any of their engagements with the Committee.

(9) Accountability and Reporting

- 9.1 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 secretariat and submitted to the Board in accordance with the Standing Orders.
- 9.2 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.
- 9.3 The Committee will provide the Board / Audit Committee with an annual statement of its effectiveness, timed to support finalisation of ICB Annual Accounts & Annual Report's Governance Statement (see section 11). This will summarise its conclusions from the committee effectiveness work it has done during the year, specifically commenting on:
- The fitness for purpose, completeness and 'embeddedness' of the BAF and Risk reporting obligations of the Committee within the ICB's organisational context;
 - The integration of governance arrangements to underpin the 'Triple Aim' and Core Purposes of an ICB-ICS;

- The appropriateness of the evidence that shows how the Committee is helping the ICB in fulfilling its regulatory requirements;
- The robustness of the processes behind the Committee's decisions.

(10) Secretariat and Administration

10.1 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 ICB Standing Orders; having been agreed by the Chair with the support of the relevant ICB Executive and Governance 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;
- Maintenance and reporting of the committee Conflicts of Interest Register (with the ICB Governance Lead);
- Good quality minutes are taken and distributed in accordance with ICB Standing Orders and 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 reports to the Board;
- The Committee is updated on pertinent issues / areas of interest / policy developments;
- Actions are taken forward between meetings and progress against those actions is monitored.

(11) Review

11.1 The Committee will review its effectiveness at least annually. These TOR will be reviewed at least annually and more frequently if required. Any proposed amendments will be submitted to the Board for approval (and will not be deemed as operational until that agreement has been confirmed).

Appendix One

(a) Committee Responsibilities and Duties

- **Integrated Governance, Risk Management & Internal Control**
 - ☑ To review the adequacy and effectiveness of the system of Integrated Governance, Risk Management, Local Security 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;
 - ☑ To ensure that financial systems and governance are established which facilitate compliance with DHSC's Group Accounting Manual;
 - ☑ 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;
 - ☑ To have oversight of system risks where they relate to the achievement of the ICB's objectives;

- ☑ To oversee the arrangements and systems in place to maintain the safety and security of staff visitors and the general public on the ICB premises;
- ☑ To ensure consistency that the ICB acts consistently with the principles and guidance established in HM Treasury's *Managing Public Money*;
- ☑ To ensure that the process established for managing Single Tender Waivers is adhered to;
- ☑ To seek reports and assurance from directors and managers as appropriate, concentrating on the systems of integrated governance, risk management and internal control, together with indicators of their effectiveness;
- ☑ To identify opportunities to improve governance, risk management and internal control processes across 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 co-ordination 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 / 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 ICB assurance functions, 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;
- 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, 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 & Accreditation Bodies).
- 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 work plans, receiving regular updates on activity, monitor the implementation of action plans, provide direct access and liaison with those responsible for counter fraud, review annual reports, 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 Counter Fraud Functional Standard return, outlining key work undertaken during each financial year to meet the Government Functional Standard 013: Counter Fraud;
 - 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 (DSPT) and relevant reports and action plans;
 - To receive reports on audits to assess information and IT security arrangements, including the annual DSPT 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 misstatements 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.
- **Communication**
 - ☑ To co-ordinate and manage communications on Governance, Risk Management and Internal Control with stakeholders internally and externally;
 - ☑ To develop an approach with other committees, including the Integrated Care Partnership, to ensure the relationship between them is understood.

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