

BSW ICB Audit Committee

Terms of Reference

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 set out the membership, 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 any who are not members of the Board, are bound by the Standing Orders and other policies of the ICB.
- 1.4 The Committee may not operate as a joint committee with another ICB Audit Committee. However, the ICB Board may determine that the Committee can enter into committees in common arrangements with another ICB Audit Committee if this is deemed to facilitate and support collaborative or joint commissioning arrangements.
- 1.5 Recognising the sovereignty of system partner organisations and the autonomy of their respective Audit Committees, the Committee will seek collaboration and exchange with partner organisations' Audit Committee where this is permissible and serves the purposes of developing a common approach e.g. to risk. In this spirit, the Committee adopts the following principles to guide its work:
 - a) We will work together collaboratively to pursue and achieve our objectives, providing whatever support and assistance we reasonably can to each other to do so. We will act with utmost good faith towards each other.
 - b) We will be as open and transparent with each other in pursuit of our Objectives as is permissible within the laws and regulatory requirements to which we are subject.
 - c) We will hold each other to account. We will scrutinise and constructively challenge each other, and we will each be open to scrutiny and constructive challenge by others. We will support each other in meeting those challenges.

2. Purpose

- 2.1 The Committee will support the ICB Board and 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 has an assurance and advisory function. It has no executive powers, other than those delegated in the Scheme of Reservations and Delegations (SoRD) and specified in these terms of reference.
- 2.3 The Committee serves both ICB corporate and BSW system purposes.
- 2.4 Members individually and the Committee collectively must demonstrably consider the equality and diversity implications of decisions they make.

3. Responsibilities/Duties

- 3.1 This Committee is accountable to the ICB Board and provides the Board with an independent and objective view of the ICB's compliance with its statutory responsibilities.
- 3.2 The duties of the Committee will be driven by the organisation's objectives and the associated risks, including those related to the ICB's duties and functions toward the system. 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.
- 3.3 The Committee is responsible for arranging appropriate internal and external audit for the ICB, undertaking the procurement of audit contracts through the establishment of an auditor panel, and then advising the ICB Board on the contract awards. For that purpose, the Committee may serve as the auditor panel.

Within this remit, the Committee shall cover the following areas, and recommend decisions to the ICB Board, as appropriate:

Integrated Governance, Risk Management and Internal Control

- 3.4 The Committee shall review the establishment and maintenance of an effective system of integrated governance, risk management and internal control, across the whole of the ICB's activities, which supports the achievement of the ICB's objectives.

In particular, the Committee will review the adequacy and effectiveness of:

- a) The ICB's internal controls, board assurance framework, financial, integrated governance and risk management systems, ensuring compliance with the Department of Health and Social Care Group Accounting Manual;
- b) All risk and control related disclosure statements (in particular the governance statement), together with any accompanying Head of

Internal Audit Opinion, external audit opinion or other appropriate independent assurances, prior to submission to the ICB Board;

- c) The underlying assurance processes that indicate the degree of achievement of the organisation's objectives, the effectiveness of the management of principal risks and the appropriateness of the above disclosure statements;
- d) The ICB policies and corporate registers for ensuring compliance with relevant regulatory, legal and code of conduct requirements and any related reporting and self-certifications;
- e) The policies and procedures for all work related to counter fraud and security as required by NHS Counter Fraud Authority. This may include development and oversight of a system approach.

3.5 In carrying out this work the Committee will

- a) Be supported by the Risk Management Panel, which will provide assurance reports to the Committee relating to the effective operation of risk management systems and controls across BSW;
- b) Utilise the work of internal audit, external audit and other assurance functions, but will not be limited to these sources;
- c) Seek reports and assurances from directors and managers as appropriate, concentrating on the over-arching systems of integrated governance, risk management and internal control, together with indicators of their effectiveness;
- d) Make use of an effective assurance framework to guide its work and the audit and assurance functions that report to it.

3.6 As part of its integrated approach, the Committee will have effective relationships with other Committees of the ICB's Board, so that it understands processes and linkages. However, these other Committees must not usurp the Committee's role.

Internal Audit

3.7 The Committee shall ensure that there is an effective internal audit function that meets the Public Sector Internal Audit Standards 2017, and provides appropriate independent assurance to the Committee, the ICB's Chief Executive and the ICB's Board. The Committee will achieve this by:

- a) Considering the provision of the internal audit service, the cost of the audit, and any questions of resignation by or dismissal of the Head of Internal Audit;
- b) 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;

- c) Considering the findings of internal audit work (and management's response) in an appropriate and timely manner, and ensuring coordination between the internal and external auditors to optimise the use of audit resources;
- d) Ensuring that the internal audit function is adequately resourced and has appropriate standing within the organisation;
- e) Monitoring the effectiveness of internal audit and carrying out an annual review;
- f) Meeting the head of internal audit at least once a year, without management being present, to discuss their remit and any issues arising from the internal audits carried out.

External Audit

3.8 The Committee shall review and monitor the external auditors' 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. The Committee will achieve this by:

- a) Making recommendations to the ICB's Board on areas relating to the appointment, re-appointment and removal of auditors, the level of remuneration and terms of engagement;
- b) Discussing and agreeing with the external auditors, before the audit commences, the nature and scope of the audit as set out in the annual audit plan, and ensuring co-ordination, as appropriate, with other external auditors in the local health economy;
- c) Approving the annual audit plan and ensure that it is consistent with the scope of the audit engagement;
- d) Discussing with the external auditors their evaluation of audit risks and assessment of the organisation, and the impact on the audit fee;
- e) Reviewing all external audit reports, including the report to those charged with governance (before its submission to the ICB Board) and any work undertaken outside the annual audit plan, together with the appropriateness of management responses;
- f) Advise the ICB Board and Chief Executive on the contents of a policy for the engagement of external auditors to supply non-audit services, and approve such a policy;
- g) Assessing annually the independence and objectivity of the external auditor, taking into account relevant UK professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services;

- h) Meeting the external auditor at least once a year, without management being present; to discuss their remit and any issues arising from the audit.

Other Assurance Functions

- 3.9 The Committee ensures that the ICB has in place policies and procedures re the engagement of solicitors / legal advisors; re approval and signing of documents which will be necessary in legal proceedings; and re who can commit or spend ICB revenue resources in relation to settling legal matters.
- 3.10 The Committee has oversight of all statutory and mandatory compliance requirements that apply to the ICB, and ensures that the ICB meets these requirements. In particular, the Committee will
 - a) Review the ICB's systems and controls for the prevention of bribery, and receive reports on non-compliance;
 - b) Review the ICB's procedures for detecting fraud;
 - c) Review and recommend to the ICB Board the ICB's policies and procedures relating to counter-fraud and anti-corruption activities as performed by the Counter Fraud and Security Management Services;
 - d) Review and recommend to the ICB Board the ICB's policies and procedures relating to standards of business conduct, including the management of conflicts of interest;
 - e) Keep under review the adequacy and effectiveness of the ICB's policies and corporate registers for ensuring compliance with relevant regulatory, legal and code of conduct requirements.
 - f) Review the annual assurance statement confirming:
 - i. details of all exit packages (including special severance payments) that have been agreed and/or made during the year;
 - ii. that NHS England and HMT approvals have been obtained before any offers, whether verbally or in writing, are made; and
 - iii. adherence to the special severance payments guidance as published by NHS England.
- 3.11 The Committee shall review the findings of other significant assurance functions, both internal and external to the organisation, and consider the implications for the governance of the organisation. These will include, but will not be limited to, any reviews by Department of Health arm's length bodies or regulators/inspectors (for example, the Care Quality Commission, NHS Litigation Authority, etc.) and professional bodies with responsibility for the performance of staff or functions (for example, Royal Colleges, accreditation bodies, etc.)
- 3.12 In addition, the Committee will maintain dialogue with, and where appropriate review the work of, other Committees within the ICB, whose work can provide relevant assurance to the Committee's own areas of responsibility. In particular, this

will include any clinical governance, risk management or quality committees that may be established.

Counter Fraud and Security Management

- 3.13 The Committee shall satisfy itself that the organisation has adequate arrangements in place for countering fraud, bribery and corruption (including cyber security) that meet NHS Counter Fraud Authority's standards, and security management, and shall review the outcomes of work in these areas.
- 3.14 The Committee will ensure that the counter fraud service submits an Annual Report and Counter Fraud Functional Standard Return (CFFSR), outlining key work undertaken during each financial year to meet the requirements placed on NHS organisations by the Government Functional Standards 013: Counter Fraud.

Management

- 3.15 The Committee shall request and review reports, evidence and assurances from Directors and Managers on the overall arrangements for governance, risk management and internal control.
- 3.16 The Committee may also request specific reports from individual functions within the organisation (for example, clinical audit), as relevant to the Committee's Terms of Reference.

Financial Reporting

- 3.17 The Committee shall monitor the integrity of the financial statements of the organisation, including where collaboration with other ICBs or Local Authorities is concerned, and any formal announcements relating to its financial performance.
- 3.18 The Committee shall ensure that the systems for financial reporting to the ICB Board, including those of budgetary control, are subject to review as to the completeness and accuracy of the information provided, and are consistent with the principles and guidance established in HM Treasury's Managing Public Money.
- 3.19 The Committee shall review the annual report and financial statements before submission to the ICB Board, focusing particularly on, and challenging where necessary:
 - a) The wording in the annual governance statement and other disclosures relevant to the Terms of Reference of the Committee;
 - b) Consistency of, changes in, and compliance with, accounting policies, practices and estimation techniques;
 - c) The methods used to account for significant or unusual transactions where different approaches are possible;
 - d) Whether the ICB has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;

- e) The clarity and completeness of disclosure in the ICB's financial reports and the context in which statements are made;
- f) Unadjusted mis-statements in the financial statements;
- g) Significant judgements in preparation of the financial statements;
- h) Significant adjustments resulting from the audit;
- i) Letters of representation;
- j) Explanations for significant variances.

3.20 Where the Committee is not satisfied with any aspect of the proposed financial reporting by the ICB, it shall report its views to the ICB's Board.

Losses and special payments

3.21 The Committee will receive reports on all losses and special payments (including special severance payments).

Freedom to Speak Up

3.22 The Committee shall review the effectiveness of the arrangements in place for allowing staff to raise (in confidence) concerns about possible improprieties in financial, clinical or safety matters, and ensure that any such concerns are investigated proportionately and independently. In particular, the Committee shall:

- a) Review and recommend to the ICB Board the ICB's Freedom to Speak Up policy;

Information Governance (IG)

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

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

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

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

Conflicts of Interest

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

3.28 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.

4. Membership

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

4.2 The Board will appoint no fewer than four members of the Committee including two who are Independent Non-Executive Members of the Board. Other members of the Committee need not be members of the Board, but they may be.

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

4.3 The following are members of the Committee, i.e. they have the right to receive meeting documents and to make decisions:

- The ICB Non-Executive Director (Audit and Governance)
- The ICB Non-Executive Director (Finance)
- The ICB Non-Executive Director (Remuneration and People)
- The ICB Non-Executive Director (Quality)
- The ICB Non-Executive Director (Public and Community Engagement)
- Two Partner Members of the ICB Board, one coming from the NHS, one coming from local government
- The ICB Chief Nurse Officer
- The ICB Executive with responsibility for risk

Chair

4.4 In accordance with the ICB's Constitution, the Committee will be chaired by the Independent Non-Executive Director for Audit and Governance of the Board, who is appointed on account of their specific knowledge skills and experience making them suitable to chair the Committee.

4.5 The Chair of the Committee shall be independent and therefore may not chair any other committees. In so far as it is possible, they will not be a member of any other committee.

Attendees

4.6 The Committee set out its guiding principles in 1.5 of these Terms of Reference. In accordance with these principles and committed to openness, transparency and collaboration, the Committee intends to invite system Audit Chairs and Finance Directors to attend its meetings.

4.7 The following normally attend Committee meetings, i.e. they may receive meeting documents but cannot participate in the Committee's decision-making and must not vote:

- The ICB Chief Executive
- The ICB Chief Finance Officer;

- The Head of Internal Audit;
- A representative of the External Auditor;
- A representative from the counter fraud and security management services.

- 4.8 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.
- 4.9 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.
- 4.10 The Chair, on behalf of the Committee, may invite individuals to attend all or part of any meeting as and when appropriate to assist it with its discussions on any particular matter. For the avoidance of doubt, such invited attendees cannot participate in the Committee's decision-making and must not vote.
- 4.11 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.
- 4.12 The Committee may sit in private for all or part of a meeting and may exclude anyone who is not a member of the Committee from such meetings in private.
- 4.13 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.

5. Quorum

- 5.1 For a meeting to be quorate a minimum of four members are required, including the Chair of the Committee.
- 5.2 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.
- 5.3 If the quorum has not been reached, then the meeting may proceed if those attending agree, but no decisions may be taken.

6. Reporting

- 6.1 After each of its meetings, the Committee will report, through its Chair, to the ICB Board about business transacted and decisions taken. For this purpose, the Committee will submit a report to the Board highlighting reporting items as agreed by the Committee at each meeting and make available copies of its minutes.
- 6.2 In addition, and as agreed with the Committee, the Chair shall report on any matters within the remit of this Committee which in the Chair's view require the ICB Board attention and/ or executive decision making.
- 6.3 The Committee shall make whatever recommendations to the ICB Board it deems appropriate on any area within its remit where action or improvement is needed.

- 6.4 The Committee will report to the ICB Board annually on how the Committee has fulfilled its terms of reference, and give details of any significant issues that the Committee considered in relation to the financial statements and how they were addressed, 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.

7. Authority

7.1 The Committee is a non-executive Committee of the ICB Board and has no powers, other than those specifically delegated in these Terms of Reference and the Scheme of Reservation and Delegation. The Committee and its members, including those who are not members of the Board, are bound by the Standing Orders and other policies of the ICB.

7.2 In furtherance and support of its business, the Committee is authorised to

- to request and review reports from external experts and from individual functions within the ICB, as appropriate; and to seek assurances from the ICB on the overall arrangements for governance, risk management and internal control.
- Co-opt members for a period of time (not exceeding a year, and with the approval of the ICB Board) to provide specialist skills, knowledge and experience which the Committee may need at a particular time;
- Receive full access to information (including from any external organisation providing services to the ICB);
- Investigate any matters within its terms of reference;
- Obtain independent / outside professional advice (at the cost of the ICB); and
- Require any member of staff of the ICB to report to the Committee on the risks and controls that such member of staff is responsible for.
- 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 but may/ not delegate any decisions to such groups.

7.3 For the avoidance of doubt, the Committee will comply with the ICB Standing Orders, Standing Financial Instructions and the SoRD.

8. Frequency of Meetings

8.1 Meetings shall normally be held five times a year, or otherwise as required, at appropriate times in the reporting and audit cycle, and may otherwise be held 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.

9. Secretary

9.1 The Secretariat for the Committee is provided by the BSW ICB Corporate Office. The Secretariat will ensure 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 are maintained, 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 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;
- Action points are taken forward between meetings and progress against those actions is monitored;
- Governance advice is available and easily accessible for Committee members.
- Ensure that appropriate mechanisms are in place to ensure the flow of information to and from the Committee, including the Committee's reporting to the ICB Board.

10. Conduct of meetings

10.1 Committee meetings will be conducted in accordance with the BSW ICB's Constitution and Standing Orders.

10.2 Members of the Committee will

- conduct the Committee's business in accordance with any national guidance and relevant codes of conduct / good governance practice, including the Nolan principles of public life;
- comply with the standards of business conduct', including the protocols for managing conflicts of interest, as determined in the ICBs Constitution, Standards of Business Conduct Policies, and other relevant policies / guidance on good and proper meeting conduct for NHS organisations .

10.3 A meeting is constituted when members attend face-to-face, via telephone or video conferencing, any other electronic means, or through a combination of the above. Quoracy rules apply in any case. For the avoidance of doubt, this provision applies to and facilitates the Committee's decision making by email, should this be required to expedite an urgent decision.

- 10.4 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.
- 10.5 Only members of the Committee may vote. Each member is allowed one vote and a majority will be conclusive on any matter.
- 10.6 Where there is a split vote, with no clear majority, the Chair of the Committee will hold the casting vote.

11. Review

- 11.1 The Committee will annually review its performance, its membership and these terms of reference, and recommend to the ICB's Board any amendments it considers necessary to ensure it continues to discharge its business effectively.

Effective date: 01 July 2022

Review date: July 2023

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