

Lancashire and South Cumbria Integrated Care Board

Audit Committee

Terms of Reference

1. CONSTITUTION

- 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. AUTHORITY

- 2.1. The Audit Committee is authorised by the Board to:
 - Investigate any activity within its terms of reference;
 - Seek any information it requires within its remit as outlined in these terms of reference, from any employee or member of the ICB (who are directed to co-operate with any request made by the Committee);
 - 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.
- 2.2. For the avoidance of doubt, the Committee will comply with, the ICB Standing Orders, Standing Financial Instructions and the SoRD, other than for the following exceptions:
 - Where the Committee deems there is a significant risk to the delivery of the ICB objectives or discharging of a function/s, the Committee may direct the CEO or CFO to undertake an urgent review and report back to the Committee.
 - The Committee may meet with other committees of the board to ensure there are no assurance gaps.

3. PURPOSE

- 3.1.** To contribute to the overall delivery of the ICB objectives by providing oversight and assurance to the Board on the adequacy of governance, including quality governance, risk management and internal control processes within the ICB.
- 3.2.** The duties of the Committee will be driven by the organisation's objectives and the associated risks. An annual audit plan will be agreed, with sufficient flexibility to be able to respond to new and emerging priorities and risks.
- 3.3.** 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

4.1. Membership

4.1.1. The Committee shall be appointed by the Board from amongst its non-executive members and in accordance with the ICB Constitution. The committee shall consist of not less than three members and one of the members will be appointed Chair of the Committee. The Chair of the organisation shall not be a member of the Committee.

4.1.2. The membership will be three non-executives and a co-opted lay member:

- Audit Committee Chair
- Two other non-executive members
- Co-opted Lay Member

4.1.3. 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.

4.1.4. Chair and vice chair

4.1.4.1. In accordance with the constitution, the Committee will be chaired by a Non-Executive Member of the Board appointed on account of specific knowledge skills and experience that makes them them suitable to chair the Committee.

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

4.1.4.3. Committee members may appoint a Vice Chair.

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

4.1.5. Attendees

4.1.5.1. Only members of the Committee have the right to attend Committee meetings but the following will also be invited to attend:

- Director of Finance or their nominated deputy;
- Representatives of both internal and external audit;
- Individuals who lead on risk management and counter fraud matters

4.1.5.2. 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.

4.1.5.3. 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 and to develop relationships, including representatives from any partnership organisation and other committees including the Health and Care Partnership (ICP).

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

4.1.5.5. 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.

4.1.5.6. The Committee will meet in private with External and Internal Auditors at least once a year.

4.2. Attendance

4.2.1. Where an attendee who is not a member of the Committee is unable to attend then a suitable alternative may be agreed with the Chair.

4.2.2. Part 2 meetings may take place where due to a confidential nature the item requires restricted membership. Where such a meeting is called, only members may attend the meeting and no named deputies will be permitted.

4.2.3. Access

4.2.3.1. 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.

5. MEETINGS QUORACY AND DECISIONS

5.1. The Audit Committee will meet at least four times a year and arrangements and notice for calling meetings will be set out in the Standing Orders. Additional meetings may take place as required.

5.2. 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.

5.3. 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.

5.4. Quorum

5.4.1. 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.

5.4.2. 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.

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

5.5. Decision making and voting

5.5.1. 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.

5.5.2. Only members of the Committee may vote. Each member is allowed one vote and a majority will be conclusive on any matter.

5.5.3. Where there is a split vote, with no clear majority, the Chair of the Committee will hold the casting vote.

5.5.4. 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 OF THE COMMITTEE

6.1. The Committee's duties can be categorised as follows.

6.1.1. Integrated governance, risk management and internal control

6.1.1.1. 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.

6.1.1.2. To ensure that financial systems and governance are established which facilitate compliance with DHSC's Group Accounting Manual.

6.1.1.3. 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.

6.1.1.4. To have oversight of system risks where they relate to the achievement of the ICB's objectives.

6.1.1.5. To ensure consistency that the ICB acts consistently with the principles and guidance established in HMT's Managing Public Money.

6.1.1.6. To seek reports and assurance from directors, managers and other committees as appropriate, concentrating on the systems of integrated governance, risk management and internal control, together with indicators of their effectiveness.

6.1.1.7. To identify opportunities to improve governance, risk management and internal control processes across the ICB.

6.1.2. Internal audit

6.1.2.1. 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:

- 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.

6.1.3. External audit

6.1.3.1. 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:

- 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.

6.1.4. Other assurance functions

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

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

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

6.1.4.4. 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).

6.1.5. Counter fraud

6.1.5.1. 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.

6.1.5.2. 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.

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

6.1.5.4. 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.

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

6.1.6. Freedom to Speak Up

6.1.6.1. 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.

6.1.7. Information Governance (IG)

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

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

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

6.1.7.4. To ensure the adequacy of audits to assess information and IT security arrangements, including the annual Data Security & Protection Toolkit audit.

6.1.8. Financial reporting

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

6.1.8.2. 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.

6.1.8.3. 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.

6.1.9. Conflicts of Interest

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

6.1.9.2. 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.

6.1.10. Management

6.1.10.1. To request and review reports, evidence and assurances from other committees of the board and individual functions within the ICB as they may be appropriate directors and managers on the overall arrangements for governance, risk management and internal control.

6.1.10.2. The Committee may also request specific reports from other committees of the board and individual functions within the ICB as they may be appropriate to the overall arrangements.

6.1.10.3. To receive exception reports as deemed appropriate by the CFO in relation to breaches of policy and normal procedure or proceedings, including such as suspensions of the ICB's standing orders, in order to provide assurance in relation to the appropriateness of decisions and to derive future learning.

7. BEHAVIOURS AND CONDUCT

7.1. ICB values

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

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

7.2. Equality and diversity

7.2.1. Members must demonstrably consider the equality and diversity implications of decisions they make.

8. ACCOUNTABILITY AND REPORTING

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

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

8.3. The Chair will provide regular assurance reports to the Board and shall draw to the attention of the Board any issues that require disclosure to the Board or require action.

8.4. 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.

9. SECRETARIAT AND ADMINISTRATION

9.1. 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 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 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.

10. REVIEW

10.1. The Committee will review its effectiveness at least annually.

10.2. 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.

Date of approval: November 2023

Date of review: November 2024