



**REPORT TO:** East Lothian Integration Joint Board

**MEETING DATE:** 24 August 2017

**BY:** Chief Finance Officer

**SUBJECT:** IJB Audit and Risk Committee – Membership and Chairing

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## **1 PURPOSE**

- 1.1 This report proposes the membership of the IJB's Audit and Risk Committee including a proposition to have as its Chair a member of the IJB who is not a voting member.

## **2 RECOMMENDATIONS**

The IJB is asked to:

- 2.1 Approve the revised Terms of Reference for the Audit and Risk Committee
- 2.2 Approve the membership of the Audit and Risk Committee
- 2.2 Approve the appointment of the Chair to the Audit and Risk Committee.

## **3. BACKGROUND**

- 3.1 At its meeting of 27 August 2015, the IJB agreed to set up an Audit and Risk committee. At its meeting in 29 October 2015, the IJB agreed the Terms of Reference for this Audit and Risk Committee.
- 3.2 In terms of membership, these Terms of Reference laid out that 'the committee will consist of (at least) four members of the IJB' and, of these members, 'at least four committee members must be IJB voting members, two from the Health Board and two from the Council'. Further the Terms of Reference laid out that the Chair 'will be a voting

member nominated by the IJB, noting that the Chair or the Vice Chair of the IJB cannot also chair the Audit and Risk Committee’.

- 3.3 Since the Committee was constituted, the IJB has changed its membership and various voting members who had also been members of the Audit and Risk Committee are no longer members of the IJB. It is necessary therefore that the IJB agrees a revised membership of its Audit and Risk Committee along with a new Chair.
- 3.4 In terms of members of the Audit and Risk Committee, it is proposed that the number is increased from four to five, being four of the IJB voting members as before along with an additional member, being a non voting member of the IJB .The composition and membership of the Audit and Risk Committee is entirely within the gift of the IJB.
- 3.5 It is further proposed that this non voting member of the IJB be the Chair of the Audit and Risk Committee.
- 3.6 This is a change to the current Terms of Reference – in that these lay out that the Chair is currently a voting member of the IJB – and an amended Terms of Reference is attached to this report for approval.
- 3.7 The membership of the Committee is therefore proposed as:-

**Voting members of the IJB**

Stuart Currie  
Fiona O'Donnell  
Fiona Ireland  
Alex Joyce

**Chair** - Margaret McKay (non voting member of the IJB)

**POLICY IMPLICATIONS**

- 4.1 This paper is covered within the policies already agreed by the IJB.

**5 INTEGRATED IMPACT ASSESSMENT**

- 5.1 There are no implications for health inequalities or general equality and diversity issues arising directly from the issues and recommendations.

**6 RESOURCE IMPLICATIONS**

- 6.1 Financial – there are none.
- 6.2 Personnel – there are none.

## 7 BACKGROUND PAPERS

7.1 None

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## **EAST LOTHIAN INTEGRATION JOINT BOARD AUDIT AND RISK COMMITTEE TERMS OF REFERENCE – revised August 2017**

### **INTRODUCTION**

1. The Audit and Performance Committee is identified as a Committee of the Integration Joint Board (IJB). The approved Terms of Reference and information on the composition and frequency of the Committee will be considered as an integral part of the Standing Orders. The Committee will be a Standing Committee of the IJB.

2. The Financial Regulations for the IJB were approved Integration Board on 29<sup>th</sup> October 2015. Section 3.10 of the Financial Regulations state that the IJB will have an Audit and Risk Committee

### **CONSTITUTION**

3. The IJB shall appoint the Committee. The Committee will consist of (at least) five members of the IJB, excluding professional advisors. At least four Committee members must be IJB voting members, 2 from the Health Board and 2 from the Council. Membership of the Committee will be for three years and may be extended by the IJB.

4. The Committee may at its discretion set up working groups for review work. Membership of working groups will be open to anyone whom the Committee considers will assist in the task assigned. The working groups will not be decision making bodies or formal committees but will make recommendations to the Audit and Risk Committee.

### **CHAIR**

5. The Chair of the Committee is at the discretion of the IJB and may be any member of the Audit and Risk Committee, noting that the Chair or Vice Chair of the IJB cannot also chair the Audit and Risk Committee.

### **QUORUM**

6. Three members of the Committee will constitute a quorum.

### **ATTENDANCE AT MEETINGS**

7. The Chief Officer, Chief Finance Officer, Chief Internal Auditor and other professional advisors or their nominated representatives will normally attend meetings. Other persons shall attend meetings at the invitation of the Committee.

8. The external auditor will be invited to all meetings.

### **MEETING FREQUENCY**

9. The Committee will meet at least three times each financial year.

### **AUTHORITY**

10. The Committee is authorised to request reports and make recommendations to the IJB for further investigation on any matters which fall within its Terms of Reference.

### **DUTIES**

11. The Committee will review the overall internal control arrangements of the IJB and make recommendations to the Board regarding signing of the Governance Statement.

12. Specifically it will be responsible for the following duties:

### **GOVERNANCE, RISK AND CONTROL**

1. To review the IJB's corporate governance arrangements against the good governance framework and consider annual governance reports and assurances.

2. To review the Annual Governance Statement prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account internal audit's opinion on the overall adequacy and effectiveness of the IJB framework of governance, risk management and control.

3. To consider the IJB arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.

4. To consider the IJB framework of assurance and ensure that it adequately addresses the risk and priorities of the IJB.

5. To monitor the effective development and operation of risk management in the IJB.

6. To monitor progress in addressing risk-related issues reported to the committee.

7. To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.

### **INTERNAL AUDIT**

8. To approve the internal audit charter.

9. To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.

10. To approve the risk-based internal audit plan, including internal audit's resources requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.

11. To approve significant interim changes to the risk-based internal audit plan and resource requirements.
12. To make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitation.
13. To consider reports from the head of internal audit on internal audit's performance during the year, including the performance of external providers of internal audit services. These will include:
  - a) Updates on the work of internal audit including key findings, issues of concern and action in hand as a result of internal audit work.
  - b) Regular reports on the results of the Quality Assurance and Improvement Programme.
  - c) Reports on instances where the internal audit function does not conform to the Public Sector Internal Audit Standards and Local Government Application Note, considering whether the non-conformance is significant enough that it must be included in the Annual Governance Statement.
14. To consider the head of internal audit's annual report:
  - a) The statement of the level of conformance with the Public Sector Internal Audit Standards and Local Government Application Note and the results of Assurance and Improvement Programme that supports the statement – these will indicate the reliability of the conclusions of internal audit.
  - b) The opinion on the overall adequacy and effectiveness of the IJB's framework of governance, risk management and control together with the summary of the work supporting the opinion - these will assist the committee in reviewing the Annual Governance Statement.
15. To consider summaries of specific internal audit reports as requested.
16. To receive reports outlining the action taken where the head of internal audit has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.
17. To contribute to the Quality Assurance and Improvement Programme and in particular, to the external quality assessment of internal audit that takes place at least once every five years.
18. To consider a report on the effectiveness of internal audit to support the Annual Governance Statement.
19. To support the development of effective communication with the head of internal audit.

## **EXTERNAL AUDIT**

20. To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.
21. To consider specific reports as agreed with the external auditor.
22. To comment on the scope and depth of external audit work and to ensure it gives value for money.

23. To commission work from internal and external audit.

24. To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.

### **FINANCIAL REPORTING**

25. To review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the IJB.

26. To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

### **ACCOUNTABILITY ARRANGEMENTS**

27. To report to those charged with governance on the Committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks; financial reporting arrangements, and internal and external audit functions.

28. To report to the IJB on a regular basis on the Committee's performance in relation to the Terms of Reference and the effectiveness of the Committee in meeting its purpose.