
To: Renfrewshire Integration Joint Board

On: 20 November 2015

Report by: Chief Officer

Heading: Establishment of an Audit Committee from 1 April 2016

1. Summary

- 1.1. Previous reports to the IJB have highlighted the requirement to put in place adequate and proportionate internal audit arrangements for review of the adequacy of the arrangements for risk management, governance and effective control of delegated resources.
- 1.2. At its meeting on 18 September 2015 members of the IJB approved the proposal for the Council's Chief Internal Auditor to provide the internal audit service to the IJB, and noted that she would bring forward an internal audit plan for 2016/17 for approval by the IJB by 31 March 2016.
- 1.3. The Board also noted at its meeting in September that proposals for the establishment of an Audit Committee from 1 April 2016, the point at which services and budgets are delegated to the IJB, would be brought to its next meeting, in line with national guidance. This report sets out draft terms of reference and standing orders for the IJB Audit Committee for consideration and approval by the Board
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2. Recommendation

- 2.1. That Integration Joint Board members:
- Approve the establishment of an Audit Committee from 1 April 2016 the terms of reference and standing orders for which are set out in this report.
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3. Background

3.1 Previous reports to the Board have highlighted the requirement to put in place appropriate and proportionate internal audit arrangements including the appointment of a chief internal auditor for the IJB, the approval of an internal audit plan for 2016/17, and the establishment of an audit committee. This report sets out draft proposals for the terms of reference and standing orders for the Audit Committee from 1 April 2016 for consideration and approval by the IJB.

3.2. In developing the terms of reference for the Audit Committee, due regard has been given to the following:

- The national financial guidance developed by the Integrated Resources Advisory Group (IRAG) to support effective health and social care integration, which recommends that appropriate and proportionate such arrangements should be put in place;
- National professional best practice guidance on audit committee principles as set out in CIPFA's recent Position Statement on this subject;
- Emerging practice in other Partnerships in the NHS Board area and across Scotland.

3.3. An Audit Committee is a key component of the IJB's governance framework. Its core function is to provide the IJB with independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes. By overseeing internal and external audit it makes an important contribution to ensuring that effective assurance arrangements in terms of good governance and strong financial management are in place.

3.4. The draft Terms of Reference and procedural Standing Orders are set out for consideration at Appendix 1 to this report. These outline the key functions of the IJB Audit Committee in relation to:

- Internal audit
- External audit
- Risk management
- Assurance
- Financial reporting

They also outline the proposed arrangements in relation to:

- Membership
- Chairmanship

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- Attendance
 - Quorum
 - Meeting Frequency
 - Reporting
 - Conduct of Meetings

3.4 It is proposed that the effectiveness of the arrangements for the operation of the IJB Audit Committee as outlined at Appendix 1 are reviewed after its first full year of operation to ensure that the arrangements remain fit for purpose.

Implications of the Report

1. **Financial** – sound financial governance arrangements are being put in place to support the work of the Partnership. The establishment of an audit committee is a key component of good governance.
2. **HR & Organisational Development** – n/a
3. **Community Planning** - n/a
4. **Legal** – The governance arrangements support the implementation of the provisions of the Public Bodies (Joint Working) (Scotland) Act 2014, and are in line with national guidance
5. **Property/Assets** – n/a
6. **Information Technology** – n/a
7. **Equality & Human Rights** – The recommendations contained within this report have been assessed in relation to their impact on equalities and human rights. No negative impacts on equality groups or potential for infringement have been identified arising from the recommendations contained in the report. If required following implementation, the actual impact of the recommendations and the mitigating actions will be reviewed and monitored, and the results of the assessment will be published on the Council's website.
8. **Health & Safety** –n/a
9. **Procurement** – n/a
10. **Risk** – One of the core functions of the audit committee is to keep under review the arrangements for the effective management of risk in those services delegated to the Health and Social Care Partnership
11. **Privacy Impact** – n/a.

List of Background Papers – none

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**Renfrewshire Integration Joint Board
Audit Committee
Draft Terms of Reference and Procedural Standing Orders**

1. Introduction

- 1.1. The Audit Committee shall be a standing committee of the Integration Joint Board.
- 1.2. The Audit Committee is not a decision making committee; decisions shall rest with the Integration Joint Board to which the Audit committee may make recommendations.
- 1.3. The overarching purpose of the Committee is to provide independent assurance on the adequacy of the risk management framework, the internal control environment, and the integrity of the financial reporting annual governance processes.

2. Membership

- 2.1. Membership must comprise an equal number of voting members from both the Health Board and the Council. The Renfrewshire IJB Audit Committee shall comprise 2 voting members from the Health Board, 2 from the Council and 2 from the non-voting membership.
- 2.2. The provisions in relation to duration of membership, substitution and removal of membership together with those in relation to code of conduct and declaration of interest will be those which apply to the IJB.

3. Chairmanship

- 3.1. The Chair of the IJB shall be a voting member chosen by the IJB. The Chair of the Audit Committee must not be the Chair of the IJB, or be a representative of the same constituent authority as the Chair of the IJB. The IJB may also appoint a voting member as vice chair of the Audit Committee.

4. Quorum

- 4.1. The quorum of members at any meeting of the Audit Committee will be at least three members of the Committee. At least two members present shall be Integration Joint Board voting members.

5. Meeting Frequency

- 5.1. The Audit Committee shall meet at least three times per year.

6. Remit

- 6.1. Internal Audit and External Audit

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- Approving the internal audit plan on behalf of the IJB
 - Receiving reports on internal audit activity and reviewing actions taken on audit recommendations
 - Seeking assurance on the effectiveness of the internal controls in place, the arrangements for ensuring value for money, and for managing the exposure to the risks of fraud and corruption
 - Overseeing the independence, objectivity, performance and professionalism of internal audit as far as it relates to those services delegated to the Integration Joint Board
 - Considering the reports of external audit and inspection agencies, their implications for governance, risk management and control, and the actions being taken to take forward recommendations.
 - Supporting effective working relationships between internal audit and external audit, inspection agencies and other relevant bodies

6.2. Risk Management

- Reviewing the effectiveness of risk management arrangements, the risk profile of the services delegated to the Integration Joint Board and action being taken to mitigate the identified risks

6.3. Assurance

- Being satisfied that the Integration Joint Board's annual assurance statements, including the Annual Governance Statement, properly reflect the risk environment and any actions required to improve it.

6.4. Financial Reporting

- Reviewing the annual financial statements, external audit opinion and report to the IJB, and monitor management action in response to the issues raised by external audit.

7. Attendance

7.1. The Chief Officer, Chief Finance Officer, and Chief Internal Auditor shall normally attend each meeting of the Audit Committee. The external auditor shall also have the right to attend.

7.2. At least one meeting or part thereof shall provide the internal and external auditor with the opportunity to meet the members of the Audit Committee without senior officers present.

7.3. The chief internal auditor and appointed external auditor will have free and confidential access to the Chair of the Audit Committee.

7.4. Other professional advisors and senior officers shall be invited by the Chair to attend as required.

8. Reporting

- 8.1. The Audit Committee shall provide the Integration Joint Board with an annual report summarising its conclusions from the work it has done during the year.
- 8.2. The Audit Committee shall periodically review its own effectiveness and report the results to the Integration Joint Board

9. Conduct of Meetings

- 9.1. Meetings of the Audit Committee will be conducted in accordance with the standing orders of the Integration Joint Board.