

## INTEGRATED AUDIT AND GOVERNANCE COMMITTEE (IAGC)

### TERMS OF REFERENCE

#### 1 CONSTITUTION

- 1.1 The Board of Directors has established a committee of the Board known as the Integrated Audit and Governance Committee. It is a Non-Executive committee and has no executive powers, other than those specifically delegated in these Terms of Reference. These Terms of Reference can only be amended with the approval of the Board of Directors.

#### 2 PURPOSE

- 2.1 The Integrated Audit and Governance Committee (IAGC) is the high level committee with overarching responsibility for risk. The role of the IAGC is to scrutinise and review the Trust's systems of governance, risk management, and internal control. It reports to the Board of Directors (herein shown as the Board) on its work in support of the Annual Report, Quality Report, Annual Governance Statement, specifically commenting on the fitness for purpose of the Board Assurance Framework, the completeness of risk management arrangements, and the robustness of the self-assessment against CQC regulations. Its key responsibilities are to:

- 2.1.1 monitor the integrity of the financial statements of the Trust, and any formal announcements relating to the Trust's financial performance, reviewing significant financial reporting judgements contained in them;
- 2.1.2 review the Trust's internal controls (clinical and financial) and risk management systems;
- 2.1.3 review and monitor the external auditor's independence and objectivity and the effectiveness of the external audit process, including approval of annual plans, taking into consideration relevant UK professional and regulatory requirements;
- 2.1.4 make recommendations to the Council of Governors regarding the appointment, re-appointment and removal of the external auditor, including tender procedures;
- 2.1.5 develop and implement policy on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm;
- 2.1.6 monitor and review the effectiveness of the Trust's internal audit function and counter-fraud arrangements, including approval and review of related annual plans;
- 2.1.7 approve the appointment and/or removal of the internal auditors;

- 2.1.8 report to the Council of Governors, identifying any matters in respect of which it considers that action or improvement is needed, making recommendations as to the steps to be taken;
- 2.1.9 produce an annual report for the Board of Directors
- 2.1.10 review arrangements by which staff within the Trust may raise confidentially concerns over financial control and reporting, clinical quality and patient safety and other matters.

### **3 OBJECTIVES**

#### **Governance, Risk Management and Internal Control**

- 3.1 The IAGC shall review the establishment and maintenance of an effective system of integrated governance, risk management, internal control (clinical and non-clinical) across the whole of the organisation activities that supports the achievement of the Trust's objectives.

In particular, the committee will review the adequacy of:

- 3.2 all risk and control related disclosure statements (in particular the Annual Governance Statement, regular reports on the activities of the Risk Management and Governance Committee, self-certification statements to the Regulator, and Care Quality Commission declarations), together with any accompanying Head of Internal Audit statement, External Auditor opinion or other appropriate independent assurances, prior to endorsement by the Board.
- 3.3 underlying assurance processes that indicate the degree of the achievement of corporate objectives, the effectiveness of the management of principal risks and the appropriateness of the above disclosure statements.
- 3.4 The IAGC will undertake periodic review of progress against the Board Assurance Framework and Corporate Risk Register, with significant changes highlighted. Where these items are of such a significant nature, 4.2 refers, the Chair of the IAGC will bring them to the immediate attention of the chair of the Board of Directors. A full copy of these key documents will be made available to the IAGC in accordance with the timetable agreed by the Board and will normally be reviewed in full prior to the production of the Annual Report and Accounts and the Annual Governance Statement and as part of the Trust's mid year review process.
- 3.5 policies for ensuring compliance with relevant regulatory, legal and code of conduct requirements and any related reporting and self-certifications, and consider any training requirements to ensure committee members are kept up to date with emerging requirements.
- 3.6 policies and procedures for all work related to counter fraud and security as required by NHS Protect Counter Fraud Authority.
- 3.7 arrangements by which staff of the Trust may raise, in confidence, concerns about possible improprieties in matters of financial reporting and control, clinical quality, patient safety or other matters, with the aim of ensuring that arrangements are in place for the

proportionate and independent investigation of such matters and for appropriate follow-up action.

- 3.8 In carrying out this work the committee will primarily utilise the work of Internal Audit, External Audit and other assurance functions, but will not be limited to these audit functions. It will also seek reports and assurances from directors and managers as appropriate, concentrating on the overarching systems of integrated governance, risk management and internal control, together with indicators of their effectiveness.
- 3.9 This will be evidenced through the committee's use of an effective Board Assurance Framework to guide its work and that of the audit and assurance functions that report to it.
- 3.10 As part of its integrated approach, the Committee will have effective relationships with other key committees so that it understands processes and linkages. However, these other committee's must not usurp the Committee's role.

**External Audit**

- 3.11 The Council of Governors will take the lead in agreeing with the IAGC the criteria for appointing, reappointing and removing auditors. The IAGC will make recommendations to the Council of Governors on these matters, and approve the remuneration and terms of engagement of the External Auditor. In accordance with its Standing Orders, the Council of Governors will appoint the external auditor following recommendation from the IAGC.
- 3.12 The IAGC shall develop and implement policy, in collaboration with the Finance and Performance Management Directorate, regarding the engagement of the External Auditor to supply non-audit services, taking into account relevant ethical guidance. All requests for the supply of non-audit services must be presented to the IAGC for noting.
- 3.13 The IAGC shall review and monitor the External Auditor's independence and objectivity, and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements.
- 3.14 The IAGC shall review the work and findings of the External Auditor and consider the implications and management's responses to their work. This will be achieved by:
  - 3.14.1 consideration of the appointment and performance of the External Auditor, as far as the rules governing the appointment permit.
  - 3.14.2 review and agreement, before the audit commences, the nature and scope of the audit as set out in the annual external audit plan.
  - 3.14.3 discussion with the External Auditors of their local evaluation of audit risks and assessment of the Trust and associated impact on the audit fee.
  - 3.14.4 review of all audit reports that are specifically drawn to the attention of the IAGC by the auditors which will include the annual audit letter before submission to the Board and any work carried outside the annual audit plan, together with the appropriateness of management responses.
  - 3.14.5 Ensuring that there is in place a clear policy for the engagement of external auditors to supply non audit services.

3.14.6 The Head of External Audit will have unhindered and confidential access to the Chair of the IAGC.

### **Internal Audit**

3.15 The IAGC shall ensure that there is an effective Internal Audit function established by management that meets the Public Sector Internal Audit Standards, 2013 and provides appropriate independent assurance to the IAGC, Chief Executive and Board. This will be achieved by:

3.15.1 consideration of the provision of the Internal Audit service, the cost of the audit and any questions of resignation and dismissal;

3.15.2 review and approval of the Internal Audit strategy, operational plan and more detailed programme of work, ensuring that this is consistent with the audit needs of the organisation as identified in the Board Assurance Framework;

3.15.3 where there is a requirement to undertake work outside of the approved annual work plan, all such requests must be presented to the IAGC for approval;

3.15.4 consideration of the major findings of internal audit work (and management's response), and ensure co-ordination between the Internal and External Auditors to optimise audit resources;

3.15.5 ensuring that the Internal Audit function is adequately resourced and has appropriate standing within the organisation;

3.15.6 annual review of the effectiveness of internal audit in such manner as is appropriate and agreed by the IAGC, including a review of the successful operation of the contract between the Trust and Internal Audit.

3.15.7 The Head of Internal Audit will have unhindered and confidential access to the Chair of the IAGC.

### **Other Assurance Functions**

3.16 The IAGC shall review the findings of other significant assurance functions, both internal and external to the Trust, and consider the implications for the governance of the organisation. These will include, but not be limited to, any review by Department of Health arms-length bodies or Regulators/Inspectors (e.g. Care Quality Commission, NHS ~~Litigation Authority~~ Resolution, Monitor etc.), and professional bodies with responsibility for the performance of staff or functions (e.g. Royal Colleges, accreditation bodies etc.).

### **Counter Fraud**

3.17 The IAGC shall satisfy itself that the organisation has adequate arrangements in place for counter fraud and security that meet NHS ~~Protect~~ Counter Fraud Authority's standards and shall review the outcomes of work in these areas.

**Management**

- 3.18 The IAGC shall request and review reports, evidence and assurances from directors and managers on the overall arrangements for governance, risk management and internal control.
- 3.19 They may also request reports from individual functions within the Trust (e.g. clinical audit) as they may be appropriate to the overall arrangements.

**Financial Reporting**

- 3.20 The IAGC will monitor the integrity of the financial statements of the Trust, and any formal announcements relating to the Trust's financial performance, reviewing significant financial reporting judgements contained in them. In doing so, the IAGC shall additionally utilise the findings of the Finance and Investment-Performance Committee, which is chaired by a Non-Executive Director of the Trust Board.
- 3.21 The IAGC shall review the Annual Report and Accounts before submission to the Board, focusing particularly on:
- 3.21.1 changes in, and compliance with, accounting policies and practices and estimation techniques;
  - 3.21.2 major judgemental areas;
  - 3.21.3 significant judgements in the preparation of the financial statements;
  - 3.21.4 significant adjustments resulting from the audit;
  - 3.21.5 the wording in the Annual Governance Statement and other disclosures relevant to the terms of reference of the IAGC;
  - 3.21.6 letters of representation;
  - 3.21.7 explanations for significant variances;
  - 3.21.8 unadjusted mis-statements in the financial statements.
  - 3.21.9 Providing mandatory issues (as detailed in paragraph 1) are reserved for the attention of the full committee in session, other matters including review of the Annual Report and Summary Financial Statements may be dealt with as the IAGC deems appropriate through a process coordinated by the IAGC Chair.
- 3.22 The IAGC should also ensure that the systems for financial reporting to the Board, including those of budgetary control, are subject to review as to completeness and accuracy of the information provided to the Board.

**4. MEMBERSHIP AND ATTENDANCE**

**Membership**

- 4.1 The IAGC shall consist of not less than 4 Non Executive Director members. There will be appropriate cross-membership with other Board committees.

- 4.2 One member of the IAGC should have significant, recent and relevant financial experience as outlined in the Combined Code and Sarbanes-Oxley Act 2002. The Chair of the Trust shall not be a member of the IAGC.

**Chair**

- 4.3 The Chair of the committee will be a non-executive director as determined by the Nominations Committee of the Board.

**Attendees**

- 4.4 External and Internal Auditors the Head of Clinical Audit and a representative of the counter-fraud specialists are required to make themselves available when required for a private meeting with the IAGC Chair immediately prior to each IAGC meeting.
- 4.5 The Finance Director, Chief Nurse and Director of Quality, Trust Secretary and appropriate Internal and External Audit and counter-fraud representatives shall normally attend IAGC meetings.
- 4.6 The Chief Executive and other executive directors may be invited to attend, particularly when the IAGC is discussing areas of risk or operation that are the responsibility of that director.
- 4.7 The Chief Executive should be invited to attend, at least annually, to discuss with the IAGC the process for assurance that supports the Annual Governance Statement. He or she should also attend when the Committee considers the draft Annual Governance Statement and the Annual Report and Accounts.

**Quorum**

- 4.8 Business will only be conducted if the meeting is quorate. The Committee will be quorate with at least two Non-Executive Directors present. If the Trust Chair is in attendance, this will count towards the quorum.
- 4.9 If the meeting is not quorate the meeting can progress if those present determine. However, no business decisions shall be transacted and items requiring approval may be submitted to the next Board of Directors meeting as an urgent item.

**Attendance by Members**

- 4.10 The Chair, or their nominated deputy, of the Committee will be expected to attend 100% of the meetings. Other Committee members will be required to attend a minimum of 80% of all meetings and be allowed to send a Deputy to one meeting per annum.

**Attendance by Officers**

- 4.11 The Committee will be open to the Chair, Chief Executive and Trust Secretary to attend.
- 4.12 Other staff may be co-opted to attend meetings as considered appropriate by the Committee on an ad hoc basis

**Voting**

- 4.13 When a vote is requested, the question shall be determined by a majority of the votes of the members present for the item. In the event of an equality of votes, the person presiding shall have a second or casting vote.

**5 FREQUENCY OF MEETINGS**

- 5.1 Meetings shall be held quarterly. The Board, Chief Executive, External Auditor or Head of Internal Audit may request a meeting to ensure business is conducted in a timely way.

**6 AUTHORITY**

- 6.1 The Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any member of staff and all members of staff are directed to co-operate with any request made by the Committee.
- 6.2 Reference should be made as appropriate, to the Standing Orders and Standing Financial Instructions of the Trust.
- 6.3 The committee may set up permanent groups or time limited working groups to deal with specific issues. Precise terms of reference for these shall be determined by the committee. However, Board Committees are not entitled to further delegate their powers to other bodies, unless expressly authorised by the Trust Board (Standing Order 5.5 refers).
- 6.4 The Committee is authorised by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience if it considers this necessary or advantageous to its work.

**7. SERVICING ARRANGEMENTS**

- 7.1 A member of the Board Secretariat shall attend meetings and take minutes.
- 7.2 Agendas and papers shall be distributed in accordance with deadlines agreed with the Committee Chair.
- 7.3 Members will be encouraged to comment via correspondence between meetings as appropriate.
- 7.4 The IAGC will maintain a rolling annual work plan that will inform its agendas and seek to ensure that all duties are covered over the annual cycle.

**8 ACCOUNTABILITY AND REPORTING**

- 8.1 The Committee is accountable to the Board of Directors.
- 8.2 Chair reports will be provided to the Board of Directors to include: committee activity by exception; decisions made under its own delegated authority; any recommendations for decision; and any issues of significant concern.

- 8.3 Approved minutes will be circulated to the Board of Directors. Requests for copies of the minutes by a member of public or member of staff outside of the Committee membership will be considered in line with the Freedom of Information Act 2000.

## **9 RELATIONSHIPS WITH OTHER COMMITTEES**

- 9.1 The Committee will receive minutes for scrutiny from the following meetings:

- Information Governance Steering Group
- Information Assurance Board

- 9.2 Alignment with Council of Governor Audit Working Group

## **10 MONITORING EFFECTIVENESS AND REVIEW**

- 10.1 The Committee will provide an annual report outlining the activities it has undertaken throughout the year.
- 10.2 A survey will be undertaken by the members on an annual basis to ensure that the terms of reference are being met and where they are not either; consideration and agreement to change the terms of reference is made or an action plan is put in place to ensure the terms of reference are met.
- 10.3 The terms of reference will be reviewed and approved by the Board of Directors on an annual basis.
- 11.3 The IAGC shall report to the Council of Governors, identifying any matters within the Council's remit in respect of which it considers that action or improvement is needed, and making recommendations as to the steps to be taken.

## **11. JOINT COMMITTEES**

- 11.1 The IAGC shall meet annually in May, jointly with the Finance and ~~Investment Performance~~ Committee (FIPC) for the purpose of reviewing the annual report and accounts, and annual plan, prior to formal approval by the Board of Directors.
- 11.2 Other joint meetings with the FIPC shall be held from time to time as agreed between the Chair of the FIPC, the Chair of the IAGC, Trust Chairman, Trust Chief Executive and Executive Directors, for the purpose of reviewing Divisional performance and for such other matters as may be agreed by both Committees within their respective Terms of Reference.
- 11.3 Meetings shall be chaired jointly unless otherwise agreed by the Chairs of both committees.
- 11.4 All members of the IAGC and FIPC shall be members of the Joint Committee. Attendance by others will be by invitation but will normally include the Deputy Finance Director and Deputy Director of Risk and Governance.
- 11.5 A quorum shall comprise Chairs of both the IAGC and FIPC, the Director of Finance and Performance Management and the Chief Nurse/Director of Quality and Operations.
- 11.6 In all other regards the Joint Committee will operate and be administered in the same manner as set out in each Committee's individual Terms of Reference.

| Reviewed by the Committee: JANUARY 201~~7~~8

Approved by the Board of Directors: FEBRUARY 2017