



Report

Audit and Risk Committee

Edinburgh Integration Joint Board

20 November 2015

Executive Summary

1. Approval is sought for the creation of an Audit and Risk Committee. The committee will be an important component to ensure appropriate consideration of governance, risk and assurance matters. The creation of the committee will be in line with good practice governance standards in the public sector.

Recommendations

2. To agree to establish an Audit and Risk Committee.
3. To agree the terms of reference as detailed in appendix 1 to this report.
4. To appoint the membership of the committee.
5. To appoint the chair of the committee.

Background

6. The Edinburgh Integration Joint Board (IJB) on 25 September 2015 agreed that an audit and risk committee with a wide ranging remit should be established. The IJB asked for a report to its next meeting on possible membership and a terms of reference.
7. The IJB is required to be satisfied that its functions are being carried out in line with legal and regulatory requirements. In the interests of efficient governance, the relevant committees of NHS Lothian and the City of Edinburgh Council will continue to discharge their existing remits for assurance and scrutiny of matters such as the internal control framework, quality and professional standards and compliance with the law. This will help avoid unnecessary duplication of governance activity.
8. Scottish Government guidance on financial integration highlights that an IJB audit committee will have an important role to play in the assurance process through assessment of objectives and risks. They advise that the IJB should make appropriate and proportionate arrangements, for consideration of the audit provision and annual financial statements, which are compliant with regulations and good practice governance standards in the public sector.

9. The Integration Scheme sets out that the IJB, NHS Lothian and the Council will have a shared risk management strategy.

Main report

10. An effective audit and risk committee is key to a strong governance culture and to help ensure that a robust framework is in place to provide assurance on risk management, governance and internal control, provide effective scrutiny of the IJB's functions and consider the changes necessary to improve on these arrangements.
11. The audit and risk committee would monitor and scrutinise risk management. This would include reviewing the risk register and scrutinising the risk management strategy before the IJB approves it. Risk Registers will assist with the identification of the issues and the areas that require further assurance with a view to highlighting improvement actions.
12. The committee will scrutinise and approve the IJB's internal audit plan for the year and scrutinise the internal audit reports.
13. The committee will be required to determine how much assurance it requires, in what areas this should be focussed on and where this should be obtained from.
14. It will review and challenge the assurance in place and what is provided to the committee. This challenge should include exploring whether the assurance provided is accurate and reliable and whether the conclusions provided are reasonable.
15. The committee will primarily draw its assurance from the systems of governance in place at NHS Lothian and the City of Edinburgh Council. However, it can decide to commission or receive additional work if it sees fit although this will need to be balanced with how this work is resourced and financed. Reports considered by NHS Lothian and the City of Edinburgh Council on the delegated functions will be shared with the Audit and Risk Committee to scrutinise when it is determined necessary.
16. The committee will be required to consider information on financial matters. It will consider and make recommendations to the IJB on the approval of the Annual Accounts and it will scrutinise the External Audit Plan and outcomes.
17. The committee's primary role would be non-decision making and would advise the IJB on matters such as the risk management strategy and annual accounts prior to the decision being taken. It would though have the power to agree its own audit plan, using risk to assist in the deliberations.
18. It is important that the committee has access to IJB members and employees to ensure it can effectively carry out its role. As a result it is proposed that the committee has the authority to require that an IJB member or an employee of the IJB, NHS Lothian and the City of Edinburgh Council attends the committee to provide information on a matter.

Membership and Meeting Arrangements

19. The Public Bodies (Joint Working) (Integration Joint Board) (Scotland) Order 2014 sets out that the committee's chair and membership must be appointed by the IJB. It must include voting members and must include an equal number of health board and local authority appointees on the IJB.
20. It is proposed that the IJB appoint the membership of the Audit and Risk Committee as six members, two from those appointed to the IJB by NHS Lothian, two appointed by the City of Edinburgh Council and two non-voting members of the IJB.
21. Substitutes are permitted from the membership of the IJB and the quorum for the meeting will be at least half of the voting members.
22. The IJB is required to appoint the chair and it is recommended that the chair or vice-chair of the IJB should not be members of the Audit and Risk Committee. All members of the IJB will have right of access to the papers of the committee.
23. It is proposed that the committee should be given the power to co-opt members for one year as outlined in the IJB's Standing Orders. This could be used to supplement the committee's knowledge, skills and experience. A co-opted member can not be a member of the IJB and can not vote.
24. The role of an Audit and Risk Committee member will be complex and accordingly mandatory training will be made available.
25. The Chief Officer, the Chief Finance Officer and the Chief Internal Auditor will be frequent participants of the committee. They will report to the committee, provide information and participate in discussions. They will not be members of the committee and will not be able to vote.
26. Meetings of the committee shall be held at a frequency determined by the committee. The chair can call a meeting when they see fit but there should be at least four meetings a year as per the guidance by the Scottish Government.
27. The IJB's standing orders apply to this committee.

Chief Internal Auditor

28. It is best practice for the IJB to appoint a Chief Internal Auditor. This appointment will assist in guiding the committee in identifying the scope of the assurance required and the detail necessary to achieve this. The Chief Internal Auditor will also liaise with NHS Lothian and the City of Edinburgh Council's internal audit functions over any work performed by them that may impact the services provided by the IJB.

Financial implications

29. There are no financial implications connected with this report.

Involving people

30. This report has been written in consultation with officials from NHS Lothian and the City of Edinburgh Council.

Impact on plans of other parties

31. There is no known impact on the plans of other parties.

Background reading/references

Edinburgh Integration Joint Board's Standing Orders
Scottish Government Guidance for Integration Financial Assistance
Scottish Government – Audit Committee Handbook

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Links to priorities in strategic plan

Audit and Risk Committee Terms of Reference

Membership: 6 members

- 32. Two members of the IJB appointed by NHS Lothian
- 33. Two members of the IJB appointed by the City of Edinburgh Council
- 34. Two non-voting members of the IJB

Chair

- 35. The chair of the committee requires to be appointed by the IJB.

Quorum

- 36. Two voting members of the Audit and Risk Committee will constitute a quorum.

Substitution

- 37. Substitutes are permitted from the membership of the Integration joint Board.

Remit

- 38. To monitor and scrutinise the effectiveness of audit and inspection, risk management, governance arrangements and the financial and internal control environment regarding the Integration Functions.
- 39. To agree the Internal Audit Charter.
- 40. To approve the annual internal audit plan and review all audit work against this plan.
- 41. To scrutinise and consider the annual internal and external audit plans and reports.
- 42. To scrutinise and review the risk management strategy and risk register.
- 43. To scrutinise the annual accounts.
- 44. To review the IJB's arrangements to prevent bribery and corruption within its activities.
- 45. To advise the IJB on any matter contained in the committee's remit.