

## AUDIT COMMITTEE

### TERMS OF REFERENCE

#### 1. ROLE OF THE COMMITTEE

##### **Purpose:**

This committee provides the CCG's governing body ('the Board') with an independent and objective view of the CCG's financial and risk management systems, financial information and compliance with laws, regulations and directions governing the group in so far as they relate to finance, good corporate governance and the CCG's responsibility to act effectively, efficiently and economically

##### **Objectives:**

The Committee is a non-executive committee of the CCG Board and has no executive powers, other than those specifically delegated in these terms of reference.

The Committee's duties/responsibilities can be categorised as follows:

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

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

In particular, the Committee will review the adequacy and effectiveness of:

- All risk and control related disclosure statements (in particular the annual governance statement) together with any accompanying Head of Internal Audit opinion, external audit opinion or other appropriate independent assurances, prior to submission to the Board.
- The underlying assurance processes that indicate the degree of achievement of the organisation's objectives, the effectiveness of the management of principal risks and the appropriateness of the above disclosure statements.
- The policies for ensuring compliance with relevant regulatory, legal and code of conduct requirements and any related reporting and self-certifications.
- The policies and procedures for all work related to counter fraud, bribery and corruption as required by NHSCFA.

The Committee will also:

- Review the CCG's Scheme of Delegation and Standing Financial Instructions on an annual basis.
- Review schedules of losses and compensations and make recommendations to the CCG Board.
- Approve the opening or closing of any bank accounts.

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 sources. 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.

This will be evidenced through the Committee's use of an effective governance framework to guide its work and the audit and assurance functions that report to it.

As part of its integrated approach, the Committee will have effective relationships with other key CCG committees/sub-committees, to enable it to understand processes and linkages. To facilitate this, the Committee will receive the minutes of the following CCG committees:

- Finance & Performance Committee
- Quality & Governance Committee
- Mid Essex Live Well Partnership Board (once established)
- Primary Care Commissioning Committee
- Risk and Assurance Sub-Committee

In addition, the Chair and Deputy Chair of the Committee also attend the CCG's Remuneration Committee.

These other committees will not usurp the Committee's role.

#### Internal Audit

The Committee shall ensure that there is an effective internal audit function that meets the *Public Sector Internal Audit Standards 2017* and provides appropriate independent assurance to the Committee, Accountable Officer and 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 (and management's response) and ensuring 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
- Monitoring the effectiveness of internal audit and carrying out an annual review.

#### External Audit

The Committee shall review and monitor the external auditors' 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 (and make recommendations to the Board when appropriate)
- 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

- Reviewing all external audit reports, including the report 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
- Ensuring that there is in place a clear policy for the engagement of external auditors to supply non-audit services

When acting as Auditor Panel for the procurement of External Auditors, the Committee may make recommendations to the Board in relation to the procurement and ongoing management of External Auditors.

### Other Assurance Functions

The Committee shall review the findings of other significant assurance functions, both internal and external to the organisation, and consider the implications for the governance of the organisation.

These will include, but will not be limited to, any reviews by Department of Health and Social Care arm's length bodies or regulators/inspectors – for example, the Care Quality Commission, NHS Resolution, etc., and professional bodies with responsibility for the performance of staff or functions – for example, Royal Colleges, accreditation bodies, etc.

In addition, the Committee will review the work of other committees within the CCG, whose work can provide relevant assurance to the Committee's own areas of responsibility. In particular, this will include any clinical governance, risk management or quality committees that are established.

### Counter Fraud

The Committee shall satisfy itself that the organisation has adequate arrangements in place for counter fraud, bribery and corruption that meet NHSCFA's standards and shall review the outcomes of work in these areas.

In accordance with 3.2 of the NHSCFA's *Fraud Commissioners Standards* the Committee has:

“stated its commitment to ensuring commissioners achieve these standards and therefore requires assurance that they are being met via NHSCFA's quality assurance programme”.

The committee will refer any suspicions of fraud, bribery and corruption to the NHSCFA.

### Management

The Committee shall request and review reports, evidence and assurances from directors and managers on the overall arrangements for governance, risk management and internal control.

The Committee may also request specific reports from individual functions within the CCG.

### Financial Reporting

The Committee shall monitor the integrity of the financial statements of the organisation and any formal announcements relating to its financial performance.

The Committee should 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.

The Committee shall review and formally approve, on behalf of the Board, the annual report and financial statements before submission to NHS England, focusing particularly on:

- The wording in the annual governance statement and other disclosures relevant to the terms of reference of the Committee
- Changes in, and compliance with, accounting policies, practices and estimation techniques
- Unadjusted misstatements in the financial statements
- Significant judgements in preparation of the financial statements
- Significant adjustments resulting from the audit
- Letters of representation
- Explanations for significant variances

The Board will formally receive and approve the annual report and financial statements at its Annual General Meeting.

### Whistleblowing

The Governance Institute's *Guidance Note – Terms of Reference for the Audit Committee* states that "the committee shall review the adequacy and security of the company's arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The committee shall ensure that these arrangements allow proportionate and independence investigation of such matters and appropriate follow up action".

To that end, the Committee shall review the effectiveness of the arrangements in place for allowing staff to raise (in confidence) concerns about possible improprieties in financial, clinical or safety matters and ensure that any such concerns are investigated proportionately and independently.

### Security

The Committee shall ensure that the CCG has adequate arrangements in place for security and review the outcomes of work in these areas. The CCG will continue to adhere to the standards and guidance such as those previously published by NHS Protect (a division of the NHS Business Services Authority abolished with effect from 1 November 2017), pending the publication of new guidance and as a guide to good practice only. Any subsequent guidance on security management published by a regulatory or supervisory body may supersede the previous standards and guidance.

### Emergency Planning, Resilience & Response and Business Continuity Management

The Committee shall seek assurance on implementation of Emergency Planning and Business Continuity arrangements.

## **2. ACCOUNTABILITY**

### **Accountable to:**

Mid Essex CCG Board

### **Accountable for:**

*Joint Committee Risk and Assurance Sub-Committee*

### **3. DECISION MAKING**

The Committee can take decisions and make recommendations on the matters within its review, including accounting policies and financial and statutory reporting responsibilities.

The Committee can approve minor amendments on behalf of the Board or endorse new and/or significant amendments for approval by the Board of policies and procedures for all work related to internal control, counter fraud and corruption, emergency planning and business continuity, and compliance with relevant regulatory, legal and code of conduct requirements.

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 employee and all employees are directed to co-operate with any request made by the Committee. 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 and expertise if it considers this necessary.

### **4. MANAGEMENT OF CONFLICTS OF INTEREST**

Members of the Committee will be required to declare any relevant interests to the CCG in accordance with the CCG's Conflicts of Interest Policy.

A register of Committee members' interests and CCG staff who regularly attend Committee meetings will be produced for each meeting. Committee members and attendees will be required to declare interests relevant to agenda items as soon as they are aware of an actual or potential conflict so that the Committee Chair can decide on the necessary action to manage the interest in accordance with the Conflicts of Interest Policy.

If a conflict of interest arises, the Chair may require the affected member/attendee to withdraw at the relevant discussion or voting point.

### **5. MONITORING AND REPORTING**

#### **Monitoring Arrangements:**

The Committee shall monitor the integrity of the financial statements of the CCG and any formal announcements relating to the CCG's financial performances.

#### **Reporting Arrangements:**

The Committee shall report to the Board on how it discharges its responsibilities.

The minutes of the Committee's meetings shall be formally recorded by the secretary and will be presented in a summarised form to the Board by the Audit Chair. The Chair of the Committee shall draw to the attention of the Board any issues that require disclosure to the full Board, or require executive action.

The Committee will report to the Board at least annually on its work in support of the annual governance statement, specifically commenting on:

- The fitness for purpose of the assurance framework
- The completeness and embedment of risk management in the organisation
- The integration of governance arrangements

- The appropriateness of the evidence that shows the organisation is fulfilling regulatory requirements relating to its existence as a functioning business
- The robustness of the processes behind the quality accounts

This annual report should also describe how the Committee has fulfilled its terms of reference and give details of any significant issues that the Committee considered in relation to the financial statements and how they were addressed.

## **6. MEMBERSHIP**

The Committee shall be appointed by the Board from amongst its independent, non-executive directors/lay members and shall consist of not less than three members.

The Chair of the Clinical Commissioning Group (CCG) shall not be a member of the Committee.

The Lay member for Governance shall be appointed as Chair of the Committee. One of the other two independent members shall be appointed as Deputy Chair.

The current membership of the Committee is as follows:

Lay member – John Gilham (Chair)  
 Lay Member – Alan Hubbard (Deputy Chair)  
 GP member - Dr Elizabeth Towers

At least once a year, the Committee should meet privately with the external and internal auditors. At any other time the Head of Internal Audit and representative of external audit will have a right of direct access to the Chair of the Committee if required.

### Others in Attendance at Meetings

The Chief Finance Officer and appropriate internal and external audit representatives shall normally attend meetings.

The Local Counter Fraud Specialist (LCFS) will attend a minimum of two committee meetings a year.

The Accountable Officer (or deputy Accountable Officer) will be invited to attend meetings and shall discuss at least annually with the Committee the process for assurance that supports the governance statement. He or she will also attend when the Committee considers the draft annual governance statement and the annual report and accounts.

Other executive directors/managers should be invited to attend, particularly when the Committee is discussing areas of risk or operation that are the responsibility of that director/manager.

Representatives from other organisations, for example NHS Counter Fraud Authority (NHSCFA), and other individuals may be invited to attend on occasion.

The CCG's secretary or governance lead shall be secretary to the Committee, shall attend committee meetings, and ensure that appropriate administrative support is provided to the Chair and committee members, including ensuring that minutes of meetings are taken.

The current members of CCG staff who are required to attend Audit Committee on a regular basis are:

Chief Finance Officer  
Deputy Chief Finance Officer  
Director of Governance & Performance and Accountable Emergency Officer  
Head of Corporate Governance

Corporate Governance Support Officer

### Administrative Support

The Committee shall be supported administratively by its secretary (the organisation's secretary or governance lead) – his or her duties in this respect will include:

- Maintaining the Audit Committee's workplan and reviewing this on an annual basis
- Agreement of agendas with the Chair and attendees
- Preparation, collation and circulation of papers in good time, i.e. 5 working days prior to each meeting
- Ensuring that those invited to each meeting attend and monitoring attendance at meetings for the purposes of the annual governance statement
- Ensuring that minutes are taken and helping the Chair to prepare reports to the Board
- Keeping a record of matters arising and issues to be carried forward via the Committee's Action Log
- Arranging meetings for the Chair – for example, with the internal/external auditors or LCFS
- Maintaining records of members' appointments and renewal dates
- Advising the Committee on pertinent issues/areas of interest/policy developments
- Ensuring that action points are taken forward between meetings
- Ensuring that Committee members receive the development and training they need
- Issuing the annual review of Audit Committee effectiveness questionnaire, reporting collated responses to the Committee, and developing an action plan if necessary.

Committee meetings will be administered by the Governance Support Officer under the direction of the Head of Corporate Governance.

Papers will be issued 5 working days before the Committee meeting and late papers will not normally be accepted. In exceptional circumstances late papers may be circulated with the express agreement of the Committee Chair.

Minutes will be circulated within 5 working days.

Apologies for non-attendance should be made 5 days in advance of the Committee.

## **7. QUORUM**

A quorum shall be two of the three independent members including either the Committee Chair or the Committee Deputy Chair.

Other Lay/GP members of the CCG's Board may be co-opted on to the Committee in order to ensure quoracy in the event of members' unplanned absence, conflicts of interest, etc.

## **8. MEETING FREQUENCY**

The Committee must consider the frequency and timing of meetings needed to allow it to discharge all of its responsibilities. To this end, the Committee has agreed to meet on a quarterly basis, plus an additional meeting to approve the Annual Report and Accounts.

The external or internal auditors may request a meeting if they consider one is necessary.

## **9. REVIEW OF EFFECTIVENESS**

The Committee will develop a workplan that prioritises and monitors the delivery of its objectives. This workplan will be monitored regularly and will be formally reviewed on an annual basis.

## **10. REVIEW OF TERMS OF REFERENCE**

To be reviewed annually by the Committee. Changes will be recommended to and ratified by the CCG Board.

**Date of Audit Committee approval: 17 December 2019**

**Date of Board approval: 30 January 2020**