

EAST LANCASHIRE CLINICAL COMMISSIONING GROUP

**AUDIT COMMITTEE
Terms of Reference**

1. Introduction

- 1.1 Codes of Conduct and Accountability require that NHS organisations establish an Audit Committee as a Sub-Committee of the Governing Body with clearly defined terms of reference, which will provide an independent and objective view relating to –
- the effective operation of the internal financial control matters, such as the safeguarding of assets,
 - the maintenance of proper accounting records
 - the reliability of financial information
 - the statement of internal control included in the annual report and accounts
 - independently monitoring, reviewing and reporting to the Governing Body on the processes of governance

2. Constitution

- 2.1 The Clinical Commissioning Group (CCG) Governing Body resolved to establish a Committee to be known as the Audit Committee and keep under review its terms of reference.
- The Audit Committee is authorised by the Governing Body to investigate any activity within its terms of reference.
 - The Audit Committee Members shall be appointed from within the Governing Body.
 - The Governing Body shall appoint the Chair of the Audit Committee.
 - The Chair of the CCG shall not be a member of the Audit Committee.
 - The minutes of the Audit Committee meetings shall be presented in full without delay, to the Governing Body.
 - The Audit Committee will report to the Governing Body annually on its work.

3 Membership

- 3.1 Membership shall consist of not less than four members. The following will be Members of the Audit Committee:
- Lay Member - Governance : Chair
 - Lay Member - Quality & Patient Engagement
 - Lay Member – Equality & Inclusion
 - 2 GP members of the Governing Body

Members shall attend a minimum of 75% of meetings during the year.

In Attendance:

- Director of Corporate Business
- Chief Finance Officer

- 3.2 The Vice Chair is to be appointed by majority vote (with the Chair having the casting vote) at the inaugural Audit Committee meeting.
- 3.3 The Head of Corporate Affairs shall be in attendance at the invitation of the Chair. They shall also be responsible for drawing the Committee's attention to best practice, national guidance and other relevant documents as appropriate.
- 3.4 Should a member not be able to attend a committee meeting, apologies in advance must be provided to the Secretary and the status of any formal acting up or deputising arrangements must be agreed by the Chair

4. Quorum

- 4.1 A quorum shall be three members in attendance.

5. Attendees

- 5.1 The Chief Finance Officer will be invited to attend all meetings; representatives from NHS Protect, Internal and External Audit will be invited to attend meetings, but none will have voting rights.
- 5.2 In addition:
- The Accountable Officer and other directors may be invited to attend, when the Audit Committee is discussing areas of risk or operation that are the responsibility of that Senior Officer.
 - With the agreement of the Chair, other senior specialist managers may attend from time to time from inside and outside of the CCG to provide specialist advice and support, but will have no voting rights.
 - At least once a year the Audit Committee will meet privately with the External and Internal Auditors.
 - The Accountable Officer will be invited to attend on an annual basis to specifically discuss assurances regarding the annual governance statement.

6. Frequency

- 6.1 The Audit Committee will meet bi monthly from April 2014.
- 6.2 The External Auditor or Head of Internal Audit may request a meeting if they consider that one is necessary.

7 Administration

- 7.1 The Committee shall be supported administratively by the Head of Corporate Affairs, whose duties in this respect will include –
- Agreement of agenda with Chair and collation of papers;
 - Taking the minutes and keeping a record of matters arising and issues to be carried forward;

8. Authority

- 8.1 The Audit Committee is authorised by the Governing Body 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 Audit Committee.
- 8.2 The Audit Committee is authorised by the Governing Body 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.
- 8.3 The Audit Committee may request and review reports and positive assurances from directors and managers on the overall arrangements for governance, risk management and internal control.
- 8.4 The Audit Committee may also request specific reports from individual functions within the organisation as may be appropriate to the overall arrangements.

9. Duties

The main duties of the Audit Committee encompass independent review, scrutiny and oversight of the following functions:

- ❖ Financial reporting
- ❖ Internal controls and risk management systems
- ❖ Internal Audit
- ❖ External Audit
- ❖ Counter Fraud
- ❖ Board Assurance Framework
- ❖ Whistle blowing, Quality and safeguarding
- ❖ Emergency planning and resilience

9.1 Financial Reporting

- 9.1.1 The Audit Committee shall monitor the integrity of the financial statements of the CCG including the annual report, reviewing significant financial reporting issues and judgements which they contain, focussing specifically on major judgemental areas.
- 9.1.2 The Audit Committee shall review summary financial statements, significant financial returns to regulators and any financial information contained in other official documents, including the Annual Governance Statement; before they are issued, sent to regulators, or presented to the Governing Body
- 9.1.3 The Audit Committee will also ensure that the systems for financial reporting, including those of budgetary control, are subject to review as to completeness and accuracy of the information provided to the CCG's governing body.
- 9.1.4 The Audit Committee shall review and challenge where necessary:
 - a) The wording in the governance statement and other disclosures relevant to the terms of reference of the committee;
 - b) The consistency of, and any changes to, accounting policies

- c) The methods used to account for significant or unusual transactions where different approaches are possible
- d) Unadjusted mis-statements in the financial statements
- e) Significant adjustments resulting from audit.
- f) The Letter of Representation
- g) Whether the CCG has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditors
- h) The clarity of disclosure in the CCG's financial reports and the context in which statements are made.
- i) All material information presented with the financial statements (insofar as it relates to audit and risk management).

9.2 Internal Controls and Risk Management Systems

9.2.1 The Audit Committee shall review the implementation and on-going quality of integrated governance, risk management and internal control, across the whole of the CCG's activities (both clinical and non-clinical). In particular it shall:

- a) Review the effectiveness of the CCG's internal controls, board assurance framework, integrated governance and risk management systems including Quality, Innovation, Productivity and Prevention (QIPP). The Audit Committee shall review the CCG's Corporate Risk Register twice yearly.
- b) Review the adequacy of all risk and control related disclosure statements (in particular the Statement on Internal Control and declarations of compliance with the Standards for Better Health), together with any accompanying Head of Internal Audit statement, external audit opinion or other appropriate independent assurances, prior to endorsement by the Governing Body.
- c) Review the statements to be included in the annual report concerning internal controls and risk management.
- d) Review the 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.
- e) Monitor the policies and procedures relating to counter-fraud and anti-corruption activities as set out in the Secretary of State Directions and performed by NHS Protect.
- f) Review the policies for ensuring compliance with relevant regulatory, legal and code of conduct requirements.

9.2.2 Review instances where the CCG's Standing Orders and Prime Financial Policies are waived and investigate those issues that present a risk to the internal control functions of the CCG

9.2.3 Review at least annually the Governing Body's register of gifts, hospitality and sponsorship, and declaration of governing body members' interests.

9.3 Internal Audit

- 9.3.1 The Audit Committee will meet the head of internal audit at least once a year, without management being present, to discuss their remit and any issues arising from the internal audits carried out. In addition, the head of internal audit shall be given the right of direct access to the Chairman of the CCG Governing Body and to the CCG Audit Committee members.
- 9.3.2 The Audit Committee will monitor and ensure the effectiveness of the internal audit function established by management, ensuring it meets mandatory NHS Internal Audit Standards and encompasses the Public Sector Internal Audit Standards.
- 9.3.3 To provide appropriate independent assurance to the governing body the Audit Committee shall:
- a) Consider the provision of the internal audit service, the cost of the audit and any questions of resignation and dismissal.
 - b) Monitor and review the quality and effectiveness of CCG's internal audit function in the context of the CCG's overall risk management system as identified in the CCG Board assurance framework.
 - c) Consider and approve the remit of the internal audit function and ensure it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards. The Audit Committee shall also ensure the function has adequate standing and is free from management or other restrictions.
 - d) Review and assess the annual internal audit plans, ensuring these are consistent with the audit needs of the CCG as identified in the Assurance Framework.
 - e) Evaluate promptly all reports giving limited or no assurance from the internal auditors.
 - f) Assess and monitor management's responsiveness to the findings and recommendations of the internal auditors.

9.4 External Audit

- 9.4.1 The Audit Committee shall review the work and findings of the external auditor appointed by the Audit Commission and consider the implications and management's responses to their work.
- 9.4.2 The Audit Committee will oversee the relationship with the external auditor by (but not limited to) the following:
- a) Consideration of the appointment and performance of the external auditors and make recommendations to the governing body as far as the Audit Commissions rules permit.
 - b) Discussion and agreement with the external auditor, before the audit commences, of the nature and scope of the audit as set out in the annual plan.
 - c) Discussion with the external auditor of their local evaluation of audit risks and assessment of the CCG and associated impact on the audit fees.

- d) The Audit Committee shall meet the external auditor at least once a year, without management being present; to discuss their remit and any issues arising from the group's audit.
- f) Ensure the CCG receives an effective service.

9.4.3 The Audit Committee will review all External Audit reports: including agreement of the annual audit letter, any work carried outside the annual audit plan; together with the appropriateness of management responses before submission to the Governing Body.

9.5 Counter Fraud

9.5.1 The Audit Committee shall satisfy itself that the CCG has adequate arrangements in place for countering fraud. It shall also approve the counter fraud work programme.

9.5.2 The Audit Committee shall ensure that there is effective review of the work of the Local Counter Fraud Officer as set out by the Secretary of State Directions and as required by the Director of NHS Protect. This will be achieved by:

- a) Approval of the appointment of a Local Counter Fraud Officer either directly or through the appointment of the internal audit services.
- b) Review and approval of the Counter Fraud Policy, operational plans and detailed programme of work ensuring this is considered with the needs of the group.
- c) Ensure that the Counter Fraud functions are adequately resourced and have appropriate standing within the group.

9.6 Assurance

9.6.1 The Audit Committee shall review the findings of other significant assurance functions, both internal and external, and make recommendations to the governing body on matters affecting the governance of the CCG. These will include, but not be limited to, any reviews by Department of Health arms length bodies or regulators/inspectors, or professional bodies with responsibility for the performance of staff or functions.

9.6.2 The Audit Committee will review the work of other committees of the governing body, whose work can provide relevant assurance to the CCG's own scope of work.

9.6.3 The Audit Committee shall request and review reports and positive assurances from directors and managers on the overall arrangements for governance, risk management and internal control, and may request specific reports from individual functions within the group as they may be appropriate to the overall arrangements.

9.6.4 In reviewing the work of the Quality & Safety Committee and issues around clinical risk management, the Audit Committee will wish to satisfy themselves on the assurance that can be gained from the clinical audit function.

9.7 Whistle-blowing, Quality and Safeguarding

9.7.1 The Audit Committee shall review the CCG's arrangements for their employees to raise concerns, in confidence, about possible wrongdoing in financial reporting, safety or other matters. The Audit Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action.

9.7.2 The Audit Committee's work will dovetail with that of the Quality & Safety Committee which the clinical commissioning group has established to seek assurance that robust clinical quality is in place. The Audit Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action, referral and support is provided.

9.8 Emergency Planning and Resilience

9.8.1 The Audit Committee should seek assurance that the CCG is delivering against its category two responder status as defined under the Civil Contingencies Act 2004 and the Health and Social Care Act 2012. Specifically the Audit Committee should seek assurance that:

- a) Contracts with provider organisations (including the Commissioning Support Unit) contain relevant emergency preparedness, resilience (including business continuity) and response elements. In addition ensuring the receipt of periodic assurance of delivering against their contractual obligations.
- b) In the event of a major incident, support is provided to NHS England in discharging its Emergency Planning Resilience and Response (EPRR) functions and duties locally.
- c) The CCG is represented at the Local Health Resilience Partnership (LHRP) and escalates any failure of providers to maintain necessary EPRR capacity and capability.
- d) The CCG has up-to-date Business Continuity arrangements in place.

9.8.2 The Audit Committee should also seek assurance that the Emergency Planning and Resilience Policy, which includes a Major Incident and Business Continuity Plan, is reviewed and updated in a timely manner as detailed within the policies/plans.

9.8.3 The Audit Committee should also seek assurance that on-call arrangements for the CCG remain robust.

10. Accountability

10.1 In carrying out this work the Audit 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 over-arching 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 assurance framework to guide its work and that of the audit and assurance functions that report to it.

10.2 The Audit Committee will develop a work plan with specific objectives which will be reviewed regularly and formally on an annual basis. The Audit Committee will also review its performance against the "effective committee" checklist on an annual basis.

10.3 The minutes of the Audit Committee meetings shall be formally recorded by the Head of Corporate Affairs and after approval will be submitted to the Governing Body. The Chair of the Audit Committee shall draw to the attention of the Governing Body any issues that require disclosure to the full Governing Body or require executive action.

10.4 The Audit Committee will report to the Governing Body annually on its work in support of the Statement of Internal Control, specifically commenting on the fitness for purpose of the Annual Governance Statement, the completeness and embeddedness of risk management in the organisation, the integration of governance arrangements and the appropriateness of the self-assessment against the Standards for Better Health.

10.5 The Audit Committee shall submit an annual report to the CCG Governing Body, incorporating progress, reporting arrangements, frequency of meetings and membership attendance.

11 Review

11.1 These Terms of Reference will be reviewed in August 2016 and recommendations made to the September 2016 Governing Body meeting.