
**TERMS OF REFERENCE
AUDIT COMMITTEE**

Terms of Reference Document Control Sheet

MEETING	Audit Committee
ESTABLISHED BY/REPORTING TO:	The Governing Body
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REVIEW	June 2017
ASSOCIATED DOCUMENTS	CCG Constitution Governing Body Assurance Framework Risk Management Strategy Corporate Risk Register
RELATED COMMITTEES/GROUPS	Governing Body Finance, Contracting and Procurement Committee Quality and Performance Committee Clinical Cabinet Senior Management Team Information Governance Operational Group

Document Control	
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Version Control

Version Ref	Amendment	Date Approved
V1.0	Original version included within the Scheme of Reservation and Delegation	2013
V1.1	To reflect best practice and feedback from MIAA Committee Effectiveness review	June 2016
V1.2	Updated to reflect feedback from SMT meeting	July 2016

1.0 Introduction

- 1.1 The Clinical Commissioning Group hereby resolves to establish a Committee to be known as the Audit Committee (“the Committee”) to carry out the duties set out at Clause 6 of these Terms of Reference.
- 1.2 The Committee is authorised by the Governing Body to investigate any activity within its Terms of Reference. The Committee can request information, reports, and assurances from any employee in relation to those areas within these Terms of Reference and all employees are directed to cooperate with any request made by the Committee.
- 1.3 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. The Committee can commission reports and/or surveys necessary to fulfil its obligations.
- 1.4 The Committee is a non-executive committee of the Governing Body and has no executive powers, other than those specifically delegated in these Terms of Reference. Any changes to these Terms of Reference must be approved by the CCG Membership.

2.0 Membership

- 2.1 The Committee shall be appointed by the Governing Body in accordance with the requirements of Audit Committees as set out in the National Health Service (Clinical Commissioning Group) Regulations 2012 and shall consist of not less than three members at least one of whom shall have recent and relevant financial experience.
- 2.2 The members will include:
 - Lay member for Audit and Conflicts of Interest (Chair);
 - Lay member for Patient and Public Involvement; and
 - Lay member for Quality and Risk
- 2.3 In the event of the chair of the committee being unable to attend all or part of the meeting, they will nominate a replacement from within the membership to deputise for that meeting.
- 2.4 In addition the Committee may co-opt members with appropriate specialist expertise.

3.0 Attendance

- 3.1 The following colleagues and representatives will be expected to attend:
 - Director of Finance;
 - Deputy Director of Business Delivery;
 - a Clinical Director of the Governing Body (on a rotation basis from Clinical Directors);
 - Internal Audit representatives;
 - External Audit representatives; and
 - Counter Fraud Specialist.

- 3.2 In addition, the Accountable Officer, will be invited to attend meetings and should attend at least annually to discuss the assurances which support the annual governance statement.
- 3.3 Other executive directors may be invited to attend, particularly when the Committee is discussing areas of risk or operation that are the responsibility of that director.
- 3.4 The Deputy Director of Business Delivery shall be Secretary to the Committee and shall attend to provide appropriate support to the Chair and members of the Committee

4.0 Quoracy

- 4.1 The meeting will achieve quoracy if at least two members are present.
- 4.2 Members should normally attend meetings, and it is expected that members will normally attend a minimum of 75% of meetings held per annum.
- 4.3 Should a member not be able to attend a Committee meeting, apologies in advance must be provided to the Chair. Deputies can attend on behalf of officers normally in attendance and any formal acting up status will be recorded in the minutes.
- 4.4 Deputising arrangements must be agreed by the Chair of the Committee.

5.0 Frequency

- 5.1 The Committee shall meet not less than four times per year; a schedule of pre- arranged meetings will be distributed to all members on an annual basis along with a proposed annual calendar of business.
- 5.2 The Chair of the Committee may arrange extraordinary meetings at his/her discretion or at the request of Committee members or either the Head of internal audit or the Lead Partner of external audit.

6.0 Conduct of Meetings

- 6.1 The agenda and supporting papers will be sent out at least 5 days in advance of the meeting. Authors of papers presented must use the required template. Papers must be received by the committee secretary in line with the published deadlines unless, in exceptional circumstances, explicit agreement has been reached with the Committee Chair (or nominated Deputy).
- 6.2 The Deputy Director of Business Delivery is responsible for the production of minutes, action and decision tracking and the maintenance of the formal record and documentation of the business of the Audit Committee and will ensure that the work plan is integrated and aligned to the Governing Body and Senior Management Team schedule of business and that Committee standards are upheld.
- 6.3 The Committee Administrator will be identified from the Corporate Support Team and will be responsible for the production of minutes, action and decision tracking and the

maintenance of the formal record and documentation of the business of the Audit Committee.

- 6.4 Minutes of the meetings, action tracker and decision tracker will be circulated promptly to all members as soon as reasonably practical.
- 6.5 Presenters of papers can expect all committee members to have read the papers and should keep to a summary that outlines the purpose of their paper/report and key issues. Committee members may question the presenter.

7.0 Duties

7.1 The duties of the Committee are categorised as follows:

Integrated Governance Risk Management and Internal Control

- 7.2 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 Clinical Commissioning Group's activities.
- 7.3 In particular the Committee shall review the adequacy and effectiveness of:
 - all risk and control related disclosure statements (in particular the Annual Governance Statement), together with any reports from Internal or External audit or other appropriate independent assurances, before making recommendations to the Governing Body
 - 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.
 - 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 relating to counter-fraud and anti-corruption activities as set out in the NHS Protect Standards.
- 7.4 The Committee shall also oversee, through an effective work programme:
 - the production of the statement to be included in the annual report concerning internal controls and risk management;
 - instances where the Clinical Commissioning Group's Standing Orders and Prime Financial Policies are waived and investigate those issues that present a risk to the internal control functions of the Group;
 - at least annually, a review of the register of gifts, hospitality and sponsorship, and declaration of Governing Body members' interests. Additionally the Committee should seek assurance that declarations of interests are being managed across the Membership Council as a whole;
 - review of the organisation's register of contracts to determine that effective contract arrangements are in place with suppliers and third parties and that the total financial exposure of the organisation is monitored.

Internal audit

- 7.5 The Committee shall ensure there is an effective internal audit function that meets mandatory NHS Internal Audit Standards (the Handbook refers to Public Sector Internal Audit Standards 2013) and provides appropriate independent assurance to the Committee, Accountable Officer and Governing Body. This will be achieved by :
- considering and approving the remit of the internal audit function and ensuring 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 Committee shall also ensure the function has adequate standing and is free from management or other restrictions;
 - reviewing and assessing the internal audit strategy, operational plan and more detailed programme and scheduling of work, ensuring these are consistent with the audit needs of the organisation as identified in the Clinical Commissioning Group's Assurance Framework;
 - evaluating promptly all reports giving limited or no assurance from the internal audit along with evaluating progress reports which include progress against work plan and a summary of work completed where significant assurance is given;
 - assessing and monitoring management's responses to the findings and recommendations of internal audit;
 - considering the provision of the internal audit service and the costs involved and undertaking a review of the effectiveness of the internal audit service annually.
- 7.6 The Committee shall also meet the Head of Internal audit at least once a year, or on request of the Chair of the Committee 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 Chair of the Committee and to the Committee.

External Audit

- 7.7 The Committee shall 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:
- Consideration of the performance of the external auditor and make recommendations to the Governing Body as far as the Audit Commission's rules permit;
 - seeking assurances that there are effective process in place for the appointment and removal of the external auditor and that there are clear mechanisms to support the on-going management of the auditor contract;
 - 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;
 - Discussion with the external auditor of their evaluation of audit risks and assessment of the Clinical Commissioning Group and associated impact on the audit fee;
 - Reviewing all external audit reports, including the report to those charged with governance, agreement of the annual audit letter (before submission to the Governing Body) and any work undertaken outside the annual audit plan, together with the appropriateness of management responses; and
 - Considering the provision of the external audit service and the costs involved and undertaking a review of the effectiveness of the external audit service annually.

7.8 The Committee shall also meet the external auditor at least once a year or on request of the Chair of the Committee, without management being present; to discuss their remit and any issues arising from the Clinical Commissioning Group's audit. In addition the Lead Partner of the external audit shall be given the right of direct access to the Chair of the Committee and to the Committee.

Other Assurance Functions

7.9 The Committee shall review the findings of other significant assurance functions, both internal and external to the Clinical Commissioning Group, and make recommendations to the Governing Body on matters affecting the governance of the Group.

7.10 These will include, but will not be limited to, any reviews by Department of Health arm's length bodies or regulators/inspectors, and professional bodies with responsibility for the performance of staff or functions.

7.11 In addition, the Committee will

- review the work of other Committees of the Governing Body, whose work can provide relevant assurance to the Committee's own areas of responsibility. In particular this will include any governance, quality and risk management Committees that are established;
- 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;
- review policies in relation to risk management and corporate governance to ensure they are fit for purpose and accurately reflect best practise guidance and legislation; and
- oversee the Information Governance Work Programme through the receiving of quarterly updates and sign-off of the Information Governance Toolkit submission.

Counter Fraud

7.12 The Committee shall ensure that there is effective review of the work of the Local Counter Fraud Service as required by NHS Protect. This will be achieved by:

- approval of the appointment of a Local Counter Fraud Officer either directly or through the appointment of the internal audit service;
- review and approval of the Counter Fraud Policy, operational plans and detailed programme of work ensuring this is considered with the needs of the Clinical Commissioning Group;
- ensuring that the Counter Fraud functions are adequately resourced and have appropriate standing within the group;
- Reviewing progress reports, findings and outcomes of any reactive work and assurances that the provision complies with NHS Protect standards; and
- Seeking assurance that the Clinical Commissioning Group has adequate controls in place to ensure it complies with the Bribery Act 2010.

Whistle-blowing

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

Financial Reporting

7.14 The Committee shall monitor the integrity of the financial statements of the Clinical Commissioning Group including the annual report before submission to the Governing Body, reviewing significant financial reporting issues and judgements which they contain. The Committee shall also review summary financial statements, significant financial returns to regulators and any financial information contained in other official documents, including the Annual Governance Statement.

7.15 The Committee shall review and challenge where necessary:

- the consistency of, and any changes to, accounting policies;
- the methods used to account for significant or unusual transactions where different approaches are possible;
- whether the Clinical Commissioning Group has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditors;
- the clarity of disclosure in the group's financial reports and the context in which statements are made; and
- all material information presented with the financial statements (insofar as it relates to audit and risk management).

7.16 The Committee shall 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 Governing Body.

Conflicts of Interest

7.17 The Committee will seek assurance that for every interest declared, either in writing or by oral declaration, arrangements are in place and have been implemented to manage the conflict of interests or potential conflict of interests, to ensure the integrity of the Clinical Commissioning Group's decision making processes.

7.18 The Committee will periodically seek assurances on the review of declarations of interest against the register of interests and the assessment of risk relating to interests.

8.0 Reporting

8.1 The Committee Chair will produce a highlight report to draw the attention of the Governing Body to any issues that require disclosure to the Governing Body or require executive action. This will also include the minutes of the Audit Committee meeting as an appendix to the report and reference to any other key documents for presentation.

9.0 Monitoring Compliance

- 9.1 Meetings of the Committee shall be conducted in accordance with the provisions of the Constitution, Standing Orders, Scheme of Reservation and Delegation and Prime Financial Policies approved by the Governing Body and reviewed from time to time.
- 9.2 The Committee shall submit an annual report to the Governing Body, incorporating progress, reporting arrangements, frequency of meetings and membership attendance.
- 9.3 The Committee will develop an annual calendar of business, and a work plan with specific objectives which will be reviewed regularly and formally on an annual basis. The Committee will also review its performance on an annual basis.

10.0 Reviewing Terms of Reference

- 10.1 The Terms of Reference of the Committee (including membership) shall be reviewed and approved by the Membership at least annually with the next review scheduled for September 2017.