

NHS Newcastle Gateshead CCG

Audit Committee

Terms of Reference

1. Introduction

The Audit Committee of the Clinical Commissioning Group (CCG) is a statutory Committee established as a sub-Committee of the Governing Body, in accordance with the constitution, standing orders and scheme of reservation and delegation.

These terms of reference set out the membership, remit, responsibilities and reporting arrangements of the Audit Committee and shall have effect as if incorporated into the CCG constitution and standing orders.

2. Principal Function

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 organisation's activities that supports the achievement of the organisation's objectives.

The Committee provides the Governing Body with an independent and objective view of the CCG's financial systems, financial information and compliance with laws, regulations and directions governing the CCG in so far as they relate to finance.

The Committee will provide assurance to the Governing Body that the CCG is complying with its duty to exercise its functions effectively, efficiently and economically. In particular it will seek assurance on the effective use of CCG resource to deliver its strategy and annual plan.

In addition, the Governing Body has delegated to the Audit Committee the oversight and detailed scrutiny of implementation of disinvestment programmes and QIPP delivery, connected with the Governing Body's main function.

3. Membership

The membership of the Audit Committee will consist of,

- i). The Lay Member of the CCG who leads on audit and conflict of interest matters

- ii). At least one other Lay Member of the CCG
- iii). One other member with the relevant skills and experience as nominated by the Governing Body

The Chief Finance Officer will be the lead officer for the Committee and will be invited to attend all meetings. The Accountable Officer should attend at least annually to discuss with the Committee the process for assurance that supports the Annual Governance Statement. He or she should also attend when the Committee considers the draft internal audit plan and the annual accounts.

The External Auditor and Internal Audit will attend the Committee as necessary. Regardless of attendance, external audit, internal audit, local counter fraud and NHS Protect providers will have full and unrestricted rights of access to the Audit Committee.

At least once a year the Audit Committee will hold part of its meeting with the external and internal auditors with only the members present. Other officers, employees, and practice representatives of the CCGs may be invited to attend all or part of meetings of the Committee to provide advice or support particular discussion from time to time.

Those invited to attend will not be entitled to vote.

Lay member Audit Committee members will serve on the Audit Committee for a maximum period of three years, when tenure will be reviewed.

4. Chair

The Committee will be chaired by the Lay Member leading on audit and conflict of interest matters. The Chair has the responsibility to ensure that the Committee obtains appropriate advice in the exercise of its functions.

5. Secretarial support

The Head of Corporate Affairs shall be Secretary to the Committee and shall ensure that a minute of the meeting is taken and provide appropriate support to the Chair and Committee members.

6. Quorum and decision making

A quorum shall be two members of the Committee.

In the event of the Chair of the Committee being unable to attend all or part of the meeting, he/she will nominate a replacement from within the membership to deputise for that meeting.

Representatives of members will count towards the quorum where the representative either has formal acting up status or has been agreed with the Chair as the member's representative in advance of the meeting.

Generally it is expected that decisions will be reached by consensus. Should this not be possible then a vote of members will be required. In the case of an equal vote, the person presiding (i.e. the Chair of the meeting) will have a second, and casting vote.

7. Frequency of meetings

Meetings of the Audit Committee will normally be held bi-monthly, and not less than 5 times per financial year. There will be no more than 20 weeks between meetings. The External Auditor or Head of Internal Audit may request a meeting if they consider one is necessary.

Members will be expected to attend each meeting. In exceptional circumstances and where agreed in advance by the chair, members of the Committee or others invited to attend may participate in meetings by telephone, by the use of video conferencing facilities and/or webcam where such facilities are available. Participation in a meeting in any of these manners shall be deemed to constitute presence in person at the meeting.

8. Agendas and papers

The agenda for meetings of the Committee will be set by the chair. The agenda and papers for meetings of the Committee will be distributed 5 working days in advance of the meeting. Items for the agenda should be notified to the chair 10 days in advance of each meeting.

9. Remit and responsibilities of the Committee

The duties of the Committee will be driven by the priorities identified by the CCG, and the associated risks. It should operate to a programme of business, agreed by the CCG, and will be flexible to new and emerging priorities and risks.

The Committee shall critically review the CCG's financial reporting and internal control principles and ensure an appropriate relationship with both internal and external auditors is maintained.

9.1 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 organisation's activities (both clinical and non-clinical), that supports the achievement of the organisation's objectives.

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

- i). all risk and control related disclosure statements (in particular the Annual Governance Statement where this is required), together with any accompanying Head of Internal Audit statement, external audit opinion or other appropriate independent assurances, prior to endorsement by the CCG's Governing Body;
- ii). 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;
- iii). the policies for ensuring compliance with relevant regulatory, legal and code of conduct requirements and related reporting and self-certification;
- iv). the policies and procedures for all work related to fraud and corruption as set out in Secretary of State Directions and as required by the Counter Fraud and Security Management Service (now known as NHS protect);
- v). the CCG's arrangements for effective management of all matters relating to contractual performance and associated financial performance

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 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.

9.2 Internal Audit:

The Committee shall ensure that there is an effective internal audit function that meets mandatory Public Sector Internal Audit Standards and provides appropriate independent assurance to the Audit Committee, Accountable Officer and the Governing Body. This will be achieved by:

- i). consideration of the provision of the Internal Audit service, the cost of the audit and any questions of resignation and dismissal;
- ii). 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 Assurance Framework;
- iii). considering the major findings of internal audit work (and management's response), and seeking to ensure co-ordination between the Internal and External Auditors to optimise audit resources;

- iv). ensuring that the Internal Audit function is adequately resourced and has appropriate standing within the organisation;
- v). annual review of the effectiveness of internal audit.

9.3 External Audit:

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:

- i). consideration of the appointment and performance of the external auditors, as far as the rules governing the appointment permit;
- ii). discussion and agreement with the external audit, before the audit commences, of the nature and scope of the audit as set out in the Annual Plan, and seeking to ensure coordination, as appropriate, with other external auditors in the local health economy;
- iii). discussion with the external auditors of their local evaluation of audit risks and assessment of the CCG and associated impact on the audit fee;
- iv). review of 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.

9.4 Other Assurance Functions:

The Audit 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 Arms Length Bodies or Regulators/Inspectors (for example the Care Quality Commission) and professional bodies with responsibility for professional standards, performance and advice (e.g. Royal Colleges, accreditation bodies, etc.)

In addition, the Committee will review the work of other Committees within the organisation, whose work can provide relevant assurance to the Audit Committee's own scope of work.

9.5 Counter Fraud

The Committee shall satisfy itself that the organisation has adequate arrangements in place for countering fraud and shall review the outcomes of counter fraud work.

9.6 Management

The Committee shall request and review regular reports and positive assurances from the senior managers of the CCG on the overall arrangements for governance, risk management and internal control. They may also request specific reports from individual functions within the organisation, as they may be appropriate to the overall arrangements.

9.7 Financial Management

The Committee will ensure that financial management is effective and will:

- i). Provide assurance to the Governing Body that the CCG is complying with its duty to exercise its functions effectively, efficiently and economically.
- ii). Determine if resources have been deployed in accordance with the CCG's strategy and annual plan.
- iii). Ensure delivery and performance against plan, including QIPP programmes, is being exercised appropriately and that systems are in place to identify risks, underperformance and poor value for money.
- iv). Confirm that appropriate actions are being taken to rectify risks to delivery and deviation from plan.

9.8 Financial Reporting

The Audit Committee shall monitor the integrity of the financial statements of the CCG and any formal announcements relating to the CCG's financial performance. The Committee should ensure that the systems for financial reporting to the Governing Body, including those of budgetary control, are subject to review as to completeness and accuracy of the information provided to the Governing Body. The Audit Committee shall review the Annual Report and Financial Statements before submission to the Governing Body, focusing particularly on:

- i). the wording in the Annual Governance Statement and other disclosures relevant to the Terms of Reference of the Committee;
- ii). changes in, and compliance with, accounting policies and practices and estimation techniques;
- iii). unadjusted misstatements in the financial statements;
- iv). significant judgments in preparation of the financial statements;
- v). significant adjustments resulting from the audit.
- vi). letter of representation
- vii). qualitative aspects of financial reporting.

9.9 Conflicts of interest

The Committee will have oversight of conflicts of interest matters within the CCG and will receive reports on compliance with the required standards and mandatory training requirements.

10. Reporting arrangements

The Committee reports to the CCG Governing Body. The Committee will provide a report to the meeting of the Governing Body immediately following each meeting of the Committee, unless this meeting is within 10 working days of the meeting of the Committee in which case the Committee will provide a report to the following meeting of the Governing Body.

Minutes of the Committee will be received formally at the same meeting of the Governing Body as the Committee's report.

The Governing Body will hold the Committee to account for the delivery of its remit and responsibilities.

The Committee will report to the Governing Body 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 embeddedness of risk management in the organisation and the integration of governance arrangements.

11. Policy and best practice

The Committee will apply best practice in its decision making, and in particular it will:

- i). comply with current disclosure requirements for remuneration;
- ii). ensure that decisions are based on clear and transparent criteria
- iii). comply with CCG policy and procedures for the declaration of interests

The Committee will have full authority to commission any reports or surveys it deems necessary to help it fulfil its obligations.

12. Conduct of the Committee

All members of the Committee and participants in its meetings will comply with the Standards of Business Conduct for NHS Staff, the NHS Code of Conduct, and the CCG's Policy on Standards of Business Conduct and Declarations of Interest which incorporate the Nolan Principles.

13. Date of Review

The Committee will review its performance, membership and these Terms of Reference at least once per financial year. It will make recommendations for any resulting changes to these Terms of Reference to the Governing Body for approval.

No changes to these Terms of Reference will be effective unless and until they are agreed by the Governing Body.

Approval Date: May 2018

Review Date: May 2019