

Audit Committee

Terms of Reference V3 11/12/2014

1. Constitution

The audit committee (the Committee) is established in accordance with the CCG's constitution. These terms of reference set out the membership, remit, responsibilities and reporting arrangements of the committee and shall have effect as if incorporated into the constitution.

2. Membership

a) The Committee shall be appointed by the Governing Body and shall consist of the Lay Member for Governance and two further Lay Members (Statutory and Non-Statutory)

b) **Quoracy.** The meeting shall be deemed quorate when two members are present from the CCG.

c) In attendance

Chief Finance Officer
Head of Governance
Internal Audit
External Audit
Local Counter Fraud Specialist

The Chief Officer shall be invited to attend and shall discuss at least annually with the Audit Committee the process for assurance that supports the Annual Governance Statement. All other senior managers may be invited to attend by exception, particularly when the committee is discussing areas of risk or operation within their area of responsibility.

3. Frequency and Notice of Meetings

Meetings shall be held not less than five times a year. The External Auditor(s) or Head of Internal Audit may request additional meetings if they consider it necessary.

4. Authority

The 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, or interim and temporary members of staff, who are directed to co-operate with any request made by the Committee. The 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.

5. Duties

The key duties of the Committee are 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 that supports the achievement of the CCG's objectives.

Its work will dovetail with that of any quality committee, which the CCG's should establish to seek assurance that robust clinical quality is in place.

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 Statement, external audit opinion or other appropriate independent assurances, prior to endorsement by the CCG.
- The underlying assurance processes that indicate the degree of achievement of the CCG 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 related reporting and self-certification.
- 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 NHS Counter Fraud and Security Management Service.

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.

Internal Audit

The Committee shall ensure that there is an effective internal audit function that meets mandatory NHS Internal Audit Standards and provides appropriate independent assurance to the audit committee, Accountable Officer and CCG.

This will be achieved by:

- Consideration of the provision of the internal audit service, the cost of the audit and any questions of resignation and dismissal.
- 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.
- Considering the major findings of internal audit work (and management's response) and ensuring co-ordination between the internal and external auditors to optimise audit resources.

- Ensuring that the internal audit function is adequately resourced and has appropriate standing within the CCG.
- An annual review of the effectiveness of internal audit.

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:

- Consideration of the performance of the external auditors, as far as the rules governing the appointment permit.
- Discussion and agreement with the external auditors, before the audit commences, of the nature and scope of the audit as set out in the annual plan, and ensuring co-ordination, as appropriate, with other external auditors in the local health economy.
- Discussion with the external auditors of their local evaluation of audit risks and assessment of the CCG and associated impact on the audit fee.
- Review of all external audit reports, including the report to those charged with governance, agreement of the annual audit letter before submission to the CCG and any work undertaken outside the annual audit plan, together with the appropriateness of management responses.

Other assurance functions

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

These will include, but will not be limited to, any reviews by Department of Health arm's length bodies or regulators/inspectors (for example, the Care Quality Commission and NHS Litigation Authority, etc.) and professional bodies with responsibility for the performance of staff or functions (for example, Royal Colleges and 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 Committee's own scope of work.

Counter fraud

The Committee shall satisfy itself that the CCG has adequate arrangements in place for countering fraud and shall review the outcomes of counter fraud work. It shall also approve the counter fraud work programme.

Management

The Committee shall request and review reports and positive 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 as they may be appropriate to the overall arrangements.

Financial reporting

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

The Committee shall ensure that the systems for financial reporting to the CCG, including those of budgetary control, are subject to review as to completeness and accuracy of the information provided to the CCG.

The Committee shall review the annual report and financial statements before submission to the Governing Body and the CCG, focusing particularly on:

- The wording in the 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 mis-statements in the financial statements;
- Significant judgements in preparing of the financial statements;
- Significant adjustments resulting from the audit;
- Letter of representation; and
- Qualitative aspects of financial reporting.

6. Other Matters

The minutes of the Committee shall be formally recorded by the Head of Governance and submitted to the Governing Body. The chair of the Committee shall draw to the attention of the Governing Body any issues that require disclosure, or require executive action.

The Committee shall be supported administratively by the Head of Governance, whose duties in this respect will include:

- Agreement of agendas with chair of the Committee and attendees and collation of papers
- Taking the minutes
- Keeping a record of matters arising and issues to be carried forward
- Advising the Committee on pertinent issues/areas
- Enabling the development and training of Committee members.

7. Review Data

These terms of reference shall be reviewed annually.

The first review date shall be 31st March 2015.