

Audit and Governance Committee

Terms of Reference

Summary

The Audit and Governance Committee is a mandatory committee of the Governing Body. Its key function is to independently contribute to the Governing Body’s overall process for ensuring that an effective governance, risk management and internal control system is maintained. It meets no less than four times a year and is made up of 2 x Lay Members (LM).

1 Membership

Core Members	Deputy
Lay Member – Audit and Governance (Chair)	
Lay Member – Commissioning, Transformation & Performance (Vice Chair)	
Chief Finance Officer	
Director of Governance, Quality & Safety	
Senior representative from Internal Audit	
Representative from External Audit	
Local Counter Fraud Specialist	
Head of Corporate Governance	

2 x Lay Members

In attendance: Chief Finance Officer, Senior representative from Internal Audit, representative of External Audit, Head of Corporate Governance, Local Counter Fraud Specialist, Director or members of staff on an ad hoc basis as required.

The Local Counter Fraud Specialist under the Secretary of States Directions for Countering Fraud in the NHS is required to attend at least two Audit committee meetings each year – one to approve the Annual Report and agree the Counter Fraud Plan and secondly to receive an update to the Audit Committee on the progress made against the Counter Fraud Plan.

The Chairman of the Governing Body, the Accountable Officer and other Directors may be invited to attend a meeting of the Audit Committee particularly when the Committee is discussing areas of risk or operation that are the responsibility of a particular Director other than Chief Finance Officer.

The Accountable Officer should be formally invited to attend, at least annually, to discuss with the Audit committee the process for assurance that supports the Annual Governance Statement.

The Committee may co-opt other members and associate members to the committee in addition to those named above.

Invitations may be extended to any appropriate personnel to attend and provide advice to the Committee, e.g. in instances where specialist clinical expertise is required, the Committee would invite the Secondary Care Consultant and/or the Chair of the Governing Body.

At least once a year the committee shall meet privately with the External and Internal Auditors.

The external and internal auditors will have direct access to the Chair of the committee about any matters of concern outside of the Audit Committee.

2 Quorum

Two Lay members.

3 Frequency of Meetings

Meetings shall be held not less than four times a year and normally six times a year. The External Auditor or Head of Internal Audit may request a meeting if they consider that one is necessary.

The Committee may on occasion take a decision by email provided that:

- The decision taken is by quorum of the Committee as laid down in its Terms of Reference
- If the decision is one which requires a vote, it shall be at the discretion of the Chair to decide whether use of email is appropriate
- The decision is reported to the next meeting and is minuted
- The e-mails reflecting the decision are copied to all members of the Committee, are printed, appended to the minutes and are retained on file.

4 Report to

Governing Body

5 Reporting

A summary report of Audit Committee meetings shall be submitted to the Governing Body. The Chair of the Committee shall draw to the attention of the Governing Body any issues that require disclosure to the full Governing Body, or require executive action.

The Committee shall make whatever recommendations it deems appropriate on any area within its remit where action or improvement is needed.

- 6 Distribution of Minutes**
Committee Members
Chief Finance Officer
Head of Corporate Governance
Accountable Officer
Chair of CCG
Internal Audit
External Audit
Local Counter Fraud Specialist

The minutes of this Committee are divided into public and private items under the Freedom of Information Act.

7 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 and all employees 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.

8 Functions

The duties of the Committee can be categorised as follows:

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 of:

- all risk and control related disclosure statements (in particular the Governance Statement), together with any accompanying Head of Internal Audit statement, external audit opinion or other appropriate independent assurances, prior to endorsement by 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
- 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 Protect

- monitor compliance with Standing Orders and Standing Financial Instructions including reviewing waivers to Standing Orders and instances of failure to comply with standing orders.
- review the mechanisms and levels of authority (e.g. standing orders, standing financial instructions, delegated limits) and make recommendations to the CCG Governing Body
- review hospitality and sponsorship registers
- review schedules of losses and compensations and making recommendations to the Governing Body by exception
- consider and make recommendations to the Governing Body on action on litigation against or on behalf of the CCG
- consider and approve the CCG Annual Report (inc the annual accounts) for approval by the Governing Body.

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 audit functions. 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 Assurance Framework to guide its work and that of the audit and assurance functions that report to it.

Risk Management

The Audit Committee has a responsibility to manage any risks identified that impacts on its role. The Audit Committee will keep a committee risk register to document the management of risk which will clarify the risk, the action, timeframe and ownership. All risks will be actively managed by the Audit Committee until the residual risk is deemed tolerable when it will either be closed or monitored.

Internal Audit

The Committee shall ensure that there is an effective internal audit function established by management that meets mandatory Public Sector Internal Audit Standards and provides appropriate independent assurance to the Audit Committee, Accountable Officer and Governing Body. 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
- consideration of the major findings of internal audit work (and management's response), and ensure 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 organisation
- annual review of the effectiveness of internal audit

External Audit

The 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. This will be achieved by:

- consideration of the appointment and performance of the External Auditor, as far as the Audit Commission's rules permit and approval of the Annual Audit Fee.
- 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, and ensure coordination, 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 all External Audit reports, including agreement of the annual audit letter before submission to the Governing Body and any work carried outside the annual audit plan, together with the appropriateness of management responses

Counter Fraud

The Local Counter Fraud Specialist (LCFS) is appointed by the Chief Finance Officer under Secretary of State's Directions.

The LCFS reports on arrangements in place to Counter Fraud and the Audit Committee is required to consider the results of Fraud work as it bears on the wider role of the committee.

The LCFS should draft the Fraud Policy based on the current priorities of the Secretary of State's Directions for the approval of the Audit Committee.

The Audit Committee should formally approve the LCFS Annual Plan and receive the LCFS Annual Report and at least two LCFS Progress Reports each year.

The Audit Committee reviews all work relating to fraud and Corruption as detailed by the Secretary of State's Directions and the NHS Protect.

The LCFS will assist the Governing Body in preparing for Quality Inspections undertaken by NHS Protect.

The LCFS will liaise with the CCG's Internal and External Auditors as appropriate (i.e. Joint meetings with Chief Finance Officer, Identifying System Weaknesses, Sharing Investigation closure reports, NFI, Prevention of duplication of work, etc.)

The LCFS should also review all relevant CCG policies to ensure that appropriate reference is made to countering fraud in the NHS.

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 to 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 (e.g. Care Quality Commission, NHS Litigation Authority, etc.), professional bodies with responsibility for the performance of staff or functions (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. In reviewing the work of other committees and in particular the Safety, Quality and Performance Committee and issues around clinical risk management, the Committee will satisfy itself on the assurance that can be gained from the clinical audit function.

The Committee shall request and review reports and positive assurances from the Chairs of other committees on the overall arrangements for governance, risk management and internal control.

The Committee is responsible for reviewing the risks relating to the objectives in its work plan and; escalating key concerns to the Governing Body of any updates or actions, or actions outstanding, so that the Governing Body Assurance Framework/Corporate Risk register can be updated.

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.

They may also request specific reports from individual functions within the organisation (e.g. clinical audit) as they may be appropriate to the overall arrangements.

Financial Reporting

The Audit Committee shall review the Annual Report and Financial Statements before submission to the Board, 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 and practices
- unadjusted mis-statements in the financial statements
- major judgmental areas
- significant adjustments resulting from the audit

The Committee should also 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.

Conflicts of Interest

To avoid any conflict of interest and to maintain transparent governance arrangements, in the event of it being necessary for this committee to consider any business relating to services where members have an interest, expressions of conflicts of interest will be declared at the start of each meeting, this is to be recorded by the minute taker.

The Chair of the Committee will ensure that any members of the committee with a conflict of interest should not take part in the discussion and any voting for that part of the meeting. The Chair will be responsible for asking relevant members to step out of a meeting in event of a conflict of interest, or if this is not possible/appropriate deferring the agenda item until an appropriate solution for handling the item is agreed.

In the event that the Chair has a conflict of interest, another Lay Member will chair that part of the meeting.

Wherever a conflict of interest may be perceived, the matter must always be resolved in favour of the public interest rather than the individual member.

Standards of Business Conduct

Members of the Committee have a duty to demonstrate leadership in the observation of the NHS Code of Conduct and to work to the Nolan Principles, which include: Selflessness, Integrity, Objectivity, Accountability, Openness, Honesty and Leadership.

9 Agenda Items

Agenda items should be submitted 10 days in advance of the meeting to the designated officer who will subsequently ratify the next agenda with the Chair. The papers for the meeting will be circulated to enable members to receive them 5 days before the meeting.

10 Committee Work Plan

The Committee shall maintain a Work Plan detailing the scheduling of work for the year. This Work Plan will be subject to regular review and any changes or additions will be approved by the Committee members.

11 Designated Officer

Chief Finance Officer.

12 Review

The terms of reference will be reviewed annually.