

Mid Essex CCG

Audit Committee

Terms of Reference

1. Status

- 1.1. The Audit Committee (the Committee) is established in accordance with the National Health Service Act 2006, NHS CCG Regulations and the CCG's constitution.
- 1.2. It is a statutory committee of, and accountable to, the CCG Governing Body.
- 1.3. 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 CCG's Constitution and Standing Orders.

2. Purpose

- 2.1 The purpose of the Audit Committee is to assist the CCG to deliver its responsibilities for the conduct of public business, and the stewardship of funds under its control.
- 2.2 In particular, the Committee will seek to provide assurance to the Governing Body that an appropriate system of internal control is in place to ensure that:
 - 2.2.1 Business is conducted in accordance with the law and proper standards;
 - 2.2.2 Public money is safeguarded and properly accounted for;
 - 2.2.3 Financial Statements are prepared in a timely fashion, and give a true and fair view of the financial position of the CCG for the period in question;
 - 2.2.4 Affairs are managed to secure economic, efficient and effective use of resources;
 - 2.2.5 Reasonable steps are taken to prevent and detect fraud and other irregularities in line with NHS Protect's Standards for Commissioners: Fraud, Bribery and Corruption.

3. Authority

- 3.1. The Audit Committee is accountable to the Governing Body.
- 3.2. The Audit Committee is authorised by the Governing Body to:
 - 3.2.1. investigate any activity within its terms of reference. It is authorised to seek any information it requires within its remit, from any employee, member of the CCG or member of the Governing Body who are directed to co-operate with any

request made by the committee within its remit as outlined in these terms of reference;

- 3.2.2. commission any reports it deems necessary to help fulfil its obligations;
- 3.2.3. obtain legal or other independent professional advice and secure the attendance of advisors with relevant expertise if it considers this is necessary to fulfil its functions. In doing so the committee must follow any procedures put in place by the CCG and Governing Body for obtaining legal or professional advice; and
- 3.2.4. create task and finish sub-groups in order to take forward specific programmes of work as considered necessary by the Committee's membership. The Committee shall determine the membership and terms of reference of any such task and finish sub-groups in accordance with the CCG's constitution, standing orders and SoRD.

- 3.3. For the avoidance of doubt, in the event of any conflict, the CCG's Standing Orders, Standing Financial Instructions and the Scheme of Reservation and Delegation will prevail over these terms of reference.

4. Duties

- 4.1. The responsibilities and duties of the Audit Committee can be categorised as follows:

Governance, Risk Management and Internal Control

- 4.2 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 organisations' activities (clinical and non-clinical) that supports the achievement of the organisation's objectives.
- 4.3 In particular, the Committee will review the adequacy and effectiveness of:
 - 4.3.1 All risk and control related disclosure statements (in particular the annual governance statement) together with any accompanying Head of Internal Audit opinion, external audit opinion or other appropriate independent assurances, prior to submission to the governing body.
 - 4.3.2 The underlying assurance processes that indicate the degree of achievement of the organisation's objectives, the effectiveness of the management of principal risks and the appropriateness of the above disclosure statements.
 - 4.3.3 The policies for ensuring compliance with relevant regulatory, legal and code of conduct requirements and any related

reporting and self-certifications.

4.3.4 The policies and procedures for all work related to counter fraud, bribery and corruption as required by the NHSCFA.

4.4 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.

4.5 This will be evidenced through the Committee's use of an effective governance framework to guide its work and the audit and assurance functions that report to it.

4.6 As part of its integrated approach, the Committee will have effective relationships with other key CCG committees (e.g. Patient Safety and Quality, Finance and Performance and Primary Care Commissioning Committee) to enable it to understand processes and linkages. However, these other committees will not usurp the Committee's role.

Internal Audit

4.7 The Committee shall ensure that there is an effective internal audit function that meets the *Public Sector Internal Audit Standards 2017* and provides appropriate independent assurance to the Committee, Accountable Officer and governing body. This will be achieved by:

4.7.1 Considering the provision of the internal audit service and the costs involved

4.7.2 Reviewing and approving the annual internal audit 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

4.7.3 Considering the major findings of internal audit work (and management's response) and ensuring coordination between the internal and external auditors to optimise the use of audit resources

4.7.4 Ensuring that the internal audit function is adequately resourced and has appropriate standing within the organisation

4.7.5 Monitoring the effectiveness of internal audit and carrying out an annual review.

External Audit

- 4.8 The Committee shall review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process. In particular, the Committee will 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:
- 4.8.1 Considering the appointment and performance of the external auditors, as far as the rules governing the appointment permit (and make recommendations to the governing body when appropriate)
 - 4.8.2 Discussing and agreeing with the external auditors, before the audit commences, the nature and scope of the audit as set out in the annual plan
 - 4.8.3 Discussing with the external auditors their evaluation of audit risks and assessment of the organisation and the impact on the audit fee
 - 4.8.4 Reviewing all external audit reports, including the report to those charged with governance (before its submission to the governing body) and any work undertaken outside the annual audit plan, together with the appropriateness of management responses
 - 4.8.5 Ensuring the audit opinion provided by external audit is deemed appropriate and suitable to inform members whether the CCG remains a 'going concern' under the applicable standards and accounting principles and making onward recommendations to the Governing Body for adoption as appropriate
 - 4.8.6 Ensuring that there is in place a clear policy for the engagement of external auditors to supply non-audit services

Other Assurance Functions

- 4.9 The 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.
- 4.10 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 areas of responsibility. In particular, this will include any clinical governance, risk management or quality committees that are established.

Counter Fraud

- 4.11 The Committee shall satisfy itself that the organisation has adequate arrangements in place for counter fraud, bribery and corruption that meet NHSCFA's standards and shall review the outcomes of work in these areas.

4.12 In accordance with 3.2 of the NHSCFA's *Fraud Commissioners Standards* the Committee has "stated its commitment to ensuring commissioners achieve these standards and therefore requires assurance that they are being met via NHSCFA's quality assurance programme".

4.13 The committee will refer any suspicions of fraud, bribery and corruption to the NHSCFA.

Management

4.14 The Committee shall request and review reports, evidence and assurances from directors and managers on the overall arrangements for governance, risk management and internal control.

4.15 The Committee may also request specific reports from individual functions within the organisation.

Financial Reporting

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

4.17 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 the completeness and accuracy of the information provided.

4.18 The Committee shall review and formally recommend to the Governing Body the approval of the annual report and financial statements before submission to NHS England, focusing particularly on:

4.18.1 The wording in the annual governance statement and other disclosures relevant to the terms of reference of the Committee

4.18.2 Changes in, and compliance with, accounting policies, practices and estimation techniques

4.18.3 Unadjusted misstatements in the financial statements

4.18.4 Significant judgements in preparation of the financial statements

4.18.5 Significant adjustments resulting from the audit

4.18.6 Letters of representation

4.18.9 Explanations for significant variances

Whistleblowing (including Freedom to Speak Up)

- 4.19 The Governance Institute's *Guidance Note – Terms of Reference for the Audit Committee* states that "the committee shall review the adequacy and security of the company's arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The committee shall ensure that these arrangements allow proportionate and independence investigation of such matters and appropriate follow up action".
- 4.20 To that end, the Committee shall review the effectiveness of the arrangements in place for allowing staff to raise (in confidence) concerns about possible improprieties in financial, clinical or safety matters and ensure that any such concerns are investigated proportionately and independently.
- 4.21 It is worth noting that NHS England is a prescribed person meaning that primary care service staff working at GP surgeries, opticians, pharmacies and dental practices, can raise concerns about inappropriate activity directly to NHS England.

Security

- 4.22 The Committee shall ensure that the CCG has adequate arrangements in place for security that meet NHS England/ NHS Protect standards and review the outcomes of work in these areas.

Governance

- 4.23 The Committee shall seek assurance that the CCG has adequate arrangements in place to ensure that business is conducted in accordance with the law and proper standards and that its corporate governance arrangements are robust.
- 4.24 To this end, the Committee shall approve minor amendments on behalf of the Governing Body or endorse new and/or significant amendments for approval by the Governing Body of the policies for all work related to internal control, counter fraud and corruption, security, emergency planning, business continuity, and compliance with relevant regulatory, legal and code of conduct requirements.

Emergency Planning, Resilience & Response and Business Continuity Management

- 4.25 The Committee shall seek assurance on implementation of Emergency Planning and Business Continuity arrangements.

Reporting

- 4.26 The Committee will report to the governing body at least annually on its work in support of the annual governance statement, specifically

commenting on:

- 4.26.1 The fitness for purpose of the assurance framework
- 4.26.2 The completeness and embedment of risk management in the organisation
- 4.26.3 The integration of governance arrangements
- 4.26.4 The appropriateness of the evidence that shows the organisation is fulfilling regulatory requirements relating to its existence as a functioning business
- 4.26.5 The robustness of the processes behind the quality accounts

4.27 This annual report should also describe how the Committee has fulfilled its terms of reference and give details of any significant issues that the Committee considered in relation to the financial statements and how they were addressed.

5. Membership

- 5.1. The Committee shall be appointed by the Governing Body from amongst the Governing Body members. Only Governing Body members may be members of the Audit Committee.
- 5.2. The Committee's membership will comprise:
 - 1.1.1 Two Lay Members
 - 1.1.2 GP Board Member

6. Attendees

- 6.1. Only members of the Committee have the right to attend meetings and to vote.
- 6.2. The Chief Finance Officer (or nominated deputy) and appropriate internal and external audit representatives shall normally attend Committee meetings.
- 6.3. The Counter Fraud Specialist will attend a minimum of 2 Committee meetings a year.
- 6.4. The Accountable Officer will attend at least annually when the Committee considers the draft annual governance statement and the annual report and accounts.
- 6.5. The Chair of the Committee may invite other individuals (e.g. Executive Directors) to attend all or part of a meeting as and when appropriate.

7. Chair

- 7.1. The Committee will be chaired by the Lay member on the Governing Body with a lead role in overseeing financial management and audit.

- 7.2. In the event that the Chair is unavailable to attend, one of the other Lay Members will deputise and chair the meeting.
- 7.3. In exceptional circumstances, where urgent action is required, the Chair is authorised to take urgent action with prior discussion with one other committee member. A report should be made to the full committee at the earliest next opportunity.

8. Quoracy

- 8.1. The quorum necessary for the transaction of business shall be two members.
- 8.2. A meeting is established when members attend face-to-face, by telephone, video-call, any other electronic means or a combination of the above.
- 8.3. A meeting of the Committee at which a quorum is present, or are available by electronic means, is competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

9. Decision making and voting

- 9.1. The Committee will ordinarily reach conclusions by consensus. When this is not possible the Chair may call a vote.
- 9.2. Only members of the Committee may vote. Each member is allowed one vote and a majority will be conclusive on any matter.
- 9.3. Where there is a split vote, with no clear majority, the Chair of the Committee will hold the casting vote.
- 9.4. If a decision is needed which cannot wait until the next scheduled meeting, the chair may conduct business on a 'virtual' basis through the use of telephone, email or other electronic communication.

10. Administration

- 10.1. The Committee will meet in private and may meet in common with other CCG Audit Committees.
- 10.2. Meetings will be held when required, with a minimum of 5 meetings per year.
- 10.3. Secretariat support will be provided to the Committee to ensure the committee can discharge its function effectively and efficiently.
- 10.4. The Chair will agree the agenda prior to the meeting and the agenda and supporting papers will be circulated in accordance with the time specified in the CCG Standing Orders.
- 10.5. Any items to be placed on the agenda are to be sent to the secretary no

later than seven calendar days in advance of the meeting. Items which miss the deadline for inclusion on the agenda may be added on receipt of permission from the Chair.

- 10.6. Minutes will be taken at all meetings including telephone and electronically facilitated meetings. Minutes will not usually be published
- 10.7. The minutes will be ratified by agreement of the Audit Committee Chair prior to presentation to the Governing Body.

11. Conflicts of Interest Management

- 11.1. No member of the committee, or attendee, shall be present, take part in or be party to discussions about any matter relating to their own role.
- 11.2. The committee will operate in accordance with *Managing Conflicts of Interest: Statutory Guidance for CCGs* and the CCG policy and procedure for managing conflicts of interest at all times.
- 11.3. Where a member of the committee is aware of an interest, conflict or potential conflict of interest in relation to the scheduled or likely business of the meeting, they will bring this to the attention of the Chair of the meeting as soon as possible, and before the meeting where possible.
- 11.4. Any declarations of interests, conflicts and potential conflicts, and arrangements to manage those agreed in any meeting of the Committee, will be recorded in the minutes.
- 11.5. Failure to disclose an interest, whether intentional or otherwise, will be treated in line with the CCG policy and may result in suspension from the Committee.

12. Reporting Responsibilities and Review of Committee Effectiveness

- 12.1. The Audit Committee will submit copies of its minutes and/or a report to the Governing Body following each of its meetings. Where minutes and reports identify individuals, or otherwise fulfil the requirements, they will not be made public and will be presented at part II of the Governing Body meeting. Public reports will be made to satisfy the requirements of the 2012 NHS Regulations (CCG) 16(2-5).
- 12.2. The Audit Committee will provide an annual report to the Governing Body to provide assurance that it is effectively discharging its delegated responsibilities, as set out in these terms of reference.
- 12.3. The Audit Committee will conduct an annual review of its effectiveness to inform this report.

13. Review of Terms of Reference

- 13.1. These terms of reference will be formally reviewed by the Audit Committee on an annual basis, but may be amended at any time.
- 13.2. Any proposed amendments to the terms of reference will be submitted to the Governing Body for approval. Changes will not be implemented until after an application to NHS England to vary the constitution has been agreed.
- 13.3. A record of the date and outcome of reviews is kept in the CCG governance handbook.