

AUDIT COMMITTEE TERMS OF REFERENCE

Terms of Reference approved: March 2018
Terms of Reference review date: March 2019

1. INTRODUCTION

- 1.1. The Audit Committee (the "Committee") is established in accordance with NHS Guildford and Waverley Clinical Commissioning Group's (the "Group") 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. PURPOSE OF THE AUDIT COMMITTEE

- 2.1. The Committee, which is accountable to the Group's Governing Body, provides the Governing Body with an independent and objective view of the Group's financial systems, financial information and compliance with laws, regulations and directions governing the Group insofar as they relate to finance and corporate management. It is the duty of the Governing Body to approve and keep under review the terms of reference for the Committee, which includes information on the membership of the Committee. The purpose of the Committee is set out in the Group's Constitution.

3. DELEGATED AUTHORITY

- 3.1. 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 member, officer or employee 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 other individuals with relevant experience and expertise if it considers necessary.

4. MEMBERSHIP

- 4.1. The Committee shall be appointed by the Governing Body and shall consist of:
 - 4.1.1. the chair of the Committee (the "Audit Chair") who will be the Lay Member of the Governing Body with responsibility for financial management and audit matters;
 - 4.1.2. one further lay member who will be the Deputy Chair;
 - 4.1.3. one independent member with relevant experience; and
 - 4.1.4. one GP Clinical Representative of the Governing Body.
- 4.2. In the event of the Audit Chair being unable to attend all or part of the meeting, the Deputy Chair will assume this role.
- 4.3. Appointment of Members
 - 4.3.1. The members of the Committee shall be appointed with approval from the Governing Body.
 - 4.3.2. The lay members of the Committee shall be appointed to the Committee, which shall be renewable, subject to satisfactory performance as agreed jointly by the Chair of the Governing Body and the Chief Executive (Accountable Officer). Continuous service beyond three terms of three years, or two terms of four years, is not desirable (although exceptions, such as retention of a particular skill or expertise, may be permitted).

- 4.3.3. There shall be no bar to a particularly valued member returning to the Committee if a vacancy occurs in future years. The re- appointment or replacement of the Audit Chair should be considered carefully and in good time during the term of the appointment.
- 4.3.4. Full time employees of the Group or individuals who claim a significant proportion of their income from the Group (i.e. more than 25%) shall not be eligible to be a member of the Committee.
- 4.3.5. The Chair of the Governing Body will not be a member of the Committee.

5. ATTENDANCE

- 5.1. The following members of the Group shall routinely attend meetings:
 - 5.1.1. the Chief Officer (Accountable Officer);
 - 5.1.2. the Chief Finance Officer; and
 - 5.1.3. the respective appointed external and internal auditors.
- 5.2. Members of the Committee should aim to attend all scheduled meetings but must attend at least 75% of all meetings each financial year.
- 5.3. At least once a year the Committee shall meet in private with the external and internal auditors (without any other attendees).
- 5.4. Representatives from NHS Protect may be invited by the Committee to attend meetings.
- 5.5. Regardless of attendance, external audit, internal audit, local counter fraud and security management (NHS Counter Fraud Authority) providers will have full and unrestricted rights of access to Committee members and CCG information, in line with the Group's Prime Financial Policies.
- 5.6. The Chief Officer (Accountable Officer) shall be invited to attend and discuss, at least annually with the Committee, the process for assurance that supports the annual governance statement. He or she shall also attend when the Committee considers the draft internal audit plan and the annual accounts.
- 5.7. Other members, officers or employees of the Group may be invited by the Committee to attend meetings as appropriate.
- 5.8. The Chair of the Governing Body may also be invited to attend meetings of the Committee as required.
- 5.9. With the agreement of the Chair and by exception Members of the Committee may participate in meetings in person or virtually by using video or telephone or web link or other live and uninterrupted conferencing facilities.

6. SECRETARY

- 6.1. The Chief Finance Officer will ensure the provision of a Secretary to the meeting who shall attend to take minutes of the meetings and provide appropriate administrative support to the Audit Chair and Committee members.
- 6.2. The Chief Finance Officer will be responsible for supporting the Audit Chair in the management of the Committee's business and for drawing the Committee's attention to best practice, national guidance and other relevant documents as appropriate.

- 6.3. The Secretary will ensure minutes of the Audit Committee will be formally signed off by the Audit Committee at their next meeting and made available on the Group's website (included in Governing Body papers). Minutes or sections of minutes which are of a confidential nature which would not be disclosed under a Freedom of Information Act request will not be made available on the Group's website.

7. QUORUM

- 7.1. A quorum shall be two Audit Committee members, which must include the Audit Chair, or replacement. Any decisions put to a vote at a Committee meeting shall be determined by a majority of the votes of members present. In the case of an equal vote, the Audit Chair shall have a second and casting vote.

8. FREQUENCY AND NOTICE OF MEETINGS

- 8.1. The Committee shall meet on a quarterly basis with additional meetings convened where necessary, for example to sign off the end of year annual report and accounts.
- 8.2. To call a meeting, members will be given a minimum of four weeks' notice where possible. Notification will be given by email.
- 8.3. The external auditor or head of internal audit have a right of direct access to the Audit Chair and may request a meeting of the Committee as they consider necessary.
- 8.4. An extraordinary meeting of Committee can be called at the request of the Audit Chair (also the lay member with responsibility for corporate governance), the Chief Officer (Accountable Officer) or the Chief Finance Officer.

9. STANDARDS OF BUSINESS CONDUCT AND CONFLICTS OF INTEREST

- 9.1. All individuals in a meeting of the Committee as a member or in attendance, must declare any potential conflicts of interest in accordance with the Group's Standards of Business Conduct and Conflicts of Interest Policy. When declaring their interests, individuals are required to include circumstances where a perception of wrongdoing, impaired judgment or undue influence could occur, whatever the reality of the situation might be.
- 9.2. It will be for the Audit Chair to decide how potential conflicts of interest are managed, including asking the individual to withdraw from the meeting in some cases where issues are discussed or decisions taken, in line with the Conflicts of Interest Policy.

10. EMERGENCY/ CHAIR'S ACTION

- 10.1. The Committee will delegate responsibility for emergency powers and urgent decisions to the Chair and Deputy Chair of the Committee
- 10.2. In the event of an urgent decision being required, this shall be taken by the Chair or the Deputy Chair of the Committee; who must consult at least one other member of the committee who is also a member of the Governing Body prior to taking the decision.
- 10.3. Urgent decisions must be reported to the next Committee meeting following the urgent decision for ratification by the full meeting together with a report detailing the grounds on

which it was decided to take the decision on an urgent basis and the efforts made to contact the relevant other members of the Committee prior to taking the decision.

11. REMIT AND RESPONSIBILITIES OF THE COMMITTEE

11.1. The Committee will:

- 11.1.1. support the Governing Body in its governance and oversight role;
- 11.1.2. provide assurance and scrutiny on objectives and risks;
- 11.1.3. monitor the effectiveness of systems;
- 11.1.4. oversee the Assurance Framework;
- 11.1.5. oversee external audit, internal audit, local counter fraud services and other external assurance functions, ensuring an appropriate relationship with both internal and external audit is maintained;
- 11.1.6. review the Group's annual accounts prior to recommendation for approval by the Group's Governing Body;
- 11.1.7. review the Registers of interests to include CCG staff, Governing Body, Practice Council and Member Practices with the assurance that this is a standing item on every Governing Body (and its Committees') agenda;
- 11.1.8. review the Register of Gifts, Hospitality and Inducements;
- 11.1.9. review the Register of Procurement Decisions and Interests;
- 11.1.10. review policies for ensuring compliance with regulatory, legal and code of conduct reporting requirements;

12. GOVERNANCE, RISK MANAGEMENT AND INTERNAL CONTROL

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

12.2. In particular, the Committee will review the adequacy of:

- 12.2.1. all risk and control related disclosure statements (in particular the annual governance statement and any other declarations of compliance returns), together with any accompanying head of internal audit statement, external audit opinion or other appropriate independent assurances, prior to endorsement by the Governing Body;
- 12.2.2. 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;
- 12.2.3. and recommend for approval CCG policies for ensuring compliance with relevant regulatory, legal and code of conduct requirements; and
- 12.2.4. recommend for approval CCG policies and procedures for all work related to fraud and corruption as set out in Secretary of State Directions and as required by NHS Counter Fraud Authority.

12.3. In carrying out this work the Committee will primarily utilise the work of internal audit, external audit and other assurance 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.

12.4. 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.

13. INTERNAL AUDIT

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

- 13.1.1. consideration of the provision of the internal audit service, the cost of the audit and any questions of resignation and dismissal;
- 13.1.2. 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;
- 13.1.3. consideration of the major findings of internal audit work (and the senior team's response), and ensure co-ordination between the internal and external auditors to optimise audit resources;
- 13.1.4. ensuring that the internal audit function is adequately resourced and has appropriate standing within the Group; and
- 13.1.5. annual review of the effectiveness of internal audit.

14. EXTERNAL AUDIT

14.1. The Committee shall review the work and findings of the external auditor appointed by the Committee and consider the implications and the senior team's responses to their work. This will be achieved by:

- 14.1.1. consideration of the appointment and performance of the external auditor; including the recommendation to the Governing Body of the relevant fees to be paid;
- 14.1.2. 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 co-ordination, as appropriate, with other external auditors in the local health economy;
- 14.1.3. discussion with the external auditors of their local evaluation of audit risks and assessment of the Group and associated impact on the audit fee; and
- 14.1.4. reviewing 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.

15. COUNTER FRAUD

15.1. The Committee shall satisfy itself that the Group 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.

15.2. Other Assurance Functions:

- 15.2.1. The 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.
- 15.2.2. These will include, but will not be limited to, any reviews by Department of Health arm's length bodies or regulators/inspectors (e.g. Care Quality Commission, NHS Resolution, etc.), professional bodies with responsibility for the performance of staff or functions (e.g. Royal Colleges, accreditation bodies, etc.).

16. MANAGEMENT

- 16.1. The Committee shall request and review reports and positive assurances from Executive Members and senior employees on the overall arrangements for governance, risk management and internal control.
- 16.2. The Committee may also request specific reports from individual functions within the Group (e.g. clinical audit) and commission external advice, subject to the procurement and value for money expectations of an NHS statutory body.

17. FINANCIAL REPORTING

- 17.1. The Committee shall review the annual report and financial statements before submission to the Governing Body, focusing particularly on:
- 17.1.1. the wording in the annual governance statement and other disclosures relevant to the terms of reference of the Committee;
 - 17.1.2. changes in, and compliance with, accounting policies and practices;
 - 17.1.3. unadjusted mis-statements in the financial statements;
 - 17.1.4. significant judgments in preparing of the financial statements;
 - 17.1.5. significant adjustments resulting from the audit;
 - 17.1.6. letter of representation; and
 - 17.1.7. qualitative aspects of financial reporting.

18. OVERSEEING EFFICIENCY AND EFFECTIVENESS

- 18.1. The committee shall obtain assurance primarily from the Quality and Clinical Governance Committee (see below) and also the Commissioning, Finance and Performance Committee that all services are being delivered in a high quality and safe manner, ensuring that quality sits at the heart of everything the Group does.
- 18.2. On the basis of section 11 above, the committee shall seek assurance that the principles of quality assurance and governance are integral to performance monitoring arrangements for all services commissioned by the Group and are embedded within consultation, service development and redesign, evaluation of services and decommissioning of services.
- 18.3. On the basis of section 11 above, the committee shall seek assurance regarding the Quality and Clinical Governance Committee's development and implementation of the Group's quality strategy and quality assurance framework to seek assurance that patients have effective and safe care with a positive experience of services.
- 18.4. The Committee shall seek assurance that the Group is fulfilling its statutory duties.

19. RELATIONSHIP WITH THE GOVERNING BODY

- 19.1. The Committee reports directly to the Governing Body.
- 19.2. The minutes of Committee meetings shall be formally recorded and submitted to the Governing Body. The Audit Chair shall draw to the attention of the Governing Body any issues that require disclosure to the full Governing Body, or require executive action.
- 19.3. The Committee will report to the Governing Body at least annually on its work in support of the annual governance statement, specifically commenting on the fitness for purpose of the Governing Body Assurance Framework, the completeness and extent to which risk

management is embedded in the organisation, the integration of governance arrangements and the appropriateness of the self-assessment against the NHS England Assurance Framework for CCGs.

- 19.4. The Group's annual report shall include a section describing the work of the Committee in discharging its responsibilities.
- 19.5. The Audit Committee will approve the annual process to assess Governing Body committee effectiveness, as the work of the other committees provides relevant assurance to the Committee's own scope of work.
- 19.6. The Committee will also self-assess its performance on an annual basis, referencing its work plan to ensure that the business transacted in meetings has effectively discharged the duties as set out in the Terms of Reference.
- 19.7. The Committee shall review the terms of reference annually and any amendments required shall be approved by the Governing Body.

20. POLICY AND BEST PRACTICE

- 20.1. The Committee will apply best corporate governance practice in its decision-making processes, covering a clear ethical basis to the business being considered; aligned business goals; an effective strategy incorporating stakeholder values; a well governed organisation and reporting systems to provide transparency and accountability.

21. CONDUCT OF THE COMMITTEE

- 21.1. The CCG has a code of conduct in place which defines required standards of behaviour for individuals working within this organisation, and those performing or authorising activities or advisory duties on our behalf. The Committee and its membership will conduct itself in accordance with these standards and principles.
- 21.2. The CCG code of conduct specifically covers an employee/member's responsibility in relation to hospitality and gifts, and has regard to:
 - 21.2.1. Professional Standards Authority *Standards for Members of NHS Boards and Clinical Commissioning Group Governing Bodies in England*;
 - 21.2.2. NHS Business Services Authority *Standards of Business Conduct Procedure*; and
 - 21.2.3. Nolan seven principles of public life.