

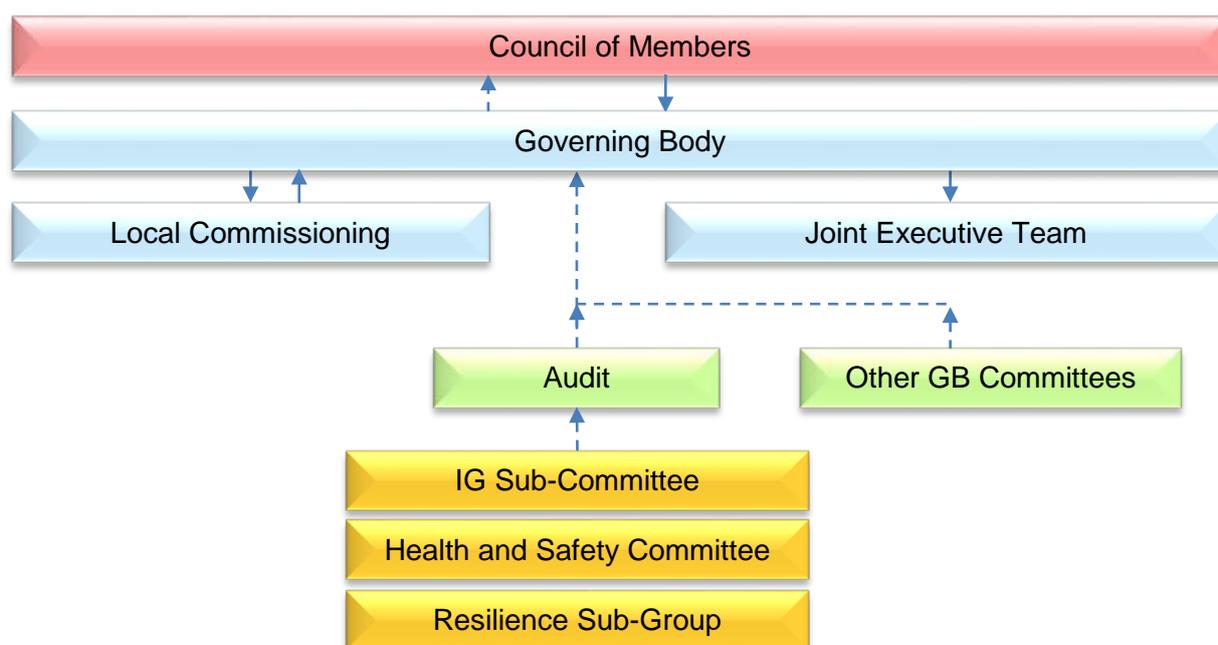
Surrey Heartlands' CCGs

Audit Committee

Terms of Reference

NHS Guildford and Waverley CCG	✓
NHS North West Surrey CCG	✓
NHS Surrey Downs CCG	✓

Approved: March 2019
 Next review due: March 2020



1. Context

1.1. Each of the three Surrey Heartlands' Clinical Commissioning Groups (NHS Guildford & Waverley CCG, NHS North West Surrey CCG and Surrey Downs CCG) Governing Body has resolved to establish a committee of the Governing Body known as the Audit Committee ('the Committee') in accordance with Schedule 1A of the National Health Service Act 2006 (as amended) ("the NHS Act").

Working together as the Surrey Heartlands Clinical Commissioning Groups

Guildford and Waverley CCG | North West Surrey CCG | Surrey Downs CCG

- 1.2. The Committee is established in accordance with each of 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 CCG's constitution.
- 1.3. The Committee will meet "in common" with one or more of the other Surrey Heartlands' CCGs. (The Committee may meet individually where there is a matter that is only relevant to the CCG.)

2. Purpose & Objectives

- 2.1. The purpose of the Committee is set out in the CCG's Constitution.
- 2.2. 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 insofar as they relate to finance and corporate management.

3. Accountability/ Delegated Authority

- 3.1. The Committee is accountable to the Governing Body.
- 3.2. The minutes of Committee meetings shall be formally recorded and submitted to the Governing Body. The Chair shall draw to the attention of the Governing Body any issues that require consideration by the full Governing Body or require executive action. (For clarity – Any minutes from the confidential part of a meeting (Part II) will be considered in the Part II Governing Body meeting.)
- 3.3. Where a "Committees in Common" meeting arrangement is used, the minutes will be written as if only the Committee met.¹
- 3.4. The Committee is authorised by the Governing Body to investigate any activity within these 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.
- 3.5. 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.

¹ The minutes will be usually written generically e.g. "The Committee agreed that" and therefore identical for all the committees meeting in common. The start of the minutes will have a Header denoting the name of each committee participating in the meeting in common.

- 3.6. The CCG's annual report shall include a section describing the work of the Committee in discharging its responsibilities.
- 3.7. 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.

4. Sub Committees & Delegation

- 4.1. The Committee may delegate tasks to such individuals, sub-committees or individual members as it shall see fit, provided that any such delegations are consistent with the parties' relevant governance arrangements, are recorded in a scheme of delegation, are governed by terms of reference as appropriate and reflect appropriate arrangements for the management of conflicts of interest.
- 4.2. The Committee has established the following sub-committees and approved their Terms of Reference, with a remit to report and make recommendations. These sub-committees will also meet "in common" with one or more of the Surrey Heartlands' CCGs.
 - Information Governance Committee
 - Health and Safety Committee
 - Resilience Sub-Group

5. Responsibilities

- 5.1. The Committee will:
 - a) support the Governing Body in its governance and oversight role;
 - b) provide assurance and scrutiny on objectives and risks;
 - c) monitor the effectiveness of systems;
 - d) oversee the Assurance Framework;
 - e) 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;
 - f) review the CCG's annual accounts prior to their approval as set out in the Constitution;
 - g) 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;
 - h) review the Register of Gifts, Hospitality and Inducements;
 - i) review the Register of Procurement Decisions and Interests;
 - j) review policies for ensuring compliance with regulatory, legal and code of conduct reporting requirements;
 - k) Oversee and receive assurance of key standards in relation to Information Governance (including the Information Governance toolkit, data exchange

agreements, etc) and ensure effective governance systems are in place for implementing and monitoring these standards;

- l) Oversee the preparation and approval of Corporate Governance Policies;
- m) Oversee the arrangements for Emergency Preparedness Readiness and Resilience.

5.2. Governance, Risk Management and Internal Control

5.2.1. 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 CCG's activities (both clinical and non- clinical), that supports the achievement of the CCG's objectives. In particular:

- a) review the adequacy of 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;
- b) review the adequacy of 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;
- c) recommend for approval CCG policies for ensuring compliance with relevant regulatory, legal and code of conduct requirements; and
- d) 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.

5.2.2. 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.

5.2.3. 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.

5.2.4. The Committee will review every decision to suspend Standing Orders.

5.2.5. The Committee will approve the CCG's arrangements for managing dispute resolution.

5.2.6. The Committee will approve the thresholds above which quotations (competitive or otherwise) or formal tenders must be obtained.

5.2.7. The Committee will advise on individual cases for the write off of losses or making of special payments above the limits of delegation to the Joint Accountable Officer and Chief Financial Officer (for losses and special payments), (to be ratified by the Governing Body).

5.3. Internal Audit

5.3.1. The Committee shall ensure that there is an effective internal audit function established by the CCG 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:

- a) consideration of the provision of the internal audit service, the cost of the audit and any questions of resignation and dismissal;
- b) 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;
- c) 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;
- d) ensuring that the internal audit function is adequately resourced and has appropriate standing within the CCG; and
- e) annual review of the effectiveness of internal audit.

5.4. External Audit

5.4.1. 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:

- a) consideration of the appointment and performance of the external auditor; including the recommendation to the Governing Body of the relevant fees to be paid;
- b) 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;
- c) discussion with the external auditors of their local evaluation of audit risks and assessment of the CCG and associated impact on the audit fee; and
- d) 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.

5.5. Counter Fraud

5.5.1. 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.

5.6. Other Assurance Functions:

5.6.1. 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.

5.6.2. 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.).

5.6.3. The Committee shall discharge any other functions as under the Scheme of Reservation and Delegation.

5.7. Operational and Risk Management

5.7.1. 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.

5.7.2. The Committee may also request specific reports from individual functions within the CCG (e.g. clinical audit) and commission external advice, subject to the procurement and value for money expectations of an NHS statutory body.

5.7.3. The Committee shall make proposals for individual compensation payments (to be ratified by the Governing Body).

5.8. Financial Reporting

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

- a) the wording in the annual governance statement and other disclosures relevant to the terms of reference of the Committee;
- b) changes in, and compliance with, accounting policies and practices;
- c) unadjusted mis-statements in the financial statements;
- d) significant judgments in preparing of the financial statements;
- e) significant adjustments resulting from the audit;
- f) letter of representation; and
- g) qualitative aspects of financial reporting.

5.9. Overseeing Efficiency and Effectiveness

5.9.1. The committee shall obtain assurance primarily from the Quality Committee (see below) and also the Strategic Finance & 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 CCG does.

5.9.2. 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 CCG and are embedded within consultation, service development and redesign, evaluation of services and decommissioning of services.

5.9.3. The committee shall seek assurance regarding the Quality Committee's development and implementation of the CCG's quality strategy and quality

assurance framework to seek assurance that patients have effective and safe care with a positive experience of services.

5.9.4. The committee shall seek assurance that the CCG is fulfilling its statutory duties.

6. Membership

6.1. The Committee shall consist of:

- the Lay Member (Audit), who shall be the Committee Chair;
- the Deputy Lay Member (Audit), who shall be the Committee Deputy Chair;
- the Deputy Independent Nurse and
- one GP Clinical Representative of the Governing Body².

6.2. Appointment of Members

6.2.1. The members of the Committee shall be appointed with approval from the Governing Body.

6.2.2. They should satisfy the Governing Body's definition of 'independence' and NOT claim a significant proportion of their 'trading income'³ from the organisation.

6.2.3. The Chair of the Governing Body will not be a member of the Committee.

6.3. Members of the Committee should aim to attend all scheduled meetings. The Chair of the Committee will review with the Chair of the Governing Body any circumstances in which a Member's attendance falls below 75% attendance.

7. Co-opted members / deputies / attendees

7.1. The Committee may not co-opt additional members.

7.2. Committee members may nominate a suitable deputy when necessary and subject to the approval of the Chair. All deputies should be fully briefed and the secretariat informed of any agreement to deputise so that quoracy can be maintained.

7.3. No person attending the meeting in one role can additionally act on behalf of another person as their deputy.

7.4. The following members of the CCG shall routinely attend meetings:

- a) Joint Accountable Officer for the Surrey Heartlands CCGs;
- b) Chief Finance Officer for the Surrey Heartlands CCGs;
- c) Deputy Chief Finance Officer;

² As approved by the Governing Bodies in March 2019, a GP Representative may also represent another CCG at this committee.

³ Trading income refers to income received from the organisation for services provided. This does not include a fee or expenses that may be received for serving as a NED or lay member.

- d) Executive Director of Communications and Corporate Affairs;
 - e) Representatives of the appointed external and internal auditors; local counter fraud provider and local security management providers.
- 7.5. Representatives from NHS Counter Fraud Authority may be invited by the Committee to attend meetings.
- 7.6. The Joint 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.
- 7.7. Other members, officers or employees of the CCG may be invited by the Committee to attend meetings as appropriate.
- 7.8. The Chair of the Governing Body may also be invited to attend meetings of the Committee as required.
- 7.9. 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 CCG's Prime Financial Policies.

8. The Convener – (Committees in Common)

- 8.1. Where the Committee is using the “Committees in Common” meeting approach, the participating chairs (or deputies) will select from themselves a “Convener” for the meeting. All the participating committees will then agree to allow the Convener to chair the committees in common meeting.⁴
- 8.2. The Convener will rotate amongst the participating chairs, although there may be occasions when the business will indicate which of the chairs would be most appropriate to be the Convener.

9. Quorum

- 9.1. A quorum shall be two Audit Committee members, which must include the Audit Chair, or Deputy Chair.
- 9.2. The Convener will ask each of the participating chairs to decide if the meeting is quorate after any actions have been taken to manage any declared conflicts of interest.
- 9.3. Nominated deputies attending committee meetings, on behalf of substantive members, will count towards quorum.
- 9.4. If a meeting is not quorate, the Convener may adjourn the meeting to permit the appointment or co-option of additional members if necessary. The Committee Chair will have the final decision as to their suitability.

⁴ The position of chair for each committee may be held by the same individual. The clause is still applied but the outcome is obvious.

9.5. Any decisions put to a vote at a Committee meeting shall be determined by a majority of the votes of members present (For clarity: members may be physically attending the meeting or participating by an agreed telecommunications link- see section 10). In the case of an equal vote, the Chair shall have a second and casting vote. The chair will declare the result of the vote.

10. Meetings

10.1. The Committee will meet at least four times per year and have an annual rolling programme of meeting dates and agenda items.

10.2. At least once a year, the Committee shall meet in private (without any other attendees) with:

- the external and internal auditors;
- the Local Counter Fraud Service.

10.3. The Committee will operate in accordance with the CCG's Standing Orders. The Secretariat will be responsible for ensuring administrative support to the Committee. This will include:

- Giving notice of meetings (including, when the Chair of the Committee deems it necessary in light of the urgent circumstances, calling a meeting at short notice)
- Issuing an agenda and supporting papers to each member and attendee no later than 5 days before the date of the meeting;
- Ensuring an accurate record (minutes) of the meeting.

10.4. The committee will meet in private. Agendas and papers will not be published

10.5. Meetings may be held by conference call or by electronic means, so long as the technology provides live and uninterrupted conferencing facilities.

10.6. With the agreement of the Chair and by exception one or more 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.

10.7. An extra meeting of the Committee can be called at the request of the Lay Member for Audit, the Joint Accountable Officer or the Chief Finance Officer for the Surrey Heartlands CCGs.

10.8. Where an extra meeting needs to be scheduled, every endeavour will be made to give at least 10 working days' notice. Notification will be given by email.

10.9. 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.

10.10. Non-voting people may be required to withdraw from the confidential part of the meeting

10.11. Members of the Committee have a collective responsibility for the operation of the Committee. They will participate in discussion, review evidence and provide objective expert input to the best of their knowledge and ability, and endeavour to reach a collective view.

11. Agenda Preparation

11.1. The Committee will develop the forward-looking rolling Agenda programme, maintained by the secretariat.

11.2. The Convener will work with the secretariat on the preparation of the next meeting agenda and consult with the other participating Chairs.

12. Managing Conflicts of Interest

12.1. The members of the Committee must comply fully with NHS England Guidance and CCG Policy regarding Conflict of Interest⁵.

12.2. The Convener is responsible for managing conflicts of interest at a meeting of the committee. If the Convener has a conflict of interest, then one of the other participating Chairs or another member of the committee is responsible for deciding the appropriate course of action.

12.3. At the start of the meeting, the Convener will invite members to declare if they have any conflicts of interest with the business to be conducted, including previously declared interests.

12.4. The Convener will decide any necessary course of action to manage a declared conflict of interest as advised by the CCG Conflict of Interest Policy.

12.5. Any declared conflicts of interest will be recorded in the minutes along with any action taken, in a form as advised by the CCG Standards of Business Conduct and Conflict of Interest Policy. In summary the information recorded is

- the name of the person noting the interest;
- the nature of the interest and why it gives rise to the conflict;
- the item of the agenda to which the interest related;
- how it was agreed that the conflict should be managed;
- evidence that the conflict was managed as intended.

13. Decision-making (Committees in Common)

13.1. The aim of the Committee is to achieve consensus decision-making wherever possible.

⁵ The Management of Conflicts of Interest is included in the CCGs' Standards of Business Conduct Policy.

- 13.2. The Committee will normally meet using the “Committees in Common” arrangement with the other Surrey Heartlands’ CCGs. When the Convener determines a consensus has been achieved by the members present then the decision will be considered to have been made by the Committee.
- 13.3. Each voting member of the Committee shall have one vote.
- 13.4. If the Convener determines that there is no consensus or one member disputes that consensus has been achieved, a vote will be taken by the Committee members. (The other CCG Committees meeting at the same time will likewise take a vote.) The vote will be passed with a simple majority the votes of members present. In the case of an equal vote, the Chair shall have a second and casting vote.
- 13.5. The result of the vote will be recorded in the minutes and a record will also be made of the outcome of the voting for the other CCG committees.
- 13.6. All decisions taken in good faith at a meeting of the Committee shall be valid even if there is any vacancy in its membership or, it is discovered subsequently, that there was a defect in the calling of the meeting, or the appointment of a member attending the meeting.

14. Decision-making (Single CCG Issue)

- 14.1. On occasions, an agenda item at a Committees in Common meeting will be considered that is pertinent to only one CCG. All meeting members may contribute to the discussion. When a decision needs to be made, the Convener will invite committees not affected by the item to abstain from the decision-making.
- 14.2. A record of the discussion and decision need only be included in the minutes of the CCG Committee involved in the item.

15. Emergency/ Chair’s action

- 15.1. The Committee will delegate responsibility for emergency powers and urgent decisions to the Chair of the Committee (or Deputy Chair, if the Chair is unavailable).
- 15.2. In the event of an urgent decision being required, this shall be taken by the Chair (or Deputy) of the Committee; who must consult at least one other member of the committee who is a member of the Governing Body prior to taking the decision.
- 15.3. 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.

16. Secretariat

- 16.1. The Chief Finance Officer for the Surrey Heartlands CCGs 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 Convener, Committee Chair and Committee members.
- 16.2. The Chief Finance Officer for the Surrey Heartlands CCGs will be responsible for supporting the Convener 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.
- 16.3. The Secretary will ensure minutes of the Committee will be presented to the next meeting for formal sign off and made available on the CCG's website (by inclusion 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 CCG's website.

17. Policy and Best Practice

- 17.1. 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.

18. Conduct of the Committee

- 18.1. 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.
- 18.2. The CCG code of conduct specifically covers an employee/member's responsibility in relation to hospitality and gifts, and has regard to:
 - Professional Standards Authority Standards for Members of NHS Boards and Clinical Commissioning Group Governing Bodies in England,
 - NHS Business Services Authority Standards of Business Conduct Procedure,
 - Nolan seven principles of public life.

19. Review History

- 19.1. The Committee will self-assess its performance on an annual basis, normally starting each January, 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.

- 19.2. These terms of reference will be reviewed annually by the Committee membership. Any proposed significant changes to the ToR and responsibilities will be presented to the CCG Governing Body for approval.
- 19.3. These Terms of Reference are based on the three CCGs that make up Surrey Heartlands. For simplicity, each CCG will use identical Terms of Reference and the numbering has been re-started.

Date	Version no.	Reviewed by	Status	Comments/ Changes since last version
09/08/18	0.1	Governance Team	Draft	
09/08/18	0.2	Governance Team	Draft	
13/08/18	0.3	Governance Team	Draft	
21/08/18	0.4	Governance Team / Audit Chair	Draft	
07/09/18	0.5	Governance Team/ Executive Director of Comms and Corporate Affairs	Draft	
21/09/19	0.5	Audit Committees	Final	Approved
26/09/19	1.0	Governing Bodies	Final	Approved
07/02/19	1.1	Governance Team	Draft	Sections 4.2; 5.1; 5.4 (following Dep CFO advice to ensure reflects delegations in SoRD) and 6.1 amended.
15/02/19	1.2	Audit Committees	Final	Approved. Committees amended sections 5, 6 and 10.
26/03/19	2.0	Governing Bodies	Final	Approved