

NHS South West London Clinical Commissioning Group
Audit Committee
Terms of Reference

DRAFT

Document management

Revision history

Version	Date	Summary of changes
0.1 - 0.2	Pre 05/09/19	Various comments received by SMT, Chairs and Governance Lay Members on initial drafts
0.3	05/09/19	Amendments as per tracker

Reviewers

This document must be reviewed by the following people:

Reviewer name	Title/responsibility	Date	Version
Governance Lay Members			
SMT			
Chairs			
LMC			

Approved by

This document must be approved by the following people:

Name	Signature	Title	Date	Version

1. Purpose of the Committee

- 1.1. The Audit Committee (hereby known as the Committee) is established in accordance with the NHS South West London Clinical Commissioning Group's (hereby known as the CCG) Constitution. These terms of reference set out the membership, remit, responsibilities and reporting arrangements of the Committee.

2. Authority

- 2.1. The Committee is authorised by the CCG Governing Body (hereby known as 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.
- 2.2. The Committee may seek authorisation from 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, within its terms of reference and within a cost limit determined by the Chief Finance Officer.

3. Remit and responsibilities of the Committee

- 3.1. The key duties of the Committee are:

Integrated governance, risk management and internal control

- 3.2. 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 CCG's activities that support the achievement of the CCG's objectives.
- 3.3. In particular, the Committee will review the adequacy and effectiveness of:
 - 3.3.1. All risk and control related disclosure statements (in particular the governance statement), together with any appropriate independent assurances, prior to endorsement by the CCG;
 - 3.3.2. The underlying assurance processes that indicate the degree of achievement of the CCG's objectives, the effectiveness of the management of principal risks and the appropriateness of the above disclosure statements;
 - 3.3.3. The policies for ensuring compliance with relevant regulatory, legal and code of conduct requirements and related reporting and self-certification; and
 - 3.3.4. 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.
- 3.4. In carrying out this work the Committee will use primarily 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.
- 3.5. 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

- 3.6. 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 the Governing Body. This will be achieved by:

- Consideration of the provision of the internal audit function, 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; and
- 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

3.7. 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:

- 3.7.1. Consideration of the performance of the external auditors, as far as the rules governing the appointment permit;
- 3.7.2. Discussion and agreement with the external auditors, before the audit commences, on 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;
- 3.7.3. 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
- 3.7.4. 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

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

3.9. 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 Resolution) and professional bodies with responsibility for the performance of staff or functions (for example, Royal Colleges and accreditation bodies).

Counter fraud

3.10. 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

3.11. 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.

3.12. The Committee may also request specific reports from individual functions within the CCG as they may be appropriate to the overall arrangements.

Financial reporting

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

3.14. 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.

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

3.15.1. The wording in the governance statement and other disclosures relevant to the terms of reference of the Committee;

3.15.2. Changes in, and compliance with, accounting policies, practices and estimation techniques;

3.15.3. Unadjusted mis-statements in the financial statements;

3.15.4. Significant judgements in preparing of the financial statements;

3.15.5. Significant adjustments resulting from the audit;

3.15.6. Letter of representation;

3.15.7. Qualitative aspects of financial reporting.

4. Whistleblowing

4.1. The Audit Committee shall review the effectiveness of the arrangements in place for allowing staff across the CCG 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.

5. Reporting

5.1. The Audit Committee shall report to the Governing Body on how it discharges its responsibilities.

5.2. The Minutes of the Committee meetings shall be formally recorded 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.

5.3. The Committee will report to the Governing Body annually on its work in support of the Statement on Internal Control, specifically commenting on the fitness for purpose of the Assurance Framework, the completeness and embeddedness of risk management in the organisation, and the integration of governance arrangements.

6. Membership

6.1. Members of the Committee shall be appointed by the Governing Body. The Committee shall comprise three members, at least one of whom shall have recent and relevant financial experience and one of whom will be a clinician. The Committee shall not include full time employees or individuals who claim a significant proportion of their income from the CCG. The member practices shall not be in the majority.

6.2. The Lay Member with responsibility for Governance will be appointed as Chair to the Audit Committee. In the absence of the Chairman from the meeting of the Committee, a chairman shall be nominated by other members attending that meeting.

6.3. The Chairman of the CCG shall not be a member of the Committee.

7. Attendance

7.1. The following individuals shall normally attend meetings:

7.1.1. The Chief Financial Officer,

7.1.2. Internal and External Audit representatives

7.1.3. Chief of Staff

7.1.4. Local counter fraud specialist

- 7.1.5. Other directors and/or managers as appropriate;
- 7.1.6. Representatives from other organisations, as required.

- 7.2. The Accountable Officer will be invited to attend, at least annually, to discuss with the Audit Committee the process for assurance that supports the Statement on Internal Control. He or she would also normally attend when the Committee considers the draft internal audit plan and the annual accounts.
- 7.3. The Accountable Officer and other members of the CCG Governing Body/ senior managers should be invited to attend meetings as necessary, but particularly when the Committee is discussing areas of risk or operation that are the responsibility of that individual.
- 7.4. At least once a year the Committee should meet privately with the external and internal auditors.
- 7.5. The Committee may also meet privately with the internal and external auditors at its absolute discretion.
- 7.6. The Committee may call additional experts to attend meetings on a case by case basis to inform discussion.
- 7.7. The Committee may invite or allow additional people to attend meetings as attendees. Attendees may present at meetings and contribute to the relevant discussions but are not allowed to participate in any formal vote.
- 7.8. The committee may invite or allow people to attend meetings as observers. Observers may not present at meetings, contribute to any discussion or participate in any formal vote.
- 7.9. Regardless of attendance, external audit, internal audit, local counter fraud and security management providers will have full and unrestricted rights of access to the Audit Committee.
- 7.10. The chair of the Governing Body will be invited to attend one meeting each year in order to form a view on, and understanding of, the Committee's operations.

8. Secretary

- 8.1. The Chief of Staff shall nominate a person to act as Secretary to the Committee.

9. Quorum

- 9.1. Two members (one of whom must be a lay member) of the committee are necessary for quoracy.

10. Frequency and notice of meetings

- 10.1. The Committee shall meet not less than four times a year and otherwise as requested.
- 10.2. The appointed external auditors or Head of Internal Audit may request a meeting if they consider that one is necessary.
- 10.3. Meetings of the Committee shall be summoned by the Secretary to the Committee at the request of any of its members, or at the request of external or internal auditors.
- 10.4. Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the Committee, and other persons required to attend no later than five calendar days before the date of the meeting.

- 10.5. If a member wishes to include an item on the agenda they must notify the Chair via the Secretariat no later than 5 calendar days prior to the meeting. The decision as to whether to include the agenda item is at the absolute discretion of the Chair.
- 10.6. Supporting papers shall be sent to Committee members and other attendees as appropriate, at least 5 calendar days before the meeting.

11. Conduct of meetings

- 11.1. Except as outlined in these Terms of Reference, meetings of the Committee shall be conducted in accordance with the provisions of Standing Orders, Scheme of Reservation and Delegation and Standing Financial Instructions approved by the Governing Body and reviewed from time to time.
- 11.2. In addition, the Committee will conduct its business in accordance with the codes of conduct set out for all Governing Body members and good governance practice as laid out in the Constitution.
- 11.3. Members, attendees and/or observers must maintain the highest standards of personal conduct and in this regard must comply with:
- 11.3.1. The law of England and Wales;
 - 11.3.2. The NHS Constitution;
 - 11.3.3. The Nolan Principles;
 - 11.3.4. The standards of behaviour set out in the Constitution;
 - 11.3.5. Any additional regulations or codes of practice relevant to the Committee.
- 11.4. The Secretary shall minute the proceedings of all meetings of the Committee, including recording the names of those present and in attendance.
- 11.5. Minutes of Committee meetings shall be circulated promptly to all attendees of the Committee and, once agreed, presented to the Governing Body.

12. Reporting relationships

- 12.1. The Committee Chairman shall report formally to the Governing Body on its proceedings after each meeting on all matters within its duties and responsibilities.
- 12.2. The Committee shall make any such recommendations to the Governing Body it deems appropriate on any area within its remit where action or improvement is needed.
- 12.3. The Committee will report to the Governing Body annually on its work in support of the Annual Governance Statement, specifically commenting on the completeness and degree of integration of risk management and the holistic nature of governance arrangements.
- 12.4. The Committee shall compile a report to the Governing Body on its activities to be included in the Annual Report.

13. Conflicts of Interest

- 13.1. Conflicts of Interest shall be dealt with in accordance with the CCG Conflicts of Interest Policy and NHS England statutory guidance for managing conflicts of interest.
- 13.2. The Committee will have a Conflicts of Interest Register that will be presented as a standing item on the agenda.

14. Other matters

14.1. The Committee shall:

- 14.1.1. Have access to sufficient resources to carry out its duties;
- 14.1.2. Be provided with appropriate and timely training, both in the form of an induction programme for new members and an ongoing basis for all members;
- 14.1.3. Give due consideration to laws and regulations impacting on the work of the Committee.
- 14.1.4. Be responsible for co-ordination of the internal and external auditors;
- 14.1.5. At least once a year, review its own performance and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Governing Body.

15. Review of Terms of Reference

15.1. These Terms of Reference will be reviewed from time to time.

15.2. These Terms of Reference will be formally reviewed in April each year, reflecting the experience of the Committees in fulfilling its functions and the wider experience of the CCG in overseeing a common system of controls. These Terms of Reference may be changed or amended with the agreement of the Governing Body and in accordance with the Constitution.

DRAFT