

NHS North Cumbria Clinical Commissioning Group
Audit Committee
Terms of Reference
October 2018

1. Introduction

The Audit Committee (the Committee) is established in accordance with NHS North Cumbria Clinical Commissioning Group's (CCG) constitution standing orders and scheme of delegation. 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.

The Committee is a non-executive Committee of the Governing Body and has no executive powers, other than those specifically delegated in these terms of reference.

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.

2. Membership

Core Membership of the Committee will be:

Lay Member for Finance and Governance	NHS North Cumbria CCG
Lay Member for Public Engagement	NHS North Cumbria CCG
Lay Member for Quality & Performance	NHS North Cumbria CCG

Meetings will be chaired by the Lay Member for Finance and Governance. In the absence of the Chair a deputy will be nominated prior to the commencement of the meeting. Other officers of the CCG will attend as appropriate.

3. Committee Support

The CCG will provide support to the Committee through the CCG's Corporate Team.

Items for the agenda are to be submitted to the Business Support Assistant for the Committee two weeks prior to the meeting.

The Chief Finance Officer will work with the Business Support Assistant to:

- agree the agenda with Chair;
- collate and distribute the agenda and supporting documents;
- take minutes and keep a record of matters arising and issues to be carried forward.

4. Quorum

A quorum shall be two non-officer members.

5. Frequency of the meetings

Meetings shall be held at least three times per year on such dates and times as to be decided by the Committee. Written notice specifying the business to be transacted shall be circulated at least three clear days prior to the date of the meeting. However subject to the agreement of the Chair a member of the Committee may give written notice of an emergency motion after the issue of the notice of meeting and agenda, up to one clear day before the time fixed for the meeting. The notice shall state the grounds of urgency. If in order, it shall be declared to the Committee at the commencement of the business of the meeting as an additional item to be included in the agenda. The Chair's decision to include the item or not shall be final.

The External Auditor or Head of Internal Audit may request a meeting be called through the Chair of the Audit Committee if they consider that one is necessary.

6. Remit and responsibility of the Committee

The duties of the Committee will be driven by the priorities identified by the CCG, and the associated risks. The Committee shall operate a programme of business that is agreed by the CCG that will be flexible to new and emerging priorities and risks.

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

In particular, the committee will review the adequacy of:

- All risk and control related disclosure statements (in particular the governance statement, risk register), together with any appropriate independent assurances, prior to endorsement by the CCG.

- The underlying assurance processes that indicate the degree of achievement of CCG 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 and related reporting and self-certification.
- The policies and procedures for all work related to fraud and corruption as set out in the relevant CCG policies.

In carrying out this work the committee will primarily utilise the work of Internal Audit, the 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.

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

The Committee shall ensure that there is an effective internal audit function that meets mandatory Public Sector Audit Standards and provides appropriate independent assurance to the Audit Committee, Chief Officer and CCG. 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 CCG.
- An annual review of the effectiveness of internal audit.

External Audit

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:

- Consideration of the performance of the external auditor, as far as the rules governing the appointment permit.
- 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 ensuring co-ordination, 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 fees.

- Review 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 carried outside the annual audit plan, together with the appropriateness of management responses.
- Other Assurance Functions.

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

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 and NHS Litigation Authority), and professional bodies with responsibility for the performance of staff or functions (e.g. Royal Colleges and accreditation bodies).

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.

Freedom to Speak Up: Raising Concerns (Whistleblowing)

The committee shall satisfy itself that the CCG has adequate arrangements in place for ensuring that it effectively monitors and supports the implication of the above policy.

Counter Fraud

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 through written reports presented to the Audit Committee at least annually. It shall also approve the counter fraud work programme and review.

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.

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

Financial Reporting

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. 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.

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

- The wording in the governance statement and other disclosures relevant to the terms of reference to the committee;

- Changes in, and compliance with, accounting policies, practices and estimation techniques;
- Unadjusted mis-statements in the financial statements;
- Significant judgments in preparing of the financial statements;
- Significant adjustments resulting from the audit;
- Letter of representation; and
- Qualitative aspects of financial reporting.

7. Reporting Structure

The Committee reports to the CCG Governing Body. The minutes of the 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 will report to the Governing Body annually on its work in support of the Statement of Internal Control, specifically commenting on the fitness for purpose of the Assurance Framework, the completeness of risk management and provide assurance that it is embedded in the organisation, the integration of governance arrangements and the appropriateness of the self-assessment against the Care Quality Commission.

8. Policy and best practice

The committee will apply best practice in decision making processes and shall have full authority to commission any reports or surveys it deems necessary to help it fulfill its obligations.

9. Standards of Business Conduct and Conflicts of Interest

Members of the Committee shall at all times comply with the standards of business conduct and managing conflicts of interest as laid down in the CCG's Constitution and the Business Code of Conduct Policy.

Declarations of interest will be a standing item on all meeting agendas.

Members and attendees who have any direct/indirect financial or personal interest in a specific agenda item will declare their interest. The Chair of the meeting will decide the course of action required, which may include exclusion from participation in the discussion and/or the meeting for the duration of the discussion dealing with the item for which a declaration has been made.

All declarations of interest and actions taken in mitigation will be recorded in the minutes.

10. Conduct of the committee

The committee shall conduct its business in accordance with national guidance and relevant

codes of conduct / good governance practice.

At least annually the Committee will review its own performance, membership and terms of reference. Any resulting changes to the terms of reference or membership shall be approved by the Governing Body.

11. Approval and Review

Date reviewed: March 2018

Date approved by Committee: March 18

Date approved by Governing Body: October 2018

Date to be reviewed: March 19