

### TERMS OF REFERENCE

<b>Committee:</b>	<b>Audit Committee</b>
<b>Frequency Of Meetings:</b>	Not less than five times a year
<b>Committee Chair:</b>	Lay Member (Governance)
<b>Membership:</b>	<ul style="list-style-type: none"> <li>▪ Lay Member (Governance) – Committee Chair</li> <li>▪ Lay Member (PPI)</li> <li>▪ Lay Member (Corporate)</li> </ul>
<b>Attendance:</b>	<ul style="list-style-type: none"> <li>▪ Chief Finance Officer</li> <li>▪ Accountable Officer (and Chair of IGG)</li> <li>▪ Head of Corporate Governance</li> <li>▪ Internal Auditors</li> <li>▪ External Auditors</li> <li>▪ Local Counter Fraud Specialist (by invitation)</li> <li>▪ Local Security Management Specialist (by invitation)</li> <li>▪ The Chair of the CCG Board shall not be a member of the committee, but will attend one meeting per year and is entitled to attend each meeting.</li> </ul>
<b>Lead Officer:</b>	Chief Finance Officer / Head of Corporate Governance
<b>Secretary:</b>	Governance Officer
<b>Quorum:</b>	At least two Lay committee members

<b>Approval:</b>	Board
<b>Date Approved:</b>	22 <sup>nd</sup> August 2018
<b>Version</b>	V4.0
<b>Review Date:</b>	April 2019

## DELEGATED AUTHORITY

The Board (CCG Governing Body) has established a Committee of the Board to be known as the Audit Committee (the Committee), in accordance with the CCG Standing Orders, Standing Financial Instructions and Scheme of Reservation and Delegation. The committee is a non-executive committee of the Board and has no executive powers, other than those specifically delegated in these terms of reference.

The Committee is established in accordance with the NHS Thurrock CCG's Constitution. These terms of reference set out the membership, remit, responsibilities and reporting arrangements of the committee except where these functions have been delegated to the STP Joint Committee and shall have effect as if incorporated into the Constitution.

The Committee terms of reference are available upon request and shall be published on the website of the CCG.

It is acknowledged that the Board is ultimately accountable for the actions of the Audit Committee and therefore the Committee will:

- I. report on its work by presenting the minutes of its meetings to the Board.
- II. report to the Board on no less than an annual basis, the work undertaken in the previous year and the intended programme of work for the forthcoming year.
- III. review the Terms of Reference annually and submit for Board approval.

## PURPOSE OF COMMITTEE

In line with the requirements of the NHS Audit Committee Handbook and NHS Codes of Conduct and Accountability, the Audit Committee must provide the CCG Board with an independent and objective review on its financial systems, financial information and compliance with laws, guidance, and regulations governing the NHS.

The Committee is authorised by the Board 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 Board 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.

## DEVOLVED FUNCTIONS

The CCG Constitution describes the CCG functions and duties delegated to the Board. The Board delegates to the Audit Committee those functions relating to areas outlined in the remit and responsibilities of the Audit Committee stated below.

## REMIT & RESPONSIBILITIES

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

In particular, the Committee will review the adequacy of:

- all risk and control related disclosure statements (in particular the Annual Governance Statement and declarations of compliance with the Regulations of the Health and Social Care Act 2012), together with any accompanying Head of Internal Audit statement, external audit opinion or other appropriate independent assurances, prior to endorsement by the Board;
- 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. This will be achieved by means of reviewing and endorsing the Board Assurance Framework and Corporate Risk Register at each meeting (except when approving the final accounts) and the Risk Management Strategy annually and recommending these to the CCG Board for approval;
- the policies for ensuring compliance with relevant regulatory, legal and code of conduct requirements;
- 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 Counter Fraud and Security Management Service;
- integrated governance arrangements as operated by the *Integrated Governance Group*, which will include (but is not limited to) maintaining the CCG Constitution and governance arrangements, risk, sustainability, organisational development, information security / governance, compliance with legislation etc.;
- systems and processes in place for ensuring that the CCG complies with requirements for information security via compliance with Level 2 of the NHS Digital Data Security and Protection Toolkit.

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 audit functions. It will also seek reports and assurance from Board members and CCG officers as appropriate, concentrating on the over-arching systems of integrated governance, risk management and internal control, together with indicators of their effectiveness.

The *Integrated Governance Group* will report to the Audit Committee at each meeting providing assurance that governance arrangements (as set out within the terms of reference of the group) are robust and operating effectively.

This will be evidenced through the Committee's use of an effective Board 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 established by management that meets mandatory NHS Audit Standards and provides appropriate independent assurance to the Audit Committee, Accountable Officer and Board. This will be achieved by:

- consideration of the provision of the Internal Audit service, the costs 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 organisation
- annual review of the effectiveness of the internal audit function.

### **External Audit**

The Committee shall review the work and findings of the External Auditor and consider the implications and management's responses to their work. This will be achieved by:

- consideration of the appointment and performance of the External Auditor, as far as the rules 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 ensure 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 fee
- review all External Audit reports, including agreement of the annual audit letter before submission to the Board 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 to the organisation, and consider the implications to the governance of the organisation.

These will include, but will not be limited to assurance from any reviews by Department of Health, NHS England or Regulators/Inspectors (e.g. Health & Safety Executive, NHS

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

In addition, the Committee will review the work of other committees within the organisation, including the Quality & Patient Safety Committee, whose work can provide relevant assurance to the Audit Committee's own scope of work. In reviewing the work of the Quality & Patient Safety Committee, and issues around risk management, the Audit Committee will wish to satisfy themselves on the assurance that can be gained from the CCG's systems for ensuring sound clinical governance across the providers from whom the CCG commissions care. The *Integrated Governance Group* will provide essential assurance to the Audit Committee in relation to issues of Governance.

### **Counter Fraud**

The Committee shall satisfy itself that the organisation has adequate arrangements in place for countering fraud and shall review the outcomes of counter fraud work.

### **Management of Conflicts of Interest within the CCG**

The Committee has a specific responsibility for providing assurance to the Board that the CCG has effective processes in place for managing conflicts of interest with regard to Board members and officers/staff. This role includes review of the CCG's Conflicts of Interest Policy (and any other associated policy), quarterly review of the Register of Board Members' Interests, review of mandated Internal Audit Reports on Conflicts of Interest and review of the Conflict of Interest Committee minutes. In addition to any verbal reports from the Audit Committee Chair in relation to advice or decisions taken in her role as Conflicts of Interest Guardian.

### **Management**

The Committee shall request and review reports and presentations from directors and management providing internal assurance on the systems of internal control.

They may also request specific reports or presentations from individual functions within the organisation (e.g. clinical audit) as they may be appropriate to the overall assurance process.

### **Financial Reporting**

The Audit Committee shall review the Annual Report and Financial Statements before submission to the Board, focusing particularly on:

- the wording in the Annual Governance Statement and other disclosures relevant to the Terms of Reference of the Committee
- changes in, and compliance with, accounting policies and practices
- unadjusted mis-statements in the financial statements
- major judgemental areas
- significant adjustments resulting from the audit

The Committee should also ensure that the systems for financial reporting to the Board, including those of budgetary control, are subject to review as to completeness and accuracy of the information provided to the Board.

## **MANAGING THE COMMITTEE**

Members of the Committee are expected to comply with the same standards of conduct expected of all CCG and Governing Body members, as set out in the CCG Constitution and the national NHS Constitution.

This includes:

- Abiding by the CCG Conflict of Interest Policy, thereby declaring all interests honestly and fully and declaring any conflict of interests.
- Abiding by the CCG Standards of Business Conduct Policy and CCG Standing orders.
- Abiding by the Nolan Principles of public life when discharging duties. The seven principles are selflessness, integrity, objectivity, accountability, openness, honesty and leadership.
- The TOR will be agreed by the Thurrock CCG Board and reviewed annually.
- The Committee will undertake an annual self-assessment effectiveness survey.

### **Membership**

- At least once a year the Committee should meet privately with the External and Internal Auditors. To provide an opportunity for this, a private session will be arranged at the beginning of each meeting if required.
- The Accountable Officer will be required to attend at least annually, to discuss with the Audit Committee the process for assurance that supports the Annual Governance Statement, although they may wish to attend every meeting,
- Other senior officers of the CCG will be required to attend upon request of the Committee, particularly when the Committee is discussing areas of risk or operation that are the responsibility of that senior manager.

### **Committee Chair**

The Lay Member (Governance and Audit Committee Chair) shall also act at the Conflicts of Interest Guardian). In the event of the Chair of the committee being unable to attend all or part of the meeting, he or she will nominate a replacement from within the membership to deputise for that meeting.

### **Secretary**

The nominated officer who shall act as secretary is stated at the outset of this Terms of Reference. The secretary will be responsible for supporting the Chair in management of committee business and for drawing the committee's attention to best practice, national guidance and other relevant documents as appropriate.

### **Frequency and notice of meetings**

Items of business to be transacted for inclusion on the agenda of a meeting need to be notified to the chair or secretary at least 10 working days (i.e. excluding weekends and bank holidays) before the meeting takes place. Supporting papers for said items need to be submitted at least 7 working days before the meeting takes place to the Secretary, who will issue the papers 5 working days before the committee meets.

The date, time and venue of all meetings will be notified to members at least 5 working days prior to the meeting.

### **Minutes and Committee Papers**

All Committee papers must be accompanied by the standard cover sheet providing an executive summary of the salient points of the paper being presented.

The minutes of meetings shall be formally recorded within 5 working days of the meeting by the designated secretary and checked by the Chair of the meeting 1 week following receipt and submitted to the Board. The Chair of the Committee shall draw to the attention of the board any issues that require disclosure to the full Board, or require executive action.

### **Decision Making / Policy and Best Practice**

In making decisions the Committee will apply best practice in the decision making processes. This will ensure that all decisions are informed by relevant and reliable data that provides sufficient information upon which a decision can be made and in accordance with CCG procedures (for example those set out within Standing Financial Instructions).

## **RELATED COMMITTEES**

All other committees of the Board shall present the minutes of their meetings (and where appropriate papers) relating to any matter of internal control or risks stated on the Board Assurance Framework so that the Audit Committee is fully informed of such matters to enable them to discharge their responsibilities.

Other working groups / committees that provide assurance to the committee are:

- Remuneration Committee
- Conflicts of Interest Committee
- Quality & Patient Safety Committee
- Finance & Performance Committee
- Transformation & Sustainability Committee
- Primary Care Development Committee
- STP Joint Committee
- Integrated Governance Group

## **REPORTING & REVIEW**

### **Reporting to the CCG Board**

The Committee will report to the Board annually on its work in support of the Annual Governance Statement, specifically commenting on the fitness for purpose of the Assurance

Framework, the completeness and embedding of risk management in the organisation, integration of governance arrangements and the appropriateness of on-going compliance against conditions, directions, key lines of enquiry and other performance monitoring mechanisms set by NHS England.

### **Annual Review of Effectiveness**

The committee will conduct an annual self-assessment of its effectiveness and report the findings of the assessment to the Board.

### **WORK PLAN**

The Committee will develop a Work Plan based on the remit and responsibilities of the Committee to include the monitoring of systems and processes in place for risk management, compliance and internal control.

This Work Plan will detail the reports required and the frequency of reporting. This will be reflected in a rolling agenda of standing items and a programme of reports presented according to the Work Plan.

### **CONFLICTS OF INTEREST**

The CCG's rules on conflicts of interest as set out in the CCG Constitution, Standing Orders and Standing Financial Instructions and apply to the work of this Committee. Members or those in attendance must, at the outset of the meeting, declare any interest that they may have in a matter and withdraw from the discussion on that item.