

**Audit Committee
Terms of Reference**

1. Constitution

- 1.1 The Audit Committee (the Committee) is established in accordance with NHS South Tees Clinical Commissioning Group's (the CCG) 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. Membership

- 2.1 The Committee shall be appointed by the CCG as set out in the CCG's constitution and shall be made up of at least two Lay Members and another Member of the Governing Body (eg. Secondary Care Doctor).
- 2.2 The Governing Body Lay Member with a lead role in overseeing key elements of governance, will chair the Audit Committee.
- 2.3 The Chair of the Governing Body will not be a Member of the Committee.

3 Attendance

- 3.1 The CCG's Director of Finance & Governance and appropriate Internal and External Audit representatives shall normally attend meetings.
- 3.2 At least once a year the Committee should meet privately with the External and Internal Auditors.
- 3.3 The CCG Chief Officer should be invited to attend and should discuss at least annually with the Committee the process for assurance that supports the Annual Governance Statement. The Chief Executive Officer should also attend when the Committee considers the draft internal audit plan and the annual accounts.
- 3.4 Other nominated officers may be invited to attend, particularly when the Committee is discussing areas of risk or operation that are the responsibility of the nominated officer.
- 3.5 The Chair of the Governing Body may also be invited to attend one meeting each year in order to form a view on, and understanding of, the Committee's operations.

4 Secretary and governance support

- 4.1 The CCG's Corporate Secretary shall attend to take minutes of the meeting. The Head of Governance will also attend and will draw the Committee's attention to best practice, national guidance and other relevant documents where appropriate.

5 Quorum

- 5.1 A quorum shall be two members.

6 Frequency and Notice of Meetings

- 6.1 The Committee must consider the frequency and timing of meetings needed to allow it to discharge all of its responsibilities. A benchmark of five meetings per annum at appropriate times in the reporting and audit cycle is suggested. The external auditors or Head of Internal Audit may request a meeting if they consider that one is necessary.
- 6.2 The Audit Committee Chair can request a meeting at any time.

7 Authority

- 7.1 The Committee is authorised by the CCG 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 necessary.

8 Remit and Responsibilities of the Committee

- 8.1 The Committee shall critically review the CCG's financial reporting and internal control principles and ensure an appropriate relationship with both internal and external auditors is maintained. In addition, the Committee is driven by the priorities identified by the Clinical Commissioning Group and the associated risks. The duties of the Committee can be categorised as follows:

8.1.1 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 that support the achievement of the CCG's objectives.

Its work will dovetail with that of the Quality, Performance and Finance Committee to seek assurance that robust clinical quality is in place.

In particular, the Committee will review the adequacy and effectiveness of:

- All risk and control related disclosure statements (in particular the Annual Governance Statement), together with any appropriate independent assurances, prior to endorsement by the Clinical Commissioning Group.
- The underlying assurance processes that indicate the degree of achievement of Clinical Commissioning Group 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 Secretary of State Directions and as required by the NHS Counter Fraud and Security Management Service.
- The arrangements in place to ensure the robust management and reporting of declarations of interest.

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 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.

8.1.2 Internal Audit

The Committee shall ensure that there is an effective internal audit function that meets mandatory Public Sector Internal Audit Standards and provides appropriate independent assurance to the Audit Committee, Chief Executive Officer and the 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.
- 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.
- 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.

8.1.3 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 auditors, as far as the rules governing the appointment permit.
- 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.
- 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 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.
- Review of proposals for non-audit services.

8.1.4 Other Assurance Functions

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.

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

8.1.5 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. It shall also approve the counter fraud work programme.

8.1.6 Anti-Bribery

The Audit Committee will satisfy itself that the CCG has adequate arrangements in place to ensure compliance with the Bribery Act 2010, established to prevent and tackle bribery and corruption in both public and private sectors.

As a public sector organisation the Audit Committee will ensure that good business practice is followed within the CCG and that there are appropriate controls in place to prevent bribery. It will ensure that areas such as, though not exclusively, procurement and sponsorship are fully compliant with CCG policies and procedures.

8.1.7 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.

8.1.8 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 NHS England, 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, practices and estimation techniques;
- Unadjusted mis-statements in the financial statements;
- Significant judgements in preparing of the financial statements;
- Significant adjustments resulting from the audit;
- Letter of representation; and
- Qualitative aspects of financial reporting.

9 Relationship with Governing Body

9.1 The Minutes of Audit Committee meetings shall be formally recorded by the Corporate Secretary 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 to the relevant statutory body, or require executive action.

9.2 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 Assurance Framework, the completeness and embeddedness of risk management in the organisation and the integration of governance arrangements.

10 Conduct of the Committee

- 10.1 The Committee shall conduct its business in accordance with national guidance, relevant codes of practice including the Nolan Principles and the Standards of Business Conduct and Conflicts of Interest policy.
- 10.2 An annual report of its performance, membership and terms of reference will be submitted to the Governing Body, either as an independent report or via the CCG's Annual Report.

11 Managing Conflicts of Interest

- 11.1 Declarations of interest and declarations of any gifts & hospitality will be an agenda item at each meeting. All declarations of interest and gifts & hospitality and resulting actions will be recorded in the Minutes.
- 11.2 Everyone attending a meeting will be required to declare any interest they have in any agenda item as soon as it becomes apparent. The Chair will determine whether the individual should withdraw from the meeting, the discussion and/or voting.
- 11.3 Similarly, if another member of the Committee is aware of an interest that has not been declared by the conflicted individual, then this should be raised with the Committee Chair and appropriate action taken.
- 11.4 Conflicts of interest should be declared and managed in accordance with the CCG's Standards of Business Conduct and Conflicts of Interest Policy. The definition of conflicts of interest is attached to these terms of reference.
- 11.5 If in doubt, the individual concerned should assume that a potential conflict of interest exists and consult with the Head of Governance and/or the CCG's Conflicts of Interest Guardian.

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