

## **Audit Committee Terms of Reference**

### **1 Introduction**

The Audit Committee of NHS North Tyneside Clinical Commissioning Group is established as a committee of the CCG Governing Body, in accordance with constitution, standing orders and scheme of delegation.

These terms of reference set out the membership, remit, responsibilities and reporting arrangements of the Audit Committee and shall have effect as if incorporated into the CCG constitution and standing orders.

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.

### **2 Principal Function**

The committee provides the CCG Governing Body with an independent and objective view of the CCG's system of internal control, including financial systems, business systems, performance information, financial information and compliance with laws, regulations and directions governing the CCG.

### **3 Authority**

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 cooperate with any requests 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.

The committee will have full authority to commission any reports or surveys it deems necessary to help it fulfil its obligations.

### **4 Membership**

The membership of the Audit Committee will consist of:

- The Lay Member of the NHS North Tyneside Clinical Commissioning Group who leads on audit and governance matters
- At least one other Lay Member of the NHS North Tyneside Clinical Commissioning Group
- One other member with the relevant skills and experience as nominated by the Governing Body (Shaun Lackey appointed by Governing Body 23 April 2019)

The Chief Finance Officer will be the lead officer for the committee and will be invited to attend all meetings. The Chief Officer should attend at least annually to discuss with the committee the process for assurance that supports the Annual Governance Statement. He or she should also attend when the committee considers the draft internal audit plan and the annual accounts.

The External Auditor and Head of Internal Audit will normally attend the committee. The counter fraud specialist will attend a minimum of two meetings a year. The Head of Internal Audit and representative of external audit have a right of direct access to the Chair of the committee.

Any other directors (or similar) may be invited to attend, particularly when the committee is discussing areas of risk or operation that are the responsibility of that director. Other officers, employees, and practice representatives of the CCG may be invited to attend all or part of meetings of the committee to provide advice or support particular discussion from time to time, as may officers of other organisations (e.g. NHS Protect) as required.

Regardless of attendance, external audit, internal audit, local counter fraud and NHS Protect providers will have full and unrestricted rights of access to the Audit Committee.

At least once a year the Audit Committee will hold part of its meeting with the external and internal auditors with only the members present.

Those invited to attend will not be entitled to vote.

Lay member Audit Committee members will serve on the Audit Committee for a period of three years, when tenure will be reviewed.

## **5 Chair**

The committee will be chaired by the Lay Member leading on audit and governance matters.

The Chair has the responsibility to ensure that the Committee obtains appropriate advice in the exercise of its functions.

## **6 Administrative Support**

The committee shall be supported administratively by the CFO – his/her

duties in this respect will include:

- agreement of agendas with the chair and attendees;
- preparation, collation and circulation of papers in good time (see section 9);
- ensuring those invited to each meeting attend;
- taking the minutes and helping the Chair to prepare reports to the Governing Body;
- keeping a record of matters arising and issues to be carried forward;
- arranging meetings for the Chair – for example, with the internal/external auditors or local counter fraud specialists; maintain records of members' appointments and renewal dates etc;
- advising the committee on pertinent issues/areas of interest/policy developments;
- ensuring action points are taken forward between meetings; and
- ensuring the committee members receive the development and training they need.

## **7 Quorum and Decision Making**

A quorum shall be two members of the committee, including at least one lay member.

In the event of the Chair of the committee being unable to attend all or part of the meeting, he/she will nominate a replacement from within the membership to deputise for that meeting.

Generally it is expected that decisions will be reached by consensus. Should this not be possible then a vote of members will be required. In the case of an equal vote, the person presiding (i.e. the Chair of the meeting) will have a second, and casting vote.

## **8 Frequency of Meetings**

Meetings of the Audit Committee will normally be held bi-monthly, and not less than 5 times per financial year. There will be no more than 20 weeks between meetings. The Governing Body, Accountable Officer, External Auditor or Head of Internal Audit may request a meeting if they consider one is necessary.

A record of attendance will be kept in the minutes of the meeting. Members will be expected to attend each meeting and should attend at least 80% of the meetings in any financial year.

In exceptional circumstances and where agreed in advance by the Chair, members of the committee or others invited to attend may participate in meetings by telephone, by the use of video conferencing facilities and/or webcam where such facilities are available. Participation in a meeting in any of these manners shall be deemed to constitute presence in person at the meeting.

## **9 Agendas and Papers**

The agenda for meetings of the committee will be set by the Chair. The agenda and papers for meetings of the committee will be distributed 5 working days in advance of the meeting. Items for the agenda should be notified to the Chair 10 days in advance of each meeting.

## **10 Remit and Responsibilities of the Committee**

The duties of the committee will be driven by the priorities identified by the CCG and the associated risks. It should operate to a programme of business, agreed by the clinical commissioning group, and will be flexible to new and emerging priorities and risks.

The committee shall critically review the clinical commissioning group's financial reporting and internal control principles and ensure an appropriate relationship with both internal and external auditors is maintained.

### **10.1 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 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 and effectiveness of:

- all risk and control related disclosure statements (in particular the Annual Governance Statement where this is required), together with any accompanying Head of Internal Audit statement, external audit opinion or other appropriate independent assurances, prior to submission to the CCG Governing Body;
- the underlying assurance processes that indicate the degree of the achievement of the organisation's 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-certifications;
- the policies and procedures for all work related to counter fraud, bribery and corruption required by NHS Counter Fraud Authority

(NHSCFA);

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.

As part of its integrated approach, the committee will have effective relationships with other key committees (for example the Quality & Safety committee) so that it understands the processes and linkages. However, these other committees must not usurp the committee's role.

## 10.2 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 Officer and the Governing Body. This will be achieved by:

- consideration of the provision of the Internal Audit service, and the costs involved;
- 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 seeking to ensure co-ordination between the Internal and External Auditors to optimise the use of audit resources;
- ensuring that the Internal Audit function is adequately resourced and has appropriate standing within the organisation;
- monitoring the effectiveness of Internal Audit.

## 10.3 External Audit

The committee shall review and monitor External Auditor's independence and objectivity and the effectiveness of the audit process. In particular, the committee will 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:

- considering of the appointment and performance of the external

auditors, as far as the rules governing the appointment permit – see section 10.9 (and make recommendations to Governing Body when appropriate);

- discussion and agreement with the external audit, before the audit commences, of the nature and scope of the audit as set out in the Annual Plan;
- discussion with the external auditors of their evaluation of audit risks and assessment of the CCG and impact on the audit fee;
- review of all external audit reports, including the report to those charged with governance (before its submission to the Governing Body), and any work undertaken outside the annual audit plan, together with the appropriateness of management responses.
- Ensuring that there is in place a clear policy for the engagement of external auditors to supply non-audit services.

#### 10.4 Other Assurances Functions

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

These will include, but will not be limited to, any reviews by Department of Health and Social Care arm's length bodies – for example, the Care Quality Commission, NHS Resolution, etc or Regulators/Inspectors and professional bodies with responsibility for the performance of staff or functions – for example Royal Colleges, accreditation bodies, etc.

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 areas of responsibility. In particular, this will include clinical governance, risk management or quality committees that are established.

In reviewing the work of a clinical governance committee, and issues around clinical risk management, the Audit Committee will wish to satisfy itself on the assurance that can be gained from the Quality & Safety Committee.

#### 10.5 Counter Fraud

The committee shall satisfy itself that the organisation has adequate arrangements in place for counter fraud, bribery and corruption that meet NHSCFA's standards and shall review the outcomes of counter fraud work in these areas. The committee has delegated authority from the Governing Body to approve the Group's counter fraud and security management arrangements.

In accordance with 3.2 of the NHSCFA's *Fraud Commissioners Standards*, the Audit Committee has:

'stated its commitment to ensuring commissioners achieve these

standards and therefore requires assurance that they are being met via the NHSCFA's quality assurance programme.'

The committee will refer any suspicions of fraud, bribery and corruption to the NHSCFA, via the Local Counter Fraud Specialist.

#### 10.6 Management

The committee shall request and review reports, evidence and assurances from the directors and managers on the overall arrangements for governance, risk management and internal control.

The committee may also request specific reports from individual functions or committees within the organisation (for example, Quality & Safety Committee).

#### 10.7 Whistleblowing

The Governance Institute's *Guidance* note – terms of reference for the audit committee states that 'the committee shall review the adequacy and security of the company's arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action.' To that end, the committee shall review the effectiveness of the arrangements in place for allowing staff 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.

It is worth noting that NHS England is a prescribed person meaning that primary care service staff working in GP surgeries, opticians, pharmacies and dental practices, can raise concerns about inappropriate activity to NHS England.

#### 10.8 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 should ensure that the systems for financial reporting to the Governing Body, including those of budgetary control, are subject to review as to completeness and accuracy of the information provided.

The Audit Committee shall review the Annual Report and Financial Statements before submission to the Governing Body, 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 and estimation techniques;
- unadjusted misstatements in the financial statements;

- significant judgments in preparation of the financial statements;
- significant adjustments resulting from the audit;
- letters of representation; and
- explanations of significant variances.

## 10.9 Auditor Panel

Regulations have been laid under the Local Audit and Accountability Act 2014 that require CCGs to ensure there is sufficient scrutiny and oversight of the CCG's relationship with its external auditors by having an auditor panel chaired by an independent member, who is not part of the management structure, such as a lay member of the Governing Body.

In order to meet these requirements the Audit Committee shall also perform the role of the Auditor Panel for the CCG.

The Chair and members of the Audit Committee will also be the Chair and members of the Auditor Panel.

The Auditor Panel shall:

- advise the CCG on the maintenance of an independent relationship with external auditors;
- advise the CCG on the selection and appointment of external auditors;
- if asked advise the CCG on any proposal to enter into a limited liability agreement.

To ensure the activities of the Auditor Panel are distinctive to the other activities of the Audit Committee the Chair of the Auditor Panel shall arrange separate Auditor Panel meetings as required, ensure minutes of meetings are formally recorded and submitted to the Governing Body and provide a separate annual report to the Governing Body of the panel's activities and decisions.

## 11 **Reporting Arrangements**

The committee shall report to the CCG Governing Body on how it discharges its responsibilities.

The minutes of the committee's meetings shall be formally recorded by the secretary and submitted to 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 Annual Governance Statement, specifically commenting on:

- the fitness for purpose of the Assurance Framework;
- the completeness and ‘embeddedness’ of risk management in the organisation;
- the integration of governance arrangements;
- the appropriateness of the evidence that shows the organisation is fulfilling regulatory requirements relating to its existence as a functioning business; and
- the robustness of the processes behind the quality accounts.

This annual report should also describe how the committee has fulfilled its terms of reference and give details of any significant issues that the committee considered in relation to the financial statements and how they were addressed.

## **12 Policy and Best Practice**

The committee will apply best practice in its decision making, and in particular it will:

- comply with current disclosure requirements for remuneration;
- ensure that decisions are based on clear and transparent criteria
- comply with CCG policy and procedures for the declaration of interests

To support best practice, the Audit Committee will undertake a self-assessment reviewing its own performance, membership, terms of reference and its effectiveness each December. Any changes will be agreed with the Governing Body and then implemented from the start of the following financial year.

## **13 Conduct of the Committee**

All members of the committee and participants in its meetings will comply with the Standards of Business Conduct for NHS Staff, the NHS Code of Conduct, and the CCG’s Policy on Standards of Business Conduct, Declarations of Interest which incorporate the Nolan Principles and any standards set out by their respective professional bodies.

The committee will review its performance, membership and these Terms of Reference at least once per financial year. It will make recommendations for any resulting changes to these Terms of Reference to the Governing Body for approval.

No changes to these Terms of Reference will be effective unless and until they are agreed by the Governing Body.

Date agreed: 23 September 2014

Date revised: considered and agreed by Audit Committee, 13 November 2015

Date approved by Governing Body: 24 November 2015

Date revised: considered and agreed by Audit Committee, 15 July 2016

Date approved by Governing Body: 27 September 2016

Date approved by Governing Body: 28 November 2017

Date approved by Governing Body: 23 October 2018

Date approved by Governing Body: 23 April 2019