

# NHS Herts Valleys Clinical Commissioning Group

## Audit Committee Terms of Reference V2.1

### 1.0 Role

This Committee is established in line with NHS Herts Valley Clinical Commissioning Group's Constitution. The role of the Audit Committee (the Committee) is to support the Board and the Accountable Officer by reviewing the comprehensiveness, reliability and integrity of assurances to meet the Board and Accountable Officer's requirements. To support this, the Committee will have particular engagement with the work of internal and external audit and with Financial Reporting issues.

### 2.0 Membership

2.1 Members of the Committee shall be appointed by the Board. The Committee shall be made up of:

Three Lay-members of the Board  
Two GP Board Members

2.2 The Chairman of the Board must not be a member of the Committee.

2.3 The Chair of the Committee will be a Lay Member of the Board. In the absence of the Committee Chair and/or appointed Deputy, the remaining members present shall elect another member to Chair the meeting.

2.4 In addition to members the following are required to attend meetings of the Committee. Those in attendance may appoint a Deputy to attend on their behalf but should aim to attend a minimum of four meetings per year.

### 3.0 Regular attendees

Accountable Officer  
Chief Finance Officer  
Head of Corporate Governance  
Deputy Head of Corporate Governance  
Internal and external audit Representatives  
Local Counter Fraud Service (LCFS) Representative

3.1 Internal and external audit representatives will meet at least annually with members of the Committee.

3.2 The Accountable Officer shall be invited to attend any meeting, and should attend at least annually to discuss with the Committee the process for assurance that supports the Annual Governance Statement.

3.3 Only members of the Committee have the right to attend and vote at Committee meetings. The Committee may require other officers of the CCG and other individuals to attend or present papers.

### 4.0 Secretary

4.1 The Head of Corporate Governance or their nominee shall act as the Secretary of the Committee.

## **5.0 Quorum**

5.1 The quorum necessary for the transaction of business shall be two members. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

## **6.0 Frequency of meetings and attendance requirements**

6.1 The Committee will normally meet at least four times per annum at appropriate times in the reporting cycle and otherwise as required.

6.2 Committee members should aim to attend all scheduled meetings but must attend a minimum of four meetings. The Secretary of the Committee shall maintain a register of attendance which will be published in the Trust's Annual Report.

## **7.0 Notice of meetings**

7.1 Meetings may be called by the Secretary of the Committee at the request of any of its members or where necessary.

7.2 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, any other person required to attend and all other Board members, no less than five working days before the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees at the same time.

## **8.0 Minutes of meetings**

8.1 The Secretary, or nominated deputy, shall minute the proceedings of all meetings of the Committee, including recording the names of those present and in attendance.

8.2 Members and those present should state any conflicts of interest in relation to open agenda items to the Chair of the Committee prior to the meeting. Where there is a conflict of interest the Chair will notify the member whether they should withdraw from the meeting, the discussion and/or voting. The Secretary should minute how any conflicts of interest have been managed.

8.4 Minutes of Committee meetings should be circulated promptly to all members of the Committee unless a conflict of interest exists and, once agreed, submitted to the public Board meeting for information.

## **9.0 Annual General Meeting**

9.1 The Chair of the Committee will normally attend the Annual General Meeting and be prepared to respond to any questions on the Committee's activities.

## **10.0 Duties**

The Committee has delegated responsibility for assuring the following:

### **10.1 Governance, risk management and internal control**

10.1.1 The Committee shall approve a comprehensive system of internal control, including budgetary control.

- 10.1.2 The Committee shall approve the CCG's risk management arrangements, including the risk management strategy and procedure.
- 10.1.3 The Committee shall approve arrangements to work effectively with NHS protect.
- 10.1.4 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.
- 10.1.5 The Committee will monitor due diligence on any integration or partnership arrangements, reviewing the risk assessment and decision-making processes to ensure all control issues are addressed.
- 10.1.6 The Committee will seek assurance on behalf of the Board that the design and application of the control environment in core financial processes are fit for purpose and reflect both public and commercial sector best practice.
- 10.1.7 The Committee will consider the approval of any proposals to commission any non-audit work by the appointees as and when necessary.
- 10.1.8 In particular the Committee will review the adequacy and effectiveness of:
  - 10.1.8.1 All risk and control related disclosure statements together with any accompanying Head of internal audit statement, external audit opinion or other appropriate independent assurances, prior to endorsement by the Board.
  - 10.1.8.2 An effective system of management of performance and finance across the whole of the CCG's activities (both clinical and non-clinical) that supports the achievement of the CCG's objectives.
  - 10.1.8.3 The Board Assurance Framework and the underlying integrated 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.
  - 10.1.8.4 The policies for ensuring compliance with relevant regulatory, legal and code of conduct requirements; and
  - 10.1.8.5 The policies and procedures for all work related to fraud and bribery as set out in the Secretary of State directions.
- 10.1.9 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 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 use of an effective assurance framework to guide its work and that of the audit and assurance functions that report to it.

- 10.1.10 The Committee shall approve the CCG's detailed financial policies, at least once every 12 months.
- 10.1.11 The Committee shall review the mechanisms and levels of authority (for example Standing Orders, Detailed Financial Policies, delegated limits) and making recommendations to the CCG Board.
- 10.1.12 The Committee shall monitor compliance with Standing Orders, Prime Financial Policies and Detailed Financial Policies.
- 10.1.13 The Committee shall review waivers to standing orders.
- 10.1.14 The Committee shall review schedules of losses and compensation, and making recommendations to the CCG board.
- 10.1.15 The Committee shall ratify the CCG's banking arrangements.
- 10.1.16 The Committee shall review the CCG annual report and accounts, and advise the Board as its accuracy and appropriateness.

## **11.0 Internal Audit**

- 11.1 The Committee shall ensure that there is an effective internal audit function established by management, which meets mandatory public sector internal audit standards and provides appropriate independent assurance to the Accountable Officer and Board. This will be achieved by:
- 11.1.2 Consideration of the provisions of the internal audit service, the cost of the audit and any questions of resignation and dismissal;
- 11.1.3 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 CCG as identified in the Assurance Framework;
- 11.1.4 Consideration of the major findings of internal audit work (and management's response) and ensure co-ordination between internal and external auditors to optimise resources;
- 11.1.5 Ensuring that the internal audit function is adequately resourced and has appropriate standing within the CCG; and
- 11.1.6 Annual review of the effectiveness of internal audit.

## **12.0 External audit**

- 12.1 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:
- 12.1.1 Consideration of the appointment and performance of the external auditor;
- 12.1.2 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;

12.1.3 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

12.1.4 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.

### **13.0 Whistle blowing and counter fraud**

13.1 The Committee shall approve the CCG's local counter fraud and security management arrangements.

13.2 The Committee will review the adequacy of the CCG's arrangements by which staff may, in confidence raise concerns about possible improprieties in matters of financial reporting or other matters.

13.3 The Committee will satisfy itself that NHS England has adequate arrangements in place for countering fraud and will review the outcomes of counter fraud work.

### **14.0 Standards of business conduct**

14.1 Oversee the CCG's management of conflicts of interest.

14.2 Oversee the CCG's declarations of interest, gifts, hospitality and sponsorship registers.

### **15.0 Other duties**

15.1 The Committee shall approve the remedial action on the breach of statutory requirements.

15.2 The Committee shall approve the arrangements for ensuring appropriate, safekeeping and confidentiality of records and for the storage, management and transfer of information and data.

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

### **16.0 Financial reporting**

16.1 The Committee will monitor the integrity of the financial statements of the CCG and any formal announcements relating to the CCG's financial performance.

16.2 The Committee should ensure that the systems for financial reporting to the Board, including those of budgetary control, are subject to review both as to the completeness, accuracy and fitness for purpose of the information provided to the Board and with regard to the effectiveness of the Board's consideration of this information.

16.3 The Committee will review the Annual Report and Accounts before submission to the Board, focussing particularly on:

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

16.3.2 Changes in, and compliance with, accounting policies and practices;

16.3.3 Unadjusted mis-statements in the financial statements;

16.3.4 Significant judgments in preparation of the financial statements;

16.3.5 Significant adjustments resulting from the audit; and

16.3.6 Qualitative aspects of financial reporting.

**17. Reporting responsibilities**

17.1 The Committee will report to the CCG Board who will approve its Terms of Reference and membership.

17.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

17.3 The Committee will supply approved minutes to the Board and report on its proceedings after each meeting.

17.4 The Committee will produce an Annual Report to the Board.

**18.0 Other matters**

18.1 The Committee should:

18.1.1 Have access to sufficient resources in order to carry out its duties;

18.1.2 Be provided with appropriate and timely training, both in the form of an induction programme for new members and on an on-going basis for all members;

18.1.3 Give due consideration to laws and regulations; and

18.1.4 At least once per year, review its own performance and Terms of Reference to ensure it is operating at maximum effectiveness and recommend to the Board for approval, any changes it considers necessary.

**19. Authority**

19.1 The Committee has no other powers, other than those specifically delegated in these Terms of Reference. The Committee is authorised to:

19.1.1 Seek any information it requires from any employees of the CCG in order to perform its duties;

19.1.2 Obtain, outside legal or other professional advice on any matters within its terms of reference via the Head of Corporate Governance; and

19.1.3 Call any employee to be questioned at a meeting of the Committee as and when required.

**20. Monitoring and review**

20.1 The Board will monitor the effectiveness of the Committee through receipt of the Committee's minutes and such written or verbal reports that the Chair of the Committee might provide.

- 20.2 The Head of Corporate Governance will assess agenda items to ensure they comply with the Committee's responsibilities.
- 20.3 The Head of Corporate Governance will monitor the frequency of the Committee meetings and the attendance records to ensure minimum attendance figures are complied with. The attendance of members of the Committee will be reported to the Chairman of the CCG and included within the CCG's Annual Report.
- 20.4 Terms of Reference approved by the Audit Committee: *21 February 2019*
- 20.5 Terms of Reference approved by the Board: *14 March 2019*
- 20.6 Terms of Reference to be reviewed annually.  
Date of Next Review by Audit Committee: January 2020