

# Audit and Governance Committee

## Terms of Reference

### 1. Purpose

The Audit and Governance Committee exists to:

- Provide the Governing Body with an independent and objective view of the CCG's financial systems, financial information and compliance with the laws, regulations and directions governing the CCG in as far as they relate to finance.
- 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 organisation's objectives.
- Scrutinise every instance of non-compliance with the CCG's Standing Orders, Scheme of Reservation and Delegation and Prime Financial Policies and monitoring compliance with the CCG's Conflicts of Interest Policy and Gifts, Hospitality and Sponsorship Policy.
- Approve the CCG's Annual Report and Accounts.

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 advice and to secure the attendance of individuals with relevant experience and expertise if it considers this necessary.

The Audit and Governance Committee may meet 'in-common' with the Audit and Governance Committees of NHS Nottingham City CCG, NHS Nottingham West CCG and NHS Rushcliffe CCG.

### 2. Status

The Audit and Governance Committee is established in accordance with CCG's constitution and is a statutory committee of, and accountable to, the CCG's Governing Body.

The Committee is authorised to create task and finish sub-groups in order to take forward specific programmes of work as considered necessary by the Committee's membership.

### 3. Duties

#### Integrated governance, risk management and internal control

- a) The Committee will 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, which supports the achievement of its 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) together with any accompanying head of internal audit opinion, external audit opinion or other appropriate independent assurances.
  - The underlying assurance processes that indicate the degree of achievement of the CCG's objectives, the effectiveness of the management of principal risks and the appropriateness of the above disclosure statements.
  - Compliance with Standing Orders, Scheme of Reservation and Delegation and Prime Financial Policies, including review of all waivers.
  - The policies for ensuring compliance with relevant regulatory, legal, and code of conduct requirements and any related reporting and self-certifications).
  - Arrangements in place for allowing staff to raise concerns (in confidence) about possible improprieties, ensuring that any such concerns are investigated proportionately and independently.
  - The policies and procedures for all work related to counter fraud, bribery and corruption as required by the NHS Counter Fraud Authority.
- b) 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.
- c) The Committee will use the Governing Body Assurance Framework to guide its work and that of the audit and assurance functions that report to it.

#### Internal audit

- d) The Committee will ensure that there is an effective internal audit function established by management that meets the *Public Sector Internal Audit Standards 2017* and provides appropriate independent assurance to the Committee, Accountable Officer and Governing Body. This will be achieved by:
- e) Considering the provision of the internal audit service and the costs involved.
- f) Reviewing and approving of the annual internal audit plan and more detailed programme of work, ensuring that this is consistent with the audit needs of the CCG (as identified in the Governing Body Assurance Framework).
- g) Considering the major findings of internal audit work (and management's response), and ensuring co-ordination between the internal and external auditors to optimise the use of audit resources.
- h) Ensuring that the internal audit function is adequately resourced and has appropriate standing within the organisation.
- i) Monitoring the effectiveness of internal audit and completing an annual review.

#### External audit

- j) 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:

- k) Considering the appointment and performance of the external auditors, as far as the rules governing the appointment permit (and make recommendations to the Governing Body when appropriate).
- l) Discussing and agreeing with the external auditors, before the audit commences, the nature and scope of the audit as set out in the annual plan.
- m) Discussing with the external auditors their local evaluation of audit risks and assessment of the organisation and the impact on the audit fee.
- n) Review of all external audit reports, including the report to those charged with governance and any work undertaken outside of the audit plan, together with the appropriateness of management responses.
- o) Ensuring that there is in place a clear protocol for the engagement of external auditors to supply non-audit services.

#### Counter Fraud

- p) The Committee will satisfy itself that the organisation has adequate arrangements in place for counter fraud, bribery and corruption that meet NHS Counter Fraud Authority's standards and will review the outcomes of work in these areas. This will include approving the counter fraud work programme.
- q) The Committee will refer any suspicions of fraud, bribery and corruption to the NHS Counter Fraud Authority.

#### Financial reporting

- r) The Committee will monitor the integrity of the financial statements of the CCG and any formal announcements relating to the organisation's financial performance.
- s) The Committee will 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.
- t) The Committee will review and approve the annual report and financial statements, focusing particularly on:
  - u) The wording in the annual governance statement and other disclosures.
  - v) Changes in, and compliance with, accounting policies, practices and estimation techniques.
  - w) Unadjusted mis-statements in the financial statements.
  - x) Significant judgements in preparing of the financial statements.
  - y) Significant adjustments resulting from the audit.
  - z) Letters of representation.
  - aa) Explanations for significant variances.

#### **4. Membership**

The Audit and Governance Committee will have three members, comprised as follows:

- Lay Member (Financial Management and Audit Lead)
- Lay Member (Patient and Public Involvement Lead)
- Lay Member

#### Attendees:

The following will be routine attendees at Audit and Governance Committee meetings:

- Chief Finance Officer
- Corporate Director
- Internal Audit
- External Audit

Other officers may be invited to attend meetings when the Committee is discussing areas of risk or operation that fall within their areas of responsibility. This will include:

- The CCG's Accountable Officer being invited to attend, at least annually, to discuss with the Committee the process for assurance that supports the Governance Statement.
- The Local Counter Fraud Specialist being invited to attend at least twice per year.

#### **5. Chair and Deputy**

The Lay Member (Financial Management and Audit Lead) will Chair the Audit and Governance Committee.

In the event of the Chair of the committee being unable to attend all or part of the meeting, a replacement from within the Committee's membership will be nominated to deputise for that meeting.

#### **6. Quorum**

The Audit and Governance Committee will be quorate with a minimum of two members.

If any Committee member has been disqualified from participating in the discussion and/or decision-making for an item on the agenda, by reason of a declaration of a conflict of interest, then that individual shall no longer count towards the quorum.

#### **7. Frequency of Meetings**

The Audit Committee will meet no less than five times per year at appropriate times in the

reporting and audit cycle.

The head of internal audit and representative from external audit have a right of direct access to the Chair of the Committee and may request a meeting if they consider that one is necessary. The Committee will meet privately with the internal and external auditors at least once during the year.

Meetings of the Audit and Governance Committee, other than those regularly scheduled above, shall be summoned by the secretary to the Committee at the request of the Chair.

## **8. Secretariat and Conduct of Business**

Secretariat support will be provided to the Audit and Governance Committee to ensure the day to day work of the Committee is proceeding satisfactorily.

Agendas and supporting papers will be circulated no later than three working days in advance of meetings and will be distributed by the secretary to the Audit and Governance Committee.

Any items to be placed on the agenda are to be sent to the secretary no later than five working days in advance of the meeting. Items which miss the deadline for inclusion on the agenda may be added on receipt of permission from the Chair.

The Audit and Governance Committee agenda will be agreed with the Chair prior to the meeting.

## **9. Minutes of Meetings**

Minutes will be taken at all meetings, presented according the corporate style.

The minutes will be ratified by agreement of the Audit and Governance Committee at the following meeting.

The Chair of the Audit and Governance Committee will agree minutes if they are to be submitted to the Governing Body prior to formal ratification.

## **10. Conflicts of Interest Management**

In advance of any meeting of the Audit and Governance Committee, consideration will be given as to whether conflicts of interest are likely to arise in relation to any agenda item and how they should be managed. This may include steps to be taken prior to the meeting, such as ensuring that supporting papers for a particular agenda item are not sent to conflicted individuals.

At the beginning of each Committee meeting, members and attendees will be required to declare any interests that relate specifically to a particular issue under consideration. If the existence of an interest becomes apparent during a meeting, then this must be declared at

the point at which it arises. Any such declaration will be formally recorded in the minutes for the meeting.

The Chair of the Committee will determine how declared interests should be managed, which is likely to involve one the following actions:

- a) Requiring the individual to withdraw from the meeting for that part of the discussion if the conflict could be seen as detrimental to the Committee's decision-making arrangements.
- b) Allowing the individual to participate in the discussion, but not the decision-making process.
- c) Allowing full participation in discussion and the decision-making process, as the potential conflict is not perceived to be material or detrimental to the Committee's decision-making arrangements.

## **11. Reporting Responsibilities and Review of Committee Effectiveness**

The Audit and Governance Committee will report to the Governing Body through regular submission of minutes from its meetings. Any items of specific concern, or which require Governing Body approval, will be the subject of a separate report.

The Committee will provide an annual report to the Governing Body to provide assurance that it is effectively discharging its delegated responsibilities, as set out in these terms of reference. The annual report will specifically comment on the Committee's work in support of the Governance Statement, including the fitness for purpose of the Governing Body Assurance Framework, the completeness and embedment of risk management in the organisation and the integration of governance arrangements. The Committee will also conduct an annual review of its effectiveness to inform this report.

## **12. Review of Terms of Reference**

These Terms of Reference will be formally reviewed on an annual basis, but may be amended at any time in order to adapt to any national guidance as and when issued.

Any proposed amendments to the Terms of Reference will be submitted to the Governing Body for approval.

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