


Item Number: 13									
Name of Presenter: Tracey Preece									
Meeting of the Governing Body 1 December 2016	 Vale of York Clinical Commissioning Group								
Audit Committee Terms of Reference									
Purpose of Report For Approval									
Rationale <p>The terms of reference for the Audit Committee have been revised to include provisions for the establishment of an Auditor Panel to advise on the appointment of external auditors.</p>									
Strategic Priority Links <table style="width: 100%; border: none;"> <tr> <td><input type="checkbox"/> Primary Care/ Integrated Care</td> <td><input type="checkbox"/> Planned Care/ Cancer</td> </tr> <tr> <td><input type="checkbox"/> Urgent Care</td> <td><input type="checkbox"/> Prescribing</td> </tr> <tr> <td><input checked="" type="checkbox"/> Effective Organisation</td> <td><input type="checkbox"/> Financial Sustainability</td> </tr> <tr> <td><input type="checkbox"/> Mental Health/Vulnerable People</td> <td></td> </tr> </table>		<input type="checkbox"/> Primary Care/ Integrated Care	<input type="checkbox"/> Planned Care/ Cancer	<input type="checkbox"/> Urgent Care	<input type="checkbox"/> Prescribing	<input checked="" type="checkbox"/> Effective Organisation	<input type="checkbox"/> Financial Sustainability	<input type="checkbox"/> Mental Health/Vulnerable People	
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Recommendations <p>The Governing Body is asked to approve the Audit Committee Terms of Reference, agreed by the Committee at its meeting on 28 September.</p>									
Responsible Chief Officer and Title Tracey Preece, Chief Financial Officer	Report Author and Title Helena Nowell, Strategy and Assurance Manager								

Audit Committee

Terms of Reference

1. Introduction

- 1.1 The Audit Committee (the Committee) is established in accordance with NHS Vale of York Clinical Commissioning Group's constitution.
- 1.2 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 Clinical Commissioning Group as set out in the Clinical Commissioning Group's constitution and may include individuals who are not on the governing body. It shall consist of not less than three members including the following:
 - Lay Member with the lead role in governance
 - Lay member acting as Deputy Chair
 - Secondary care clinician
- 2.2. The lay member on the governing body, 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 In addition to the members of the Committee the Chief Finance Officer, Chief Operating Officer, Chief Nurse and the respective appointed external and internal auditors will normally attend meetings.
- 3.2 At least once a year the Committee should meet privately with the external and internal auditors.
- 3.3 Representatives from NHS Protect will be invited to attend meetings and will normally attend at least one meeting each year.
- 3.4 Regardless of attendance, external audit, internal audit, local counter fraud and security management (NHS Protect) providers will have full and unrestricted rights of access to the Audit Committee.

- 3.5 The Accountable Officer will normally attend and will discuss, at least annually with the Committee, the process for assurance that supports the annual governance statement.
- 3.6 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.
- 3.7 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

- 4.1 The secretary will be responsible for supporting the chair in the management of the Committee's business.
- 4.2 The Committee will also be supported administratively by the secretary, whose duties in this respect will include:
 - Agreement of agenda with chair and attendees and collation of papers
 - Taking the minutes
 - Keeping a record of matters arising and issues to be carried forward
 - Advising the Committee on pertinent areas

5. Quorum

A quorum shall be two members.

6. Frequency and Notice of Meetings

- 6.1 A minimum of five meetings will be held a year as set out in the Audit Committee Timetable. The Chair will agree dates and the secretary will give a minimum of 10 working days' notice of meetings.
- 6.2 The external auditors or head of internal audit may request a meeting if they consider that one is necessary

7. Remit and Responsibilities of the Committee

- 7.1 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.
- 7.2 The duties of the Committee will be driven by the priorities identified by the Clinical Commissioning Group, and the associated risks. It will operate to a programme of business, agreed by the Clinical Commissioning Group that will be flexible to new and emerging priorities and risks.

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

7.4 The key duties of an Audit Committee will be broadly as follows:

7.5 **Integrated Governance, Risk Management and Internal Control**

7.5.1 The Committee shall review the establishment and maintenance of an effective system of integrated governance, risk management and internal control and the management of conflicts of interest across the whole of the Clinical Commissioning Group's activities that support the achievement of the Clinical Commissioning Group's objectives.

7.5.2 Its work will dovetail with that of Quality and Finance Committee, through which the Clinical Commissioning Group seeks assurance that robust clinical quality is in place.

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

- All risk and control related disclosure statements (in particular the governance statement), together with any appropriate independent assurances, prior to endorsement by the Clinical Commissioning Group.
- The management of Information Governance within the Clinical Commissioning Group
- The management of security issues within 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.

7.5.4 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.

7.5.5 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.

7.6 Internal Audit

The Committee shall ensure that there is an effective internal audit function that meets mandatory NHS Internal Audit Standards and provides appropriate independent assurance to the Audit Committee, accountable officer and Clinical Commissioning Group. 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 Clinical Commissioning Group.
- An annual review of the effectiveness of internal audit.
- Drawing the Committee's attention to best practice, national guidance and other relevant documents, as appropriate.

7.7 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 and independence 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 Clinical Commissioning Group 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 Clinical Commissioning Group 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.

7.8 Other assurance functions

7.8.1 The Committee shall review the findings of other significant assurance functions, both internal and external and consider the implications for the governance of the Clinical Commissioning Group.

7.8.2 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).

7.8.3 In addition, the committee will review the work of other committees within the organisation, whose work can provide relevant assurance to the Committee's own areas of responsibility. In particular, this will include clinical governance, risk management or quality committees that are established. In reviewing work on clinical governance and issues around clinical risk and management, the Committee will wish to satisfy itself on the assurance that can be gained from the clinical audit and quality assurance function.

7.9 Counter Fraud

The Committee shall satisfy itself that the Clinical Commissioning Group 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.

7.10 Management

7.10.1 The Committee shall request and review reports and positive assurances from directors and managers on the overall arrangements for governance, risk management internal control and quality.

7.10.2 The Committee may also request specific reports from individual functions within the Clinical Commissioning Group as they may be appropriate to the overall arrangements.

7.11 Financial Reporting

7.11.1 The Committee shall monitor the integrity of the financial statements of the Clinical Commissioning Group and any formal announcements relating to the Clinical Commissioning Group's financial performance.

7.11.2 The Committee shall ensure that the systems for financial reporting to the Clinical Commissioning Group, including those of budgetary control, are subject to review as to completeness and accuracy of the information provided to the Clinical Commissioning Group.

7.11.3 The Committee shall review the annual report and financial statements before submission to the governing body and the Clinical Commissioning Group, focusing particularly on:

- The wording in the 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.

7.12 Auditor Panel Provisions

The Committee will act as the CCG's Auditor Panel. It will formally record when it is acting as Auditor Panel. To be quorate, both lay members must be present. In the event of a dispute, the Chair has the casting vote.

The role of the Auditor Panel is to advise the Governing Body on the selection and appointment of the external auditor. The main tasks are to:

7.12.1 Agree and oversee a robust process for selecting the external auditors in line with the organisation's normal procurement rules at least once every five years.

7.12.2 Make a recommendation to the Governing Body as to the appointment.

7.12.3 Advise on the purchase of 'non-audit services' from the auditor. This includes the approval of any policy on the purchase of 'non-audit services'.

7.12.4 Ensure that any conflicts of interest for members and attendees at the auditor panel or external auditor, are dealt with effectively. For

example, if non-statutory audit services work is awarded to the external auditor, ensure that the auditor's independence is maintained.

7.12.5 Advise the Governing Body on the maintenance of an independent relationship with the appointed external auditor and that communications are professional.

7.12.6 Advise the Governing Body on any decision as to the removal or resignation of the external auditor.

8. Relationship with the Governing Body

8.1 The minutes of the Committee meetings shall be formally recorded by the 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 or executive action.

8.2 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, risk management arrangements in the organisation, and financial and governance arrangements.

9. Policy and Best Practice

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 member of the group 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 this necessary.

10. Whistle blowing

The Committee shall review the effectiveness of the arrangements in place for allowing staff to raise (in confidence) concerns about the possible improprieties in financial, clinical or safety matters and ensure that any such concerns are investigated proportionately and independently.

11. Conduct of the Committee

11.1 The Committee will conduct its business in accordance with any national guidance and relevant codes of conduct / good governance practice, including Nolan's seven principles of public life.

11.2 The Committee will review, at least annually, its own performance, membership and terms of reference. Any resulting changes to the

terms of reference or membership will be approved by the governing body.

12. Review of Committee Effectiveness

12.1 The Committee shall undertake a review of its effectiveness at least annually.

12.2 The Committee shall be subject to any review of Vale of York Clinical Commissioning Group committees as required.

Author	Lynette Smith, Head of Integrated Governance
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