

NHS COUNTY DURHAM CCG

AUDIT AND ASSURANCE COMMITTEE

Terms of Reference
Effective from 1 April 2020

1. Introduction

The Audit and Assurance Committee (the committee) is established in accordance with the NHS County Durham 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.

The Committee may meet in-common with similar Committees from other CCGs as required.

2. Remit and responsibilities

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:

2.1 Integrated governance, risk management and internal control

The Committee's work will align with that of other Committees of the CCG to seek assurance that robust systems are in place and operating effectively, including those related to integrated governance and quality.

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 CCG,
- the underlying assurance processes that indicate the degree of achievement of CCG 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 Authority 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 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 senior officers-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.

2.2 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 Committee, the Accountable 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.

2.3 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, to the extent that the rules governing the appointment allow,
- 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.

2.4 Other assurance functions

- The 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 arms' length bodies or regulators/inspectors (for example, NHS England or NHS Litigation Authority) and professional bodies with responsibility for the performance of staff or functions (for example Royal Colleges and accreditation bodies).

- The Committee shall seek assurances and undertake more detailed scrutiny of the implementation of work programmes associated with delivery of, for example, the CCG's Quality, Innovation, Productivity and Prevention (QIPP) targets.
- The Committee shall seek assurances relevant to any decisions made where member representatives have declared an interest but have been agreed to continue to be engaged in the discussion and decision.

2.5 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.

2.6 Management

- The Committee shall request and review reports and positive assurances from relevant senior officers 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.

2.7 Financial Reporting

- The Committee shall monitor the integrity of the CCG's financial statements and any formal announcements relating to the CCG's financial performance, and 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 Committee shall review and comment upon the annual report and financial statements before recommending to the Governing Body, 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,
- the letter of representation; and
- qualitative aspects of financial reporting.

2.8 Auditor Panel

In order to meet the requirements of the *Local Audit and Accountability Act 2014*, the Committee shall also perform the role of the Auditor Panel for the CCG. The Chair and members of the 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 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.

3. **Membership**

The committee shall be appointed by the Governing Body as set out in the CCG's constitution and shall be made up of the three Lay Members outlined in the Constitution.

The Audit Committee will be chaired by the lay member who has qualifications, expertise or experience to enable them to lead on finance and audit matters. The Audit Committee Chair will also undertake the role of Conflicts of Interest Guardian.

The Chair of the Governing Body will not be a member of the Committee.

4. **Attendance**

Chief Finance Officer
 Chief Operating Officer
 Finance and Performance Manager
 Internal Audit representative
 Local Counter Fraud Specialist
 External Audit representative
 Senior Governance Manager (North of England Commissioning Support)

Other nominated officers may be invited to attend, particularly when the committee is discussing areas of risk or operation that re the responsibility of the nominated officer.

The Chair of the Governing Body may also be invited to attend at least one meeting each year in order to form a view on, and understanding of, the Committee's operations.

The Accountable Officer would normally be invited to attend and discuss, at least annually with the Committee, the process for assurance that supports the statement on internal control. They would also normally be invited to attend when the Committee considers the draft internal audit plan and the annual accounts.

The Committee can by agreement meet 'in common' with the corresponding meeting in other CCGs if agendas have common areas that would benefit from a broader discussion.

5. Quoracy

The meeting will be quorate with at least two of the three members being present including either the Chair or the Vice Chair.

6. Frequency of Meetings

Unless agreed otherwise the Committee will meet on a quarterly basis with provision for extra meetings as required. The external auditors or head of internal audit may request a meeting if they consider that one is necessary.

At least once a year the Committee will offer to meet privately with the external and internal auditors. External and internal auditors will also have full and unrestricted rights of access to the Committee.

7. Administration

The administration of the Committee will be in line with the provisions in the CCG's Standing Orders.

The agenda for the meeting will be agreed by the Committee Chair in conjunction with the Chief Finance Officer. All papers for discussion must be submitted to the Chief Finance Officer for consideration before the agreed deadline. All papers should be circulated with the Agenda.

If an item needs to be raised on the day, this will be covered under 'any other business', subject to there being available time.

At the start of each meeting, members will be asked to consider any declarations of conflict of interest.

When necessary, a separate confidential section of the meeting will be held only with members of the Committee. Some or all of the individuals 'in attendance' would be required to leave the meeting.

Minutes of each meeting will be formally recorded and submitted to the next meeting for approval.

The Committee will endeavour to make decisions by consensus. Where there is no consensus on a particular matter, that matter may be put to a vote. Only members of the Committee are voting members. In the event of a tied vote, the Chair of the Committee shall have the casting vote.

8. 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 and Declarations of Interest which incorporate the Nolan Principles.

The Terms of Reference will be reviewed at least once per financial year to ensure they meet all legislative requirements required and best practice.

Any changes to the Terms of Reference must be approved by the Governing Body and will require submission to NHS England as a change to the Constitution.

9. Conflicts of interest

Members should comply with the CCG's Standards of Business Conduct and Declarations of Interest Policy and complete a declaration of interest form on an annual basis which can be updated at any time, and within 28 days of a new or changed conflict of interest.

If a member feels compromised by any agenda item they should declare a conflict of interest as soon as they are aware of it, ideally before the meeting. The conflict will then be considered by the Chair either prior to the meeting or at the meeting. The Chair would then determine whether the person who declared the interest should leave the meeting for the discussion and decision making, take part in the discussion but not the decision making or take part in both the discussion and the decision making of that particular agenda item. A detailed record of any declarations of interest made in relation to the items on the agenda will be recorded in the minutes of the meeting and on the declaration of interest form which will be signed by the Chair.

10. Relationship with Governing Body

The Governing Body has delegated authority to the Committee to provide independent oversight, strategic risk assurance and assurance on financial propriety.

The Committee is authorised by the Governing Body to obtain independent legal or other independent professional advice, within reasonable limits, as and when the

Committee considers this necessary.

The Committee is accountable to the Governing Body.

The Committee Chair shall provide the Governing Body with a regular report on the Committee's activities and any significant matters.

Minutes of the Committee will be submitted to the Governing Body.

The Committee will review the draft annual accounts and annual report and make recommendations to the Governing Body.

11. Policy and best practice

The Committee will apply best practice in its decision making and in particular it will ensure that decisions are based on clear and transparent criteria.

Effective from: 1 April 2020

Review period: Annually