

Clinical Commissioning Group

Wiltshire Clinical Commissioning Group

Governing Body

Paper Summary Sheet

For: PUBLIC session PRIVATE session

Date of Meeting: 24 January 2017

For: Decision Discussion Noting

Agenda Item:	Audit and Assurance Committee Terms of Reference
Author:	Susannah Long, Governance and Risk Manager
Lead Director/GP from CCG:	Peter Lucas, Lay Member and Chair of the Audit and Assurance Committee
Executive summary:	<p>The CCG Constitution describes the Committees of the organisation which report to the Governing Body: one such Committee is the Audit and Assurance Committee.</p> <p>The terms of reference are reviewed on an annual basis.</p> <p>These terms of reference have been reviewed and approved by the Audit and Assurance Committee, and are presented to the Governing Body for ratification.</p>
Evidence in support of arguments:	This document was developed from the AAC TOR agreed at the meeting held on 12 May 2015.
Who has been involved/contributed:	David Noyes, Director of Planning, Performance and Corporate Services
Cross Reference to Strategic Objectives:	The paper supports all strategic objectives.
Engagement and Involvement:	N/A
Communications Issues:	The terms of reference should be treated as a public document and will be available for release under the FOI Act. The CCG Constitution which contains Committee TOR is published on the CCG website.
Financial Implications:	N/A

Review arrangements:	The terms of reference will be reviewed annually by the Audit and Assurance Committee.
Risk Management:	None identified.
National Policy/ Legislation:	The CCG is required to have a Constitution.
Public Health Implications:	N/A
Equality & Diversity:	No impacts identified.
Other External Assessment:	N/A
What specific action re. the paper do you wish the Governing Body to take at the meeting?	The Governing Body is asked to ratify the Audit and Assurance Committee Terms of Reference.

Audit and Assurance Committee

Terms of Reference

Date Approved by Audit and Assurance Committee: 10 January 2017

Date Approved by Governing Body:

1. Purpose

- 1.1 The Governing Body has established the Audit and Assurance Committee as a standing sub-committee of the NHS Wiltshire CCG.
- 1.2 The Committee's primary role is to conclude upon the adequacy and effective operation of the internal control systems that underpin the delivery of the organisation's objectives.

2. Membership

- 2.1 The Committee shall be appointed from amongst the non-executive directors of the CCG and shall consist of not less than three members. At least one Clinical GP Executive will attend, ensuring clinical engagement. The Chair of the CCG should not be a member of the Audit and Assurance Committee, although he/she may be invited to attend meetings. One of the members will be appointed Chair of the Committee by the Governing Body and a non-executive director as Vice Chair will be nominated by the members.
- 2.2 As a minimum, one member of the Committee must have recent relevant financial experience.
- 2.3 The Accountable Officer should be invited to attend at least annually to report on identification of risk within the organisation.
- 2.4 The Chair has been given authority to implement Chair's action under the CCG's Standing Orders – "Emergency Powers and Urgent Decisions". This allows for an emergency or an urgent decision to be exercised by the Chair after having consulted at least one other member. The exercise of such powers by the Chair will be reported to the next formal meeting of the Governing Body in public session for formal ratification.

- 2.5 The core membership of the Committee will consist of the following or their nominated deputies:

VOTING MEMBERS
Lay Member for Audit and Governance (Chair)
Lay Member for Public and Patient Involvement (Vice Chair)
Secondary Care Doctor
At least one Clinical GP Executive
ATTENDEES
Director of Corporate Services, Planning and Performance (acting as the Company Secretary)
Chief Financial Officer
Representative from Internal Audit
Representative from External Audit
Representative from Counter Fraud or Security
Deputy Chief Financial Officer
The Chair of the Governing Body, Accountable Officer (where appointed, Chief Operating Officer as Deputy), Commissioning Committee Chair or other Executive Directors and Senior Officers may be invited to attend meetings of the Audit and Assurance Committee as appropriate.

3. Quorum

- 3.1 Nominated deputies may attend the meeting but business will only be conducted if the meeting is quorate. The Committee will be quorate with a minimum of three Voting Members.
- 3.2 When the Chair is unavailable, the Vice Chair will deputise.

a. Expectation of Attendance

- i. Members are required to attend at least four meetings per year. An attendance record will be maintained.

4. Frequency of Meetings

- 4.1 Meetings will be held not less than five times a year. The Committee Chair, however, reserves the right to convene additional committee meetings as required to discharge the responsibilities of the committee.
- 4.2 The External or Internal Auditors may request a meeting if they consider that one is necessary, and restrict attendance to non-executive members.

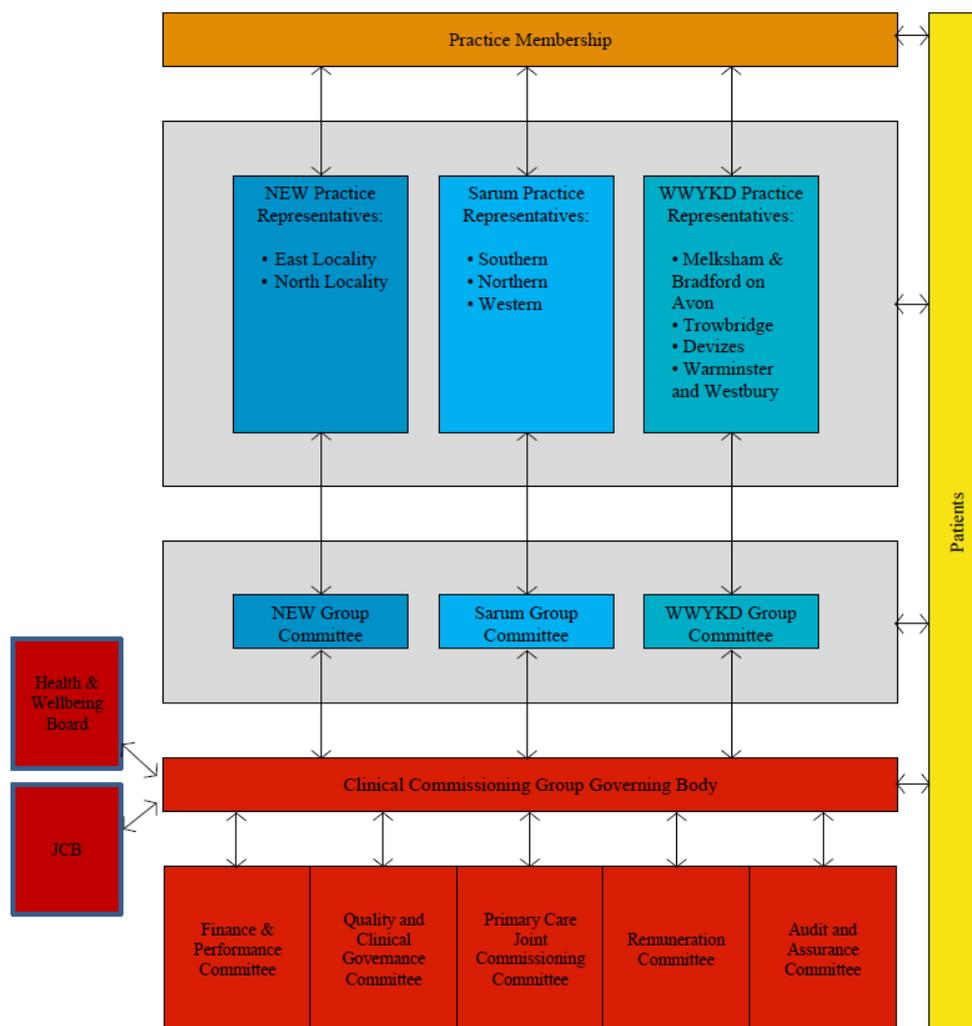
a. Meeting Arrangements

- i. A work programme and standing agenda will be agreed to guide the work of the Committee, but will allow for flexibility.
- ii. At every meeting, the Committee should meet privately with the External and Internal Auditors without any CCG Executive Members present.
- iii. The servicing, administrative and appropriate support to the Chair and committee members of the Audit and Assurance Committee will be undertaken by the Board Administrator who will record formal minutes of the meeting.

5. Accountable To

5.1 The Committee is accountable to the CCG Governing Body.

Figure 1: Clinical Commissioning Group Structure



6. Responsibilities / Authority / Scheme of Delegation

6.1 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 legal

or other independent professional advice and to secure the attendance of other appropriate persons with relevant experience and expertise if it considers this necessary.

6.2 The Governing Body will retain responsibility for all aspects of internal control, supported by the Audit and Assurance Committee, satisfying itself that appropriate processes are in place to provide the required assurance.

6.3 The Governing Body delegates the following to the Committee:

Delegations by the Governing Body to the Audit and Assurance Committee	
Body/Individual	Delegation
Audit and Assurance Committee	<ul style="list-style-type: none"> a) Ensuring there is an effective internal audit function established by management, that meets mandatory NHS Internal Audit Standards and provides appropriate independent assurance to the Audit Committee, Accountable Officer and Governing Body; b) Reviewing the work and findings of the external auditor and considering the implications of and management's responses to their work; c) Reviewing the findings of other significant assurance functions, both internal and external to the organisation, and considering the implications for the governance of the organisation; d) Ensuring 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 to the Governing Body; e) Reviewing financial and information systems and monitoring the integrity of the financial statements and reviewing significant financial reporting judgements; f) Reviewing 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; g) Monitoring compliance with Standing Orders and Standing Financial Instructions; h) Reviewing schedules of losses and compensations and making recommendations to the Governing Body; i) Reviewing schedules of debtors/creditors balances £5,000 and over six months old and explanations/action plans; j) Review and approval of the annual report and financial statements prior to submission to the Governing Body for ratification focusing particularly on; <ul style="list-style-type: none"> (i) the wording in the Annual Governance Statement and other disclosures relevant to the Terms of Reference of the Committee; (ii) changes in, and compliance with, accounting policies and practices; (iii) unadjusted misstatements in the financial statements; (iv) major judgmental areas; (v) significant adjustments resulting from audit. k) Reviewing the external auditors report on the financial statements and the annual management letter; l) Conducting a review of the CCG's major accounting policies; m) Reviewing any incident of fraud or corruption or possible breach of ethical standards or legal or statutory requirements that could have a significant impact

	<p>on the CCG's published financial accounts or reputation;</p> <p>n) Reviewing any objectives and effectiveness of the internal audit services including its working relationship with external auditors;</p> <p>o) Reviewing major findings from internal and external audit reports and ensure appropriate action is taken;</p> <p>p) Reviewing 'value for money' audits reporting on the effectiveness and efficiency of the selected departments or activities;</p> <p>q) Reviewing the mechanisms and levels of authority (e.g. Standing Orders, Standing Financial Instructions, Delegated limits) and make recommendations to the CCG;</p> <p>r) Reviewing the scope of both internal and external audit including the agreement on the number of audits per year and approving audit plans;</p> <p>s) Investigating any matter within its terms of reference, having the right of access to any information relating to the particular matter under investigation;</p> <p>t) Reviewing waivers to Standing Orders;</p> <p>u) Reviewing hospitality and sponsorship registers;</p> <p>v) Reviewing the information prepared to support the controls assurance statements prepared on behalf of the Governing Body and advising the Governing Body accordingly.</p> <p>w) Undertaking the procurement of the external audit contract through the establishment of an auditor panel, and then advising the Governing Body on the contract award.</p> <p>x) Approval of procedures, policies and strategies relevant to the committee's terms of reference.</p>
	<p>Where the Audit Committee considers there is evidence of ultra vires transactions, evidence of improper acts, or if there are other important matters that the Committee wishes to raise, the Chair of the Audit Committee should raise the matter at a full meeting of the Governing Body. Exceptionally, the matter may need to be referred to the Department of Health.</p>

The Committee will be responsible for:

6.4 Governance, Internal Control and Risk Management

The Committee shall review the establishment and maintenance of an effective system of integrated governance, internal control and risk management across the whole of the organisation's activities (financial, non-financial, clinical, non-clinical and information) that supports the achievements of the organisation's objectives. It will review the CCG risk register at every meeting.

The Committee will primarily utilise the work of Internal and External audit and other assurance functions but will not be limited to these 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 by the Committee's use of an effective CCG Assurance Framework to guide its work and that of the audit and assurance functions that report to it.

In particular, the Committee will review the adequacy of:

- All risk and control-related disclosure statements (including the Annual Governance Statement) together with any accompanying Head of Internal Audit Opinion Statement, External Audit opinion or other appropriate independent assurances prior to endorsement by the Governing Body;

- The underlying 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;
- The policies for ensuring compliance with relevant statutory, regulatory, legal and code of conduct requirements, and the operational effectiveness of policies and procedures which are brought to the attention of the Audit and Assurance Committee by Internal and External Auditors;
- The policies and procedures for review and performance management of all work related to fraud and corruption as set out in the Secretary of State Directions and as required by the Directorate of Counter Fraud Services.

6.5 Internal Audit

The Committee shall ensure there is an effective internal audit control function which provides appropriate independent assurance to the Audit and Assurance Committee, Accountable Officer and Governing Body. The Committee's function is to:

- Consider the appointment and provision of the internal audit service, the audit fee, review of audit appointments and tenders and any questions of resignation or dismissal;
- Oversee the effective operation of Internal Audit and ensure that Internal Audit is appropriately resourced and has appropriate standing within the CCG;
- Review, contribute to, and approve the Internal Audit strategy and plans and more detailed programme of work ensuring that they are consistent with the audit needs of the organisation as identified in the CCG Assurance Framework, and with the requirement for External Audit to place reliance on Internal Audit work;
- Consider major findings of Internal Audit reports, management and Director responses, follow-up reports and CCG summary reports and subsequent action;
- Evaluate the extent to which the Internal Audit service complies with the mandatory audit standards and the guidelines set out in the Public Sector Internal Audit Standards;
- Ensure there is an annual review of the effectiveness of internal audit.

6.6 External Audit

The committee shall review the work and the findings of the External Auditor appointed by the CCG and consider the implications and management's response to their work. This will be achieved by:

- Consideration of the appointment and performance of the External Auditor in relation to the CCG contract;
- Discussion and agreement with the External Auditor of the nature and scope of the external audit programme of work as set out in the annual plan prior to commencement and ensure co-ordination, as appropriate, with other External Auditors within the local health economy;
- Discussion with auditors of their local evaluation of audit risks and assessment of the CCG;
- Review of all external audit reports before submission to the Governing Body, and any work carried out outside the annual audit plan, together with the follow-up reports and responses from management and Directors;

- Discussion of any issues and reservations arising from the work of the External Auditor and any matters the External Auditor may wish to raise (in the absence of Executive Directors and other management of the CCG, where necessary).

The Audit and Assurance Committee will seek to enhance and receive assurance that effective and co-ordinated relationships exist between Internal and External audit, and with the Local Counter Fraud Officer, to optimise audit resources.

6.7 Counter Fraud

- To appoint the Counter Fraud Management service, the fee and terms and conditions of engagement;
- Oversee the effective operation of Counter Fraud and to ensure that the Counter Fraud Service is appropriately resourced and has appropriate standing within the CCG;
- Review the Counter Fraud Policies, Strategies/Plans and to consider major findings of Counter Fraud reports, management's response and subsequent action;
- Ensure compliance with the NHS Protect Standards for Commissioners: fraud, bribery and corruption.

6.8 Security Management Service

- To appoint the Security Management service, the fee and terms and conditions of engagement;
- Oversee the effective operation of Security Management and to ensure that the Security Management Service is appropriately resourced and has appropriate standing within the CCG;
- Review the Security Management Policies, Strategies/Plans and to consider major findings of Security Management reports, management's response and subsequent action;
- Ensure compliance with the NHS Protect Standards for Commissioners: security management.

6.9 Financial Reporting and Control

- a) The Audit and Assurance Committee will recommend approval of the Annual Governance Statement, Annual Accounts, financial statements, and Annual Report before submission to the Governing Body for adoption. Particular focus is to be made 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, standards and practices;
 - Unadjusted misstatements in the financial statements;
 - Major judgmental areas;
 - Significant adjustments resulting from the audit.
- b) The Committee should also 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 to the Governing Body. In addition it should review financial and information systems, monitor the integrity of financial statements, and review significant financial reporting judgements.

6.10 Other Assurance Functions

- a) The Audit and Assurance Committee will review the findings of other significant assurance functions, both internal and external, and consider the governance of the organisation. These will include, but will not be limited to, any reviews by the Department of Health bodies' regulators/inspectors (e.g. Healthcare Commission, NHS Litigation Authority); staff surveys; professional bodies with responsibility for the performance of staff or functions (e.g. Royal Colleges, accreditation bodies, etc.).
- b) In addition, the Committee will oversee and review the work of other committees within the organisation which can provide relevant assurance on the implementation of integrated governance arrangements. The Committee shall request and review reports and positive assurances from Directors and Managers on the overall arrangements for governance, risk management and internal control. They may also request specific reports from individual functions within the organisation.
- c) Any material objections to the Internal Audit plans and associated assignments that cannot be resolved through negotiations will be notified to the Chief Financial Officer immediately.
- d) If matters cannot be resolved to the satisfaction of the Head of Internal Audit he/she has a right of access to all Audit and Assurance Committee members, the Chair and Accountable Officer of the CCG. This process is in line with the CCG Constitution and Standing Financial Instructions.

7. Accountable For

- 7.1 The Committee is authorised to create such working groups as are necessary to fulfil its responsibilities within its Terms of Reference. The Committee may not delegate executive powers (unless expressly authorised by the Governing Body) and remains accountable for the work of any such group.
- 7.2 The Information Governance Group reports to the Committee.

8. Duties

- 8.1 In addition to the list of delegations shown in 6.3, the Committee will:
 - Advise the Governing Body on internal and external audit services;
 - Review the establishment, maintenance and adequacy of an effective system of integrated governance, internal controls and risk management, across the whole of the organisation's activities (financial, non-financial, clinical, non-clinical, and information), that supports the achievement of the organisation's objectives;
 - Establish and maintain effective systems to consider risks, complaints, patient feedback and untoward incidents;
 - Review of National Reports and Guidance;
 - Monitor compliance with and waiver of the financial policies and scheme of delegation;
 - Review every decision to suspend the Scheme of Reservation and Scheme of Delegation;

- Review the schedule of losses and compensations and make recommendations to the CCG;
- Review the annual financial statements prior to submission to the Governing Body.

9. Reporting

9.1 The Committee will establish an annual work programme which:

- Reflects its accountabilities and responsibilities;
- Reflects strategic risks arising from the Assurance Framework.

9.2 The minutes of the Audit and Assurance Committee shall be formally recorded by the secretary (Director of Corporate Services, Planning and Performance) and the final and approved minutes submitted to the 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. Notes of Audit and Assurance Committee meetings shall be submitted to the following Governing Body meeting. Any items of specific concern or which require Governing Body approval will be the subject of a separate report.

9.3 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 extent to which risk management has been embedded in the organisation and the integration of governance arrangements. The Audit and Assurance Committee will produce an annual report, in line with best practice, which sets out how the Committee has met its Terms of Reference during the preceding year.

10. Monitoring

10.1 The Audit and Assurance Committee will review its Terms of Reference and work programme on an annual basis as a minimum. Any changes to the Terms of Reference must be approved by the CCG Governing Body.