

NHS Gloucestershire Clinical Commissioning Group

Governing Body Audit & Risk Committee (Incorporating the Auditor Panel) Terms of Reference

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Introduction

- 1.1. The Audit & Risk Committee (the Committee) is established in accordance with Gloucestershire Clinical Commissioning Group's 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.

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.
- 2.2. The membership of the Audit Committee shall include:-
- the lay member of the Governing Body with a lead role in overseeing key elements of governance
 - two other lay members
 - two GP Governing Body members
- 2.3. The lay member on the Governing Body, with a lead role in overseeing key elements of governance, will chair the Audit & Risk Committee.
- 2.4. In the event of the Chair of the Committee being unable to attend all or part of the meeting, he or she will nominate a replacement from within the membership to deputise for that meeting.
- 2.5. The Chair of the Governing Body shall not be a member of the Audit Committee.
- 2.6. Members of the Committee shall cease to be members of the Committee if they are no longer members of the Governing Body.
- 2.7. The members from the GP member practices of the Governing Body shall not be in the majority.

3. Attendance

- 3.1. The Committee shall invite the Chief Finance Officer, the respective internal and external auditors and a representative of NHS Protect/Counter Fraud to attend meetings of the Committee.
- 3.2. Additionally the Committee may invite any individual to attend any or part of its meetings.
- 3.3. The Committee may invite any person to attend meetings to provide advice and/or expertise as required. Any such person shall not be a member of the Committee and shall withdraw upon request.
- 3.4. Any individual invited to attend the Committee may contribute to the proceedings and provide advice and/or guidance to the Committee as requested.
- 3.5. Notwithstanding the above provisions, external audit, internal audit and local counter fraud and security management providers will have full and unrestricted rights of access to the committee in respect of their **audit** functions.

4. Secretary

- 4.1. The Committee Secretary shall be the Associate Director of Corporate Governance, or designated deputy.

5. Quorum

- 5.1. The quorum of the Committee shall be three members, two of whom must be lay members.

6. Frequency and notice of meetings

- 6.1. The Committee shall meet not less than four times each financial year.
- 6.2. The Chair of the Committee may convene additional meetings as required.
- 6.3. The external auditor or internal auditor may requisition a meeting of the Committee if it is deemed necessary.
- 6.4. Written notice of meetings and the agenda shall be provided to Committee members not less than 5 working days before the meeting.
- 6.5. Notice of Committee meetings and the agenda shall also be provided to the Accountable Officer, Chief Finance Officer and the Clinical Commissioning Group employee responsible for internal audit.
- 6.6. The Committee shall meet in private with the internal and external auditors not less than annually.
- 6.7. The Committee shall meet with the Accountable Officer not less than annually to discuss and consider the process for assurance that supports the Governance Statement.

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 key duties of the Committee are:-

Integrated governance, risk management and internal control

- 7.3. The Committee shall review the establishment of an effective system of integrated governance, risk management and internal control, across the whole of the Clinical Commissioning Group's activities that support the achievement of the Clinical Commissioning Group's objectives. The Committee will perform this assurance role on behalf of the Governing Body which has overall responsibility for corporate governance and risk.
- 7.4. 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.

- risk management framework, policies and procedures ensuring that the risk management structure and processes within the CCG are robust
- quality of risk identification, management and reporting; providing scrutiny and challenge to the Corporate Risk Register and Governing Body Assurance Framework
- reporting of the Assurance Framework to the Governing Body
- the underlying assurance processes that indicate the degree of achievement of the Clinical Commissioning Group's 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. 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 governance, risk management and internal control, together with indicators of their effectiveness.

7.6. This will be evidenced through the Committee's use of an effective assurance structure to guide its work and that of the audit and assurance functions that report to it.

Internal Audit

7.7. 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 audit committee, Accountable Officer and the 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.

External audit

7.8. 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, as far as the rules governing the appointment permit.

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- 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.
- To review advice received from the external auditors regarding regulatory issues.

Other assurance functions

- 7.9. The Audit 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.
- 7.10. These will include, but will not be limited to, any reviews by Department of Health arms-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).

Counter fraud

- 7.11. 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.

Management

- 7.12. 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.
- 7.13. The Committee may also request specific reports from individual functions within the Clinical Commissioning Group as they may be appropriate to the overall arrangements.

Financial reporting

- 7.14. The Audit 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.
- 7.15. 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.
- 7.16. The Audit Committee shall review the Annual Report and Financial Statements before submission to 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;

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- 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.

8. Relationship with the Governing Body

Authority

- 8.1. The Committee is authorised by the Governing Body to obtain professional advice, including the appointment of external advisor and/or consultants, related to its functions as it deems fit at the expense of the Clinical Commissioning Group.
- 8.2. The Committee shall recommend appropriate action(s) should be taken by the Governing Body in allowing the Committee to fulfil its terms of reference.

Monitoring and Reporting

- 8.3. The minutes of each meeting of the Committee shall be formally recorded and retained by the Clinical Commissioning Group. The minutes shall be submitted to the Governing Body.
- 8.4. The Chair of the Committee shall report the outcome and any recommendations of the committee to the Governing Body.
- 8.5. The Committee shall report to the Governing Body annually on its work in support of the Statement of Internal Control, specifically commenting on the fitness for purpose of the Assurance Framework process. The Assurance Framework is presented regularly to the Governing Body.

9. Policy and best practice

- 9.1. The Committee shall have regard to current good practice, policies and guidance issued by the NHS England, the Clinical Commissioning Group and other relevant bodies.

10. Conduct of the Committee

- 10.1. The Committee shall conduct its business in accordance with these terms of reference and the Clinical Commissioning Group's governance arrangements.

11. Auditor Panel

- 11.1 The Audit Committee will fulfil the role of 'Auditor Panel', as defined in the Local Audit and Accountability Act 2014 and in accordance with the Department of Health publication 'Auditor Panels – Guidance to help Health Bodies meet their Statutory Duties, September 2015'.
- 11.2 The principal roles of the Auditor Panel is to advise the Governing Body on the selection, appointment and removal of the Clinical Commissioning Group's external auditor and to

appoint the internal auditor. The Auditor Panel is also responsible for advising the Governing Body on the purchase of 'non-audit services' from the external auditor.

- 11.3 The Auditor Panel will take the form of a separate section of the Audit Committee meeting and will be minuted separately.

Membership, Attendance, Secretary and Quorum

- 11.4 The membership, secretary and quoracy will be as per the Audit Committee and outlined in Sections 2, 4 and 5 above.
- 11.5 The Chief Finance Officer will be invited to attend the meetings. In addition, the Panel may invite any other individual to attend the meetings, as appropriate.

Frequency and notice of meetings

- 11.6 The Panel will meet as and when required.
- 11.7 Written notice of the meetings and agendas will be provided, as part of the normal Audit Committee processes, to Panel members not less than 5 working days before the meeting.

Remit and responsibilities of the Panel

- 11.8 The key duties of the Panel are:
1. to advise the Governing Body on the selection, appointment and removal of the Clinical Commissioning Group's external auditors;
 2. the selection, appointment and removal of the Clinical Commissioning Group's internal auditors;
 3. the maintenance of an independent relationship with the appointed external auditor;
 4. the maintenance of an independent relationship with the appointed internal auditors; and
 5. to advise the Governing Body on the purchase of 'non-audit services' from the external auditor.

Monitoring and reporting

- 11.9 The minutes of each meeting of the Panel will be formally recorded and retained by the Clinical Commissioning Group and submitted to the Governing Body.
- 11.10 The Chair of the Panel shall report the outcome and any recommendations of the Panel to the Governing Body.

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