

NHS Tees Valley CCG
Audit and Assurance Committee
Terms of Reference
Effective from 1 April 2020

1. Constitution

- 1.1 The Audit and Assurance Committee (the committee) is established in accordance with the NHS Tees Valley 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.
- 1.2 The Committee may meet in-common with similar Committees from other CCGs as required.

2. Membership

- 2.1 The Committee shall be appointed by the Governing Body as set out in the CCG's constitution and shall be made up of at least three members (drawn from the Governing Body's Lay Membership, Independent Member and Secondary Care Specialist).
- 2.2 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.
- 2.3 The Chair of the Governing Body will not be a member of the Committee.

3. Attendance

- 3.1 The CCG's Chief Finance Officer and appropriate Internal and External Audit representatives shall normally attend meetings. At least once a year the committee should meet privately with the External and Internal Auditors.
- 3.2 The CCG's Accountable Officer should be invited to attend and should discuss at least annually with the committee the process for assurance that supports the Annual Governance Statement. The Accountable Officer should also attend when the committee considers the draft internal audit plan and the annual accounts.
- 3.3 Other nominated officers may be invited to attend, particularly when the committee is discussing areas of risk or operation that are the responsibility of the nominated officer.
- 3.4 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 Committee Secretary, or whoever covers these duties, shall be Secretary to the committee and shall attend to take minutes of the meeting and for drawing the committee's attention to best practice, national guidance and other relevant documents are appropriate.

5. Quorum

- 5.1 A quorum shall be two members.

6. Frequency and notice of meetings

- 6.1 The committee must consider the frequency and timing of meetings needed to allow it to discharge all of its responsibilities. A benchmark of five meetings per annum at appropriate times in the reporting and audit cycle is suggested. The external auditors or Head of Internal Audit may request a meeting if they consider that one is necessary.
- 6.2 The Audit and Assurance Committee Chair can request a meeting at any time.
- 6.3 The Committee Secretary shall maintain a register of attendance which will be published within the CCG's Annual Report.
- 6.4 The administration of the meeting will be carried out in line with the CCG's Standing Orders.

7. Authority

- 7.1 The committee is authorised by the CCG 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 professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers necessary.

8. Remit and responsibilities of the Committee

- 8.1 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:

8.1.1 Integrated governance, risk management and internal control

The committee shall 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 clinical commissioning group's objectives.

Its work will dovetail with other CCG Committees, to seek assurance that robust processes are in place across the CCG.

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 appropriate independent assurances, prior to endorsement by 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.
- The arrangements in place to ensure the robust management and reporting of declarations of interest.
- Review the processes and the format of the Assurance Framework to ensure that these remain relevant and effective for the organisation.

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.

8.1.2 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, Accountable Officer and 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.

8.1.3 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, 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 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.

8.1.4 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 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).

8.1.5 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.

8.1.6 Anti-Bribery

The Committee will satisfy itself that the CCG has adequate arrangements in place to ensure compliance with the Bribery Act 2010, established to prevent and tackle bribery and corruption in both public and private sectors.

As a public sector organisation, the Committee will ensure that good business practice is followed within the CCG and that there are appropriate controls in place to prevent bribery. It will ensure that areas such, as though not exclusively, procurement and sponsorship in particular, are fully compliant with CCG policies and procedures.

8.1.7 Management

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. This will include the review of the Governance Assurance Report.

The committee may also request specific reports from individual functions within the CCG as they may be appropriate to the overall arrangements.

8.1.8 Financial reporting

The committee shall monitor the integrity of the financial statements of the CCG and any formal announcements relating to the CCG's financial performance.

The committee shall 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 the annual report and financial statements before making recommendations to the Governing Body, focusing particularly 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, 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.

8.1.9 Auditor Panel

Regulations have been laid under the Local Audit and Accountability Act 2014 that require CCGs to ensure there is sufficient scrutiny and oversight of the CCG's relationship with its external auditors by having an auditor panel chaired by an independent member, who is not part of the management structure, such as a lay member of the governing body.

In order to meet these requirements the Audit and Assurance 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 report to the Governing Body of the panel's activities and decisions.

9. Relationship with Governing Body

- 9.1 The minutes of Committee meetings shall be formally recorded by the Committee Secretary and submitted to the Governing Body. Members of the Committee should state any updates to listed conflicts of interest and any conflicts relating to specific items and the Corporate Secretary should minute them accordingly. The Chair of the Committee shall draw to the attention of the Governing Body any issues that require disclosure to the relevant statutory body, or require executive action.

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

- 9.2 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, the completeness and maturity of risk management in the organisation, the integration of governance arrangements.

10. Conduct of the committee

- 10.1 The Committee shall conduct its business in accordance with national guidance, relevant codes of practice including the Nolan Principles and the CCG's Standards of Business Conduct and Conflict of Interest policy.
- 10.2 An annual report of its performance, membership and terms of reference will be submitted to the Governing Body either as a standalone report or via the CCG's Annual Report.
- 10.3 Voting will be carried out in line with the CCG's Standing Orders.

11. Managing Conflicts of Interest

- 11.1 As required by section 140 of the National Health Service Act 2006, as inserted by section 25 of the Health and Social Care Act 2012, and set out in the Group's Constitution the clinical commissioning group will make arrangements to manage conflicts and potential conflicts of interest to ensure that decisions made will be taken and seen to be taken without any possibility of the influence of external or private interest.
- 11.2 Where a member of the Committee has an interest, or becomes aware of an interest which could lead to a conflict of interests in the event of the Committee considering an action or decision in relation to that interest, that must be considered as a potential conflict, and is subject to the provisions of the CCG's Standards of Business Conduct and Managing Conflicts of Interest Policy.

11.3 A conflict of interest will include:

- a direct pecuniary interest: where an individual may financially benefit from the consequences of a decision;
- an indirect pecuniary interest: for example, where an individual is a partner, member or shareholder in an organisation that will benefit financially from the consequences of a decision;
- a non-pecuniary interest: where an individual holds a non-remunerative or not-for profit interest in an organisation, that will benefit from the consequences of a commissioning decision;
- a non-pecuniary personal benefit: where an individual may enjoy a qualitative benefit from the consequence of a decision which cannot be given a monetary value;
- where an individual is closely related to, or in a relationship, including friendship, with an individual in the above categories.

11.4 If in doubt, the individual concerned should assume that a potential conflict of interest exists and consult the CCG's Standards of Business Conduct and Managing Conflicts of Interest.

12 Annual General Meeting

The Chair of the Committee or nominated representative should attend the Annual General Meeting prepared to respond to any questions on the Committee's activities.

Effective from 1 April 2020

Review – annually