NHS
Kirklees
Clinical Commissioning Group

NHS Kirklees CCG
Audit Committee
Terms of Reference

Version:	1.0
Committee Approved by:	Governing Body
Date Approved:	14 April 2021
Responsible Officer:	Chief Finance Officer
Date issued:	14 April 2021

Terms of Reference based on HFMA Model

Contents

1. Status

1.1 The Audit Committee (the Committee) is established in accordance with the National Health Service Act 2006, NHS CCG Regulations and the CCG's constitution.

1.2 It is a statutory committee of, and accountable to, the CCG Governing Body.

1.3 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 CCG's Constitution and Standing Orders.

2. Membership

2.1 The Committee shall be appointed by the Governing Body:

Core membership:

- Lay member leading on audit, governance and conflict of interest matters (who will act as Chair)
- Lay member leading on finance and remuneration matters (who shall act as deputy chair)

- Secondary Care Specialist

Required attendees:

- Chief Finance Officer (or nominated deputy)
- Head of Corporate Governance (or nominated deputy)
- External and internal audit representatives

2.2 Any other senior manager may be invited to attend, particularly when the committee is discussing areas of risk or operation that are the responsibility of that senior manager.

2.3 In attendance on a less frequent basis:

- At least once a year the Committee shall meet privately with the external and internal auditors.
- Representatives from NHS Counter Fraud Authority (including the Local Counter Fraud Specialist) may be invited to attend meetings and will normally attend at least two meetings a year.
- The Chief Officer will be invited to attend meetings and discuss at least annually with the Committee, the process for assurance that supports the governance statement. S/he should also attend when the Committee considers the draft annual governance statement and the annual report and accounts.
- The Chair of the Governing Body shall not be a member of the Committee, but may also be invited to attend one meeting each year in order to form a view on and understanding of the Committee's operations.

3. Access

3.1 Regardless of attendance, external audit, internal audit, and local counter fraud (NHS Counter Fraud Authority) providers shall have full and unrestricted rights of access to the Audit Committee.

4. Frequency of meetings

4.1 There will be a minimum of five meetings per year (4 quarterly meetings plus an additional meeting to review the annual report and accounts). The Governing Body, Chief Officer, External Auditors or Head of Internal Audit may request an additional meeting if they consider one is necessary.

5. Authority

5.1 The Audit 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 within its remit, from any employee, member of the CCG or member of the Governing Body who are directed to co-operate with any request made by the committee within its remit as outlined in these terms of reference.

5.2 The Audit Committee is authorised by the Governing Body to obtain legal or other independent professional advice and secure the attendance of advisors with relevant expertise if it considers this is necessary to fulfil its functions. In doing so the committee must follow any procedures put in place by the CCG and Governing Body for obtaining legal or professional advice.

5.3 For the avoidance of doubt, in the event of any conflict, the CCG's Standing Orders, Standing Financial Instructions and the Scheme of Reservation and Delegation will prevail over these terms of reference.

6. Duties / Responsibilities

6.1 The Committee's duties/responsibilities can be categorised as follows:

6.2 Integrated governance, risk management and internal control

6.2.1 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 (clinical and non-clinical) that support the achievement of the CCG's objectives and priorities.

6.2.2 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 submission to the CCG's Governing Body.

- The underlying assurance processes that indicate the degree of achievement of CCG's objectives and priorities, 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 and security as set out in Secretary of State Directions and as required by NHS Counter Fraud Authority.

6.2.3 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 heads of service and managers as appropriate, concentrating on the over-arching systems of integrated governance, risk management and internal control, together with indicators of their effectiveness.

6.2.4 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.

6.2.5 As part of its integrated approach, the Committee will have effective relationships with other key committees so that it understands processes and linkages. However, these other committees must not usurp the Committee's role.

6.3 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, Chief Officer and the Governing Body. 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 annual internal audit 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 the 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.

- Receiving the annual Head of Internal Audit Opinion.

6.4 External audit

The Committee shall review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process. In particular, the Committee will review the work and findings of the external auditors and consider the implications and the 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.
- Maintaining a close relationship with the Auditor Panel.
- 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.
- Review of all external audit reports, including the report to those charged with governance, agreement of the annual audit letter before submission to the Governing Body 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.

6.5 Other assurance functions

6.5.1 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 CCG.

6.5.2 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 Resolution) and professional bodies with responsibility for the performance of staff or functions (for example, Royal Colleges and accreditation bodies).

6.5.3 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 the quality committee.

6.6 Counter fraud

The Committee shall satisfy itself that the CCG has adequate arrangements in place for counter fraud and security that meet NHS Counter Fraud Authority's standards and shall review the outcomes of work in these areas. It shall also approve the counter fraud and security management work programme.

The Committee will refer any suspicions of fraud, bribery and corruption to the NHS Counter Fraud Authority.

6.7 Management

The Committee shall request and review reports and positive assurances from the senior management team as appropriate, concentrating on the over-arching systems of integrated governance, risk management and internal control, together with indicators of their effectiveness.

The Committee may also request specific reports from individual functions within the CCG as appropriate.

6.8 Financial reporting

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

6.8.2 The Committee shall 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 CCG.

6.8.3 The Audit Committee shall review the annual report and financial statements before submission 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;
- Explanations for significant variances; and
- Qualitative aspects of financial reporting.

6.9 Whistleblowing

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

6.10 Information Governance

To provide the Governing Body with assurance that there is an effective framework in place for the management of risks associated with Information Governance.

The Audit Committee shall review the annual SIRO report, the submission for the Data Security & Protection Toolkit and relevant reports and action plans.

6.11 Conflicts of Interest

To provide the Governing Body with assurance that there is an effective framework in place for the management of conflicts of interest. The Audit Committee shall regularly review the registers of interest, gifts and hospitality.

7. Quoracy

7.1 The quorum necessary for the transaction of business shall be two members.

7.2 A meeting is established when members attend face-to-face, by telephone, video-call, any other electronic means or a combination of the above.

7.3 A meeting of the Committee at which a quorum is present, or are available by electronic means, is competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

7.4 Where the meeting is not quorate, owing to the absence of certain members, the discussion will be deferred until such time as a quorum can be convened. Where a quorum cannot be convened from the membership of the meeting, owing to the arrangements for managing conflicts of interest or potential

conflicts of interest, the chair of the meeting shall consult with the Accountable Officer on the action to be taken.

8. Decision making and voting

8.1 The Committee shall adopt the Standing Orders of NHS Kirklees CCG insofar as they relate to the:

(a) Notice of the Meetings

(b) Handling of Meetings

(c) Agendas

(d) Circulation of papers

8.2 **Conflicts of Interest**

If any member has an interest, financial or otherwise, in any matter and is present at the meeting at which the matter is under discussion, he/she will declare that interest as early as possible and act in accordance with the CCG's Conflicts of Interest Policy and Constitution.

8.3 Voting

In line with the CCG's Standing Orders, it is expected that decisions will be reached by consensus. Should this not be possible, then a vote of members will be required, the process for which is set out below:

Majority necessary to confirm a decision – simple majority of those present and voting

Casting vote – Chair

Dissenting views – dissenting views must be recorded in the minutes

9. Administration

9.1 The Committee will meet in private.

9.2 Secretariat support will be provided to the Committee to ensure the Committee can discharge its function effectively and efficiently.

9.3 The Chair will agree the agenda prior to the meeting and the agenda and supporting papers will be circulated in accordance with the time specified in the CCG Standing Orders.

9.4 Any items to be placed on the agenda are to be sent to the secretary no later than ten calendar days in advance of the meeting. Items which miss the deadline for inclusion on the agenda may be added on receipt of permission from the Chair.

9.5 Minutes will be taken at all meetings including telephone and electronically facilitated meetings. Minutes will not usually be published.

9.6 The minutes will be drafted within five working days of the meeting for approval by the Chair. The minutes will be ratified by agreement of the Audit Committee prior to presentation to the Governing Body.

9.7 Secretariat support will also assist the Committee with:

- Keeping an accurate record of attendance.
- Matters arising and issues to be carried forward.
- Maintaining an ongoing list of actions, specifying members responsible, due dates and keeping track of these actions.
- Advising the Committee on pertinent areas/issues.
- Enabling the development and training of members.

10. Reporting

10.1 The Committee shall report to the Governing Body on how it discharges its responsibilities.

10.2 The minutes of the Committee's 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 to the full Governing Body, or require executive action.

10.3 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 'embeddedness' of risk management in the organisation
- The integration of governance arrangements

- The appropriateness of the evidence that shows the CCG is fulfilling regulatory requirements relating to its existence as a functioning business

- The robustness of the processes behind the quality accounts.

10.4 This annual report should also describe how the Committee has fulfilled its terms of reference, and give details of any significant issues that the Committee considered in relation to the financial statements and how they were addressed.

11. Conduct of the Committee

11.1 All members will have due regard to and operate within the Constitution of the CCG, Standing Orders, Standing Financial Instructions and other financial procedures.

11.2 Members of the Committee will abide by the 'Principles of Public Life' (The Nolan Principles) and the NHS Code of Conduct.

11.3 A monitoring form will be used to record the frequency of attendance by members, quoracy and the frequency of meetings. Any areas of concern will be highlighted to the Chief Finance Officer.

11.4 The Committee will produce an annual work plan in consultation with the Governing Body and in line with the Governing Body's Assurance Framework.

11.5 The Committee will undertake an annual self-assessment of its own performance against the annual plan, membership and terms of reference. Any resulting changes to the terms of reference should be submitted for approval by the Governing Body.

12. Review of Terms of Reference

12.1 These terms of reference will be formally reviewed by the committee on an annual basis, but may be amended at any time.

12.2 Any proposed amendments to the terms of reference will be submitted to the Governing Body for approval. Changes will not be implemented until after an application to NHS England to vary the constitution has been agreed.

12.3 A record of the date and outcome of reviews is kept in the CCG's Governance Handbook.

Date of Governing Body approval: 14 April 2021