

Audit Committee
TERMS OF REFERENCE

1. Introduction

- 1.1 The Audit Committee (the Committee) is established in accordance with NHS High Weald Lewes Havens Clinical Commissioning Group's (the 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.
- 1.2 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 Member, officer or employee who are directed to co-operate with any request made by the Committee.

2. Membership

- 2.1 The Committee shall be appointed by the Group as set out in the Group's Constitution and may include individuals who are not on the Governing Body.
- 2.2 The Lay Member on the Governing Body, with the lead role in overseeing key elements of governance, will be the chair of the Committee.
- 2.3 In addition to the Chair, there will be three other members of the Governing Body on the Committee, who will be drawn from the Independent and lay Membership.

3. Attendance

- 3.1 In addition to the Committee members, the Chief Officer and Chief Finance Officer shall generally attend routine meetings of the Committee.
- 3.2 A representative of each of the internal and external auditor may also be invited to attend meetings of the Committee.
- 3.3 Members of the Governing Body shall be invited to attend those meetings in which the Committee will consider areas of risk or operation that are their responsibility.
- 3.4 The Chair of the Group may be invited to attend meetings of the Committee as required.
- 3.5 A representative of the local counter fraud service may be invited to attend meetings of the Committee.

4. Secretary

4.1 The Secretary shall be the secretary to the Committee and will provide administrative support and advice. The duties of the secretary in this regard include but are not limited to:

4.1.1 agreement of the agenda with the chair of the Committee and attendees together with the collation of connected papers;

4.1.2 taking the minutes and keeping a record of matters arising and issues to be carried forward;

4.1.3 advising the Committee as appropriate on best practice, national guidance and other relevant documents.

5. Quorum

5.1 A quorum shall be the chair of the Committee and one other member.

6. Frequency of meetings

6.1 Meetings shall be held at least four times per year, with additional meetings where necessary.

6.2 The external auditor shall be afforded the opportunity at least once per year to meet with the Committee without officer members of the Governing Body present.

6.3 The Committee members shall be afforded the opportunity to meet at least once per year with no others present.

7. Remit and responsibilities of the Committee

7.1 The Committee shall critically review the Group's financial reporting and internal control principles and ensure an appropriate relationship with both internal and external auditors is maintained.

7.2 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 Group's activities that support the achievement of the Group's objectives.

7.3 In particular, the Committee will review the adequacy and effectiveness of:

7.3.1 all risk and control related disclosure statements (in particular the governance statement), together with any appropriate independent assurances, prior to endorsement by the Group;

7.3.2 the underlying assurance processes that indicate the degree of achievement of Group objectives, the effectiveness of the management

of principal risks and the appropriateness of the above disclosure statements;

7.3.3 the policies for ensuring compliance with relevant regulatory, legal and code of conduct requirements and related reporting and self-certification; and

7.3.4 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.

7.4 The Committee shall seek reports and assurances from members of the Governing Body and senior employees as appropriate, concentrating on the over-arching systems of integrated governance, risk management and internal control, together with indicators of their effectiveness evidenced through the Committee's use of an effective assurance framework to guide its work

Internal audit

7.5 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, Chief Officer and the Group.

7.6 The Committee shall achieve an effective internal audit function by:

7.6.1 consideration of the provision of the internal audit service, the cost of the audit and any questions of resignation and dismissal;

7.6.2 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;

7.6.3 considering the major findings of internal audit work (and the senior team's response) and ensuring co-ordination between the internal and external auditors to optimise audit resources;

7.6.4 ensuring that the internal audit function is adequately resourced and has appropriate standing within the Group; and

7.6.5 an annual review of the effectiveness of internal audit.

External audit

7.7 The Committee shall review the work and findings of the external auditors and consider the implications and the senior team's responses to their work.

7.8 The Committee shall achieve this by:

- 7.8.1 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;
- 7.8.2 discussion with the external auditors of their local evaluation of audit risks and assessment of the Group and associated impact on the audit fee;
- 7.8.3 review of all external audit reports, including the report to those charged with governance, agreement of the annual audit letter before submission to the Group and any work undertaken outside the annual audit plan, together with the appropriateness of management responses.
- 7.8.4 a review of the external audit value conclusion to seek assurance on the effectiveness, efficiency and economy of arrangements within the CCG.

Other assurance functions

- 7.9 The Committee shall review the findings of other significant assurance functions, both internal and external, including but will not be limited to,
 - 7.9.1 any reviews by Department of Health arm's length bodies or regulators/inspectors (for example, the Care Quality Commission and NHS Litigation Authority); and that of the audit and assurance functions that report to it.
 - 7.9.2 professional bodies with responsibility for the performance of staff or functions (for example, Royal Colleges and accreditation bodies), and consider the implications for the governance of the Group.

Counter fraud

- 7.10 The Committee shall satisfy itself that the 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

- 7.11 The Committee shall request and review reports and positive assurances from members of the Governing Body and senior employees on the overall arrangements for governance, risk management and internal control.
- 7.12 The Committee may also request specific reports from individual functions within the Group as they may be appropriate to the overall arrangements.

Financial reporting

- 7.13 The Committee shall monitor the integrity of the financial statements of the Group and any formal announcements relating to the Group's financial performance.
- 7.14 The Committee shall ensure that the systems for financial reporting to the Group, including those of budgetary control, are subject to review as to completeness and accuracy of the information provided to the Group.
- 7.15 The Committee shall review and approve the annual report and financial statements before submission to NHS England, the Governing Body and the Group, focusing particularly on(3):
 - 7.15.1 the wording in the governance statement and other disclosures relevant to the terms of reference of the Committee;
 - 7.15.2 changes in, and compliance with, accounting policies, practices and estimation techniques;
 - 7.15.3 unadjusted mis-statements in the financial statements;
 - 7.15.4 significant judgements in preparing of the financial statements;
 - 7.15.5 significant adjustments resulting from the audit;
 - 7.15.6 letter of representation; and
 - 7.15.7 qualitative aspects of financial reporting.

7. Relationship with the Governing Body

- 8.1 The minutes of all meetings of the Committee shall be formally recorded and submitted, together with recommendations where appropriate, to the Governing Body. The submission to the Governing Body shall include details of any matters in respect of which actions or improvements are needed. This will include details of any evidence of potentially ultra vires, otherwise unlawful or improper transactions, acts, omissions or practices or any other important matters. To the extent that such matters arise, the chair of the Committee shall present details to a meeting of the Governing Body in addition to submission of the minutes.
- 8.2 The Committee will report annually to the Governing Body in respect of the fulfilment of its functions in connection with these terms of reference. Such report shall include but not be limited to
 - 8.2.1 functions undertaken in connection with the statement of internal control; the assurance framework;
 - 8.2.2 the effectiveness of risk management within the Group;
 - 8.2.3 the integration of and adherence to governance arrangements;

- 8.2.4 its view as to whether the self-assessment against standards for better health is appropriate; and
- 8.2.5 any pertinent matters in respect of which the Audit Committee has been engaged.
- 8.3 The Group's annual report shall include a section describing the work of the Audit Committee in discharging its responsibilities.
- 9. Policy and best practice**
- 9.1 The Committee is authorised to obtain such internal information as is necessary and expedient to the fulfilment of its functions.
- 10. Conduct of the Committee**
- 10.1 The terms of reference of the Committee shall be reviewed by the Governing Body at least annually.
- 10.2 Members of the Committee must attend at least two of all meetings each Financial Year but should aim to attend all scheduled meetings.

Document control

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