

Audit Committee Terms of Reference

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Audit Committee Terms of Reference

These Terms of Reference describe the role, responsibilities and working arrangements of the Audit Committee and are for the guidance of the Committee. They are also for the information of CCG Members and the organisation.

It is acknowledged that this and other Committees are working within the context of an evolving Lancashire and South Cumbria Integrated Care System, Fylde Coast Integrated Care Partnership and Primary Care Network arrangements.

1.0 Constitution and Purpose

- 1.1 The Committee has been formally constituted by Blackpool CCG to meet its formal and statutory requirements in accordance with its Constitution, Standing Orders and Scheme of Delegation. The Committee will report to the Blackpool CCG Governing Body.
- 1.2 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.
- 1.3 The Committee is accountable and will report to the CCG Governing Body. Any changes to these Terms of Reference must be agreed by the CCG Governing Body.

2.0 Responsibility and Objectives

- 2.1 The Audit 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 CCG's objectives. To support this duty, the Committee will consider each subsequent re-issue of national Audit Committee Handbooks and any future actions required as a result.
- 2.2 The Audit Committee shall provide the Blackpool CCG Governing Body with a means of independent and objective review of the CCG's activities (clinical and non-clinical), both generally and in support of the Annual Accounts and the Annual Governance Statement requirements. Its work will rely on that of other Committees of the CCG to seek assurance that robust processes are in place.
- 2.3 The Governing Body is responsible for ensuring integrated effective financial decision-making, management and internal control, including:
 - Management of the CCG's activities in accordance with statute, license and regulations, reflective of latest guidance and best practice.
 - The establishment and maintenance of a system of internal control to give reasonable assurance that assets are safeguarded, waste or inefficiency is avoided, and reliable financial information produced, with value for money continuously sought.
- 2.4 In line with the Nolan Principles (see Appendix A), the Committee will act in accordance, to represent the interest of the public, with values and standards of conduct, complying with Business Conduct guidance and standards and with the CCG's Managing Conflicts of Interest Policy.

3.0 Business of the Committee

3.1 Note that as part of 'Good Governance', the Conflicts of Interest, Gifts and Hospitality and the Fit and Proper Persons Test Register will be reviewed annually, or when Governing Body / Committee Members circumstances change. All Members of the Audit Committee are required to declare any receipts of 'Hospitality or Gifts' whilst acting in their Committee role. These should be formally declared and reported.

3.2 Integrated Governance, Risk Management and Internal Control

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 accompanying Head of Internal Audit opinion, External Audit opinion or other appropriate independent assurances, prior to submission to the Governing Body.
- The underlying assurance processes that indicate the degree of achievement of the organisation's objectives, the effectiveness of the management of principal risks and the appropriateness of the above disclosure statements.
- The underlying assurance process that indicates the degree of Financial Systems robustness and responsiveness to delivering financial control.
- The underlying assurance process for complying with the Value for Money responsibilities of the CCG.
- The policies for ensuring compliance with relevant regulatory, legal and code of conduct requirements and any related reporting and self-certifications.
- The policies and procedures for all work related to counter fraud, bribery and corruption as required by NHSCFA.

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.

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

As part of its integrated approach, the Committee will have effective relationships with other key Committees (for example, the Quality Improvement, Governance and Engagement Committee) so that it understands processes and linkages. However, these other Committees must not usurp the Committee's role.

3.3 Internal Audit

The Committee will ensure that there is an effective internal audit function that meets the Public Sector Internal Audit Standards, 2017 'and provides appropriate Independent assurance to the Committee, Accountable Officer and Governing Body. This will be achieved by:

- Considering the provision of the Internal Audit service and the costs involved
- Reviewing and approving 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 management's response), and ensuring co-ordination between the Internal and External Auditors to optimise the use of audit resources.
- Ensuring that the Internal Audit function is adequately resourced and has appropriate standing within the organisation.
- Monitoring the effectiveness of Internal Audit and carrying out an annual review.

3.4 External Audit

The Committee will review and monitor the External Auditor's 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 management's responses to their work. This will be achieved by:

- Considering the appointment and performance of the External Auditors, as far as the rules governing the appointment permit (and make recommendations to the Governing Body when appropriate).
- Discussing and agreeing with the External Auditors, before the audit commences, the nature and scope of the audit as set out in the annual plan
- Discussing with the External Auditors their evaluation of audit risks and assessment of the organisation and the impact on the audit fee
- Reviewing all External Audit reports, including the report to those charged with governance (before its 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.

3.5 Other Assurance Functions

The Committee will review the findings of other significant assurance functions, both internal and external to the organisation, and consider the implications for the governance of the organisation.

These will include, but will not be limited to, any reviews by Department of Health and Social Care arm's length bodies or regulators/inspectors - for example, the Care Quality Commission, NHS Resolution, etc. and professional bodies with responsibility for the performance of staff or functions - for example, Royal Colleges, accreditation bodies, etc.

In addition, the Committee will review the work of other Committees within the organisation, whose work can provide relevant assurance to the Audit Committee's own areas of responsibility. In particular, this will include any Clinical Governance, Risk Management or Quality Committees that are established.

In reviewing the work of the Quality Improvement and Engagement Committee, and issues around clinical risk management, the Audit Committee will wish to satisfy itself on the assurance that can be gained from clinical audit functions.

3.6 Anti-fraud

The Committee shall satisfy itself that the organisation has adequate arrangements in place for anti-fraud, bribery and corruption that meet the NHS Counter Fraud Authority's Standards (NHSCFA) and shall review the outcomes of work in these areas. This will be achieved by:

- Considering the provision of the Anti-fraud Service and the costs involved.

- Reviewing and approving the Annual Anti-fraud Plan and more detailed programme of work, ensuring that this is consistent with the audit needs of the organisation and complies with NHSCFA Standards.
- Considering the major findings of anti-fraud work (and where appropriate management's response).
- Ensuring that the Anti-fraud Service is adequately resourced and has appropriate standing within the organisation.
- Monitoring the effectiveness of anti-fraud work and carrying out an annual review.

The Committee will refer any suspicions of fraud, bribery and corruption to the CCG's Local Anti-fraud Specialist.

3.7 **Management**

The Committee shall request and review reports, evidence and assurances from directors and managers on the overall arrangements for governance, risk management and internal control.

The Committee may also request specific reports from individual functions within the organisation (for example, clinical audit)

3.8 **Whistleblowing**

The Governance Institute's *Guidance note - Terms of Reference for the Audit Committee* states that 'the Committee shall review the adequacy and security of the company's arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action.'

To that end, 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 proportionally and independently.

It is worth noting that NHS England is a prescribed person meaning that Primary Care Service staff working at GP surgeries, opticians, pharmacies and dental practices, can raise concerns about inappropriate activity directly to NHS England.

3.9 **Corporate Governance**

The Committee will:

- Have oversight and scrutiny in monitoring corporate governance compliance (e.g. compliance with the CCG's constitutional duties, Codes of Conduct, Standing Orders, Standing Financial Instructions, Scheme of Delegation, maintenance of registers of interests etc).
- The Audit Committee Chair will act as the designated Conflicts of Interest Guardian for the organisation with operational support from the Governing Body Secretary.
- Review on behalf of the CCG the operation of and proposed changes to; the Standing Orders and Standing Financial Instructions, the Scheme of Delegation, the Constitution, business and standards of business conduct (including the maintenance of registers).

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- Examine the circumstances of any significant departure from the requirements of any of the foregoing and whether those departures relate to a failing, an overruling, or a suspension.
- Review the operation of, and proposed changes to, the CCG's Scheme of Delegation to ensure effective and efficient services with appropriate and robust controls.

4.0 Authority of the Committee

4.1 The Audit Committee is empowered by the Governing Body to examine and investigate any activity within Blackpool CCG pursuant to the above scope, duties and responsibilities and to produce an annual work programme to discharge its responsibilities.

4.2 This Committee is authorised to make the following impact area decisions within its powers of delegated authority from the Governing Body and as set out in the CCG's Scheme of Delegation:

- Integrated governance and other assurance
- Risk management
- Anti-fraud
- Audit

4.3 The Committee will take responsibility for compliance with the principles of good governance and the CCG's Constitution when undertaking the duties within its Terms of Reference.

4.4 The Committee 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 this necessary.

4.5 The Audit Committee shall establish and approve the Terms of Reference of any required Sub-Groups, or Task and Finish Groups, it believes are necessary to fulfil its own Terms of Reference.

5.0 Membership/Chair

5.1 The Committee shall be appointed by the CCG as set out in the CCG's Constitution and may include individuals who are not on the Governing Body.

5.2 The Lay Member on the Governing Body, with a lead role in overseeing key elements of governance, will Chair the Audit Committee.

5.3 The Chair of the Governing Body will not be a member of the Committee.

5.4 In the event of the Chair of the Committee being unable to attend all or part of the meeting, he/she will nominate a replacement from within the membership to deputise for that meeting.

5.5 The core membership of the Committee is:

- Lay Member – Chair of the Committee
- All other Lay Members (excluding the Chair of the CCG)
- Secondary Care Doctor

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- 5.6 The eligibility, tenure, appointment and reappointment, qualification and disqualification of Members of the Committee is detailed within the CCG's Constitution.
- 5.7 There is no provision for Deputies to represent Members at meetings of this Committee.
- 5.8 Membership of the Audit Committee shall be reviewed regularly to adjust for any changes as required regarding its purpose, duties and responsibilities. The composition of the Audit Committee shall be reported in the CCG's Annual Report.

6.0 Attendance

- 6.1 The following non-voting Officers will attend meetings of the Committee:

- Chief Finance Officer
- Director of Nursing and Quality
- Representative - Internal Audit
- Representative - External Audit
- Local Anti-fraud Specialist
- Secretary to the Committee

External Audit, Internal Audit, Local Counter-Fraud and Security Management Providers will have unrestricted rights of access to the Committee, except where there is a conflict of interest.

- 6.2 The Committee may also extend invitations to other personnel with relevant skills, experience or expertise as necessary to enable it to deal with matters before the Committee. The Accountable Officer will be invited to attend the Committee to discuss the process for assurance that supports the Annual Governance Statement and to discuss the Annual Accounts.
- 6.3 At least once a year the Committee should have the opportunity to meet privately with the External and Internal Auditors.
- 6.4 The Governing Body Secretary will provide secretarial support to the Committee and will be responsible for supporting the Chairman in the management of the Committee's business and for drawing the Committee's attention to best practice, national guidance and other relevant documents, as appropriate. The Secretary will ensure that:
- Minutes are taken and once agreed by the Chair distributed to members. This will normally be within 10 working days.
 - Conflicts of Interest are recorded along with the arrangements for managing those conflicts and or interests. The Committee Secretary will take the detailed information to be complied with to each meeting for reference of Members as required.
 - A record of matters arising is produced with issues to be carried forward.
 - An Action List is produced following each meeting and that any outstanding action is carried forward on the Action List until complete.
 - The timescales for the agenda to be prepared, agreed with the Chair and distributed to Members of the Committee for a meeting is to be as follows:
 - Identify agenda items to the Secretary 15 working days before the meeting.
 - Agenda to be agreed by the Chair and notified to relevant staff by the Secretary 13 working days before the meeting.
 - Agreed papers to be submitted to the Secretary no later than 10 working days before the meeting.

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- Agenda and papers to be reviewed by the Chair and Secretary no later than 7 working days before the meeting.
- Final agenda and papers to be sent to Members no later than 5 working days before the meeting. Papers tabled at the meeting will be at the discretion of the Chair.
- The Committee's Annual Workplan is kept up to date and reviewed at each meeting.
- The papers of the Committee are filed in accordance with the CCG's Policies and Procedures.

6.5 Members and attendees of the Committee have a responsibility to:

- Attend the meetings, having read the papers beforehand.
- Act as "champions", disseminating information and good practice as appropriate.

7.0 Conflicts of Interest

7.1 Where a member of the Committee has a conflict of interest, this must be brought to the Chair's attention before, if possible, or at the start of, or during, the meeting. The conflict should also be recorded in the minutes of the meeting. The Chair will be required to decide upon their contribution and involvement in the meeting. The CCG's Managing Conflicts of Interest Policy should always be complied with and can be obtained from the Governing Body Secretary.

7.2 The Committee shall review the effectiveness of the arrangements and systems of control governing conflicts of interest, declarations of interest and the register of gifts and hospitality. This will meet the responsibilities of both the Audit Committee and the Audit Committee Chair in their role as Conflicts of Interest Guardian for the ongoing assurances and review of all related policies, procedures and relevant formal documentation, ie registers to be maintained.

8.0 Quorum/Voting

8.1 The quorum for this Committee is two members of the Committee.

9.0 Financial Reporting

9.1 The Committee shall monitor the integrity of the financial statements of the organisation and any formal announcements relating to its financial performance.

The Committee should ensure that the systems for financial reporting to the Governing Body are subject to review as to the completeness and accuracy of the information provided.

The Committee shall review and has delegated authority to approve the CCG's Annual Report and Financial Statements (Accounts). The review will focus 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 misstatements in the financial statements
- Significant judgements in preparation of the financial statements
- Significant adjustments resulting from the audit
- Letters of Representation
- Explanations for significant variances.

10.0 Support

- 10.1 The Audit Committee will be required to effectively monitor and progress any required actions. The Committee shall be supported administratively by the Governing Body Secretary and the Corporate Services Teams. This will involve acting confidentially where the Committee's work and actions determine that requirement.

11.0 Frequency of Meetings

- 11.1 The Committee shall meet on a minimum of three times per year and at other times when necessary, the Chair will call the meetings as required. The External or Internal Auditors may also request such a meeting if they consider that necessary.

12.0 Reporting

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

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.

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 organisation is fulfilling regulatory requirements relating to its existence as a functioning business.
- The robustness of the processes behind the quality accounts.
- The Value for Money judgement of the CCG.

The Committee's 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.

- 12.2 To bring to the attention of the Governing Body in a separate report, any items of specific concern, or disclosure, which require the Governing Body's approval to act. 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.
- 12.3 To provide exception reports to the Governing Body, highlighting any other key developments/achievements, or potential risks / issues.

13.0 Review of Terms of Reference

- 13.1 The Terms of Reference for the Committee will be reviewed at least annually or earlier if required. Any amendments will require approval via the established governance arrangements in accordance with the CCG's Scheme of Reservation and Delegation.

Appendix A – The Nolan Principles

The ‘Seven Principles of Public Life’
<p>The ‘Seven Principles of Public Life’ (also known as the ‘Nolan Principles’) were defined by the Committee for Standards in Public Life and are:</p>
<p>1. Selflessness</p> <p>Holders of public office should act solely in terms of the public interest. They should not do so in order to gain financial or other benefits for themselves, their family or their friends.</p>
<p>2. Integrity</p> <p>Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might seek to influence them in the performance of their official duties.</p>
<p>3. Objectivity</p> <p>In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.</p>
<p>4. Accountability</p> <p>Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.</p>
<p>5. Openness</p> <p>Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands it.</p>
<p>6. Honesty</p> <p>Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.</p>
<p>7. Leadership</p> <p>Holders of public office should promote and support these principles by leadership and example.</p>
<p>Further information can be obtained via <i>The Committee on Standards in Public Life</i> website which can be accessed using the following link:</p> <p>https://www.gov.uk/government/organisations/the-committee-on-standards-in-public-life</p>