

## **Audit Committee**

## **Terms of Reference**

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## **1. Introduction**

- 1.1 Leeds has set out a bold ambition to be the best city for health and wellbeing. It has a clear vision to be a healthy, caring city for all ages, where people who are poorest improve their health the fastest. To realise this vision, the CCG and Leeds City Council need to change how we commission services so that the health and care system is sustainable, services are of high quality and we make best use of the 'Leeds pound'.
- 1.2 The CCG aims to provide more integrated care, based on the needs of local people. To do this, the CCG and Leeds City Council will work together to change how care is commissioned, and work with current and future providers to develop a new, more integrated health and social care system.
- 1.3 The CCG has recognised that in a similar way to many healthcare economies around the world, it will be necessary to adopt a Population Health Management (PHM) approach. The key building blocks of PHM are:
  - Commissioning needs to be more strategic and outcomes-based rather than activity-based.
  - Some current commissioning functions would be more effectively used to develop a new provider landscape of integrated, accountable providers working towards common goals.
  - This would be enabled by new payment and incentive mechanisms supported by better use of information and technology.

## **2. Role of the Committee**

- 2.1 The Audit Committee plays a key role in supporting the Governing Body by critically reviewing and reporting on the relevance and robustness of the governance structures and assurance processes on which the Governing Body places reliance. In effect, it is the 'lens' through which the Governing Body examines the assurances it requires to discharge its duties.
- 2.2 The Audit Committee also supports the Governing Body by:
  - Obtaining assurances about controls and whether they are working as they should;
  - Seeking assurances about the underlying data (upon which assurances are based) to ensure it is robust, reliable and accurate;
  - Challenging poor and/or unreliable sources of assurance; and
  - Challenging relevant managers when controls are not working, or data is unreliable.

- 2.3 Its objective is at all times, is to satisfy itself that the same level of scrutiny and independent audit in relation to controls and assurances is applied to all strategic objectives, be they clinical, financial or operational.
- 2.4 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. It will oversee a comprehensive system of internal control, including budgetary control, that underpins the effective, efficient and economic operation of the CCG.

### **Integrated governance, risk management and internal control**

- 2.5 Review the establishment and maintenance 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.
- 2.6 Receive assurance that the CCG Governing Body has an appropriate, up to date and co-ordinated range of systems, policies and procedures in place to manage risk.
- 2.7 Enable the CCG Governing Body to fulfil its responsibility to manage risk by providing evidence of compliance with all risk management processes.
- 2.8 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 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 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 the NHS Counter Fraud Authority (NHSCFA).
- 2.9 Even when another committee or organisation has day to day responsibilities for a particular risk area, the Audit Committee is ultimately responsible for confirming that it is being managed effectively and that any gaps in assurance are picked up and addressed.

- 2.10 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 overarching systems of integrated governance, risk management and internal control, together with indicators of their effectiveness.
- 2.11 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.
- 2.12 As part of its integrated approach, the committee will have effective relationships with other key committees (Primary Care Commissioning Committee, Quality & Performance Committee and Remuneration & Nomination Committee) so that it understands processes and linkages. However, these other committees must not usurp the Audit Committee's role.
- 2.13 Items may be included on the committee's agenda for information only, in order to raise awareness of items which are not part of the committee's decision making processes. This will include details of policies approved by other committees or the Governing Body and items of expenditure over £25k.

### **Internal audit**

- 2.14 The Committee shall 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 Audit Committee, Accountable Officer and 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 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.
  - Monitoring the effectiveness of internal audit and carrying out an annual review.

## **External audit**

2.15 The Committee shall review the effectiveness of the audit process. In particular, 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.
- 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 all audit fees and any other work undertaken outside the annual audit plan, together with the appropriateness of management responses.

## **Other assurance functions**

2.16 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.

2.17 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 and NHS Litigation Authority) and professional bodies with responsibility for the performance of staff or functions (for example, Royal Colleges and accreditation bodies, etc.).

2.18 In addition, the Audit 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. This will include the Primary Care Commissioning Committee, Quality & Performance Committee and Remuneration & Nomination Committee.

## **Counter fraud**

2.19 The Committee shall approve the CCG's counter fraud and security management arrangements and shall review the outcomes of counter fraud work. It shall also approve the counter fraud work programme.

- 2.20 In accordance with 3.2 of the NHS Counter Fraud Authority's (NHSCFA) *Fraud Commissioners Standards*, the Committee has stated its commitment to ensuring commissioners achieve these standards and therefore requires assurance that they are being met via NHSCFA's quality assurance programme.

## **Management**

- 2.21 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.
- 2.22 The Committee may also request specific reports from individual functions within the CCG as they may be appropriate to the overall arrangements.

## **Financial reporting**

- 2.23 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.
- 2.24 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.
- 2.25 The Audit Committee shall review all of the following and seek assurance that appropriate processes have been adhered to:
- ex-gratia payments;
  - losses and special payments;
  - write off of debts; and
  - tender waivers of a value over £615,278 (healthcare services) or £181,302 (non-healthcare goods and services).
- 2.26 The Audit Committee shall review the annual report and financial statements before submission to the Governing Body, focusing particularly on:
- The wording in the 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;
- Qualitative aspects of financial reporting; and
- Explanations for significant variances

2.27 Where the Audit Committee considers there is evidence of ultra vires transactions, evidence of improper acts, or if there are other important matters that the Committee wish to raise, the Chair of the Audit Committee should raise the matter in the first instance with the Chief Finance Officer and the Chief Executive. If the matter has still not been resolved to the Audit Committee's satisfaction, then the matter will be raised at a full meeting of the Governing Body. Exceptionally the matter may need to be referred to the Department of Health and Social Care (DHSC).

2.28 The work of the Committee will support the Governing Body in gaining assurance on the CCGs' delivery of its financial statutory duty to act effectively, efficiently and economically i.e. duty to provide value for money.

### **Whistleblowing**

2.29 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.

### **Information Governance**

2.30 The Audit Committee will seek assurance of appropriate compliance by the CCG with the legal requirements for information governance and cyber security arrangements.

## **3. Membership**

3.1 The membership of the Committee will be as follows:

### **Members (Voting)**

- Lay Member – Audit and Conflicts of Interest
- One other Lay Member or the Secondary Care Consultant
- One Member Representative

### **In attendance (Non Voting)**

- Chief Finance Officer
- Head of Corporate Governance
- Internal Audit
- Local Counter Fraud Specialist
- External Audit

- 3.2 The Chair of the Committee will be the Lay Member – Audit and Conflicts of Interest.
- 3.3 The Deputy Chair of the Committee will be a CCG Lay Member or Secondary Care Consultant.
- 3.4 In the event of the Chair being unable to attend all or part of the meeting, he or she will nominate a Deputy Chair to Chair the meeting.
- 3.5 In addition to those named in the table above as being ‘in attendance’:
- At least once a year or as required the Committee will meet privately with the external and internal auditors.
  - Regardless of attendance, external audit, internal audit, local counter fraud and security management (NHS Counter Fraud Authority) providers will have full and unrestricted rights of access to the Audit Committee.
  - The Accountable Officer should be invited to attend and discuss, at least annually with the committee, the process for assurance that supports the Annual Governance Statement. He or she should also normally attend when the Committee considers the draft internal audit plan and the annual accounts.
  - Any other directors (or similar) may be invited to attend, particularly when the Committee is discussing areas of risk or operation that are the responsibility of that director.
  - 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. Quoracy and voting**

- 4.1 The quorum of the Committee is **two voting members** of the Committee.
- 4.2 If the Committee is not quorate the meeting may be postponed at the discretion of the Chair.
- 4.3 The aim of the Committee will be to achieve consensus decision making, should a vote need to be taken, only the **members** of the Committee shall be allowed to vote. In the event of a tied vote, the Chair will have a casting vote.

#### **5. Operation of the Committee**

- 5.1 The Committee will hold at least four meetings per year.
- 5.2 Extraordinary meetings may be held at the discretion of the Chair. A minimum of seven working days’ notice should be given when calling an extraordinary meeting.

- 5.3 The External Auditor or Head of Internal Audit may request a meeting if they consider that one is necessary.
- 5.4 The agenda and supporting papers will be circulated to all members of a meeting at least five working days before the date of the meeting.
- 5.5 With the agreement of the Chair, items of urgent business may be added to the agenda after circulation to members.
- 5.6 In the case of an emergency the Chair may take urgent action to decide any matter within the remit of the Committee, subject to consultation with at least two other members of the Committee. Any such action will be reported to the next Committee meeting.
- 5.7 Minutes will be issued at latest 10 working days following each meeting and a Chair's Summary will be submitted to the subsequent meeting of the Governing Body.
- 5.8 Secretarial support will be provided to ensure appropriate support to the Chair and Committee members in relation to the organisation and conduct of meetings.

## **6. Conduct of the Committee**

- 6.1 Members of the Committee shall at all times comply with the standards of business conduct and managing conflicts of interest as laid down in each of the CCG's Constitutions and the Managing Conflicts of Interest Policy.
- 6.2 All declarations of interest will be declared at the beginning of each meeting and actions taken in mitigation will be recorded in the minutes.

## **7. Accountability and Reporting**

- 7.1 The Committee is accountable to the Governing Body. The Committee will produce an annual work plan in consultation with the Governing Body.
- 7.2 The Committee, through the Chair's summary shall report to the Governing Body on how it discharges its responsibilities.
- 7.3 The Committee is authorised by the Governing Body to commission any reports or surveys or to create working groups as necessary to help it fulfil its obligations and will remain accountable for any working groups. The minutes of such groups will be presented to the Committee.

## **8. Review of the Committee**

- 8.1 The Committee will undertake an annual self-assessment of its performance against the annual plan, membership and terms of reference. Any resulting

proposed changes to the terms of reference will be submitted for approval by the Governing Body.

- 8.2 These terms of reference and membership will be reviewed at least annually following their approval.