

OXFORDSHIRE CLINICAL COMMISSIONING GROUP BOARD

Date of Meeting: 26 September 2019	Paper No: 19/61
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Title of Paper: Audit Committee Terms of Reference

Paper is for: <small>(please delete tick as appropriate)</small>	Discussion		Decision	✓	Information	
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Conflicts of Interest <small>(please delete tick as appropriate)</small>	
There is no conflict in terms of this paper but the change to the Audit Committee Terms of Reference extends the remit to examine and assess all supplier spend by tender. There is a possibility that a conflict might arise at a point in the future which would be managed by the Audit Committee Chair at that time.	
No conflict identified	✓
Conflict noted: conflicted party can participate in discussion and decision	
Conflict noted, conflicted party can participate in discussion but not decision	
Conflict noted, conflicted party can remain but not participate in discussion	
Conflicted party is excluded from discussion	

<p>Purpose and Executive Summary:</p> <p>Following a Bribery Risk Assessment by the OCCG internal auditors, a recommendation has been made that a relevant governance group (the Audit Committee) should be given the remit to examine and assess all supplier spend by tender to ensure the process is followed. To enable the Audit Committee to carry out this function the remit needs to be added to the Terms of Reference for the Committee. This is the only change to the Terms of Reference and is in red text for easy identification.</p> <p>The Audit Committee members have approved the change to the Terms of Reference which are presented for ratification by the OCCG Board.</p>

<p>Engagement: clinical, stakeholder and public/patient:</p> <p>Not applicable</p>

Financial Implications of Paper:

Not applicable

Action Required:

The OCCG Board is asked to ratify the revised Terms of Reference for the Audit Committee.

OCCG Priorities Supported (please delete tick as appropriate)

✓	Operational Delivery
✓	Transforming Health and Care
✓	Devolution and Integration
✓	Empowering Patients
✓	Engaging Communities
✓	System Leadership

Equality Analysis Outcome:

Not applicable

Link to Risk:

Not Applicable

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Clinical / Executive Lead: Roger Dickinson, Lay Vice Chair and Chair of the Audit Committee

Date of Paper: 16 September 2019

Audit Committee (“the Audit Committee”)

TERMS OF REFERENCE

1. Remit

- 1.1. The Audit Committee shall provide assurance and advice to the Board and the Chief Executive, on the proper stewardship of resources and assets, including value for money, financial reporting, the effectiveness of audit arrangements (internal and external), risk management, internal control and integrated governance arrangements within the CCG.
- 1.2. In particular the Audit Committee will review the CCG’s annual audited financial statements and the CCG’s annual statements on internal control and governance and its compliance and recommend them to the Board for approval.
- 1.3. The Committee will report to the Board at least annually on its work in support of the annual governance statement, specifically commenting on the fitness for purpose of the Assurance Framework, how embedded risk management is in the organisation and how effective integrated governance is within the arrangements.
- 1.4. The Committee shall monitor and report annually on the overall performance of the CCG against its long term plans and outcome delivery with, where possible and relevant, comparison to other similar bodies.
- 1.5. **The Committee shall on a regular basis examine and assess all supplier spend by tender to ensure the process is being followed.**

2. Integrated Governance, Risk Management and Internal Control

- 2.1. The Committee shall critically review the establishment and maintenance of an effective system of integrated governance, risk management and internal control, and financial reporting across the whole of the CCG’s activities that support the achievement of the CCG’s objectives.
- 2.2. This Committee holds the overall responsibility (as delegated from the Board) for monitoring the organisation’s governance, risk management and internal control systems. As such, all other sub-committees of the Board will be asked to report into and provide assurance to this Committee as required.
- 2.3. In particular, the Committee will review the adequacy and effectiveness of:
 - The processes and systems in place, including the Constitution, to ensure that all Committees can discharge their responsibilities.
 - The processes and controls, including, Prime Financial policies (Standing Financial Instructions) and Scheme of Delegation of Authority (and Reservation of Powers), to ensure the effective management of financial business risk.
 - Any changes to the above.
 - The Corporate Risk register and the CCG Assurance Framework and related risk action plans, ensuring that risks are appropriately prioritised and adequately controlled and mitigated, and those high and extreme risks are communicated to the Board.
 - All risk and control related disclosure statements (in particular the governance statement), together with any appropriate independent assurances, prior to endorsement by the CCG.

- The underlying assurance processes that indicate the degree of achievement of the CCG 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.
 - Information governance systems and internal control environment.
 - The policies and procedures for all work related to fraud and corruption as set out in Secretary of State Directions and as required by NHS Protect.
 - Any joint committee, co-commissioning and contracted-out services, their processes, controls and policies on the same basis as for the CCG itself.
 - Any information technology and business intelligence processes, controls and policies provided by or to the CCG.
 - Any human resource processes, controls and policies provided by or to the CCG.
 - Any governance arrangement to support the Sustainability and Transformation Plan or Oxfordshire system wide working.
- 2.4. In carrying out this work the Committee will primarily utilise the work of internal audit, external audit and other assurance functions for the CCG and any joint committee, co-commissioning and contracted out services 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.
- 2.5. 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.

3. Internal Audit

- 3.1. 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 Committee, the Chief Executive and the Board. 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.
 - Ensure an appropriate relationship with internal auditors is maintained.
 - Where necessary the above will include the review of and recommendations on the findings of other internal audit on the CCG's joint committee, co-commissioning and contracted-out functions.

4. External Audit

- 4.1. 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.
 - Approval of audit fee after taking into consideration the factors above.
 - 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.
 - Ensure an appropriate relationship with external auditors is maintained.

5. Other Assurance Functions

- 5.1. 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).

6. Counter Fraud

- 6.1. The Committee shall satisfy itself that the CCG has adequate arrangements in place for counter fraud and shall review the outcomes of counter fraud work. It shall also approve the counter fraud work programme for the CCG.
- 6.2. The Committee should be advised as soon as possible of any instances discovered of fraud or financial misdemeanour notified to the CCG.

7. Management

- 7.1. 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.
- 7.2. The Committee may also request specific reports from individual functions within the CCG as they may be appropriate to the overall arrangements.

8. Financial Reporting

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

- 8.2. 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.
- 8.3. The Committee shall review the annual report and financial statements before submission to the Board and the CCG, 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.
 - The assumptions underlying the Statement of On-Going Concern.
 - Letter of representation.
 - Letter to management from auditors and management's response.
 - Qualitative aspects of financial reporting.

9. Write Offs, Losses and Special Payments

- 9.1. Any write offs above the limit (£1,000) in the Standing Financial Instructions will need the approval of the Committee prior to reporting to the Board.

10. Procurement Policy Compliance (Tender Waiver)

- 10.1. The Committee will monitor compliance with the CCG Procurement Policy through the quarterly reporting of the use of single tender action waivers. Ratification of single tender waivers shall be made by the Board.

11. Membership

- 11.1. The Committee shall comprise at least four Board members:

11.2. Vice Chair of the Board; two other Lay Board Members (including a qualified accountant); and one Clinical Locality Director. No member of management shall become a member of the Committee. Members of the committee shall be formally appointed by the Board.

11.3. The Vice Chair of the Board shall be Committee Chair. In the absence of the Committee Chair the remaining Committee members present shall elect one of themselves to chair the meeting.

11.4. Only members of the committee have the right to attend committee meetings. However, the following officers of the CCG and external representatives are expected to be in attendance at the Committee: the Director of Finance, the Director of Governance. In addition an appropriate representative from Internal Audit and a representative from External Audit shall normally attend meetings. Officers may send a designated deputy if they cannot attend in person.

11.5. Any other member of the CCG management and relevant external advisers may be invited to attend as and when appropriate and necessary, particularly when the Committee is discussing particular areas of risk or operation.

- 11.6. At least once a year the Committee reserves the right to meet privately with the external and internal auditors.
- 11.7. Representatives from NHS Protect may be invited to attend meetings and will normally attend at least one meeting each year.
- 11.8. Regardless of attendance, external audit, internal audit, local counter fraud and security management (NHS Protect) providers will have full and unrestricted rights of access to the Committee.
- 11.9. The Chief Executive is expected to attend and discuss, at least annually with the Committee, the process for assurance that supports the statement on internal control. He or she should also normally attend when the Committee considers the draft internal audit plan and the annual accounts.
- 11.10. The Chair of the Board shall also be invited to attend one meeting each year in order to form a view on, and understanding of, the Committee's operations.

12. Quorum

- 12.1. A quorum shall be at least 3 Committee members (one of whom should be a qualified accountant). A duly convened meeting of the committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

13. Meetings

- 13.1. The Committee shall meet not less than four times each year and otherwise as required. Meetings of the Committee shall be called by the meeting administrator at the request of the Committee Chair at not less than five working days' notice. The External Auditor or Head of Internal Audit may request a meeting if they consider that one is necessary and this may be called at shorter notice than stated above. One meeting will be held immediately before the annual financial accounts being presented to the CCG Accountable Officer for approval.