

AUDIT AND RISK COMMITTEE TERMS OF REFERENCE

1. Introduction

- 1.1 The Audit and Risk Committee (the committee) is established in accordance with NHS Sunderland Clinical Commissioning Group's Constitution (the CCG). These terms of reference set out the membership, remit, responsibilities and reporting arrangements of the committee.
- 1.2 The committee will provide the Governing Body with an independent and objective review on their finance and governance systems, financial information and compliance with laws, guidance, and regulations governing the NHS. The committee is a non-executive committee of the Governing Body. It has no executive powers, other than those specifically delegated to it and as set out in these terms of reference.
- 1.3 In establishing the committee and preparing these terms of reference, specific regard has been had to the guidance contained within the NHS Audit Committee Handbook, NHS Codes of Conduct and Accountability and the Higgs Report.

2. Membership

- 2.1 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.
- 2.2 Membership of the committee shall consist of:
 - Governing Body lay member with a lead role for governance (chair)
 - Governing Body lay member with a lead role patient and public involvement (vice chair)
 - Independent member with expertise in audit and finance
- 2.3 The chair of the Governing Body will not be a member of the committee.

- 2.4 The membership of the committee will comply with provisions set out in regulations and within the CCG's Constitution and associated standing orders.

3. Attendance

- 3.1 The chief finance officer , head of corporate affairs and appropriate internal and external audit representatives shall normally attend meetings. At least once a year the committee should meet privately with the internal and external auditors.
- 3.2 Regardless of these usual arrangements for attendance, external audit, internal audit, local counter fraud and security management (NHS Counter Fraud Management Service) will have full and unrestricted rights of access to the Audit and Risk Committee.
- 3.3 The chief officer and other executive directors should be invited to attend, and particularly when the committee is discussing areas of risk or operation that are the responsibility of that director.
- 3.4 The chief officer should be invited to attend and should discuss at least annually with the committee the process for assurance that supports the annual governance statement. He/she should also attend when the committee considers the draft internal audit plan and the annual accounts.
- 3.5 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. Secretary

- 4.1 The head of corporate affairs shall be secretary to the committee and shall ensure that a minute of the meeting is taken and provide appropriate support to the chair and committee members.

5. Quoracy and Decision Making

- 5.1 A quorum shall be two members of the committee.
- 5.2 In the event of the chair of the committee being unable to attend all or part of the meeting, the vice chair will deputise for that meeting.

5.3 Generally it is expected that decisions will be reached by consensus. Should this not be possible then a vote of members will be required. In the case of an equal vote, the person presiding (i.e. the chair of the meeting) will have a second, and casting vote.

6. Frequency and Notice of Meetings

6.1 Meetings of the committee shall be held not less than four times a year. The external auditor or head of internal audit may request a meeting if they consider that one is necessary.

6.2 The committee may also hold a number of informal meetings during the year.

7. Authority

7.1 The committee is authorised by the Governing Body to pursue any activity within these terms of reference and within the scheme of reservation and delegation, including (without limiting the generality of the foregoing) to:

- a) seek any information it requires from CCG employees, in line with its responsibility under these terms of reference and the scheme of reservation and delegation.
- b) require all CCG employees to co-operate with any reasonable request made by the committee, in line with its responsibility under these terms of reference and the scheme of reservation and delegation.
- c) review and investigate any matter within its remit and grants freedom of access to the CCG's records, documentation and employees. The committee must have due regard to the information governance policies of the organisation regarding personal identifiable information and the organisation's duty of care to its employees when exercising its authority;
- d) obtain outside legal or other independent advice and to secure the attendance of persons with relevant experience and expertise if it considers this necessary.
- e) set up any joint working arrangements with other bodies.
- f) establish sub-committees to deliver its objectives.

8. Remit and Responsibilities of the Committee

8.1 Overall Responsibility

8.1.1 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.

8.2 Governance, Risk Management and Internal Control

8.2.1 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 organisation's activities (both clinical and non-clinical), that supports the achievement of the organisation's objectives.

8.2.2 In particular, the committee will review the adequacy and effectiveness of: all risk and control related disclosure statements (in particular the annual governance statement where this is required), together with any accompanying head of internal audit statement, external audit opinion or other appropriate independent assurances, prior to endorsement by the CCG's Governing Body ;

- the underlying assurance processes that indicate the degree of the achievement of corporate 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;
- 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 Management Service (formerly NHS Protect):
- the CCG's arrangements for effective management of all matters relating to contractual performance and associated financial performance including:
 - reviewing schedules of losses and special payments and making recommendations to the Governing Body in respect of these
 - reviewing the scheme of reservation and delegation and making recommendations to the Governing Body
 - reviewing tender waivers

- 8.2.3 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 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.
- 8.2.4 The committee will ensure that all systems are in place and operating effectively for the identification, assessment and prioritisation of potential and actual risk and to report on any major strategic issues and any associated financial implications to the Governing Body and to other external agencies as appropriate.
- 8.2.5 The committee will use the Governing Body assurance framework to guide the work of the committee in gaining assurances on the principal risks identified within the framework. This will include review of the content of the corporate risk register and to scrutinise controls and actions for high and extreme risks to ensure the adequacy and effectiveness of the governing body assurance framework.
- 8.2.5 The committee will scrutinise the processes of the organisation's QIPP/resource releasing initiative programme linked to the financial boundaries as set out in section 8.8 of these terms of reference.
- 8.2.6 The committee will ensure that there are robust controls in place over conflicts of interest to actively manage these and to also include the management of hospitality and gifts.

8.3 Internal Audit

- 8.3.1 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 Audit and Risk Committee, accountable officer and the Governing Body. The committee will be responsible for:
- 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 seeking to ensure 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 organisation;
- annual review of the effectiveness of internal audit.

8.4 External Audit

8.4.1 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 appointment and performance of the external auditors, as far as the rules governing the appointment permit;
- discussion and agreement with the external audit, before the audit commences, of the nature and scope of the audit as set out in the annual plan, and seeking to ensure coordination, as appropriate, with other external auditors in the local health economy;
- 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.

8.5 Other Assurance Functions

8.5.1 The committee shall 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.

8.5.2 These will include, but will not be limited to, any reviews by NHS England or regulators/Inspectors (for example, NHS Improvement, NHS Resolution) and professional bodies with responsibility for professional standards, performance and advice (e.g. royal colleges, accreditation bodies).

8.5.3 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 scope of work.

8.6 Counter Fraud

8.6.1 The committee shall satisfy itself that the organisation has adequate arrangements in place for countering fraud and shall review the outcomes of counter fraud work.

8.7 Management

8.7.1 The committee shall request and review reports and positive assurances from the senior managers of the CCG on the overall arrangements for governance, risk management and internal control. They may also request specific reports from individual functions within the organisation as they may be appropriate to the overall arrangements.

8.8 Financial Reporting

8.8.1 The committee shall monitor the integrity of the financial statements of the CCG and any formal announcements relating to the CCG's financial performance.

8.8.2 The committee should 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 Governing Body.

8.8.3 The 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 and practices and estimation techniques;
- unadjusted misstatements in the financial statements;
- significant judgments in preparation of the financial statements;
- significant adjustments resulting from the audit.
- letter of representation
- qualitative aspects of financial reporting.

8.9 Auditor Panel

8.9.1 Regulations have been laid under the Local Audit and Accountability Act 2014 that require CCGs to ensure there is sufficient scrutiny and oversight of the CCG's relationship with its external auditors by having an auditor panel chaired by an independent member, who is not part of the management structure, such as a lay member of the Governing Body.

8.9.2 In order to meet these requirements the Audit and Risk Committee shall also perform the role of the Auditor Panel for the CCG.

8.9.3 The chair and members of the Audit and Risk Committee will also be the chair and members of the Auditor Panel.

8.9.4 The Auditor Panel shall:

- advise the CCG on the maintenance of an independent relationship with external auditors;
- advise the CCG on the selection and appointment of external auditors;
- if asked advise the CCG on any proposal to enter into a limited liability agreement.

8.9.5 To ensure the activities of the Auditor Panel are distinctive to the other activities of the Audit and Risk Committee, the chair of the auditor panel shall arrange separate Auditor Panel meetings as required; ensure minutes of meetings are formally recorded and submitted to the Governing Body and provide a separate annual report to the Governing Body of the panel's activities and decisions.

9. Reporting Arrangements

9.1 The minutes of the committee meetings shall be formally recorded and submitted the Governing Body.

9.2 The chair of the committee shall draw to the attention of the Governing Body any issues that require disclosure to the Governing Body, or require executive action.

9.3 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 and the integration of governance arrangements. In making this report to the Governing Body the committee will draw on a self-assessment of its performance and effectiveness during the year.

10. Policy and Best Practice

10.1 The committee will apply best practice in its decision making, and in particular it will:

- ensure that decisions are based on clear and transparent criteria
- comply with CCG policy and procedures for the declaration of interests

10.2 The committee will have full authority to commission any reports or surveys it deems necessary to help it fulfill its obligations and to invite individuals to attend as appropriate to provide advice on its functions.

11. Conduct of the Committee

11.1 All members of the committee and participants in its meetings will comply with the Standards of Business Conduct for NHS staff, the NHS Code of Conduct, and the CCG's policy on standards of business conduct and declarations of interest (which incorporates the Nolan Principles). Members must declare any interests for inclusion on the register as appropriate.

12. Date of Review

12.1 The committee will review its own performance, membership and terms of reference annually. Recommendations for amendment of the terms of reference will be made to the Governing Body for formal approval.

Date agreed by Committee: tbc

Date ratified by Governing Body: tbc