

LEWISHAM CLINICAL COMMISSIONING GROUP
Audit Committee
TERMS OF REFERENCE
DRAFT v2 March 2013

1. Introduction

The Audit Committee (the Committee) is established in accordance with the Lewisham Clinical Commissioning Group's (CCG) Constitution, Standing Orders and Scheme of Delegation. 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 and Standing Orders.

2. Purpose

The Committee provides the CCG's Governing Body with an independent and objective view of the CCG's financial and control systems, financial and business information and compliance with laws, regulations and directions governing the CCG in so far as they relate to quality, finance, control systems and risk management. The Governing Body has approved and keeps under review the terms of reference for the Audit Committee.

The Committee shall critically review the clinical commissioning group's quality and financial reporting and internal control systems and ensure an appropriate relationship with both internal and external auditors is maintained.

3. Areas of Focus

3.1 Integrated governance, risk management and internal control

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 CCG's activities that support the achievement of the CCG's objectives, including core business services provided to the CCG (for example the South London Commissioning Support Unit).

Its work will dovetail with that of any committee(s), which the CCG has established to seek assurance that robust clinical quality is in place.

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

- All risk and control related disclosure statements (in particular the governance statement), together with any appropriate independent assurances, prior to endorsement by the clinical commissioning group.
- The underlying assurance processes that indicate the degree of achievement of 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.
- 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 Services.

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 that of the audit and assurance functions that report to it.

3.2 Internal audit

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 Audit Committee, Accountable Officer and CCG. 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 clinical commissioning group.
- An annual review of the effectiveness of internal audit.

3.3 External audit

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 clinical commissioning group and associated impact on the audit fee.
- Review of all external audit reports, including the report to those charged with governance, agreement of the annual audit letter before submission to the clinical commissioning group and any work undertaken outside the annual audit plan, together with the appropriateness of management responses.

3.4 Other assurance functions

The Audit Committee shall review the findings of other significant assurance functions, both internal and external, including quality, 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).

3.5 Counter fraud

The Committee shall satisfy itself that the CCG 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.

3.6 Management

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.

The Committee may also request specific reports from individual functions within the clinical commissioning group as they may be appropriate to the overall arrangements.

3.7 Financial reporting

The Audit Committee shall monitor the integrity of the financial statements of the clinical commissioning group and any formal announcements relating to the CCG's financial performance.

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.

The Audit Committee shall review the annual report and financial statements before submission to the governing body 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;
- Letter of representation; and
- Qualitative aspects of financial reporting.

4. Meeting Schedule

The Committee will meet sufficiently to fulfil its work plan or no fewer than four times per year as a minimum. The Governing Body reserves the right to call a meeting at any time (with appropriate notice) if an urgent matter arises.

The external auditors or Head of Internal Audit may also request a meeting if they consider that one is necessary.

A notice period of at least 14 days shall be given before the Committee meets. The Agenda and supporting papers will be circulated 7 days prior to the meeting.

5. Accountability

The Committee will be accountable to the Governing Body through the distribution of its minutes and work plan in addition to the production of a report detailing its activities at least annually.

The Committee will have access to regular CCG performance and quality reports, strategies and plans.

6. Committee Membership

The Committee shall be appointed by the CCG as set out in the CCG's constitution.

Members:

- Chair – the lay member of the governing body who has qualifications, expertise or experience in financial management and audit matters;
- The lay member of the governing body appointed as lead on patient and public participation matters,
- Senior Clinical Director with lead for quality
- Secondary Care Consultant
- Registered Nurse

The provisions for appointment and tenure of the members of the Committee are defined in the Standing Orders relating to these posts in the CCG Constitution.

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

Individuals in regular attendance but who are not members of the Committee include the CCG's Accountable Officer, Chief Financial Officer and representatives from internal and external audit services.

At least once a year the Committee will meet privately with the external and internal auditors without any director or senior officer present.

Representatives from NHS Protect may be invited to attend meetings and will normally attend at least one meeting each year.

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 Audit Committee.

The Accountable Officer will 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 will 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 attend, ex officio, any meeting each year in order to form a view on, and understanding of, the Committee's operations.

7. Quorum Rules and Responsibilities of Members

The meeting will be quorate when three members are present; at least one of which must be a lay member.

The Committee shall conduct its business in accordance with national guidance, relevant codes of practice including the Nolan Principles and the Conflict of Interest policy. Members should make every effort to attend Committee meetings.

8. Reporting Arrangements

The Committee Chair shall report formally to the CCG Governing Body on its proceedings after each meeting on all matters within its duties and responsibilities. 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 shall make recommendations to the Governing Body on any area within its remit where action or improvement is needed.

9. Monitoring adherence to the Terms of Reference

The Group will report to the CCG Governing Body 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 effectiveness of risk management in the organisation and the integration of governance arrangements.

10. Review

These Terms of Reference will be reviewed on an annual basis or sooner if required with recommendations made to the CCG Governing Group for approval.

Any resulting changes to the terms of reference will be approved by the Governing Body.

11. Resources and support

The Committee will be supported by a Director of the CCG, who will be responsible for:

- overseeing of Governing Body and Committee agendas, minimising the duplication of discussion and decision-making
- assisting those chairing the Governing Body and Committee with preparation for meetings
- bringing together in accessible form the reports and information necessary to the support discussion and decision-making of the Governing Body and its committees
- producing and distributing minutes within five working days of meetings
- tracking progress on actions, identifying and rectifying any lapses in communication.

Meeting dates will be agreed on an annual basis and will not be changed without the permission of the Chair.

Agendas for the meeting will be distributed no less than seven days before the meeting.

Papers for the meeting will be distributed no less than five days before the meeting.

Any exceptions to this will require written notification to the Chair, and subsequent agreement on distribution arrangements.

Version 2

11 March 2013

To be reviewed before the end of March 2014.