


<b>MEETING DATE:</b>	8 October 2015	 <b>North Lincolnshire Clinical Commissioning Group</b>  <b>REPORT TO THE CLINICAL COMMISSIONING GROUP GOVERNING BODY</b>
<b>AGENDA ITEM NUMBER:</b>	Item 7.6	
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<b>JOB TITLE:</b> <b>DEPARTMENT:</b>	Chief Finance Officer & Business Support	

## AUDIT GROUP TERMS OF REFERENCE

<b>PURPOSE/ACTION REQUIRED:</b>	To review and approve the Audit Group Terms of Reference
<b>CONSULTATION AND/OR INVOLVEMENT PROCESS:</b>	<i>None</i>
<b>FREEDOM OF INFORMATION:</b>	<b>Public</b>

### 1. PURPOSE OF THE REPORT:

To review the Terms of Reference in the light of feedback from the review of effectiveness of the Audit Group last year and to reflect the new standard format template for TOR for the CCG.

### 2. STRATEGIC OBJECTIVES SUPPORTED BY THIS REPORT:

Indirectly all of the objectives below via use of resources

<b>Continue to improve the quality of services</b>	
<b>Reduce unwarranted variations in services</b>	
<b>Deliver the best outcomes for every patient</b>	
<b>Improve patient experience</b>	
<b>Reduce the inequalities gap in North Lincolnshire</b>	

### 3. ASSURANCES TO THE CLINICAL COMMISSIONING GROUP

These terms of reference will allow for assurances to be received within a clear remit for the Audit Group. The terms of reference are now in a standard format in line with internal audit recommendations. The terms of reference follow that recommended by the NHS Audit Committee Handbook 2014

### 4. IMPACT ON RISK ASSURANCE FRAMEWORK:

Yes	X	No	
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The Audit Group provides part of the semi-independent assurances to the CCG around financial and corporate risks.

<b>5. IMPACT ON THE ENVIRONMENT – SUSTAINABILITY:</b>			
Yes		No	X
<b>6. LEGAL IMPLICATIONS:</b>			
Yes		No	X
However legal issues are raised at the Audit Group and updates received from the CSU			
<b>7. RESOURCE IMPLICATIONS:</b>			
Yes	X	No	
Only by review of the use of resources/accounts A separate and independent committee should review financial performance of the CCG e.g. Engine Room or Finance and Performance Committee			
<b>8. EQUALITY IMPACT ASSESSMENT:</b>			
Yes		No	X
This is not a plan, policy or procedure			
<b>9. PROPOSED PUBLIC &amp; PATIENT INVOLVEMENT AND COMMUNICATIONS:</b>			
Yes	X	No	
Governing Body			
<b>10. RECOMMENDATIONS:</b>			
The Governing Body is asked : <ul style="list-style-type: none"> <li>To review and approve the updated Terms of Reference</li> </ul>			

## **Audit Group**

### **Terms of Reference**

#### **1. Purpose**

1.1 The Audit Group is a Committee of North Lincolnshire Clinical Commissioning Group Governing Body (“CCG”) with no executive powers other than those delegated below.

This group’s purpose is to provide the CCG with an independent and objective review of: -

- Financial systems;
- Financial information used by the organisation;
- Compliance with law, guidance and Codes of Conduct;
- The arrangements for safeguarding assets, preventing waste and inefficiency and securing value for money;
- Reviewing the adequacy of structures, processes and responsibilities for identifying and managing key financial risks facing the organisation;
- Corporate arrangements for providing assurance and managing risks;
- The delivery of the Value for Money Framework, and associated action plans.

#### **2. Accountability**

2.1 Reports directly to the CCG: -

- Minutes are submitted to the next available meeting;
- The Group will provide an annual report and progress updates to the CCG;
- The Audit Group will provide an annual report to the CCG and its clinical membership.

2.2 The Group will escalate serious concerns identified in its deliberations to the Governing Body and will consider placing the identified concern on the CCG’s Assurance Framework or Risk Register. In addition the group will consider referring matters to other groups for their attention or action as appropriate.

2.3 The Chair of the Audit Group will draw to the attention of the CCG any issues that require disclosure, or require executive action.

2.4 The Group will report to the CCG and its membership annually on its work in support of the Annual Governance Statement, specifically commenting on the Board Assurance Framework, financial risk management and the integration of governance arrangements.

2.5 The Audit Group can reasonably request any report from any other CCG sub group, Director or member of staff as required by the Group to carry out its duties including Internal and External Audit as required.

### 3. Declaration of Interests

- 3.1 Members are required to state for the record any interest relating to any matter to be considered at each meeting, in accordance with the CCG's Conflict of Interest Policy. Declarations shall be recorded in the minutes.

### 4. Duties

4.1 The Audit Group has the following duties: -

- Providing independent assurance to the Chief Officer and CCG;
- Meet with and review the work of the external auditor and internal auditors and considering the implications of, and management's responses to their work;
- Ensuring 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;
- Reviewing financial and information systems and monitoring the integrity of the financial statements and reviewing significant financial reporting judgments;
- Reviewing the establishment and maintenance of an effective system of integrated governance, risk management (including financial 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. The CCG is not a provider organisation however through its Quality Group it does monitor, review and challenge the clinical quality of services it commissions. The Quality Group is therefore responsible for auditing clinical care.  
This is to include a review of the risk register and assurance framework.
- Monitoring compliance with the CCGs Constitution, constituent Standing Orders and Standing Financial Instructions/Financial Policies; including the necessity and approval of any changes.
- Review the Annual Report, Accounts and Financial Statements prior to submission focusing particularly on;
  - the wording in the Annual Governance Statement and other disclosures relevant to the Terms of Reference of the Group;
  - changes in, and compliance with, accounting policies, practices and estimation techniques;
  - unadjusted mis-statement in the financial statements;
  - major judgmental areas;
  - significant adjustments resulting from audit.
  - qualitative aspects
- Reviewing any incident of fraud or corruption or possible breach of ethical standards or legal or statutory requirements that could have a significant impact on the published financial accounts or reputation and ensure compliance with Counter Fraud arrangements;
- Reviewing 'Value for Money' audits reporting on the effectiveness and efficiency of the selected departments or activities;
- Reviewing and approving the scope of both internal and external audit and counter fraud including the agreement of plans and the number of audits and audit days per year;

- Investigating any matter within its terms of reference, having the right of access to any information relating to the particular matter under investigation including any information required from any employee;
- Reviewing schedules of losses and compensations, write offs and making recommendations to the CCG;
- Review information governance arrangements in relation to the control environment;
- Review aged debt limits as set by the Audit Group;
- Reviewing waivers to Standing Orders and sealing of documents;
- Reviewing hospitality, sponsorship registers and declarations of interest;
- Obtaining outside legal or other independent professional advice, and attendance of advisors with relevant experience and expertise, as considered necessary;
- Overseeing Security Management Services
- Overseeing whistle blowing arrangements
- Reviewing work/TOR of other subcommittees

#### **4.2 Internal Audit**

This Group shall ensure that there is an effective internal audit function established by management that meets mandatory NHS Internal Audit Standards and provides appropriate independent assurance to the CCG, Chief Officer and Governing Body.

This will be achieved by:-

- To consider the appointment of the Internal Audit service the audit fee and any questions of resignation and dismissal.
- To review and approve 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 and Strategic Plans.
- Consideration of the major findings of internal audit work (and management's response), and 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.
- An annual review of the effectiveness of Internal Audit.
- Consideration of periodic external peer reviews of the Internal Audit function

#### **4.3 External Audit**

This Group shall review the work and findings of the External Auditor appointed by the Public Sector Audit Appointments Limited and consider the implications and management's responses to their work.

This will be achieved by:-

- Discussion and agreement with the External Auditor, before the audit commences, of the nature and scope of the audit as set out in the Annual Plan and ensure co-ordination, as appropriate, with other External Auditors in the local health and social care economy.
- Discussion with the External Auditors of their local evaluation of audit risks and assessment of NHS North Lincolnshire CCG and associated impact on the audit fee.

- Review 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 alongside the annual audit plan together with the appropriateness of management responses.

#### **4.4 Other Assurance Functions**

This Group shall review the findings of other significant assurance functions, both internal and external to the organisation and consider the implications to the governance of the organisation. These will include, but will not be limited to, any reviews by Department of Health Arm's Length Bodies or Regulators/Inspectors (e.g. Care Quality Commission, NHS Litigation Authority etc), professional bodies with responsibility for the performance of staff or functions (e.g. Royal Colleges, accreditation bodies, etc).

### **5. Membership**

5.1 Membership will consist of the following:

- Clinical membership from GP member Practices.
- The chairman of the CCG shall not be a member of this committee.
- The Two Lay members of the CCG. One Lay member to have responsibility for Audit / Governance and one as the patient engagement lead.
- The lay member leading on audit and governance will chair the group.

5.2 Attendance at group meetings will include representatives from the following:

- Chief Officer
- Senior Officer responsible for governance
- Internal Audit Representatives
- External Audit Representatives
- Counter Fraud Manager (LCFS)
- Chief Financial Officer

5.3 Membership of the Group will consist of named representatives and substitutes will have to be agreed with the chair prior to the meeting.

5.4 The Group retains the right to meet with the organisation's internal and external auditors in private (without the presence of an Executive Director/Senior Officer) as it deems necessary.

5.5 The Group may request the attendance of any Director or member of staff from the CCG or outside organisations as and when appropriate.

### **6. Quoracy**

6.1 No business shall be enacted unless three members referred to in 5.1 above are present one of which must be a GP.

### **7. Frequency of Meetings**

7.1 The Audit Group will meet at regular intervals as considered by the Group and not less than four times per year. The Auditors may request a meeting at any point with the chair if one is necessary.

7.2 Meetings of the Group will be planned for the calendar year ahead.

## **8. Administration of Meeting**

8.1 Administrative support will be provided to the Audit Group by the assistant to the Chief Financial Officer.

8.2 The Chairman of the Audit Group will agree the agenda for each meeting with support from the executive leads.

8.3 The agenda and papers will be distributed seven days in advance of the meeting.

8.4 The minute secretary to the Audit Group will record meetings and detail the recommendations of the Group. The minutes will be sent to the CCG that follows their ratification.

## **9. Review of ToR**

These Terms of Reference shall be reviewed annually from each date of approval.