

## Review of Terms of Reference of Audit and Integrated Governance Committee

Governing Body meeting

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11 January 2018

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<b>Sponsor Director</b>	Julia Newton, Director of Finance Phil Taylor Chair, AIGC
<b>Purpose of Paper</b>	
To approve the updated Terms of Reference (ToR) of the Audit and Integrated Governance Committee (AIGC) following review by the committee at its meeting on 14 December 2017.	
<b>Key Issues</b>	
AIGC were principally asked to consider changes to the committee's ToR due to the changes relating to Conflicts of Interest guidance.	
<b>Is your report for Approval / Consideration / Noting</b>	
Approval	
<b>Recommendations / Action Required by Governing Body</b>	
Governing Body is asked to approve the proposed changes to the Terms of Reference for the Audit and Integrated Governance Committee	
<b>Governing Body Assurance Framework</b>	
<b><i>Which of the CCG's objectives does this paper support?</i></b>	
This paper supports delivery of the CCG's Strategic Objective 5 - Organisational development to ensure CCG meets organisational health and capability requirements.	
It also gives assurances against Risk 5.4 - Inadequate adherence to principles of good governance and legal framework leading to breach of regulations and consequent reputational or financial damage.	
<b>Are there any Resource Implications (including Financial, Staffing etc)?</b>	
No	

**Have you carried out an Equality Impact Assessment and is it attached?**

***Please attach if completed. Please explain if not, why not***

Not applicable

**Have you involved patients, carers and the public in the preparation of the report?**

Not applicable

## **Review of the Audit and Integrated Governance Committee Terms of Reference**

### **Governing Body meeting**

**11 January 2018**

#### **1. Introduction**

Section 6 of the CCG's Constitution (Decision Making: The Governance Structure) describes how the committee structure of the CCG must operate. This includes compliance with the CCG's principles of good governance, operating within the Scheme of Reservation and Delegation and compliance with the Standing Orders and Prime Financial Policies. It also describes how, when discharging their delegated functions, the committees of the Governing Body must operate in accordance with their approved Terms of Reference (ToR).

Each of the CCG's Committees is required to review its ToR at least once a year and more often if circumstances change. Under the CCG's Scheme of Reservation and Delegation, it is the Governing Body's responsibility to consider and approve as appropriate any changes in ToR recommended by the relevant committee.

#### **2. Proposed Changes**

The CCG's AIGC considered its ToR at its meeting on 14 December 2017 and agreed to recommend to Governing Body the changes proposed by the Director of Finance. The key proposed changes are shown as track changes on the attached appendix A and can be summarised as follows.

- To reference the 'annual' financial statements of the CCG (section 3.6.1)
- To recognise that NHS Protect has changed its name to NHS Counter Fraud Authority (section 3.1.5).
- Proposed amendment to paragraph 3.1.4 in relation to the Committee's role in reviewing the CCG's management of conflicts of interest, to refer to the revised Standards of Business Conduct and Conflicts of Interest Policy and Procedures.
- Proposed additional paragraph regarding the role of the committee to seek assurances from officers that the CCG's oversight and management of its commissioning programme is effective in securing delivery of its organisational objectives and in eliminating or mitigating strategic, financial and operational risks (paragraph 3.7.3)

#### **3. Recommendation**

The Governing Body is asked to approve the proposed changes to the Terms of Reference for the Audit and Integrated Governance Committee.

Paper prepared by: Sue Laing, Corporate Services Risk and Governance Manager  
on behalf of: Phil Taylor, Audit and Integrated Governance Committee Chair  
December 2017



## Terms of Reference

<b>Name of Committee/Group</b>	Audit and Integrated Governance Committee
<b>Type of Committee/Group</b>	Committee of Governing Body

<b>1. Purpose of Committee/Group</b>
<p>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.</p>

<b>2. Authority/Accountability</b>
<p>The Governing Body resolves to establish a committee of the Governing Body to be known as the Audit and Integrated Governance Committee (the "Committee") in accordance with the CCG's Constitution. 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 Constitution.</p> <p>The Committee is authorised by the Governing Body to investigate any activity within its terms of reference. It is authorised to seek any information it requires, from any Member, officer or employee who is directed to co-operate with any request made by this Committee.</p> <p>The Committee is authorised to create working groups as necessary to fulfil its responsibilities within these terms of reference. The Committee may not delegate executive powers (unless expressly authorised by the Governing Body) and remains accountable for the work of any such group.</p>

<b>3. Objectives of Committee/Group</b>
<p><b>3.1 Governance, Risk Management and Internal Control</b></p> <p>3.1.1 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 CCG's activities.</p> <p>3.1.2 In particular, the Committee shall review the adequacy and effectiveness of:</p> <ul style="list-style-type: none"> <li>i. all risk and assurance related disclosure statements (in particular the annual governance statement) together with any appropriate assurances from Internal Audit or other independent sources prior to endorsement by the CCG;</li> <li>ii. the underlying assurance processes that indicate the degree of the</li> </ul>

- achievement of CCG objectives, the effectiveness of the management of principal risks and the appropriateness of the above disclosure statements;
- iii. the policies for ensuring compliance with relevant regulatory, legal and code of conduct requirements and related reporting and self-certification;
  - iv. the CCG's Standing Orders, Scheme of Reservation and Delegation and Prime Financial Policies at least annually and will make recommendations to the Governing Body on required changes;
  - v. the CCG's Operational Scheme of Delegation and will consider any proposed changes to it.

- 3.1.3 In carrying out this work, the Committee will primarily utilise the work of Internal Audit, the work delegated to the Governance Sub Committee and other internal control functions, but will not be limited to these sources. It shall also seek reports and assurances from members of the Governing Body and senior employees 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.
- 3.1.4 The Committee will have a role in reviewing the CCG's management of conflicts of interest, ensuring that the CCG works within its agreed Standards of Business Conduct and Conflicts of Interest Policy and Procedures. The Committee will, at least bi-annually, review the Conflicts of Interests Register, the Procurement Register and the Gifts and Hospitalities Register. The Lay Member for Audit and Governance, who will act as the Committee Chair, will also perform the role of the Conflict of Interests Guardian as described in the Standards of Business Conduct and Conflicts of Interest Policy and Procedure.~~The Committee will have a role in reviewing the CCG's management of conflicts of interest, ensuring that the CCG works within its agreed Conflicts of Interest Protocol. The Committee will, at least bi-annually, review the Conflicts of Interests Register, the Procurement Register and the Gifts and Hospitalities Register. The Lay Member for Audit and Governance, who will act as the Committee Chair, will also perform the role of the Conflict of Interests Guardian as described in the Conflicts of Interest Protocol.~~

### **3.2 Internal Audit**

- 3.2.1 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 Committee, Accountable Officer and the CCG's Governing Body.
- 3.2.2 The Committee shall ensure an effective internal audit function by:
- i. Approving the appointment of the internal audit service and resolving any issues from resignation and dismissal;
  - ii. review and approval of the internal audit strategy and annual operational plan ensuring that this is consistent with the audit needs of the organisation,

- as identified in the assurance framework;
- iii. considering the findings of internal audit work (and the response from relevant senior officers) and ensuring co-ordination between the internal and external auditors to optimise audit resources. This will include consideration of the annual report of the Head of Internal Audit.
- iv. monitoring the responsiveness of the CCG to the findings and recommendations of Internal Audit.

### **3.3 External Audit**

3.3.1 The Committee shall review the work and findings of the external auditors (including annual plan and progress reports and annual audit letter) and consider the implications and the senior executive responses to their work.

3.3.2 The Committee shall achieve this by:

- i. consideration of the performance of the external auditors, as far as the rules governing the appointment permit;
- ii. 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;
- iii. discussion with the external auditors of their local evaluation of audit risks and assessment of the CCG and associated impact on the audit fee;
- iv. 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's Governing Body and any work undertaken outside the annual audit plan, together with the appropriateness of management responses.

### **3.4 Auditor Panel**

3.4.1 The Committee will act as the CCG's Auditor Panel. It will formally record when it is acting as Auditor Panel.

3.4.2 The Auditor Panel is an advisory body which advises the CCG's Governing Body on the selection and appointment of external auditors. It oversees the conducting of a market testing and procurement exercise for the appointment of an external auditor at least once every 5 years. It also resolves any issues from resignation and dismissal.

3.4.3 The Auditor Panel will also ensure:

- i. the relationship and communications with the external auditors are professional,
- ii. conflicts of interest are effectively dealt with.

### **3.5 Counter Fraud**

- 3.5.1 The Committee shall approve the CCG's counter fraud arrangements and shall satisfy itself that the CCG has adequate arrangements in place for countering fraud.
- 3.5.2 The Committee will approve the annual counter fraud work programme and review the outcomes of counter fraud work.
- 3.5.3 The Committee shall review the adequacy and effectiveness of 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**, NHS Counter Fraud Authority

### **3.6 Financial Reporting**

- 3.6.1 The Committee shall monitor the integrity of the **annual** financial statements of the CCG and any formal announcements relating to the CCG's financial performance.
- 3.6.2 The Committee shall review the financial statements before submission to the Governing Body for approval and the CCG, focusing particularly on:
  - i. changes in, and compliance with, accounting policies, practices and estimation techniques;
  - ii. unadjusted mis-statements in the financial statements;
  - iii. significant judgements in preparing of the financial statements;
  - iv. significant adjustments resulting from the audit;
  - v. letter of representation; and
  - vi. qualitative aspects of financial reporting.
- 3.6.3 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.
- 3.6.4 The Committee shall:
  - i. examine the circumstances associated with each occasion when the Standing Orders of the CCG are waived;
  - ii. review the schedule of losses and compensation payments;
  - iii. review the schedule of tender waivers; and
  - v. review schedules of debtor and creditor balances over 6 months old and consider explanations and action plans.

### **3.7 Other Assurance Functions**

- 3.7.1 The Committee shall review the findings of other significant assurance functions, both internal and external to the CCG, and consider the implications for the governance of the CCG.
- 3.7.2 In addition, the Committee will review the work of other groups/Committees within the CCG, whose work can provide relevant assurance to the Committee's own scope of work. This will particularly include:

	<p>i. the Quality Assurance Committee from which a report will be provided to the Committee at each meeting highlighting any matters of particular relevance; and</p> <p>ii. the Governance Sub-Committee. The minutes of the meetings of this Sub – Committee will be presented for review along with a report on key activities and actions.</p>
3.7.3	The Audit and Integrated Governance Committee will, where appropriate, seek assurance that the CCG's oversight and management of its commissioning programme is effective in securing delivery of its organisational objectives and in eliminating or mitigating strategic, financial and operational risks.
	<p>The Committee shall request and review reports and positive assurances from executive 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 organisation (e.g. clinical audit) as they may be appropriate to the overall arrangements.</p>

### 3.8 Other Matters

- 3.8.1 The Committee will agree an Annual Work Plan for the Committee at its last meeting of each financial year.
- 3.8.2 The Committee will review its terms of reference at least annually making recommendations on any changes to the Governing Body.
- 3.8.3 The Committee will review the terms of reference of the Governance Sub-committee including any recommendations from the Sub-Committee for changes. The Committee will then make recommendations on any changes to the Governing Body.
- 3.8.4 The Committee will approve the CCG's banking arrangements (Prime Financial Policies Section 11.2).
- 3.8.5 The Committee will approve the CCG's detailed financial policies, including the financial policy on tendering including authorisation limits for quotes and tenders (Prime Financial Policies Section 13.3)

4.	<h3>Membership</h3> <p>Note: Members should be referred to by title not name. Chair of Committee/Group should be stated. Minute taker should be stated either as member or in attendance.</p> <p>The Committee shall consist of the following five members:</p> <ul style="list-style-type: none"> <li>• three Lay Members of the Governing Body;</li> <li>• two GPs who are Members of the Governing Body;</li> </ul> <p>Neither the Chair of the Governing Body nor the Director of Finance shall be a member of the Committee.</p> <p>The Lay Member on the Governing Body, with a lead role in overseeing key elements of</p>
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	<p>financial management, audit and governance, shall be the chair of the Committee. Either of the other two Lay Members on the committee shall deputise as chair in his/her absence</p> <p>Members of the Committee must attend at least two meetings each financial year but should aim to attend all scheduled meetings.</p>
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5.	<h3>Attendees</h3> <p>Note: Attendees should be referred to by title or where appropriate by <b>not</b> name. Minute taker should be stated either as member or in attendance.</p> <p>In addition to the Committee members, the Director of Finance, Corporate Services and Governance Manager and representatives from Internal Audit and External Audit shall normally attend meetings.</p> <p>Members of the Governing Body shall be invited to attend those meetings in which the Committee will consider areas of risk or operation that are their responsibility.</p> <p>Other CCG employees such as relevant finance and HR managers and a representative from the Quality Assurance Committee shall also attend by request of the Chair of the Committee. The Accountable Officer and Chair of the Governing Body may be invited to attend meetings of the Committee as required.</p> <p>A representative of the local counter fraud service may be invited to attend meetings of the Committee.</p> <p>An employee of the CCG will administer the meetings and take formal minutes.</p>
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6.	<h3>Quorum</h3> <p>A quorum shall be three members, of whom two shall be Lay Members and one shall be a GP.</p>
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7.	<h3>Frequency and Notice of Meetings</h3> <p>Note: Include frequency of meetings and agenda and papers</p> <p>Meetings will be held at least quarterly, with additional meetings where necessary.</p> <p>The External Auditor and Head of Internal Audit Services shall each be afforded the opportunity, at least once per year, to meet with the Committee Chair and Deputy Chair.</p> <p>The Director of Finance will be responsible for preparing and discussing the agenda for each meeting with the Chair of the Committee (or in his/ her absence the Deputy Chair). The agenda and papers will be distributed to members of the Committee at least 5 days in advance of the meeting, unless otherwise agreed by the Chair of the Committee.</p>
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8.	<h3>Minutes and Reporting Arrangements</h3> <p>Note: Detail Governing Body/Committee/Group/Individual reporting to. Also state which</p>
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	<p>of minutes/action points/assurance to be given to which Governing Body/Committee/Group.</p> <p>The minutes of all meetings of the Committee shall be formally recorded and submitted, together with assurances, risks and recommendations where appropriate, to the Governing Body.</p> <p>The Governance Sub-Committee will be a sub-committee of this Committee and will report to it.</p>
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<b>9.</b>	<b>Meeting Effectiveness Review</b>
As part of the Governing Body's annual performance review process, the committee shall review its collective performance and that of its individual members and will provide an annual report on the work of the committee for the CCG's Annual Report.	

<b>10.</b>	<b>Review to be conducted by Committee/Group Chair</b>
<b>Date Committee/Group established</b>	
<b>Terms of Reference to be reviewed</b> e.g. Annually	The terms of reference of the committee shall be reviewed by the Governing Body when required, but at least annually.
<b>Date of last review</b>	November 2017 <sup>6</sup>
<b>Date of next review</b>	November 2018 <sup>7</sup>