

Audit Committee Terms of Reference

1 Introduction

- 1.1. The audit committee (the committee) is established in accordance with NHS Kernow Clinical Commissioning Group's (NHS Kernow) 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 clinical commissioning group's (CCG) constitution and standing orders).

2 Committee's purpose

- 1.2. The purpose of the committee is to provide independent scrutiny and assurance of NHS Kernow's activity with particular emphasis on the:
- integrity of the financial accounts
 - effectiveness of integrated governance, risk management and internal control
 - compliance with regulatory and statutory duties
 - effectiveness of internal and external audit functions
 - provide assurance over developing partnership governance arrangements (including sustainability and transformation plan (STP) and integrated strategic commissioning) noting HFMA guidance.

3 Accountability

- 1.3. The committee shall be authorised to decide on proposals and recommendations put to it within the powers delegated to it by the governing body, and/or as detailed in these terms of reference and NHS Kernow's scheme of delegation. The chairperson, advised by the committee, shall decide whether a matter should be reported in writing to the governing body for decision or ratification, and the content of any summary report.
- 1.4. The committee is authorised by the governing body to investigate any activity within its terms of reference.
- 1.5. It is authorised to seek any information it requires from any employees and all employees are directed to co-operate with any request made by the committee.
- 1.6. The committee is authorised by the governing body to obtain outside legal or other independent professional advice and to secure attendance of outsiders with relevant experience and expertise if it considers this necessary.

Audit Committee Terms of Reference – December 2020

- 1.7. The chairperson, or their representative on the committee, is at liberty to attend constitutional sub-committees providing 48 hours' notice and a reason is given to that chairperson.
- 1.8. The chairperson of audit committee is also the conflict of interest guardian for the CCG.

2. Membership

- 2.1. The committee shall be appointed by NHS Kernow from amongst its governing body members.
- 2.2. The committee shall comprise:
 - vice chair and lay member (governance)
 - lay member (finance)
 - At least one governing body GP.
- 2.3. The chairperson of the committee will be the CCG vice chair and governance lay member. In the absence of the chairperson of the committee, the committee will be chaired by the finance lay member.
- 2.4. The following will normally attend a meeting of the committee to provide advice, but will not be a member:
 - chief finance officer or deputy
 - chief nursing officer or deputy
 - deputy director of corporate governance
 - head of finance
 - appropriate internal audit and external audit specialist representatives, with counter fraud representatives attending at least twice per year.
- 2.5. The chair of the governing body shall not be a member of the committee.
- 2.6. Members can, in exceptional circumstances, send a nominated representative to the meeting. These individuals must be fully briefed and able to operate with full authority over any issue arising at the meeting.
- 2.7. Other executive directors and senior managers could be invited to attend, particularly when the committee is discussing areas of risk or operation that are the responsibility of that director.
- 2.8. The board secretary shall attend to advise and provide support to the chairperson and committee members.
- 2.9. The accountable officer should be invited to attend and should discuss at least annually the process for assurance that supports the governance statement and they should also attend when the committee discusses the draft annual governance statement and the annual report and accounts.

**Audit Committee
Terms of Reference – December 2020**

2.10. The governing body chair may be invited to attend one meeting a year so they can understand how the committee works.

2.11. Representatives from other organisations may be invited to attend on occasion.

3. Quorum

3.1. The quorum shall be two members which must include the chairperson or vice chair of the committee, but may include both.

4. Remit and responsibilities of the committee

4.1. The decisions and duties delegated by the governing body include:

- advising the governing body on the internal and external audit services including counter fraud and security management plus associated returns
- providing an independent and objective view on internal control and probity
- reviewing the establishment and maintenance of an effective system of 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
- monitoring compliance with the constitution and financial policies
- reviewing schedules of losses and compensations and making recommendations to the governing body
- reviewing the annual financial statements prior to submission to the governing body
- reviewing the annual report and annual governance statement and making recommendations to governing body for its approval
- reviewing and reporting to the governing body on the efficacy of the scheme of delegation, recommending approval of specific items in accordance with the scheme of delegation, where required
- receiving, reviewing and approving the annual audit plan and counter fraud plan
- reviewing the declarations of interest made by staff, GPs and member practices and ensuring conflict of interest guidance is followed
- reviewing the effectiveness of whistleblowing arrangements in place for allowing staff to raise (in confidence) concerns about possible improprieties in financial, clinical or safety matters and best practice is followed
- receiving, as a minimum, annual reports from other constitutional sub-committees.

4.2. The committee will:

- review the establishment and maintenance of an effective system of governance, risk management and internal control, across the whole of the

Audit Committee Terms of Reference – December 2020

- organisation's activities (both clinical and non-clinical), that supports the achievement of the organisation's objectives.
- ensure there is an effective internal audit function established by management that meets mandatory public sector internal audit standards and provides appropriate independent assurance to the audit committee and governing body – the terms of reference for the auditor panel are attached at appendix 1. this will be achieved by:
 - considering the provision of the internal audit service and the costs involved
 - reviewing and approving the annual internal audit 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 coordination between the internal and external auditors to optimise the use of audit resources
 - ensuring that the internal audit function is adequately resourced and has appropriate standing within the organisation
 - monitoring the effectiveness of internal audit and carrying out an annual review.
 - review the work and findings of the external auditor and consider the implications and management's responses to their work which will be achieved by:
 - considering the appointment and performance of the external auditors, as far as the rules governing the appointment permit (and make recommendations to the governing body when appropriate)
 - discussing and agreeing with the external auditors, before the audit commences, the nature and scope of the audit as set out in the annual plan
 - discussing with the external auditors their evaluation of audit risks and assessment of the organisation and the impact on the audit fee
 - reviewing all external audit reports, including the report to those charged with governance (before its submission to the governing body) and any work undertaken outside the annual audit plan, together with the appropriateness of management responses
 - ensuring that there is in place a clear policy for the engagement of external auditors to supply non-audit services.
 - satisfy itself the organisation has adequate arrangements in place for counter fraud, bribery and corruption that meet the standards of the NHS Counter Fraud Authority (NHSCFA) and shall review the outcomes of work in these areas. In accordance with 3.2 of the NHSCFAs fraud commissioners standards, the audit committee has: 'stated its commitment to ensuring commissioners achieve these standards and requires assurance that they are being met via the NHSCFAs quality assurance programme.' The committee will refer any suspicions of fraud, bribery and corruption to the NHSCFA.
 - review the findings of other significant assurance functions, both internal and external to the organisation, and consider the implications to the governance

Audit Committee Terms of Reference – December 2020

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 Improvement NHS Litigation Authority, etc.), professional bodies with responsibility for the performance of staff or functions (e.g. Royal Colleges, accreditation bodies, etc.)

- receive regularly reports on write offs, losses & special payments in accordance with the scheme of delegation (SoD);
- monitor the integrity of the financial statements of the organisation and any formal announcements relating to items financial performance:
 - The committee should ensure that the systems of financial reporting to the governing body including those of budgetary financial control are subject to review as to the completeness and accuracy of the information provided;
 - The committee shall review the annual report and financial statements before submission to the governing body focussing primarily on:
 - a) the wording of the annual governance statement and other disclosures relevant to the terms of reference of the committee
 - b) changes in and compliance with accounting policies, practices and estimation techniques
 - c) unadjusted misstatements in the financial statements
 - d) significant judgements in preparation of the financial statements
 - e) significant adjustments resulting from the audit
 - f) letters of representation
 - g) explanations for significant variances.
- monitor the CCG's financial performance
- review, at least annually, the effectiveness of the CCG's assurance framework ensuring it is developed accordingly
- review the adequacy and security of the CCG's arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial or other matters. The Committee shall ensure these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action, as necessary
- review and approve appropriate policies and procedures which may include, but are not limited to declaration of interests, gifts and hospitality
- in accordance with the section 113 agreement, receive and review the six monthly progress report, in relation to the joint officer role between NHS Kernow and Cornwall Council, specifically seeking assurance on matters where the conflict of interest protocol has been used.

4.3. The governance institute's guidance note: terms of reference for audit committee states that 'the committee shall review the adequacy and security of the company's arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up. To that end the committee shall review the effectiveness of the arrangements in place for allowing staff to raise (in confidence) concerns

Audit Committee Terms of Reference – December 2020

about possible improprieties in financial , clinical or safety matters and ensure that any such concerns are investigated proportionately and independently.

5. Policy and best practice

5.1. The committee will seek to apply best practice in the decision making processes and will comply with:

- HFMA NHS audit committee handbook
- the UK corporate governance code
- Cadbury committee and combined code
- the Nolan Principles
- conflicts of interest guidance.

5.2. The above list is not exhaustive.

6. Frequency and notice of meetings

6.1. The committee will meet at a frequency the audit committee determines is appropriate to fulfil its duties but not less than five times a year.

6.2. At least once a year the committee will meet privately with the external and internal auditors.

6.3. The external auditor, or head of internal audit, may also request a meeting should they consider one necessary.

6.4. An agenda will be issued seven calendar days prior to the meeting. Requests for items to be included on the agenda should be sent to the supporting PA at least ten days before the meeting.

7. Conflicts of interest

7.1. Conflicts of interest will be managed in accordance with current NHS England & NHS Improvement guidance and the NHS Kernow policy on conflicts of interest. All members of the committee will be required to complete the NHS England & NHS Improvement conflicts of interest e-training annually.

7.2. Conflicts of interest are a standing agenda item with an extract from the declarations of interest register provided to each meeting. The chair of the committee will ensure committee members are asked to declare any updates to their interests which are yet to be reflected on the register as well as any 'incidental' interests arising as a result of agenda items. Where all committee members are conflicted, e.g. in relation to their own remuneration and terms of service discussions, alternative arrangements will be sought.

7.3. Declarations which are considered a conflict of interest will be managed by the chairperson, who will decide if the individual can participate in the agenda item or is required to leave the meeting for that item.

8. Secretary

- 8.1. The committee shall be administratively supported by the PA to the committee's sponsoring executive director who will be responsible for supporting the chairperson in the management of its business and for drawing the committee's attention to best practice, national guidance and other relevant documents, as appropriate. The sponsoring executive director is the chief finance officer.
- 8.2. Administrative support will include minuting meetings of the committee. Formal minutes should, where possible, be drafted the day following the meeting and shared with presenters of agenda items to ensure technical accuracy.
- 8.3. Every endeavour will be made to ensure minutes, along with supporting action grids, are circulated within 10 working days of the committee taking place.
- 8.4. Ratified minutes of the committee will be presented to the governing body for information and to provide assurance on the work undertaken by the committee.

9. Review

- 9.1. The committee shall establish a forward plan for the conduct of its own work across each financial year, having regard to the suggested agenda timetable contained within the HFMA NHS audit committee handbook and informed by the risk and assurance framework.
- 9.2. The committee will present this forward plan to the governing body, with a schedule of planned governing body reports and recommendations.
- 9.3. Annually, the committee shall review its work against the self-assessment checklist contained within the HFMA NHS audit committee handbook to ensure it is operating at maximum effectiveness. It will use this exercise to inform the review of its terms of reference and its annual work plan.
- 9.4. These terms of reference will be reviewed at least annually or in response to changes imposed by the governing body or changes to legislation with the next review date being inserted into the terms of reference.
- 9.5. Any suggested changes to its terms of reference shall be represented to governing body for formal approval.

Status of these terms of reference:

Ratified by governing body 1 December 2020.

Auditor Panel Terms of Reference

1. Constitution

The governing body of Kernow CCG hereby resolves to nominate its audit committee to act as its auditor panel in line with schedule 4, paragraph 1 of the 2014 Act. The auditor panel is a non-executive committee of the governing body and has no executive powers, other than those specifically delegated in these terms of reference.

2. Membership

The auditor panel shall comprise the entire membership of the audit committee with no additional appointees. This means that all members of the auditor panel are independent, non-executives.

3. Chairperson

The lay member for fiscal governance is appointed by the governing body to chair the auditor panel.

4. Removal/ resignation

The auditor panel chairperson and members of the panel can be removed in line with rules agreed by the governing body.

5. Quorum

To be quorate, independent members of the auditor panel must be in the majority AND there must be at least two independent members present or 50% of the auditor panel's total membership, whichever is the highest.

6. Attendance at meetings

The auditor panel's chairperson may invite executive directors and others to attend depending on the requirements of each meeting's agenda. These invitees are not members of the auditor panel.

7. Frequency of meetings

The auditor panel shall consider the frequency and timing of meetings needed to allow it to discharge its responsibilities but as a general rule will meet on the same day as the audit committee.

Auditor panel business shall be identified clearly and separately on the agenda and audit committee members shall deal with these matters as auditor panel members NOT as audit committee members.

The panel's chairperson shall formally state at the start of each meeting that the auditor panel is meeting in that capacity and NOT as the audit committee.

8. Conflicts of interest

Conflicts of interests must be declared and recorded at the start of each meeting of the auditor panel.

Audit Committee Terms of Reference – December 2020

A register of panel members' interests must be maintained by the panel's chairperson and submitted to the board/ governing body in accordance with the organisation's existing conflicts of interest policy.

If a conflict of interest arises, the chairperson may require the affected panel member to withdraw at the relevant discussion or voting point.

9. Authority

The auditor panel is authorised by the governing body to carry out the functions specified below and can seek any information it requires from any employees/ relevant third parties. All employees are directed to cooperate with any request made by the auditor panel.

The auditor panel is authorised by the governing body to obtain outside legal or other independent professional advice (for example, procurement specialists) and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary. Any such 'outside advice' must be obtained in line with the organisation's existing rules.

10. Functions

The auditor panel's functions are to:

- advise the governing body on the selection and appointment of the external auditor. This includes:
 - agreeing and overseeing a robust process for selecting the external auditors in line with normal procurement rules
 - making a recommendation to the board/ governing body as to who should be appointed
 - ensuring that any conflicts of interest are dealt with effectively
- advise the governing body on the maintenance of an independent relationship with the appointed auditor
- advise (if asked) the governing body on whether or not any proposal from the external auditor to enter into a liability limitation agreement as part of the procurement process is fair and reasonable
- advise on (and approve) the contents of the CCG's policy on the purchase of non-audit services from the appointed external auditor
- advise the governing body on any decision about the removal or resignation of the external auditor.

11. Reporting

The chairperson of the auditor panel must report to the governing body on how the auditor panel discharges its responsibilities.

The minutes of the panel's meetings must be formally recorded and submitted to the governing body by the panel's chairperson. The chairperson of the auditor panel must draw to the attention of the board/ governing body any issues that require disclosure to the full governing body, or require executive action.

12. Administrative support

The PA to the chief finance officer shall be responsible for providing effective administrative support to the auditor panel, their duties shall include:

- agreement of agendas with the chairperson
- preparation, collation and circulation of papers in good time
- ensuring that those invited to each meeting attend
- taking the minutes and helping the chairperson to prepare reports to the board/ governing body
- keeping a record of matters arising and issues to be carried forward
- arranging meetings for the chairperson
- maintaining records of members' appointments and renewal dates etc.
- advising the auditor panel on pertinent issues/areas of interest/ policy developments
- ensuring that panel members receive the development and training they need
- providing appropriate support to the chairperson and panel members.