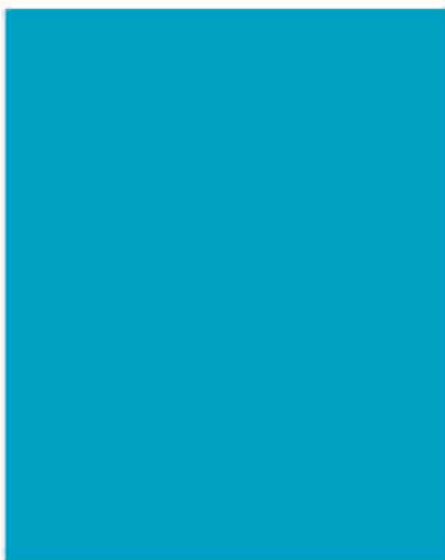


Audit Committee: Terms of Reference



Audit Committee

Terms of Reference

Issue Date: 5 April 2013

Document Number: POL_0100

Prepared by: Head of Assurance & Procurement

Document Number: POL_0100	Issue Date: 05-04-2013	Version Number: 01.01
Status: Draft	Next Review Date: March 2013	Page 2 of 14

Information Reader Box

Directorate	Purpose
Medical	Tools
Nursing	Guidance
Patients & Information	Resources
Finance	Consultations
Operations	
Commissioning Development	
Policy	
Human Resources	

Publications Gateway Reference	xx
Document Purpose	Committee Terms of Reference
Document Name	Audit Committee: Terms of Reference
Publication Date	5 April 2013
Target Audience	All NHS Commissioning Board Officers
Additional Circulation List	n/a
Description	Terms of Reference for the Audit Committee
Cross Reference	n/a
Superseded Document	n/a
Action Required	For Board Approval
Timing/Deadlines	12 April 2013
Author	Stephen Fell, Head of Assurance & Procurement 8E42, Quarry House LEEDS Tel: 0113 825 0696 E-mail: stephen.fell@nhs.net

Document Number: POL_0100	Issue Date: 05-04-2013	Version Number: 01.01
Status: Draft	Next Review Date: March 2013	Page 3 of 14

Document Status

This is a controlled document. Whilst this document may be printed, the electronic version posted on the intranet is the controlled copy. Any printed copies of this document are not controlled.

As a controlled document, this document should not be saved onto local or network drives but should always be accessed from the intranet.

Document Number: POL_0100	Issue Date: 05-04-2013	Version Number: 01.01
Status: Draft	Next Review Date: March 2013	Page 4 of 14

1 Constitution

- 1.1 The Board hereby resolves to establish a Committee of the Board to be known as the Audit Committee. The Committee is a non-executive committee and as such has no delegated authority other than that specified in these Terms of Reference.

2 Delegated Authority

- 2.1 The Committee has the following delegated authority:
- 2.1.1 The authority to require any Officer to attend a meeting and provide information and/or explanation as required by the Committee; and,
- 2.1.2 The authority to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

3 Accountability

- 3.1 NHS CB Board

4 Reporting Line

- 4.1 NHS CB Board

5 Objective

- 5.1 To provide an independent and objective view of internal control.

6 Duties

- 6.1 The Committee will deliver its Objective by:
- 6.1.1 Overseeing internal and external audit services;
- 6.1.2 Reviewing financial and information systems, monitoring the integrity of the financial statements and reviewing significant financial reporting judgements;

Document Number: POL_0100	Issue Date: 05-04-2013	Version Number: 01.01
Status: Draft	Next Review Date: March 2013	Page 5 of 14

- 6.1.3 Providing oversight of the establishment and maintenance of an effective system of assurance on risk management and internal control, across the whole of the NHS CB's activities, that supports achievement of the NHS CB's objectives;
- 6.1.4 Monitoring compliance with Standing Orders and Standing Financial Instructions;
- 6.1.5 Ensuring that the NHS CB has adequate arrangements in place for countering fraud and reviewing the outcomes of counter fraud work;
- 6.1.6 Reviewing schedules of losses and compensations and making recommendations to the Board;
- 6.1.7 Reviewing the work of other Committees, and other significant assurance providers or functions, which can provide relevant assurances; and,
- 6.1.8 Requesting and reviewing reports and positive assurances from directors and managers on overall arrangements for governance, risk management and internal control.
- 6.2 The NHS CB, and thus the Committee, fulfils a dual role with regard to the activities of the NHS CB itself and its oversight of the wider NHS commissioning system. While the governance of individual CCGs is a matter for their respective Boards and Audit Committees, the NHS CB Audit Committee will seek assurance that the NHS CB's oversight and management of the commissioning system is effective in securing delivery of the overall NHS strategy and in eliminating or mitigating strategic, financial and operational risks.
- 6.3 **Governance, Risk Management and Internal Control**
 - 6.3.1 The Committee will review the establishment and maintenance of an effective system of governance, risk management and internal control, which covers the whole of the NHS CB's activities (including any hosted bodies) and supports the achievement of the NHS CB's objectives.
 - 6.3.2 In particular, the Committee will review the adequacy and effectiveness of:
 - 6.3.2.1 All risk and control related disclosure statements (in particular the annual governance statement), together with the accompanying Head of Internal Audit

Document Number: POL_0100	Issue Date: 05-04-2013	Version Number: 01.01
Status: Draft	Next Review Date: March 2013	Page 6 of 14

Opinion, external audit opinion or other appropriate independent assurances, prior to endorsement by the Board, where necessary;

6.3.2.2 The underlying assurance processes that indicate the degree of achievement of corporate objectives, the effectiveness of the management of principal risks and the appropriateness of the above disclosure documents;

6.3.2.3 The policies for ensuring compliance with relevant regulatory, legal and code of conduct requirements and related reporting and self-certification; and,

6.3.2.4 The policies and procedures for all work related to fraud and corruption as set out in the Secretary of State Directions and as required by the NHS Counter Fraud and Security Management Service.

6.3.3 In carrying out this work the Committee will primarily utilise the work of internal audit, external audit and other assurance functions but will not limit itself to these sources. It will also seek reports and assurances from Officers as appropriate, concentrating on the over-arching systems of governance, risk management and internal control, together with indicators of their effectiveness.

6.3.4 This will be evidenced through the Committee's use of the NHS CB's Board Assurance Framework to guide its work and that of the audit and assurance functions that report to it.

6.4 **Internal Audit**

6.4.1 The Committee will ensure that there is an effective internal audit function that meets mandatory Government Internal Audit Standards and provides appropriate independent assurance on the full range of strategic, financial and operational risks to the Audit Committee, Chief Executive and Board.

6.4.2 This will be achieved by:

6.4.2.1 Consideration of the provision of the internal audit service, the cost of the audit and any questions of resignation and dismissal;

6.4.2.2 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 NHS CB as identified in the Board Assurance Framework;

Document Number: POL_0100	Issue Date: 05-04-2013	Version Number: 01.01
Status: Draft	Next Review Date: March 2013	Page 7 of 14

6.4.2.3 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;

6.4.2.4 Ensuring that the internal audit function is adequately resourced and has appropriate standing within the NHS CB; and,

6.4.2.5 An annual review of the effectiveness of internal audit.

6.5 **External Audit**

6.5.1 The Committee will review the work and findings of the external auditors and consider the implications of and management's response to their work.

6.5.2 This will be achieved by:

6.5.2.1 Consideration of the appointment and performance of the external auditors, as far as the rules governing their appointment permit;

6.5.2.2 Discussion and agreement with the external auditors, before the audit commences, of the nature and scope of the audit as set out in the annual plan, and ensuring co-ordination, as appropriate, with other external auditors operating within the NHS;

6.5.2.3 Discussion with the external auditors of their evaluation of audit risks, their assessment of the NHS CB and the associated impact on the audit fee; and,

6.5.2.4 Review of all external audit reports, including the report to those charged with governance, agreement of the annual audit letter before submission to the Board, and any work undertaken outside the annual audit plan, together with the appropriateness of management responses.

6.6 **Other Assurance Functions**

6.6.1 The Committee will review the findings of other significant assurance functions, both internal and external to the NHS CB, and consider the implications for the governance of the NHS CB. These will include, but will not be limited to, any reviews by the Department of Health.

Document Number: POL_0100	Issue Date: 05-04-2013	Version Number: 01.01
Status: Draft	Next Review Date: March 2013	Page 8 of 14

6.6.2 In addition, the Committee will review the work of other Committees within the NHS CB, whose work can provide relevant assurance to the Audit Committee's own scope of work.

6.7 **Counter Fraud and Whistleblowing**

6.7.1 The Committee will satisfy itself that the NHS CB has adequate arrangements in place for countering fraud and will review the outcomes of counter fraud work.

6.7.2 The committee will review arrangements by which staff may, in confidence, raise concerns about the possible improprieties in matters of financial reporting or other matters.

6.8 **Management**

6.8.1 The Committee will request and review reports and positive assurances from Officers on the overall arrangements for governance, risk management and internal control.

6.8.2 The Committee may also request specific reports from individual functions within the NHS CB as they may be appropriate to the overall arrangements.

6.9 **Financial Reporting**

6.9.1 The Committee will monitor the integrity of the financial statements of the NHS CB and any formal announcements relating to the NHS CB's financial performance.

6.9.2 The Committee should ensure that the systems for financial reporting to the Board, including those of budgetary control, are subject to review both as to the completeness, accuracy and fitness for purpose of the information provided to the Board and with regard to the effectiveness of the Board's consideration of this information.

6.9.3 The Committee will review the annual report and accounts before submission to the Board, focussing particularly on:

6.9.3.1 The wording in the annual governance statement and other disclosures relevant to the terms of reference of the Committee;

Document Number: POL_0100	Issue Date: 05-04-2013	Version Number: 01.01
Status: Draft	Next Review Date: March 2013	Page 9 of 14

- 6.9.3.2 Changes in, and compliance with, accounting policies, practices and estimation techniques;
- 6.9.3.3 Unadjusted mis-statements in the financial statements;
- 6.9.3.4 Significant judgements in preparation of the financial statements;
- 6.9.3.5 Significant adjustments resulting from the audit;
- 6.9.3.6 Letter of representation; and,
- 6.9.3.7 Qualitative aspects of financial reporting.

7 Permanency

- 7.1 The Committee/Sub-committee is a permanent Committee.

8 Membership

- 8.1 Members are appointed by the Board.

8.2 Chair

- 8.2.1 A Non-executive Member with an appropriate financial qualification.
- 8.2.2 In the absence of the Chair another Non-executive Member who is a member of the Committee.

8.3 Other Members

- 8.3.1 At least two other Non-executive Members.

8.4 In Attendance (not members and no voting rights)

- 8.4.1 Board Secretary
- 8.4.2 Secretariat
- 8.4.3 Chief Financial Officer
- 8.4.4 Representative(s) of External Audit
- 8.4.5 Representative(s) of Internal Audit
- 8.4.6 Representative(s) of Counter Fraud

Document Number: POL_0100	Issue Date: 05-04-2013	Version Number: 01.01
Status: Draft	Next Review Date: March 2013	Page 10 of 14

8.4.7 Chief Executive, as required. As a minimum, this should be when the Committee considers the draft internal audit plan and the annual accounts and, at least annually, to discuss the process for assurance that supports the Annual Governance Statement.

9 Quorum

9.1 Two members attending in person, via teleconference or via videoconference.

10 Attendance

10.1 Members to aim to attend 100% of meetings.

10.2 Attendance below 50% on a rolling annual basis to be highlighted to the Board.

11 Internal (Executive) Lead

11.1.1 Chief Financial Officer

12 Secretariat

12.1 Head of Assurance & Procurement

13 Frequency of Meetings

13.1 At least five per annum, scheduled to allow the discharge of all of the Committee's responsibilities.

13.2 At least once a year the Committee will meet privately with the Internal and External Auditors.

14 Papers

14.1 The Secretary to agree the agenda with the Chair and Internal (Executive) Lead.

14.2 Papers to be distributed to members and those in attendance five days in advance of the meeting.

14.3 Papers to be distributed, for information, to:

14.3.1 Chief Executive.

Document Number: POL_0100	Issue Date: 05-04-2013	Version Number: 01.01
Status: Draft	Next Review Date: March 2013	Page 11 of 14

15 Work Programme

- 15.1 The Committee will prepare a work programme covering at least the 12 months following each meeting, detailing the items expected to be considered at each meeting, grouped under heading aligned with the Duties detailed above.
- 15.2 The Work Programme is to be a living document, updated for each meeting.
- 15.3 Review of the Work Programme is to be a standing agenda item.

16 Openness

- 16.1 The Chair to present a written report to the next Board after each meeting, detailing:
 - 16.1.1 Attendance at the meeting;
 - 16.1.2 The matters considered by the meeting;
 - 16.1.3 The conclusions drawn and/or actions agreed;
 - 16.1.4 The exercise of any delegated authority;
 - 16.1.5 Any matters the meeting specifically wished to draw to the attention of the Board.
- 16.2 The minutes approved at the meeting to be attached to the report for information (redacted in accordance with the Freedom of Information Act as required).

17 Effectiveness

- 17.1 The effectiveness of the Committee in meeting its Terms of Reference will be measured by the preparation of an Annual Report detailing:
 - 17.1.1 Attendance by individual members; and,
 - 17.1.2 The delivery of the Committee Terms of Reference by reference to:
 - 17.1.2.1 The matters considered by the Committee through the year and whether these occurred in line with the Work Programme (detailing why not if not);
 - 17.1.2.2 The conclusions drawn and/or actions agreed;
 - 17.1.2.3 The exercise of any delegated authority in the year; and,

Document Number: POL_0100	Issue Date: 05-04-2013	Version Number: 01.01
Status: Draft	Next Review Date: March 2013	Page 12 of 14

17.1.2.4 The matters the Committee specifically drew to the attention of the Board during the year.

17.2 The Annual Report to be considered and approved by the Committee at its first meeting in each financial year, covering the preceding financial year.

17.3 The Annual Report to be presented to the next Board meeting after approval by the Committee.

18 Review of Terms of Reference

18.1 These terms of reference to be reviewed annually alongside the preparation of the Annual Report.

18.2 The outcome of that review to be reported as part of the Annual Report, together with any recommendations for amendment.

18.3 These terms of reference will be reviewed more frequently should the need arise.

Document Number: POL_0100	Issue Date: 05-04-2013	Version Number: 01.01
Status: Draft	Next Review Date: March 2013	Page 13 of 14

