



Merton

Clinical Commissioning Group

Report to the Merton Clinical Commissioning Group Governing Body

Date of Meeting: 18th July 2013

Agenda No: 7.1

ATTACHMENT: 06

<p>Title of Document: Merton Clinical Commissioning Group Audit and Governance Committee - Terms of Reference</p>	<p>Purpose of Report: For Approval</p>
<p>Report Author: Karen McKinley (Former CFO, Merton CCG)</p>	<p>Lead Director: Eleanor Brown</p>
<p>Executive Summary:</p> <p>The Audit and Governance Committee is constituted as the senior standing committee of the CCG's Governing Body. It is authorised by the Governing Body to investigate any activity within its terms of reference with a primary responsibility for monitoring and reviewing financial and other risks and associated controls, corporate governance and financial assurance.</p>	
<p>Key sections for particular note (paragraph/page), areas of concern etc: Description of Committee's duties – section 6, pages 2-9</p>	
<p>Recommendation(s): The Merton Clinical Commissioning Group Governing Body is requested to approve the Audit and Governance Committee's Terms of Reference.</p>	
<p>Committees which have previously discussed/agreed the report: MCCG Audit and Governance Committee: 02.12.12 & 28.03.13</p>	
<p>Financial Implications: None</p>	
<p>Other Implications: None</p>	
<p>Equality Impact Assessment: NA</p>	
<p>Information Privacy Issues: NA</p>	
<p>Communication Plan: NA</p>	

NHS Merton Clinical Commissioning Group**Audit and Governance Committee****Terms of Reference****1. Authority**

- 1.1 The Audit and Governance Committee (the Committee) is constituted as the senior standing committee of the CCG's Governing Body. Its constitution and terms of reference shall be as set out below, subject to amendment at future Governing Body meetings. The Committee shall not have executive powers in addition to those delegated in these terms of reference.
- 1.2 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 of staff or member of the CCG and all members of staff and members of the CCG are directed to co-operate with any request made by the audit committee.
- 1.3 The Committee is authorised by the Governing Body to obtain outside legal or other independent professional advice. The Committee is authorised by the Governing Body to request the attendance of individuals and authorities from outside the CCG with relevant experience and expertise if it considers this necessary or expedient to the carrying out of its functions.
- 1.4 The Committee will have primary responsibility for monitoring and reviewing financial and other risks and associated controls, corporate governance and financial assurance.
- 1.5 These terms of reference and the composition of the Committee will accord with any published national guidance.

2. Purpose

2.1 The Governing Body is responsible for ensuring effective internal control including:

- exercising its functions effectively, efficiently and economically
- complying with such generally accepted principles of good governance as are relevant to it
- managing the CCG's activities in accordance with statute, regulations and guidance
- establishing and maintaining a system of internal control to give reasonable assurance that assets are safeguarded, waste or inefficiency avoided and reliable financial information produced, and that value for money is continuously sought.

2.2 The Committee shall provide the Governing Body with a means of independent and objective review of financial and corporate governance, assurance processes and risk management across the whole of the CCG's activities (clinical and non-clinical). In addition the Committee shall:

- assist the CCG in discharging its functions under paragraph 2.1 above
- provide assurance of independence for external and internal audit
- ensure that appropriate standards are set and compliance with them is monitored, in non-financial, non-clinical areas that fall within the remit of the Committee
- monitor corporate governance (e.g. Compliance with Constitution, Standing Orders, Prime Financial Policies, maintenance of Registers of Interests).

3. Membership

The Committee shall be appointed by the Governing Body and will consist of:

Members:

- The Chair who is a Lay Member and Chair of the Finance Committee
- Lay member
- Secondary Care Consultant
- Independent Nurse Member

A quorum shall be two Members, at least one of whom should be a Lay member.

- 3.1 The Committee shall be chaired by a lay person member. A role description for the Chair is attached as Annex A.
- 3.2 In the absence of the Chair of the Committee a decision will be taken in advance of the meeting as to which governing body lay member who is a member of the Committee shall Chair that particular meeting.
- 3.3 All or any members of the Committee may participate in a meeting by teleconference or videoconference. A person participating in this way shall be deemed to be present in person at the meeting and shall consequently be counted in a quorum.

4. Attendance

- 4.1 The Chief Officer, Chief Financial Officer and Head of Internal Audit shall generally attend routine meetings of the audit committee.
- 4.2 A representative of the external auditors may normally also be invited to attend meetings of the Committee.
- 4.3 Members of the Governing Body and/or staff and executives shall be invited to attend those meetings in which the Committee will consider areas of risk or operation that are their responsibility.
- 4.4 The Committee may ask any or all of those who normally attend but who are not members to withdraw to facilitate open and frank discussion of particular matters.
- 4.5 The CCG chair may be invited to attend meetings of the Committee as required.
- 4.6 A representative of the local counter fraud service will be invited to attend meetings of the Committee. Representatives from NHS Protect may be invited to attend meetings and will normally attend one meeting each year.
- 4.7 CCG, CSU and NHSCB Member Representatives may be invited, as required, to attend meetings of the Committee.
- 4.8 The CFO shall designate a CCG secretary to the Committee who will provide administrative support and advice. The duties of the CCG secretary in this regard include but are not limited to:

- agreement of the agenda with the chair of the Committee and attendees together with the collation of connected papers
- taking the minutes and keeping a record of matters arising and issues to be carried forward
- advising the Committee as appropriate
- reviewing every decision to suspend the standing orders.

4.9 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.

5. Frequency of Meetings

- 5.1 Meetings shall be held at least four times per year with additional meetings convened where necessary.
- 5.2 The external auditor shall be afforded the opportunity at least once per year to meet with the Committee without the Accountable Officer; Chief Financial Officer present.
- 5.3 The CCG Chair and Accountable Officer should be invited to attend, at least annually, to discuss with the Committee the Annual Accounts and the process for assurance that supports the Annual Governance Statement.
- 5.4 The Committee members shall be afforded the opportunity to meet at least once per year with the External and Internal Auditors with no others present.
- 5.5 The external Auditors or Head of internal Audit may request a meeting if they consider that one is necessary.

6. Duties

6.1 Internal control, risk management and counter fraud

- 6.1.1. The duties of the Committee will be driven by the priorities identified by the CCG and the associated risks. It will operate to a programme of business agreed by the CCG that will be flexible to new and emerging priorities and risks.
- 6.1.2 To ensure the provision and maintenance of an effective system of financial risk identification and associated controls, reporting and governance.

- 6.1.3 To maintain an oversight of the CCG's general risk management structures, processes and responsibilities, including the production and issue of any risk and control-related disclosure statements.
- 6.1.4 To review the adequacy of the policies and procedures in respect of all counter-fraud and anti-bribery work.
- 6.1.5 To review the adequacy of the CCG's arrangements by which CCG staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting and control and related matters or any other matters of concern.
- 6.1.6 To review the adequacy of underlying assurance processes that indicate the degree of achievement of corporate objectives and the effectiveness of the management of principal risks.
- 6.1.7 To review the adequacy of policies and procedures for ensuring compliance with relevant regulatory, legal and conduct requirements.
- 6.1.8 The Committees work will rely on that of the Finance Committee and Clinical Quality Committee to seek assurance that robust processes are in place.

6.2 **Internal audit**

- 6.2.1 To review and approve the internal audit strategy and programme, ensuring that it is consistent with the needs of the organisation.
- 6.2.2 To oversee on an ongoing basis the effective operation of internal audit in respect of:
- adequate resourcing
 - its co-ordination with external audit
 - meeting mandatory Public Sector internal audit standards
 - providing adequate independence assurances;
 - having appropriate standing with the CCG
 - meeting the internal audit needs of the CCG.
- 6.2.3 To consider the major findings of internal audit investigations; the Governing Body's response and their implications and monitor progress on the implementation of recommendations.
- 6.2.3 To consider the provision of the internal audit service, the cost of the audit and any questions of resignation and dismissal.

6.2.4 To conduct an annual review of the internal audit function.

6.3 External audit

6.3.1 To make a recommendation to the Governing Body in respect of the appointment, re-appointment and removal of an external auditor. To the extent that that recommendation is not adopted by the Governing Body, this shall be included in the annual report, along with the reasons that the recommendation was not adopted.

6.3.2 The committee shall review the work and findings of the external auditors and consider the implications and management's responses of their work. This will be achieved by consideration of the performance of the external auditors, as far as the rules governing the appointment permit and 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.

6.3.3 To assess the external auditor's work and fees on an annual basis and, based on this assessment, make a recommendation to the Governing Body with respect to the re-appointment or removal of the auditor. This assessment should include the review and monitoring of the external auditor's independence and objectivity and effectiveness of the audit process in light of relevant professional and regulatory standards.

6.3.4 To oversee the conduct of a market testing exercise for the appointment of an auditor at least once every (five) years and, based on the outcome, make a recommendation to the Governing Body with respect of the appointment of the auditor.

6.3.5 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.

6.3.6 To develop and implement a policy on the engagement of the external auditor to supply non-audit services.

6.3.7 To consider the provision of the external audit service, the cost of the audit and any questions of resignation and dismissal.

6.4 Annual accounts review

6.4.1 To review the annual statutory accounts, before they are presented to the Governing Body (who will in turn provide them to

the Commissioning Board Authority in accordance with statutory requirements), to determine their completeness, objectivity, integrity and accuracy. This review will cover but is not limited to:

- the wording in the governance statement and other disclosures relevant in the terms of reference of the committee;
- the meaning and significance of the figures, notes and significant changes
- areas where judgment has been exercised
- adherence to accounting policies and practices
- adherence to the requirements and any directions given to the CCG by the Commissioning Board Authority
- explanation of estimates or provisions having material effect
- the schedule of losses and special payments
- any unadjusted mis-statements
- Letter of representation
- any reservations and disagreements between the external auditors and the Governing Body which have not been satisfactorily resolved.

6.4.2 To review the annual report before it is submitted to the Governing Body and presented to Members of the CCG at the Annual General Meeting of the CCG, to determine completeness, objectivity, integrity and accuracy. The Governing Body will provide the annual report to the Commissioning Board Authority in accordance with statutory requirements.

6.4.3 To review all accounting and reporting systems for reporting to the Governing Body, including in respect of budgetary control.

6.5 **Standing orders, Prime Financial Policies and standards of business conduct**

6.5.1 To review on behalf of the Governing Body the operation of, and proposed changes to, the standing orders and prime financial policies, the constitution, codes of conduct and standards of business conduct; including maintenance of registers.

6.5.2 To examine the circumstances of any significant departure from the requirements of any of the foregoing, whether those departures relate to a failing, an overruling or a suspension.

6.5.3 To review the scheme of delegation at least annually.

6.6 Other

6.6.1 To review performance indicators relevant to the remit of the Committee.

6.6.2 To examine any other matter referred to the Committee by the Governing Body and to initiate investigation as determined by the Committee.

6.6.3 To annually review the accounting policies of the CCG and make appropriate recommendations to the Governing Body.

6.6.4 To develop and use an effective assurance framework to guide the audit committee's work. This will include utilising and reviewing the work of the internal audit, external audit and other assurance functions as well as reports and assurances sought from members of the Governing Body and other investigatory outcomes so as fulfil its functions in connection with these terms of reference.

6.6.5 To consider the outcomes of significant reviews carried out by other bodies which include but are not limited to regulators and inspectors within the health (and social care) sector and professional bodies with responsibilities that relate to staff performance and functions.

6.6.6 To review the work of all the other committees of the CCG in connection with the Committee's assurance function

6.6.7 Apply best practice in the decision making process.

6.6.8 At least annually, the Committee review its own performance, membership and Terms of Reference. Any resulting changes to the Terms of Reference of membership should be approved by the Governing Body.

6.7 Counter Fraud

6.7.1 The Committee shall satisfy itself that the clinical commissioning group 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.

7. Reporting

7.1 The minutes of all meetings of the Committee shall be formally recorded and submitted, together with recommendations where

appropriate, to the Governing Body. The submission to the Governing Body shall include details of any matters in respect of which actions or improvements are needed. This will include details of any evidence of potentially ultra vires, otherwise unlawful or improper transactions, acts, omissions or practices or any other important matters. To the extent that such matters arise, the Chair of the Committee shall present details to a meeting of the Governing Body in addition to submission of the minutes.

7.2 The Committee will report annually to the Governing Body in respect of the fulfilment of its functions in connection with these terms of reference. Such report shall include but not be limited to functions undertaken in connection with the effectiveness of risk management within the CCG; the integration of and adherence to governance arrangements and any pertinent matters in respect of which the Committee has been engaged.

7.3 The CCG's annual report shall include a section describing the work of the audit committee in discharging its responsibilities.

7.4 Financial Reporting

7.4.1 The audit committee shall monitor the integrity of the financial statements of the clinical commissioning group and any formal announcements relating to the clinical commissioning group's financial performance.

7.4.2 The committee shall ensure that the systems for financial reporting to the clinical commissioning group, including those of budgetary control, are subject to review as to completeness and accuracy of the information provided to the clinical commissioning group.

8. Review

8.1 The terms of reference of the audit committee shall be reviewed by the Governing Body at least annually. This should take into account new guidance and developments in good governance practice.

9. Declarations of Interest

9.1 If any member has an interest, pecuniary or otherwise, in any matter and is present at the meeting at which the matter is under discussion, he/she will declare that interest as early as possible

and shall not participate in the discussions. The Chair will have the power to request that member to withdraw until the Committee consideration has been completed. All members will be expected to adhere to and comply with any relevant policy; including but not exclusive to Declarations of Interest and Anti-Bribery.

10. Required Frequency of Attendance by Members

- 10.1 Members of the Committee must attend at least 75% of all meetings each financial year but should aim to attend all scheduled meetings.

Merton Clinical Commissioning Group

Role Description - Chair of the Audit and Governance Committee

The role of the Chair of the Committee goes a good deal beyond chairing meetings and is key to achieving Committee effectiveness. The additional workload should be taken into account in appointment of the Chair.

How a particular Chair manages the Committee will vary depending on the character of the individual and the needs of the specific organisation. In addition to chairing the Committee meetings, the key activities should include the following.

1. Agenda setting

Before each meeting the Chair and the Committee Secretary should meet to discuss and agree the business for the meeting. The Chair should take ownership of, and have final say in, the decisions about what business will be pursued at any particular meeting.

2. Communication

The Chair should ensure that after each meeting appropriate reports are prepared from the Committee to the Board and the Accounting Officer. The Chair should ensure that the Committee provides a suitable Annual Report to the Governing Body.

The Chair should have bilateral meetings at least annually with the Accounting Officer, the Head of Internal Audit and the External Auditor. In addition, the Chair should meet any people newly appointed to these positions as soon as practicable after their appointment.

The Chair should also ensure that all Committee members have an appropriate programme of interface with the organisation and its activities to help them understand the organisation, its objectives, business needs and priorities.

3. Monitoring actions:

The Chair should ensure that there is an appropriate process between meetings for action points arising from Committee business to be appropriately pursued. The Chair should also ensure that members who have missed a meeting are appropriately briefed on the business conducted in their absence. Chairs may choose to rely on the Secretariat to take these actions.

4. Appraisal:

The Chair should take the lead in ensuring that Committee members are provided with appropriate appraisal of their performance as a Committee member and that training needs are identified and addressed. The Chair

should themselves seek appraisal of their performance from the Accounting Officer (or Chair of the Governing Body, as appropriate).

The Chair should ensure that there is a periodic review of the overall effectiveness of the Committee and of its Terms of Reference.

5. Appointments:

The Chair should be involved in the appointment of new Committee members, including providing advice on the skills and experience being sought by the Committee when a new member is appointed.

6. Committee Support

A secretariat function is required to support the Chair of the Committee in identifying business to be taken, and the relevant priorities of the business. For this reason, and as the Committee is a committee of the Governing Body, the Committee Secretariat function should be supervised by the Governing Body secretariat. The Chair of the Committee and the secretariat should agree procedures for commissioning briefing to accompany business items on the Committee's agenda and timetables for the issue of meeting notices, agendas, and minutes. The Chair of the Committee should always review and approve minutes of meetings before they are circulated.

The specific responsibilities of the Committee Secretariat should include:

- meeting with the Chair of the Committee to prepare agendas for meetings;
- commissioning papers as necessary to support agenda items;
- circulating meeting documents in good time before each meeting;
- arranging for executives to be available as necessary to discuss specific agenda items with the Committee during meetings;
- keeping a record of meetings and providing draft minutes for the Chair's approval;
- ensuring action points are being taken forward between meetings;
- support the Chair in the preparation of Committee reports to the Governing Body;
- arranging the Chair's bilateral meetings with the Accounting Officer, the Head of Internal Audit and the External Auditor;
- keeping the Chair and members in touch with developments and relevant background information about developments in the organisation;
- maintaining a record of when members' terms of appointment are due for renewal or termination;
- ensuring that appropriate appointment processes are initiated when required;
- ensuring that new members receive appropriate induction training, and that all members are supported in identifying and participating in on-going training;
- managing any budgets allocated to the Committee.

Careful consideration should be given to ensuring that the Secretariat function is not biased. If the function is provided by Internal Audit there may be a risk of bias towards Internal Audit interests. On the other hand there is merit in ensuring the secretariat is independent of pressure from senior management, as could happen if the Board Secretariat also supports the Committee.

When the Audit Committee meets privately, the Chair should decide whether the secretariat members should also withdraw. If so, the Chair should ensure that an adequate note of proceedings is kept to support the Committee's conclusions and advice.