

Governance, Audit and Risk Committee Terms of Reference

1. ESTABLISHMENT AND PURPOSE

- 1.1 The Governance, Audit and Risk Committee (the “Committee”) has been established in accordance with the Clinical Commissioning Groups’ (CCGs) Constitution.
- 1.2 The committee has been established to support the CCGs in the delivery of its statutory duties and to provide assurance to the Governing Bodies in relation to the delivery of these duties. It shall advise and provide assurance to the Governing Body on:
- the strategic processes for risk, control and governance and the Governance Statement
 - the accounting policies, accounts and annual report of the CCG
 - planned activity and results of both internal and external audit
 - the adequacy of response to issues identified by audit activity, including any external audit management letter
 - the management of risk and corporate governance requirements for the CCG
 - processes and policies for a number of areas including; risk management anti-fraud, corruption and bribery, whistle-blowing, conflicts of interest, information governance
- 1.3 In particular, the committee will provide assurance to the Governing Bodies on delivery of the duty to prepare an annual report for each financial year.

1. COMMITTEE REMIT AND AUTHORITY

- 2.1 In order to deliver its broad purpose as outlined above, the responsibilities of the committee will include:

a) Integrated governance, risk management and internal control

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 organisation’s activities that supports the achievement of the organisation’s objectives.

In particular, the Committee will review the adequacy and effectiveness of:

- all risk and control related disclosure statements (in particular the annual governance statement), together with any accompanying head of internal audit opinion, external audit opinion or other appropriate independent assurances, prior to submission to the governing body;
- the underlying assurance processes that indicate the degree of achievement of the organisation’s objectives, the effectiveness of the

- management of principal risks and the appropriateness of the above disclosure statements;
- the policies and procedures for ensuring compliance with regulatory, legal and code of conduct requirements and any related reporting and self-certifications, for example information governance and conflicts of interest assurance.

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

b) Internal Audit

The Committee shall ensure that there is an effective internal audit function that meets the Public Sector Internal Audit Standards 2017 and provides appropriate independent assurance to the Committee, Chief Officer and Governing Body.

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 had appropriate standing within the organisation; and
- monitoring the effectiveness of internal audit and carrying out an annual review.

c) External Audit

The Committee shall review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process. In particular, the Committee will review the work and findings of the external auditors and consider the implications and management's responses to their work. This 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 where 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.

d) Other assurance functions

The Committee shall review the findings of other significant assurance functions, both internal and external to the organisation, and consider the implications for the governance of the organisation.

These will include, but will not be limited to, any reviews by Department of Health and Social Care arm's length bodies or regulators/inspectors – for example, the Care Quality Commission, NHS Resolution, etc. and professional bodies with responsibility for the performance of staff or functions – for example, Royal Colleges, accreditation bodies etc.

In addition, the Committee may review the work of other committees within the organisation, whose work can provide relevant assurance to the committee's own areas of responsibility. In particular, this will include clinical governance, risk management or quality committees that are established, along with recommendations of the auditor panel.

e) Counter fraud

The Committee shall satisfy itself that the organisation has adequate arrangements in place for counter fraud, bribery and corruption that meet NHSCFA's standards and shall review the outcomes of work in these areas.

In accordance with The NHS CFA's Fraud Standards for Commissioners, NHS England's Audit Committee has:

'stated its commitment to ensuring commissioners achieve these standards and therefore requires assurance that they are being met via NHSCFA's quality assurance programme.'

The committee will refer any suspicions of fraud, bribery and corruption to the NHSCFA.

The committee will review the policies and procedures for all work related to counter fraud, bribery and corruption as required by NHSCFA.

f) Financial Reporting

The Committee shall monitor the integrity of the financial statements of the organisation and any formal announcements relating to its financial performance.

The Committee should ensure that the systems for financial reporting to the governing body, including those of budgetary 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, focusing particularly on:

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

- changes in, and compliance with, accounting policies, practices and estimation techniques;
- unadjusted misstatements in the financial statements;
- significant judgements in preparation of the financial statements;
- significant adjustments resulting from the audit;
- letters of representation; and
- explanations for significant variances.

g) Whistleblowing

The Governance Institute guidance note – "Terms of Reference for Audit Committees" 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 action'.

To that end, the committee shall review the effectiveness of the arrangements in place for allowing staff to raise (in confidence) concerns about possible improprieties in financial, clinical or safety matters and ensure that any such concerns are investigated proportionately and independently.

h) Policies

The committee may commission, review and authorise policies where they are explicitly related to areas within the remit of the Committee as outlined within the TOR, or where specifically delegated by the Governing Body

The Committee is authorised to:

- request further investigation or assurance on any area within its remit;
- bring matters to the attention of other committees to investigate or seek assurance where they fall within the remit of that committee;
- make recommendations to the Governing Body;
- escalate issues to the Governing Body;
- produce an annual work plan to discharge its responsibilities; and
- approve the terms of reference of any sub-groups to the committee.

3. CHAIR ARRANGEMENTS

- 3.1 The Committee shall be chaired by one of the CCGs Independent Lay Governing Body Member for Governance. This individual will have qualifications, expertise or experience to enable them to lead on finance and audit matters
- 3.2 If the Chair is unable to attend a meeting, they may designate another member of the Committee to act as Chair.
- 3.3 If the Chair is unable to Chair an item of business due to a conflict of interest, another member of the committee will be asked to Chair that item.

4. MEMBERSHIP

- 4.1 Membership of the Committee may be drawn from the CCGs' Governing Body membership; the CCGs' executive team and officers of the CCGs, and any external organisational representatives.
- 4.2 The Committee members shall be:
- x2 Independent Lay Governing Body Members
 - x2 Governing Body members who are clinically qualified.
- 4.2 Members of the Committee will be listed in the CCG annual report and accounts
- 4.4 CCG executives and other CCG staff are invited to be in regular attendance; these will include (but are not limited to):
- Executive Director of Finance and Contracting (or nominated deputy)
 - Director of Governance and Corporate Development (or nominated deputy)
- 4.5 Representatives of internal and external audit and counter fraud functions shall also be invited to be in regular attendance.
- 4.6 The Committee may also request attendance by appropriate individuals to present agenda items and/or advise the Committee on particular issues.

5. QUORACY

- 5.1 The following members must be present for a meeting of the committee to be quorate:
- the Committee Chair or a nominated deputy
 - at least one other committee member.
- 5.2 Committee members may appoint a deputy to represent them at meetings of the Committee. Committee members should inform the Committee Chair ahead of the meeting of their intention to nominate a deputy to attend/act on their behalf. They should provide assurance that any such deputy is suitably briefed and suitably qualified, and that the individual fulfils the requirements of the role and is not disqualified by whichever schedules of the regulations that may apply. Alternatively, where appropriate members' views may be sought by email and reported verbally at the Committee meeting.
- 5.3 Members of the CCG executive and those 'in attendance' will not count towards the quorum.

6. DECLARATIONS OF INTEREST, CONFLICTS AND POTENTIAL CONFLICTS OF INTEREST

- 6.1 All members shall comply with the provisions of *Managing Conflicts of Interest: Statutory Guidance for CCGs* at all times. In accordance with the CCGs' policy on managing conflicts of interest, committee members should:
- Inform the Chair of any interests they hold which relate to the business of the committee.
 - Inform the Chair of any previously agreed treatment of the potential conflict / conflict of interest.

- Abide by the Chair's ruling on the treatment of conflicts / potential conflicts of interest in relation to ongoing involvement in the work of the committee.
- Inform the Chair of any conflicts / potential conflicts of interest in any item of business to be discussed at a meeting. This should be done in advance of the meeting wherever possible.
- Declare conflicts / potential conflicts of interest in any item of business to be discussed at a meeting under the standing "declaration of interest" item.
- Abide by the Chair's decision on appropriate treatment of a conflicts / potential conflict of interest in any business to be discussed at a meeting.

7. DECISION MAKING AND VOTING

- 7.1 Any decisions undertaken by the Committee for areas where it does not have delegated authority to do so will be in the form of recommendations to the Governing Body. The Committee will usually seek to make these decisions on recommendations by consensus. Where this is not possible, the Chair may call a vote.
- 7.2 Only committee members, as identified in the "Membership" section of these terms of reference, may cast a vote. A person attending a meeting as a representative of a committee member shall have the same right to vote as the committee member they are representing.
- 7.3 In accordance with paragraph 6, no member (or representative) with a conflict of interest in an item of business will be allowed to vote on that item.
- 7.4 Where there is a split vote, with no clear majority, the Chair will have the casting vote.

8. ACCOUNTABILITY

- 8.1 The Committee is accountable to the Governing Body of the Clinical Commissioning Group.

9. REPORTING ARRANGEMENTS

- 9.1 Following a Committee meeting, a summary report of the discussions undertaken at that meeting, and any recommendations will be submitted to the subsequent Governing Body meeting. Minutes of the Committee will be published to the CCG's website following approval at the subsequent Committee meeting
- 9.2 The Committee will be responsible for providing an annual report to the Governing body outlining the decisions undertaken by the Committee within the financial year. This will form part of an Annual Report to the Governing Body on all decisions undertaken by its sub-committees, and will inform the production of the CCGs Annual Report and Accounts.
- 9.3 The Committee will bring to the attention of the Governing Body in a separate report, any items of specific concern which require Governing Body's approval to act.

9.4 The Committee will provide exception reports to the Governing Body, highlighting any key developments / achievements or potential risks / issues.

10. FREQUENCY OF MEETINGS

10.1 The committee shall meet at least 5 times a year, with an additional meeting scheduled to review the annual report and accounts of the CCG.

11. SUB-COMMITTEES

11.1 The Committee may delegate responsibility for specific aspects of its duties to sub-groups. The terms of reference of any sub groups shall be approved by the Committee.

12. ADMINISTRATIVE SUPPORT

12.1 The CCG will provide appropriate resource to ensure meetings are fully supported and business is conducted efficiently and effectively. This will include managerial support as well as administrative support.

12.2 The Committee will operate in accordance with the CCGs' corporate standards "Manual". This will include the following:

- Minutes of committee meetings will be taken to ensure an appropriate record of committee discussions / decisions.
- Risks and issues will be captured and escalated as appropriate.
- Action lists and forward planners will also be maintained to ensure the committee operates efficient and effectively.

13. RESPONSIBILITIES OF MEMBERS

13.1 As well as complying with requirements around declaring and managing potential conflicts of interest (as set out at section 6), Committee members should:

- comply with the CCG's policies on standards of business conduct which include upholding the Nolan Principles of Public Life;
- attend meetings, having read all papers beforehand;
- arrange an appropriate deputy to attend on their behalf, if necessary;
- act as 'champions', disseminating information and good practice as appropriate;
- comply with the CCG's administrative arrangements to support the Committee around identifying agenda items for discussion, the submission of reports etc.

13.2 The internal and external auditors, counter fraud support to the CCG and CCG officers in attendance will be responsible for:

- drawing the Committee's attention to best practice, national guidance and other relevant information required by the Committee to make informed recommendations to the Governing Body.

14. REVIEW OF PERFORMANCE

14.1 These Terms of Reference were approved on 18 June 2020.

14.2 The Committee shall undertake an annual review of its performance and effectiveness to ensure it has discharged its functions as intended. Any

changes to the Terms of Reference resulting from any such review will need to be approved by the CCG Governing Body.

- 14.3 A review log of all Committee Terms of Reference is held within the CCG Corporate Governance Handbook.