1. Introduction

The Audit Committee (the Committee) is established, and powers are delegated to it, by the Governing Body of Islington Clinical Commissioning Group (the CCG), in accordance with the CCG’s Constitution.

The Committee is a non-executive committee of the Governing Body. It has no executive powers and it has no power to establish sub-committees.

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 CCG’s Constitution.

2. Membership

The Committee shall be appointed by the Governing Body as set out in the CCG’s Constitution. It shall consist of not less than three members of the Governing Body.

The membership shall comprise:

- Two Governing Body Lay Members. The Lay Member with the lead role in overseeing key elements of governance shall be the Chair of the Committee.
- One Governing Body GP Member.

The Chair of the Governing Body may not be a member of the Audit Committee.

3. Frequency of meetings

The Committee will meet at least four times a year.

The External Auditor or the Head of Internal Audit may request that a meeting of the Committee is called if they consider that one is necessary. A minimum of seven working days notice is required to call for a meeting.

4. Quorum

A quorum shall be two members.
If a meeting of the Committee is not, or ceases to be, quorate the procedures set out in the CCG’s Constitution shall be followed.

5. Attendance by non-members

The Chief Finance Officer and appropriate representatives from internal and external audit shall normally attend meetings. At least once a year the Committee should meet privately with the external and internal auditors.

Other directors shall be invited to attend when the Committee is discussing areas of risk or operation that are their responsibility. If unable to attend in person, a director will nominate a suitable deputy to attend in his/her place.

The Chief Officer shall be invited to attend, at least annually, to discuss the process for assurance that supports the Annual Governance Statement. He or she should also attend when the Committee considers draft internal audit plans and annual accounts.

The Chair of the Governing Body and members of partner organisations may also be invited to attend when required.

6. Secretarial support

The Secretary to the Governing Body will provide secretarial support to the Committee.

7. Conduct of business

The Committee shall apply best practice in its deliberations and in the decision-making processes. It will conduct its business in accordance with national guidance and relevant codes of conduct, the Constitution of the CCG, and good governance practice. The Committee will review its performance annually.

8. Remit and responsibilities of the Committee

Governance, risk management and internal control

The Committee shall review the establishment and maintenance of an effective system of integrated governance\(^1\), risk management and internal control, across the whole of the CCG’s activities, that supports the achievement of the CCG’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 appropriate independent assurances, prior to endorsement by the Governing Body.

\(^1\) Comprising, corporate, clinical, financial, information and research governance
• 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 statements.
• The policies for ensuring compliance with relevant regulatory, legal and code of conduct requirements and related reporting and self-certification. This will include policies and compliance activity for information governance.
• 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.

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.

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. The Committee may also request reports from individual functions within the CCG arising from specific items in the Assurance Framework.

Internal audit

The Committee shall ensure that there is an effective internal audit function that meets mandatory NHS Internal Audit Standards and provides appropriate independent assurance to the Committee, the Chief Officer and the Governing Body. This will be achieved by:

• Making recommendations to the Governing Body regarding the award or termination of contracts for the provision of the internal audit service.
• Review and approval of the internal audit strategy and annual audit plan, ensuring that this is consistent with the audit needs of the organisation, as identified through the Assurance Framework.
• Considering the major findings of internal audit work (and management’s response) and ensuring co-ordination between internal and external auditors to optimise audit resources.
• Ensuring that the internal audit function is adequately resourced and has appropriate standing within the CCG.
• An annual review of the effectiveness of internal audit.

External audit

The Committee shall review the work and findings of external audit and consider the implications and management’s response to their work. This will be achieved by:

• Consideration of the performance of external audit, as far as the rules governing the appointment permit.
• Discussion and agreement with the External Auditor, 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.

• Discussion with the External Auditor of his/her local evaluation of audit risks and assessment of the CCG and associated impact on the audit fee.

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

Other assurance functions

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

These will include, but will not be limited to, any reviews by Department of Health arm’s length bodies or regulators/inspectors (for example, the NHS Litigation Authority) and professional bodies with responsibility for the performance of staff or functions (for example, Royal Colleges and accreditation bodies).

The Committee’s work will dovetail with that of any committee established by the Governing Body whose remit is to seek assurance that robust clinical quality is in place.

Where the activities of partner organisations may have an impact on the ability of the CCG to achieve its corporate objectives, the Committee will seek formal assurances that the partner organisations have adequate arrangements in place for governance, risk management, and internal control.

Counter fraud

The Committee shall satisfy itself that the CCG has adequate arrangements in place for reducing fraud and shall review the outcomes of counter fraud work. It shall also approve the counter fraud work programme.

Financial reporting

The Committee shall monitor the integrity of the financial statements of the CCG and of any formal announcements relating to the CCG’s financial performance.

The Committee shall ensure that the systems for financial reporting to the Governing Body, including those of budgetary control, are subject to review as to 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 mis-statements in the financial statements;
• Significant judgments in preparing the financial statements;
• Significant adjustments resulting from the audit;
• Letter of representation; and
• Qualitative aspects of financial reporting.

9. Reporting arrangements

The Committee shall report regularly to Governing Body. The report will set out the main matters discussed and any decisions taken. It will also draw the attention of the Governing Body to any matters requiring disclosure to them, or requiring executive action.

The Committee shall also report to the Governing Body annually on its work in support of the Annual Governance Statement, specifically commenting on the fitness for purpose of the Assurance Framework, the completeness and embeddedness of risk management, and the integration of governance arrangements.

10. Review of terms of reference

The membership and terms of reference shall be reviewed annually. Any proposals to change the terms of reference or membership must be approved by the Governing Body.

Adopted: April 2013
Reviewed: March 2014