

Subject: Terms of Reference Audit and Finance Committee

Meeting: NHS Milton Keynes CCG Shadow Board

Date of Meeting: 7 August 2012

Report of: Mathew Webb- Chief Finance Officer

1 Introduction

Milton Keynes Commissioning is undertaking a programme of work in support of its application for authorised status. The purpose of this paper is to create a framework under which the Audit and Finance Committee of the CCG Board will operate.

2. Audit and Finance Committee

The attached paper proposes an Audit and Finance Committee structure, membership and reporting requirements. The Audit and Finance Committee would operate as a sub committee of the CCG Board operating in shadow form until authorisation. Due to the breadth of remit covered by this committee the Terms of Reference have been divided into two parts; Audit and Finance and Performance.

The remit of the Audit committee includes providing assurance to the CCG Board regarding External Audit, Internal Audit and Counter Fraud. The remit of the Finance and Performance role of the Audit Committee will be to hold to account the Programme Boards and Senior Management team for the delivery of financial and other performance.

Recommendation

The Board is asked to approve the terms of reference for the Audit and Finance Committee.

MILTON KEYNES CLINICAL COMMISSIONING GROUP

Audit & Finance Committee

Terms of Reference - Audit (July 2012)

Constitution

The Clinical Commissioning Group's Governing Body hereby resolves to establish a committee of the Governing Body known as the Audit and Finance Committee. The Committee is established in accordance with Milton Keynes Clinical Commissioning Group's Constitution, Standing Orders and Scheme of Delegation. These terms of reference set out the membership, remit, responsibilities and reporting arrangements of the group and shall have effect as if incorporated into the CCG's constitution. The Committee is a non-executive committee of the Governing Body and has no executive powers other than those specifically delegated in these Terms of Reference.

Purpose

The purpose of the Audit & Finance Committee is to assist Milton Keynes CCG to deliver its responsibilities for the conduct of public business, and the stewardship of funds under its control. In particular, the Committee will seek to provide assurance to the Governing Body that an appropriate system of internal control is in place to ensure that:

- Business is conducted in accordance with the law and proper standards;
- Public money is safeguarded and properly accounted for;
- Financial Statements are prepared in a timely fashion, and give a true and fair view of the financial position of NHS Milton Keynes CCG for the period in question;
- Affairs are managed to secure economic, efficient and effective use of resources;
- Reasonable steps are taken to prevent and detect fraud and other irregularities.

Responsibilities

The responsibilities of the Committee can be categorised as follows:

Governance, Internal Control and Risk Management

The Committee shall review the establishment and maintenance of an effective system of governance, internal control and risk management across Milton Keynes CCG for both clinical and non-clinical activities, including partnerships that support the achievement of the organisation's objectives.

The Committee will review the adequacy and effectiveness of:

- all risk and control related disclosure statements (in particular the CCG's input into the Cluster's Statement on Internal Control), together with any

accompanying Head of Internal Audit statement, external audit opinion or other appropriate independent assurances, prior to endorsement by the CCG Governing Body;

- the structures, assurance processes and responsibilities for identifying and managing key risks facing the organisation, indicating the degree of achievement of corporate objectives, as laid down in the CCG's Statement on Internal Control and Assurance Framework;
- the policies for ensuring that there is compliance with relevant regulatory, legal and code of conduct requirements and related reporting and self-certification;
- the operational effectiveness of policies and procedures;
- the policies and procedures for all work related to fraud and corruption as set out in Secretary of State Directions and as required by the Counter Fraud and Security Management Service (This will remain a Cluster remit for 2012/13);

In carrying out this work the Committee will primarily utilise the work of Internal Audit, External Audit, Counter Fraud and Security Management Service and other assurance functions, but will not be limited to these sources. It will also seek reports and assurances from managers as appropriate, concentrating on the overarching systems of 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.

Internal Audit

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

- consideration of the provision of the internal audit service, the cost of the audit and any questions of resignation and dismissal;
- 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 organisation as identified in the Assurance Framework (This will remain a Cluster remit for 2012/13);
- considering the major findings of internal audit work (and management's response), and ensuring coordination between the internal and external auditors to optimise audit resources;

- ensuring that the Internal Audit function is adequately resourced and has appropriate standing within the organisation;
- an annual review of the effectiveness of internal audit.

External Audit

The Committee shall 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:

- consideration of the appointment and performance of the External Auditor, as far as the rules governing the appointment permit (This will remain a Cluster remit for 2012/13);
- 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 coordination, as appropriate, with other External Auditors in the local health economy (This will remain a Cluster remit for 2012/13);
- discussion with the External Auditors of their 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 Governance Group and any work undertaken outside the annual audit plan, together with the appropriateness of the management responses.

Financial Reporting

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

The Committee should ensure that the systems for financial reporting to the CCG Governing Body, including those of budgetary control, are subject to review as to completeness and accuracy of the information provided to the Governance Group.

The Group shall review the CCG Annual Report before submission to the CCG Governance Group and review the Financial Statements, focusing particularly on:

- the wording in the Statement on Internal Control and other disclosures relevant to the Terms of Reference of the Committee;
- changes in, and compliance with, accounting policies and practices;
- major judgemental areas; and significant adjustments resulting from the audit;
- Unadjusted mis-statements in the financial statements;

- Letter of representation.

Other Assurance Functions

The Audit Committee shall review the findings of other significant assurance functions, both internal and external to the organisation, and consider the implications to the governance 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 Litigation Authority, etc.), professional bodies with responsibility for the performance of staff or functions (e.g. Royal Colleges, accreditation bodies, etc.)

In addition, the Committee will review the work of other Committees within the organisation, whose work can provide relevant assurance to the Audit Group's own scope of work. This will include Committee's that have a remit for clinical governance, finance and performance and commissioning.

Counter Fraud

The Committee shall satisfy itself that the organisation has adequate arrangements in place for countering fraud and shall review the outcomes of counter fraud work.

Management

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

They may also request specific reports from individual functions within the organisation (e.g. clinical audit) as they may be appropriate to the overall arrangements.

Authority

The Committee is authorised by the CCG Governing Body to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee and all employees are directed to cooperate with any request made by the Committee.

The Committee is authorised by the CCG Governing Body to obtain external legal or other independent professional advice and to secure the attendance of advisers with relevant experience and expertise if it considers this necessary.

The responsibility for approval of the annual financial statements and Statement of Internal Control will remain within the Cluster's remit for 2012/13.

Membership

The membership of the Audit & Finance Committee will be:

- Chair – the Lay Vice Chair member of the governing body who has qualifications, expertise and/or experience in financial management and audit matters
- At least one other Lay Member

Quorum

A minimum of two Independent Lay Members will constitute a quorum.

A decision put to a vote at the meeting shall be determined by a majority of the votes of members present. In the case of an equal vote, the Chair of the Committee shall have a second and casting vote.

Attendance

The Chief Financial Officer, Internal and External Auditors, Chief Operating Officer, and other senior members of staff (as appropriate) shall normally attend meetings. At least once a year the Group should meet privately with the External and Internal Auditors without any executive director or senior officer present.

Reporting arrangements

The minutes of Audit Committee meetings shall be formally recorded and submitted to the CCG Governing Body. The Chair of the Committee shall draw to the attention of the Governing Body any issues that require disclosure to the full Governing Body, or require executive action.

The Group will report to the CCG Governing Body annually on its work in support of the Statement on Internal Control, specifically commenting on the fitness for purpose of the Assurance Framework, the completeness and embeddedness of risk management in the organisation, the integration of governance arrangements.

Administration

Secretarial support will be provided by the corporate office.

Frequency

Meetings shall be held not less than five times a year. The External Auditor or Head of Internal Audit may request a meeting if they consider that one is necessary.

Conduct of the Committee

The Committee shall conduct its business in accordance with national guidance, relevant codes of practice including the Nolan Principles and the Conflict of Interest policy.

An annual report will of its performance, membership and terms of reference will be submitted to the governing body.

Review

These Terms of Reference will be reviewed on a 6 monthly basis or sooner if required with recommendations made to the CCG Governing Group for approval.

-Ends-

NHS MILTON KEYNES CLINICAL COMMISSIONING GROUP

Audit and Finance Committee

Terms of Reference - Finance & Performance (July 2012)

Constitution

The Clinical Commissioning Group's Governing Body hereby resolves to establish a Committee of the Governing Body known as the Audit & Finance Committee. The Committee is established in accordance with Milton Keynes Clinical Commissioning Group's Constitution, Standing Orders and Scheme of Delegation. These terms of reference set out the membership, remit, responsibilities and reporting arrangements of the group and shall have effect as if incorporated into the CCG's constitution.

Purpose

To provide a performance framework which proactively manages the CCG's Financial, Performance and Quality Innovation, Productivity and Prevention (QIPP) agenda.

To provide assurance in the delivery of these areas to the Governing Body, reviewing and approving performance reports prior to submission to the Group.

To hold to account the Programme Board Chairs and the Senior Management Team of the CCG for their responsible areas, and will require full delivery plans by exception.

Responsibilities

- a) The Committee will review and have oversight of finance and performance in relation to the following areas:
 - performance against national and local targets
 - 'in year' financial position. Receiving a detailed report of the financial position and progress towards meeting the targets within the CCG financial plan
 - implementation of QIPP schemes. Receive updates on both the financial and activity performance of each scheme
 - achievement against CCG incentive schemes. Receive a report of the actual and forecast performance to inform the achievement of incentive schemes
 - implementation of investments / transformation schemes. Receive updates outlining financial, activity and delivery against key performance indicators for each scheme.
- b) Receive and review departmental delivery plans for indicators or performance areas by exception.

- c) Challenge delivery plans produced to achieve targets or improve performance.
- d) Resolve key performance issues raised by accountable members of the Senior Management Team.
- e) Identify and allocate resources where appropriate to improve performance.

Membership

Membership will be reviewed regularly to adjust for changes as required by the purpose of the Committee.

Members who cannot attend should send a named deputy. Deputies will have the decision-making and voting rights of the person he/she is representing.

Quorum

A minimum of four members will constitute a quorum, so long as this includes a minimum of two GPs and a minimum of two members of the Senior Management Team.

A decision put to a vote at the meeting shall be determined by a majority of the votes of members and deputies present. In the case of an equal vote, the Chair of the Committee shall have a second and casting vote.

Reporting arrangements

The minutes of the Audit & Finance Committee shall be formally recorded and submitted to the CCG Governing Body on a bi-monthly basis.

Administration

Administration and taking minutes of the Finance and Performance Committee is the responsibility of the Chief Finance Officer. Secretarial support will be provided by the corporate office.

Frequency

The Audit & Finance Committee will meet on a bi-monthly basis and extraordinary meetings to be held as required.

Conduct of the Committee

The Committee shall conduct its business in accordance with national guidance, relevant codes of practice including the Nolan Principles and the Conflict of Interest policy.

An annual report will of its performance, membership and terms of reference will be submitted to the governing body.

Review

These Terms of Reference will be reviewed on a 6 monthly basis or sooner if required with recommendations made to the CCG Governing Group for approval.

-Ends-

Date approved:

Review date:

