

**EAST OF ENGLAND AMBULANCE SERVICE NHS TRUST
AUDIT COMMITTEE
TERMS OF REFERENCE**

PURPOSE

The main purpose of the Audit Committee is to independently contribute to the Board's overall process for ensuring that an effective internal control system is maintained by providing assurance on the arrangements relating to all internal control activities. The work of the Audit Committee will facilitate the completion of the Statement on Internal Control by the Accountable Officer. The Audit Committee will take the overall responsibility for the Integrated Governance model for the Trust.

CONSTITUTION

The Board hereby resolves to establish a Committee of the Board to be known as the Audit Committee (The Committee). The Committee is a non-executive committee of the Board, has no executive powers, other than those specifically delegated in these Terms of Reference and is accountable to the Board.

MEMBERSHIP

The Committee shall be appointed by the Board from amongst the Non-Executive Directors of the Trust and shall consist of not less than three members. A quorum shall be two members. One of the members will be appointed Chair of the Committee. The Chairman of the organisation shall not be a member of the Committee.

ATTENDANCE

The Director of Finance and appropriate Internal and External Auditor representatives shall normally attend meetings. However, at least once a year, the Committee should meet privately with the External and Internal Auditors. The Chief Executive and other executive directors should be invited to attend, but particularly when the Committee is discussing areas of risk or operation that are the responsibility of that director.

The Chief Executive should be invited to attend, at least annually, to discuss with the Audit Committee the process for assurance that supports the Statement on Internal Control.

The Trust Secretary or whoever covers these duties shall be secretary to the Committee and shall attend to take minutes of the meeting and provide appropriate support to the Chairman and committee members.

The Directors of the Essex Shared Services Agency (ESSA) will be invited to attend at the beginning of each meeting for specific ESSA business.

The Head of Risk and Integrated Governance will also attend meetings on this committee and any sub committees established to support it.

FREQUENCY

Meetings shall be held not less than five times a year, with agendas, reports and papers issued in sufficient time to enable due consideration. The External Auditor or Head of Internal Audit may request a meeting if they consider that one is necessary.

AUTHORITY

The Committee is authorised by the Board 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 co-operate with any request made by the Committee. The Committee is authorised by the Board 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.

RELATIONSHIPS

The Committee shall receive the minutes of the Integrated Governance committee and any reports summarising the risks identified and the action taken to mitigate risks.

DUTIES

The duties 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 integrated governance, internal control and risk management across the whole of the organisation's activities (both clinical and non-clinical) which supports the achievement of the organisation's objectives.

In particular, the Committee shall review the adequacy of:

- All risk and control related disclosure statements (in particular the Statement on Internal Control and declarations of compliance with the Standards for Better Health), together with any accompanying Head of Internal Audit statement, external audit opinion or other appropriate independent assurances, prior to endorsement by the Board.
- The underlying assurance processes which indicate the degree of the achievement of corporate objectives, the effectiveness of the management of principal risks and the appropriateness of the above disclosure statements.
- The policies for ensuring that there is compliance with relevant regulatory, legal and code of conduct requirements.
- The policies and procedures for all at work related to fraud and corruption as set out in Secretary of State Directions and as required by the Counter Fraud Service.

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 audit functions. 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.

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 Audit Committee, Chief Executive and Board. This will be achieved by:

- Consideration of the appointment of the internal audit service, the audit fee 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.
- Consideration of the major findings of the internal audit work (and management's response) and ensure co-ordination 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.
- Annual review of the effectiveness of internal audit.

External Audit

The Committee shall review the work and findings of the External Auditor appointed by the Audit Commission 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 Audit Commission rules permit;
- Discussion and agreement with the external auditor, before the audit commences, the nature and scope of the audit as set out in the Annual Plan, and ensure co-ordination, as appropriate, with other external auditors in the local health economy;
- Discussion with the External Auditors of their local evaluation of audit risks and assessment of the Trust and associated impact on the audit fee; and
- Review of all external audit reports and agreement of the annual audit letter before submission to the Board, together with the appropriateness of management responses.

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 not be limited to, any reviews by Department of Health Arms Length Bodies or Regulators/Inspectors (e.g. Healthcare Commission, NHSLA etc), professional bodies with responsibility for the performance of staff of 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 Committee's own scope of work. This will particularly include the Integrated Governance Committee (and any other clinical governance or risk management committees that are established).

In reviewing the work of the Integrated Governance Committee, and issues around clinical risk management, Audit Committee members will wish to satisfy themselves on the assurance that can be gained from the clinical audit function.

Management

The Committee shall request and review reports and positive assurances from directors and 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.

Financial Reporting

- The Audit Committee shall review the Annual Report and Financial Statements before submission to the Board, 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
 - Unadjusted mis-statements in the financial statements
 - Major judgemental areas
 - Significant adjustments resulting from audit.

The Committee should also ensure that the systems for financial reporting to the Board, including those of budgetary control, are subject to review as to completeness and accuracy of the information provided to the Board.

Local Counter Fraud

- The Committee shall consider the appointment of the Local Counter Fraud Specialists (LCFS), the LCFS scope and any questions of resignation and dismissal;
- To monitor the performance of the LCFS in the provision of both reactive and pro-active fraud work in line with the Secretary of State for Health directions regarding fraud and corruption;
- To review LCFS reports, consider the major findings of fraud investigations (and management's response) and ensure co-ordination between the LCFS, internal and external auditors.

Security Management Service

- The Committee shall consider the appointment of the Security Management Service (SMS), the SMS scope and any questions of resignation and dismissal;
- To monitor the performance of the SMS in the provision of both reactive and pro-active fraud work in line with the Secretary of State for Health directions regarding fraud and corruption;

- To review SMS reports, consider the major findings of fraud investigations (and management's response) and ensure co-ordination between the SMS, internal and external auditors.

Reporting

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

The Committee will report to the Board 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 and the appropriateness of the self-assessment against the Standards for Better Health.

Other Matters

The Committee shall be supported administratively by the Associate Director of Corporate Affairs, whose duties in this respect will include:

- Agreement of agenda with Chairman and attendees and collation of papers
- Taking responsibility for the minutes
- Keeping a record of matters arising and issues to be carried forward
- Advising the Committee on pertinent areas

Joint Meeting – Audit Committee and Integrated Governance Committee

- There will be a joint meeting of the two committees twice per year.

Approved by the Audit Committee – 24th January 2008

Approved by the Board – 26th March 2008

