**HFMA *NHS audit committee handbook***

**Appendix B: Self-assessment checklists**

There are a number of sources for audit committees to assess their own effectiveness, although where they have been developed for central government, non-NHS public sector bodies and the third sector, or the private sector, they should be used carefully.

Most of the large accountancy practices will have their own checklists, while many organisations may have their own templates for assessing the effectiveness of their board and sub-committees, using a standard template.

The National Audit Office checklist covers both the basic requirements of an audit and risk assurance committee, in line with HM Treasury guidance, but also aspects of good practice.13

The checklists offered below are designed to be specific to NHS bodies (both trusts and ICBs), although they will still require some tailoring, depending on how the organisation has decided to set up its audit committee (for instance, how much of a ‘risk assurance’ role it has taken with regard to other board sub-committees.)

**Processes checklist**

This checklist can be completed by the secretary to the committee, along with the chair of the committee, and the results shared with the whole committee. The value of this checklist is that it should be a simple (yes /no) check against the standard requirement. Where the answer is ‘no’ then the committee should consider whether it should comply (or explain why not).

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| --- | --- | --- | --- |
| **Area/ Question** | **Yes** | **No** | **Comments/Action** |
| **1.0 Composition, establishment and duties**  |
| 1.1 Does the audit committee have written terms of reference and have they been approved by the governing body?  |   |   |   |
| 1.2 Are the terms of reference reviewed annually?  |   |   |   |
| 1.3 Has the committee formally considered how it integrates with other committees that are reviewing risk? |   |   |   |
| 1.4 Are committee members independent of the management team?  |   |   |   |
| 1.5 Does at least one committee member have a financial background? |  |  |  |
| 1.6 Are all executive officers that you would expect to attend present at meetings? |  |  |  |
| 1.7 Are the outcomes of each meeting and any internal control issues reported to the next governing body meeting? |   |   |   |
| 1.8 Does the committee prepare an annual report on its work and performance for the governing body? |   |   |   |
| 1.9 Has the committee established a plan of matters to be dealt with across the year?  |   |   |   |
| 1.10 Are committee papers distributed in sufficient time for members to give them due consideration? |   |   |   |
| 1.11 Has the committee been quorate for each meeting this year? |   |   |   |
| 1.12 Is there a succession plan in place for the chair of the audit committee? |  |  |  |
| 1.13 Are there clear arrangements in place in terms of how the committee works within the integrated care system? |  |  |  |
| **2.0 Internal control and risk management**  |
| 2.1 Has the committee reviewed the effectiveness of the organisation’s risk management framework? |  |  |  |
| 2.2 Has the committee reviewed the effectiveness of the organisation’s assurance framework? |   |   |   |
| 2.3 Does the committee receive and review the evidence required to demonstrate compliance with regulatory requirements - for example, as set by the Care Quality Commission? |   |   |   |
| 2.4 Has the committee reviewed the accuracy of the draft annual governance statement?  |   |   |   |
| 2.5 Has the committee reviewed key data against the data quality dimensions?  |   |   |   |
| **3.0 Annual report and accounts and disclosure statements**  |
| 3.1 Does the committee receive and review a draft of the organisation’s annual report and accounts? |   |   |   |
| 3.2 Does the committee specifically review:  |   |   |   |
| * changes in accounting policies
 |
| * changes in accounting practice due to changes in accounting standards
 |
| * changes in estimation techniques
 |
| * significant judgements made in preparing the accounts
* the going concern assessment
 |
| * significant adjustments resulting from the audit
 |
| * explanations for any significant variances?
 |
| 3.3 Is a committee meeting scheduled to discuss any proposed adjustments to the accounts and audit issues?  |   |   |   |
| 3.4 Does the committee ensure that it receives explanations for any unadjusted errors in the accounts found by the external auditors?  |   |   |   |
| **4.0 Internal audit**  |
| 4.1 Is there a formal ‘charter’ or terms of reference, defining internal audit’s objectives and responsibilities?  |   |   |   |
| 4.2 Does the committee review and approve the internal audit plan, and any changes to the plan?  |   |   |   |
| 4.3 Is the committee confident that the audit plan is derived from a clear risk assessment process?  |   |   |   |
| 4.4 Does the committee receive periodic progress reports from the head of internal audit?  |   |   |   |
| 4.5 Does the committee effectively monitor the implementation of management actions arising from internal audit reports?  |   |   |   |
| 4.6 Does the head of internal audit have a right of access to the committee and its chair at any time?  |   |   |   |
| 4.7 Does the committee hold periodic private discussions with the internal auditors?  |   |   |   |
| 4.8 Does the committee assess the performance of internal audit?  |   |   |   |
| 4.9 Is the committee confident that internal audit is free of any scope restrictions, or operational responsibilities? |   |   |   |
| 4.10 Has the committee evaluated whether internal audit complies with the *Public sector internal audit standards*?  |   |   |   |
| 4.11 Does the committee receive and review the head of internal audit’s annual opinion?  |   |   |   |
| **5.0 External audit**  |
| 5.1 Are appropriate external audit procurement arrangements in place? |   |   |   |
| 5.2 Do the external auditors present their audit plan to the committee for agreement and approval?  |   |   |   |
| 5.3 Does the committee review the external auditor’s ISA 260 report (the report to those charged with governance)? |   |   |   |
| 5.4 Does the committee review the external auditor’s value for money conclusion?  |   |   |   |
| 5.5 Does the external audit representative have a right of access to the committee and its chair at any time?  |   |   |   |
| 5.6 Does the committee hold periodic private discussions with the external auditors?  |   |   |   |
| 5.7 Does the committee assess the performance of external audit?  |   |   |   |
| 5.8 Does the committee require assurance from external audit about its policies for ensuring independence?  |   |   |   |
| 5.9 Has the committee approved a policy to govern the value and nature of non-audit work carried out by the external auditors?  |   |   |   |
| **6.0 Clinical audit [Note: this section is only relevant for providers]** |
| 6.1 If the committee is not responsible for monitoring clinical audit, does it receive appropriate assurance from the relevant committee? |   |   |   |
| **7.0 Counter fraud**  |
| 7.1 Does the committee review and approve the counter fraud work plans and any changes to the plans? |   |   |   |
| 7.2 Is the committee satisfied that the work plan is derived from an appropriate risk assessment and that coverage is adequate?  |   |   |   |
| 7.3 Does the audit committee receive periodic reports about counter fraud activity?  |   |   |   |
| 7.4 Does the committee effectively monitor the implementation of management actions arising from counter fraud reports?  |   |   |   |
| 7.5 Do those working on counter fraud activity have a right of direct access to the committee and its chair?  |   |   |   |
| 7.6 Does the committee receive and review an annual report on counter fraud activity?  |   |   |   |
| 7.7 Does the committee receive and discuss reports arising from quality inspections by NHSCFA? |   |   |   |

**Effectiveness checklist**

This checklist should be completed by all members and regular attenders of the committee, with an encouragement for them to use the comments column for suggestions for improvement. The secretary and chair should review the results and, with the committee members, agree an action plan for improvement.

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| --- | --- | --- | --- | --- | --- | --- |
| **Statement** | **Strongly Agree**  | **Agree**  | **Disagree**  | **Strongly Disagree**  | **Unable to Answer** | **Comments/ Action** |
| **Theme 1 – committee focus** |
| 1.1 The committee has set itself a series of objectives for the year. |   |   |   |   |   |   |
| 1.2 The committee has made a conscious decision about the information it would like to receive. |   |   |   |   |   |   |
| 1.3 Committee members contribute regularly to the issues discussed. |   |   |   |   |   |   |
| 1.4 The committee is aware of the key sources of assurance and who provides them. |   |   |   |   |   |   |
| 1.5 The committee receives assurances from third parties who deliver key functions to the organisation - for example, NHS Shared Business Services or private contractors.  |   |   |   |   |   |   |
| 1.6 Equal prominence is given to both quality and financial assurance. |   |   |   |   |   |   |
| **Theme 2 – committee team working** |
| 2.1 The committee has the right balance of experience, knowledge and skills to fulfill its role. |   |   |   |   |   |   |
| 2.2 The committee has structured its agenda to cover quality, data quality, performance targets and financial control. |   |   |   |   |   |   |
| 2.3 The committee ensures that the relevant executive director attends meetings to enable it to understand the reports and information it receives. |   |   |   |   |   |   |
| 2.4 Management fully briefs the committee on key risks and any gaps in control. |   |   |   |   |   |   |
| 2.5 Other committees provide timely and clear information in support of the audit committee. |   |   |   |   |   |   |
| 2.6 The committee environment enables people to express their views, doubts and opinions. |   |   |   |   |   |   |
| 2.7 Committee members understand the messages being given by external audit, internal audit and counter fraud specialists. |   |   |   |   |   |   |
| 2.8 Internal audit contributes to the debate across the range of the agenda. |   |   |   |   |   |   |
| 2.9 Members hold their assurance providers to account for late or missing assurances. |   |   |   |   |   |   |
| 2.10 Decisions and actions are implemented in line with the timescale set down. |   |   |   |   |   |   |
| **Theme 3 – committee impact** |
| 3.1 The quality of committee papers received allows committee members to perform their roles effectively. |   |   |   |   |   |   |
| 3.2 Members provide real and genuine challenge – they do not just seek clarification and/ or reassurance. |   |   |   |   |   |   |
| 3.3 Debate is allowed to flow, and conclusions reached without being cut short or stifled. |   |   |   |   |   |   |
| 3.4 Each agenda item is ‘closed off’ appropriately so that the committee is clear on the conclusion; who is doing what, when and how, and how it is being monitored. |   |   |   |   |   |   |
| 3.5 At the end of each meeting the committee discuss the outcomes and reflect on decisions made and what worked well, not so well and so on.  |   |   |   |   |   |   |
| 3.6 The committee provides a written summary report of its meetings to the governing body.  |   |   |   |   |   |   |
| 3.7 The governing body challenges and understands the reporting from this committee. |   |   |   |   |   |   |
| 3.8 There is a formal appraisal of the committee’s effectiveness each year. |   |   |   |   |   |   |
| **Theme 4 – committee engagement** |
| 4.1 The committee challenges management and other assurance providers to gain a clear understanding of their findings. |   |   |   |   |   |   |
| 4.2 The committee is clear about its role in relationship to other committees that play a role in relation to clinical governance, quality and risk management. |   |   |   |   |   |   |
| 4.3 The committee receives clear and timely reports from other governing body committees which set out the assurances they have received and their impact (either positive or not) on the organisation’s assurance framework. |   |   |   |   |   |   |
| 4.4 We can provide two examples of where we as a committee have focused on improvements to the system of internal control as a result of assurance gaps identified. |   |   |   |   |   |   |
| **Theme 5 – committee leadership** |
| 5.1 The committee chair has a positive impact on the performance of the committee. |   |   |   |   |   |   |
| 5.2 Committee meetings are chaired effectively. |   |   |   |   |   |   |
| 5.3 The committee chair is visible within the organisation and is considered approachable. |   |   |   |   |   |   |
| 5.4 The committee chair allows debate to flow freely and does not assert his/ her own views too strongly. |   |   |   |   |   |   |
| 5.5 The committee chair provides clear and concise information to the governing body on committee activities and gaps in control. |   |   |   |   |   |   |