

DATE	September 2013
REPORT FOR	Trust Board of Directors – Part A
REPORT FROM	Audit Committee – Stan Shreeve
CONTACT OFFICER	Mike Rocke, Director of Finance, Planning & Performance
SUBJECT	Audit Committee Self Assessment Workshop Results
BACKGROUND DOCUMENT (IF ANY)	HFMA NHS Audit Committee Handbook
REPORT PREVIOUSLY CONSIDERED BY & DATE(S)	Audit Committee – Sept 2013
EXECUTIVE COMMENT (INCLUDING KEY ISSUES OF NOTE OR, WHERE RELEVANT, CONCERN AND / OR NED CHALLENGE THAT THE BOARD NEED TO BE MADE AWARE OF)	<p>The Audit Committee Self Assessment Workshop took place on the 8th July 2013 and was facilitated by the Trust’s Internal Auditors (ECAC). The workshop also incorporated the results a survey undertaken by the Trust’s External Auditor (PwC) to complement the self-assessment process.</p> <p>Overall, the survey results were positive but highlighted a limited number of areas for further debate and action. The key areas for further action were in respect of the Audit Committee’s receipt of assurances from, and linkages with, other committees including how certain external assurances are communicated. The Chairman and Chief Executive of the Trust attended the Audit Committee on the 5th September 2013 to discuss the Keogh report and provide assurance on progress.</p>
HAVE THE STAFF SIDE BEEN CONSULTED ON THE PROPOSALS?	N/A
HAVE THE RELEVANT SERVICE USERS/CARERS BEEN CONSULTED ON THE PROPOSALS?	N/A
ARE THERE ANY FINANCIAL CONSEQUENCES ARISING FROM THE RECOMMENDATIONS?	No
IF YES, HAVE THESE BEEN AGREED WITH THE RELEVANT BUDGET HOLDER AND DIRECTOR OF FINANCE, AND HAVE ANY FUNDING ISSUES BEEN RESOLVED?	N/A
ARE THERE ANY LEGAL IMPLICATIONS ARISING FROM THIS PAPER THAT THE BOARD NEED TO BE MADE AWARE OF?	No
WHERE RELEVANT, HAS PROPER CONSIDERATION BEEN GIVEN TO THE NHS CONSTITUTION IN ANY DECISIONS OR ACTIONS PROPOSED?	N/A
ACTION REQUIRED BY THE BOARD	To note

AUDIT COMMITTEE SELF ASSESSMENT CHECKLIST

In May 2011 the Trust's Audit Committee undertook a detailed self assessment of its activities in line with the HFMA NHS Audit Committee Handbook checklist. This assessment was facilitated by the East Coast Audit Consortium in a workshop format.

This process was then followed up by an interim review of the current status of the checklist by the Chair of the Audit Committee assisted by the Head of Compliance in January/February 2013 and a further self assessment workshop was subsequently planned for early 2013/14.

The latest workshop took place on 8th July 2013 and incorporated a survey by PWC alongside an update of the HFMA checklist (incorporated here). The approaches were complementary in that whilst there was some overlap in certain 'process' questions (and which provided useful triangulation), 'behaviour' issues were also captured. Overall, the survey results were positive but highlighted areas for further debate and action.

With regard to the updated HFMA checklist, the key areas for further action are in respect of the Audit Committee's receipt of assurances from, and linkages with, other committees including how certain external assurances are communicated.

Recommendation

The Audit Committee are asked to consider and approve the updated comments on the self assessment checklist to reflect the baseline position.



East Coast Audit Consortium
Nurturing your Business with Internal Audit

Audit Committee Self Assessment Checklist

**Northern Lincolnshire & Goole Hospitals NHS Foundation
Trust**

*Originally completed following formal self assessment workshop on 12th May 2011 and
updated in February 2013 and July 2013.*

Audit Committee Self-Assessment Checklist

Introduction and Background

Key points underpinning the latest HFMA Audit Committee Handbook included the following:

- The need to maintain an ongoing awareness of the Handbook to ensure it is utilised as an effective tool for Audit Committees to effectively discharge their responsibilities;
- Acknowledgement of the new Handbook incorporating embedded good practice examples and helpful checklists and pointers to underpin specific areas of challenge;
- Reminder of the existing tools incorporated into the Handbook (i.e. model terms of reference, self assessment checklist and timetable of business) and an awareness of the additional tools (i.e. BAF and risk management models, costing schedule etc) available;
- Understanding of the context of the Handbook with further revisions expected following the completion of NHS reforms;
- Increased emphasis on clinical audit and governance (for which there is a new section in the self assessment checklist at Appendix B of the Handbook).

Comparative Data and Information

The completed checklist is attached at Appendix A and this confirms a high (and increased) level of compliance with most areas set out by the Handbook which are graded in order of priority (1 – must do, 2 - should do and 3 - could do). Of the 85 questions, 1 was assessed as not being undertaken (priority 3) with 5 attracting 'qualifications' indicating further action/review.

Previously identified areas for improvement have been actioned (in respect of the Committee holding regular private meetings with the internal and external auditors, formalising the Committee's annual work schedule and producing a formal Audit Committee annual report to the Board).

Extracts from the completed self assessment checklist (Appendix A) where action remains or the issue is not met are provided below:

STATUS	ISSUE	YES	NO	N/A	COMMENTS/ACTION
COMPOSITION, ESTABLISHMENT AND DUTIES					
1	Are the terms of reference reviewed annually to take into account governance developments (including integrated governance principles) and the remit of other committees within the organisation?	√Q			
1	Does the Board ensure that members have sufficient knowledge of the organisation's business to identify key risk areas and to challenge both line management and the auditors on critical and sensitive matters?	√Q			This is not a formal or conscious process. Not considered essential for all Members to have detailed knowledge across all areas.
INTERNAL CONTROL AND RISK MANAGEMENT					
1	Has the Committee formally considered how its work integrates with wider performance management and standards compliance.	√Q			Achieved through construction of the agenda but merits further review in relation to complex business decisions.
OTHER ISSUES					
3	Has the Committee considered the costs that it incurs: and are the costs appropriate to the perceived risks and the benefits?		√		Resolved not to undertake this exercise.
ANNUAL ACCOUNTS AND DISCLOSURE STATEMENTS					
2	Does the Committee receive and review the evidence required to demonstrate fitness to register with the Care Quality Commission?	√Q			Board & Governance Committee responsibilities re all CQC inspection results. Summary feedback is received by the Audit Committee through minutes of other Committees
CLINICAL AUDIT					

STATUS	ISSUE	YES	NO	N/A	COMMENTS/ACTION
2	<p>If it is the Audit Committee that receives and monitors clinical audit assurances does it:</p> <ul style="list-style-type: none"> -Review the clinical audit plan at the beginning of each year? -Confirm that clinical audit plans are derived from clear processes based on risk assessment with clear links to the Assurance Framework? -Receive periodic reports from the person responsible for clinical audit? -Effectively monitor the implementation of management actions arising from clinical audit reports? -Ensure that the person responsible for clinical audit has a direct line of access to the Committee and its Chair? -Hold periodic private discussions with the person responsible for clinical audit? -Review the effectiveness of clinical audit and the adequacy of staffing and resources available for clinical audit? -Evaluate clinical audit against the Healthcare Quality Improvement Partnership's publication <i>Clinical Audit: A Simple guide for NHS Boards</i>? -Confirm that there are quality assurance procedures in place to confirm whether the work of clinical auditors is properly planned, completed, supervised and reviewed? -Confirm that there are terms of reference for clinical audit that define its objectives, responsibilities and reporting lines? -Review clinical audit's terms of reference regularly? 	√Q			<p>The details are delivered through the Governance Committee and QPEC. Minutes of both of these Committees are routinely submitted to the Audit Committee and there is also a cross-over with membership.</p> <p>Mortality Performance Group (sub Committee of the Board) minutes are not routinely received by the Audit Committee, but the Chair of the AC sits on the group.</p> <p>The Audit Committee does not hold periodic private discussions with the person responsible for clinical audit, but this is not felt necessary as done by TGAC and QPEC.</p> <p>There is no regular review of clinical audit's terms of reference by the Audit Committee.</p>

Appendix A

SELF-ASSESSMENT CHECKLIST

Status key

1 = must do

2 = should do

3 = could do

(Shaded boxes carried forward to summary report for actioning)

STATUS	ISSUE	YES	NO	N/A	COMMENTS/ACTION
<i>COMPOSITION, ESTABLISHMENT AND DUTIES</i>					
1	Does the Audit Committee have written terms of reference that adequately define the Committee's role in accordance with Department of Health/ Monitor guidance?	√			
1	Have the terms of reference been adopted by the Board?	√			
1	Are the terms of reference reviewed annually to take into account governance developments (including integrated governance principles) and the remit of other committees within the organisation?	√Q			
1	Has the Committee been provided with sufficient membership, authority and resources to perform its role effectively and independently?	√			Progress is being made to ensure membership of NEDs increases.
2	Are changes to the Committee's current and future workload discussed and approved at Board level?	√			The annual work plan for the Audit Committee has been reported to the Trust Board for information. The annual report from the Chair of the Audit Committee is submitted to the Trust Board, with the workplan.
1	Are Committee members independent of the management team?	√			

STATUS	ISSUE	YES	NO	N/A	COMMENTS/ACTION
1	Does the Committee report regularly to the Board?	√			Consideration of Audit Committee minutes is a continuing feature of Board agendas.
1	Has the Chair of the Committee a prior understanding, or received training, on finance and internal control or other relevant expertise?	√			
1	Are new members provided with appropriate induction?	√			Newly appointed NEDs receive a comprehensive internal Trust induction and are required to attend external national induction programme. For new Audit Committee members the Audit Committee Chair has committed to provide additional 1:1 briefings.
1	Does the Board ensure that members have sufficient knowledge of the organisation's business to identify key risk areas and to challenge both line management and the auditors on critical and sensitive matters?	√Q			This is not a formal or conscious process. Not considered essential for all Members to have detailed knowledge across all areas.
1	Does the Committee prepare an annual report on its work and performance in the preceding year for consideration by the Board?	√			Whilst not a requirement of FTs, this is considered a worthwhile exercise. The Chair of the Audit Committee has prepared a written annual report for the Trust Board relating to 2012/13.

STATUS	ISSUE	YES	NO	N/A	COMMENTS/ACTION
1	Does the Committee assess its own effectiveness periodically?	√			To now be completed annually and review/revise the ToR alongside this. First assessment completed May 2011. Informal review in February 2013 and formal workshop assessment conducted in July 2013.
MEETINGS					
1	Has the Committee established a plan of matters to be dealt with across the year?	√			Formal workplan adopted in 2012.
1	Does the Committee meet sufficiently frequently to deal with planned matters and is enough time allowed for questions and discussion?	√			
1	Does the Committee's calendar meet the Board's requirements and financial and governance calendar?	√			Formal workplan introduced in 2012 to monitor and confirm this.
2	Are Committee papers distributed in sufficient time for members to give them due consideration?	√			
2	Are Committee meetings scheduled prior to important decisions being made?	√			E.g. approval of accounts and Annual Governance Statement (formerly SIC)
2	Is the timing of Committee meetings discussed with all the parties involved?	√			Proposed dates issued in advance of coming year. Subject to alteration once accounts submission deadlines are confirmed by Monitor.
COMPLIANCE WITH THE LAW AND REGULATIONS GOVERNING THE NHS					

STATUS	ISSUE	YES	NO	N/A	COMMENTS/ACTION
1	Does the Committee review assurance and regulatory compliance reporting processes?	√			e.g. Bribery Act
3	Has the Committee formally assessed whether there is a need for the support of a 'Trust Secretary' role or its equivalent?	√			This point was considered and whilst the exact arrangements set out in the Handbook are not followed (with regard to reporting lines to the Finance Director), there are no concerns around transparency.
2	Does the Committee have a mechanism to keep it aware of topical, legal and regulatory issues?	√			External Audit provide technical updates and information around significant issues at Audit Committee meetings. There is also participation in externally organised Audit Committee workshops and briefings.
INTERNAL CONTROL AND RISK MANAGEMENT					
1	Has the Committee formally considered how it integrates with other committees that are reviewing risk – for example, risk management and clinical governance?	√			Cross committee membership between Audit Committee and Governance Committee.
1	Has the Committee formally considered how its work integrates with wider performance management and standards compliance?	√Q			Achieved through construction of the agenda but merits further review in relation to complex business decisions.

STATUS	ISSUE	YES	NO	N/A	COMMENTS/ACTION
1	Has the Committee reviewed the robustness and effectiveness of the content of the organisation's Assurance Framework?	√			Through Internal Audit annual review.
1	Has the Committee reviewed the robustness and content of the draft Statement on Internal Control before it is presented to the Board?	√			Now the Annual Governance Statement (not SIC)
2	Has the Committee reviewed whether the reports it receives are timely and have the right format and content to enable it to discharge its internal control and risk management responsibilities?	√			It is achieved through an ongoing process including considering Internal Audit reports.
1	Has the Committee reviewed the robustness of the data behind reports and assurances received by itself and the Board?	√			Examples include CCG data quality reports, invitation of officers to attend and challenge of internal audit reviews
1	Is the Committee satisfied that the Board has been advised that assurance reporting is in place to encompass all the organisation's responsibilities?	√			Regular links to the Board supplemented by BAF and work of the governance and finance committees
1	Is the Committee's role in reviewing and recommending to the Board the annual report and accounts clearly defined?	√			Included in its formal TOR
1	Does the Committee consider the External Auditor's report to those charged with governance including proposed adjustments to the accounts?	√			
1	Does the Committee review management's letter of representation?	√			

STATUS	ISSUE	YES	NO	N/A	COMMENTS/ACTION
1	Is there clarity over the timing and content of the assurance statements received by the Committee from the Head of Internal Audit?	√			Opinion statement feeds into organisational Annual Governance Statement (formerly SIC)
INTERNAL AUDIT					
1	Is there a formal 'charter' or terms of reference, defining internal audit's objectives, responsibilities and reporting lines?	√			The IA Charter was submitted to the December 2012 Audit Committee meeting and approved.
1	Are the terms of reference approved by the Committee and regularly reviewed?	√			The IA Charter was submitted to the December 2012 Audit Committee meeting and approved.
2	Are the key principles of the terms of reference set out in the Standing Financial Instructions?	√			
1	Does the Committee review and approve the internal audit plan at the beginning of the financial year?	√			Annual and strategic plans are approved at the beginning of the financial year and subject to regular review through progress reports at each meeting.
1	Does the Committee approve any material changes to the plan?	√			Through IA progress reporting.

STATUS	ISSUE	YES	NO	N/A	COMMENTS/ACTION
2	Are audit plans derived from clear processes based on risk assessment with clear links to the Assurance Framework?	√			New strategic plan developed with links cited re organisation's assurance framework. Work is risk based and developed in conjunction with key directors.
1	Does the Audit Committee receive periodic reports from the Head of Internal Audit?	√			
1	Do these reports inform the Audit Committee about progress or delays in completing the audit plan?	√			Progress reports cover both aspects.
3	Has the Committee established a process whereby it reviews any material objection to the plans and associated assignments that cannot be resolved through negotiation?	√			Whilst this has never happened in practice, the process would be for the HoIA to raise the matter with the Chair of the Audit Committee. Prior negotiation through the DoF would always be the preferred and initial course of action.
2	Does the Committee effectively monitor the implementation of management actions arising from audit reports?	√			Follow-up process and reporting tool in place plus internal follow up processes reported through DoF.
1	Does the Head of Internal Audit have a direct line of reporting to the Committee and its Chair?	√			Set out in Audit Committee ToR and SFIs. Private meetings take place with both internal and external audit at the start of each Audit Committee meeting.

STATUS	ISSUE	YES	NO	N/A	COMMENTS/ACTION
2	Is internal audit free of any scope restrictions and, if not, what are they and who establishes them?	√			Embodied in SFIs.
2	Is internal audit free from any operating responsibilities or conflicts of interest that could impair its objectivity?	√			Any consultancy work undertaken by staff would be independent of routine assurance activity. Opportunities to draw upon peer providers if required to protect independence.
2	Has the Committee determined the appropriate level of detail it wishes to receive from internal audit?	√			Any issues would be raised on an ongoing basis.
1	Does the Committee hold periodic private discussions with the Head of Internal Audit?	√			Private meetings take place with both internal and external audit at the start of each Audit Committee meeting.
2	Does the Committee review the effectiveness of internal audit and the adequacy of staffing and resources within internal audit?	√			Review of effectiveness through annual report and self assessment against KPIs. These are supplemented by independent assessments (external audit, customer surveys etc).
2	Has the Committee evaluated whether internal audit complies with the <i>NHS Internal Audit Standards</i> (or <i>Government Internal Audit Standards</i> in an FT)?	√			As part of Annual Report and receipt of independent peer review of compliance against Internal Audit Standards.

STATUS	ISSUE	YES	NO	N/A	COMMENTS/ACTION
3	Has the Committee agreed a range of internal audit performance measures to be reported on a routine basis?	√			KPIs (as detailed in Annual Report) are selected from Government IA Standards.
1	Does the Committee receive and review the Head of Internal Audit's annual report and opinion?	√			
2	Is there appropriate cooperation with the external auditors?	√			
2	Are there any quality assurance procedures to confirm whether the work of the internal auditors is properly planned, completed, supervised and reviewed?	√			Internal QA process as highlighted in Annual Report
EXTERNAL AUDIT					
1	Do the external auditors present their audit plans and strategy to the Committee for approval?	√			The newly appointed external auditors (PwC) presented their audit plan to the December 2012 AC meeting.
2	Has the Committee satisfied itself that work not relating to the financial statements is adequate and appropriate?	√			This would relate to work outside of Monitor's Code. Limited work outside of financial statements.
2	Does the Committee receive and monitor actions taken in respect of prior years' reviews?	√			Includes routine follow-up in following year's audit.
1	Does the Committee review the External Auditor's annual audit letter?	√			
1	Does the Committee review the external auditors' Use of Resources conclusion?	√			ALE not mandated under Monitor's Code but a Value for Money opinion is given.

STATUS	ISSUE	YES	NO	N/A	COMMENTS/ACTION
1	Does the Committee hold periodic private discussions with the external auditors?	√			Private meetings take place with both internal and external audit at the start of each Audit Committee meeting.
2	Does the Committee assess the performance of external audit?	√			Ongoing assessment by exception. EA have confirmed no significant issues raised from recent assessments. Audit Committee would be informed of the outcomes of performance reviews.
3	Does the Committee require assurance from external audit about the policies for ensuring independence and compliance with staff rotation requirements?	√			Formal confirmation in audit strategy/fee documentation.
3	Does the Committee review the nature and value of non-audit work carried out by the external auditors?	√			
CLINICAL AUDIT					
1	Is the Committee clear about where clinical audit assurances are received and monitored?	√			

STATUS	ISSUE	YES	NO	N/A	COMMENTS/ACTION
2	<p>If it is the Audit Committee that receives and monitors clinical audit assurances does it:</p> <ul style="list-style-type: none"> -Review the clinical audit plan at the beginning of each year? -Confirm that clinical audit plans are derived from clear processes based on risk assessment with clear links to the Assurance Framework? -Receive periodic reports from the person responsible for clinical audit? -Effectively monitor the implementation of management actions arising from clinical audit reports? -Ensure that the person responsible for clinical audit has a direct line of access to the Committee and its Chair? -Hold periodic private discussions with the person responsible for clinical audit? -Review the effectiveness of clinical audit and the adequacy of staffing and resources available for clinical audit? -Evaluate clinical audit against the Healthcare Quality Improvement Partnership's publication <i>Clinical Audit: A Simple guide for NHS Boards</i>? -Confirm that there are quality assurance procedures in place to confirm whether the work of clinical auditors is properly planned, completed, supervised and reviewed? -Confirm that there are terms of reference for clinical audit that define its objectives, responsibilities and reporting lines? -Review clinical audit's terms of reference regularly? 	√Q			<p>The details are delivered through the Governance Committee and QPEC. Minutes of both of these Committees are routinely submitted to the Audit Committee and there is also a cross-over with membership.</p> <p>Mortality Performance Group (sub Committee of the Board) minutes are not routinely received by the Audit Committee, but the Chair of AC sits on the group.</p> <p>The Audit Committee does not hold periodic private discussions with the person responsible for clinical audit, but this is not felt necessary as done by TGAC and QPEC.</p> <p>There is no regular review of clinical audit's terms of reference by the Audit Committee.</p>

STATUS	ISSUE	YES	NO	N/A	COMMENTS/ACTION
COUNTER FRAUD					
1	Does the Committee review and approve the counter fraud work plan at the beginning of the financial year?	√			
1	Does the Committee satisfy itself that the work plan adequately covers each of the seven generic areas defined in NHS counter fraud policy?	√			
1	Does the Committee approve any material changes to the plan?	√			
2	Are counter fraud plans derived from clear processes based on risk assessment?	√			Informed by register of fraud risks, internal audit, NFI etc
1	Does the Audit Committee receive periodic reports from the Local Counter Fraud Specialist?	√			Standing agenda item for verbal updates. Concluding investigation reports submitted as necessary.
2	Does the Committee effectively monitor the implementation of management actions arising from counter fraud reports?	√			
1	Does the Local Counter Fraud Specialist have a right of direct access to the Committee and its Chair?	√			
1	Does the Committee review the effectiveness of the local counter fraud service and the adequacy of its staffing and resources?	√			Through regular discussions. To keep under review in respect of organisational developments.
1	Does the Committee receive and review the Local Counter Fraud Specialist's annual report of counter fraud activity and Quality Assessment?	√			

STATUS	ISSUE	YES	NO	N/A	COMMENTS/ACTION
1	Does the Committee receive and discuss reports arising from quality inspections by NHS Protect?	√			
ANNUAL ACCOUNTS AND DISCLOSURE STATEMENTS					
1	Is the Committee's role in the approval of the annual accounts clearly defined?	√			Under delegated authority from Trust Board
2	Is a Committee meeting scheduled to discuss proposed adjustments to the accounts and issues arising from the audit?	√			Prior to submission to Monitor
1	Does the Committee specifically review: <ul style="list-style-type: none"> • Changes in accounting policies? • Changes in accounting practice due to changes in accounting standards? • Changes in estimation techniques? • Significant judgements made? 	√			Facilitated through reports from Finance.
3	Does the Committee review the draft accounts before the start of the audit?	√			
1	Does the Committee ensure it receives explanations as to the reasons for any unadjusted errors in the accounts found by the external auditors?	√			Robust discussions around accounts. Letter of Representation includes explanations for areas of non-adjustment.
1	Does the Committee receive and review a draft of the organisation's Statement on Internal Control?	√			Now the Annual Governance Statement

STATUS	ISSUE	YES	NO	N/A	COMMENTS/ACTION
2	Does the Committee receive and review the evidence required to demonstrate fitness to register with the Care Quality Commission?	√Q			Board & Governance Committee responsibilities re all CQC inspection results. Summary feedback is received by the Audit Committee through minutes of other Committees.
2	Does the Committee receive and review a draft of the organisation's annual report?	√			
OTHER ISSUES					
3	Has the Committee considered the costs that it incurs: and are the costs appropriate to the perceived risks and the benefits?		√		Resolved not to undertake this exercise.
2	Has the Committee reviewed its performance in the year for consistency with its: <ul style="list-style-type: none"> • Terms of reference? • Programme for the year? 	√			The Chair of the Audit Committee's written annual report for the Trust Board relating to activities in 2012/13.
3	Does the annual report and accounts of the Authority/Trust include a description of the Committee's establishment and activities?	√			