Audit Committee
Maturity Matrix

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"Audit committees play a key role in supporting the governing body by critically reviewing and reporting on the relevance and robustness of the governance structures and assurance processes on which the governing body places reliance. This requires the audit committee to understand and scrutinise the organisation's overarching framework of governance, risk and control. …It is the 'lens' through which the governing body examines the assurances it requires to discharge its duties" HFMA Audit Committee Handbook, 4th Edition, 2018.

Other Board/Governing Body Committees are part of the governance, risk management and internal control systems that support the organisation in achievement of its strategic objectives. These other Committees provide assurance to the Governing Body in respect of the likely achievement of strategic objectives based both on performance and their assessment of the risks, mitigations and effectiveness of controls. Therefore, in reviewing the totality of the organisation's governance arrangements, there is a role for the Audit Committee to scrutinise the assurances provided to the Board/Governing Body by the other Board Committees and ensure that established systems and processes have been followed in generating these assurances.

"Given that governing bodies rely on an assurance framework to monitor strategic objectives and identify significant inherent risks, the audit committee's primary role is to look behind it to provide assurance that the framework itself is valid and suitable for the governing body's requirements." HFMA. Audit Committee Handbook, 4th Edition, 2019.

Aspects the Audit Committee may wish to consider are whether the Board/ Governing Body assurance framework (the set of systems and processes not simply the BAF/GBAF Report) includes:

• SMART strategic and organisational objectives;
• Robust risk controls and assurance system; A process of delegation to management and committees;
• Clarity of risk appetite and risk tolerance;
• Assurance mapping;
• At least 3 lines of defence in operation;
• Easy escalation of concerns from staff and service users;
• A comprehensive internal, clinical and data quality audit programme;
• An integrated serious incidents reporting system;
• A public reporting approach; and
• Internal audit support than can cover all areas of activity, including clinical.

The Audit Committee need to ensure that it can articulate whether the governance, risk management and internal control systems and processes are:

• The right ones;
• In place;
• Working;
• Effective (leading to improvements); and
• Future proofed?

The Audit Committee's other primary role is in relation to reviewing the disclosure statements, including:

• The annual report & accounts
• The annual quality account/report
• The annual governance statement (informed by the Head of Internal Audit opinion)
• For providers, the evidence required to demonstrate fitness to be registered with the CQC and fulfills the terms of the NHS provider licence
• For CCGs, the evidence to show that the terms of authorisation are being met
• Other statements such as returns required by NHSE/NHSI and the CQC

The Audit Committee must feel confident that the disclosures are based on a rigorous process and good quality data.

This Audit Committee Maturity Matrix is specifically designed for use by the Audit Committee to reflect on its own maturity in respect of fulfilling its role. Early drafts of the matrix were discussed at workshops with Audit Committee members from across the East Midlands and Yorkshire, at events run by 360 Assurance and Audit Yorkshire.

Audit Committees face a challenging future and must both stick to the knitting- business as usual and prepare for new threats and opportunities, not least the development of joint working across large and complex health economies. This matrix focuses on the Audit Committee within its statutory organisation and its relationship with the Governing Body and other Committees.

It has taken into account the excellent HFMA Audit Committee Handbook and its self-assessment checklist, but rather than limit discussion to a binary yes /no response to challenges, the matrix allows a developmental path from commitment to principle to maturity.

Audit Committee Maturity Matrix

PROGRESS LEVELS

KEY ELEMENTS

KEY ELEMENTS	1 BASIC	2 IMPROVING	3 MATURE	4 BEST PRACTICE/FIT FOR FUTURE
1. RELATIONSHIP WITH BOARD/GOVERNING BODY	Role and membership of the Board/Governing Body clear and documented. Relationship with Board/Governing Body identified, with Board/Governing Body articulating the assurance required from the AC and the frequency and method of reporting/ escalation.	Requirements established by Board/Governing Body consistently met (inc frequency and method of reporting).	AC is pro-active in escalating actions and issues to Board/Governing Body to inform decision making.	As a result of its work the AC is able to recommend changes to systems of Governance, Risk Management & Control.
2. CLARITY OF PURPOSE / ROLE OF AC	Organisation has clear Strategic Objectives which are consistently interpreted by members of the Board/Governing Body.	AC has a ToR with a defined purpose, which identifies how the AC supports the organisation achieve its strategic objectives and the assurance it provides to Board/Governing Body. Programme of work reflects purpose.	AC ToR identifies how the AC will fulfil its role through its relationship with other Board/Governing Body Committees. Formal Annual Review of Effectiveness undertaken.	Formal Annual Review of Effectiveness challenged by Board/Governing Body/governors/ stakeholders. This challenge confirms AC is being effective in supporting Board/Governing Body and stakeholders interests.
3. RELATIONSHIP WITH OTHER BOARD/GOVERNING BODY COMMITTEES	Committees each have annually defined purpose and agendas for year. ToR for both AC and other Board/Governing Body Committees identify the other Board/Governing Body Committees.	The difference in function is clearly articulated in the ToR (for both AC and other Committees).	Relationship with other Committees is robust, scrutiny/challenge is accepted both to and from others.	Annual review cycle affirms or adjusts purpose of Committees for coming year.
4. INDEPENDENCE	Independence of Audit Committee referenced in ToR and Induction materials.	Roles of AC and other Committees formally supported through access to SID. Non-Executive/Lay Member membership with Executive officers in attendance. Established that AC Chair cannot chair another Board/Governing Body Committee.	The Committee sets forward agenda/ work programme to meet its needs and 'commissions'/ requests necessary papers/reports. Members can call who they need to the Committee. Committee confident to reject reports/papers if necessary. There is clear evidence of challenge to poor/unreliable sources of assurance. Chairs of other Board/Governing Body Committees understand the difference in role requirements if they also sit on AC.	AC has begun to challenge wider performance issues such as buying locally, management capacity, green credentials (e.g. supply chain).

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5. MEMBERSHIP – SKILLS & KNOWLEDGE	Membership defined and meetings quorate.	Board/Governing Body has identified skills required to reflect holistic approach to all systems within the institution. Any gaps in skills or experience are filled, temporarily if necessary.	Induction and development programme in place for members.	Schedule of observations of other ACs in place and AC members from other organisations encouraged to attend AC with clear parameters and methods for providing feedback.
				Succession plan in place (expiry of NED/Lay Member posts at different times).
6. ASSURANCE MAPPING	Clear and consistent assurance levels in place across the organisation.	Assurance mapping undertaken at an organisational level (e.g. for BAF purposes). Top down based on assurance required against strategic objectives and underpinning strategies.	The AC has undertaken its own assurance mapping and scrutinised that done by other Committees.	Independent scrutiny has been commissioned of the assurance mapping programme. Proposals implemented.
		Other Board/Governing Body Committees have completed their own assurance mapping (across all services and facilities to ensure no gaps i.e. bottom up).		
7. ADMINISTRATION AND CYCLE OF BUSINESS	Committee administrative support identified.	Annual Cycle of Business/ Forward Agenda/ Work Plan/ Programme of Work in place.	Key scrutiny issues included in Cycle of Business and regularly addressed e.g. BAF, risks register, annual accounts, DS&P Toolkit.	Papers provided look forward (e.g. at trajectories) as well as retrospectively.
	Meetings minuted.	Agendas based on Annual Cycle of Business.		
	Agenda items requested prior to each meeting.	Papers sent out in a timely manner. Papers only tabled by exception.	AC regularly review the Cycle of Business.	Delegation to Management and other Committees is reviewed annually.
	Agenda signed off by Chair.	Action follow-up log in place.	Papers are summarised with key information.	
8. AGENDA & REPORTS RECEIVED	AC agenda is mostly built around reports received from internal/external auditors.	Agenda reflects a mix of internal/external audit reports and issues arising from other committees and partners.	Agenda reflects an alignment of integrated reports arising from audit plan, as well as routine considerations of the assurance provided to Board/Governing Body by other committees and partners.	No surprises agenda and reporting demonstrates effective grip by all lines of defence.
9. REPORTING TO BOARD/GOVERNING BODY	AC provides minutes to Board/Governing Body following each meeting.	AC provides summary report to accompany minutes, which identifies where assurance is lacking or new risks have been identified.	AC report is able to advise the Board/Governing Body on their assessment of the robustness of the assurances provided to Board/Governing Body from other Committees.	AC produce a summary to accompany the BAF/GBAF Report when this is presented to Board, identifying any areas where they have concerns about the assurances to be taken from it.
10. REVIEW OF BAF	BAF/GBAF process and Report document is regularly reviewed for fitness for purpose. Where found to be unhelpful the AC requests that its structure be redesigned.	Changes made to the BAF/GBAF Report by other Board/Governing Body Committees are routinely reviewed and scrutinised.	The full content of the BAF/GBAF Report and compliance with the BAF/GBAF systems and processes, as designated to each Board/Governing Body Committee are reviewed and scrutinised on a cyclical basis.	BAF/GBAF forms the basis of the AC report to Board/Governing Body, reflecting that the BAF/GBAF is a key element of Board/Governing Body agendas, discussion and action.

PROGRESS LEVELS

KEY ELEMENTS

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PROGRESS LEVELS ▲
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11. SETTING IA PLAN	Mapping of emerging or neglected issues to inform IA plan.	Liaison between AC and IA in determining plan and skills (eg clinical) required.	Other Board/Governing Body Committee chairs offered the opportunity to direct some IA time to support gaps in the assurances they receive.	Allowing sufficient time within the IA plan for flexibility to address emerging risks.
		AC able to use assurance mapping (and the gaps this may identify) to make the most effective use of IA time.		Consideration of how future plans will include audits across health and social care economy.
12. RELATIONSHIP WITH IA /EA	Relationship with IA and EA clearly articulated.	At least one meeting annually between AC members and auditors without executive officers.	Auditors support the organisation by sharing emerging issues, threats and opportunities	AC working with IA to introduce agile auditing.
			Effectiveness of IA /EA reviewed on at least an annual basis in terms of the benefit they have provided in helping AC fulfil its role/purpose.	Discussions are being held on group audit work across health economy generally and on specific issues.
13. ASSESSMENT OF EFFECTIVENESS	Purpose of the AC is clearly articulated.	Assessment of effectiveness routinely undertaken (part of cycle of business) following a clearly defined process.	Assessment of effectiveness is formally reviewed internally (e.g. by Board/Governing Body/ Governors).	Changes/improvements in the AC's practice arising from the assessment of effectiveness have the desired outcome.
	Purpose/focus of review of effectiveness is defined.		Assessment made of whether expected changes/ improvements as a result of process are being made.	Independent review undertaken of the effectiveness of the AC/ peer review of assessment of effectiveness undertaken.
14. AC ANNUAL REPORT	The AC prepare an Annual Report for Board/Governing Body.	The Annual Report articulates whether or not the AC has fulfilled its role/purpose (as per its ToR) and makes reference to the output of the assessment of effectiveness.	The Annual Report articulates the AC's assessment of the organisation's systems of governance, risk management and control based on the work it has undertaken.	Annual report reflects external and future threats and opportunities and ways of improving awareness of these.
			Annual Report produced prior to drafting the Annual Governance Statement.	
15. ANNUAL GOVERNANCE STATEMENTS (AGSs)	AGS prepared within a time-frame that allows for AC to properly scrutinise (and included in Cycle of Business).	AGS scrutinised by AC to determine accordance with AC's own work undertaken throughout the year e.g. cross- reference with AC Annual Report.	Regular assessment by AC of whether issues identified throughout the year are significant control issues and therefore need to be referred to in the AGS. Ability to refer back to this when scrutinising the AGS.	AC Cycle of Business such that AC provides the starting point for the AGS (e.g. AC Annual Report).
	Consistent interpretation of what constitutes a significant control issue across the organisation.			Review determines if threshold of what constitutes a significant control issue within partner organisations is consistent.