

Introduction

We have reviewed 14 trusts in our client base to analyse how different committees of the Board work together, with a focus on how the audit committee gains assurance on integrated governance, risk management and control. We have quoted relevant guidance from the HFMA *NHS Audit Committee Handbook**.

Inter-committee liaison

*As part of its integrated approach, the [audit] committee will have effective relationships with other key committees so that it understands processes and linkages.**

12 out of 14 organisations demonstrate cross-committee representation at audit committee. Though it is not routine for any organisations in our sample to require committees to send papers/minutes to audit committee, we identified other formal reporting mechanisms which we consider to be good practice.

Good practice:

- ✓ **Standing agenda items** - one organisation uses a quarterly agenda item where other committee chairs present at audit committee on internal control issues.
- ✓ **Meetings of committee chairs** – two organisations have separate liaison meetings between committee chairs to share issues.
- ✓ **Action/chairs logs** – six organisations utilise action/chairs logs to summarise what occurred during the meeting. In one organisation, a shared log facilitates referral of items from one committee to another, ensuring effective cross-committee work.

Assurance framework

*The primary role of the audit committee is to continually review the relevance and rigour of the assurance framework and the arrangements surrounding it.**

*[The audit committee] needs to be able to review and comment on the information and assurances provided by other committees.**

Where other committees have oversight of assurance framework risks, we identified the following practices for effective audit committee oversight and assurance:

- We have observed that two audit committees utilise cross-membership effectively, with committee chairs providing verbal updates against risks they have reviewed.
- One audit committee does a **deep dive** into risks owned by other committees.
- One organisation adopts a particularly effective **cover sheet format**, detailing which other committees have reviewed the risk and summarising the discussion.

Good practice**Deep dive:**

Deep dives on a rolling basis promote board committee ownership, as well as providing assurance to the audit committee that risks are being managed. A deep dive can use standard prompts, for example:

- Are the controls in place helping to drive the risk score down?
- Have actions to address gaps been identified and are these on track?
- Is the target risk score realistic and in line with the risk appetite?
- When will the target score be achieved? Is this in line with action completion dates?
- Is there a need to obtain further assurance?

Cover sheet format:

The most effective cover sheet formats include detail of discussion at other committees, covering the following:

- proposed score changes and reasons why
- gaps in control
- progress against action plans.



In-year reporting to Board

*Normally, reports from the audit committee [to governing body] should take the form of clear concise minutes, presented by the audit committee chair with an oral report or written summary highlighting the key messages.**

We found that in most organisations, all committees provide routine reports to board in the formats recommended for audit committees by the HFMA. Organisations adopt a mixture of approaches:

- In all organisations, committees send minutes and/or summary reports to board.
- 11 organisations have “Escalations to board” (or similar) as a standing agenda item for all committees.
- Eight of these organisations have formal mechanisms in place for sending summary/assurance reports to board – the remainder do this verbally.

Good practice:

- ✓ We identified that two organisations send a summary report first and then minutes once ratified to prevent delays in reporting.



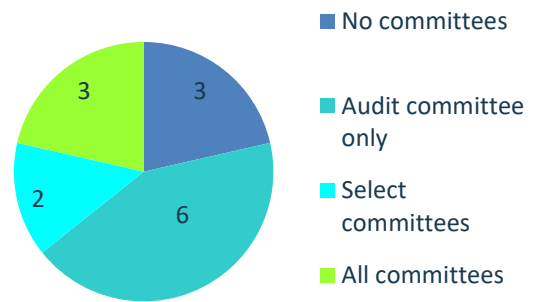
Annual reporting

*The audit committee should prepare an annual report to the governing body that sets out how the committee has discharged its responsibilities and met its terms of reference.**

How this is achieved:

- 11 organisations' audit committees compile an annual report.
- In five of these organisations, other committees also compile annual reports – in only two cases are annual reports completed by all committees.
- In five organisations, the audit committee receives the annual reports of other committees for review.

Committees producing an annual report per organisation



Good practice:

- ✓ We recommend that all board committees prepare an annual report, and that these are also presented to audit committee to help them seek assurances on the organisation-wide system of integrated governance, risk management and control.
- ✓ Many audit committees also undergo an annual self-assessment process – we recommend that the findings from this should feed into an annual report.