

# Board of Directors Meeting

# Report

**Subject:** Board Assurance Statement

**Date:** 27<sup>th</sup> March 2014

**Author:** KERRY ROGERS, DIRECTOR OF CORPORATE SERVICES/COMPANY SECRETARY

**Lead Director:** KERRY ROGERS

## EXECUTIVE SUMMARY

Foundation Trusts are required, as part of the Annual Report and Accounts, to prepare an Annual Governance Statement, for which a model form is provided and attached at the back of this report. The Trust is required to adapt the model and expand upon it, to reflect our own particular circumstances retaining the necessary text as prescribed in the Financial Reporting Manual.

To support the signing of the AGS, the Company Secretary has introduced a Board Assurance Statement which will in future be presented to Board twice a year (March and September) to inform the assurances required in order to confidently recommend to the Accounting Officer, that he sign the AGS on behalf of the Board. This is the first of the new Board Assurance Statements intended to evidence the work of the Board across the year in reviewing the effectiveness of internal controls, to gain assurance and to test governance processes that have been established in the organisation across the whole year. These statements should support self-certifications to the regulators and, most importantly, support the annual Board declaration concerning the systematic review / testing of key controls in the form of the Annual Governance Statement – and ensure that the AGS is not perceived by the Board to be a ‘once a year’ action.

Through reading the document it should evoke a number of questions for Board members to ask themselves about the arrangements they have (and have had) in place and the assurances they are provided with not only to support preparation and sign off of the Annual Governance Statement, but also to enable members to develop or evolve our governance arrangements in a way which effectively supports achievement of our organisation’s strategic objectives and improves our approach to risk and quality management.

Part of the Annual Report submission also obligates against the ‘comply or explain’ principal, that the Trust explains reasons for any non-compliance with Monitor’s Code of Governance and illustrates how its actual practices are consistent with the principle to which the particular provision relates. When the draft AGS goes to Audit and Assurance committee in April, the Code of Governance statements will be included for consideration.

When the AGS is presented to Audit and Assurance Committee in April it will record the stewardship of the organisation to supplement the accounts. It will give a sense of how successfully it has coped with the challenges it faced and of how vulnerable performance is or might be. This statement will draw together position statements and evidence on governance, risk management and control, to provide a coherent and consistent reporting mechanism.

The BAS has been introduced simply because the governance statement should be a ‘live’ document reflecting the organisation’s governance procedures and systems. It should not be produced through a process designed solely for the annual report and accounts as a once a year procedure. The governance statement should refer to the board’s committee structure, the board’s performance, including its assessment of its own effectiveness and to ensuring that required standards are achieved.

All elements of the governance statement are important, however, the risk assessment is critical. This is where the accountable officer supported by the board should discuss how the organisation’s risk management and internal control mechanisms work. Where there are weaknesses, the emphasis should be on how these have been addressed. Where there have been reports published on the organisation during the year, the AO should reflect on the assurance these provide in helping to achieve effective operation of controls.

The organisation’s external auditor (KPMG) will review the governance statement and will report on:

- inconsistencies between information reported in governance statements and their knowledge of the audited body (the Trust); and
- any failure to comply with Monitor requirements.

#### **ACTIONS REQUIRED BY BOARD**

Board members are invited to:

- Consider if this Statement substantiates the evidence that will be required to support signing of the Annual Governance Statement (AGS) by the Accounting Officer on behalf of the Board, as part of the Annual Report and Accounts submission process.
- The Board of Directors is invited to continually consider the detailed content of the six-monthly Board Assurance Statements in assuring it of the effectiveness of the Trust’s management of risk and the effective operation of controls in order to offer credibility and robustness to Board’s self-assessments to the Regulators and Board is reminded of the importance of deliberations regarding the seriousness in terms of ‘significance’ of control failures / weaknesses in support of the AGS submission as part of the Annual Report (as detailed in section 6. *Significant Control Issues*).
- A draft of the Annual Governance Statement for inclusion in the Annual Report will be presented to the April Audit and Board meetings.
- Board Committee chairmen should consider how the work of their Committees might better support assurance of the effectiveness of internal controls and ensure they drive the agendas accordingly.

<b>Relevant Strategic Objectives (please mark in bold)</b>	
<b>Achieve the best patient experience</b>	<b>Achieve financial sustainability</b>
<b>Improve patient safety and provide high quality care</b>	Build successful relationships with external organisations and regulators
Attract, develop and motivate effective teams	
<b>Links to the BAF and Corporate Risk Register</b>	Board and its Committees are responsible for the systematic review of the trust’s control environment
<b>Details of additional risks</b>	n/a
<b>Links to NHS Constitution</b>	n/a
<b>Financial Implications/Impact</b>	n/a
<b>Legal Implications/Impact</b>	n/a
<b>Partnership working &amp; Public Engagement Implications/Impact</b>	n/a
<b>Committees/groups where this item has been presented before</b>	n/a

## Annex 6 to Chapter 7: Model Annual Governance Statement

[The wording which is not in square brackets in this pro forma annual governance statement (AGS) should be replicated in every AGS and the words in square brackets should be amended and expanded as appropriate to the body in question.]

### Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the NHS foundation trust's policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me. I am also responsible for ensuring that the NHS foundation trust is administered prudently and economically and that resources are applied efficiently and effectively. I also acknowledge my responsibilities as set out in the *NHS Foundation Trust Accounting Officer Memorandum*.

### The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the policies, aims and objectives of [insert name of provider] NHS Foundation Trust, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in [insert name of provider] NHS Foundation Trust for the year ended 31 March 20xx and up to the date of approval of the annual report and accounts.

### Capacity to handle risk

[Describe the key ways in which:

- leadership is given to the risk management process; and
- staff are trained or equipped to manage risk in a way appropriate to their authority and duties. Include comment on guidance provided to them and ways in which you seek to learn from good practice.]

### The risk and control framework

[Describe the key elements of the risk management strategy, including the way in which risk (or change in risk) is identified, evaluated, and controlled. Include mention of how risk appetites are determined. Explicitly describe the key elements of the quality governance arrangements, including how the quality of performance information is assessed and how assurance is obtained routinely on compliance with CQC registration requirements. Explicitly include how risks to data security are being managed and controlled as part of this process. Include a brief description of the organisation's major risks, including significant clinical risks, separately identifying in-year and future risks, how they are/will be managed and mitigated and how outcomes are/will be assessed.]

**[Include a description of the principal risks to compliance with the NHS foundation trust condition 4 (FT governance) and actions identified to mitigate these risks, particularly in relation to:**

- ***the effectiveness of governance structures,***
- ***the responsibilities of Directors and subcommittees;***

- ***reporting lines and accountabilities between the board, its subcommittees and the executive team;***
- ***the submission of timely and accurate information to assess risks to compliance with the trust's licence; and***
- ***the degree and rigour of oversight the board has over the trust's performance.]***

***[Describe the key ways that the trust is able to assure itself of the validity of its Corporate Governance Statement, required under NHS foundation trust condition 4(8)(b)]***

[Describe key ways in which risk management is embedded in the activity of the organisation. For example, set out the ways in which equality impact assessments are integrated into core trust business or how incident reporting is openly encouraged and handled across the trust.]

[Describe the key elements of the way in which public stakeholders are involved in managing risks which impact on them.]

The foundation trust is fully /is not fully compliant with the registration requirements of the Care Quality Commission.

As an employer with staff entitled to membership of the NHS Pension Scheme, control measures are in place to ensure all employer obligations contained within the Scheme regulations are complied with. This includes ensuring that deductions from salary, employer's contributions and payments into the Scheme are in accordance with the Scheme rules, and that member Pension Scheme records are accurately updated in accordance with the timescales detailed in the Regulations.

Control measures are in place to ensure that all the organisation's obligations under equality, diversity and human rights legislation are complied with.

The foundation trust has undertaken risk assessments and Carbon Reduction Delivery Plans are in place in accordance with emergency preparedness and civil contingency requirements, as based on UKCIP 2009 weather projects, to ensure that this organisation's obligations under the Climate Change Act and the Adaptation Reporting requirements are complied with.

### **Review of economy, efficiency and effectiveness of the use of resources**

[Describe the key process that has been applied to ensure that resources are used economically, efficiently and effectively, including some comment on the role of the board, internal audit and any other review or assurance mechanisms.]

[Brief description of steps which have been put in place to assure the board that the Quality Report presents a balanced view and that there are appropriate controls in place to ensure the accuracy of data

These steps would cover areas such as:

- governance and leadership (including processes to ensure the Quality Report presents a balanced view);

- ***the role of*** policies and ***plans in ensuring quality of care provided;***
- systems and processes;
- people and skills; and
- data use and reporting (comments on the systems in place to review and report the quality metrics, ***focusing on both data collection and reporting***)]

**Review of effectiveness**

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors, clinical audit and the executive managers and clinical leads within the NHS foundation trust who have responsibility for the development and maintenance of the internal control framework. I have drawn on the content of the quality report attached to this Annual report and other performance information available to me. My review is also informed by comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the board, the audit committee [and risk/ clinical governance/ quality committee, if appropriate] and a plan to address weaknesses and ensure continuous improvement of the system is in place.

[Describe the process that has been applied in maintaining and reviewing the effectiveness of the system of internal control, including some comment on the role and conclusions of:

- the board;
- the audit committee;
- if relevant, the risk/ clinical governance/ quality committee/risk managers/risk improvement manager;
- clinical audit;
- internal audit; and
- other explicit review/assurance mechanisms.

Include an outline of the actions taken, or proposed to deal with any significant internal control issues and gaps in control, if applicable.]

**Conclusion**

[state either that no significant internal control issues have been identified or make specific reference to those significant internal control issues which have been identified in the body of the AGS above]

Signed.....

Chief Executive Date:

xx June 20xx