

**Convener of the Audit Committee**

**STATEMENT ON INTERNAL CONTROL 2007/2008**

**Recommendations:**

The Board is asked to consider the attached Statement of Assurance by the Audit Committee and approve the attached Statement on Internal Control, which is part of the Annual Accounts 2007/2008, for signature by the Chief Executive.

**Background:**

As Accountable Officers, Chief Executives of NHS Boards have responsibility for maintaining a sound system of internal control within their organisations. The Scottish Executive issued HDL (2002) 11 – “Corporate Governance: Statement on Internal Control” – in March 2002 which requires Chief Executives of NHS Bodies as Accountable Officers to sign a Statement on Internal Control (SIC) as part of the annual accounts. The SIC describes the effectiveness of the system of internal control; it is not restricted to internal financial controls and considers all aspects of the organisation’s system of internal control including clinical governance, staff governance and risk management. If any significant aspect of the system of internal control is found to be unsatisfactory, this should be disclosed in the SIC.

Guidance issued by the Scottish Government to support HDL (2002) 11 states that NHS Boards are responsible for reviewing the effectiveness of internal control having regard to the assurances obtained from the Audit Committee and any other standing committee which covers internal control e.g. risk management and clinical governance committees. The Remit of the NHS Greater Glasgow and Clyde Audit Committee incorporates this responsibility; it states that the Audit Committee shall be responsible for review of the NHS Board’s system of internal control and making recommendations to the NHS Board regarding the signing of the SIC by the Chief Executive. In addition, the Audit Committee Handbook issued in April 2004 by the Scottish Executive Health Department requires Audit Committees to evaluate the internal control environment and provide a statement of assurance to the NHS Board.

The format of the SIC and its contents are specified in HDL (2002) 11 and subsequent guidance issued by the Scottish Government. The SIC for 2007/2008 (see Appendix 2) has been prepared in accordance with this guidance.

**Statement of Assurance and Statement on Internal Control**

At the meeting on 10 June 2008, the Audit Committee reviewed the system of internal control and based on this review, approved the following documents and recommended that the Chief Executive

should sign the SIC;

1. The attached Statement of Assurance to the NHS Board on the system of internal control within NHS Greater Glasgow and Clyde (Appendix 1);
2. The Statement on Internal Control for NHS Greater Glasgow and Clyde. (This forms part of the Statement of Accounts – Board Paper No 08/25 – but for ease of reference a copy is reproduced here at Appendix 2.)

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**STATEMENT OF ASSURANCE  
BY THE AUDIT COMMITTEE  
IN RESPECT OF THE SYSTEM OF INTERNAL CONTROL  
WITHIN NHS GREATER GLASGOW AND CLYDE  
2007/2008**

As Accountable Officer, the Chief Executive is required to sign a Statement on Internal Control (SIC) as part of the annual accounts. The SIC is required to describe the effectiveness of the system of internal control and to declare any significant aspects where this system is unsatisfactory.

In accordance with its Remit and with the NHS Scotland Audit Committee Handbook, the Audit Committee conducted a review of the system of internal control within NHS Greater Glasgow and Clyde. The result of this review is reported in this Statement of Assurance to the NHS Board and is intended to inform the Statement on Internal Control, which the Chief Executive is required to sign.

The Audit Committee's review of the system of internal control in place during 2007/2008 was informed by the following sources:

1. All matters considered by the Audit Committee;
2. All matters considered by the Audit Support Groups;
3. Reports issued by the internal auditors, including the annual statement of their independent opinion on the adequacy and effectiveness of the system of internal control;
4. Assurance statements issued by Risk Management Steering Group, Clinical Governance Committee, Staff Governance Committee, Audit Support Group – Acute and Audit Support Group – Corporate and Partnerships;
5. Reports issued by Audit Scotland arising from the audit of the annual accounts programme of performance audits;
6. Private discussions with both internal and external auditors;
7. Annual Fraud Report by Fraud Liaison Officer.

**Conclusion**

Having taken into account the foregoing sources of information, it is the opinion of the Audit Committee that there was a satisfactory system of internal control in place within NHS Greater Glasgow and Clyde throughout 2007/2008. There are no significant matters relating to the system of internal control which require to be disclosed in the SIC.

The Audit Committee recommends therefore that the NHS Board should approve the SIC and that the SIC should be signed by the Chief Executive as Accountable Officer.

Mrs E Smith  
Chair, Audit Committee  
10 June 2008

**STATEMENT ON INTERNAL CONTROL****Scope of Responsibility**

As Accountable Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the organisation's policies, aims and objectives, set by Scottish Ministers, whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me.

In terms of enabling me to discharge my responsibilities as Accountable Officer, the following arrangements and processes were in place throughout the financial year:

- a Board which meets regularly to consider the plans and strategic direction of the organisation, and consists of both executive and non executive members;
- single system governance and management arrangements with clear supporting lines of accountability and an agreed scheme of delegation and standing orders; and
- the consideration by the Board of periodic reports from the chairs of the staff governance, clinical governance and audit committees, concerning any significant matters on governance and internal controls.

In addition, we have a Risk Management Strategy in place as well as a robust prioritisation methodology based on risk ranking.

The Scottish Public Finance Manual (SPFM) is issued by the Scottish Ministers to provide guidance to the Scottish Government and other relevant bodies on the proper handling of public funds. Its main purpose is to ensure compliance with statutory and parliamentary requirements, promote value for money and high standards of propriety, and secure effective accountability and good systems of internal control.

**Purpose of the System of Internal Control**

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve the organisation's 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 principal risks to the achievement of the organisation's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. This process has been in place for the year ended 31 March 2008 and up to the date of approval of the annual report and accounts and accords with guidance from the Scottish Government Health Directorate.

**Risk and Control Framework**

All NHS bodies are subject to the requirements of the SPFM, and must operate a risk management strategy in accordance with relevant guidance issued by the Scottish Ministers. The general principles for a successful risk management strategy are set out in the SPFM.

NHS Greater Glasgow and Clyde has in place a Risk Management Strategy; this strategy includes having a Risk Management Steering Group (RMSG), which is responsible for developing a single system of risk management for NHS Greater Glasgow and Clyde, and overseeing the development of strategy and infrastructure then monitoring implementation of associated plans to co-ordinate the management of risk across the NHS Board using a consistent methodology and set of standards. During 2007/08, the RMSG was reconstituted, with reporting lines to the Planning, Policy and Performance Group; it is chaired by the Director of Finance and met six times during the year. Its key remit continued to be the oversight of the development of risk management arrangements within NHS Greater Glasgow and Clyde.

The key elements of the NHS Board's risk management arrangements are:

- Risk Management Strategy - the approved NHS GG&C Risk Management Strategy was in place throughout the year, and was endorsed again by the Board in April 2007 as part of its annual review of Corporate Governance.
- Risk Register Policy - the approved NHS GG&C Risk Register Policy was in place throughout the year. This policy sets out required practice across the organisation, defines the principles of escalation and complies with the NHS Quality Improvement Scotland Standards on Clinical Governance and Risk Management.
- Corporate Risk Register - the Corporate Risk Register was overhauled following a major exercise of engagement with operational services and corporate functions to review major risks. The updated report was presented to the Audit Committee in January 2008, summarising the main risks identified within each of the organisational elements of NHS Greater Glasgow and Clyde and the processes by which these risks were managed. The frequency and format of future monitoring reports on Corporate Risk to be presented to the Audit Committee was also agreed.

There is a training programme available to all staff which includes training on risk assessment, hazardous substances, general awareness of safety and display screen equipment risks. Practical training sessions provided by the organisation include a range of moving and handling training for staff primarily involved in patient handling, and also training for staff that may be exposed to violence and aggression. Both moving and handling and violence and aggression training courses are based on a robust training needs analysis and the concept of risk assessment is a fundamental component of the training.

Taking account of the work done, I consider that we have taken appropriate steps to ensure that we have discharged our responsibilities in relation to the management of risk.

Over the past 12 months, the Health Information & Technology (HI&T) Directorate has gone through a restructuring process to ensure that it is best placed to provide the appropriate value for money services for NHS Greater Glasgow & Clyde (NHSGGC).

As part of the Directorate review of governance arrangements, an Information Governance Steering Group was established (with its first meeting on 29 January 2008), with senior representation from across NHSGGC at a clinical and management level. This Group has an approved remit and has already met twice and set priorities for the coming period covering topics such as

- IT security
- better record-keeping
- confidentiality etc

The new Directorate has also appointed, in April 2008, an Information Governance Manager who will co-ordinate the implementation of new governance arrangements across NHSGGC. This agenda is a major priority for the HI&T Directorate and NHSGGC, and will feature as part of the Directorate Operational Review in 2008/09.

More generally, the NHS Board is committed to a process of continuous development and improvement: developing systems in response to any relevant reviews and developments in best practice in this area. During the year, we have continued to implement actions to address all control risk issues arising from the systems work of our internal and external auditors.

The NHS Board has also continued to adapt its governance arrangements to take account of changes within its internal organisational structure. In particular, during the year to 31 March 2008, and up to the signing of the accounts, it has continued to enhance and harmonise its governance arrangements to support the new organisational structure, including the annual review of corporate governance.

### **Review of Effectiveness**

As Accountable Officer, I also 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 executive managers within the organisation who have responsibility for the development and maintenance of the internal control framework;
- the ongoing work of and annual assurance statements provided by the Audit Committee, Staff Governance Committee, Clinical Governance Committee, and Risk Management Steering Group;
- the work of the internal auditors, who submit to the organisation's Audit Committee regular reports which include the Internal Auditor's independent and objective opinion on the adequacy and effectiveness of the organisation's systems of internal control together with recommendations for improvement;
- comments made by the external auditors in their management letters and other reports.

The control mechanisms are overseen and continually evaluated by the NHS Board, its standing committees (as detailed in the Directors' Report) and a number of other groups including

- the Remuneration Subcommittee, which is a subcommittee of the Staff Governance Committee and deals with all aspects of the Executive Pay arrangements;
- the Risk Management Steering Group (as detailed above).

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 Management Steering Group and a plan to address weaknesses and ensure continuous improvement of the system in place.

### **Disclosures**

During 2007/08 there were no significant control weaknesses or failure to achieve the standards set out in the guidance on the Statement on Internal Control.

**T A Divers**  
**Chief Executive and Accountable Officer**  
**24 June 2008**