

Convener of the Audit Committee

STATEMENT ON INTERNAL CONTROL 2008/2009

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 2008/2009, 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. Since 2002, Chief Executives of NHS Bodies, as Accountable Officers, have been required 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 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 will provide the Board and the Accountable Officer with an annual report on the Board's system of internal control timed to support finalisation of the Statement of Accounts and the Statement on Internal Control. This report will include a summary of the Committee's conclusions from the work it has carried out during the year.”

The format of the SIC and its contents are specified in guidance issued by the Scottish Government. The SIC for 2008/2009 (see Appendix 2) has been prepared in accordance with this guidance.

Statement of Assurance and Statement on Internal Control

At the meeting on 9 June 2009, the Audit Committee reviewed the system of internal control and based on this review, approved the following documents with a recommendation 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 09/29 – but for ease of reference, a copy is also included here at Appendix 2.)

Elinor Smith
Convener, Audit Committee

Alan Lindsay
Financial Governance and Audit Manager
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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
2008/2009**

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 the Scottish Government 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 2008/2009 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, Information Governance Steering Group, 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 and the programme of performance audits;
6. Private discussions with both internal and external auditors;
7. Annual Fraud Report

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 2008/2009. 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
9 June 2009

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APPENDIX 2

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;
- 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;
- a robust Risk Management Strategy, as well as a robust prioritisation methodology based on risk ranking; and
- a strong focus on best value and commitment to ensuring that resources are used efficiently, effectively and economically, taking into consideration equal opportunities and sustainable development requirements.

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 and reporting of public funds. It sets out the relevant statutory, parliamentary and administrative requirements, emphasises the need for economy, efficiency and effectiveness, and promotes good practice and high standards of propriety.

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 nature and extent of those risks and to manage them efficiently, effectively and economically.

The process within the organisation accords with guidance from the Scottish Ministers in the SPFM and supplementary NHS guidance and has been in place for the year up to the date of approval of the annual report and accounts.

Risk and Control Framework

All NHS Scotland bodies are subject to the requirements of the Scottish Public Finance Manual (SPFM) and must operate a risk management strategy in accordance with relevant guidance issued by 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

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implementation of associated plans to co-ordinate the management of risk across the NHS Board using a consistent methodology and set of standards. The RMSG has its line of reporting to the Planning, Policy and Performance Group. Chaired by the Director of Finance, the RMSG's 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 the Risk Management Strategy, the Risk Register Policy and the Corporate Risk Register. The Corporate Risk Register was fully reviewed during the year, and the updated register was presented to the Audit Committee in January 2009. It summarises 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. In addition, a new web-based single system incident reporting database was established during the year.

There are training programmes, available to all staff, which include 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 last twelve months, the Information Governance agenda has been significantly progressed. In April 2008, an Information Governance Manager was appointed, with responsibility for the co-ordination of the implementation of new governance arrangements across NHSGGC. The Information Governance Manager is supported in this by a Senior Information Risk Officer, also appointed during the year. The Information Governance Steering Group was fully operational and a health board-wide Records Management Steering Group has been established under clinical leadership. All Information Governance policies have been reviewed and refreshed or rewritten. Eleven of the thirteen policies have been through the approval process and await final sign-off. The final two will be going through the approvals process in early summer 2009. The Information Governance Steering Group meets at least quarterly and reports through the Director of Health Information Technology to the Board's Planning Policy and Performance Group and NHS Board to ensure that the risks around information management are regularly assessed.

The Information Governance agenda will continue to have the highest priority during 2009/10 and will feature prominently in Directorate operational reviews and staff objectives.

More generally, the organisation 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. In particular, in the period covering the year to 31 March 2009 and up to the signing of the accounts the organisation has continued to adapt its governance arrangements to take account of changes within its internal organisational structure. It has also continued to enhance and harmonise its governance arrangements to support the organisational structure, including the annual review of corporate governance.

The NHS Board is committed to best value through, for example, the ongoing developments within our Acute Services Review, which will provide more efficient and effective delivery of patient care. There are also arrangements in place whereby the national performance reports issued by Audit Scotland are considered and local action plans are developed where appropriate. The NHS Board also has in place a process for organisational

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review, with action plans to address any recommendations for improvements, and is also subject to an annual review process by the Scottish Government Health Directorates, again with plans developed to address any issues raised.

Review of Effectiveness

As Accountable Officer, I also have responsibility for reviewing the effectiveness of the system of internal control. My review is informed by:

- the executive managers within the organisation who have responsibility for the development and maintenance of the internal control framework;
- the work of the internal auditors, who submit to the organisation's Audit Committee regular reports which include their independent and objective opinion on the adequacy and effectiveness of the organisation's systems of internal control together with recommendations for improvement;
- and 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
- the Information Governance Steering Group

I have been advised in my review of the effectiveness of the system of internal control by the Board, the Audit Committee and Risk Management Steering Group and plans to address weaknesses and ensure continuous improvement of the system are in place.

During 2008/09 there were no significant control weaknesses or failure to achieve the standards set out in the guidance on the Statement on Internal Control.

R Calderwood
Chief Executive and Accountable Officer
23 June 2009