

Convener of the Audit Committee

## STATEMENT ON INTERNAL CONTROL 2009/2010

### Recommendations:

The Board is asked to consider the attached Statement of Assurance approved by the Audit Committee and approve the attached Statement on Internal Control, which is part of the Annual Accounts 2009/2010, 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 8 June 2010, 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 10/22 – 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  
2009/2010**

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 2009/2010 was informed by a number of sources of assurance including the following:

1. All matters considered by the Audit Committee;
2. Review of the NHS Board's internal control arrangements against the extant guidance by the Scottish Government Health Directorates;
3. Statements of assurance provided by the Risk Management Steering Group, the Clinical Governance Committee, the Staff Governance Committee and the Information Governance Steering Group;
4. Review of all matters considered by the Audit Support Groups and the statements of assurance issued by them;
5. 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;
6. Reports issued by Audit Scotland arising from the audit of the annual accounts and their programme of performance audits;
7. Private discussions with both internal and external auditors;
8. Statement of Accounts;
9. Third party assurances in respect of key services provided by National Services Scotland;
10. Annual Fraud Report 2009/10;
11. Report on Losses and Compensations 2009/10.

**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 2009/2010. 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

## 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 ended 31 March 2010, and 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 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 and maintenance of strategy and infrastructure. It monitors 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 Corporate Management Team, and prior to that, 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 components 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 is fully reviewed and updated and presented to the Audit Committee on an annual basis. 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 web-based single system incident reporting database (Datix) has been rolled out during the year. Datix is an important tool in analysing the type, frequency and severity of incidents, providing those involved in managing risk with information to allow them to amend processes, and constantly improve conditions for patients and staff.

Clinical governance and risk management arrangements were reviewed during the year by NHS Quality Improvement Scotland, and they reported that

- there are clearly embedded risk management structures throughout the organisation.
- the NHS Board demonstrates a strong commitment to clinical effectiveness and quality improvement across the organisation.
- there is a sound cycle of annual clinical governance reporting arrangements for operational entities with devolved responsibilities.
- there is a robust performance management framework that provides the context to support statistics with a high level of qualitative information.

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, there has continued to be significant progress in the area of Information Governance. A complete set of Information Governance and IT Security Policies is now

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in place, along with a programme to ensure staff awareness of these policies; this is supported by the development of a number of e-learning training modules. As part of its ongoing strategy to improve IT security and compliance, the Board has introduced a Policy and Risk Assessment tool as a means of continually reviewing and strengthening its IT governance, risk management and compliance arrangements. All NHSGGC owned laptops have now been encrypted, and guidance has been issued regarding the use of USB flash drives.

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 particular, in the period covering the year to 31 March 2010 and up to the signing of the accounts the organisation has continued to monitor, review and enhance its governance arrangements to support the organisational structure; that process included the annual review of corporate governance.

The NHS Board is committed to best value, with robust processes in place to ensure that it constantly strives to improve performance. In particular through the ongoing developments within our Acute Services Review, the NHS Board will be able to provide more efficient and effective delivery of patient care. There are also arrangements in place whereby national performance reports issued by Audit Scotland are reviewed by the Board's Performance Review Group and local action plans developed to implement improvements. Additionally, the Board has a process in place for organisational 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;
- Statements of Assurance from the core governance committees of the NHS Board;
- 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.

**Disclosures**

During the year ended 31 March 2010, 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**  
**22 June 2010**