

Chair of the Audit Committee

## Governance Statement 2014/15

### Recommendations:

The Board is asked to consider the attached Statement of Assurance by the Audit Committee and approve the attached Governance Statement, which is part of the Annual Accounts 2014/15, 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. Chief Executives of NHS Bodies, as Accountable Officers, are required to sign the Governance Statement as part of the annual accounts. The statement describes the effectiveness of the organisation's governance processes and system of internal control; it is not restricted to internal financial controls and considers all aspects of the organisation's system of internal control and corporate governance, clinical governance, staff governance and risk management. If any significant aspect of governance or internal control is found to be unsatisfactory, this should be disclosed in the Governance Statement.

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 Governance Statement and its contents are specified in guidance issued by the Scottish Government. The statement for 2014/15 has been prepared in accordance with this guidance, and is attached as Appendix 2.

## **Statement of Assurance and Governance Statement**

At its meeting on 16 June 2015, 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 Governance Statement:

1. The Statement of Assurance to the NHS Board on the system of internal control within NHS Greater Glasgow and Clyde (attached as Appendix 1);
2. The Governance Statement NHS Greater Glasgow and Clyde (this forms part of the Statement of Accounts – Board Paper No 15/27 – but for ease of reference, a copy is also attached here at Appendix 2.)

Ross Finnie  
Chair, Audit Committee

**Statement of Assurance by the Audit Committee in respect of the system of internal control within NHS Greater Glasgow and Clyde for 2014/15**

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As Accountable Officer, the Chief Executive is required to sign a Governance Statement as part of the annual accounts. The Governance Statement 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 reviews all audit reports on systems 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 Governance Statement.

The Audit Committee's review of the system of internal control in place during 2014/15 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 from the Scottish Government Health Directorates;
3. Statements of assurance by executive directors;
4. 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;
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. Statement of Accounts;
8. Third party assurances in respect of key services provided by National Services Scotland and NHS Ayrshire and Arran;
9. Annual Fraud Report 2014/15;
10. Report on Losses and Compensations 2014/15.

**Conclusion**

The Internal Auditor's Annual Report concludes that "There are weaknesses in the framework of governance, risk management and control...Improvements are required in these areas to enhance the adequacy of governance, risk management and control." The Internal Auditor has acknowledged that NHSGGC is taking action to improve the risk management processes, specifically, through a review and update of the risk management strategy, policy and procedures.

In addition, in its review of internal controls 2014/15, Audit Scotland identified an issue in relation to the controls surrounding the authorisation and agreement of agency staff payments, and the confirmation of amounts being charged by third parties. Whilst there are some mitigating controls in place - any outliers and unusual transactions are subject to review and the budgetary control process highlights any concerns - management has confirmed that it will also undertake a full review of the process and introduce a range of appropriate controls.

The Audit Committee considers that these matters should be disclosed in the Chief Executive's Governance Statement.

On the basis of our review, it is the opinion of the Audit Committee that, overall, there was a satisfactory system of internal control in place within NHS Greater Glasgow and Clyde throughout 2014/15.

The Audit Committee recommends, therefore, that subject to the inclusion of the above matters, the NHS Board should approve the Governance Statement and that the Governance Statement should be signed by the Chief Executive as Accountable Officer.

Ross Finnie

Chair, Audit Committee

16 June 2015

## **Governance Statement**

### **Scope of Responsibility**

As Accountable Officer, I am responsible for maintaining an adequate and effective system of internal control that supports compliance with the organisation's policies and promotes achievement of the organisation's aims and objectives, including those set by Scottish Ministers. Also, I am responsible for safeguarding the public funds and assets assigned to the organisation. I have been supported in my role as Accountable Officer throughout the year by a multi-disciplinary management team, focused on ensuring the delivery of strategic objectives in a prudent, economical, efficient and effective manner.

### **Purpose of Internal Control**

The system of internal control is based on an ongoing process designed to identify, prioritise and manage the principal risks facing the organisation. The system aims to evaluate the nature and extent of risks, and manage risks efficiently, effectively and economically.

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve the organisation's aims and objectives. As such, it can only provide reasonable and not absolute assurance.

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

The SPFM is issued by Scottish Ministers to provide guidance to the Scottish Government and other relevant bodies on the proper handling and reporting of public funds. The SPFM sets out the relevant statutory, parliamentary and administrative requirements, emphasises the need for efficiency, effectiveness and economy, and promotes good practice and high standards of propriety.

### **NHS Endowments**

In accordance with IAS 27 – Consolidated and Separate Financial Statements, the Financial Statements consolidate the NHS Greater Glasgow and Clyde Endowment Funds. This statement includes any relevant disclosure in respect of these Endowment Accounts.

### **Governance Framework**

Under the terms of the Scottish Health Plan, the NHS Board is a board of governance. Its purpose is to ensure the efficient, effective and accountable governance of the local NHS system and to provide strategic leadership and direction for the system as a whole, focusing on agreed outcomes.

The NHS Board comprises the Chair, twenty-three non-executive and five executive board members; of the non-executive members, seven are Council Members nominated by each of the councils within the NHS Board area. Board members are appointed by Scottish Ministers and are selected on the basis of their position or the particular expertise which enables them to contribute to the decision making process at a strategic level.

The Board and its Standing Committees have clearly defined and documented roles and responsibilities, and the purpose of each committee is set out in the Directors' Report. The non-executive members of the Standing Committees have the opportunity to scrutinise and challenge the Board's executive management.

The NHS Board has governance arrangements in place which provide an integrated approach to governance across clinical areas, performance management, staff and involving and engaging people

in our services and developments. The Corporate Governance arrangements are described in more detail in the Directors' Report.

The conduct and proceedings of the NHS Board are set out in its Standing Orders; the document specifies the matters which are solely reserved for the NHS Board to determine, the matters which are delegated under the Scheme of Delegation and the matters which are remitted to a Standing Committee of the NHS Board.

The Standing Orders also include the Code of Conduct that Board members must comply with, and, along with the Standing Financial Instructions, these documents are the focus of the NHS Board's Annual Review of Governance Arrangements. The annual review also covers the remits of the NHS Board's Standing Committees.

In addition to the Code of Conduct for Members, the NHS Board has in place a Code of Conduct for Staff. This includes the disclosure internally or externally by staff who have concerns about patient safety, malpractice, misconduct, wrongdoing or serious risk. We also have in place a well established complaints system, whereby members of the public can make a formal complaint to the Board regarding care or treatment provided by or through the NHS, or how services in their local area are organised if this has affected care or treatment; information on our complaints procedures is available on the NHSGGC website.

Whilst pay arrangements for NHS staff are determined under national arrangements, the pay arrangements for the NHS Board's senior managers whose posts are part of the Executive and Senior Management Cohorts are, subject to Scottish Government Health & Social Care Directorates guidance, determined by the Remuneration Sub-committee (details of which are shown on page 17).

All NHS Board executive directors undertake a review of their development needs as part of the annual performance management and development process. A leadership development framework is in place to offer a range of development activities to meet needs identified, with additional support from the Human Resources department when required. Access to external and national programmes in line with their development plans and career objectives is also available. The Chief Executive is accountable to the NHS Board through the Chair of the Board. The Remuneration Sub-committee agrees the Chief Executive's annual objectives in line with the Board's strategic and corporate plans.

Non-executive directors have a supported orientation and induction to the organisation as well as a series of in depth development sessions identified during the year. Opportunities for development also exist, at a national level, for some specific non-executive roles such as Chairman and Area Clinical Forum Chairs.

To ensure that the NHS Board complies with relevant legislation, regulations, guidance and policies, the Corporate Planning, Policy and Performance Team produces a monthly policy update which highlights recent publications and developments in health policy. This includes information regarding Scottish Government consultations and legislation, reports from "think tanks" and health policy organisations and UK wide developments. Internal policies are created in line with the Board's Policy Development Framework, which ensures that there is a consistent and clear approach to policy development, consultation, approval, dissemination/communication, access to documents and review, and that NHSGGC complies with relevant legislation, governance, audit and controls assurance requirements. All policies, strategies or procedures are reviewed every three years as a minimum, or sooner if there is a specific legislative or service requirement or change in guidance, law or practice.

NHS Greater Glasgow and Clyde strives to consult with all of its key stakeholders. We do this in a variety of ways. How we inform, engage and consult with patients and the public in transforming

hospitals and services is an important part of how we plan for the future. To fulfil our responsibilities for public involvement, we routinely communicate with, and involve, the people and communities we serve, to inform them about our plans and performance.

Public Partnership Forums, established by each CHP/CHCP, provide a mechanism for promoting the routine involvement of local people in the design and delivery of the health services they use. This process of involvement is required before we can decide to begin consultation on a proposed service change.

We held our formal Annual Review where we were held to account in public in respect of our performance against targets.

We also strive to engage with staff; we have well established methods of communication (Staff Newsletter, Core Briefs and Team Briefs), and also the "Facing the Future Together" initiative which allows greater engagement with staff, and encourages more staff to be involved in contributing to decision making in the areas in which they work.

NHS Greater Glasgow and Clyde is committed to working in partnership with its staff, other public sector agencies and voluntary sector bodies. The NHS Board, through its NHS Partnerships has well developed community planning processes to enable it to work effectively with local authorities and the voluntary sector to implement a whole system approach to providing patient care. This work is reported to, and monitored by, the NHS Board through its CHP and CHCP committee structure. The forthcoming move to integrate adult health and social care services will further strengthen these relationships.

### **Review of Adequacy and Effectiveness**

As Accountable Officer, I have responsibility for reviewing the effectiveness of the system of internal control and the quality of data used throughout the organisation. My review is informed by:

- the executive managers within the organisation who have responsibility for developing, implementing and maintaining internal controls across their areas;
- 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 following processes have been applied in maintaining and reviewing the effectiveness of the system of internal control:-

- The NHS Board, along with its Quality and Performance Committee, met regularly during 2014/15 to consider its plans and strategic direction, to allocate resources, to review the management of performance and to receive minutes and reports from its Standing Committees.
- During the year, an organisational review was carried out and the following arrangements have been put in place. There are two monthly Strategic Management meetings for the Acute Division led by the Chief Executive with the Chief Operating Officer and Medical, Nurse, Finance, Planning and HR Directors. Also held every two months are collective meetings between the Chief Executive and Partnership Chief Officers, Finance, Planning, HR, Public Health, Nurse, HI&T and Medical Directors. Whole System Directors events with a focus on developing and aligning the financial and strategic planning processes, at which all Directors and Chief Officers come together as a whole system, are held quarterly.

- The Audit Committee provides assurance that an appropriate system of internal control is in place. The Committee met throughout the year, reviewing the system of internal control.
- Internal Audit delivered their service on an approved risk-based audit plan and are compliant with Public Sector Internal Audit Standards.
- External Audit has also considered the adequacy of the processes put in place by the Chief Executive as Accountable Officer, as well as providing external assurance on the work of Internal Audit in 2014/15.
- Work has continued during the year to achieve the HEAT targets set out in the Local Delivery Plan. Reporting mechanisms have been further developed to ensure a culture of continuous improvement continues to be promoted.
- Staff objectives and development plans include where appropriate maintenance and review of internal controls.
- A performance appraisal system is in place for senior staff with personal objectives and development plans designed to support the Board in the attainment of corporate objectives. Other staff are performance assessed under the Knowledge and Skills Framework.
- A new on-line Register of Interests system was introduced during the year. It will ensure better management control of the information held on the staff register of interests and will identify potential conflicts of interest.
- In accordance with the principles of Best Value, the board aims to foster a culture of continuous improvement. The NHS Board's processes focus strongly on Best Value and is committed to ensuring that resources are used efficiently, effectively and economically, taking into consideration equal opportunities and sustainable development requirements. Arrangements have been made to secure Best Value as set out in the Scottish Public Finance Manual (SFPM).

### **Risk Assessment**

NHS Greater Glasgow and Clyde has in place a Risk Management Strategy, which accords with the SFPM. As noted later in this statement, our Internal Auditors have recommended that, and we have agreed to, review and strengthen our Risk Management Strategy and processes during the coming year.

All of the key areas within the organisation maintain a risk register; the high level risks that the Board needs to ensure are being managed are then consolidated into the Corporate Risk Register. The Corporate Risk Register summarises the main risks identified within each of the organisational areas, and the processes by which these risks are being managed, and is presented to the Audit Committee for approval on a six monthly basis. No new significant risks were identified during the year.

In respect of clinical governance and risk management arrangements we continue to have

- clearly embedded risk management structures throughout the organisation;
- a strong commitment to clinical effectiveness and quality improvement across the organisation;
- a sound cycle of annual clinical governance reporting arrangements for operational entities with devolved responsibilities; and
- 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 who 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.

### **Information Governance**

Information Governance officers continue to ensure staff are aware of their obligations to protect patient and staff data by continued participation in training programmes, including the Acute Mandatory Training Programme and the Foundation Management Programme. To ensure privacy implications are considered when new projects/systems are being planned, a Privacy Impact Assessment template is made available to staff.

As detailed on page 12, during the year four incidents were reported to the Information Commissioner's Office; an Improvement Plan was asked for and submitted for one breach, one is still being investigated and no further action was taken against the Board in respect of the other two.

### **Integration**

As noted above in the Strategic Report, the Board is preparing for the integration of adult health and social care and the establishment of Integrated Joint Boards (IJBs). Strategic plans for each IJB are currently being developed, and cover the services to be managed.

All six IJBs cover the minimum services determined as in scope by regulation – adult social care, primary care, community adult healthcare, and community children's healthcare – with four IJBs also including children's social care.

At the time of this report, all six Chief Officers and five of the Chief Finance Officers have been appointed. The Board and its six partner Local Authorities established a technical working group comprising the seven Directors of Finance and their senior staff. The remit of this group and its associated workstreams is to build on national Integrated Resource Advisory Group guidance and develop it for local use. This will include the development of financial regulations and principles for budget management within IJBs. The work of this group has also included implementing a process of financial assurance. It is intended that this work will be independently reviewed by internal auditors and reported formally to the NHS Board, Local Authorities and IJBs early in August 2015.

### **Developments**

The organisation continues its commitment to a process of ongoing 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 2015 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.

### **Internal Audit**

During the year, our Internal Auditors issued one report which contained high risk findings. In their report on risk management, the Internal Auditors acknowledge that NHSGGC has taken action to improve the risk management processes; specifically, that we are in the process of review and updating the risk management strategy, policy and procedures. The report recommends that NHSGGC needs greater focus and action to ensure the strategy, policy and procedures are updated as a matter of priority. We have taken steps to address the report's findings by reinstating the Risk Management Steering Group to update the risk management strategy, policy and procedures, as well as reporting risk at a high level.

### **External Audit**

During the year, Audit Scotland identified an issue in relation to the controls surrounding agency staff payments and the confirmation of amounts being charged by third parties. Whilst we do have some mitigating controls in place - any outliers and unusual transactions are subject to review, and the budgetary control process highlights any concerns - we will also undertake a full review of the process and introduce a range of appropriate controls.

### **Disclosures**

With the exception of the matters highlighted above, no other significant control weaknesses or issues have arisen during the year, and no significant failures have arisen in the expected standards for good governance, risk management and control. Therefore, I have no other disclosures to report.

**R Calderwood**

**Chief Executive and Accountable Officer**

**23 June 2015**

EMBARGOED UNTIL MEETING