West Hertfordshire Hospitals **NHS**

NHS Trust

From: David Law, Interim Chief Executive

To: Trust Board, 1st July 2004

Subject: Controls Assurance: Governance Standard
Corporate Governance Strategy

Action: For ratification

The attached document proposes the Trust's arrangements for compliance with the Controls Assurance Governance Strategy and the Board is asked to ratify the structure as presented.

FINAL DRAFT

Controls Assurance: Governance Standard

Corporate Governance Strategy

'Corporate Governance' in healthcare has recently been defined by the Audit Commission as '*The systems and processes by which health bodies lead, direct and control their functions, in order to achieve organisational objectives, and by which they relate to their partners and to the wider community'*.

Background

The need to ensure and to demonstrate effective governance arrangements in the United Kingdom originated in the private sector, due to concern over a series of corporate failures where inadequate governance measures were considered to be a contributory factor. Following publication of the Turnbull Committee Report on Internal Control (November 1999), HM Treasury considered how the provisions within the report could be adapted to the public sector.

All NHS organisations now need to provide assurances that effective systems of internal control are in place. Since 1997/98, all Chief Executives (CEs) of NHS Trusts and Health Authorities have been required, as accountable officers, to sign an assurance statement, on behalf of the Board, to assure their stakeholders about internal financial controls. In 1999, this responsibility was extended to the production of a controls assurance statement covering wider organisational controls including risk management (HSC 1999/123), leading to the introduction of the HM Treasury format Statement on Internal Control (SIC) in 2001/02 (CEs Bulletin 109 – March 2002).

In any organisation, prime responsibility for governance rests with the Board, although the Audit Committee also has a particular role to play in the evaluation process. The Trust Board must ascertain whether there is a sound system of governance and internal control that will allow the CE, on its behalf, to sign the annual statutory SIC. The system needs to identify risks relating to the achievement of objectives, including the duty of quality, and should be capable of evaluating the nature and extent of risks and of managing them efficiently, effectively and economically. Collectively, these assurances will enable the Department of Health (DoH) Accounting Officer to sign a combined Statement on behalf of the DoH and the NHS.

<u>The Key Principles</u>

To assist with this process, a set of high-level controls assurance standards was issued by the then NHS Executive. Compliance with the standards is mandatory as they are vital in providing an efficient and effective service.

A framework for developing controls assurance standards has been published, with the aim of delivering assurances to stakeholders in relation to meeting an organisation's objectives. The desired outcome, *in any area of activity* can be obtained by:

a) establishing an **accountability** framework within which the internal control system operates and which encompasses management structures and practices (leadership, committees, reporting arrangements, policies, strategies etc)
b) ensuring that core **processes** (to include risk management) required to produce the desired outcomes are in place
c) having the necessary **capability** (leadership, knowledgeable and skilled staff, adequate financial and physical resources) to ensure that the processes and internal controls work effectively
d) having continuous **monitoring** and **review** (by management and the Board) of the system for internal control, to ensure that it is working properly and to learn and where necessary improve the accountability arrangements, process or capability in order to deliver better outcomes
e) ensuring effective **communication** and **consultation** at all levels within the organisation and with external stakeholders
f) the Board obtaining sufficient **independent** and objective **assurance** as to the robustness of its processes in key areas.

Aim

At West Hertfordshire Hospitals NHS Trust (WHHT), the Board will aim to ensure that the organisation consistently follows the principles of good governance applicable to NHS organisations.

The WHHT Approach

The necessary systems and processes to ensure that the organisation can achieve its objectives and meet the necessary standards of accountability, probity and openness must be established, maintained and monitored. The annual Controls Assurance exercise provides the assessment and monitoring tool. Compliance with the twenty two Controls Assurance standards is mandatory for all NHS organisations.

Governance is one of three core standards (the other two being Finance and Risk) for which compliance by 31 March 2004 was required. The Governance Standard (number 9) covers aspects of both corporate and clinical governance (addressed in a separate strategy which was ratified by the Clinical Governance Committee on 18 November 2003). This Standard is principally concerned with ensuring that all NHS organisations have the basic building blocks in place for good governance through development and implementation of a comprehensive system of internal control. It contains key criteria and supporting guidance to assist Boards to establish whether they have such a system based on the principles of best corporate governance and provides the minimum to assist the organisation's Board, through it's CE, to sign the annual Statutory Statement on Internal Control (SIC).

To prove that there is a robust system of corporate governance at WHHT, evidence must be produced to demonstrate compliance with the seven criteria contained within the Governance Standard. The index of governance criteria is presented in Appendix 1.

Roles and Responsibilities

Prime responsibility for governance rests with the Board. The Board must produce the Assurance Framework that provides Members with a mechanism for identifying and understanding its principle risks and the key controls required to manage those risks to achieving the principal objectives. In addition, it provides evidence required for the SIC to

demonstrate that the Board is properly informed through assurances about the totality of risks and have made decisions based on all the evidence presented. There are also other specific requirements relating to the Board e.g. signed statements that Members subscribe to the Code of Conduct.

The overall management responsibility for Controls Assurance, on behalf of the WHHT Board and the CE lies with the Director of Nursing, Midwifery, Quality & Risk, who shares the lead for the Governance Standard with the Medical Director. The Trust Risk Manager is currently managing the delivery of the annual Controls Assurance exercise. The chart in Appendix 2 indicates how the responsibilities for the Governance Standard are allocated, with reference to the Trust risk management structure. Each standard has a nominated lead at Director level and a co-ordinator: the table of responsibilities is included as Appendix 3.

A Controls Assurance Forum, chaired by the Trust Risk Manager and meeting bi-monthly, has been established to encourage the co-ordinators to share problems and best practice, and to help to achieve some degree of consistency across the various standards. The co-ordinators of the three core standards meet more frequently to give the greatest possible opportunity for achieving the necessary compliance.

Relevant Trust staff liaise with the Internal Auditor and colleagues from the Strategic Health Authority, sharing experiences, advice and expertise.

Monitoring and Reporting

The WHHT Executive Team has agreed an in-house reporting timetable to ensure that the Trust is able to meet national deadlines for annual returns and receives regular reports on progress against plan and degree of compliance. Reporting on controls assurance is also included on Risk Management and Clinical Governance Committees agendas.

The recent introduction of Reporting on Controls Assurance (ROCA), an NHS-wide risk management and controls assurance database system will allow electronic reporting of the scores. It provides reporting functions to evidence the NHS system of internal control with analysis and monitoring capability. The system is designed to reduce the burden on the NHS in reporting controls assurance datasets to meet the CHI/CHAI/Healthcare Commission timescales for Performance Indicator publication.

Controls Assurance: **Governance Standard**

The Board ensures that the organisation consistently follows the principles of good governance applicable to NHS organisations.

Index of Governance Criteria:

Criterion 1:
There are clear accountability arrangements in place throughout the organisation

Criterion 2:
The Board identifies the needs of stakeholders on an ongoing basis and determines a set of key objectives and outcomes for meeting these needs, including how it meets its duty of quality

Criterion 3:
The Board ensures that there are proper processes in place to meet the organisation's objectives and secure delivery of outcomes

Criterion 4:
The organisation is capable of meeting its objectives and delivering appropriate outcomes

Criterion 5:
The organisation learns and improves its performance through continuous monitoring and review of the systems and processes in place for meeting its objectives and delivering appropriate outcomes

Criterion 6:
The Board ensures that there are proper and independent assurances given on the soundness and effectiveness of the systems and processes in place for meeting its objectives and delivering appropriate outcomes
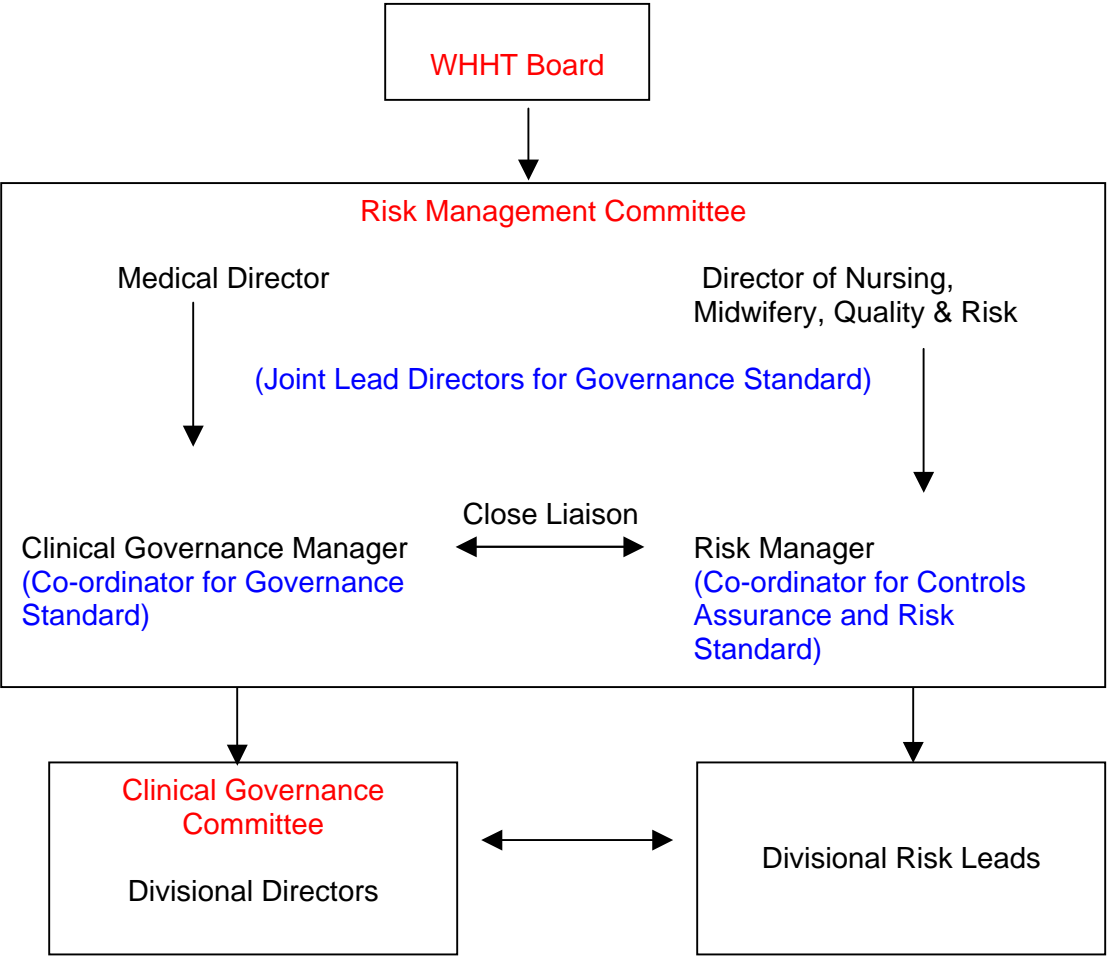
Criterion 7:
The Board can demonstrate that it has done its reasonable best to achieve the objectives and outcomes, including maintenance of a sound and effective system of internal control.

Controls Assurance: Governance Standard

Chart to indicate

Responsibilities for Controls Assurance Governance Standard

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                    │   WHHT Board     │
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┌────────────────────────────────────────────────────────────────┐
│              Risk Management Committee                          │
│                                                                │
│   Medical Director              Director of Nursing,           │
│         │                       Midwifery, Quality & Risk       │
│         │                                  │                   │
│    (Joint Lead Directors for Governance Standard)              │
│         │                                  │                   │
│         ▼                                  ▼                   │
│                        Close Liaison                           │
│  Clinical Governance Manager  ◄──────►  Risk Manager          │
│  (Co-ordinator for Governance          (Co-ordinator for       │
│  Standard)                             Controls Assurance      │
│                                        and Risk Standard)      │
└────────┬───────────────────────────────────────────┬──────────┘
         │                                            │
         ▼                                            ▼
┌──────────────────────┐                  ┌──────────────────────┐
│ Clinical Governance  │                  │                      │
│     Committee        │  ◄──────────►    │ Divisional Risk Leads│
│                      │                  │                      │
│ Divisional Directors │                  │                      │
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CONTROLS ASSURANCE - STANDARD LEADS
Updated February 2004
(To Be Confirmed denotes recent leaver)

No	Title	Abbrvn	Lead Director	Manager(s) Responsible (* = Lead Person)
1.	Buildings, Land, Plant & non medical Equipment.	BU	David Law	*Mike Hudders Kyle McClelland
2.	Catering & Food Hygiene	CA	Nigel Coomber	* Terry Williams
3.	Decontamination of re-useable medical devices	DE	Howard Borkett-Jones	* Gillian Savage TBC
4.	Emergency Planning	EM	Howard Borkett-Jones	* Simon Green
5.	Environmental management	EN	Nigel Coomber David Law	*Phil Child
6.	Financial Management	FI	Vince Doherty	* Tony Bettridge
7.	Fire Safety	FS	David Law	* TBC
8.	Fleet and Transport Management	TR	Nigel Coomber	* Wendy Glendinning-Plews
9.	Governance	GO	Howard Borkett-Jones Gary Etheridge	*Celia Richards Nicola Moore
10.	Health & Safety Management	HS	Rob Allan	* Division Risk Leads
11.	Human Resources	HU	Rob Allan	* Rob Allan * Sue Whiterod * Suzanne Emerson
12.	Infection Control	IN	Howard Borkett-Jones	* Jiovanna Foley Robin Wiggins
13.	IM&T	IT	Vince Doherty	* June Dodds
14.	Management of Purchasing & Supply	PS	Vince Doherty	* TBC
15.	Medical Devices Management	MD	Howard Borkett-Jones	* Ian Brooks
16.	Medicines Management	MM	Howard Borkett-Jones	* Joan Craig
17	Professional & Advice Services	PR	Vince Doherty	* TBC
18.	Records Management	RE	Howard Borkett-Jones	* Anne Reilly
19.	Risk Management	RI	Gary Etheridge	*Nicola Moore
20.	Security Management	SE	Rob Allan	* Paul Mosley
21.	Waste Management	WA	Nigel Coomber	* Terry Williams
22.	Research Governance		Howard Borkett-Jones	*Celia Richards